ophir

Focused on sustainable growth

Annual Report and Accounts 2017

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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

Ophir is a full-cycle oil and gas company.

We have a diversified portfolio of high-quality assets, with robust growth prospects. These assets drive our returns-based investment strategy, growing NAV per share.

A strong balance sheet and low gearing gives us the capacity to realise growth over the short, medium and long term. We will achieve this growth by focusing on extracting the maximum return from our existing assets and funding discretionary exploration in core geographies.

Today, we generate solid cash flow from our production assets. **Tomorrow**, we look forward to monetising our discovered resource base to deliver the sustainable exploration and production model.

Read more about how we are securing value for our business, our partners, and our investors:

Our world-class asset base p2

Our business model p12

Delivering NAV through monetisation p16

Material resources – global opportunities

Our investment in global opportunities is driving our delivery of Net Asset Value (NAV) per share growth.

Ophir is supported by a low cost, high margin production base which generates proceeds for reinvestment or return.

We are deploying capital to unlock the value in our c. 1 billion boe of discovered resources and will selectively seek to add to our reserves and resources.

NAV[1]

6.4

% increase

Net funds flow from production[2]

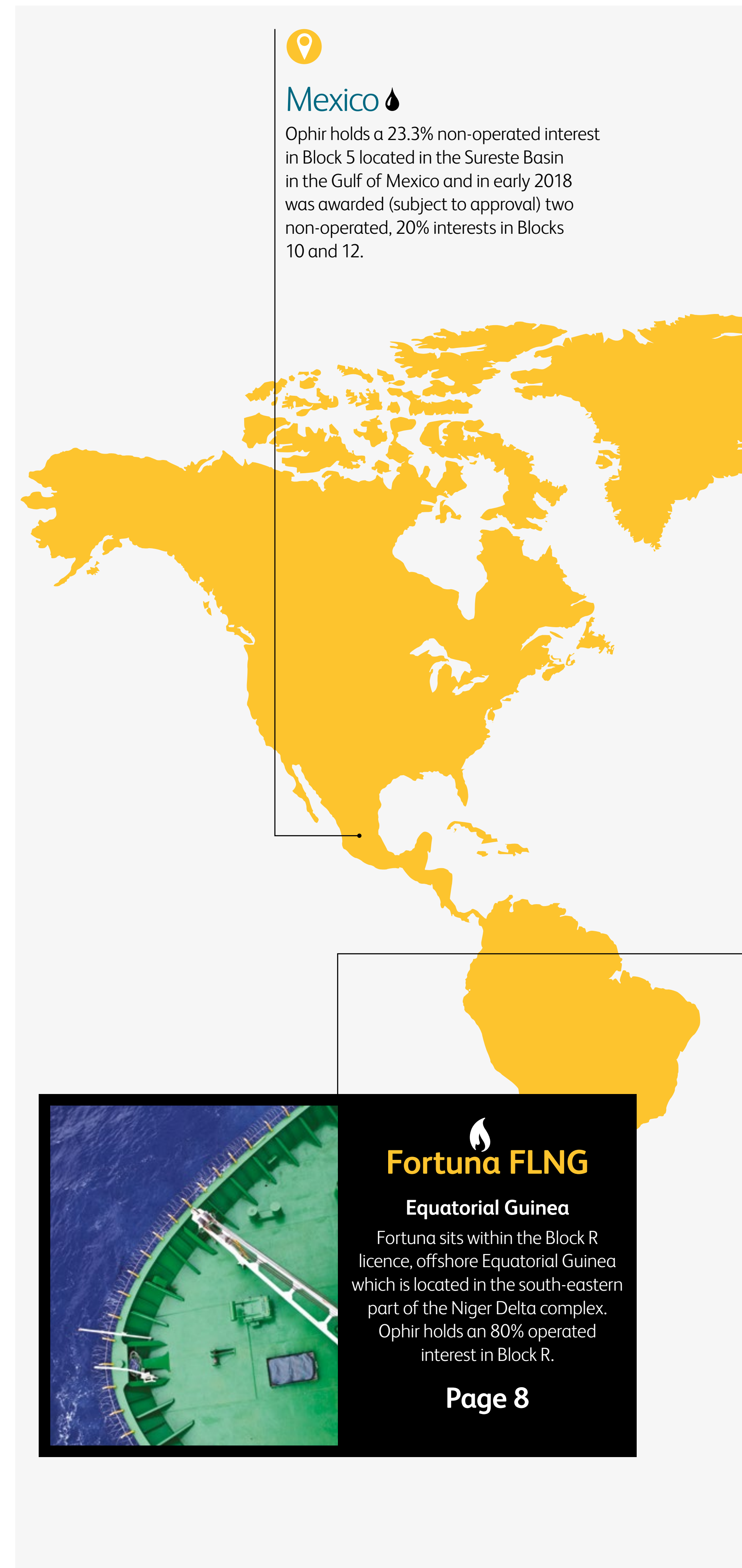
90

$m

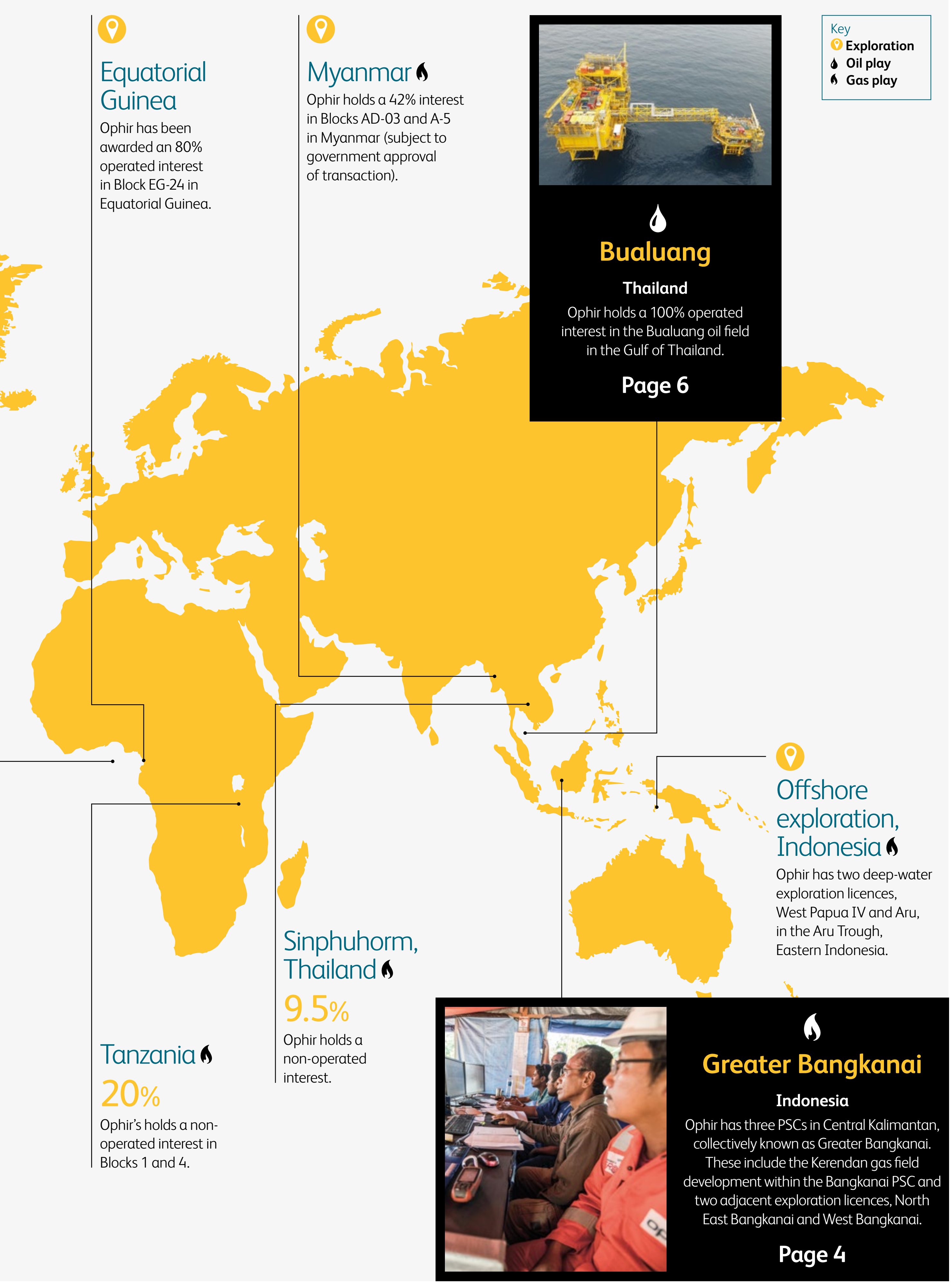
Operating Costs[3]

13

$per boe



1 Movement in NAV benchmark: 31 December 2016, 81.7. 31 December 2017, 86.9. Change in year + 6.4%. Details of NAV calculation methodology and rules of the NAV scheme explained on Page 72, Director's Remuneration Policy.
2 A reconciliation of net funds flow from production is presented within the table on page 37.
3 Excluding Sinphuhorm which is equity accounted.



Key
Exploration
Oil play
Gas play

Equatorial Guinea

Ophir has been awarded an 80% operated interest in Block EG-24 in Equatorial Guinea.

Myanmar

Ophir holds a 42% interest in Blocks AD-03 and A-5 in Myanmar (subject to government approval of transaction).

Bualuang

Thailand

Ophir holds a 100% operated interest in the Bualuang oil field in the Gulf of Thailand.

Page 6

Offshore exploration, Indonesia

Ophir has two deep-water exploration licences, West Papua IV and Aru, in the Aru Trough, Eastern Indonesia.

Sinphuhorm, Thailand

9.5%

Ophir holds a non-operated interest.

Tanzania

20%

Ophir's holds a non-operated interest in Blocks 1 and 4.

Greater Bangkanai

Indonesia

Ophir has three PSCs in Central Kalimantan, collectively known as Greater Bangkanai. These include the Kerendan gas field development within the Bangkanai PSC and two adjacent exploration licences, North East Bangkanai and West Bangkanai.

Page 4

Kerendan: Potential to quadruple production and cash flow

With Kerendan now on stream and ramped up to its contracted daily gas production, our plan to 2022 is to progressively monetise up to 250 bcf of discovered resource and increase production by 60 MMscfd."

Dr Nick Cooper
Chief Executive Officer

322 Bcf
of Net 2C resources

Operating review
p32

Overview

– Located in Central Kalimantan, Indonesia.
– First gas delivery in the first half of 2016.
– Currently supplies Indonesian National Power Company (PLN) with 19 MMscfd produced into a 155 MW power plant.

Potential for monetisation

The first phase of the project has commercialised 122 Bcf through a Gas Sales Agreement with PLN. There is an additional 457 Bcf of gas (gross) to be commercialised over the next five years.

60+ MMboe
2C resource available to monetise

Progress in 2017

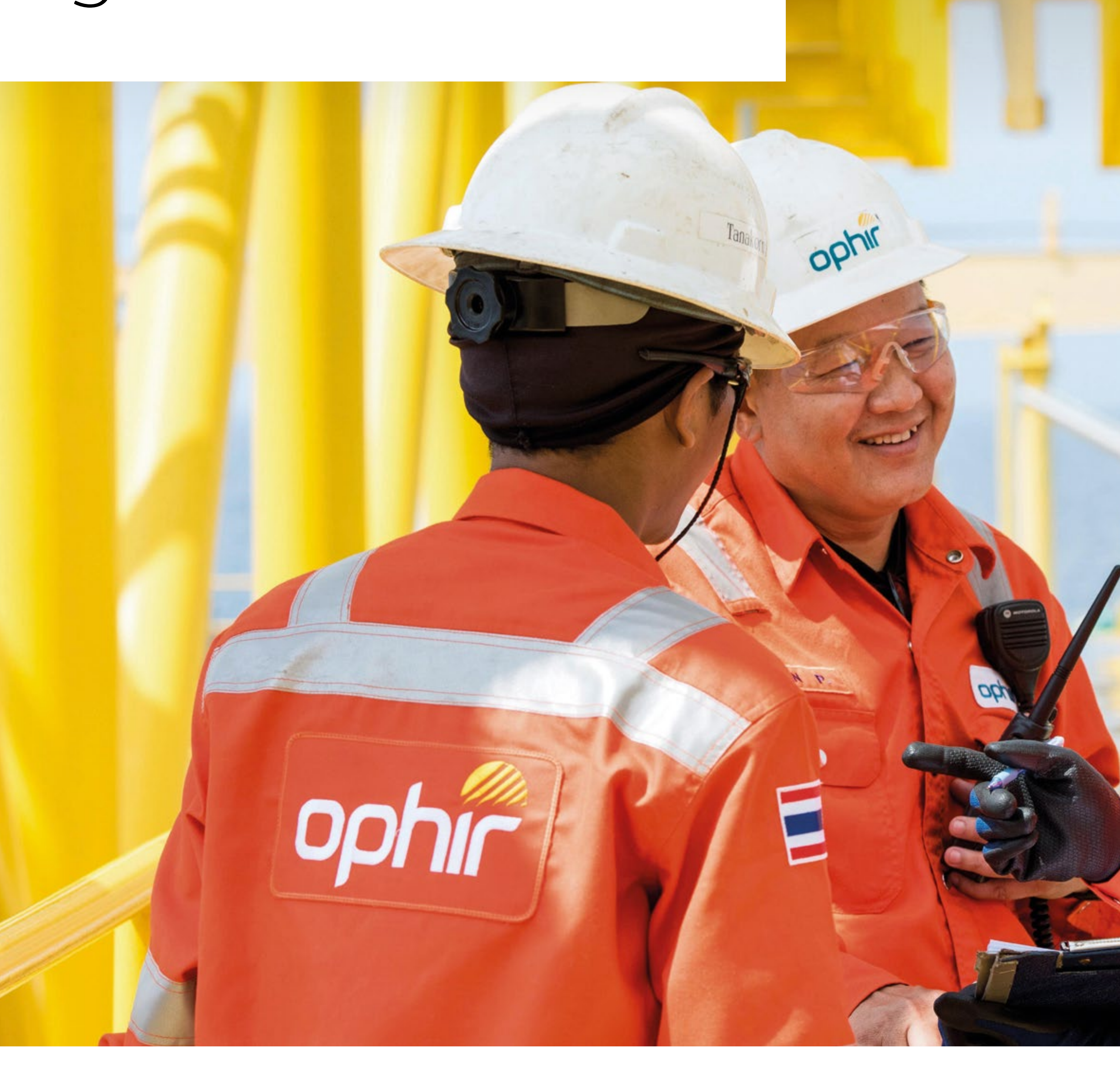
– Production ramped up to the full 19 MMscf daily contract quantity.
– 3D seismic programme in the Bangkanai and West Bangkanai PSCs was completed in December 2017 confirming upside potential.

Plan for the future

– Expand existing infrastructure to monetise additional 457 Bcf (gross)of 2C resources.
– Phase 2 expansion expected onstream 2020 – will monetise 95 Bcf (gross) and increase production by 20 MMscfd (100% increase).
– Phase 3 expected onstream 2022 – will monetise 150 Bcf, increase production by 40 MMscfd (a further 60% increase).

Operating review
p32

Bualuang: A reliable cash-generative asset



Bualuang is a bedrock asset for Ophir. It has been evergreen in nature and offers robust economics at low prices with its stable, reliable production along with a clear path to monetisation of additional resources."

John Bell
Director – Asian Operations

Overview

– Oil field located in the Gulf of Thailand.

– On-stream since 2008.

– Stable production – over 99% uptime in 2017.

Progress in 2017

– With the addition of phase IV, 2P Reserves have increased by 35%, inclusive of 2017 production.

– In 2017, the offshore facility re-injected an average of 72,460 bwpd using the capacity added through the 2016 debottlenecking project.

– Three well infill drilling campaign completed two wells in the deeper T2 reservoir and an infill well under the platform guided by an Ocean Bottom Node seismic survey.

Plan for the future

– Phase IV will commence in 2018 with drilling of three slot recovery wells and two workovers and the construction of a new 12 slot bridge linked well head platform.

– Platform installation and the drilling of 12 wells will commence in 2019.

– The full investment is estimated at c. $138 million with a project IRR of over 40%.

Fortuna FLNG: Unlocking material value

An innovative, low cost solution to bring a major gas resource onstream

Overview

- A world-class resource.
- High-quality, productive reservoirs.
- A highly cost competitive greenfield LNG project.
- Project utilises proven technology.

With Fortuna FLNG, we are leveraging proven technology and world-class partners to monetise 2.6 Tcf of gas and secure production of 16,000 boepd net to Ophir."

Oliver Quinn
Director – Exploration & Africa

2.2–2.5 MMtpa
Annual production (gross)

Potential for monetisation

At first commercial gas, the total estimated annual project cash flow is US$140 million net to Ophir[1], an attractive return with Ophir's total Capex to first gas capped at US$150 million on a total projected capex cost of US$2 billion[2].

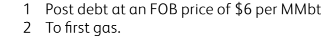
Investment in the project is underpinned by an innovative commercial structure which aligns investment across the value chain. With the Fortuna field's location, the gas access Asian and regional African markets, placing the project well for future long term sales.

Progress in 2017

- Signed Umbrella Agreement with the government of Equatorial Guinea.
- Announced Gunvor as preferred offtaker for LNG.
- Awarded Upstream construction contracts to OneSubsea and Subsea7.

Plan for the future

- Close out the project financing.
- Secure final approvals ahead of Final Investment Decision.
- Complete the required development wells and subsea infrastructure.
- First gas expected 2022.



1 Post debt at an FOB price of $6 per MMbtu.
2 To first gas.

Operating review
p32

Market context: The state of Upstream

Reflecting continuing economic recovery, the global energy demand growth remained strong in 2017 with total increase in energy consumption estimated at 1.4%."

Dato Sandroshvili
Director – M&A

Economic overview

The global economic recovery continued throughout 2017 with the global GDP growth estimated at 3.5%. Advanced economies posted strong domestic demand and output. Similarly, strong domestic demand in China resulted in the GDP growth of 6.9%. Financial conditions also remained strong in both the advanced and in the developing economies. At the same time, the growth has been quite broad with most of the global economy contributing to it: the IMF estimates that over 75% of the world economy, measured by GDP at purchasing power parity, is sharing the growth (fig 1).

The global equity markets have responded accordingly with the MSCI World Index, as well as other leading equity indicators (S&P 500, DJ 30, NASDAQ Composite and FTSE 100) reaching all-time high levels. The FTSE 100 index grew by 7.6%.

The economic growth and strong equity market performance have enabled central banks to continue reversal of the policy of credit easing. The Federal Reserve Bank of the United States has raised its target funds rate twice by 0.25% on each occasion, and the Bank of England has also raised the Bank Rate once by 0.25%.

Energy markets overview

Reflecting continuing economic recovery, the global energy demand growth remained strong in 2017 with total increase in energy consumption estimated at 1.4%. Oil demand was strong with a y-o-y growth rate of 1.6 million barrels per day reaching a total demand of 94.4 million barrels per day (fig 2).

OPEC and other big exporters have continued the policy of production cuts and have extended the period of the cuts to end 2018.

The North American shale production growth has continued but appears to be more selectively focused in the higher quality basins

Fig 1: Global GDP growth

Fig 2: 10 years of oil demand

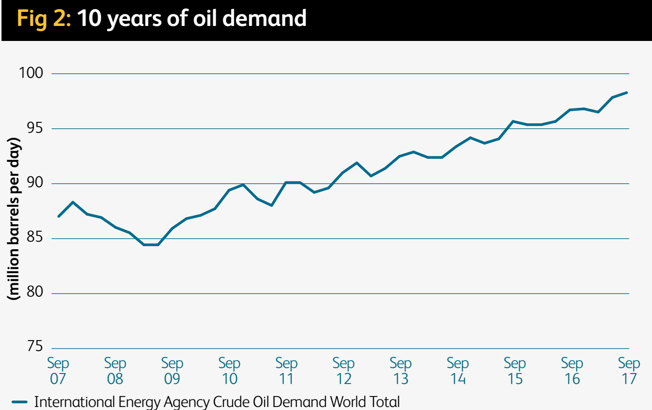


Fig 3: Average oil prices

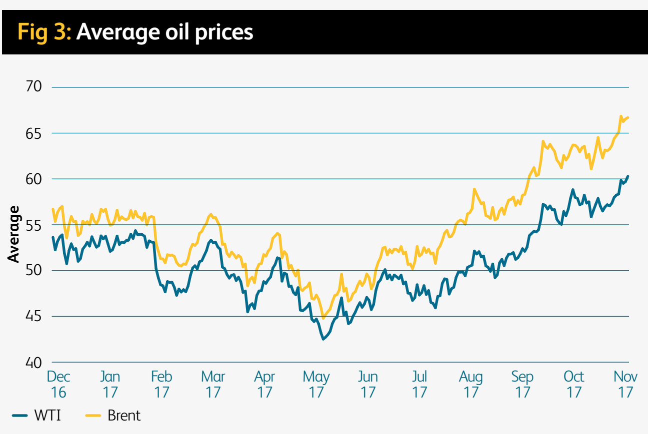
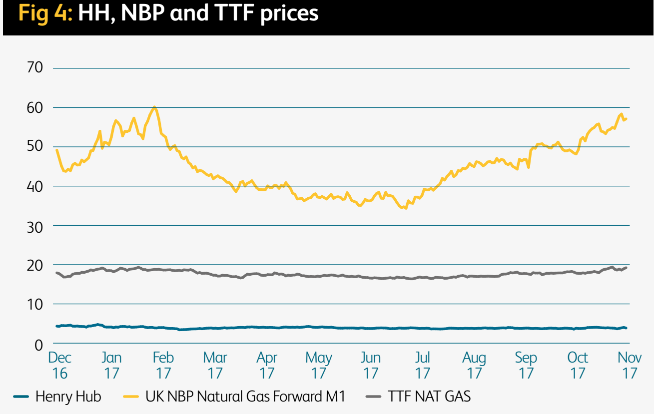


Fig 4: HH, NBP and TTF prices



and better funded players, contributing to recovery in the benchmark oil prices. Dated Brent price for 2017 averaged US$54.7/barrel and WTI averaged US$50.9/barrel. Looking forward, it is still uncertain what impact US shale production will have on pricing in 2018 and beyond, as the 'tug-of-war' continues between OPEC and US producers (fig 3).

Climate change and other emission-related concerns have accelerated the process of coal to gas switching. Global gas consumption continued to grow and is estimated to have reached 125.8 trillion cubic feet in 2017. China played an important role in this growth with the strong emphasis on solving the pollution problem, which has resulted in a y-o-y Chinese gas consumption growth of 15%.

Traded hub prices remained low with average Henry Hub, NBP and TTF prices all declining vis-à-vis the 2016 averages (fig 4).

The global LNG environment has remained challenging. The market continues to be oversupplied in the short term causing project delays. Only one final investment decision was taken during the year, with 80% targeted for FID in 2017 delayed or cancelled. On the positive side, the spot LNG prices have recovered with TPLNG JKM index for March 2018 deliveries reaching $9.5/MMbtu at the end of December. Within this Floating LNG has matured into a more mainstream activity.

Looking forward to 2018, oil and gas demand growth is expected to continue but price uncertainty remains due to fragility of global economic growth and risks associated with low real wages growth and weak inflation.

E&P sector update

The E&P sector responded positively to the oil price recovery at the end of the year. The focus of the E&P companies has been reducing costs and average portfolio break even prices, de-levering balance sheets and conserving capital. Ophir has not been an exception to this trend.

Despite some success with the above, the listed E&P sector continues to struggle for relevance in the context of global equity capital markets. Access to growth capital remained one of the key issues facing the sector as the generalist investors have largely stayed away from the sector and appear to be playing global growth through investment in technology rather than commodities.

In the EMEA E&P space, private equity has continued as one of the most important sources of funding, particularly when backing small private companies in acquiring assets from the majors. This trend is likely to result in a number of public market listings in 2018 and 2019, creating further competition for capital for incumbents.

In North America, the E&P companies with international presence continued retrenchment to their home markets, which has continued creating inorganic opportunities for the international E&Ps. As for the activities in North America itself, the rig count has increased by 31% but the investor focus has shifted from investments in the future growth towards cash flows and profitability. This resulted in a considerable reduction to the capital invested in the sector with the public market equity and equity-linked issuance in 2017 declining by 80%% compared to the record highs of 2016.

The industry context has remained challenging for exploration, with Westwood Global Energy Group estimating that global exploration well count to have reduced by around 60% in 2013 while exploration drilling spend has reduced by around 80%. At the same time, the success rates have improved in 2017, with technical success rates reaching c. 68% and commercial success rates – 47%. Improved capital discipline and has improved the performance (fig 5).

Reduction in seismic and drilling rates and strong focus on drilling efficiency has resulted in the lowest finding costs in the recent history with 2017 average finding costs of $0.48/boe (fig 6).

Fig 5: Gross exploration wells and success rates

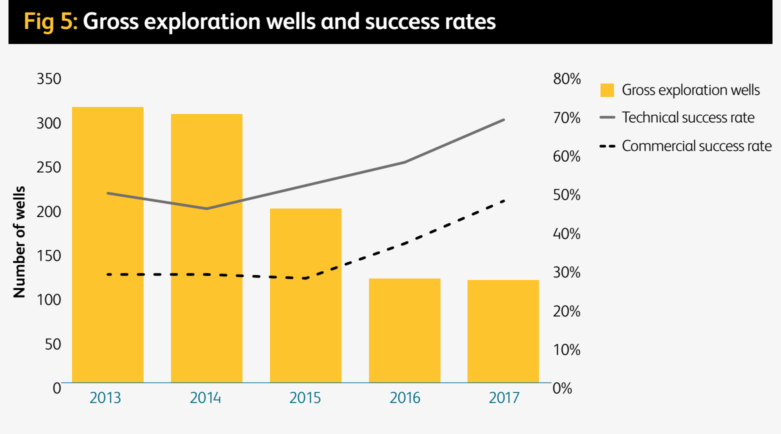
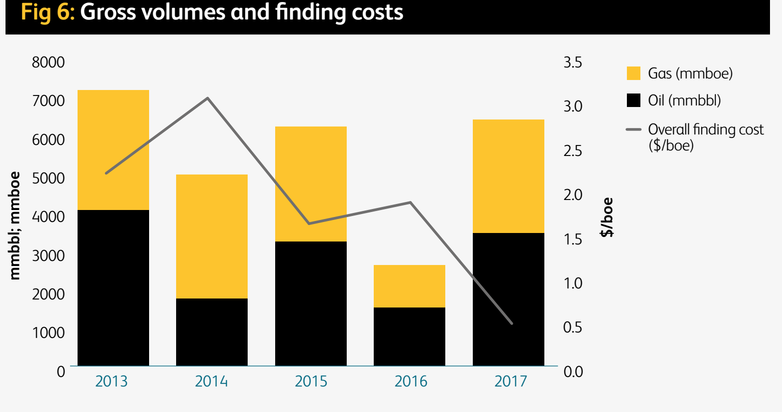
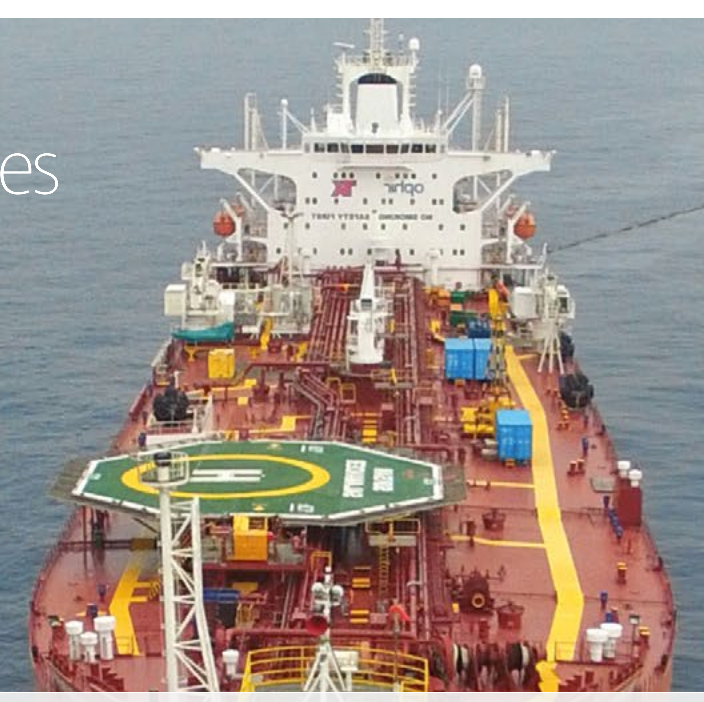


Fig 6: Gross volumes and finding costs





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

INPUTS

Strengths
- Financial efficiency
- Exploration acreage
- Cash flow from production
- The right people
- Operational safety
- Disciplined cost management

101m
Capex ($ millions)

-60%
Gross G&A reduction over three years

SUSTAINABLE THROUGH THE CYCLE

CAPITAL RETURNS

Find low
'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.

FACTORS FOR FINDING LOW

- A rationalised, tighter exploration portfolio
- Rigorous analysis by experienced geo-scientists
- Focus on infrastructure led exploration

2
new licences added

Monetise smartly
Converting discovered hydrocarbons into cash by monetising smartly and efficiently to maximise the value that we create on a NAV per share basis.

MONETISING SMARTLY

- Find new ways to be commercially innovative
- Maximising NAV
- Financial efficiency

995
mmboe 2C resource

Find low
Consistent portfolio high-grading, maintaining discretion over which prospects we drill and keeping costs under control. We are moving towards predominantly infrastructure led exploration.

Monetise smartly
Monetising our discovered resource is key if we are to create long-term value. 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.

Produce
Our aim is to generate sufficient cash flow from production that we can sustain both reinvestment into our asset portfolio and offer capital returns. We can maximise the margin through operating safely, reducing operating costs and maximising uptime.

FIND LOW
SUSTAINABLE THROUGH THE CYCLE
PRODUCE
MONETISE

Chief Executive Officer's review p16

Remuneration report p79

OUTPUTS

Produce

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.

CREATING CAPITAL GROWTH

- Operate safely
- Minimise operating costs
- Maximise cash flow from current production assets

90[1]
Net funds flow from production ($m)

Maximising value creation

Deliver a sustainable business model with sufficient cash flow to explore consistently

Grow NAV per share

Return capital to shareholders.

Shareholders

- Dividends
- NAV growth
- Value back into business to drive future business growth

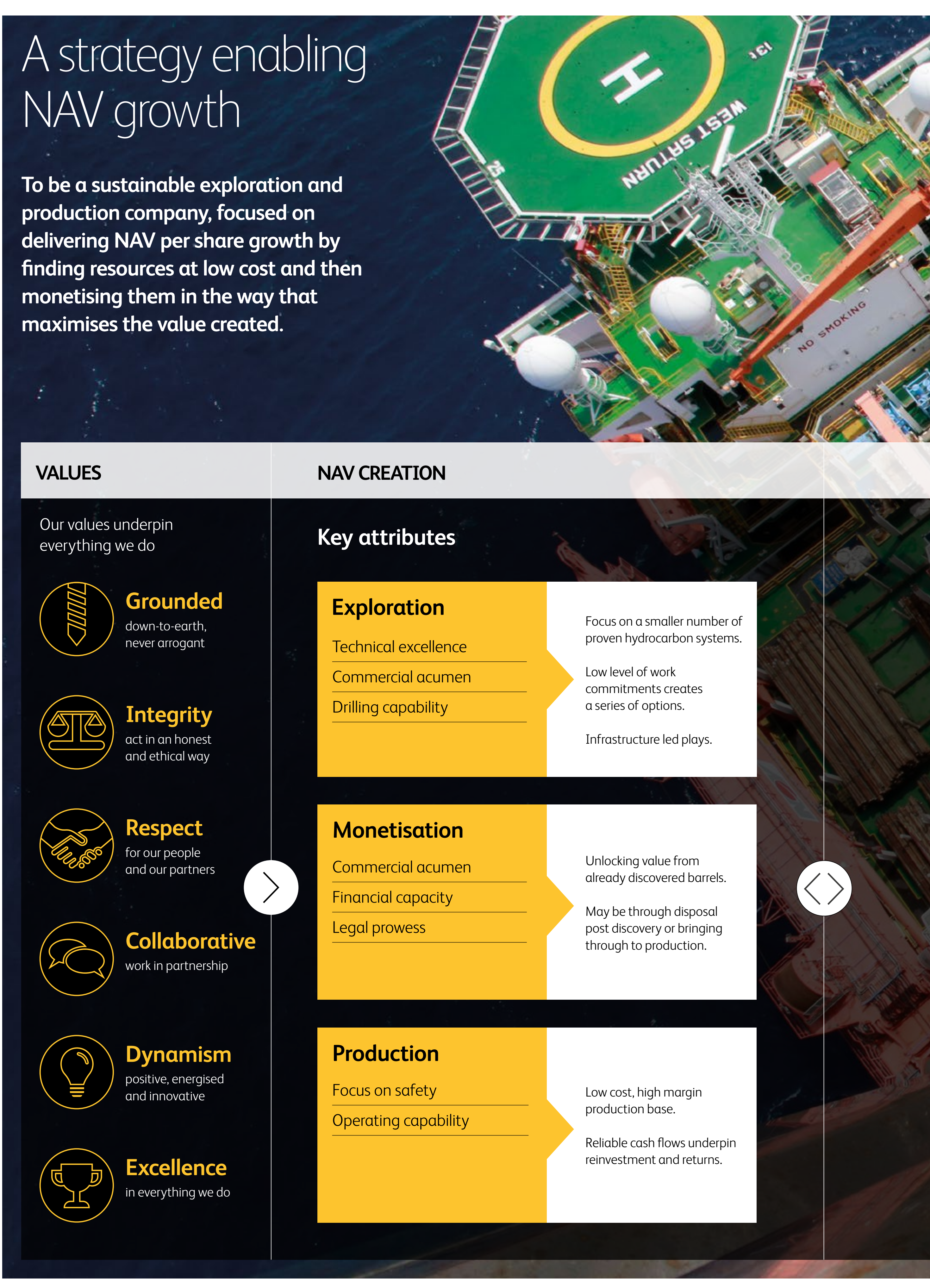
6.4%[2]
Growth in NAV

Stakeholders

- In country economic contribution
- Employment opportunities
- Safe and reliable operations

1 A reconciliation of net funds flow from production is presented within the table on page 37.

2 Refer to footnote on page 2.



A strategy enabling NAV growth

To be a sustainable exploration and production company, 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.

VALUES

Our values underpin everything we do

Grounded
down-to-earth, never arrogant

Integrity
act in an honest and ethical way

Respect
for our people and our partners

Collaborative
work in partnership

Dynamism
positive, energised and innovative

Excellence
in everything we do

NAV CREATION

Key attributes

Exploration

- Technical excellence
- Commercial acumen
- Drilling capability

Focus on a smaller number of proven hydrocarbon systems.

Low level of work commitments creates a series of options.

Infrastructure led plays.

Monetisation

- Commercial acumen
- Financial capacity
- Legal prowess

Unlocking value from already discovered barrels.

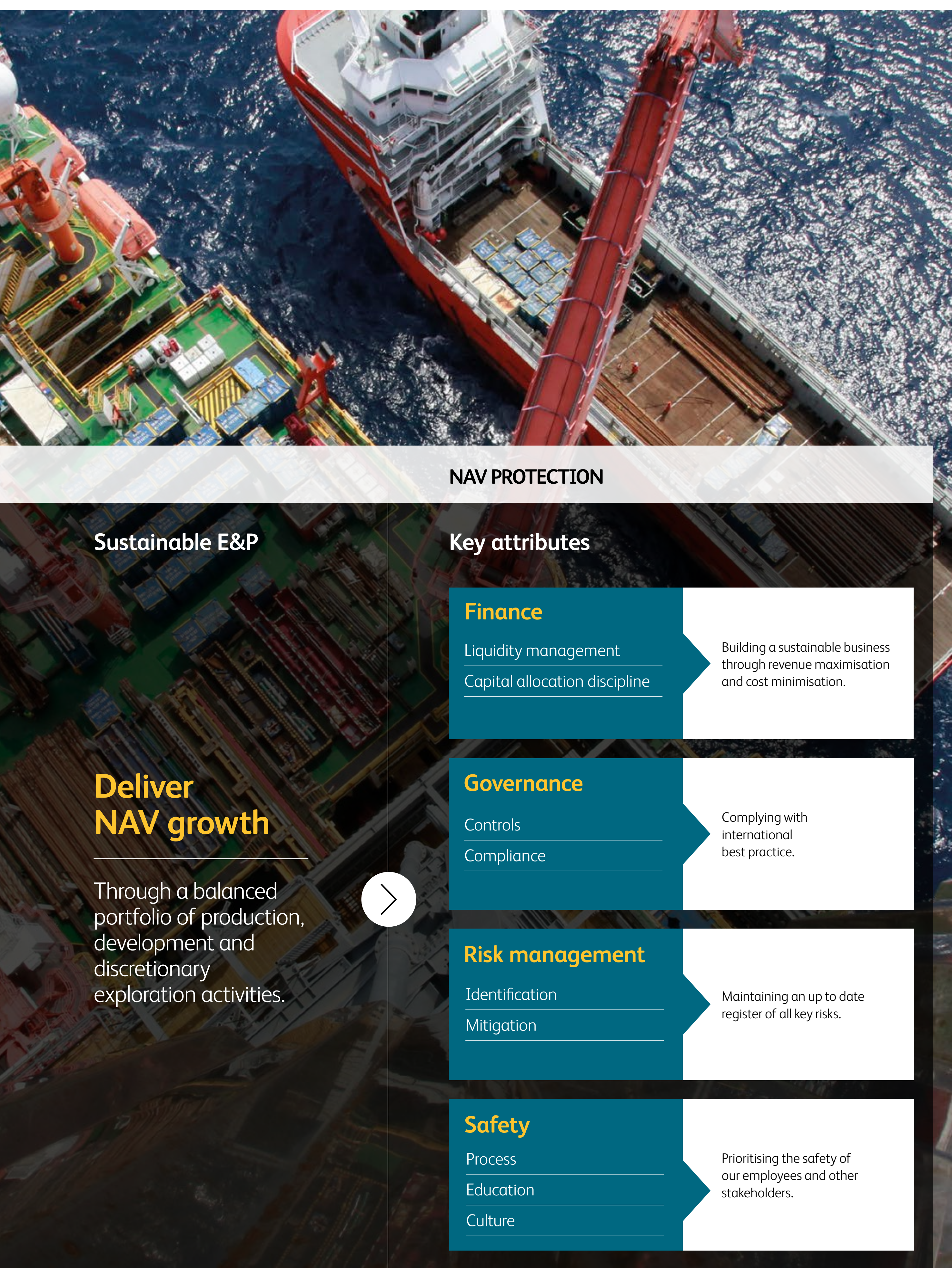
May be through disposal post discovery or bringing through to production.

Production

- Focus on safety
- Operating capability

Low cost, high margin production base.

Reliable cash flows underpin reinvestment and returns.



NAV PROTECTION

Sustainable E&P

Deliver NAV growth

Through a balanced portfolio of production, development and discretionary exploration activities.

Key attributes

Finance
- Liquidity management
- Capital allocation discipline

Building a sustainable business through revenue maximisation and cost minimisation.

Governance
- Controls
- Compliance

Complying with international best practice.

Risk management
- Identification
- Mitigation

Maintaining an up to date register of all key risks.

Safety
- Process
- Education
- Culture

Prioritising the safety of our employees and other stakeholders.

Delivering NAV growth through the monetisation of low cost, cash-generative assets

"2P Reserves increased by 13% compared with year end 2016."

Dr Nick Cooper
Chief Executive Officer

The period 2015-17 has been a challenging time for upstream E&P. At Ophir, our response to the downturn was to focus on what we control, namely maximising our margins. After three years of portfolio and cost readjustment and a consistent focus on growing NAV per share, Ophir has emerged from the cyclical downturn well positioned to deliver sustainable returns to shareholders going forward.

Since 2014, we have reduced the magnitude of our annual capital spend and have prioritised our assets that offer the most sustainable, lower risk, returns.

In keeping with this strategy, our capital allocation priorities are:

- Maximising and expanding cash flow from production assets;
- Monetising contingent resource;
- Refocused exploration;and/or returns to shareholders.

In order to maximise margin growth during 2017 we further reduced unit Opex, Capex and overhead costs. Among the more visible actions was the reduction to the London head office organisation along with the executive team, and the decision by the executives to waive their 2017 bonus entitlements. These actions helped us to deliver $21-per-boe[1] of net funds flow from production that averaged 11,700 boepd. The rebalancing of our portfolio and our capex prioritisation away from its prior primary exploration focus has seen Ophir approach sustainability. Most importantly, we have achieved these results with a strong safety record.

A firm financial footing

With a strong balance sheet, a robust operating cash flow and an experienced team, we have the capacity to monetise our sizeable contingent resource portfolio. In June we completed a new $250 million reserve based lending facility secured against our producing Asian assets, along with an additional $100 million accordion facility.

Returns-based investment

Ophir's operating model is to find resources cheaply and then monetise them smartly. Consequently our deployment of capital and manpower is dictated by where we can

1 Calculated as net funds flow from production, as reconciled on page 37, divided by total production.

$90 million

2017 Net funds flow from production

maximise returns. With an approximate net 1 billion boe of contingent resources, our overriding priority is to rapidly and safely monetise these substantial discovered hydrocarbons.

We were disappointed that we were unable to FID the Fortuna project as hoped in 2017, but we ended the year having completed all other material steps required to achieve the FID and we made further progress across the rest of our portfolio.

Our Bualuang field is moving into a fourth development phase which will drive cash flow growth in 2018-19 and on our Kerenden field we recently reached an agreement in principle to increase the gas price and started negotiations for a doubling of production by 2020.

We must be a financially and operationally sustainable business. This requires us to add to our resource base with exploration, albeit with discipline and prudence. Our exploration efforts are now focused on a smaller number of core areas where we are confident of promptly monetising any discoveries. We have selectively picked up new acreage, in Equatorial Guinea ("EG") and Mexico, where Ophir is now the biggest independent listed acreage holder in the Mexican offshore.

Fortuna FLNG – cost competitive LNG

Fortuna FLNG is a potentially transformative project for Ophir. For a relatively limited forward investment, we are looking to launch a world- class development that will offer significant, annuity-like cash flow for 20+ years. This future cash flow would underpin both further investments and capital returns.

The project financing is the last remaining major milestone before Fortuna can reach FID and it was very frustrating not to achieve this in 2017. However, in partnership with OneLNG, we continue to work to secure the funding that will enable FID to be taken.

We take confidence from Fortuna's robust, low breakeven economics with low development costs and world-class flow rates that contribute to arguably the most competitive greenfield LNG project in the world today.

An annual global LNG demand growth of around 4-5%, combined with a forecast slowing of LNG supply growth beyond 2020 and a tightening supply/demand balance has positioned Fortuna well as it enters production from 2022. A benefit of the current commodity price slump is that we have been able to lock in lower unit pricing for the development.

We are working towards reaching first gas in 2022, when we can look forward to annuity like free cash flows from the asset of approximately $150 million per year at current prices. Importantly, the Company has selected a preferred offtaker on attractive commercial terms, as we announced a Brent-linked, free-on-board offtake agreement with the Gunvor Group ('Gunvor'). Upon execution of the commercial terms, Gunvor would underwrite the contract capacity of the Gandria FLNG vessel of 2.2 MMtpa. Under this agreement, we would retain the option, for up to two years from FID, to secure an alternative, premium priced, market for 1.1 MMtpa of this volume. In addition we would retain the option to market the remaining 0.3-0.5 MMtpa of further offtake from the project.

Our vessel for conversion, the Gandria, is expected to enter the shipyard in early March 2018 to commence early works. Separately, Golar's first FLNG vessel, FLNG Hilli Episeyo, left the same shipyard and reached its operating location in Cameroon in November 2017. The vessel is currently being commissioned prior to delivery of its first commercial cargo. The delivery of this first cargo would represent an important step in the derisking of the midstream component of the Fortuna FLNG project.

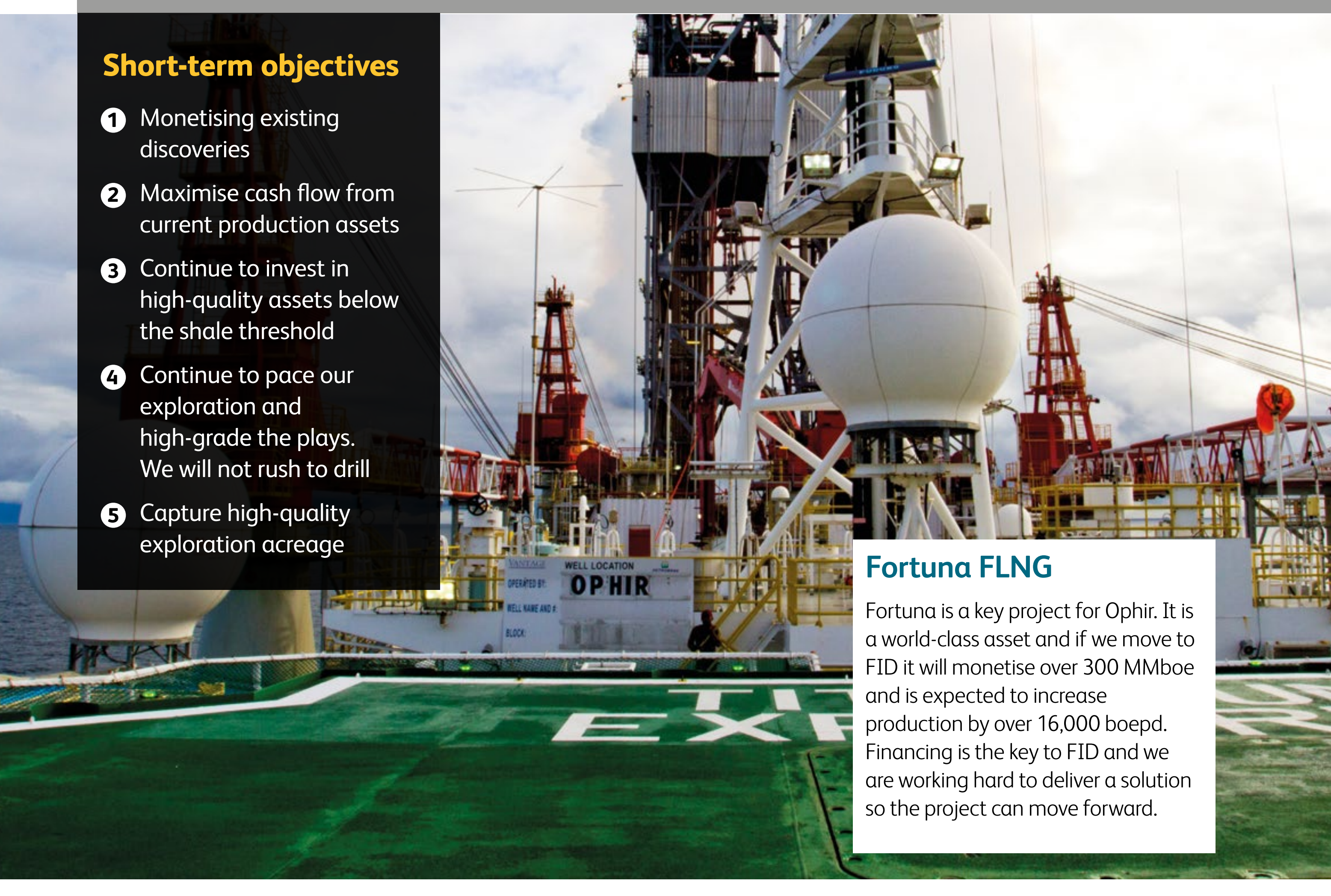
2017 Activities

1. Completed Bualuang in-fill drilling programme
2. FID phase IV of Bualuang development
3. Restarted operated exploration programme
4. Refinanced debt facility
5. Captured high quality exploration acreage

Focus on Bualuang

The Bualuang field has been producing since 2008. It has been 'evergreen' and a field that was expected to produce 15 MMbo over a five-year period has now produced over 30 million barrels over nearly 10 years. It is still growing today and the Phase IV development will take the EUR to over 60 MMbo. The field is expected to be in production for at least another decade with more potential upside still to be unlocked.

Our strategy is to be a sustainable explorer



Short-term objectives

1. Monetising existing discoveries
2. Maximise cash flow from current production assets
3. Continue to invest in high-quality assets below the shale threshold
4. Continue to pace our exploration and high-grade the plays. We will not rush to drill
5. Capture high-quality exploration acreage

Fortuna FLNG

Fortuna is a key project for Ophir. It is a world-class asset and if we move to FID it will monetise over 300 MMboe and is expected to increase production by over 16,000 boepd. Financing is the key to FID and we are working hard to deliver a solution so the project can move forward.

Bualuang and Kerendan – reliable production – significant upside

In 2017, we took the investment decision to undertake the fourth development phase of the Bualuang oil field. The initial phase of this development will start with infill drilling in 2018 and will continue in 2019 with the installation of a new platform and then further drilling. This fourth development phase has converted 9.9 MMbo of contingent resource into proved and probable reserves and is expected to deliver rapid payback on the estimated $138 million total development cost. In addition, the 2017 Bualuang infill drilling programme completed successfully and enabled us to maintain the field's average production across the year at 8,300 boepd.

At the Kerendan gas field, we have been renegotiating the gas price for the current phase one production and taking steps to monetise further gas from the asset beyond the initial contracted amount of 122 Bcf. The onshore 3D seismic survey on Bangkanai and West Bangkanai was completed in December 2017. This data, in combination with the information from the 2014 West Kerendan-1 ('WK-1') well and WK-1 drill stem test, is expected to provide the assurance to SKK Migas (the State regulator) for them to certify further tranches of gas sales. Over the medium term, we see potential to triple gas sales from the field. We will be working on initiatives to realise that potential in 2018.

In February 2018, a higher gas price of $5.65 per MMbtu was agreed in principle for the current phase one volumes that we are producing today. Negotiations have started for a second phase of gas supply to PLN for a proposed 145MW gas fired power plant adjacent to the existing plant. It is expected that this will approximately double the current output from 2020. Beyond this, we are examining options for further, third party sales on a similar timeline.

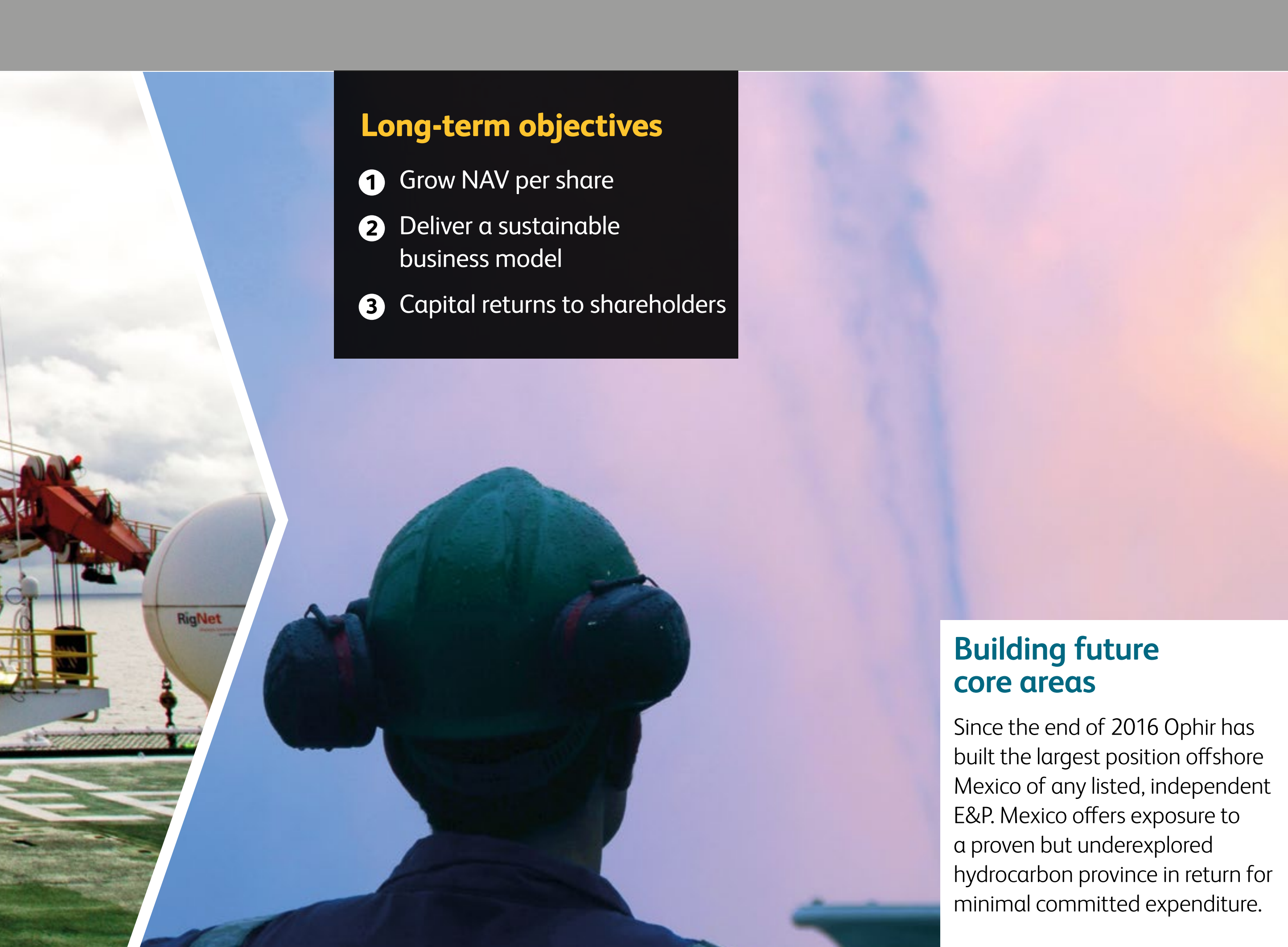
Exploration

This year, we continued to exit countries that could not meet our returns or risk criteria and to focus on fewer plays. We are pleased to have established the biggest footprint offshore Mexico of the listed independent E&Ps. The Mexican Block 5 licence was signed in 2017 and this was followed up in early 2018 by the award to Ophir of the Block 10 and Block 12 licences. All of these are non-operated positions with high quality partner groups with low committed costs.

Ophir was also successful in securing block EG-24 in 2017. This operated licence is close to infrastructure and prospective for oil. A farm-out process is ongoing. Also we will take 'drill or drop' decisions in 2018 on our acreage in Myanmar and Indonesia, with these decisions as ever being based on the risk-reward and our capital discipline.

Across our refocused portfolio several targets have been identified for potential drilling from 2H 2018. These include lower cost satellite targets adjacent to our Bualuang and Kerenden producing fields.

With our disciplined approach and robust cash flow we are currently allocating an average of $35 million per annum of discretionary risk capital to exploration over the next five years. Within this self imposed constraint Ophir will continue to capture acreage, conduct seismic programmes and high-grade drilling opportunities to only allocate drilling risk capital to the best prospects on a combined technical and commercial basis.



Long-term objectives

1. Grow NAV per share
2. Deliver a sustainable business model
3. Capital returns to shareholders

Building future core areas

Since the end of 2016 Ophir has built the largest position offshore Mexico of any listed, independent E&P. Mexico offers exposure to a proven but underexplored hydrocarbon province in return for minimal committed expenditure.

People and safety

To meet the targets we have set for the business, we were required to undertake some difficult but important actions in 2017. In particular, we reduced our London office and expatriate head count by approximately 50%, which equated to approximately 15% of our global workforce. This action has resulted in savings of approximately US$12 million per year. The reduction was carefully undertaken in the context of prioritising the monetisation of existing discovered resource, and of shifting the exploration focus onto a more concentrated portfolio.

As part of this process, Dr Bill Higgs left the Board of Ophir. I would like to personally thank Bill for his substantial contribution to Ophir and wish him much success in his future endeavours.

The staff reductions Ophir has affected since the acquisition of Salamander Energy has demonstrated the synergies available from such transactions. We are now effectively running the two companies for the costs of one. Moreover, we have retained all competencies and experience essential to the delivery of our core projects.

We have also sought to engender a stronger culture of ownership with our NAV remuneration structure. With this incentive package, every member of the team is focused on delivering the best value for every dollar invested.

Regardless of the size or composition of our workforce, safety remains our absolute priority. This year, and with an additional 1,400 plus contractors working at times on our onshore Kerendan 3D seismic programme, I am very pleased to report that we achieved zero LTIs on over seven million hours worked. As we note in the Corporate Responsibility section of the report, we reached two significant milestones in 2017: our Thailand operations achieved three LTI free years through which we undertook multiple drilling programmes and completion of numerous infrastructure upgrades. In Indonesia we reached over two years LTI free, having completed a challenging onshore 3D seismic survey.

A sustainable business

In what has been one of the most challenging down cycles, our team has continued to drive forward projects that we believe will realise material value in the coming years.

We have adapted and right-sized our business, and have met most of our operational targets set for 2017.

In the past three years Ophir has transitioned from an equity-funded explorer towards being a sustainable, full-cycle upstream independent. We entered the downturn with arguably the most fragile business model of our peer group, and we are emerging from it in a far healthier and more robust financial and operational state. Specifically, we have a strong combination of operated projects that are delivering cash, and with our monetisation plans, have the prospect of tripling our current cash flow over the next five years. Using our balance sheet strength to deliver this plan we can offer both growth and solid returns to our shareholders.

Dr Nick Cooper
Chief Executive Officer

Reporting against our 2017 Key Performance Indicators

Our Key Performance Indicators for 2017 measure performance across the business. We delivered against the majority of metrics and the evidence of this is in the fact that our NAV grew by 6.4% during 2017. Detailed commentary on the performance can be found in the relevant section of the report signposted at the bottom of the table.

Exploration	Operations	Financial strength and returns
2017 strategic objectives	**2017 strategic objectives**	**2017 strategic objectives**
Capture high-quality exploration acreage, generate and high-grade prospects and mature up to six 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
– Maturing prospects to drillable status – Entering new exploration positions	– Further development of leading indicators – Delivering capital programme in line with capital expenditure budget and 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
Summary of outcomes:	**Summary of outcomes:**	**Summary of outcomes:**
Mature six top ranked prospects to drillable status:	**Health, safety, security & environment (HSSE):**	**Bualuang:**
– Added 219 MMboe of drillable risked resource to portfolio – Three prospects were put through our Peer Review process, signed-off and added to our portfolio as potential drilling prospects	– Improvements made in the performance of leading indicators and the results obtained, particularly regarding the percentage of deficiency of audited permit to work and aircraft downtime	– In the six month period from June to December c. 250 kbo incremental production was achieved
Enter new exploration positions:	**Performance:**	**Fortuna:**
– Added new exploration block in Equatorial Guinea, EG-24 – Signed the Block 5 licence in Mexico	– Achieved a full year Capex of $101m, which was $77m below budget – Achieved a full year Opex/boe of $12.80[1] which is an 12% reduction	– Umbrella agreement, LNG offtake and construction contract awards were all completed – Project funding remains outstanding item ahead of an FID

Operating review
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Operating review
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Financial review
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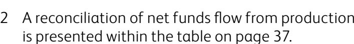
1 Excluding Sinphuhorm which is equity accounted.

Business model	Internal metric	External metric
2017 strategic objectives	**2017 strategic objectives**	**2017 strategic objectives**
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 form managers to employees – Increasing adoption of our Values throughout the organisation	– Establish greenhouse gas baseline for Ophir's operations – Ethical compliance programme
Summary of outcomes:	**Summary of outcomes:**	**Summary of outcomes:**
Capital structure:	**Employee engagement:**	**Demonstrate Ophir's commitment to creating a sustainable energy business:**
– Achieved RBL refinancing, with a $250m facility	– 2017 employee engagement survey completed with increased participation from 2015 survey – Over 80% of employees reported receiving regular constructive feedback from their manager	– CDP submitted, which will set a benchmark for performance improvement targets going forward
Sustainable business model:	**Employee engagement:**	**Good citizen:**
– Net funds flow from production for full year 2017 at $90m[2]	– 95% of employees in the survey reported that they understood the behaviour expected from them in accordance with the Ophir Values – Over 75% of employees reported feeling empowered to make decisions that allowed them to do their job effectively	– 2017 Ethical Compliance Programme completed by all employees and contractors

Strategy and business model p12-15

Corporate Responsibility p38

Corporate Responsibility p38



2 A reconciliation of net funds flow from production is presented within the table on page 37.

Our new Key Performance Indicators for 2018

> The new metrics within these categories are all clearly measurable and will provide a good barometer of our success in delivering our stated goal of growing NAV per share."

Dr Nick Cooper
Chief Executive Officer

As we started to think ahead to performance management for 2018, we decided to review our Key Performance Indicators. This was driven by a desire to make sure we are using the most appropriate metrics to allow stakeholders to benchmark the performance of the business.

The new KPIs provide a framework through which people should be able to measure our performance in the following broad areas:

- Health, safety and the environment
- Operational performance
- Financial management
- Employee satisfaction

The new metrics within these categories are all clearly measurable and will provide a good barometer of our success in delivering our stated goal of creating NAV per share.

Whilst annual targets will change depending on where we are in the business cycle, we expect the broad categories to remain unchanged over the coming years.

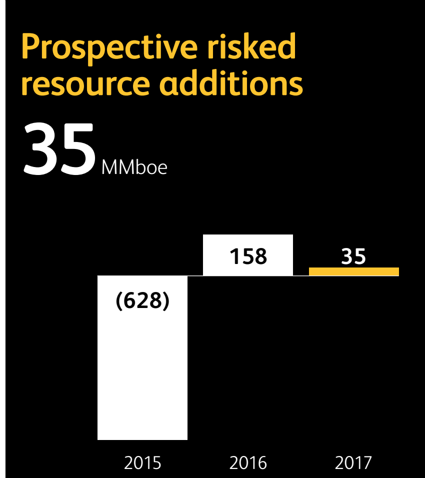
A more detailed explanation of the KPIs for 2018, along with the specific targets, can be found below and over the next few pages. By way of comparison we have also included, where appropriate, the historical performance in these categories to make it easier to benchmark performance.

Organic Growth

An increase in organic growth will provide the basis for future growth and NAV creation

Prospective risked resource additions

35 MMboe



2018 Expectation
In 2018 we will be focused on maturing the prospect inventory in Block 5, Mexico. We will also be starting detailed analysis of Blocks 10 and 12 in Mexico.

Description
Develop an inventory of exploration prospects to provide drilling opportunities for 2019 and beyond and a basis for future growth and manage current assets to increase value realised.

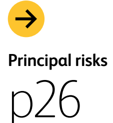
Measurement
(25 MMboe=100%, 15 MMboe=50%, 5 MMboe=0%)

The cumulative net prospective risked resource added to prospect inventory. Additions will need to have progressed through peer review. Prospects in blocks where a decision has been made to relinquish will be removed.

Link to Directors' remuneration

15%

These are both financial and non-financial and monitor the progress in delivering the Group's strategic objectives.



Principal risks
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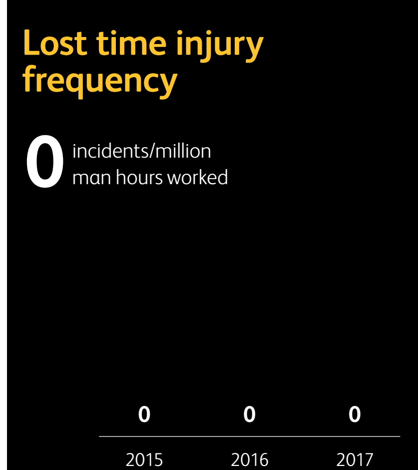
Licence to Operate (Community, Climate, HSSE and People)

Providing a safe and environmentally and socially responsible operating environment will help protect NAV value and support increase through growth supported by such operations

Lost time injury frequency

0 incidents/million man hours worked



2018 Expectation
We will continue to focus on a HSE performance that delivers zero lost time incidents.

Description
Provide a safe and secure working environment across operations to limit injury to workforce, cost of lost time due to injury or incident, potential insurance or legal costs and reputational damage.

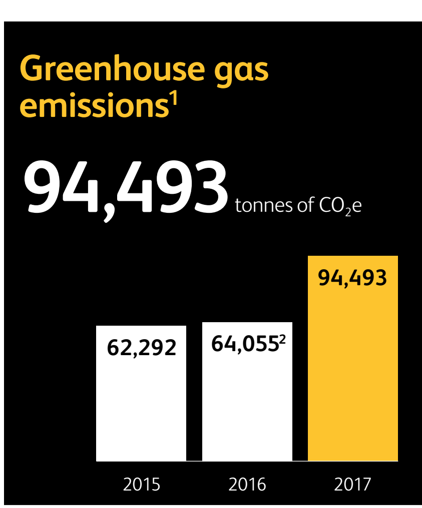
Measurement
(0=100%, 0.5=50%, 1=0%)

Lost Time Incident Frequency (LTIF) calculation is based on number of lost time incidents expressed per millions of man hours worked. Total Recordable Incident Frequency (TRIF) is also monitored and reported internally as part of the standard HSE monthly reporting pack.

Link to Directors' remuneration
10%

Greenhouse gas emissions[1]

94,493 tonnes of CO_2e



2018 Expectation
Conduct and complete Greenhouse Gas emissions audit and prepare action plan based on findings.

Description
Operate in an environmentally and socially responsible manner to support Corporate Responsibility requirements

Measurement
(1=100%, 0=0%)

Conduct and complete GHG Data audit to verify:

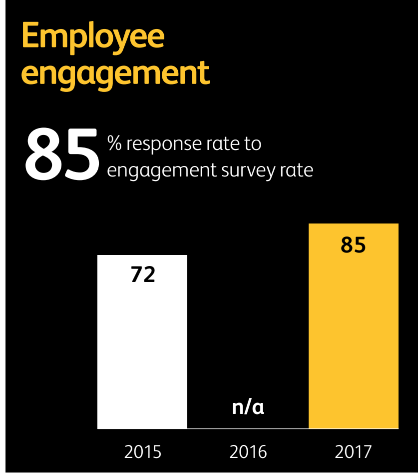
- Accuracy of data sources for GHG calculations
- Opportunities for GHG emissions reduction
- Opportunities for energy consumption reduction

Deliver action plan with specific deliverables for reductions in emissions and consumption.

Link to Directors' remuneration
2%

Employee engagement

85 % response rate to engagement survey rate



2018 Expectation
We will be focused on analysing the results of the 2017 Employee Engagement survey and implementing an action plan to address key issues raised.

Description
Improve levels of employee engagement to ensure an effective and efficient workforce, aid retention, increase productivity, and strengthen the Ophir culture.

Measurement
(1=100%, 0=0%)

- Present for Board endorsement action plan based on employee feedback following 2017 employee engagement survey
- Implement action plan to support the people agenda during 2018
- To include 4 initiatives to enhance the Employee Value Proposition

Link to Directors' remuneration
3%

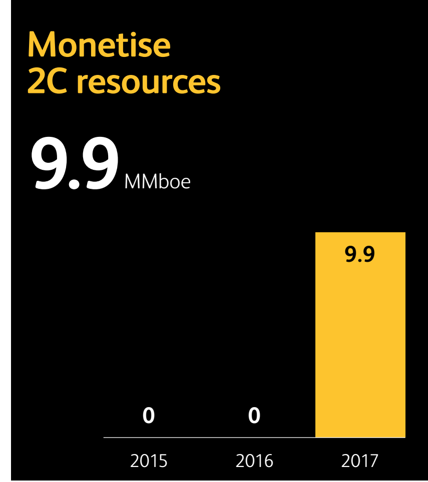
1 Scope 1 & 2.
2 Revised from 64,130 due to double counting Scope 2 emissions relating to energy consumption in Bangkok office.

Monetisation

Monetise smartly current assets to ensure a sustainable business and generate an increase in NAV

Monetise 2C resources

9.9 MMboe



2018 Expectation

Our priority is to unlock value from the c.1bn boe of 2C resource.

In 2018 the focus will be on securing FID on the Fortuna FLNG project. We will also be seeking to monetise incremental volumes at Kerendan through the signing of new GSAs.

Description

Deliver value from contingent resource inventory to increase incoming funds and reduce exposure risks.

Measurement

Progress 2C to 2P to cash or value.

Fortuna FID = 67%

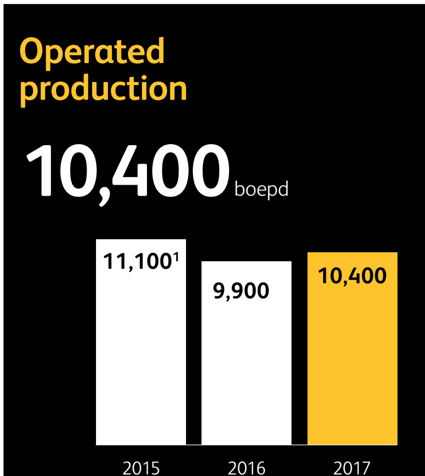
Kerendan phase 2 GSA = 33%

Link to Directors' remuneration

30%

Operated production

10,400 boepd



2018 Expectation

We expect full year operated production to be 10,700 boepd. Volumes from Bualuang will increase in the second half as we complete an infill drilling programme.

Description

Maintain or increase the income received from current operations to increase incoming funds.

Measurement

(10% above budget=100%, budget=50%, 10% below budget=0%)

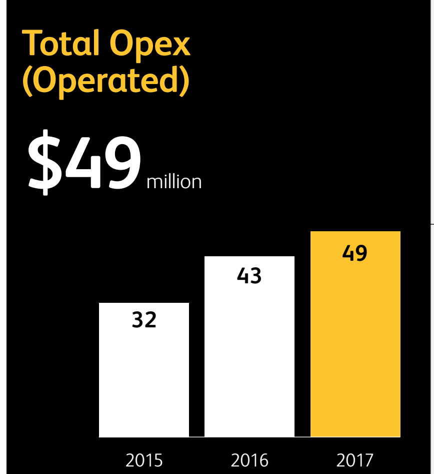
Daily average production from the Bualuang and Kerendan fields, as they constitute the operated production assets.

Link to Directors' remuneration

10%

Total Opex (Operated)

$49 million



2018 Expectation

Operating costs are expected to be marginally up in 2018. This is mainly a result of a workover programme at Bualuang that is considered operating expenditure.

Description

Keep operating expenditure at or under budget to minimise outgoing costs.

Measurement

(5% below budget=100%, budget=50%, 5% over budget=0%)

Link to Directors' remuneration

10%

1 On a full year proforma basis.

Principal risks
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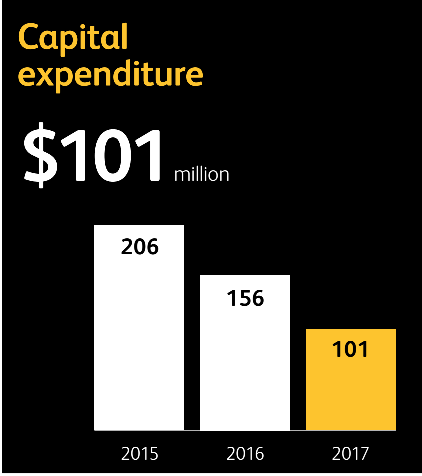
Balance Sheet

Ensure balance sheet remains healthy to provide NAV protection



2018 Expectation
We are aiming to move the business towards sustainability and in 2018 we expect Capex (ex-Fortuna) broadly in line with cash generated by production. Total capital expenditure will be around $150 million.

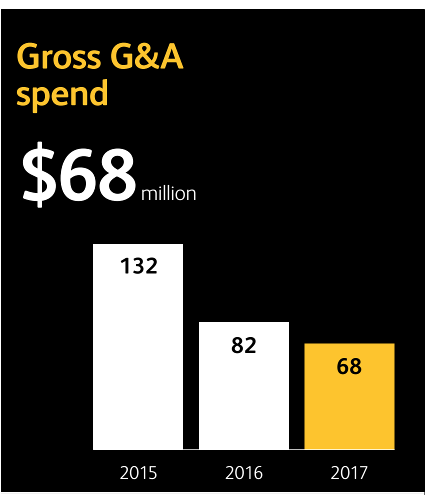
Description
Keep capital expenditure in line with the budget to ensure a sustainable business.

Measurement
Deliver 'in scope' operated Capex budget +/- 10%
(10% below budget =100%, budget =50%, 10% above budget =0%)

The capital expenditure target is based on the approved firm work programme and does not contain any contingent budget items. Measurement of this KPI will take into account the $ value spent along with the work scope delivered.

Link to Directors' remuneration

12%



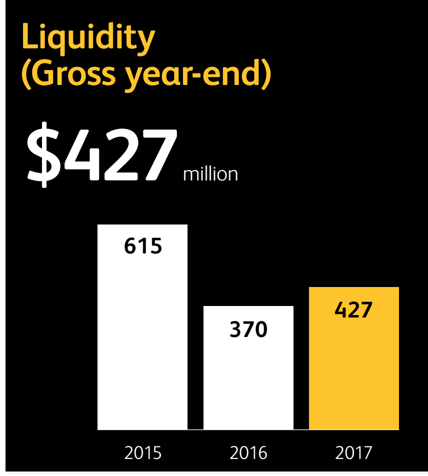
2018 Expectation
Having materially reduced gross G&A spend over the past three years, the focus in 2018 will be on delivering all our work programmes in line with the reduced budget.

Description
Keep general and administrative spend in line with the budget to ensure a sustainable business.

Measurement
(10% below budget=100%, On budget=50%, 10% above budget =0%)

Link to Directors' remuneration

4%



2018 Expectations
We will focus on maintaining our strong liquidity position through executing our plans in line with budget. We will also look to refinance our high yield bond once we have secured Fortuna FID.

Description
Maintain liquidity to enable the Company to maintain a funding cushion to be able to pursue exploration or development opportunities as they may arise.

Measurement
(10% above budget=100%, On budget=50%, 10% below budget =0%)

Link to Directors' remuneration

4%

Risk management

Gawain Ross
Director – Security and Surface Risk

During 2017, we continued to strengthen how the Group manages risk that could impact our people, the environment, our business and our reputation."

The Board, its Committees and the senior management team are actively engaged in monitoring and mitigating, where possible, the risks to which Ophir is exposed. The Audit Committee makes recommendations to the Board on the Group's risk management arrangements. The Board has determined the business' risk appetite, considering the risks that could impede or threaten the business' strategic objectives, and has also reviewed the control measures in place to mitigate these risks. A risk appetite statement has been developed that encapsulates the business' agreed overall attitude to risk.

Ophir's risk profile continually evolves over time as a result of changes in both the external environment and as a result of the development of our asset portfolio. The main external and internal events that have shaped our risk profile over 2017 are set out below, while the principal risks and uncertainties that currently face Ophir are described on the following pages.

Political uncertainty

Ophir's key assets are located in relatively politically stable regions. However, the last year has seen numerous challenges to political orthodoxy and the assumptions behind globalisation and trade liberalisation. The ongoing impact of Brexit, rising independence movements in Europe, a growing confidence and assertiveness in non-democratic countries, and a stated decision by the United States to retreat from numerous multilateral agreements all point to a less rather than more stable global political environment. This makes it more challenging to predict the regulatory, political and economic environment the business will operate in over the coming year and beyond. This environment also enhances the possibility of unforeseen events that could have major ramifications on economic conditions, access to capital and resource pricing which in turn could adversely impact Ophir's business.

Project delivery

Ophir's growth plans are increasingly dependent upon the successful monetising of our key assets, including delivering first gas from the Fortuna LNG project by 2022. As a result, the Board and the executive receive regular updates on the management of these projects and are focused on ensuring the risks are mitigated and managed as far as possible.

Capital expenditure and financing

To monetise our key assets and to be able to make appropriate investments in exploration, Ophir needs to be soundly financed. This remains a core focus of the Board. Over the past three years, Ophir has reduced its G&A spend by 60%. We have also capped our capital spend in the Fortuna FLNG project at $150 million[1], limiting our total financial exposure to this US$2 billion project.

We have preserved a robust operating cash flow, secured a strong balance sheet with low gearing and have been guided by a disciplined approach to capital allocation, prioritising resource monetisation and limiting our forward commitments. At year-end we had total liquidity of $427 million.

Viability Statement

The Directors have assessed the viability of the Group over a five-year period to December 2022, 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 five-year period to December 2022 is an appropriate period over which to provide its Viability Statement. By the start of 2022 the Group's Fortuna asset is expected to be on-stream delivering a long-term source of funds. Additionally, with the formation of a Joint Venture with OneLNG, which is expected to 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 $150 million over the period to end of 2021 when the asset will be ready to come on-stream.

In addition to Fortuna, the Directors have assessed the Group's capital expenditure requirements to 2022, recognising that the Group has significant flexibility to defer its investment programmes, as required. At the balance sheet date the Group's future financial obligations against firm work programme commitments to host governments was $40 million, (excluding $35 million for Mexico blocks 10 and 12 as only awarded in January 2018). 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 2022.

1 To first gas.

Risk management performance in 2017

Over 7 million hours were worked by Ophir employees and contractors during the year, some undertaken in particularly challenging remote and inhospitable jungle conditions, with no recordable LTIs or fatalities. During the year our two producing assets in Thailand and Indonesia reached three and two years LTI free operations respectively.

Zero recordable environmental incidents.

Signed Umbrella Agreement with the government of Equatorial Guinea, established a Brent-linked, free-on-board offtake agreement with Gunvor and awarded upstream construction contracts to OneSubsea. Innovative approach to Fortuna development through FLNG solution has driven breakeven cost down.

Rationalised a tighter but diversified exploration portfolio of high-quality assets, including new exploration blocks in Equatorial Guinea and Mexico, with robust growth prospects.

Maintained a strong balance sheet with low gearing.

Financial efficiency through disciplined cost management and continued to drive down our G&A 'running' costs by implementing organisational restructuring mid-year.

Closed a new US$250 million Reserve Based Lending Facility secured against our producing Asian assets, along with an additional US$100 million accordion facility.

Monetised an additional 9.9 mmboe of contingent resources in 2017 through the sanction of Phase IV investment on Bualuang that will have an IRR return of around 40% and increased reserves by 35%.

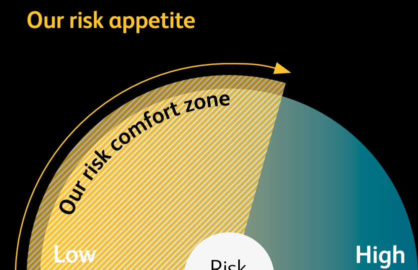
Generating solid cash flow from our production assets; Kerendan production ramped up to full 19 MMscf daily contract quantity and Bualuang achieving a consistent daily production rate of 8.3 mbopd across the year.

3D seismic programme in the Bangkanai and West Bangkanai PSCs was completed in December 2017.

Retained people with the right experience, capability and values to help the Company succeed.

Ethical compliance training was completed by year-end which covered Thailand, Indonesia, Africa, Malaysia and London. Action points from internal audit closed out and annual compliance sign-off by all employees achieved.

Our risk appetite



The Board will consider the risks associated with conducting our business and delivering on our strategy, assessing the risks we are exposed to and assess if this exposure is acceptable given the likelihood and severity of the risk regarding the consequences to people, the environment, finances and Ophir's reputation. Then the Board can decide how to address the risk – whether to tolerate, terminate, treat or transfer the risk. The level of risk the company is prepared to take could change over time and therefore risk tolerance is reviewed continually by the Board.

The Board has assigned risk oversight to the Audit Committee, the Corporate Responsibility Committee and the Technical & Reserves 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.

Audit Committee
Reviews financial, regulatory and information risks and controls.

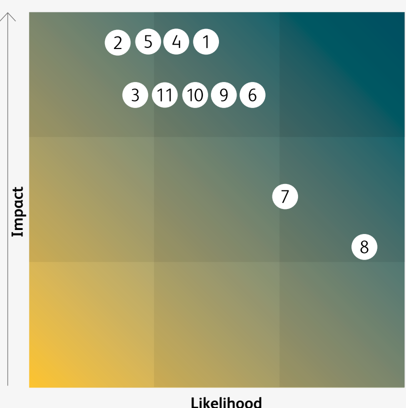
Corporate Responsibility Committee
Reviews operational and ethical behaviour and legislative compliance risks and controls.

Technical Advisory Committee
Reviews subsurface risks and controls.

External Auditors

Internal Auditors
– Review appropriateness of risk management policies.
– Give relevant practical advice and guidance on the implementation of processes and policies.
– At certain internals, assess whether the risk management processes have been appropriately embedded in the business.

Principal risks aligned with strategic objectives



Finding Low
01 Funding
02 HSE Incident
03 Portfolio

Financial Sustainability
04 Investment
05 Compliance
06 Market sentiment
07 Commodity price
08 Climate change

Monetise Smart
09 Political
10 Debt financing
11 Counterparty

Our risk assessment process

1 Identify risks
While overall responsibility for risk lies at the Board level, the Directors have delegated authority for risk identification to the senior management team, pulling on the operational board expertise as required. A top down and bottom up approach has been taken to provide assurance over completeness and existence of risks in the risk register.

2 Define risk appetite
Our systems and processes are designed to manage our exposure to risk rather than eliminate the risk completely. Therefore the Board, with the senior management team, will assess the Group's risks appetite each year with this in mind.

3 Assess and quantify risks
Risks are assessed to understand the trigger, the likelihood and the financial impact of the risk crystallising. We assess these looking at the following areas:
- Financial
- Operational
- Reputational
- Legal
- People
- Environmental

4 Respond, management and mitigate risks
Each risk is reviewed quarterly. At each review date, the existing controls are reviewed for adequacy and effectiveness. Due to the ever changing business landscape and the industry we work in, it is quite possible for the control requirements to change and for processes and policies to require updating. If this is the case, then a business owner is identified and they are responsible for implementing changes.

5 Monitor and review risks
The senior management team monitors progress against the principal risks. This is shared with our external auditors. The Board reviews the summary risk register and assesses the adequacy of the principal risks identified, as well as the mitigating controls and procedures which are in place and are operational.

Set out below are what we believe at this time to be the principal risks and uncertainties that could affect the Group.

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. It should be noted, for completeness, that there may be additional risks unknown to the company and other risks, currently believed to be immaterial, which could turn out to be material. In addition, it should be noted that not all of the risks and uncertainties set out below are within our control.

For clarity, we have indicated how our principal risks are linked to our strategic objectives. We have done this in order to aid understanding and more clearly illustrate

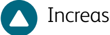
Risk	Description of Risk
Finding Low	
Funding	– Failure to forecast and work within our financial structure could impact our liquidity and lead to an inability to deliver the business plan. – Gas discoveries may require the Group to invest in LNG development projects which require long lead times and material investment in receipt, processing and transportation infrastructure and the marketing of LNG. – 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.

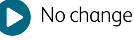
HSE Incident	– Loss of containment leading to major environmental incident.
	– Oil and gas exploration, development and production can present challenging operational environments and means we are exposed to a wide range of Health, Safety, Security and Environmental risks.
	– Our most significant risks are:
	  – The potential loss of hydrocarbon containment caused by technical integrity failure, human error, natural disasters or other unforeseen events.
	  – And the risk of harm to our workforce during transportation.
	– Major Health, Safety, Security or Environmental risk events could lead to regulatory action and legal liability, including penalties, increased costs and potential loss of our licence to operate.

Portfolio	– Limitations of portfolio/discovery risk and modest success rate leading to finding costs above $1-2 per bbl. – 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.
Financial Sustainability	
Investment	– Lack of suitable value adding opportunities and/or failure to execute/inability to fund P&D acquisitions. – The Group may not be able to identify appropriate expansion opportunities or be able to manage such expansion effectively.

how we protect and create shareholder value by operating in a manner that best balances the risks and rewards of our chosen strategy, which is ultimately focused on increasing NAV per share.

Key


Increase


No change

Decrease

Objective/Control	Responsibility	Change
– An ongoing strategic objective is 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 sufficient capital to meet commitments. – Effective portfolio management via farm outs/asset sales as appropriate. – Budget focused on high and medium ranked assets/projects to deliver value creation and to ensure the Group can live within its means. – A formalised annual budget process and ongoing monthly reviews and analysis of actuals. – Board approval of Annual Work Programme. – Diversify the sources of funding and apply prudent levels of debt to development and production activities.	**Chief Financial Officer**	
– An ongoing strategic objective is to execute operations safely with excellence. – Ophir is committed to maintaining robust Health, Safety, Security and Environmental management, and procedures are in place in order to respond to unexpected events that have a direct impact on the Group and the communities in which it works. – Comprehensive HSE and operations management systems including emergency response and oil spill response capability, as well as maintaining asset integrity. – Active security monitoring and management. – Learning from Group and third-party incidents. – Monitoring through leading indicators the highest HSE risk events. – The contracting and procurement process ensures suitably qualified contractors are employed and trained in Ophir's requirements and industry best practices.	**Director Operations Asia and Director Africa Exploration**	
– An ongoing strategic objective is to capture high-quality exploration acreage, generate and high-grade prospects and mature top ranked, drillable prospects. – Ophir manages exploration risk by high grading plays in prospective acreage and focuses attention (and ultimately drilling) solely on the most prospective plays. – Ophir continues 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. – The Board's Technical and Reserves Committee reviews subsurface risk and there is a robust peer review process embedded within the Group. – There is an appropriate balance between growth by exploration and acquisition. – Application of technical excellence and use of appropriate technologies in exploration methodologies. – Review new geographic opportunities without impacting focus on strategic core growth areas. – Managing risk with partners in existing assets and new ventures. – Assets will only continue to be held and progressed if they can demonstrably create substantial value for shareholders. Capital is being selectively directed at those assets which offer the highest risk-weighted returns.	**Director Exploration and Africa**	
– Investments are not dictated by production or reserves growth targets; instead each investment will be assessed on an IRR and materiality basis. – Focus on growing a revenue generating business to fund exploration activities and minimise the overall cost of capital. – Allocate capital to highest return opportunities following rigorous risk reward analysis. – Risk assessment and due diligence process is undertaken on all potential new country entries. – Ophir endeavours to transact at the most appropriate time to create value for shareholders.	**Director Exploration and Africa**	

Risk	Description of Risk
Financial Sustainability	

Compliance	– 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.

Market Sentiment	– Adverse market sentiment and capital constraints due to competition for capital. – The sector continued to be depressed through 2017 and there remains a limited appetite for oil and gas investments. – The impact can negatively affect project value and modelling.
Commodity Price	– 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 man-made climate change will be, but they may increase costs, reduce value and constrain future opportunities.
Monetise Smartly	
Political	– 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. – At a more micro-level, the Group operates in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties which could lead to license appropriation. – The impacts can affect the safety of our people, operational continuity and lead to a loss in value and uncertain financial outcomes.
Debt Financing	– Failure to debt finance projects could delay FID decisions. – 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.
Counterparty	– Failure of some of our counterparties could lead to failure of projects and cause operational issues.

Objective/Control	Responsibility	Change
– Top down leadership of the Group's values. – We have a strong Code of Conduct that we expect all employees and contractors to follow. – There is a Group Anti Bribery and Corruption Policy in place. – Compliance training is conducted across the Group. – Due diligence is carried out on counterparties and in our contract management. – There are anti-bribery and corruption provisions in our agreements. – Compliance controls and actions are reviewed by the Board and its committees – Annual employee sign-off confirming their observance of the Code of Conduct, Anti-Corruption policy and the Gifts and Hospitality standard. – A 'Letter of Assurance' is signed off annually by management. – Primary controls. – All material information is released to the market on a timely basis and in accordance with all applicable regulations.	**General Counsel**	
– An ongoing strategic objective is to grow a revenue generating business to fund our exploration activities and minimise our overall cost of capital. – 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**	
– Continue to review the Group's cost structure and make sure it reflects the new oil price environment. – Economics of development plans re-worked to reflect downside sensitivities of oil price scenarios. – Selectively exploit the low service costs that have resulted from the drop in the oil price e.g. material reductions in Fortuna and drilling costs. – Pursue acquisition opportunities that seek to protect shareholder value and sustain exploration. – Manage balance sheet strength.	**Chief Financial Officer**	
– Climate change will remain on the Board's strategic agenda going forward. – We will continue to develop the Company's strategy and our approach to tracking trends to provide us commercial foresight on how quickly the world is moving toward decarbonisation. – We will continue to report in line with CDP and the Global Reporting Initiative.	**Director Security and Surface Risk**	
– Ophir regularly monitors and seeks to understand changes taking place in political and regulatory environments although it is often hard to forecast the timing and gravity of political events. – The Group works to the highest industry standards with regulators, closely monitoring compliance with the Group's licence and PSC obligations. – We seek to reduce our exposure by maintaining a diverse portfolio. – Maintain positive relationships with governments and key stakeholders in host countries. – Appropriate legal agreements are in place to protect our interests. – When reviewing new positions/acquisitions we evaluate and compare the potential political risks within our portfolio.	**Director Security and Surface Risk**	
– The continued focus for the Group is on increasing NAV/share. – Continue the momentum on the Fortuna FLNG project. – Monitor and tailor projects to fit macro environment. – Facilitate buyer access/relationship with host Government. – Maximise transparency with equity buyers. – Contingency planning and preparedness to change the course of action as situations change.	**Chief Financial Officer**	
– Due diligence carried out pre-approval. – Full credit risk assessment conducted and exposure value is risked. – Compliance with Ophir Treasury & Investment Policy. – Counterparty risk leading indicator in place. – Contingency planning. – Regular monitoring of credit ratings. – Cash forecasting providing key information to manage exposure and risk. – Credit assessment as part of CP&L process at per-qualification stage & once contract awarded. – Ongoing monitoring through leading indicator. – Legal protection included into contract.	**Chief Financial Officer**	

Operations: Maximising value from our resource base

In 2017, we realised incremental value across our operated production base and finalised all operational steps required to FID the Fortuna LNG project.

Monetising a net 1 billion boe across our operated production base
In 2017, we established the clear priority of unlocking value from Ophir's 1 Bnboe discovered resource base and rationalised our exploration portfolio to a reduced number of high-quality options in a number of focus areas.

Our capital is allocated to projects that offer the best risk-weighted return on capital. We are focused on monetising our approximately 1 Bnboe net contingent resource base and on building our cash flow in line with our strategy of becoming a sustainable E&P company Our 2017 operational activities reflect this and included an infill drilling programme in the Bualuang oil field, completion of an extensive 3D seismic survey to support the development plan for the Kerendan field and the completion of all operational milestones on the Fortuna FLNG project. Importantly, our resource plays have low unit development and production costs and are capable of delivering attractive returns without requiring higher commodity prices.

The development of these resources was supported by a production base which averaged 11,700 boepd. This delivered revenues of $189 million (excluding Sinphuhorm which is equity accounted), up $82 million or 76% on 2016 and included the first full year of production and cash flow contribution from the Kerendan field. In total, net funds flow from production for the full year was $90 million[1] or $21 per boe[2].

Looking to 2018 and beyond, capital will be allocated to Fortuna at FID, and to existing opportunities in Indonesia and Thailand that will increase short-term cash flow. Any additional discretionary capital will be allocated either to production and development activities, exploration (if the opportunities offer sufficient risk-weighted IRRs) or to capital returns.

1 A reconciliation of net funds flow from production is presented within the table on page 37.
2 Net funds flow from production over total production.

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

	1P			2P			3P		
Reserves	**Oil MMstb**	**Gas bscf**	**Total MMboe**	**Oil MMstb**	**Gas bscf**	**Total MMboe**	**Oil MMstb**	**Gas bscf**	**Total MMboe**
YE2016	15.3	97.6	32.7	22.7	120.5	43.9	30.7	123.7	52.5
Additions	–	–	–	–	–	–	–	–	–
Revisions	10.0	(7.1)	8.8	10.3	(2.9)	9.8	13.2	(2.7)	12.7
Production	3.2	6.6	4.3	3.2	6.6	4.3	3.2	6.6	4.3
YE2017	22.1	83.9	37.2	29.8	111.0	49.4	40.7	114.5	60.9

	1C			2C			3C		
Contingent Resource	**Oil MMstb**	**Gas bscf**	**Total MMboe**	**Oil MMstb**	**Gas bscf**	**Total MMboe**	**Oil MMstb**	**Gas bscf**	**Total MMboe**
YE2016	14.3	4355.0	741.8	20.7	5881.3	1006.0	31.3	8656.8	1486.0
Additions	(0.3)	(9.2)	(2.0)	(0.5)	(16.1)	(3.4)	(1.9)	(45.2)	(10.1)
Revisions	(3.0)	6.3	(1.9)	(7.5)	3.7	(6.8)	6.1	9.0	7.7
Production	–	–	–	–	–	–	–	–	–
YE2017	11.0	4352.1	737.9	12.7	5868.9	995.7	35.5	8620.6	1483.5

Our Business model
p12

Bualuang, Thailand

Highlights

28.3
MMbo 2P

10.3
MMbo net 2C

Phase IV will deliver rapid payback

By converting approximately 9.9 MMbo of contingent resource into proved and probable reserves, Phase IV will deliver rapid payback on the investment, with positive cumulative cash flow anticipated from 2020.

Production at the Bualuang oil field averaged 8,300 boepd across the year, which was supported by stable production with uptime of approximately 99%. The completed 2017 infill drilling programme offset the predicted natural well decline. This occurred later than anticipated due to the late rig arrival and a slower than anticipated ramp up of the lower completions. In addition, the water debottlenecking programme was a success, increasing water handling capacity to 75,000 barrels of water a day.

Revenues from Bualuang averaged $52 per barrel[1] for the period compared to $38 per barrel in 2016. The increased average realised oil price arose from both a higher Dubai benchmark price and securing a further lower Dubai discount in the second half of the year with the signing of a new one-year term contract.

We anticipate cash flow to further increase with the decision to commence the fourth development phase of the field. The capital cost of Phase IV is expected to be US$138 million between 2018 and 2020. The initial phase has five well activities planned for 2018 from the existing Alpha and Bravo platform, comprising three re-drills using existing slots and two well workovers. All drilling targets will be informed by the 3D seismic data we acquired in 2015, and a resultant 4D signal. These will help us secure significant, additional value from the field. In 2019 we are planning to add an additional 12 well slots with the installation of the Charlie platform, a wellhead structure, bridge-linked to our existing Alpha and Bravo production platforms.

In light of the 2017 infill drilling and the addition of production from the deeper T2 reservoir interval, Ophir is looking at several near field prospects with possible drilling in 2018. We have also identified a new satellite exploration target which we are analysing for potential drilling in 2018.

1 Total oil revenues over production from Bualuang. Production per asset is shown in the table on page 37.

Kerendan, Indonesia

Highlights

14.8 MMbo 2P

60.6 MMbo net 2C

The Kerendan gas field started production in the first half of 2016 but took longer than forecast to ramp up due to offtake commissioning delays. Kerendan averaged 15.1 MMscfd (gross) across the year and at year-end was producing the full daily contract quantity of 19.2 MMscfd.

The field generated revenue of $19 million [1] at an average gas realisation price of $5.30 per Mscf [2].

In addition to ramping up production, the focus in 2017 was monetising further gas from the asset beyond the first contracted amount of 122 Bcf.

The onshore 3D seismic survey in the Bangkanai and West Bangkanai PSCs was completed in December 2017, covering 560 square kilometres. This new seismic data, in combination with the data from the West Kerendan-1 ('WK-1') well and the WK-1 drill stem test, is expected to provide the necessary information to facilitate monetisation of up to 457 Bcf of discovered, but uncontracted, gross contingent resource in the Kerendan field. This would move these hydrocarbons from resources to reserves classification. We anticipate this could result in production potentially as high as 80 MMscfd by end of 2022.

In February 2018, Ophir agreed, in principle, a higher gas price with PLN for the current Phase one production at $5.65/MMbtu, an increase from the current level of $5.08/MMbtu.

To this end, negotiations have started with PLN to supply a second phase of gas to a new build power plant from 2020. Ophir is also investigating further third party gas sales from 2020.

1 Total gas revenues.
2 Gas revenues over Kerendan production as per table on page 37.

Sinphuhorm, Thailand

The Sinphuhorm gas field produced an average of 78 MMscfd for the year, primarily as a consequence of lower nominations from the Energy Generating Authority of Thailand (EGAT).

In common with gas fields across Thailand, the cause of lower nominations appears to be related to competing sources of energy including spot LNG purchases by PTT replacing domestic sources of gas supply. The nominations returned to normal levels in the third quarter of the year, but dropped again in the fourth quarter due to extended turbine maintenance and lower demand.

In 2018, we anticipate undertaking the PH-10 well workover (to maintain production capacity) and looking out to 2021, an appraisal well will be considered by the partnership to underpin a GSA extension. In addition, as gas has been discovered in APICO acreage L15/43 outside the field boundaries, we expect unitisation discussions to progress in 2018.

Fortuna FLNG Project, Equatorial Guinea

Highlights

401
MMboe Net 2C

Fortuna FLNG gas offtake agreement

The Fortuna FLNG gas offtake agreement gives Ophir the potential to sell volumes to higher priced gas markets in Africa and beyond.

With the exception of the project funding, all major workstreams required to achieve FID of the Fortuna FLNG Project were accomplished in 2017. The number of important agreements reached this year is a testament to the strong co-ordination between Ophir's project team and our partners.

It is frustrating that the financing was not secured in 2017 but alongside our partners in the project we continue to work hard to close out this remaining milestone. Once the project funding has been finalised, the Board of Ophir will take the FID, which will also be subject to approval by Ophir's shareholders after which the approval of the President of Equatorial Guinea will be sought.

During 2017, the project partners signed an Umbrella Agreement ('UA') that established the full legal and fiscal framework for the project. The UA reconfirms the participation rights of GEPetrol as partners for 20% of the upstream portion of the project, and for a future potential participation of up to 30% ownership of the midstream FLNG vessel by the Republic of Equatorial Guinea or a designated State company. Importantly, these participations create alignment with the Government of Equatorial Guinea throughout the project value chain – from upstream through to LNG marketing.

The Gunvor Group were identified as preferred offtaker. Upon execution of the LNG purchase agreement Gunvor would be committed to taking the full nameplate capacity of the Gandria FLNG vessel of 2.2 MMtpa, which will be purchased on a Brent-linked, free on board ('FOB') basis for a 10-year term. The contract structure also allows flexibility for up to 1.1 MMtpa of the Fortuna capacity to be marketed on an alternate basis. Consequently, the agreement would give the Fortuna partners, alongside the State of Equatorial Guinea, the potential to sell volumes to higher priced gas markets in Africa and beyond, whilst retaining a share in the profits of such sales.

We awarded the upstream construction contract for the project to Subsea Integration Alliance (a partnership between OneSubsea, a Schlumberger company, and Subsea 7). In addition, the primary contract for the FLNG Gandria was entered into with Singapore's Keppel Shipyard Limited. The FLNG Hilli Episeyo, which is Golar's first FLNG conversion and the sister ship to the Gandria, left the Keppel yard and is currently being commissioned in the field in Cameroon prior to delivery of its first commercial cargo. The delivery of this first cargo will represent an important step in the de-risking of the Fortuna midstream FLNG solution.

On our journey to first gas in 2022, we will be working with our partners to complete the required development wells and subsea infrastructure and complete the conversion and commissioning of the Gandria into an FLNG vessel.

Exploration

Ophir has previously run a portfolio of four core operating countries and up to eight exploration countries. This exploration portfolio has now been reduced to concentrate our efforts and to better drive value. Accordingly, we exited seven deepwater PSCs: the DW2A PSC in Malaysia and the Mbeli, Ntsina, Nkouere, Nkawa, Manga and Gnondo PSCs in Gabon. At the start of 2018 we also took the decision to exit from Block 513 in Cote d'Ivoire.

We are presently concentrating our exploration into lower risk, infrastructure led activities and will limit our deepwater footprints to a subset of the existing portfolio.

To this end, during 2017 we added new acreage in both Equatorial Guinea and Mexico. We formally signed the PSC for Block 5 in Mexico, which was awarded in 2016 where we have a 23.3% interest, with Murphy Oil the operator. This block is located around 30 km north of, and in the same basin as, Block 7 where the Zama oil discovery occurred in July 2017. This was the first offshore bid round in Mexico since the government's move to liberalise the energy sector and provide greater access for international companies. Block 5 is located within an under-explored, proven oil basin, and it was the most contested acreage in the bid round. We are interpreting the 3D data on this block ahead of expected drilling in 2019.

Further to this, in a subsequent licensing round in early 2018 Ophir was awarded 20% interests in the Block 10 and Block 12 licences in the Ridges basin in Mexico. This provides Ophir with a leading position across multiple plays in a proven, but under-explored, hydrocarbon province.

Separately, we also agreed PSC terms for Block EG-24 in Equatorial Guinea. This licence is on trend with a number of producing oil fields and we are in the process of farming down this acreage. We will complete a 3D seismic survey in 2018. In Myanmar, we have agreed to broaden our footprint in 2018 through a transaction with Chevron (subject to government approval) that will result in Ophir having a 42% interest in both blocks AD-03 and A-5. We will make a decision in 1H 2018 as to whether to drill across the combined acreage position. In the West Papua IV and Aru PSCs in Eastern Indonesia a decision whether to drill a well will be made in 1H 2018 following extensive analysis of recent seismic data. In 2017, we drilled the Ayame-1X exploration well in Cote d'Ivoire. No moveable hydrocarbons were encountered, and the well was plugged and abandoned as a dry hole.

Overall, we anticipate that when the Fortuna FLNG project is on-stream in 2022, Ophir's cash flow generation will support an active, exploration drilling programme. Prior to that, Ophir's discretionary spend will be paced in order to preserve balance sheet capacity, prioritising the Fortuna FLNG project and the expansion of our Asian producing assets.

Monetising our resources offers healthy returns at low risk

Tony Rouse
Chief Financial Officer

2017 saw a continuation of Ophir's disciplined approach to capital allocation; prioritising resource monetisation."

Summary

Ophir's deployment of capital is driven by a focus on returns. Our overriding priority is to rapidly and safely monetise our substantial, low risk assets, along with the retained capacity to fund selective exploration in core geographies.

The principal financial challenge facing Ophir is to ensure that we preserve balance sheet strength and maintain sufficient liquidity until 2022, when the Fortuna project should be on stream, leading to a step change in our cash flow. The focus for capital allocation until this point will be on monetising the approximate 1 billion boe of discovered resource.

Preserving our balance sheet strength was a priority in 2017 and as such we took steps to lowering the capital and operating cost base. Through staff and costs reductions, implemented predominantly in our London office, administration costs were reduced by $12 million per annum, which will take full effect in 2018. Overall, gross administration costs have been reduced by approximately 60% since the start of 2015.

The Brent oil price averaged $55 per bbl in January 2017, weakening to an average of $47/bbl in June 2017 before recovering to an average of $64/bbl in December 2017. Whilst very difficult to predict, the outlook for commodity prices remains reasonably firm for 2018.

Net sources of funds

Working interest production for 2017 averaged 11,700 boepd for the year and generated net funds flow from production of $90 million (2016: $62 million)[1].

Revenue from Bualuang totalled $169 million or $52 per bbl (2016: $107 million or $38 per bbl)[2]. Revenue from Kerendan totalled $19 million or $5.30 per Mscf[3].

In late 2017, Ophir implemented a commodity price hedging programme in respect of its 2018 production. A Brent-swap was purchased at an average price of $59 per bbl and a call was purchased at an average price of $67 per bbl, both trades for 3,200 bopd. The hedge represents approximately 27% of forecast 2018 production. Along with the hedge programme and an improved commodity price outlook for 2018, full year net funds flow is forecast at $90 million or $21 per boe.

Uses of funds

Ophir's primary investments during 2017 were:

- Exploration: $41 million (2016: $76 million) comprising predominantly:
  - Cote d'Ivoire Block CI-513 – drilling exploration well ($13 million)
  - Mexico Block 5 – seismic data and interpretation ($9 million)
  - Indonesia West Papua IV and Aru blocks – seismic data and well planning ($7 million)
  - Malaysia PM322 – seismic acquisition ($8 million)
- Pre-development, development and production: $60 million (2016: $80 million) comprising predominantly:
  - Equatorial Guinea Fortuna – pre-FID costs ($16 million)
  - Indonesia Kerendan – 3D seismic acquisition ($13 million)
  - Thailand Bualuang – drilling three infill wells ($31 million)

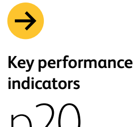
Of the $41 million expenditure in 2017, $21 million (2016: $6 million) was charged and written-off to the income statement in addition to a $55 million (2016: $94 million) write-off of prior year expenditure.

Net interest charges and finance costs amounted to $13 million (2016: $14 million)[4] against average gross debt of $153 million (2016: $230 million)[5], giving rise to an average cost of debt of 9.9% for 2017 (2016: 7.1%)[6]. This was higher than 2016 with the deleveraging that occurred in 2017 and the repayment of the cheaper reserves based lending facility. This however lowered the total cost of borrowings, whilst preserving liquidity, by reducing our negative cash carrying cost.

Overall, net uses of funds for 2017 totalled $126 million (2016: $183 million). Looking ahead, capital expenditure for 2018 is forecast at $150 million with capital currently allocated to the following activities:

- Blocks 5,10 and 12, Mexico – seismic capture and interpretation ($15 million)
- Kerendan, Indonesia – civil works and perforating water wells ($10 million)

1 Net funds flow from production as contained within the table on page 37.
2 Bualuang revenue per bbl as defined on page 33.
3 Kerendan revenue per Mscf as defined on page 34.
4 Net interest and finance charges as contained within the table on page 37.
5 Calculated as the weighted average cost of borrowings from 31 December 2016 – 31 December 2017.
6 Calculated as interest payable over average gross debt.


Key performance indicators
p20

Sources and uses of funds summary

	Units	FY 2016	FY 2017	FY 2018 Forecast
Total Production	Mboepd	10.8	11.7	11.5
Bualuang	Mboepd	8.7	8.4	
Kerendan	Mboepd	0.2	2.1	
Sinphuhorm	Mboepd	1.9	1.2	
Realised commodity prices				
Realised oil price	$/bo	37.85	51.86	
Realised gas price (excluding Sinphuhorm)	$/Mscf	–	5.3	
Net sources of funds:				
Revenue	$'millions	107.2	188.5	
Kerendan Take-or-Pay[1]	$'millions	16.5	–	
Cost of production (operating expenses, royalty and inventories)	$'millions	(42.7)	(70.0)	
Investment income	$'millions	4.4	4.2	
Current income tax charge	$'millions	(23.7)	(32.6)	
Net funds flow from production[2]	$'millions	61.7	90.1	90.0
Net uses of funds:				
Capital Expenditure (including pre-licence expenditure and additions to E&E and O&G)[3]	$'millions	155.6	101.1	150.0
Corporate administration cost	$'millions	13.4	11.3	
Net interest charges (before capitalised interest)	$'millions	14.3	13.2	
Net uses of funds[2]	$'millions	183.3	125.6	
Financing cash flow and debt:				
Closing net cash	$'millions	160.1	117.1	> 0
Closing borrowings	$'millions	200.3	106.7	
Closing undrawn debt facilities	$'millions	10.3	203.5	
Closing liquidity (including undrawn debt facilities)	$'millions	370.7	427.3	320.0

1 Kerendan Take-or-pay is the movement between the non-current – trade and other payables balance of $15.3m (2016:10.3m) against the current – trade and other payables balance, take of pay portion of $1.2m (2016: $6.2m).
2 Net funds flow from production and net uses of funds have been presented to eliminate the effects of short-term working capital adjustments.
3 Capex is adjusted to eliminate non-cash amounts for decommissioning for 2017 of $0.7 million (2016: $19.2 million) and capitalised interest for 2017 of nil (2016:8.7 million).

NAV creation

2018 Guidance

Production
11,500 boepd

Total net funds flow from production
$90 million

Capital Expenditure
$150 million

Closing gross liquidity
$320 million

– Bualuang, Thailand – three well infill drilling programme – ($40 million)

– Fortuna, Equatorial Guinea – FID and investment into Joint Venture – ($55 million)

Longer term, Ophir's future financial work programme commitments to host governments beyond 2018 are limited to $27 million.

Debt and net debt

2017 net funds outflow totalled $43 million (2016: $195 million) giving rise to year-end 2017 net cash of $117 million (year-end 2016: $160 million).

During 2017, Ophir completed the refinance of its reserves based lending facility into a new seven-year, $250 million (plus accordion of $100 million), senior secured facility with a maturity of mid-2024. The available balance on the facility of $204 million remained undrawn at year-end 2017. Gross liquidity at year-end 2017 increased to $427 million from $371 million at year-end 2016. Ophir's debt leverage thereby remains lowly levered against drawn debt with a full year 2017 liquidity ratio (gross debt/EBITDAX) of 1.0 and year-end gearing of 7% (gross debt / gross debt + equity).

The balance sheet therefore remains strong providing sufficient funds to meet the planned capital expenditure. Work on refinancing the outstanding $107 million Nordic bond commenced in late-2017 and is expected to complete in 2018, following FID of the Fortuna project. Ophir estimates that it will end 2018 in a net cash position with gross liquidity at year-end 2018 of $320 million

The Directors have also considered the longer-term viability of the Company and based on their assessment (as fully detailed on page 26), they 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 end-2022.

Responsibility: Working with people, communities and the environment

Doing the right thing is fundamental to how we do business. This is because we are judged not just by our business achievements but also by the way we conduct ourselves. In practice, doing the right thing means we treat our people, partners and other stakeholders with respect and transparency; keep employees and contractors safe from harm; support and sustain the communities in which we operate; actively seek to create shared value; and work to minimise our environmental footprint.

Culture lies at the heart of responsible operations. Although we work across a number of geographies, shared values unite our team. We expect everyone who works with us to demonstrate these values in both words and actions whatever their role with us. This in turn protects our business operations and enhances our reputation, preserving our licence to operate and helping protect and grow NAV (Net Asset Value).

Continued ➔

Report of the Corporate Responsibility Committee
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Delivering shared value and embedding sustainability lies at the heart of our business."

Dr Nick Cooper
Chief Executive Officer

Embedding an ethical culture

As a condition of working with us, all Directors, employees, and contractors must work in accordance with our Code of Conduct and our related policies and procedures, including ethical conduct standards and our Global Anti-Corruption policy. However, we do not want these to just be words on a page. We work hard to embed the fundamental tenants of working responsibly by training our workforce in both why we insist on operating responsibly and ethically and how that should be done in a practical, day-to-day way.

This year, we have run a number of training programmes across our operations, led by a combination of our central corporate team and on-the-ground management to place our policies and procedures into the context of our employees' working life with us.

To better see how our people are meeting the expected standards of behaviour, we also introduced a new reporting framework to improve data collection, including leading indicators on ethical compliance such as anti-bribery, 'maverick spends', and creditor and counterparty risk. We discuss this in more detail in the report of the Board's Audit Committee.

Complying with our expectations

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 our supply chain and third-party contracting, Ophir has 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. Our Social Investment Due Diligence Standard requires due diligence to be performed before Ophir allocates money to community development projects.

For 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.

We expect all staff to disclose any and 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.

This year, a Compliance Monitoring Plan was put in place to provide the Board with more clarity in relation to key corruption prevention activities. Its goal is to enable Ophir to understand where real corruption risk lies and to limit the Company's exposure to it. The Governance Report provides more detail on the plan.

Our people

As Nick Cooper outlines in his CEO review, this year has been a challenging time for our workforce: we reduced our head office and expatriate personnel by around 50%, representing 15% of our global workforce. In a vastly changed oil price environment from five years ago, this was a necessary step to help embed sustainability in our business. Change such as this is always difficult, however we made sure these workforce reductions were handled respectfully and appropriately.

Our focus now is to ensure our team are well motivated to achieve their individual targets (supported with an annual performance review) and are united in the common goal of executing Ophir's overarching strategy.

Fundamentally, we wish to empower and support our people to make brave and transparent decisions to create shareholder value. Now that we have right-sized our business, retention is key. To meet this goal, we will continue to offer competitive remuneration and benefits packages, appropriate incentives, and embed a supportive, entrepreneurial culture where openness and inclusion can thrive. To help us achieve this goal, in 2017 we also conducted our biennial employee survey. Participation was 85%, up from 72% in 2015, and there was an improvement in overall sentiment compared with 2015.

This year, 30 high potential employees completed our bespoke leadership programme. Developed in collaboration with the London Business School, it helped them focus on innovation, collaboration and living our values. We look forward to seeing its positive impact in the years ahead and we intend to rollout a similar programme at other levels of the business in 2018.

We also introduced our Employee Value Proposition (EVP). Comprised of six core elements, it provides greater clarity around what our people can expect from Ophir as an employer.

Working across the globe, it is important that we create and maintain a common culture. One way we are doing that, and in addition to common training and induction programmes across the business, is the introduction of a collaborative intranet solution to make it easier to bring our employees together.

Our Employee Value Proposition (EVP) helps deliver clarity and transparency in the relationship between Ophir and its workforce.”

Dina Taylor
Director – HR

Diversity and inclusion

We embrace a culture of inclusivity and are committed to recognising that all our employees have different needs and aspirations. It is our firm belief that only by doing this will we achieve the best for our business and our people. Equally, we are also dedicated to encouraging inclusion and diversity at all levels of the business. A more diverse workforce, with the right mix of skills, experience, culture, ethnicity, nationality, gender and knowledge, can make our company stronger.

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 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 2017 the Company has two female Directors representing 25% of the Board, 14% of the senior management team are female and throughout the Company, women represent 32% of our workforce. This is a reduction from last year, following the changes in our corporate headquarters – we hope to improve these percentages over the coming years.

Keeping our people and communities safe

All of our operations must be conducted in a manner that protects our employees and contractors from injuries, fatalities and illnesses, as well as having regard to the Health, Safety and Environment ('HSE') of our surrounding communities. This starts with ensuring we embed a consistent culture of responsibility across all of Ophir's geographies and operations.

Our guiding philosophy is that everyone 'owns' HSE and the best approach is a combination of a 'top down' and 'bottom up' responsibility. An example of the latter is our 'hazard/safety observation' initiative where everyone, regardless of level, is empowered to stop work where an unsafe practice or condition is observed. An example of a top-down initiative is that at each monthly management meeting, management discusses 'safety moments' highlighting any issues or learnings that can be shared across the Company. By effectively combining these two approaches, we are working to secure a company-wide culture that makes health, safety and the environment a bedrock of all our activities.

A systemised approach

Our HSE Management System defines our approach to managing HSE across all of our facilities and activities. It provides practical guidance and procedures for all staff conducting operations or managing sites to achieve Ophir's HSE objectives as an integrated part of our strategic goals.

Focus areas:

- Training and procedures
- Process safety
- Personal safety
- Performance measurement

Training and procedures

We provide relevant health, safety and environmental training to all employees and contractors. Key to the performance of our business and our standing is enhancing personal awareness of the potential hazards associated with an employee or contractor's work. This is along with the control measures, including procedures necessary to minimise the risk of personal harm or loss and damage, whether to our assets or to the surrounding environment.

Rehearsing our oil spill responsiveness

At our Bualuang oil production facility, we conducted an incident management table top exercise on major oil spills. The exercise tested our ability to ensure in the event of a spill, we have the least possible impact on our asset, people, environment and reputation.

This year, we continued with activities to standardise procedures across all operations, with a particular focus on incident response management, permits to work and on-site inductions (which sets the expectations around HSE that we have for any new employee, contractor or visitor).

In 2017, we revised and updated the following procedures, supported with employee training:

- Permit to Work
- Task Risk Assessment (TRA)/Job Safety Analysis (JSA)
- Isolations
- Management of Change
- Risk Management
- Bronze and Silver Incident Management Handbooks (Indonesia, Malaysia, Myanmar, Thailand)

Process safety

We structure our operations with safety in mind at all times. We plan all operations in the early design stage using engineering controls, fire and gas safety precautions, and by proper maintenance, asset integrity inspection and emergency shutdown programmes.

Personal safety

Our ability to meet the standards we have set for ourselves in HSE is strongest on the sites where we are operator. On these operations we set the tone and are able to embed our expected standards through the use of our management systems. At sites where we are not the operator, we seek to engage with our partners on HSE standards and best practices.

Our biggest challenge in 2017 was managing the 1000 plus people helping undertake our 3D seismic survey at our Kerendan gas field development. We were pleased that in over seven million man hours worked, there were no recordable LTIs or fatalities. This success was also reflected in our Thailand operations, where this year we celebrated three years LTI free. We also had no recordable spills or releases.

We did experience thirty five near-miss incidents in 2017. Any high-potential near-miss is treated like an actual incident and we conduct investigations, determine root causes and create appropriate action items. We experienced eight high-potential near-miss incidents. All were investigated, and appropriate remedial actions were taken.

Moving from lagging to leading indicators

This is the second year where we have incorporated leading indicators into our HSE performance tracking measurements, and they are assisting us to improve our routine operations and the quality of our job-specific risk assessments. To ensure all employees are engaged in ensuring safe operations and take an active role in protecting themselves, their colleagues and Ophir's operations, we continued implementation of Hazard/Safety Observation Cards. We also developed an IT tool to support the Hazard/Safety Observation Cards, TRA/JSA and Incident Investigation Reports, and supported its rollout with training, data tracking and trend analysis. Furthermore, an Asset Integrity Observation (AIO) tool was launched which obliges employees to identify and report hardware related defects or conditions. Both new tools will provide additional leading indicator data to assist us in managing risk and refining our HSE performance.

Fostering good HSE culture with leadership visibility

- Understanding and recognising the value of each individual's contribution to incident-free operations.
- Sharing personal examples of safety learnings and observations from both on and off-the-job.
- Never ignoring a suggestion to improve operations.
- Making safety observations and participating in a Job Safety Analysis (JSA)/Task Risk Assessment (TRA) or an incident investigation to determine root causes.
- Conducting field visits, asking questions about safety, environmental and reliability conditions, and provide immediate pin-pointed feedback (both positive and constructive).

Our performance

Environmental responsibility

Our strategic and operational decisions are informed and guided by best international environmental practices for the energy and mining industries, in addition to local requirements and expectations.

We aim to maintain high standards of environmental protection and seek to 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.

Our environmental policies identify the potential impacts of exploration, drilling, development, production and processing at our operational sites, and identify doable and practical controls to mitigate such impacts.

Waste and discharges

We now operate two producing assets, at Kerendan and Bualuang, and we aim to prevent and reduce discharges, emissions and waste capable of adversely affecting their surrounding environment, including the discharge of contaminants to surface and ground water. We accordingly closely monitor air emissions, waste generated, discharges and inadvertent releases. At Kerendan, we plan to drill water re-injection wells in 2018. Water re-injection removes the risks posed by above ground storage. We did have to undertake gas flaring at the facility due to fluctuating demand from our customer and to ensure safe operations. We are looking at solutions to avoid this, however any flaring is undertaken to both protect our people and is in the context that the gas we supply is displacing more carbon-intensive fuels.

Assessment and audit

We conduct environmental impact assessments and environmental monitoring studies, including risk assessment, risk mitigation and contingency planning and audits. We place a high value on regular reporting.

It is important that our surrounding communities understand how seriously we take environmental protection. At Bualuang, with our proposed addition of a new platform, we conducted a series of public participation events to gather community input, to inform, and to be transparent about our plans. The Thai Department of Minerals Fuels also conducted a successful audit of our waste management process at the Bualuang field.

Environmental impact assessment

This year, we submitted an environmental impact assessment to ONEP (Office of Natural Resources and Environmental Policy and Planning the environmental regulator) for the Phase IV development at Bualuang, Thailand. In the lead up to submission, we conducted over 10 public participation sessions with different groups of stakeholders, including focus-group meetings and one-on-one engagement.

We also completed a number of environmental assessments with regards to the Kerendan asset. An environmental assessment was completed for the onshore 3D seismic survey in the Kerendan area, we monitored our activities closely and at the end of 2017 we commenced an environmental review of the project. In preparation for an increase in operational activity in 2018 at the West Bangkanai location, we completed an environmental base assessment that will provide a point of reference when evaluating the impact of our activity.

Environment results

- We had zero significant spills or other loss of containment events.
- At KGPF, we plan to drill water re-injection wells, which will come into use during 2018. All produced water at Bualuang continued to be re-injected.
- Our Group-wide energy intensity – energy used per unit of production is in line with the average of E&P companies worldwide.

Environmental expenditure

Our expenditures on environmental matters in 2017 totalled US$0.9 million, compared to US$0.6 in 2016. This includes costs for waste disposal, environmental studies and other environmental management services.

Group-wide environmental Key Performance Indicators

Metric	2016	2017	Comments
Energy consumption (Gigajoules (GJ))	628,000	1,045,257	Energy consumption increased due to increase of activities including: Bualuang and Cote d'Ivoire drilling, Kerendan 3D survey, Kerendan gas plant condensate evacuation and Malaysia 3D survey.
Energy Intensity (GJ/mboe)	1.4	1.8	Value for E&P companies reporting to IOGP is 1.4 (2016). Increased value due to increased 2017 activities outlined above.
Emissions (tonnes of CO_2e):	64,055	94,493	Scope 1 and 2 emissions increased due to activities outlined above. 2016 Scope 2 emissions revised down by 75 units due to double counting energy consumption in Thai offices.
–Direct (Scope 1)	63,624	94,124	
–Energy Indirect (Scope 2)	431	369	
–Other Indirect (Scope 3) [1]	1,751	6,404	Scope 3 is emissions from business air travel only.
CO_2 emissions intensity (tonnes CO_2e per thousand tonnes oil equivalent production)	144	162	Average value for E&P companies reporting to IOGP is 151 (2016). Increased value due to increased 2017 activities outlined above.
Flaring (MMscf)	214	38	All flaring at KGPF due variation in customer demand. No continuous flaring.
Venting (MMscf)	15.9	15.4	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	4,283	Kerendan operations only.
Waste (kg):			Bualuang and Kerendan operations. Waste generation increased due to Bualuang and Cote d'Ivoire drilling, Kerendan and Malaysia 3D surveys.
–Hazardous	20,539	24,890	
–Non-hazardous	69,343	1,378,645	
Oil and chemical spills	None	< 1 boe	Two cases of incidental spills to secondary containment.
Oil and chemical spills – released to the environment	None	None	
Loss of containment events	None	None	
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, anticipated to commence 2018.

1 Not counted in the total GHG emissions of 69,378 tonnes.

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.

Climate change

Ophir recognises the scientific consensus that greenhouse gas emissions are driving man-made 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 climate change debate and international agreements 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. In 2017, the Board reviewed 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 continue to remain on the Board's strategic agenda.

As the world transitions to a lower carbon future, natural gas will play an important role as a bridging fuel to this future, replacing higher carbon-emitting fuels. With Kerendan and our plans for Fortuna FLNG, we will help contribute to this lower carbon future.

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.

Human rights
We respect and promote human rights – internally and externally. We are therefore committed to maintaining fair and equal treatment of all of our employees and contractors, without discrimination. Supported by our due diligence processes, we also 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.

Our communities
Supporting and sustaining the communities in which we operate is fundamental to our success and our commitment to being a sustainable business. Our work in the community is based on establishing partnerships to identify and meet community needs and ensure open and transparent dialogue in relation to our current operations and future plans.

Wherever we operate, we aim to link our investments to a local area's needs and development priorities, as well as our own competencies and strengths as a business. Our focus is on the sustainability of our investments so that they make a real and lasting difference to communities in the long term with the ultimate aim that they will have in place self-sustaining livelihood programmes. Currently, the biggest impact we can have is at our two operating assets at Kerendan, Indonesia and Bualuang, Thailand.

Three core focus areas drive our activities:

- Education
- Community wellbeing (including through economic improvement and health initiatives)
- Environmental sustainability

The identification of these focus areas has been informed by our engagement with the local community in both Thailand and Indonesia and we outline below the steps we have taken in each of these regions.

Thailand
Our 100% owned and operated Bualuang oil field in the Gulf of Thailand has been on-stream since 2008. The communities that are most impacted by our presence are a combination of fishing communities and the tourism business.

To understand and respond to community needs and concerns we have had permanent CSR representatives on-site. Our overarching approach is to assist the communities to make their own decisions on their needs, rather than a 'top-down' approach, with the aim that we work together to create sustainable livelihoods. To this end, in 2016 we concluded a three-year Asian Green Mussel Project sponsorship in Chumphon province. Now in its fourth year and run entirely by the local community, it is proving itself to be both self-sustaining and offering the opportunity of generating additional income that can be reinvested. From the learnings of this project, we are now supporting a new crab bank programme, with the aim of increasing the crab survival rate to enable a sustainable food resource and future income source.

For senior school students, we have continued with our Ordinary National Education Test tutorial programme, which annually supports 1500 rural students on their journey to tertiary education. In the absence of this programme, similar courses in major cities would be unaffordable to most, limiting their educational opportunities.

Student engagement
In 2017, as part of our community outreach programme, Ophir conducted a public lecture titled 'Basic Petroleum knowledge and Petroleum Business in Thailand'. Delivered to 200 undergraduate students in the Faculty of Engineering, King Mongkut's Institute of Technology Ladkrabang (KMITL) – Chumphon Campus, this was a first of its kind lecture in the region.

Indonesia
Our Kerendan gas field project is in an isolated area in central Kalimantan. Since 2014, we have been working with local villages and government authorities to create shared value and sustainable livelihoods, as well as addressing key health needs – a priority due to the remoteness of the communities.

Since 2014, with our annual raptor bird migration observation programme we have worked to combine education with environmental awareness. This is a great opportunity for primary school children to both learn about the particular species, and understand the importance of habitat protection at a world-class bird migration watching site.

We have worked hard to ensure the local communities benefit from our presence. This ranges from practical advice on agricultural husbandry through to provision of basic needs such as clean water. We are conscious however, that to be truly beneficial we must help the communities create sustainable businesses that can continue independently of our own projects, as well as meet more short-term, immediate needs. To this end, we continued with our support of organic vegetable harvesting and assisting in increasing their yields as a valuable source of food and income. We are also exploring the possibility of medicinal herb harvesting and sales. Together, we took some first steps in exploring the production of value added herbal products, in addition to selling unprocessed herbs, 'Dayak Onion' along with other herbs such as red ginger and 'Tongkat Ali', which is unique to the area. We are working on possible commercialisation in 2018, which will include support and guidance from the local government notably from relevant agencies such as micro-business agency to establish a formal commercial entity (cooperatives) and Health Agency to help with the distribution permit.

In addition to livelihoods, we also have worked to find a solution to relatively high maternal and infant mortality, which is linked to the remoteness of the area and the lack of access to health care. We therefore supported the development of a 'health cadre'; local women trained in basic midwifery skills along with supplying relevant equipment. There are now some dozen trained women, available to assist in both birth and antenatal care.

We want to build on all this experience over the coming two to four years and are liaising with health, transport and educational agencies to more effectively leverage the benefits of our presence and the industry we bring to the region, including electricity generation. We will discuss the results of these efforts over the coming years.

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

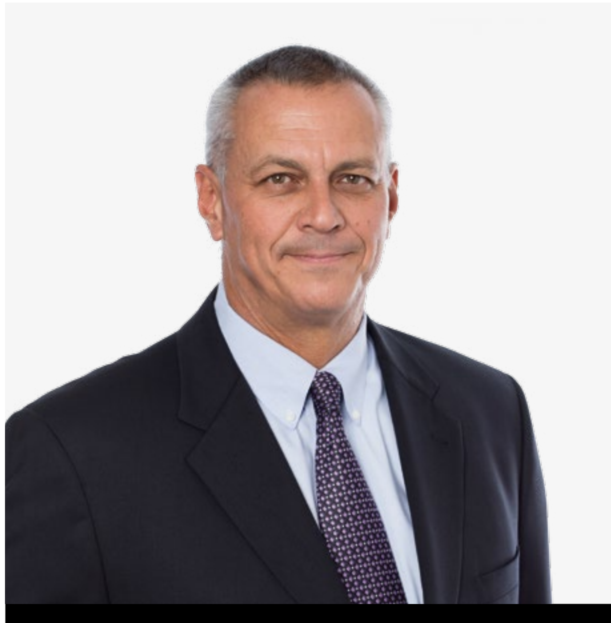
Dr Nick Cooper
Chief Executive Officer
6 March 2018

Creating Shared Value – The Bright Tomorrow

Ophir has chosen to support The Bright Tomorrow ('TBT') charity which is focused on the improvement of education for disadvantaged children, to empower them to achieve their full potential.

Currently TBT is engaged in activities at Llilungu School in Mtwara Provence, Tanzania. Ophir has previously invested in the school as one of its CSR projects in Tanzania; the efforts were focused on improving the physical environment and infrastructure. To continue to support the school Ophir decided to work with TBT, who's focus is on improving the educational provision. The charity has since worked with the school to improve teaching methods and help develop lesson structures and the curriculum. With the Headmistress and the staff at the school the charity is helping support the teachers' advancement of Continued Personal Development. The most recent set of national test results at the school have been impressive, rising from 38% to 75%. Ophir has an ongoing commitment to support this work and help build on the initial success of the project.

Letter from the Chairman



Bill Schrader
Chairman

It is only by being well governed that we can effectively de-risk our business and capture value in what is a rapidly changing world, where many decades-old assumptions are being challenged."

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, Nomination, and Technical and Reserves Committees on pages 56 to 67 together with the Remuneration report on pages 70 to 87 and the Directors' Report on pages 68 and 69 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.

Dear Shareholder,

I would like to welcome you to Ophir's Corporate Governance report for 2017.

Before I discuss our approach to governance and the activities of your Board and its Committees, I would like to take this opportunity to reflect more broadly on our operating environment.

If there is one thing 2017 has reinforced, it is that uncertainty is currently, and in truth has always been, an inescapable reality. With the coming ramifications of Brexit still unknown, the challenge to the orthodoxy of globalisation's positive benefits, the ongoing reality of climate change, and the rapid evolution of global transport, 2017 truly illustrated the importance of businesses in our industry being well run, well resourced, efficient, and robust. It is my belief that this year, Ophir met these requirements. It is only by being well governed that we can effectively de-risk our business and capture value in what is a rapidly changing world, where many decades-old assumptions are being challenged.

This year, your Board reviewed the evolution of Company strategy to focus on monetising Ophir's approximate net 1 billion boe of contingent resources and safely and effectively extracting sustainable value from its producing assets. This entailed the Company progressively moving from being an equity funded, higher risk frontier explorer to an operator of cash-generative assets.

In line with the monetisation strategy and securing margin growth, management was required to take some difficult but important decisions around staffing. This is never easy, but I would like to commend all staff for the professional and responsible way they addressed this task. Your Board was particularly focused on ensuring that the reductions in staff and other reductions in G&A spending did not put at risk Ophir's ability to execute the slate of value-enhancing projects that are planned for the next four years. In addition, we sought to ensure that this process of right-sizing did not dilute the effectiveness of the Company's HSSE, governance and internal controls, and retained the Company's ability for appropriate succession.

Along with Ophir's human resources, the Board also focused on the assessment and evaluation of progress towards a final investment decision (FID) of the Fortuna project and the additional development projects at Bualuang and Kerendan. To this end, the new Technical and Reserves Committee (discussed below) convened in Bangkok to meet senior management responsible for Bualuang, currently our most cash-generative asset. In addition to reviewing project planning and execution, the Board also sought reassurance on the Company's overall balance sheet position, liquidity, financing, and spending discipline across these three major projects. The Board also continued to inform itself of the Company's risk environment including close monitoring of in-country political uncertainty. In addition, with increased production, the Board monitored whether Ophir's HSSE approach was appropriately evolving to reflect this change in business activity.

During 2018, the Board expects these areas of focus to remain broadly similar.

Governance philosophy

Critical to sustaining business performance and shareholder trust is the careful and prudent management of the business. Strong corporate governance is key to achieving this, which means governance activities undertaken in a structured, transparent manner and in an atmosphere that embraces challenge and avoids group-think. I believe your Board and its Committees meet these benchmarks.

Board composition

After appointing two new Non-Executive Directors in 2016, no new appointments were made in 2017. Indeed, the Board became eight members rather than the previous nine with the departure of Dr Bill Higgs on 7 August 2017. This resulted in a reduction of Executive Directors from three to two. In line with the right-sizing of the business, neither a replacement Chief Operating Officer (COO) nor an additional Director has been recruited, although Oliver Quinn, Director – Exploration & Africa, and John Bell, Director – Asia Operations, have taken up additional responsibilities previously undertaken by the COO.

As previously reported, Carol Bell has been appointed as Senior Independent Director with effect from 31st March 2017, the date at which Ron Blakely (former SID) stepped down from the Board. For her services as Senior Independent Director, the Board approved that Dr Bell be paid an additional amount of £5,000 per annum.

As we look forward, a number of Directors will reach six-year terms in 2019. We are focused on appropriate succession planning, in line with accepted good practice, including the importance of progressive refreshing and seeking new members that reflect the diversity of our geographic presence.

Committee composition

On 10 February 2017, David Davies, independent Non-Executive Director, was appointed as an additional member of the Remuneration Committee. It was felt that as the Chairman of the Audit Committee he would bring a useful insight and would be beneficial in joining up the work of the Committees in relation to Company and Executive performance, and in the event of an award grant under the NAV scheme (Long-Term Value Creation Plan).

In March 2017, the Technical Advisory Committee became the Technical and Reserves Committee, and as a result it moved from an advisory Committee to a full Sub-Committee of the Board. This resulted in the Board agreeing new terms of reference for the Committee. This change is principally as a result of the Company's increased production and reserves. The Committee has taken additional responsibility for reviewing the Company's Asian development and production assets, in particular the Bualuang Phase IV and Kerendan gas development projects.

Bill Higgs stepped down from the Technical and Reserves Committee upon his departure from the Board and ceased to be a key contributor in September 2017 when he left the Company. No Committee replacement was made; however, as I have noted above, increased responsibility has been placed on the two key contributors: Oliver Quinn, Director – Exploration & Africa, and John Bell, Director – Asia Operations.

Board effectiveness

Having undertaken an external Board evaluation in 2015, the Board chose to conduct an internal review of its effectiveness in 2016, and again in 2017. The Board will undergo an externally facilitated Board and Committees evaluation in 2018 to meet the requirement for external evaluation every three years.

Following the results of the Board evaluation in 2016, the Company provided a more detailed training programme for Non-Executive Directors. Three sets of facilitators were engaged: EY LLP, Korn Ferry and EMEA Energy, and Linklaters.

EY addressed changes in accounting standards and applicable legislation; future proofing governance reporting, including narrative reporting and the FRC's wider aims to improve reporting using a stakeholder lens. Together, Korn Ferry and EMEA Energy presented The Effective Board – The Journey, which showed the various stages of the development of a board and the considerations of where Ophir sits on that journey; the importance of board diversity and its role in adding to board effectiveness and the avoidance of 'group-think'. Linklaters' training addressed corporate governance reforms; market abuse regulations; and creating an effective compliance programme.

Schedule of Reserved Matters for the Board

In 2017, the Schedule of Reserved Matters for the Board was reviewed to ensure continuing adherence to best practice, updated to include a minor change to allow for Foreign Exchange hedging within parameters, and approved by the Board.

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 in this Report. Recommendations identified following the Board and Committee effectiveness reviews have helped to ensure that the Committees are able to discharge their responsibilities on behalf of the Board. In 2017, the Terms of Reference for each of our Board Committees were reviewed, updated, and approved by the Board.

Shareholder communication

As noted in last year's report, the Board recognises the importance of establishing and maintaining good relations with all the Company's shareholders. Nick Cooper, the Chief Executive Officer, continues to be primarily responsible for investor relations, supported by the Executive Directors, senior management and the Investor Relations function. In 2017, over 200 investor meetings were hosted during the year in Europe, Africa and North America. Additionally the Chairman and Senior Independent Director held a number of meetings with top shareholders, primarily to discuss corporate governance matters.

Bill Schrader
Chairman
6 March 2018

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 48 to 52
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.	Board effectiveness, pages 53 to 55
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 45
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 70 to 87
Relations with shareholders	The Board is responsible for ensuring a clear, coherent and regular dialogue with shareholders at all times.	Relations with shareholders, page 55

Board of Directors

William (Bill) Schrader
Chairman of the Board

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

Committee membership:

Experience
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. He is the 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.

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

Appointed: 2011

Committee membership:

N T

Experience
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.

Anthony (Tony) Rouse
Executive Director & Chief Financial Officer

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

Experience
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).

Dr Carol Bell
Independent Non-Executive Director

Appointed: 2015

Committee membership:

C A N

Experience
Dr Carol Bell was appointed as a Non-Executive Director in March 2015 and as Senior Independent Director on 31 March 2017. Carol has over 30 years of experience in the energy industry having enjoyed a successful career in the City of London culminating in the role of Managing Director of Chase Manhattan Bank's Global Oil & Gas Group. Carol currently sits on the Boards at Petroleum Geo-Services ASA, Bonheur ASA, Tharisa plc, and the Development Bank of Wales, the venture capital arm of the Welsh Government. She is also a Non-Executive Director of the BlackRock Commodities Income Investment Trust plc. Carol holds an MA in Natural Sciences from the University of Cambridge and a PhD in Archaeology from University College London.

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	6

Board experience
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 expertise and skills in the following areas:

- Geology
- Engineering
- Finance
- Legal
- HR

Key

- A Audit Committee
- C Corporate Responsibility Committee
- N Nomination Committee
- R Remuneration Committee
- T Technical and Reserves Committee
- Committee Chairman

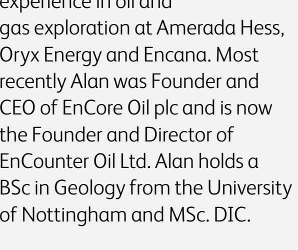
Alan Booth
Independent Non-Executive Director

Appointed: 2013

Committee membership:

T A C R

Experience
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).



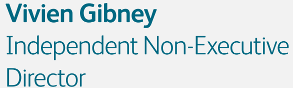
David Davies
Independent Non-Executive Director

Appointed: 2016

Committee membership:

A R

Experience
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 currently sits on the Boards at Wienerberger AG and Uniper SE. He is a member of the Senior Advisory Board at First Alpha Energy Capital LLP and will join the Board of Petrofac Plc as Non-Executive Director at their AGM in May 2018. David is a Chartered Accountant with a BA(Hons) in Economics from the University of Liverpool and an MBA from the Cass Business School.



Vivien Gibney
Independent Non-Executive Director

Appointed: 2013

Committee membership:

R C N

Experience
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.

Dr Carl Trowell
Independent Non-Executive Director

Appointed: 2016

Committee membership:

C N T

Experience
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.

Board departures during the reporting period

Ronald (Ron) Blakely
Non-Executive Director

Appointed: 2011

Retired: 31 March 2017

William (Bill) Higgs
Executive Director

Appointed: 2014

Departed: 7 August 2017

Leadership

Responsibilities of the Board

Role of the Chairman

The Chairman is responsible for the leadership of the Board, setting the agenda for the Board, with the CEO and General Counsel & Company Secretary, and ensuring an effective decision-making process.

Chief Executive Officer

The Chief Executive Officer is responsible for managing the day-to-day business of the Company, developing strategy with the Board, and leading the senior management team.

Board activities

Active role in ensuring the Company restructuring did not put at risk Ophir's ability to deliver against its strategy or dilute the effectiveness of its safety and risk management functions.

Approval of expansion into third geographical region through the new country entry of Mexico.

Assessment and evaluation of additional development projects at Bualuang and Kerendan and approval of commencement of Phase IV development in Bualuang oil field.

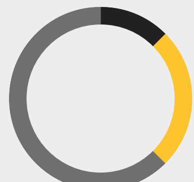
Approval of entry into a new US$250 million RBL facility.

Detailed review of the Company's HSSE framework and broader risk environment across the countries we operate in.

Approval of the award of upstream construction contracts for the Fortuna FLNG Project to Subsea Integration Alliance and the award for Fortuna FLNG offtake to Gunvor Group.

Board composition

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



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

The Board is collectively responsible to shareholders for the continuing long-term success of the Company. The Board provides effective leadership and is responsible for the overall conduct of the business including establishing the values, standards and strategic objectives of the Company, providing oversight and review of its performance, and maintaining a successful dialogue with shareholders. Either directly or through the operation of its Committees the Board brings an independent judgement on all matters of strategy, performance, risk management, resources, standards of conduct and accountability.

The Board has adopted a formal schedule of matters reserved for its approval. The Board undertook a review of this schedule of reserved matters in November 2017 as part of its annual review process. The Board concluded that the only update required was a minor change to allow for Foreign Exchange hedging by the Chief Financial Officer, within materiality parameters set by the Board. A full copy of the schedule of reserved matters is available on the Company's website at www.ophir-energy.com/about-us/corporate-governance.

The Board has delegated other specific responsibilities 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 and Reserves Committees are available on the Company's website at www.ophir-energy.com/about-us/board-committees.

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.

Role of the Chairman

The Chairman 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. Bill Schrader, the current Chairman, was considered to be independent in character and judgement on his appointment.

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.

In fulfilling his role the Chairman:

– 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. The Committee's remit has been expanded during the course of the year to broaden its duties in relation to succession planning. This involves looking at senior management

Corporate governance framework

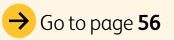
The Board has a coherent corporate governance framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realise the Company's strategy.

Board
Non-Executive Chairman, two Executive Directors and five independent Non-Executive Directors

Audit Committee

Members
Chairman: David Davies
Carol Bell
Alan Booth

Main Responsibilities include monitoring the integrity of the financial statements of the Company and reviewing the adequacy and effectiveness of internal control and risk management systems.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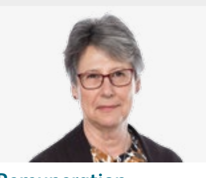
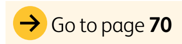


Remuneration Committee

Members
Chairman: Vivien Gibney
Bill Schrader
Alan Booth
David Davies

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.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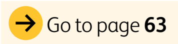
Nomination Committee

Members
Chairman: Bill Schrader
Nicholas Cooper
Carol Bell
Vivien Gibney
Carl Trowell

Main Responsibilities are regularly reviewing structure, size and composition of the Board and identifying and nominating candidates to fill Board vacancies, and monitoring senior management regarding succession planning and development.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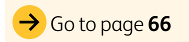
Technical and Reserves Committee

Members
Chairman: Alan Booth
Nicholas Cooper
Bill Schrader
Carl Trowell

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.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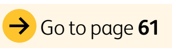
Corporate Responsibility Committee

Members
Chairman: Carol Bell
Bill Schrader
Alan Booth
Vivien Gibney
Carl Trowell

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

and key roles within the Company to provide the Committee with a broader view in relation to managing appointments and the development of personnel;

- 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 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 Senior Management Team (SMT) consisting of the Chief Financial Officer and General Counsel & Company Secretary, in addition to other senior members of the Company.

In fulfilling his role the Chief Executive Officer:

- proposes, develops and supervises the Company's strategy and overall commercial objectives and ensures that agreed strategies are implemented by the SMT;
- 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 SMT, 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; and
- progresses the Company's communication programme 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, Alan Booth, Vivien Gibney, David Davies and Carl Trowell, were independent in character and judgement and free from relationships or circumstances that might affect their judgement. Throughout 2017 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 re-appointment 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 2018 AGM:	Less than 6 years
Considered to be independent:	Yes

Dr Carol Bell	
Date of appointment:	March 2015
Tenure from appointment to 2018 AGM:	Less than 4 years
Considered to be independent:	Yes

Alan Booth	
Date of appointment:	April 2013
Tenure from appointment to 2018 AGM:	Less than 6 years
Considered to be independent:	Yes

David Davies	
Date of appointment:	August 2016
Tenure from appointment to 2018 AGM:	Less than 2 years
Considered to be independent:	Yes

Vivien Gibney	
Date of appointment:	August 2013
Tenure from appointment to 2018 AGM:	Less than 5 years
Considered to be independent:	Yes

Dr Carl Trowell	
Date of appointment:	August 2016
Tenure from appointment to 2018 AGM:	Less than 2 years
Considered to be independent:	Yes

Senior Independent Director

Dr Carol Bell is the Senior Independent Director and was appointed with effect from 31 March 2017, having previously served as a Non-Executive Director since March 2015. Ronald Blakely served as Senior Independent Director until his resignation as a Director 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.

Board activity

Key areas of focus for the Board in 2017 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 2018, the Board expects these areas of focus to remain broadly similar.

Effectiveness

Board composition

At 31 December 2017 the Board was composed of the Chairman, two Executive Directors and five independent Non-Executive Directors. The following changes to the Board took place during the year ended 31 December 2017 and up to the date of this report:

- 7 August 2017: Dr Bill Higgs stepped down from the Board as an Executive Director.
- 31 March 2017: Ron Blakely stepped down as the Senior Independent Director and retired from the Board.
- 31 March 2017: Carol Bell was 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 Board decided that following the departure of Bill Higgs the appointment of another director was not required.

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 63 to 65. Biographical details for each of the Directors who served at the end of the year and at the date of this report are set out on pages 48 and 49.

Meeting attendance

The Board held four formal meetings during 2017, as well as a meeting to consider the strategic direction of the business. Details of the attendance of all Directors who served during the year ended 31 December 2017 at the formal Board meetings are shown in the table below:

	Scheduled Board meetings
Bill Schrader, Chairman	4/4
Nick Cooper, Chief Executive Officer	4/4
Tony Rouse, Chief Financial Officer	4/4
Carol Bell, Non-Executive Director	4/4
Alan Booth, Non-Executive Director	4/4
David Davies, Non-Executive Director	4/4
Vivien Gibney, Non-Executive Director	4/4
Carl Trowell, Non-Executive Director	4/4
Former Directors	
Ron Blakely[1]	1/1
Bill Higgs[2]	2/2

1 Ron Blakely stepped down from the Board on 31 March 2017.
2 Bill Higgs stepped down from the Board on 7 August 2017.

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.

A range of different individual contributors, both internal and external, are invited to both Board and Committee meetings, as appropriate, in order to ensure informed decision-making. This provides additional information and expertise to the Board and provides Committee members with the opportunity to explore further areas of complexity. It gives access to management below Board level and gives these managers experience and exposure at Board level.

Board evaluation

The performance and effectiveness of the Board is fundamental to the success of the Group and the Board recognises the need to continually monitor and improve its effectiveness. The annual performance evaluation process represents an opportunity to enhance the performance of the Board, its Committees, individual Directors and the Chairman. In accordance with the requirements of the UK Corporate Governance Code it is the Company's policy to carry out an external review of the Board's performance, using an independent external consultant, every three years. Such external evaluation process took place in 2015 and the next is scheduled for 2018.

In 2017 the Board undertook a review of its own performance led by the Chairman with the support of the General Counsel & Company Secretary. A comprehensive questionnaire was completed by each Director evaluating the performance of the Board and its Committees, including Board composition, processes, meetings, content of discussions, objectives and support. The questionnaire built on the one undertaken in 2016 so progress could be measured, with additional areas included to reflect the Board's current focus and events within the Company and the industry, inviting Directors to indicate where improvements could be made. A report consolidating the individual responses was prepared and presented to the Board for discussion and the Board agreed areas where action should be taken.

The results of this year's review were positive and confirmed that the Board and its Committees continue to perform effectively, with progress shown in the areas highlighted for action following the 2016 review. Following Board and Committee composition changes over the previous year, the positive feedback on the functioning of the Board and its Committees demonstrated the performance level has been maintained and strengthened, with all Directors making a valuable contribution.

Following the 2016 review, the more tailored training programme implemented in 2017 led to improvements in this area. The Board identified that to further tailor the training programme for individual Directors the provision of more specialist training, or updates where appropriate, in particular areas of responsibilities, would be useful. In 2018 the training programme will continue to focus on changes, new or upcoming, particularly legal and regulatory, affecting the Company and the Board and provide relevant updates to assist Directors in keeping up to date.

Actions arising from the 2017 Evaluation:

– Focus on succession planning at Board level and throughout the Company. The Board identified the importance of ongoing monitoring to ensure the necessary human resources are in place to meet the needs of the Company, particularly following the restructuring that took place mid-2017. The Board in conjunction with the Nomination Committee will ensure effective succession planning at the Board level. The Nomination Committee has also been tasked with a wider remit to monitor succession planning and talent development of the Company's management to support the Company's strategy and business long term.
– Focus on internal controls oversight. The Board noted the increasing duties and reporting requirements regarding the business and the regulatory environment and the need to monitor the reporting to the Board and Committees around internal controls. A review of, and increase in the breadth of, information reported started towards the end of 2017 and this will remain a strong focus for the Board in 2018 to ensure the amount and type of information reported enables the Board to provide appropriate oversight.
– Review of Process Safety Management System. As a result of changes to the Company and an increased focus on the Company's production assets, the Board considered a review of the Company's Process Safety Management System timely. The Corporate Responsibility Committee will take the lead to ensure that the systems and controls in place and the reporting provided are appropriate.
– Review the number of Audit Committee Meetings. Due to the increased burden of responsibilities on the Audit Committee, including more extensive internal control monitoring, the Board identified the need to review the number of meetings of the Committee. Therefore, the Audit Committee have scheduled an additional meeting for 2018.

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 26 to 31. The Audit Committee reviews the effectiveness of the risk management process on the Board's behalf, and its approach to this can be found in the Audit Committee Report on pages 56 to 60.

Insurance and indemnification

The Company provides its Directors and Officers, including those acting on subsidiary boards, with the benefit of appropriate insurance, which is reviewed annually. The policy was approved in October 2017. 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 2017 the Directors received advice and training on:

– regulatory developments in the UK Listing Rules;
– regulatory developments on Corporate Governance;
– inside information and money laundering;
– insider trading and market abuse;
– creating an effective compliance programme;
– anti-bribery and corruption matters;
– board effectiveness including avoiding "group-think";
– legislative updates including the introduction of the Criminal Finances Act and EU General Data Protection Regulation; and
– changes in accounting standards.

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.

Relations with shareholders

Independent advice
All Directors have access to the advice and services of the General Counsel & Company Secretary. In addition, any Director may take independent professional advice at the Company's expense on any matter in the furtherance of their duties, at Board or Committee level.

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 2017, 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.

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 the Executive Directors, senior management and the Investor Relations function. Over 200 investor meetings and calls were hosted during the year in Europe, Asia, Africa and North America. In the spirit of improving stakeholder relations, in May 2017 the Company employed an outside agency to complete an Investor Perception survey with participation from 35 buy and sell side respondents. The results from the survey were presented to the Board and the findings used to refine the forward investor communications plan. We plan to complete this survey on a biennial basis point forward with the 2017 survey providing the baseline data.

Bill Schrader, in his capacity as the Chairman, and Ronald Blakely, the Senior Independent Director, met with major institutional shareholders in 2017 to listen to their views on the Company's strategic direction and discuss issues of corporate governance. This process was well received by investors and is being repeated in 2018.

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 2018 AGM will be held on 16 May 2018 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 2017 Annual Report will also be made available on the Company website at: www.ophir-energy.com.

Report of the Audit Committee

Membership and attendance

David Davies
Audit Committee Chairman

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 2017, are set out below:

Committee members	Meeting attendance
David Davies, Committee Chairman	3/3
Carol Bell	2/3
Alan Booth	3/3
Ronald Blakely[1]	1/3

1 Ronald Blakely retired from the Board and the Committee on 31 March 2017.

The Board considers all members of the Committee to be independent and that, as Chairman, David Davies has recent and relevant financial experience and competence in accounting as required by section C.3.1 of the Code and section 7.1.1 of the Disclosure and Transparency Rules, respectively. The Chief Executive Officer, Chief Financial Officer, and representatives of the external Auditor and internal Auditor attend Committee meetings on a regular basis. The external Auditor also met with the Committee on several occasions throughout the year without executive management being present. The Committee hears from a range of different individual contributors at its meetings, both internal and external, in order to ensure informed decision-making. The number of different contributors during 2017 is reflected below.

Number of meeting contributors during 2017

Report of the Audit Committee Chairman

Dear Shareholder,

I am pleased to be writing to you, following my first full year as Chairman of the Audit Committee.

This year, there was no significant change to the key areas of focus for the Committee, including continuing review of the Company's internal controls (including alignment of risk and strategy, particularly in the context of the evolution of Ophir from a frontier explorer to managing two producing assets), financial statements, treatment of assets on the Company balance sheet, tax strategy, internal and external audit, keeping non-audit fees to a minimum, and reserves reporting.

Of all areas of Committee responsibility, one I would particularly like to highlight is the Committee's consideration of the carrying value of our Equatorial Guinea assets. As previously reported, 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, offshore Equatorial Guinea utilising Golar's FLNG technology. 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. The Committee reviewed and approved management's valuation of the Fortuna asset and its continuing classification as an asset held for sale and subsequent classification as an investment post FID.

Over the year, the Committee also considered the Company's strategic review of its exploration portfolio and the impairment impact of the decision to exit several countries. We also considered the impact of the restructuring of the Company with headcount reductions, that the Company was sufficiently financed to meet its capital commitments, and the write-down of a number of commitments.

In addition, on assuming the role of Committee Chairman, I considered the meeting schedule of the Committee, and whether three meetings per year were sufficient in the context of the Company's evolving strategy and new producing assets. In consultation, it was determined that the Committee would benefit from an additional meeting. Accordingly, in 2018 the Committee will hold four meetings, in particular to enable additional opportunity to consider non-financial risks and related internal controls.

Committee responsibilities

The main role and responsibilities of the Audit Committee include:

- monitoring the integrity of the financial statements and any formal announcements relating to financial performance;
- reviewing internal financial controls and the Company's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the auditor;
- reviewing the auditor's independence and objectivity; and
- developing and implementing the non-audit services policy.

Over the year, the Committee also considered the Company's strategic review of its exploration portfolio and the impairment impact of the decision to exit several countries."

Activities during the year

Continuing monitoring of the value and IFRS classification of the Fortuna asset.
Detailed review of non-financial internal controls and their mitigations, and subsequent reporting mechanisms.
Ensure the robustness of financial reporting.
Receive, monitor and assess the reserves report following recommendation from the Technical and Reserves Committee.

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/.

Meeting schedule

As noted above, the Audit Committee met three times in 2017 (in accordance with its terms of reference). The Committee is comprised of three members and there were no changes to the composition of the Committee during 2017, except for the retirement of Ron Blakely.

Internal controls

A major focus was ensuring the alignment of risk and strategy, a review of the development of the Company Risk Matrix, and monitoring the effectiveness of the Company's Compliance Programme. Following the Company restructuring in mid-2017, the Committee reviewed its impact on compliance and risk management and determined there was no negative impact on its effectiveness.

Through the year, and after the restructuring, the Committee continued to monitor compliance through leading indicators. These include training undertaken, registers maintained, as well as whistleblowing reports received, and declarations and sign-offs, including conflicts of interests, from employees and contractors. It also reviewed the internal controls that support the non-finance duties of the Committee, via a review of its duties and responsibilities. The Committee also continued to monitor counterparty risks and the status of legal, tax, and audit disputes and claims, as well as deciding on their classification based on likelihood and impact. It also reviewed the Company's tax strategy before recommendation to the Board and approved the updated Treasury Procedure, ensuring the right balance between practical delegation to management and corporate controls. Finally, it also approved the updated Delegation of Authority Procedure and confirmed the principal risks and uncertainties for the Annual Report and Accounts.

Internal Audit

The Committee reviewed the effectiveness of the internal audit function, provided during the year by an external provider, Mazars LLP. In addition, it received and reviewed reports from the Internal Auditor. It also completed reviews under the Internal Audit Plans, which included:

- Corporate Governance & Compliance
- HSE
- Contract Management Procurement
- The 2017 asset visit to Thailand
- Working Capital & Cash Management
- HR Function

External Audit

The Committee received and reviewed the External Audit Review of the 2016 Financial Statements, reviewed the Representation letter of EY LLP – the Company's Auditor, confirmed the independence and objectivity of the External Auditor and received and reviewed the External Audit Review of the 2017 Interim Financial Statements – 30 June 2017. It also received, reviewed, and agreed the 2017 External Audit Plan.

Reserves reporting and additional issues

The Committee considered the recommendation from the Technical Advisory Committee (now the Technical and Reserves Committee) with regards to reporting of reserves. The Committee also reviewed the key messages for the Annual Report and Accounts and its preparation schedule; conducted its annual review of the Committee's Terms of Reference; and conducted an internal evaluation of its own effectiveness as part of the annual Board and Committee evaluation.

Over the year, the Committee made the following recommendations to the Board:

- Approval of 2017 Financial Statements and Reports
- Approval of 2017 Interim Statement
- Adoption of the Going Concern Statement and Basis of Preparation
- Adoption of the Viability Statement
- Approval to make changes to its Terms of Reference

David Davies
Audit Committee Chairman
6 March 2018

Report of the Audit Committee continued

Role and responsibilities of the Audit Committee

In November 2017, 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 and Reserves 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 2017 financial statements, was the continuing 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. 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 continued to be met despite FID having not taken place one year after initial classification. The Committee has satisfied itself that the delay in FID has been caused by circumstances beyond the Company's control and that the Company remains committed in its plan to form the JV on FID of the asset. 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 2017, 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 2017 Accounts (further detail on the going concern statement is set out on page 69).

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 26 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 an updated delegated authority schedule was approved by the Committee in November 2017 to reflect personnel changes following the restructuring that took place earlier in the year. 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 2017 the Committee met with the Executives Directors and the Senior Management Team responsible for evaluating new country risks and monitoring changing risk profiles for the countries in which the Company operates. Additionally, the Committee monitored the Company's risk management structure, in particular the Ethical Compliance programme and other internal control mitigations.

The principal risks identified by the Company are set out on pages 26 to 31.

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 2017:

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 requiring the Executive Directors together with the Senior Management Team to confirm that the areas of the business for which they are responsible are compliant with the Company's policies and procedures.

Ethical compliance

In 2017 Ophir completed the annual Group-wide compliance programme for employees and contractors, tailored to each local environment across the business. Compliance training was delivered to all Ophir offices. The compliance programme also includes an annual sign-off process for all employees and contractors to confirm adherence to the Company's key ethical compliance policies and standards; a written assurance process confirming compliance across all areas of the business by senior management to the Chief Executive and in turn this allows the Chief Executive to provide this assurance in writing to the Board. An area of improvement for the year has been the reporting to the Committee of data gathered from Compliance Registers which has been monitored via leading indicators. The information includes intermediaries, gifts and hospitality, per diems, charitable donations, maverick spend, conflicts of interest, whistleblowing, and progress on the compliance programme.

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 and the other principal ethical compliance policies and standards. Ophir provides staff with an anonymous whistleblowing hotline (by phone, email, or online), which is also accessible to third parties including business partners. The hotline allows for the reporting of concerns regarding matters ranging from corruption to harassment to environmental issues, outside of the Company's internal line management reporting procedure. 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. Every incident of whistleblowing is reported to the Committee, along with findings and recommendations following investigation by the Company.

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 2017 Internal Audit Plan. Key actions undertaken by the internal Auditor during 2017 included the following:

- reviewing the Group's governance and compliance processes and controls to ensure compliance against regulatory standards and internal policies;
- an assessment of the Company's processes and controls around contract management and procurement covering: the retention of documentation, procurement planning, compliance with legislative requirements and management of contractor performance;
- asset visits to Thailand to assess the procedures and controls surrounding the management of core financial and operational activities;
- an assessment of the Company's Working Capital & Cash Management processes and their effectiveness;
- reviewing the effectiveness of Health, Safety & Environment (HSE) functions risk management controls and how effectively they are communicated across the Group; and
- a review of the HR function following the restructuring that covered the eight key HR practice areas.

Key actions to be undertaken as part of the Internal Audit Plan scheduled for 2018 include:

- reviewing the Group's incident response processes and effectiveness;
- assessment of cybersecurity controls in place;
- assessment of drilling efficiency;
- assessment of the purchase to pay (P2P) process and controls; and
- assessment of the design effectiveness of each control that mitigates the Company's principal risks.

The findings from the review will be followed up during 2018 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 2017 the Company committed expenditure of $971,000 on audit services (2016: $893,000). In addition, the Company committed expenditure of $19,000 on non-audit work (2016: $29,450). The non-audit work undertaken by EY in 2017 related to subsidiary assurances against our Tanzanian entities. These fees were reviewed and approved by the Committee under the terms of the policy. There have been no fees incurred in relation to any other assurance or non-audit services for the year ended 31 December 2017. 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 re-appointment 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. The current Lead Audit Partner is rotating after 5 years of service. The Audit Committee Chairman has met with the proposed successor to review their suitability.

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 2018.

Report of the Corporate Responsibility Committee

Membership and attendance

Carol Bell
Corporate Responsibility Committee Chairman

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 2017, are set out below:

Committee members	Meeting attendance
Carol Bell, Committee Chairman	2/2
Alan Booth	2/2
Vivien Gibney	2/2
Bill Schrader	2/2
Carl Trowell	2/2

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, Director – Asian Operations, 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, in order to ensure informed decision-making. The number of different contributors during 2017 is reflected below.

Number of meeting contributors during 2017

13

Report of the Corporate Responsibility Committee Chairman

Dear Shareholder,

As Chairman of the Corporate Responsibility Committee, I write to report on an active year.

The Committee oversees the Company's activities in the areas of health and safety, security, environmental responsibility, community development, business ethics and management of non-financial risk. Health, Safety, Security & Environment (HSSE) and Risk are standing items on the Committee's agenda. In addition, the Committee also receives detailed reports on specific risk areas, which may vary from year to year. During 2017, we discussed the following risks in detail: People, Compliance, Internal Communications, Business Ethics, and External Reporting.

Fundamentally, the Committee seeks to ensure that Ophir acts responsibly in relation to our employees, contractors, business partners, the communities in which we operate, and with respect to our environmental footprint (including directing and overseeing strategic initiatives and responses to climate change). Underlying all these activities is a commitment to act ethically and in a spirit of mutual respect that mirrors Ophir's Values.

The Committee met twice during 2017 and also dealt with business by an approval by circular (in accordance with its Terms of Reference). The Committee includes five members and there were no changes to the composition of the Committee during 2017.

People

Mid-year, Ophir's Board agreed a change in strategy in order to make its business sustainable in a 'lower for longer' oil price environment. As a result, a major restructure was completed that necessitated substantial headcount reductions both in our head office and overseas. The Committee reviewed the restructuring plan and obtained assurance that HSSE and related controls, including compliance and risk management, would not be compromised. The Committee also sought additional assurance that Ophir would retain the skills and personnel it required to execute its strategic projects safely and efficiently and that the effect of the restructuring would facilitate both the preservation and creation of value. The Committee is satisfied that Ophir continues to have the personnel and processes in place to operate safely and effectively after this major cost-saving exercise.

As already mentioned, HSSE and safe operations remain an absolute priority of our business. The delivery of this begins with the culture of the organisation. During 2017 the Company continued to embed a unified approach to HSSE across its geographic areas of operation, accepting that different regions may begin from different perspectives on such issues. Accordingly, we continued to build a united 'One Ophir' compliance culture under which the health, safety and security of all those who work with us forms the core of our approach to global business practice. We continued to emphasise the importance of using leading indicators to measure the effectiveness of our controls and safeguards in order to help the Company identify potential risks and seek ways to mitigate them more effectively through appropriate processes and policies. With two producing assets of significant size, safe operation is vital to the Company. Moreover, during the year we also conducted a large land seismic campaign that employed up to

Report of the Corporate Responsibility Committee continued

1,400 contractors in challenging terrain in Indonesia. With this level of activity in mind, it is a testament to Ophir's people that we achieved two significant HSE milestones during 2017: in Thailand we achieved three years of LTI free operation and in Indonesia we achieved two years of LTI free operation. Looking to 2018, we are rolling-out online training programmes across the Company, directed towards maintaining our good record in health and safety.

Risk

As already mentioned, the Board endorsed restructuring measures that modified the Company's strategy towards a focus on producing assets and monetising gas resources with the objective of achieving a sustainable business model for funding exploration. This decision was made in the context of emerging challenges to the assumptions around future oil demand, including the transition of energy demand away from hydrocarbon fuels generally and the emergence of electric vehicles specifically. The Committee monitors these developments closely, as they affect the level of exploration, development and production risk, all of which contribute to the Company's ability to deliver an appropriate return on invested capital to shareholders. The Committee also continued to monitor external risks to all areas of Ophir's operations, notably political risk in the countries in which we operate. The deteriorating situations in Myanmar, Tanzania and Gabon specifically were discussed and monitored during the year.

The Committee remained vigilant to the rapidly changing global geopolitical trends, of which the transition of energy demand away from hydrocarbon fuels, already mentioned above, in response to climate change has the largest potential long-term impact on our industry. Consequently, the response to climate change is one of our principal risks and we approved a Climate Change Policy during the year. We also conducted an employee survey to gather opinions on this subject to inform the Company's approach to this risk.

Policies and our Code of Conduct

As our risk profile evolves, so too must our policies. This year, our HSSE Policy was reviewed and updated to bring it in line with the sustainability reporting under the GRI metrics, this includes a commitment to protection of biodiversity and an endorsement of the Precautionary Principle. In response to Ophir's increased responsibility under the Market Abuse Regulation, the Committee directed a review of third-party contracts and the Company's procedures to ensure they remained adequate (particularly regarding managing inside information). In addition, we reviewed the new requirements and potential risks following the introduction of the Criminal Finances Act in September and the General Data Protection Regulation to be introduced in May 2018. In the context of this new legislation, a review of the Company's Code of Conduct was undertaken, and the updated document was recommended to the Board for approval.

The Committee performed its annual review of its Terms of Reference and undertook an evaluation of its own effectiveness as part of the annual Board and Committee evaluation.

Plans

We believe that an area of focus for 2018 will be to develop our process safety management in response to the significant increase in the scope of our operations. We have consequently added this item to the Committee's standing agenda. The Committee will also continue to monitor in depth the countries in which it operates with particular focus on Equatorial Guinea and Indonesia.

Dr Carol Bell
Corporate Responsibility Committee Chairman
6 March 2018

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 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 2017, 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	2017 Corporate Responsibility Committee highlights
Health and Safety	No work-related lost time injuries
	7 million hours worked during the year No process safety incidents; no loss of primary containment events Enhanced our leading indicator metrics tracking & reporting
Environment	No recordable spills
Security	One security incident – continued to closely monitor external risks in all areas of operations
Community projects	Focused on partnerships to create shared value
Ethics	Enhanced our compliance processes and 100% sign-offs completed
Employee engagement	Continued to support the people agenda and enhance the EVP; conducted our second engagement survey during Q4
Climate change	Submitted CDP Climate Change Questionnaire and completed GRI reporting for the first time

Further information on the Company's approach to Corporate Responsibility and HSSE matters can be found in the Corporate Responsibility report on pages 38 to 45.

Report of the Nomination Committee

Membership and attendance

Bill Schrader
Nomination Committee Chairman

The members of the Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2017, are set out below:

Committee members	Meeting attendance
Bill Schrader, Committee Chairman	2/2
Nick Cooper	2/2
Carol Bell	2/2
Vivien Gibney	2/2
Carl Trowell	2/2
Ronald Blakely[1]	1/2

1 Ronald Blakely retired from the Board and the Committee on 31 March 2017.

The Board considers a majority of the members of the Committee who served during the year to be independent. The Committee hears from a range of different individual contributors at its meetings, both internal and external, in order to ensure informed decision-making. The number of different contributors during 2017 is reflected below.

Number of meeting contributors during 2017

2

Report of the Nomination Committee Chairman

Dear Shareholder,

In 2017, the main focus of the Nomination Committee was to ensure that subsequent to the reduction in headcount, particularly in the London office and amongst our expatriate workforce, the Company retained the necessary skilled personnel to execute its key projects – in line with the strategy to monetise its 1 billion boe of contingent resources. This includes the ability to effectively execute projects at Kerendan and Bualuang, and progressing the Fortuna project to achieve first gas in 2022.

In addition to ensuring sufficient personnel were in place, the Committee also monitored succession planning for key roles, to mitigate any 'key-person' risk. The Committee discussed potential candidates for all key roles within the business across the senior bands and discussed the readiness of each proposed candidate.

The Committee also continued to consider Board succession planning and diversity. Although no additional Board members are currently required, the focus when new members are required will be on recruiting appropriately skilled people from a broader geographical base, to reflect where our key assets are now located.

The Nomination Committee met twice in 2017, (as per its terms of reference). The Committee includes five members and there were no changes to the composition of the Committee during 2017, except for the retirement of Ron Blakely.

The Committee was also informally convened to discuss the organisational restructuring in London and within the expatriate community.

Senior Independent Director appointment and remuneration

The Committee recommended to the Board the appointment of Dr Carol Bell as Senior Independent Director with effect from 31 March 2017, the date at which Ron Blakely (former SID) stepped down from the Board. The Board approved, following the recommendation of the Committee, that Carol be paid an additional amount of £5,000 per annum for her services as Senior Independent Director.

Board succession and diversity planning

The Committee reiterated the Company's commitment to diversity including at Board level. The Committee agreed to circulate the details of possible Board candidates they might come across in the course of their professional activities. The Committee agreed that there is no current requirement to appoint a Board member, but when a new member is required the Board would look for suitable candidates with an African and/or Asian background to enhance the Board's understanding of the working environment of the Company's areas of operation.

Committee evaluation and Terms of Reference

The Committee undertook an evaluation of its own effectiveness as part of the annual Board and Committee evaluation. The Committee also performed its annual review of its Terms of Reference.

Summary of changes to the Terms of Reference

The Nomination Committee Terms of Reference have been reviewed in line with current recommended best practice. The Terms of Reference remain consistent with best practice. However, there were two primary

Report of the Nomination Committee continued

The Committee also continued to consider Board succession planning and diversity. Although no additional Board members are currently required, the focus when new members are required will be on recruiting appropriately skilled people from a broader geographical base, to reflect where our key assets are now located."

changes. The changes were made in light of the focus in recent years, evidenced in a joint EY/ICSA report produced last year, that nomination committees broaden the scope of their role to take on a wider 'people' function and link strategy to future changes in personnel at the Board and throughout Ophir.

Firstly, a more explicit instruction to consider the Company's strategy and objectives as part of the succession planning requirements:

Revision (change to provision underlined):

Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates and take into consideration the strategy and objectives of the Company in succession planning;

Secondly, the inclusion of an additional duty for the Committee to give consideration to and monitor succession planning and development beyond the Board, looking at senior management and key roles within the Company to provide a broader view of succession planning. The duty allows for oversight by the Committee whilst retaining the senior management's role in managing appointments and the development of personnel.

Additional provision:

In consultation with key personnel in the Company, including Executive Directors and senior management, give consideration to and monitor succession planning and development, including leadership and mentoring programmes, for senior management and other key roles within the Company, taking in to account the challenges and opportunities facing the Company and its strategy.

Bill Schrader
Nomination Committee Chairman
6 March 2018

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 2017, the Committee reviewed its Terms of Reference to ensure they remained appropriate. The Terms of Reference of the Committee are available on the Company's website at www.ophir-energy.com/about-us/corporate-governance/board-committees/nomination/ and are fully compliant with section B.2.1 of the Code.

Senior Independent Director succession

Ron Blakely stepped down as the Senior Independent Director on 31 March 2017, and was 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 48 and 49. 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.

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.

Following the departure of Bill Higgs as an Executive Director on 7 August 2017, the Board was reduced to eight members. However, the Committee considered the reduction in Board size was consistent with the right-sizing of the business and a replacement director was not required.

Strategic report

Governance report

Financial statements

Supplementary information

Succession planning

The Committee assessed the health of the succession plans for the Executive Directors and the Senior Management Team. The Committee concluded that, following the restructuring of the Company, the talent pipeline remained of sufficient strength to provide successors to the key roles within the Company. The broader succession planning within the Company and the development of senior management 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 40.

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 latest Hampton-Alexander Review (published November 2017), which is driving change in women's representation across British business. The focus of the latest review was on senior women below the company board level, which the Committee is mindful of in consideration of its recently expanded remit to consider succession planning and development within the Company's senior management. As at the date of this report, women constitute 25% of the Board. The Committee is also mindful of the findings and recommendations of the latest Parker Review (published October 2017) which has drawn attention to the benefits of ethnic and cultural diversity on boards. The Committee has discussed the potential benefits of seeking suitably qualified future board members from the geographical areas in which the Company operates.

Report of the Technical and Reserves Committee

Membership and attendance

Alan Booth
Technical and Reserves Committee Chairman

The members of the Committee, together with details of their individual attendance at meetings held during the year ended 31 December 2017, are set out below:

Committee members	Meeting attendance[1]
Alan Booth	2/2
Nick Cooper	2/2
Bill Schrader	2/2
Carl Trowell [2]	1/2

1 4 additional meetings were held in 2017 as Technical Advisory Committee prior to the committee becoming a formal Sub-Committee of the Board.
2 The second meeting was arranged on short notice and took place in the Bangkok office so due to the nature of the meeting Carl Trowell was unable to attend.

The Committee hears from a range of different individual contributors at its meetings, both internal and external, in order to ensure informed decision-making. The number of different contributors during 2017 is reflected below.

Number of meeting contributors during 2017

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Report of the Technical and Reserves Committee Chairman

Dear Shareholder,

Welcome to the first report of the Technical and Reserves Committee (TRC). Established in March 2017 and formerly known as the Technical Advisory Committee, it expands on the responsibilities and duties of the latter. These included considering the technical and commercial aspects of any operational business proposals requiring Board approval and advising the Board of any significant technical or commercial risks or strategic concerns. It also reviews decisions on M&A as well as proposed asset sales or relinquishments and the technical, commercial reasoning behind any such decisions.

The evolution of the Committee to a full Sub-Committee reflects the evolution of Ophir's strategy and operations, with three important producing assets now on-stream, in Thailand and Indonesia, two of which the Company operates. These assets bring new operational demands and as the company's only regular source of cashflow, and are of increasing importance to the sustainability of the Company. Additionally, the FLNG Fortuna project requires ongoing monitoring and review albeit now mainly from a commercial perspective, following our funding and development arrangement with our partners at OneLNG.

As Ophir continues to focus on monetising or trading 1 billion boe of contingent resources, reserves and resources reporting is actively reviewed by the Committee, the Committee fully recognises the importance that converting these Resources adds to the Company's underlying valuation metrics.

With the TRC now a full Sub-Committee of the Board, it meets at least four times a year but in effect this is more often and is dictated by operational and commercial activity. Its Terms of Reference have changed to reflect its new status and duties. These include:

- Evaluating the effectiveness of the Group's technical processes and standards, including the performance (both current and historic) of subsurface and commercial assurance processes;
- Reviewing subsurface and operational risks that are assessed to require Board level reporting and endorsing the associated mitigation plans and advising the Audit Committee and, where appropriate, the Board of its conclusions;
- Ensuring there is consistency between the technical activities of the Company and the Company strategy;
- Reviewing, with Management and the Company's Technical leadership, the Group's prospect inventory and advising the Board if the inventory is being managed consistent with approved strategy;
- Reviewing the technical and commercial aspects of any operational or asset investment proposal that require Board approval and advising the Board of any significant technical risks or concerns;
- Advising the Board on the technical and commercial aspects of any proposed activity or investment that requires entry into a new Country; and
- Reviewing the results of management and independent audits of the Group's reserves and resources and advising the Audit Committee and, where appropriate, the Board of its conclusions.

Comprised of four members with a combined total of over 100 years directly relevant experience in the oil and gas industry, I believe the Committee is well equipped for the tasks it has been set. Importantly, in carrying out its duties, I am absolutely committed to ensuring the Committee encourages a culture of open and honest discussion with transparency in all technical decision-making, reviewing and incorporating any lessons that can be learned from past successes as well as past failures, and ensuring that Ophir's employees feel empowered to confidently make appropriate, risk-weighted decisions.

Committee focus in 2017

The Annual reserves reporting process and independent audit was reviewed and endorsed by the Committee.

The Committee was kept regularly updated on the progress of the Fortuna FLNG project with OneLNG.

A Technical and Reserves Committee meeting was specifically held for an in-depth review of the Company's Asian production and development assets. In particular the status of plans for the Bualuang Phase IV and Kerendan gas development projects. The meeting was held in Bangkok which allowed for the Committee to discuss the issues on the ground and also provided the opportunity for face-to-face exposure with the key staff from the Thailand and Indonesia offices.

The Committee reviewed the proposed 2018 Work Programme & Budget, including both firm and contingent items, ahead of submission to the main Board for approval.

Ophir's recent exploration approach and performance were also reviewed, a more sustainable lower risk approach was agreed to reflect material changes in the industry and investment landscape over the recent period, especially with respect to an increased focus on lowering our risk profile and increasing financial sustainability.

In the fourth quarter, the working model of the TRC was revisited and whilst the Terms of Reference for the Committee were agreed to be appropriate, the decision was made to present a broader context on specific projects so that both their impact and support for key business and strategic drivers is clearer.

Alan Booth
Technical and Reserves Committee Chairman
6 March 2018

As Ophir seeks to monetise 1 billion boe of contingent resources, reserves and resources reporting is actively reviewed by the Committee, noting its importance to investor valuations."

Role and responsibilities of the Technical and Reserves Committee

The Committee is responsible for ensuring that the Company's technical processes and standards are aligned with the Company's strategy in regards to commercial and subsurface risk, as detailed in the Chairman's letter. 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/technical-and-reserves/.

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 125 to 129 of the financial statements.

Results for the year ended 31 December 2017

The Company's results for the financial year are shown in the consolidated financial statements on pages 89 to 156.

Directors

Biographical details for the Directors of the Company who held office during the year ended 31 December 2017 and at the date of this report are set out on pages 48 and 49. Details of Directors' service contracts or letters of appointment, their interests in the ordinary shares of the Company and in any of the Company's long-term incentive and other share schemes are set out in the Directors' Remuneration report which can be found on pages 70 to 87. The Directors' insurance and indemnity provisions are set out on page 54.

Substantial shareholders

As at 31 December 2017 and 28 February 2018, 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 2017	% holding as at 31 December 2017
Hotchkis & Wiley Capital Management	85,407,678	12.09
Capital Research Global Investors	72,993,069	10.33
M&G Investment Management	67,734,220	9.59
SailingStone Capital Partners	53,298,551	7.55
azValor Asset Management	38,784,396	5.49
Majedie Asset Management	35,081,037	4.97

Name	Number of shares held as at 28 February 2018	% holding as at 28 February 2018
Hotchkis & Wiley Capital Management	82,553,078	11.69
Capital Research Global Investors	72,993,069	10.33
M&G Investment Management	69,140,978	9.79
azValor Asset Management	42,820,764	6.06
SailingStone Capital Partners	42,519,831	6.02
Majedie Asset Management	35,125,685	4.97

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 157 to 159. 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 2017 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 2017 are set out in the Strategic Report on pages 42 and 43. 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 40 and the Board's policy on diversity is summarised on page 63 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 44.

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 2017, the Company employed 285 people (2016: 288 people). Note that these figures include: apprentices, direct hires, Executives, expatriates, fixed term and permanent employees.

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 38 to 45.

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

Directors' responsibility statement

The Directors' responsibility statement is set out on page 88 and the Company's financial statements are included on pages 89 to 156.

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 are 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 77 and 78 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 70 to 87.

Corporate governance statement

The corporate governance statement on pages 46 to 88, 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 48 and 49. Having made enquiries of fellow Directors and of the Company's Auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information (that is information that is needed by the Company's 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 60 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 2018.

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 2018 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 45. The financial position of the Group, consisting of cash resources of $223.8 million, its cash flows and its liquidity position, is described in the financial statements on pages 89 to 156. 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 2017 year-end. The full statement can be found on page 26. 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 a flexibility over the capital expenditure programme.

Post balance sheet events

A summary of the key post balance sheet events is set out in Note 37 to the Group financial statements.

By order of the Board

Nick Cooper
Chief Executive Officer
6 March 2018

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

Report of the Remuneration Committee

Membership and attendance

Vivien Gibney
Remuneration Committee Chairman

The members of the Committee, all of whom are independent Non-Executive Directors, or in the case of Bill Schrader, was considered independent on his appointment as Chairman, together with details of their individual attendance at meetings held during the year ended 31 December 2017, are set out below:

Committee members	Meeting attendance[1]
Vivien Gibney, Committee Chairman	5/5
Ronald Blakely[2]	1/5
Alan Booth	5/5
David Davies[3]	5/5
Bill Schrader	5/5

1 This includes a telephone meeting on 26 July 2017 in relation to the Company restructuring.
2 Ronald Blakely retired from the Board and the Committee on 31 March 2017.
3 David Davies joined the Committee on 10 February 2017.

The Committee hears from a range of different individual contributors at its meetings, both internal and external, in order to ensure informed decision-making. The number of different contributors during 2017 is reflected below.

Number of meeting contributors during 2017

6

Report of the 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 2017. This report summarises our Remuneration Policy, how it has been operated during the year under review and how it will be implemented in 2018, 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 2017 and payments to Directors

While good progress was achieved in many areas of our business in 2017 (e.g. the addition of 219 MMboe of net risked resources, achieving an annualised operational expenditure of $11.88 per barrel of oil (net of royalties and including Sinphuhorm volumes and costs) and improving our forward leading safety indicators), it was agreed that any entitlement to bonuses for the Chief Executive Officer and Chief Financial Officer would be waived in light of the rightsizing programme undertaken during the year (which included wide reaching redundancies, further details of which are included in the Strategic Report), and the Company's current share price.

The role of Chief Operating Officer was made redundant as part of implementing a rightsizing of our cost base to reflect the current commercial environment for oil and gas companies.

Accordingly, having ceased employment on 1 September 2017, no bonus was payable to the Chief Operating Officer in relation to the 2017 financial year. The Committee was comfortable with this treatment as it mirrored the approach taken with other employees leaving employment through the redundancy process during 2017. However, he was treated as a 'good leaver' under the terms of the 2011 Long Term Incentive Plan for his outstanding awards and he also retains his accrued NAV Points in relation to the 2016 Plan. If no award is made under this Plan before 31 December 2018, his rights

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."

under the Plan will lapse, in common with the treatment of other employees leaving through redundancy. In both cases his level of participation in each arrangement will be based on Company performance and the value received will be reduced (relative to employees in post for the full performance periods) to reflect his period of employment. This treatment was also consistent with other employees through the redundancy process and considered appropriate to ensure that their contribution to creating shareholder value to Ophir was recognised.

For the award granted under the 2011 Long Term Incentive Plan (LTIP) to the Chief Executive in 2012, the third tranche was measured by reference to absolute TSR performance (for half of the award) and relative TSR versus a bespoke group of comparator companies over the period from 19 June 2014 to 19 June 2017. As the minimum threshold for absolute TSR performance was not achieved, this part of the award lapsed. In relation to the relative TSR condition, Ophir delivered TSR that was slightly ahead of the median of the comparator group and as a result 25% of this part of the award vested.

The LTIP award granted on 26 March 2015 was eligible to vest based on the Company's relative TSR performance versus a bespoke group of comparators over the three years ending 31 December 2017. Ophir's relative TSR was below median, which resulted in the award lapsing.

With regard to the 2016 Plan, performance has been in line with the business plan, but there has been no NAV event in 2017 that could have triggered a payment.

Application of Remuneration Policy for 2018

The Committee has determined that the Policy, as approved by shareholders at the 2016 AGM, remains appropriate for 2018. In relation to its implementation, the Committee has determined the following:

- base salary for Executive Directors will remain unchanged in 2018;
- 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; and
- 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

The key activities of the Committee in 2017 included:

- determining annual bonus awards in relation to 2016;
- setting annual bonus targets for 2017;
- testing 2011 LTIP performance targets concluding in the 2017 financial year;
- considering the departure terms of the Chief Operating Officer in connection with his role becoming redundant following the Company's restructuring exercise as part of the cost reduction initiative;
- confirming the 'good leaver' status of employees' share awards leaving the Company through redundancy as part of the restructuring;
- confirming the treatment of accrued NAV points for employees (including the Chief Operating Officer) in connection with redundancy;
- considering annual bonus targets for 2018; and
- setting Executive Directors' 2018 base salary levels.

In addition to the above, 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.

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
6 March 2018

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 set out in the sections Our Business Model and Our Strategy, Ophir's focus is on finding resources efficiently and monetising them smartly to create growth in NAV. How successful we are in implementing this strategy is captured through our success in growing 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 pay-outs 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 Executive Officer to build and maintain a shareholding worth 300% of salary with the Chief Financial Officer then required to maintain a shareholding worth at least 200% 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).

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)
- 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 20 to 21. 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 finding resources efficiently and monetising them smartly to create growth in NAV. 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, 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 2018). 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.

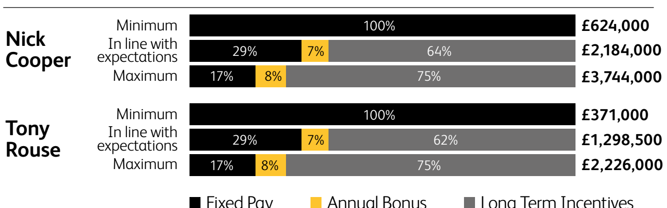
Fixed pay comprises:

– salaries – salary effective as at 1 January 2017

– benefits – amount received by each Executive Director in the 2017 financial year

– pension – employer contributions or cash-equivalent payments at 11% of base salary.

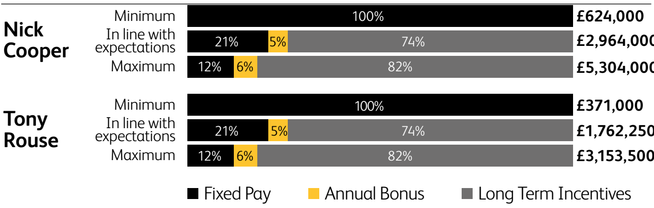
NAV event every year



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.

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[1]	10 September 2014	10 September 2014	–	–
Tony Rouse	1 October 2014	27 January 2016	12 months	12 months

1 Bill Higgs left the Board on 7 August and ceased employment on 30 September and therefore is no longer subject to any notice periods.

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 may 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 an institutional shareholder on a number of matters.

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 2018 AGM. The information on pages 81 to 86 (inclusive) has been audited.

Consideration of remuneration matters

Membership and attendance

The members of the Committee during the year ended 31 December 2017, together with details of their individual attendance at Committee meetings held during the year, are set out below:

Committee members	Meeting attendance[1]
Vivien Gibney, Committee Chairman	5/5
Ronald Blakely[2]	1/5
Alan Booth	5/5
David Davies[3]	5/5
Bill Schrader	5/5

1 This includes a telephone meeting on 26 July 2017 in relation to the Company restructuring.
2 Ronald Blakely retired from the Board and the Committee on 31 March 2017.
3 David Davies joined the Committee on 10 February 2017.

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 former Chief Operating Officer, the General Counsel & Company Secretary, the Director of Human Resources and representatives from Korn Ferry 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

Korn Ferry are appointed as the independent adviser to the Committee and provide 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. 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 Korn Ferry's fees charged were £86,186 (excluding VAT).

Implementation of Remuneration Policy for 2018

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 senior management generally. However, an inflationary salary increase was made to employees below senior management level. The base salaries, effective 1 January 2018, are included in the table below.

Role	Salary as at 1 January 2018	Salary as at 1 January 2017	Increase
Chief Executive Officer	£550,000	£550,000	0%
Chief Financial Officer	£325,000	£325,000	0%

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 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 2018 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 2018, the weightings and targets have been adjusted vis-à-vis 2017 to better reflect the current strategic priorities of the Company with the following Bonus Metric targets to apply to both Executive Directors.

Measure	Percentage of base salary potentially payable as bonus
Corporate KPIs (representing 66.67% of the total bonus opportunity)	
Licence to Operate The targets relate to safety performance, environmental targets and employee engagement	5%
Organic Growth The target relates to the amount of prospective risked resources added to the portfolio	5%
Monetisation The targets relate to operated production, total operating expenditure versus budget and the value created from the Company's 2P and 2C inventory	16.7%
Balance sheet The targets relate to capital expenditure versus budget, gross G&A spend and liquidity	6.7%
Personal KPIs (representing 33.33% of the total bonus opportunity)	
A range of personal KPIs based on how the individual Executive Director performed against tailored metrics based on the above KPIs	16.7%

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 2018 in the Annual Report on Remuneration for the 2018 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 (i) a FID being taken but where the development is then subsequently cancelled prior to production, or (ii) where the Company is the subject of a lawsuit pursued successfully by a third party in relation to a NAV event under which a reward pool was generated. 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:

	2018	2017
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**	£5,000

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 2017 are detailed below:

All figures to nearest £000

	Base Salary/ Fees	Benefits	Pension	Bonus	Long-term incentives	Total 2017
Executive Directors						
Nick Cooper	550	14	61	–	38[1,2]	624[6,7]
Tony Rouse	325	10	36	–	–[2]	371
Former Executive Director						
Bill Higgs[3]	287	19	32	–	–[2]	338[8]
Chairman and Non-Executive Directors						
Bill Schrader	140	–	–	–	–	140
Carol Bell[4]	78	–	–	–	–	78
Ronald Blakely[5]	19	–	–	–	–	19
Alan Booth	75	–	–	–	–	75
Vivien Gibney	75	–	–	–	–	75
David Davies	75	–	–	–	–	75
Carl Trowell	70	–	–	–	–	70

1 The third tranche of the 2012 Special CEO award vested on 19 June 2017 at 12.5% of the total granted. This award is vested but has not been exercised. Therefore, the calculation is based on the closing share price on 19 June 2017 (£0.83).
2 The 2015 LTIP failed to achieve its performance conditions and therefore, the awards lapsed in full.
3 Bill Higgs left the Board on 7 August 2017 and ceased employment on 30 September 2017. In addition to the above he received £97,826 as detailed on pages 84 and 85, under the heading loss of Office payment.
4 Carol Bell was appointed Senior Independent Director on 31 March 2017.
5 Ronald Blakely retired from the Board on 31 March 2017.
6 All figures allocated are to the nearest £000, including the total. Therefore, the components do not add up to the total figure.
7 This total figure does not include the long-term incentives figure because this award has not been exercised and therefore the benefit has not been realised during the year.
8 This total figure does not include the loss of office payments as detailed on page 82.

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

All figures in £000

	Base Salary/ Fees	Benefits[7]	Pension	Bonus	Long-term incentives	Total 2016
Executive Directors						
Nick Cooper	550	15	61	185	–	811
Bill Higgs	383	24	42	133	–	582
Tony Rouse[1]	322	11	35	106	–	474
Chairman and Non-Executive Directors						
Nicholas 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 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.

Additional information in respect of the Directors' remuneration table

Annual bonus plan outturn for 2017

For 2017, 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 bonus plan consists of a corporate KPI element representing 66.67% of the total bonus opportunity and a personal KPI element representing 33.33% of the total bonus opportunity.

The extent of achievement for each Executive Director (excluding the Chief Operating Officer following his redundancy) 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 to eight top ranked, drillable prospects per year		
Enter new exploration positions	The target was to receive Board approval for entry into new positions in existing or new plays (6 – 100%, 4 – 75%, 2 – 50%, <2 = 0%). Board approval was received for entry into one new position and, as a result, the target was not met. However, progress was made in extending licences in key assets (e.g. an extension for Block R in Equatorial Guinea was received) which became a greater area of focus in 2017 following the Board's decision mid-year to limit its entries into new exploration positions.	**0%** (10% of corporate bonus element)
Mature prospects to drillable status	The target range of net risked reserves to be added to the portfolio was 100-200 MMboe (0% payable) – 200 MMboe (100% payable), with a sliding scale in between performance points. Actual additions were 219 MMboe and, as a result, the objective was achieved in full. Prior to confirming achievement against this target, the Committee considered both the process of presenting the proposals and the addition of net risked reserves added and the extent to which the additional resources were ready to be drilled. Having considered these factors, the Committee was satisfied that the objective had been achieved in full.	**10%** (10% of corporate bonus element)
Operations: execute safely with excellence		
Health, Safety, Security & Environment	Improvement in performance of leading indicators and results (No improvement in targeted dimensions = 0%, improvement in one of the two targeted dimensions = 50%, improvement in both dimensions = 100%). Actual performance included improvements in (i) the percentage Deficiency of Audited Permit to Work, (ii) Aircraft Downtime and (iii) Failures Noted During Pre-flight Inspection. However, noting that the Total Recordable Incident Rate had increased from 0 to 2.0 (per million hours worked) during the year, achievement against this metric was reduced from the targets being achieved in full to being met at 50% of the maximum.	**3.5%** (6.66% of corporate bonus element)
Operational performance	Deliver capital expenditure of US$133 million (total Capex of US$179 million less gross G&A) or less for the defined scope by 4Q17). (<85% = 100%, 90% of budget = 75%, 100% of budget = 25%, >105% = 0) Actual full year capital expenditure was $101 million and so the target was achieved in full. However, having considered the revised scope of capital expenditure as approved by the Board during the year, the extent of achievement was adjusted to 75% of the maximum so that only items where capital expenditure was delivered below revised budgets were counted towards performance against the target.	**5.25%** (6.66% of corporate bonus element)
	Deliver annualised Opex/bbl of US$13.38 for production, net of royalties (including Sinphuhorm volumes and costs). (US$11.37 = 100%, US$13.38 = 0%). Actual was $11.88 which resulted in 75% of the maximum for this element becoming payable.	**4.5%** (6.66% of corporate bonus element)
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 2017 opening	Deliver six-month cumulative Bualuang production forecast from three well infill programme. (>105% = 100%, 100% of forecast = 75%, <85% = 0%). Actual performance was the delivery of an incremental 250,000 barrels of oil against the six-month cumulative production forecast. This resulted in the target being met at 70% of the maximum.	**3.5%** (5% of corporate bonus element)
	Achieve FID on Fortuna FLNG project in Equatorial Guinea with a value above $200 million, which was used to set the Group Opening Benchmark NAV (>$200 million = 100%). A FID on Fortuna LNG was not taken during 2017 despite progress being made towards a FID and so the target was not achieved.	**0%** (10% of corporate bonus element)

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		
Capital structure	Put in place debt, or equivalent debt-like structures of US$135 million (US$135 million = 100%, US$50 million = 25%). A successful refinancing was achieved in the year which delivered a new debt facility of up to $250 million (with an immediate $204 million draw down) and so the target was achieved in full.	**10%** (10% of corporate bonus element)
Sustainable business model	Deliver business model to achieve forecast sustainable cash and/or cash flow of up to US$300 million per annum for three years post-acquisition (US$300 million ave. = 100%, US$50 million ave. = 0%). Operating cash flow of $92.4 million (pre-admin costs) was delivered in 2017 and so based on the range of targets set, 17% of the maximum target was achieved.	**2.5%** (15% of corporate bonus element)
Internal metric: empower and support our staff to make brave and transparent decisions that create shareholder value		
Employee engagement	In the 2017 employee engagement survey, measure that employees are getting frequent feedback from their managers on performance and expectations (<80% = 0%, >=85% = 100%). Based on a 2017 employee engagement score of 81% in relation to receiving regular feedback from managers, 20% of the maximum target was achieved.	**1%** (5% of corporate bonus element)
	In 2017 employee engagement survey, measure that leadership effectiveness is in line with matrix structure and values-driven culture by end Q3 (=> 80% of respondents reporting behaviours in-line with the values & feeling empowered to make decisions). Based on a 2017 employee engagement score of 81% (calculated using the average of 'output' derived leadership and values questions from the survey), 100% of the target was met. However, after analysing the results by location, the Committee reduced the extent of achievement from 100% to 80% to recognise that while the leadership and culture results were generally strong (especially in light of the rightsizing exercise completed during the year), there remained scope for improvement in certain locations.	**8%** (10% of corporate bonus element)
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	Validate our Scope 1, 2 and 3 greenhouse gas emissions. The scope 1, 2 and 3 greenhouse gas emissions were validated during the year and so the target was 100% achieved.	**2%** (2% of corporate bonus element)
Good citizen	Complete 2017 Ethical Compliance programme and uphold values. The Compliance programme was completed during the year; covering staff and contractor training in Thailand, Indonesia, Africa, Malaysia and London. All actions that form the internal audit process were closed out and the annual compliance sign-off process was completed by all employees and relevant contractors. As a result, the target was met in full.	**3%** (3% of corporate bonus element)
Total percentage of Corporate KPI element		**53.25% out of 100%**
Total percentage of overall bonus (up to a maximum of 66.67%)		**35.5% out of 66.67%**

Personal KPIs

Individual performance was eligible to have been assessed against six categories of operations, financial strength and returns, business model and the effective management of internal and external stakeholders.

However, having been through the process of assessing the corporate objectives detailed above, in light of the rightsizing programme undertaken during in the year (which included an extensive redundancy exercise) and the Company's current share price, it was agreed that any entitlement to bonuses would be waived in respect of 2017.

As a result, notwithstanding the achievements detailed above, no bonuses are payable in relation to 2017 performance.

Long-Term Incentive Plan awards vesting by reference to performance in 2017

The third tranche of the Chief Executive Officer's Exceptional Long-Term Incentive Award was eligible to vest on 19 June 2017. Vesting of half of the award was dependent on the Company delivering a minimum compound TSR growth of 20% per annum over the performance period. Actual TSR growth was below the minimum requirement and so this tranche of the award has lapsed. Vesting of the remaining half of the award was subject to Ophir's relative TSR performance versus a bespoke group of 18 oil and gas comparator companies. Ophir's TSR over the three-year performance period was marginally ahead of the median of the comparator group of 16 companies which resulted in 25% of this part of the award becoming eligible to vest. Vesting was underpinned by a requirement for the Committee to determine that (a) the

satisfaction of the performance condition reflected the underlying financial performance of the Company and that (b) the level of performance achieved was delivered without a material deterioration in the Company's health, safety and/or environmental performance. As an exploration company with a robust balance sheet and HSE record, the Committee concluded that the vesting result was supported by the Company's track record on both basis through the performance period. As a result, 25% of the relative TSR part of the award vested.

	Date of grant	Conclusion of performance period	Vesting date	Shares awarded	Shares vesting	Value of vested awards
Nick Cooper						
LTIP	19/06/2012	19/06/2017	19/06/2017	370,025	46,253	£38,389.99[1]

1 This award has not been exercised. Therefore, the calculation is based on the closing share price (£0.83)on the vesting date.

In addition to the third tranche of the Chief Executive Officer's Exceptional Long-Term Incentive Award having a performance period ending during the year under review, the LTIP award granted on 26 March 2015 also had a performance period ending on 31 December 2017. The performance condition applying to this award was comparing Ophir's TSR versus a bespoke peer group of 20 oil and gas companies. At the conclusion of the performance period, Ophir was ranked below the median of the comparator group and so the award will lapse.

Long-Term Incentive Awards Granted During the Year and NAV Point Allocations in Relation to 2017

Following the introduction of the 2016 Plan there were no LTIP awards granted in 2017.

In relation to the 2016 Long-Term Value Creation Plan, the Chief Executive and Chief Financial Officer were awarded 8,250 and 4,875 notional NAV Points in relation to the 2017 financial year resulting in total holdings of 19,325 and 11,281 at the year end. The Chief Operating Officer's allocation was reduced from a full year allocation to 4,005 to reflect the period of his employment in the 2017 financial year prior to his redundancy with his total accrued points at the date of leaving being 12,015.

Notional NAV points are allocated based on the individual's level of seniority in the Company (using a combination of salary and performance rating with consistent principles applied within each employee level) and are used by the Committee in the process of determining an individual's share of any reward pool created under the Long-Term Value Creation Plan following a NAV Event. The total NAV points allocated to date under the Long-Term Value Creation Plan is 201,772.

While no payments were made in 2017 in relation to the 2016 Plan, any future payments to the Executive Directors under the Long-Term Value Creation Plan are restricted to the limits detailed on page 74.

Payments for loss of office

As detailed in the Corporate Governance Section, the Company undertook a restructuring exercise during the year to better reflect the current commercial environment in the oil and gas sector. This involved implementing a Group-wide redundancy exercise in connection with a wide-reaching restructuring of roles and responsibilities.

As part of this exercise, the role of Chief Operating Officer was made redundant. Accordingly, Bill Higgs resigned from the Company's Board on 7 August 2017 and ceased employment on 30 September 2017 which was the date his role was made redundant. In line with his service contract, which included a 12-month notice period, the Committee approved the following payments in full and final settlement of any claims against the Ophir Energy Group:

1. A payment in lieu of notice equal to three months' salary of £95,625 paid as a lump sum. Payment of up to the first three months' salary in lieu of notice as a lump sum was in line with other employees of the Company subject to redundancy.
2. The sum of £286,875, representing the balance of nine months' salary in lieu of notice, was to be paid in nine equal instalments on a monthly basis and to commence approximately three months from cessation of employment. However, since these payments are subject to mitigation, they will only be made to the extent that the income received by Dr Higgs from employment or services provided by him during the period is below the monthly amounts payable by Ophir. Dr Higgs would only receive the amount of any shortfall between his new employment income and the phased payment by Ophir.
3. A payment of £2,201 in respect of his statutory redundancy entitlement.
4. In line with the treatment of other employees made redundant, no annual bonus was payable in relation to the 2017 financial year.
5. In line with the treatment of other employees made redundant and the rules of the LTIP in the event of redundancy, Dr Higgs' unvested 2015 and 2016 awards under the Company's Long Term Incentive Plan ('LTIP') (over 547,398 and 878,704 shares respectively) will continue to vest on the normal vesting dates subject to testing of the relevant performance conditions at the end of the relevant performance periods. The vesting of awards will be subject to the rules of the LTIP, including clawback, and the awards will be pro-rated to reflect the period of employment as a proportion of the vesting period.
6. In line with other employees of the Company subject to redundancy, the Committee resolved that Dr Higgs will retain his accrued notional

NAV points (12,015) under the Company's Long-Term Value Creation Plan (the '2016 Plan'). The points will entitle Mr Higgs to receive a cash payment and an award of deferred shares under the 2016 Plan upon the occurrence of the first NAV event that creates a NAV event pool prior to 31 December 2018. The cash payment and deferred shares will be determined at the time of the NAV event in accordance with the rules of the 2016 Plan. Restricting the number of NAV points to those accrued from 1 January 2016 to 30 June 2017 will ensure that any payment or award made to Dr Higgs in connection with a NAV event is the subject of a pro-rata reduction vis-à-vis the position he would have been in had he remained in employment and received further allocations of NAV points through to a NAV event in line with the operation of the 2016 Plan. Deferred shares vest on the third, fourth and fifth anniversary of allocation and are subject to post-vesting holding requirements and potential clawback. If the NAV event occurs after 31 December 2018, Dr Higgs will have no entitlements under the 2016 Plan.

7. A sum of £10,000 was paid directly to third-party service providers as a contribution in relation to legal services.

Directors' interests in shares

Directors' options and share-based awards as at 31 December 2017:

Director and Scheme	Date of grant	Exercise price (pence)	Market price at exercise (pence)	Vesting date	Shares under award at 1 January 2017	Shares awarded	Shares vested in year	Shares exercised	Shares lapsed/ cancelled or forfeited	Shares under award at 31 December 2017	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	19/06/2012	0.00	–	19/06/2017	370,025	–	46,253	–	323,772	46,253[3,4]	18/06/2018
Long-Term Incentive Plan	26/03/2015[3]	0.00	–	26/03/2018	787,108	–	–	–	787,108	–	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	1,263,496	–	–	–	–	1,263,496	13/03/2020
Bill Higgs[2]											
Long-Term Incentive Plan	26/03/2015[3]	0.00	–	26/03/2018	547,398	–	–	–	547,398	–	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	878,704	–	–	–	–	878,704	13/03/2020
Tony Rouse											
Long-Term Incentive Plan	26/03/2015[3]	0.00	–	26/03/2018	306,543	–	–	–	306,543	–	25/03/2019
Long-Term Incentive Plan	14/03/2016	0.00	–	14/03/2019	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 Bill Higgs left the Board on 7 August and ceased employment on 30 September 2017.
3 The 2015 LTIP award was assessed by the Remuneration Committee and a 0% vesting outcome was determined. Therefore, all awards under the 2015 grant lapsed in full.
4 The third tranche of the 2012 Special CEO award, vested at 12.5% of the total granted. This award is vested but has not been exercised.

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. Tony Rouse, who was appointed to the Board on 27 January 2016, has not yet met the minimum share ownership requirement, but is making good progress towards doing so.

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.

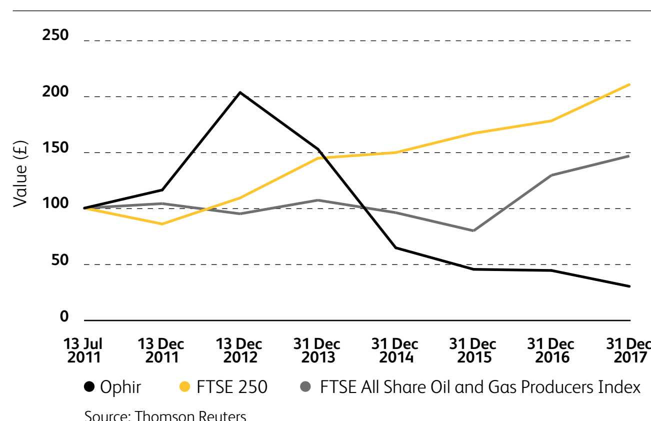
	Minimum share ownership requirement	Beneficially owned as at 31 December 2017	Beneficially owned as at 1 January 2017	Proportion of minimum share ownership requirement	Outstanding share-based incentive awards
Bill Schrader	–	17,700	17,700	–	–
Nick Cooper[1,2]	300%	1,524,431	1,524,431	100%	1,887,913
Tony Rouse	200%	337,775	337,775	35%	866,501
Carol Bell	–	6,870	6,870	–	–
Alan Booth[3]	–	125,000	125,000	–	–
Vivien Gibney	–	15,000	15,000	–	–
David Davies	–	0	0	–	–
Carl Trowell	–	0	0	–	–
Former Executive Director					
Bill Higgs[4]	n/a	n/a	168,693	n/a	n/a
Former Non-Executive Director					
Ronald Blakely[5]	–	n/a	47,000	–	–

1 The legal interest is held by First Direct. 800 shares are 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 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.
3 Alan Booth holds a beneficial interest in 125,000 shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.
4. Bill Higgs left the Board on 7 August and ceased employment on 30 September. He retained a beneficial interest in 168,693 shares as at 30 September 2017.
5 Ronald Blakely left the Board on 31 March 2017. He retained a beneficial interest in 47,000 shares until that date.

Performance graph (not subject to audit)

This graph shows the value, by 31 December 2017, 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 81 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)
31/12/2017	Nick Cooper	624	0%	12.5% [1]
31/12/2016	Nick Cooper	811	68%[2]	0%
31/12/2015	Nick Cooper	1,570	72%	0%
31/12/2014	Nick Cooper	2,970	58%	95 & 100%[3,4]
31/12/2013	Nick Cooper	1,027	92%	n/a
31/12/2012	Nick Cooper	970	89%	n/a

1 The third tranche of the 2012 Special CEO award, vested at 12.5% of the total granted. This award is vested but has not been exercised.
2 Annual maximum bonus potential for 2016 is now 50% of annual salary, reduced from 150% in previous policy.
3 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.
4 Reflects the fact that Nick Cooper was appointed as Chief Executive Officer part way through the year on 1 June 2011.

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

The table below shows the percentage change in remuneration (salary, benefits and annual bonus) from 2016 to 2017 for the Chief Executive Officer compared with the average UK Head Office employee.

	Chief Executive Officer	Average UK employee[1]
Salary	0%	3.91%
Benefits	(5.7%)[2]	2.89%
Annual Bonus	(100%)	19.0%

1 The comparator group chosen comprises 39 employees who are the Company's UK based employees, excluding Executive Directors, who were employed continuously from 31 December 2016 to 31 December 2017. 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 decreased from 58 to 39 employees.
2 The benefits available to all employees, including the Chief Executive Officer, remain unchanged from the previous year and include pension, private healthcare, income protection insurance and life assurance. Though benefits remain unchanged the costs of insurance premia have been updated and the overall cost of benefits has reduced for the Chief Executive and increased for the average UK employee from 2016 to 2017.

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

	2017	2016	% change
Staff costs (£m)	29	37	(21%)
Distributions to shareholders (£m)	0	0	(0%)

Statement of shareholder voting (not subject to audit)

At the 2017 AGM, the resolutions to approve the Annual Report on Remuneration received the following votes from shareholders:

	Votes in favour	Votes against	Votes withheld
Annual Statement on remuneration	99.13% (551,999,677)	0.87% (4,871,478)	(3,245,273)

By Order of the Board

Vivien Gibney
Chairman of the Remuneration Committee
6 March 2018

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 6 March 2018

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 6 March 2018

Nick Cooper
Chief Executive Officer

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

Opinion

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Ophir Energy plc which comprise:

Group	Parent company
Consolidated income statement and statement of other comprehensive income for the year then ended	Company statement of financial position as at 31 December 2017
Consolidated statement of financial position as at 31 December 2017	Company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Company statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 20 to the financial statements including a summary of significant accounting policies
Related notes 1 to 37 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report from page 26 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation from page 69 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 directors' statement set out on page 69 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 69 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.

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

Overview of our audit approach

Key audit matters	• Impairment of the held for sale asset, tangible oil and gas assets and exploration and evaluation assets • Estimates of oil and gas reserves
Audit scope	• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 14 components. • The components where we performed full or specific audit procedures accounted for 98% of revenue, 99% of total group equity and 97% of total assets.
Materiality	• Overall group materiality of $29.0m which represents 2% of equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of the held for sale asset, tangible (oil and gas ("O&G")) assets and exploration and evaluation ("E&E") assets	We audited 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. We used our internal valuation experts to assist in auditing the key assumptions such as future oil and gas prices and discount rates. In addition, we performed journal entry testing to confirm that management had not overridden the outcome of the impairment tests which we have audited. Our procedures included:	
For the held for sale asset:		
Held for sale asset: $604m (2016: $589m) *Refer to the Audit Committee Report (page 56); Accounting policies (page 112); and Note 13 of the Consolidated Financial Statements (page 114)* The valuation of the EG asset is dependent on a number of accounting estimates and judgments performed by management, including but not limited to, obtaining debt financing, likelihood of a Final Investment Decision ("FID"), pricing and government participation etc. A number of changes to key assumptions used in the valuation model could result in impairment.	We inquired of both operational and finance personnel regarding progress in obtaining debt financing and ultimately declaring FID. In assessing the appropriateness of management's assumptions and inputs included in the model we worked with our valuation specialists to assist us in performing industry benchmarking and analysis over gas prices (short, medium and long-term), discount rates, foreign exchange rates and inflation rates.	We evaluated and assessed the reasonableness of the significant judgements with the most significant being around the assumption of reaching FID, in particular the ability to obtain debt financing, and considered this to be reasonable. On the basis of our audit procedures we concluded that the gas price and discount rates were the most significant estimates and were within a reasonable range in light of the current market conditions, We also considered the assumed level of future participation of the government controlled entity of Equatorial Guinea to be reasonable. We concluded that management's calculation of the recoverable amount of the asset was within our reasonable range and therefore the asset is carried at an appropriate value.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
For O&G assets:		
Tangible oil and gas properties assets: $700m (2016: $699m) *Refer to the Audit Committee Report (page 56); Accounting policies (page 105); and Note 14 of the Consolidated Financial Statements (page 122)* Fluctuating prices, as well as other potential triggers such as changes in reserves, production profiles, drilling commitments and cost forecasts, could indicate heightened risk of impairment and give rise to impairment testing.	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 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 around the scope of work performed and independence of Ophir's third party reservoir engineers in order to assess both their competence and objectivity in respect of their reserves reporting.	On the basis of our audit procedures we concluded that the oil and gas prices, discount rates, production volumes and the other assumptions used by management were within a reasonable range in light of the current market conditions; we therefore concluded that management's calculation of the recoverable amounts of the assets were within our reasonable ranges and hence the carrying values and disclosures in the financial statements are appropriate.
For E&E assets:		
Intangible E&E assets: $248m (2016:$310m) *Refer to the Audit Committee Report (page 56); Accounting policies (page 104); and Note 13 of the Consolidated Financial Statements (page 121)* Given the sensitivity to commodity prices and the knock-on impact on future exploration and capital expenditure plans, there is a significant risk that the carrying value of E&E assets may be impaired, In addition, Ophir's right to explore in the specific areas may have expired during the period or will expire in the near future, and is not expected to be renewed.	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 budgeted expenditures and discussions with senior management in financial and operational roles and discussions with executive management. We considered whether Ophir has the ability to finance planned future exploration and evaluation activity. 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.	On the basis of our audit procedures, we agree with management's conclusions regarding the carrying values of the exploration and evaluation assets.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Estimate of oil and gas reserves		
Reserves estimates have a pervasive effect on the financial statements and are a highly complex area which involve significant judgment and subjectivity. Due to the complexity, judgment and subjectivity involved, management can potentially manipulate the inputs to yield favourable outcomes.	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 2017 where we performed procedures to evaluate their objectivity and competency. 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 reasonable and are an appropriate basis for use in, amongst other calculations, impairment testing, calculating Depreciation, Depletion & Amortisation, determination of decommissioning provisions and assessment of going concern.

An overview of the scope of our audit

Tailoring the scope

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.

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 98 components of the Group, we selected 21 (21%) components across London, Thailand and Indonesia.

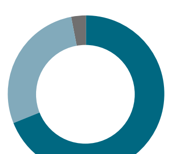
Of the 21 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics. For the 14 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2016: 95%) of the Group's equity, 98% (2016: 100%) of the Group's revenue and 97% (2016: 94%) of the Group's total assets. For the current year, the full scope components contributed 69% (2016: 77%) of the Group's equity, 90% (2016: 99%) of the Group's revenue and 69% (2016: 63%) of the Group's total assets. The specific scope component contributed 30% (2016: 18%) of the Group's equity, 8% (2016:1%) of the Group's revenue and 28% (2016: 31%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 79 components that together represent 1% (2016: 5%) of the Group's equity, 2% (2016: 5%) of revenue and 3% (2016: 0%) of total assets, none are individually greater than 1% of the Group's equity. 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.

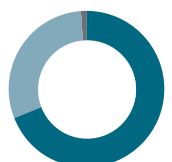
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Total assets 2017



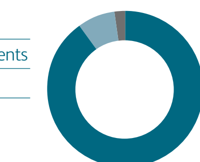
- 69% Full scope components
- 28% Specific scope components
- 3% Other procedures

Total equity 2017



- 69% Full scope components
- 30% Specific scope components
- 1% Other procedures

Total revenue 2017



- 90% Full scope components
- 8% Specific scope components
- 2% Other procedures

Changes from the prior year

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 2017. We believe that the 2017 audit scopes we set for each reporting unit when taken together, enable us to form an opinion on the group consolidated financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 5 full scope components, audit procedures were performed on 3 of these directly by the primary audit team. For the 14 specific scope components, where the work was performed by component auditors, 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.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits both Indonesia and Thailand during the current year's audit cycle. During the current year's audit cycle, two visits were undertaken by the primary audit team to the component teams in both locations. 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 determined materiality for the Group to be $29.0m (2016: $32.0m), which is 2% (2016: 2%) of Group equity. We have used total equity of the Group as the basis for our materiality calculation as we concluded that total equity is the most closely monitored financial measure for the stakeholders of Ophir Energy plc. Typically we would expect to focus on an income statement based measure such as profit before tax when calculating materiality. Group's strategy is that the cash-generated by producing 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 and monetising 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.

We determined materiality for the Parent Company to be $13.9m (2016: $15.0m), which is 1% (2016: 1%) of total assets.

During the course of our audit, we reassessed initial materiality and changed our final materiality to reflect the actual reported performance of the Group in the year.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016: 50%) of our planning materiality, namely $14.5m (2016: $16.0m). We have set performance materiality at this percentage due to the corrected and uncorrected audit differences which in the prior year were over 25% of our planning materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $1.4m to $7.4m (2016: $4.0m to $13.6m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $1.45m (2016: $1.6m), 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.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 69, including the Strategic Report and the Directors' Report set out on pages 16 to 19 and 68 to 69, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 88** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 56** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, 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; and
- 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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 88, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IFRS as adopted by the EU, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the UK, Thailand and Indonesia.
- We understood how Ophir Energy plc is complying with those frameworks by making enquiries to management, internal audit, and those responsible for legal compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by making enquiries to management, reviewing the findings of internal audit, assessing the entity level controls and identifying material amounts within the financial statements which may be able to be manipulated to achieve desired results.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries to management, review of internal audit reports, and those responsible for legal compliance procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 17 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2014 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Paul Wallek (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 March 2018

Consolidated income statement and statement of other comprehensive income
For the year ended 31 December 2017

Consolidated income statement	Notes	2017 $'000	2016 $'000
Continuing operations			
Revenue	5	188,527	107,178
Cost of sales	6a	(147,577)	(95,443)
Gross profit		**40,950**	**11,735**
Share of profit of investments accounted for using the equity method	27	4,181	4,417
Impairment reversal of oil and gas properties	14	23,681	84,100
Impairment of investments accounted for using the equity method	27	(7,800)	–
Exploration expenses	6b	(91,836)	(135,252)
Other operating (expenses)/gains	6c	(11,699)	19,945
General and administration expenses	6d	(11,279)	(13,428)
Operating loss		**(53,802)**	**(28,483)**
Net finance expense	7	(12,907)	(21,595)
Other financial gains	8	2,300	–
Loss from continuing operations before taxation		**(64,409)**	**(50,078)**
Taxation expense	11	(47,383)	(27,368)
Loss from continuing operations for the year		**(111,792)**	**(77,446)**
Attributable to:			
Equity holders of the Company		(111,792)	(77,446)
		(111,792)	**(77,446)**
Earnings per ordinary share			
Basic – (Loss)/profit for the period attributable to equity holders of the Company	12	(15.8)cents	(11.0)cents
Diluted – (Loss)/profit for the period attributable to equity holders of the Company	12	(15.8)cents	(11.0)cents
Consolidated statement of other comprehensive income			
Loss from continuing operations for the year		**(111,792)**	**(77,446)**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on retranslation of foreign operations net of tax		–	31
Cash flow hedges marked to market		(5,882)	–
Other comprehensive income/(loss) for the year, net of tax		**(5,882)**	**31**
Total comprehensive loss for the year, net of tax:		**(117,674)**	**(77,415)**
Attributable to:			
Equity holders of the Company		(117,674)	(77,415)
		(117,674)	**(77,415)**

The notes on pages 101 to 135 and pages 153 to 156 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2017

	Notes	2017 $'000	2016 $'000
Non-current assets			
Exploration and evaluation assets	13	247,944	310,229
Oil and gas properties	14	699,669	699,000
Other property, plant and equipment	15	2,211	3,706
Investments accounted for using the equity method	27	120,964	130,736
Other long term receivables	16	21,205	21,103
		1,091,993	**1,164,774**
Current assets			
Assets classified as held for sale	3	604,432	588,770
Inventory	17	40,647	46,738
Taxation receivable		9,125	15,178
Trade and other receivables	18	24,656	32,319
Cash and cash equivalents	19	223,779	360,424
		902,639	**1,043,429**
Total assets		**1,994,632**	**2,208,203**
Current liabilities			
Trade and other payables	20	(52,374)	(93,398)
Interest-bearing bank borrowings due within one year	21	–	(9,741)
Taxation payable		(30,282)	(13,226)
Provisions	24	(9,399)	(15,833)
Derivative financial instruments	25	(3,582)	–
		(95,637)	**(132,198)**
Non-current liabilities			
Trade and other payables	20	(15,279)	(10,285)
Interest-bearing bank borrowings	21	–	(83,915)
Bonds payable	22	(106,651)	(106,651)
Provisions	24	(51,265)	(50,550)
Deferred tax liability	11	(264,491)	(249,527)
		(437,686)	**(500,928)**
Total liabilities		**(533,323)**	**(633,126)**
Net assets		**1,461,309**	**1,575,077**
Capital and reserves			
Called up share capital	26	3,061	3,061
Reserves	29	1,458,528	1,572,296
Equity attributable to equity shareholders of the Company		**1,461,589**	**1,575,357**
Non-controlling interest		(280)	(280)
Total equity		**1,461,309**	**1,575,077**

The notes on pages 101 to 135 and pages 153 to 156 form part of these consolidated financial statements.

The consolidated financial statements of Ophir Energy plc (registered number 05047425) on pages 97 to 135 and pages 153 to 156 were approved by the Board of Directors on 6 March 2018.

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 2017

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Non-controlling interest $'000	Total equity $'000
As at 1 January 2016	**3,061**	**(155)**	**1,646,878**	**(280)**	**1,649,504**
Loss for the period, net of tax	–	–	(77,446)	–	(77,446)
Other comprehensive loss, 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**
Loss for the period, net of tax	–	–	(111,792)	–	(111,792)
Other comprehensive loss, net of tax	–	–	(5,882)	–	(5,882)
Total comprehensive loss, net of tax	–	–	(117,674)	–	(117,674)
Exercise of options	–	1	–	–	1
Share-based payment	–	–	3,905	–	3,905
As at 31 December 2017	**3,061**	**(152)**	**1,458,680**	**(280)**	**1,461,309**

1 Refer to Note 30 of these consolidated financial statements.

The notes on pages 101 to 135 and pages 153 to 156 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2017

	Notes	2017 $'000	2016[1] $'000
Operating activities			
Loss before taxation		(64,409)	(50,078)
Adjustments to reconcile loss before taxation to net cash provided by operating activities			
Exploration expenses	6b	76,108	114,776
Depreciation and amortisation		79,230	55,238
Net impairment reversal		(16,061)	(84,100)
Share of profits from joint ventures		(4,181)	(4,417)
Net finance expenses and other financial gains	7	14,724	8,172
Net foreign currency (gain)/loss	7	(1,817)	13,424
Share based payment expense	6d	3,905	2,986
(Decrease)/increase in provisions		9,381	(19,322)
Cash flow from operations before working capital adjustments		**96,880**	**36,679**
Decrease/(increase) in inventories		7,123	(9,584)
Increase/(decrease) in other current and non-current payables		1,962	(2,212)
Decrease in other current and non-current assets		10,147	5,502
Cash generated from operations		**116,112**	**30,385**
Interest received		2,057	1,959
Income taxes paid		(9,485)	(41,360)
Net cash flows generated from/(used in) operating activities		**108,684**	**(9,016)**
Investing activities			
Additions to Exploration and Evaluation assets		(95,827)	(154,977)
Additions to oil and gas assets and other property, plant and equipment		(47,179)	(18,585)
Dividends received from joint ventures		6,523	5,164
Funding provided to joint ventures		(370)	(1,283)
Proceeds from disposals of assets		428	–
Net cash flows used in investing activities		**(136,425)**	**(169,681)**
Financing activities			
Interest paid		(15,217)	(16,275)
Repayment of debt		(93,656)	(59,352)
Net issue/(repurchase) of shares		1	2
Net cash outflows from financing activities		**(108,872)**	**(75,625)**
Effect of exchange rates on cash and cash equivalents		(32)	177
Decrease in cash and cash equivalents		(136,645)	(254,145)
Cash and cash equivalents at the beginning of the year	19	360,424	614,569
Cash and cash equivalents at the end of the year	19	**223,779**	**360,424**

The notes on pages 101 to 135 and pages 153 to 156 form part of these consolidated financial statements.

1 Investing cash outflows as reported in 2016 have been corrected to reflect a decrease in outflows of $20.5 million for pre-licence exploration expenditure which has been reclassified as operating cash outflow. The reclassification is to aid comparison of periods.

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 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 2017 were authorised for issue by the Board of Directors on 6 March 2018 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 2016 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 IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle – 2014-2016

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 2017.

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 2017 and have not been early adopted by the Group:

	Effective date for periods beginning on or after
IFRS 16 'Leases'	1 January 2019
IFRIC 23 'Uncertainty over income tax treatments'[1]	1 January 2019
Amendments to IAS 28: Long term interests in associates and joint ventures[1]	1 January 2019
Annual Improvements 2015-2017 Cycle[1]	1 January 2019
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	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 January 2018
Amendment to IFRS 2: 'Classification and measurement of share based payment transactions'[1]	1 January 2018

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 overleaf.

2 Basis of preparation and significant accounting policies continued

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position 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. 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.

(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 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 determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, and amended in April 2016, 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 was continued with a more detailed analysis completed in 2017.

The Group generates revenue through the sale of oil and petroleum products. The impact of IFRS 15 on contracts with customers in which the sale of oil and petroleum products is generally expected to be the only performance obligation, is not expected to have any impact on the Group's profit or loss for such transactions. 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 has considered the following:

(a) Take or pay arrangements

The Group enters into take-or-pay arrangements where customers have a right to take makeup product in the future. The group recognises deferred revenue equal to the amount paid for the 'undertake' as it represents an obligation to provide the product in the future. The Group only recognises revenue once the product has been taken by the customer. Only once the make-up period has expired or it is clear that the purchaser has been unable to take the product, would the liability be eliminated and revenue recognised.

Under IFRS 15, if the group expects to be entitled to a breakage amount, the expected 'breakage' would be recognised as revenue in proportion to the pattern of rights exercised by the customer. Otherwise, breakage amounts would be recognised when the likelihood of the customer exercising its right becomes remote.

Given the pattern of rights exercised by the customer, who has always taken the maximum amount of makeup product available, the Group does not expect the adoption of IFRS 15 to have any effect on revenue recognised from contracts with take or pay arrangements.

(b) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. As required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

For new standards with an effective date of 1 January 2019, the Group has performed a preliminary assessment of the impact of these standards as outlined below.

IFRS 16 'Leases'

IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right to-use asset and a lease liability, and the subsequent amortization of the right-to-use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Ophir expects to adopt IFRS 16 on 1 January 2019 using the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognized in opening retained earnings at the date of initial application. The group's evaluation of the effect of adoption of the standard is ongoing but it is expected that it will have a material effect on the group's financial statements, significantly increasing the group's recognized assets and liabilities. It is expected that the presentation and timing of recognition of charges in the income statement will also change as the operating lease expense currently reported under IAS 17, typically on a straight-line basis, will be replaced by depreciation of the right-to-use asset and interest on the lease liability.

2.2 Basis of consolidation

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

Subsidiaries

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising therefrom, are eliminated.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences, recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (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.

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.

2 Basis of preparation and significant accounting policies continued

(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.

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 ten 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 an impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the consolidated income statement and statement of other comprehensive income, net of any depreciation that would have been charged since the impairment.

2 Basis of preparation and significant accounting policies continued

(e) Financial instruments

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

i. Financial assets

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

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

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

Loans and receivables

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

Effective interest method

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

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

Financial assets at FVTPL

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

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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, short-term deposits and restricted cash.

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 arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective proportion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss. 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 derivative financial instruments in the consolidated statement of financial position and the related changes in the fair value are included in other financial gains unless designated as effective hedging instruments.

Cash flow hedges

The effective portion of the gain or loss on a cash flow hedging instrument is reported in other comprehensive income, while the ineffective portion is recognized in profit or loss. Amounts reported in other comprehensive income are reclassified to the income statement when the hedged transaction affects profit or loss.

The Group uses derivative commodity contracts to hedge its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 25a for more details.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs.

2 Basis of preparation and significant accounting policies continued

(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 than an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

(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; and
- 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.

2 Basis of preparation and significant accounting policies continued

(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 expense 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.

(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.

2 Basis of preparation and significant accounting policies continued

(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.

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 and recoverability of asset carrying values – 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 sale an asset.

A significant area of judgement was the continuing reporting of the Group's share of the Block R licence in Equatorial Guinea as a non-current asset held for sale, despite FID having not taken place 1 year after initial classification. The delay in FID has been caused by circumstances beyond the Company's control and the Company remains committed in its plan to form the Joint Venture with OneLNG on FID of the asset, therefore management is satisfied that the conditions of IFRS 5 continue to be met. For more details on the progress of the Fortuna FLNG project, please see Page 35.

The key assumption made when estimating the recoverability of the Fortuna asset is that of FID itself taking place. Management believes this assumption reflects the progress made in 2017 as outlined on page 35. The only remaining milestone is that of project financing which Ophir, along with its partners will be looking to close out as quickly as possible.

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 31 December 2017.

Estimates of oil and natural gas reserves are used to calculate depreciation, depletion and amortization charges for the group's oil and gas properties. The impact of changes in reserves is dealt with prospectively by amortizing 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 2017 movements in contingent resources and proved and probable reserves are reflected in the tables on page 32. Information on the carrying amounts of the group's oil and natural gas properties, together with the amounts recognized in the income statement as depreciation, depletion and amortization is contained in Note 14 and Note 6a respectively.

Impairment of oil and gas properties – estimation on 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.

2 Basis of preparation and significant accounting policies continued

Macro assumptions used for prices and inflation were as follows. Brent oil price of $67.50/bbl (2016: $65/bbl), with the forward curve increased at an average of $5/bbl in the period 2018- 2021 and a tail-end increase of above $2.50/bbl. Gas price of $5.65/MMbtu flat (2016: $6.50/MMbtu escalated). The annual inflation assumption is 2% (2016: 2%).

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. The discount rates applied in assessments of impairment are reassessed each year. The method adopted for year-end 2017 represents a change from method adopted for year-end 2016, where a generic rate of 15% was used. For 2017, the Group average WACC was determined as 10%. The country specific discount rates were then derived by risking the Group average WACC. 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 2017 was 3.1% real (2016: 3.1% – 5.2%).

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 Assets classified as 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. Please see note 2.4 Judgements, Balance Sheet classification and recoverability of asset carrying values – non-current assets held for sale.

Ophir's share of the Block R licence classified as held for sale at 31 December 2017 was:

	$'000 2017	$'000 2016
Assets		
Exploration and evaluation assets	**604,432**	588,770
Assets classified as held for sale	**604,432**	588,770

4 Segmental analysis

The Group's reportable and geographical segments are Africa, Asia and Other. The other segment relates substantially to activities in the UK.

Segment revenues and results

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

	Year ended 31 December 2017			
	Africa $'000	Asia $'000	Other $'000	Total $'000
Revenue sales of crude oil and gas	–	188,527	–	188,527
Depreciation and amortisation	–	(77,529)	(542)	(78,071)
Impairment of exploration costs	(60,744)	(15,887)	(21)	(76,652)
Reversal of Impairment of oil and gas properties	–	23,681	–	23,681
Impairment of investments accounted for using the equity method	–	7,800	–	7,800
Share of profit of equity-accounted joint venture	–	4,181	–	4,181
Operating profit/(loss)	(58,783)	34,604	(29,623)	(53,802)
Finance income	9	93	1,955	2,057
Finance expense	148	(994)	(14,118)	(14,964)
Other financial gains	–	–	2,300	2,300
Profit/(loss) before tax	(58,626)	33,703	(39,486)	(64,409)
Taxation	5,296	(52,676)	(3)	(47,383)
Profit/(loss) after tax	(53,330)	(18,973)	(39,489)	(111,792)
	As at 31 December 2017			
Total assets and total liabilities				
Total assets	729,337	1,113,555	151,740	1,994,632
Total liabilities	(45,443)	(479,495)	(8,385)	(533,323)
Investments accounted for using the equity method		120,964		120,964
	Year ended 31 December 2017			
Additions to non-current assets	13,384	62,780	8,736	84,900

4 Segmental analysis continued

	Year ended 31 December 2016			
	Africa $'000	Asia $'000	Other $'000	Total $'000
Revenue sales of crude oil	–	107,178	–	107,178
Depreciation and amortisation	(12)	(53,197)	(2,093)	(55,302)
Impairment of exploration costs	(3,749)	(96,391)	–	(100,140)
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 (loss)/profit	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	–	–	–	–
Loss before tax	11,942	(27,824)	(34,196)	(50,078)
Taxation	(9,944)	(17,384)	(40)	(27,368)
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

Non-current operating assets

The non-current operating assets for the UK are $1.5 million (2016: $2.7 million). The non-UK, non-current operating assets are $948.3 million (2016: $1,010.2 million). Included in the non-UK, non-current operating assets is Thailand which makes up $414.9 million (2016: $421.3 million), Indonesia $284.9 million (2016: 288.4 million), Tanzania $106.0 million (2016: $120.5 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 2017 $'000	Year ended 31 Dec 2016 $'000
Sales of crude oil	**169,461**	105,731
Sales of gas	**19,066**	1,447
	188,527	107,178

6 Operating (loss)/profit before taxation

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

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
(a) Cost of sales:		
– Operating costs	48,864	43,188
– Royalty payable	14,057	9,135
– Depreciation and amortisation of oil and gas properties	77,529	52,703
– Movement in inventories of oil	7,127	(9,583)
	147,577	95,443
(b) Exploration expenses:		
– Pre-licence and other exploration costs	15,728	20,476
– Exploration expenditure written off (Note 13)	76,652	100,140
– Exploration inventory provision (reversal)/expense	(544)	14,636
	91,836	135,252
(c) Other operating expense:		
– Loss/(profit) on disposal of assets	(180)	–
– Depreciation of other property, plant & equipment	288	434
–Provision/(provision release) for exiting contract (Note 24)	8,900	(10,000)
– Release of litigation provisions	–	(10,516)
– Restructuring costs	1,935	–
– Other	756	137
	11,699	(19,945)
(d) General & administration expenses include:		
– Operating lease payments	3,424	3,069
– Share-based payment expense	3,905	2,986
	7,329	6,055

7 Net finance expense

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Interest income on short-term bank deposits	2,057	1,959
Interest expense on long term borrowings[1]	(15,218)	(7,564)
Unwinding of discount (Note 24)	(1,449)	(2,568)
Net foreign currency exchange gains/(losses)	1,817	(13,422)
Other Interest (expense)/income	(114)	–
	(12,907)	(21,595)

1 Includes interest capitalised of $8.7 million in 2016 using a rate of 6.7% for 6 months.

8 Other financial gains

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Gain relating to oil derivatives	2,300	–
	2,300	–

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 2017 $'000	Year ended 31 Dec 2016 $'000
(a) Paid/payable to Ernst & Young LLP		
Audit of the financial statements	755	638
Local statutory audits of subsidiaries	216	255
Total audit services	971	893
Audit related assurances services	19	29
	990	922
(b) Paid/payable to Auditor if not Ernst & Young LLP		
Local statutory audits of subsidiaries	–	–
	990	922

10 Staff costs and Directors' emoluments

(a) Staff costs

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

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Salaries and wages	29,096	37,207
Social security costs	4,051	5,539
Contributions to pension plans/superannuation funds	1,529	2,031
Share-based payment expense	3,905	2,984
	38,581	47,761

(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 2017 $'000	Year ended 31 Dec 2016 $'000
Aggregate compensation:		
Salaries and wages	4,452	7,182
Social security costs	560	887
Contributions to pensions/superannuation funds	247	295
Compensation for loss of office	129	–
Share-based payment (credit)/expense	673	(924)
	6,061	7,440

Key management emoluments above exclude aggregate gains made by Directors on the exercise of share options of Nil (2016: $206,680).

(c) Directors' emoluments

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Aggregate compensation:		
Salaries and wages	2,098	2,343
Bonuses	530	1,737
Social security costs	346	537
Contributions to pensions/superannuation funds	126	139
Compensation for loss of office	129	–
Other benefits	17	18
	3,246	4,774

Directors' emoluments above exclude aggregate gains made by Directors on the exercise of share options of Nil (2016 $206,680).

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Share-based payment (credit)/expense	(503)	(2,628)
Number of Directors to whom superannuation or pension benefits accrued during the year	3	3

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

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
CEO	1	1
Exploration and technical	112	131
Commercial and support	170	177
	283	309

11 Taxation

(a) Taxation (credit)/charge

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Foreign tax:		
Special remuneratory benefit	13,696	1,861
Other foreign tax	13,901	8,952
Special remuneratory benefit – adjustments in respect of prior periods	–	1,180
Other foreign tax – adjustments in respect of prior periods	4,997	11,681
Total current income tax charge	32,594	23,674
Deferred tax:		
Origination and reversal of temporary differences		
Special remuneratory benefit	27,378	9,693
Other foreign tax	(12,589)	(5,999)
Total deferred income tax charge	14,789	3,694
Tax charge in the consolidated income statement and statement of other comprehensive income	47,383	27,368

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 2017 was 18% (2016: 4%). 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.

11 Taxation continued

(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 48% (2016: 25%). The weighted average tax rate for 2017 is based on profit making jurisdictions only as this is deemed to be the most appropriate rate. The differences are reconciled below:

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
(Loss)/profit on operations before taxation	(64,409)	(50,078)
(Loss)/profit on operations before taxation multiplied by the weighted average corporate tax rate for the Group of 48% (2016: 25%)	(31,175)	(12,502)
Non-deductible expenditure	27,229	25,662
Share-based payments	762	1,493
Tax effect of SRB	20,537	6,367
Tax effect of equity accounted investments	(2,091)	(2,208)
Movement in unrecognised deferred tax assets	1,096	(3,115)
Other adjustments	6,349	(1,189)
Adjustment in respect of prior periods	(5,580)	12,860
Effect of different tax rates on loss making jurisdictions[1]	30,256	–
Total tax (credit)/charge in the consolidated income statement and statement of other comprehensive income	47,383	27,368

1 Loss making jurisdictions have been disregarded in the calculation of weighted average tax rate in 2017.

(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 2017 $'000	Year ended 31 Dec 2016 $'000
Loss from operations before taxation	(64,409)	(50,078)
Add back losses from operations before taxation for activities outside of Thailand	132,165	91,687
Loss from operations before taxation for activities in Thailand	67,756	41,609
Deduct share of profit of investments accounted for using the equity method	(4,181)	(4,417)
Loss before taxation for activities in Thailand	63,575	37,192
Applicable rate of SRB	18%	4%
Tax at the applicable rate of SRB	11,443	1,488
Change in average SRB deferred tax rate	13,697	15,397
Effect of average SRB deferred tax rate compared to current SRB tax rate	619	(3,207)
Other non-deductible costs	8,124	(2,124)
Adjustment in respect of prior periods	7,191	1,179
Total SRB charge	41,074	12,733

(d) Deferred tax

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Deferred tax balances relate to the following:		
Corporation tax on fixed asset timing differences	(241,275)	(235,183)
SRB tax on fixed asset timing differences	(28,033)	(14,344)
Tax Losses	4,817	–
	(264,491)	(249,527)

(e) UK unrecognised temporary differences

The group has pre-trading expenditure and unused tax losses in the UK of $694 million (2016: $655 million). Of this amount, pre-trading expenditure of $25 million will expire in the future if the company does not commence trading within seven years of the year in which the expenditure was incurred. Deferred tax assets have not been recognised in respect of these deductible temporary differences and unused tax 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.

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 2017 $'000	Year ended 31 Dec 2016 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit for the year	(111,792)	(77,446)
(Loss)/profit attributable to equity holders of the parent	(111,792)	(77,446)
	Cents	Cents
Basic (loss)/earnings per ordinary share	**(15.8)**	**(11.0)**
Diluted (loss)/earnings per ordinary share	**(15.8)**	**(11.0)**

	As at 31 Dec 2017	As at 31 Dec 2016
Number of shares (millions)		
Basic weighted average number of shares	706	706
Potentially dilutive share options and warrants	17	19
	723	725

No ordinary shares of 0.25p each have been issued on exercise of options and warrants between the year ended 31 December 2017 and the date of approval of these consolidated financial statements.

13 Exploration and evaluation assets

	Year ended 31 Dec 2017 $'000	**Year ended 31 Dec 2016 $'000**
Cost		
Balance at the beginning of the year	310,229	879,914
Additions[1]	40,788	119,225
Disposal of asset	(150)	–
Transfers to oil and gas properties	(10,608)	–
Reclassified as assets held for sale	(15,663)	(588,770)
Expenditure written off[2]	(76,652)	(100,140)
Balance at the end of the year	247,944	310,229

1 Additions for the year ended 31 December 2017 include exploration activities in: Equatorial Guinea – Block R ($15.7 million subsequently reclassified as an asset held for sale), Myanmar ($2.9 million), West Papua IV ($4.6 million) and Mexico Block 5 ($8.5 million). Additions for the year ended 2016 included 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).

2 Expenditure written off in the year was ($77 million) mainly attributable to Cote d'Ivoire ($32 million) and Gabon ($32 million). 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 2016 was $100 million. The significant write offs included within the $100.0 million 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.

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 ranging between 8% – 22% (2016: 15%). Adjustments to cash flows are made to reflect the risks specific to the CGU.

14 Oil and gas properties

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Cost		
Balance at the beginning of the year	**875,278**	869,852
Additions[1]	**43,909**	5,426
Transfers from Exploration and evaluation assets	**10,608**	–
Balance at the end of the year	**929,795**	875,278
Depreciation and amortisation		
Balance at the beginning of the year	**(176,278)**	(207,675)
Charge for the year	**(77,529)**	(52,703)
Impairment reversal[2]	**23,681**	84,100
Balance at the end of the year	**(230,126)**	(176,278)
Net book value		
Balance at the beginning of the year	**699,000**	662,177
Balance at the end of the year	**699,669**	699,000

1 Additions in 2016 were stated net of a $19.2 million decommissioning remeasurement.
2 The 2017 Impairment reversal was due to further increased reserves related to the Bualuang infill drilling results in Thailand which had a recoverable amount of $424m based on management's estimate of value in use. The discount rate used was 22% (pre-tax).
The 2016 Impairment reversal was due to increased reserves related to the Bualuang oil field in Thailand which had a recoverable amount of $410.7m 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 2017 $'000	Year ended 31 Dec 2016 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	11,991	10,826
Additions	203	1,165
Balance at the end of the year	12,194	11,991
Depreciation		
Balance at the beginning of the year	(8,285)	(5,686)
Depreciation charge for the year	(1,698)	(2,599)
Balance at the end of the year	(9,983)	(8,285)
Net book value		
Balance at the beginning of the year	3,706	5,140
Balance at the end of the year	2,211	3,706

16 Other long term receivables

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Security deposits – Rental properties	2,356	2,166
Other long term receivables	18,849	18,937
	21,205	21,103

17 Inventory

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Oil and condensate	3,988	11,111
Materials and consumables	36,659	35,627
	40,647	46,738

The inventory valuation is stated net of a provision of $10.1 million (2016: $14.6 million) to write inventories down to their net realisable value.

18 Trade and other receivables

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Trade and other debtors	20,877	24,342
Prepayments	3,779	7,977
	24,656	32,319

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 2017 $'000	As at 31 Dec 2016 $'000
Cash	99,822	130,677
Cash equivalents	123,957	229,747
	223,779	360,424

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 $223.8 million (2016: $360.4 million).

Cash and cash equivalents at 31 December 2017 includes $11.5 million (2016: $8.6 million) of restricted bank guarantees.

20 Trade and other payables

	As at 31 Dec 2017 $'000	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2016 $'000
	Within 1 year	After 1 year	Within 1 year	After 1 year
Trade payables	9,058	–	7,658	–
Accruals and deferred income	42,219	15,279	71,196	10,285
Payables in relation to joint operation partners	1,097	–	14,544	–
	52,374	15,279	93,398	10,285

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

21 Interest bearing bank loans

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Long-term balance at the beginning of the year	83,915	115,949
Short-term balance at the beginning of the year	9,741	37,059
Less: amounts repaid during the year	(93,656)	(59,352)
Less: amounts due within one year	–	(9,741)
Total borrowings due after one year	–	83,915

During the period, Ophir repaid its outstanding debt on the 2012 reserves based lending (RBL) facility. Ophir has replaced this facility with a new $250 million RBL facility secured against the group's producing assets in Southeast Asia. The RBL has a seven year term and matures on 30 June 2024. In addition to the committed $250 million, a further $100 million is available on an uncommitted "accordion" basis. Interest will accrue at a rate of between 4% and 4.5% plus LIBOR depending on the maturity of the facility. The new RBL facility is currently undrawn, with an available facility as at 31 December 2017 of $204 million (2016: $10.3 million). Of the $5.8 million of transaction costs in relation to the new facility, $4.4 million have been deferred as a prepayment within 'other long term receivables' on the balance sheet and are being amortised over the term of the facility.

22 Bonds payable

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year	106,651	106,651
Coupon interest charged	10,218	10,218
Interest paid	(10,218)	(10,218)
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 2017 $'000	As at 31 Dec 2016 $'000
Amounts due on maturity:		
Interest bearing bank loans (see Note 21)	–	(93,656)
Bonds payable (see Note 22)	(106,651)	(106,651)
Total gross debt	(106,651)	(200,307)
Less cash and cash equivalents (see Note 19)	223,779	360,424
Total net cash	117,128	160,117

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

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
On demand or due within one year	–	9,741
In the second year	–	43,831
In the third to fifth year inclusive	106,651	146,735
After five years	–	–
Total principal payable on maturity	106,651	200,307

24 Provisions

	Decommissioning and restoration of oil and gas $'000	Litigation and other claims $'000	Other provision $'000	Total $'000
At 31 December 2016	50,550	15,833	–	66,383
Arising during the period	–	–	507	507
Utilised/paid	–	(14,358)	–	(14,358)
Unwinding of discount (Note 7)	1,449	–	–	1,449
Amounts released	–	(1,475)	–	(1,475)
Remeasurement	(742)	–	–	(742)
Additions	–	–	8,900	8,900
At 31 December 2017	**51,257**	**–**	**9,407**	**60,664**
Balance at the end of the year				
Current	–	–	9,399	9,399
Non-current	51,257	–	8	51,265

Decommissioning and restoration of oil and gas assets

The decommissioning of oil and gas properties is expected to fall due from 2032 onwards.

Litigation and Other Claims

Litigation and other claims consist of claims arising from trading activities, which have been settled by 31 December 2017.

Other provisions

Amounts provided at 31 December 2017 comprise $0.5 million provision representing the organisational changes as part of the Ophir Board's strategy to reduce the company's underlying cost base in recognition of lower exploration activity.

A provision of $8.9 million was raised representing the unavoidable net cost of exiting a contract.

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 2017 $'000	As at 31 Dec 2016 $'000
Net cash (see Note 23)	117,128	160,117
Equity plus net debt	(1,344,181)	(1,414,960)
Gearing ratio	(8.7)%	(11.3)%

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.

25 Financial instruments continued

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 2017 $'000	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2016 $'000
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Security deposits	2,356	2,356	2,166	2,166
Financial liabilities:				
Interest bearing bank loans	–	–	(93,656)	(92,760)
Bonds payable	(106,651)	(109,870)	(106,651)	(108,337)

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, bonds payable, security deposits and derivative liabilities, 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.

(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.

In late 2017, the Group hedged approximately 27% of its 2018 production. The Group purchased, with a zero cost structure, a Brent swap at an average $59.68/bbl and a call at an average price of $68.08/bbl, both for 3,200 bpd. The hedging relationship is for a period of 12 months, based on forecast cash flows.

As at 31 December 2017, the fair value of outstanding commodity contracts amounted to a liability of $3.5 million. For cash flow hedges the group only claims hedge accounting for the intrinsic value of the contract with any fair value attributable to time value taken immediately to the income statement. The amount in equity at 31 December 2017 is $5.8 million maturing in 2018, with $2.3m recognised in other financial gains.

(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 2017					
Current financial assets					
Cash and cash equivalents	147,865	69,537	6,324	53	223,779
Trade and other receivables	–	–	–	12,515	12,515
	147,865	69,537	6,324	12,568	236,294
Non-current financial assets					
Security deposits	–	–	–	2,356	2,356
	–	–	–	2,356	2,356

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.

	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 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

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 2017 would have decreased by $0.5 million (2016: loss decrease $0.8 million) or increased by $0.5 million (2016: loss increase $0.8 million) respectively.

The sensitivity in 2017 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 2017, 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.

25 Financial instruments continued

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 2017 $'000	As at 31 Dec 2016 $'000
Financial assets		
Cash and cash equivalents		
AUD	224	522
GBP	3,143	9,540
THB	63,916	7,359
OTHER	–	557
	67,283	17,978
Net Exposure	**67,283**	**17,978**

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)	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
US Dollar to GBP +5% (2016: +5%)	87	405	87	405
US Dollar to GBP -5% (2016: -5%)	(87)	(405)	(87)	(405)
US Dollar to AUD +5% (2016: +5%)	(2)	(21)	(2)	(21)
US Dollar to AUD -5% (2016: -5%)	2	21	2	21
US Dollar to THB +5% (2016: +5%)	3,039	296	3,039	296
US Dollar to THB -5% (2016: -5%)	(3,039)	(296)	(3,039)	(296)

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 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 2017						
	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	(50,499)	–	–	–	–	–	(50,499)
Variable interest rate instruments	–	–	–	–	–	–	–
Fixed interest rate instruments:	–	–	–	–	–	–	–
– Bond payable	–	–	(106,651)	–	–	–	(106,651)
Oil price derivatives	(3,582)	–	–	–	–	–	(3,582)
Total	(54,081)	–	(106,651)	–	–	–	(160,732)

	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)

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, borrowings and derivative financial instruments are disclosed in the financial statements as at 31 December 2017. The fair value of these assets and liabilities are disclosed in the table of financial assets and liabilities on page 126 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.

The fair value of the group's long term borrowings are determined using quoted prices in active markets, and so fall within level 1 of the fair value hierarchy.

The fair value of commodity hedges are provided by banks using industry standard models that consider various assumptions, including quoted forward prices, time value and other relevant economic factors. These derivative contracts are categorised within level 2 of the fair value hierarchy.

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Level 1	(109,870)	(108,337)
Level 2	(3,582)	–
Level 3	2,356	(90,594)
	(111,096)	(198,931)

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

(g) Changes in liabilities arising from financing activities

	1 January 2017 $'000	**Cash flows $'000**	**Other $'000**	**31 December 2017 $'000**
Current interest-bearing bank borrowings	9,741	(9,741)	–	–
Non-current interest bearing bank borrowings	83,915	(83,915)	–	–
Bonds payable	106,651	–	–	106,651
Total liabilities from financing activities	200,307	(93,656)	–	106,651

	1 January 2016 $'000	Cash flows $'000	Other $'000	31 December 2016 $'000
Current interest-bearing bank borrowings	37,059	(37,059)	9,741	9,741
Non-current interest bearing bank borrowings	115,949	(22,293)	(9,741)	83,915
Bonds payable	106,651	–	–	106,651
Total liabilities from financing activities	259,659	(59,352)	–	200,307

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings due to the passage of time.

26 Called up share capital

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'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 (2016: 746,019,407)	3,061	3,061
In issue at the end of the year 746,019,407 (2016: 746,019,407)	3,061	3,061

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 2017 $'000	As at 31 Dec 2016 $'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 LLC 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 2017 are shown in the tables below:

Results for the year ended	Year ended 31 Dec 2017 $'000	Year Ended 31 Dec 2016 $'000
Sales and other operating revenues	12,215	14,617
Profit before interest and taxation	7,213	7,623
Net finance costs	(136)	(219)
Profit before taxation	7,077	7,404
Taxation	(2,896)	(2,987)
Profit for the period	4,181	4,417

Summarised financial information of APICO LLC

Results for the year ended	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Sales and other operating revenues	44,941	53,778
Profit before interest and taxation	26,537	28,046
Net finance costs	(500)	(806)
Profit before taxation	26,037	27,240
Taxation	(10,654)	(10,990)
Profit for the period	15,383	16,250

Group share of assets and liabilities	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Non-current assets	46,147	46,878
Current assets	3,903	6,207
Total assets	50,050	53,085
Current liabilities	(4,760)	(5,240)
Non-current liabilities	(2,077)	(2,414)
Total liabilities	(6,837)	(7,654)
Net assets	43,213	45,431

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

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year	130,736	130,200
Additions	370	1,283
Impairment[1]	(7,800)	–
Share of profit of investments	4,181	4,417
Dividends received	(6,523)	(5,164)
Balance at the end of the year	120,964	130,736

1 The 2017 Impairment was due to the effect of lower nominations and reclassification of resources to reserves. The Sinphuhorm asset had a recoverable amount of $121m based on management's estimate of value in use. The discount rate used was a pre-tax rate of 14% (2016:15%).

28 Treasury shares

Ordinary shares of 0.25p each held by the Group as treasury shares	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year 39,918,385 (2016: 40,227,138)	153	155
Disposed of on exercise of share options during the year: 207,562 (2016: 308,753)	(1)	(2)
Balance at the end of the year 39,710,823 (2016: 39,918,385)	152	153

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).

29 Reserves

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Treasury shares (Note 28)	(152)	(153)
Other reserves (Note 30)	1,458,680	1,572,449
	1,458,528	1,572,296
Non-controlling interest[1]	(280)	(280)
	1,458,248	1,572,016

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 reserve [5] $'000	Equity component on convertible bond[6] $'000	Foreign currency translation[7] reserve $'000	Cash flow hedges[8] $'000	Accumulated profits/ (losses) $'000	Total other reserves $'000
As at 1 January 2016	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 loss, net of tax	–	–	–	–	–	–	31	–	(77,446)	(77,415)
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
Profit for the period, net of tax	–	–	–	–	–	–	–	–	(111,792)	(111,792)
Other comprehensive income, net of tax	–	–	–	–	–	–	–	(5,882)	–	(5,882)
Total comprehensive income, net of tax	–	–	–	–	–	–	–	(5,882)	(111,792)	(117,674)
Share-based payment	–	–	3,905	–	–	–	–	–	–	3,905
Transfers within reserves	–	–	–	–	(341,792)	–	–	–	341,792	–
As at 31 December 2017	807,427	160	61,699	(500)	325,545	669	5,569	(5,882)	263,993	1,458,680

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 2017, the premium arising on the 2012 Dominion Petroleum acquisition, which was classified within the merger reserves according to the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613), was realised to accumulated profits/(losses)as a result of the full impairment of the Dominion Group in previous years.
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 The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. It includes $5.8 million relating to commodity price hedges which will only be reclassified to the income statement once the forecast sale occurs. For further information on the accounting for cash flow hedges see Note 2.3 (e) financial instruments.

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 rewarding if the Group delivers long-term growth in NAV per share which is measured based on well-defined NAV events. When an event does take place, 12.5% of the increase in NAV above the prior Benchmark NAV will be used to create a reward pool. NAV events will generally be monetisation events such as farm-outs and asset sales, which have defined values, and the risked value of development assets once a Final Investment Decision (FID) is taken or first production takes place to ensure NAV events are tangible and demonstrably value creating. The impact of commodity prices is factored out of the scheme so that these events are neutral to ensure that the reward pool is not artificially inflated or deflated by the commodity cycle. Similarly, cash distributions, fundraising or capital changes are also factored out of the scheme. When a reward pool is created, it will be distributed with the following features to apply to Executive Directors:

- Individual rewards are capped;
- 75% of NAV scheme rewards are delivered as deferred shares that vest after three, four and five years with a requirement for the total number of after tax shares to be retained for a minimum of five years;
- 25% of rewards are delivered in cash; and
- recovery and withholding provisions apply to ensure that only true value creation is the basis of rewards.

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.

	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding options at the beginning of year	19,285,299	$0.48/£0.36	12,735,270	$0.97/£0.65
Granted during the year	–	–	9,542,214	0.33c/0.25p
Exercised during the year	(207,562)	0.34c/0.25p	(308,753)	0.33c/0.25p
Expired during the year	(2,269,836)	$1.38/£1.02	(2,683,432)	$0.75/£0.56
Outstanding options at the end of year	16,807,901	$0.87/£0.65	19,285,299	$0.48/£0.36
Exercisable at end of year	2,176,460	$2.78/£2.07	3,043,906	$2.60/£2.11

31 Share-based compensation continued

There were no share options granted in 2017. The weighted average exercise price of options granted in 2016 was $0.0033. The range of exercise prices for options outstanding at the end of the year was $0.0034 to $7.43 (2016: $0.0037 to $7.44) with a remaining exercise period in the range of one to nine years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a 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 2017.

	Long Term Incentive Plan		2012 Deferred Share Plan	
	2017	2016	**2017**	2016
Dividend yield (%)	–	–	–	–
Exercise Price	n/a	0.33c/0.25p	n/a	0.33c/0.25p
Share Volatility (%)	n/a	49%	n/a	49%
Risk-free interest rate (%)	n/a	0.64%	n/a	0.64%
Expected life of option (years)	n/a	0-3	n/a	0-3
Weighted average share price	n/a	$0.91/£0.63	n/a	$1.24/£0.86

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 nil (2016: 2,702,158) options to acquire ordinary shares were granted to Directors under the Ophir Energy Long-Term Incentive Plan.

During the year nil options (2016: nil) were granted to Directors under the Ophir Energy Company 2006 Share Option Plan.

32 Operating lease commitments

At 31 December 2017 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 2017 $'000	As at 2016 $'000
Due within one year	16,623	17,358
Due later than one year but within five years	66,820	66,305
Due later than five years	24,037	40,912
	107,480	124,575

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 2017 $'000	As at 2016 $'000
Due within one year	4,830	46,870
Due later than one year but within two years	26,940	31,805
Due later than two years but within five years	90	1,240
	31,860	79,915

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. The individual's primary claim was dismissed in February 2018. The individual has filed an appeal against the decision but a loss at first instance supports the Group's view that the claims are without merit and accordingly the Group 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 2017, 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 153 to 156. All of these subsidiaries have been included in these consolidated financial statements on pages 97 to 135.

Material joint operations

The following joint operations are considered individually material to the Group as at 31 December 2017.

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 7 of the Company financial statements), joint ventures (refer to Note 20, Note 18 and Note 35 of these consolidated financial statements) and its Directors.

Recharges from the Company to subsidiaries in the year were $3,062,812 (2016: $16,536.220). 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 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 2017

	Notes	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	6	–	2,752
Investments in subsidiaries	7	1,260,298	1,159,571
Financial assets	8	2,079	1,887
		1,262,377	**1,164,210**
Current assets			
Inventory	9	–	6,215
Trade and other receivables	10	1,578	2,337
Cash and cash equivalents	11	127,934	265,514
		129,512	**274,066**
Total assets		**1,391,889**	**1,438,276**
Current liabilities			
Trade and other payables	12	(54)	(2,733)
Taxation payable		(25)	(25)
		(79)	(2,758)
		–	–
Total liabilities		**(79)**	**(2,758)**
Net assets		**1,391,810**	**1,435,518**
Capital and reserves			
Called up share capital	14	3,061	3,061
Treasury shares	15	(152)	(153)
Other reserves	16	1,388,901	1,432,610
Total equity		**1,391,810**	**1,435,518**

The Company's loss for the year was $47,618,000 (2016: $250,377,000)

The notes on pages 139 to 152 form part of these Company financial statements.

The Company financial statements of Ophir Energy plc (registered number 05047425) on pages 136 to 152 were approved by the Board of Directors on 6th March 2018.

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 2017

	Called up share capital $'000	Treasury shares $'000	Other[1] reserves $'000	Total equity $'000
As at 1 January 2016	**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**
Loss for the period, net of tax	–	–	(47,618)	(47,618)
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income, net of tax	–	–	(47,618)	(47,618)
Exercise of options	–	1	–	1
Share-based payment	–	–	3,909	3,909
As at 31 December 2017	**3,061**	**(152)**	**1,388,901**	**1,391,810**

1 Refer to Note 16 of these Company financial statements.

The notes on pages 139 to 152 form part of these Company financial statements.

Company statement of cash flows
For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Operating activities			
Loss before taxation		(47,618)	(250,376)
Adjustments to reconcile loss before tax to net cash flows:			
Interest income		(1,923)	(1,862)
Foreign exchange losses/(gains)		(940)	1,088
Depreciation of property, plant and equipment	6	–	2,093
Share-based payment expense		(215)	2,986
Allowance for impairment of investment in subsidiaries	7	44,910	492,364
Working capital adjustments			
(Decrease)/increase in trade and other payables		(5,132)	(1,581)
Decrease/(increase) in trade and other receivables		769	2,025
Cash flows used in operating activities		**(10,149)**	**246,737**
Interest income		1,923	1,862
Net cash flows used in operating activities		**(8,226)**	**248,599**
Investing activities			
Purchases of property, plant and equipment	6	–	(5,058)
Investment in subsidiaries		–	(425)
Decrease/(increase) in inventory		–	440
Loans to subsidiaries		(129,614)	(511,982)
Net cash flows (used in)/from investing activities		**(129,614)**	**(517,025)**
Financing activities			
Proceeds from of exercise of share options		1	2
Net cash flows (used in)/from financing activities		**1**	**2**
(Decrease)/increase in cash and cash equivalents for the year		**(137,839)**	**(268,424)**
Net effect of foreign exchange rates on cash and cash equivalents		259	308
Cash and cash equivalents at the beginning of the year		265,514	533,630
Cash and cash equivalents at the end of the year	11	**127,934**	**265,514**

The notes on pages 139 to 152 form part of these Company 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 2017 were authorised for issue by the Board of Directors on 6th March 2018 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 2017. 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 2016 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 2017. These are detailed in Note 2.1 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 ten 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.

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 2017 is $47.6 million (2016: $250.4 million).

4 Staff numbers and costs

(a) Staff costs

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

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Salaries and wages including bonuses	3,016	20,051
Social security costs	398	2,581
Contributions to pension plans/superannuation funds	129	771
Compensation for loss of office	129	–
Share-based payment (credit)/expense	(215)	2,984
	3,457	26,387

(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 2017 $'000	Year ended 31 Dec 2016 $'000
Aggregate compensation:		
Salaries and wages including bonuses	3,016	6,728
Social security costs	398	834
Contributions to pensions/superannuation funds	129	272
Compensation for loss of office	129	–
Share-based payment credit	(215)	(924)
	3,457	6,910

Key management emoluments above excludes aggregate gains made by Directors on the exercise of share options of Nil (2016: $206,680).

(c) Directors' emoluments

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Aggregate compensation:		
Salaries and wages	2,098	2,186
Bonuses	530	1,737
Social security costs	346	516
Contributions to pensions/superannuation funds	126	139
Other benefits	17	18
Compensation for loss of office	129	–
	3,246	4,596

Directors' emoluments above excludes aggregate gains made by Directors on the exercise of share options of Nil (2016: $206,680).

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Share-based payment credit	(503)	(2,628)
Number of Directors to whom superannuation or pension benefits accrued during the year	3	3

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

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
CEO	1	1
Exploration and technical	1	34
Commercial and support	2	51
	4	86

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 rewarding if the Group delivers long-term growth in NAV per share which is measured based on well-defined NAV events. When an event does take place, 12.5% of the increase in NAV above the prior Benchmark NAV will be used to create a reward pool. NAV events will generally be monetisation events such as farm-outs and asset sales, which have defined values, and the risked value of development assets once a Final Investment Decision (FID) is taken or first production takes place to ensure NAV events are tangible and demonstrably value creating. The impact of commodity prices is factored out of the scheme so that these events are neutral to ensure that the reward pool is not artificially inflated or deflated by the commodity cycle. Similarly, cash distributions, fundraising or capital changes are also factored out of the scheme. When a reward pool is created, it will be distributed with the following features to apply to Executive Directors:

- Individual rewards are capped;
- 75% of NAV scheme rewards are delivered as deferred shares that vest after three, four and five years with a requirement for the total number of after tax shares to be retained for a minimum of five years;
- 25% of rewards are delivered in cash; and
- recovery and withholding provisions apply to ensure that only true value creation is the basis of rewards.

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.

	2017 Number	**2017 WAEP**	2016 Number	2016 WAEP
Outstanding options at the beginning of the year	19,285,299	$0.48/£0.36	12,735,270	$0.97/£0.65
Granted during the year	–	–	9,542,214	0.33c/0.25p
Exercised during the year	(207,562)	0.34c/0.25p	(308,753)	0.33c/0.25p
Expired during the year	(2,269,836)	$1.38/£1.02	(2,683,432)	$0.75/£0.56
Outstanding options at the end of the year	16,807,901	$0.87/£0.65	19,285,299	$0.48/£0.36
Exercisable at end of year	2,176,460	$2.78/£2.07	3,043,906	$2.60/£2.11

There were no share options granted in 2017. The weighted average exercise price of options granted in 2016 was $0.0033. The range of exercise prices for options outstanding at the end of the year was $0.0034 to $7.43 (2016: $0.0037 to $7.44) with a remaining exercise period in the range of one to nine years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a 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 2017.

	Long Term Incentive Plan		2013 Deferred Share Plan	
	2017	2016	**2017**	2016
Dividend yield (%)	–	–	–	–
Exercise Price	n/a	0.33c/0.25p	n/a	0.33c/0.25p
Share Volatility (%)	n/a	49%	n/a	49%
Risk-free interest rate (%)	n/a	0.64%	n/a	0.64%
Expected life of option (years)	n/a	0-3	n/a	0-3
Weighted average share price	n/a	$0.91/£0.63	n/a	$1.24/£0.86

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 a total of nil (2016: 2,702,158) nil cost options to acquire ordinary shares were granted to Directors under the Ophir Energy Long Term Incentive Plan.

During the year nil options were granted to Directors under the Ophir Energy Company 2006 Share Option Plan (2016: nil).

6 Property, plant and equipment

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Office furniture and equipment		
Cost		
Balance at the beginning of the year	9,430	8,616
Additions	–	814
Disposals	(7,188)	–
Balance at the end of the year	2,242	9,430
Depreciation		
Balance at the beginning of the year	6,678	4,590
Disposals	(4,436)	–
Depreciation charge for the year	–	2,088
Balance at the end of the year	2,242	6,678
Net book value		
Balance at the beginning of the year	2,752	4,026
Balance at the end of the year	–	2,752

7 Investments in subsidiaries

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

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year	**2,272,694**	**1,760,283**
Additions during the year		
Salamander Energy plc	31,989	121,195
Ophir Holdings & Services (UK) Limited	689,026	62,862
Ophir Asia Limited	9,153	17,574
Dominion Petroleum Limited	10,537	–
Ophir Asia Services Limited	180	591
Other	39,919	1,016,305
Repayments during the year		
Ophir Equatorial Guinea (Block R) Limited	(231,300)	–
Ophir Equatorial Guinea Holdings Limited	(397,533)	–
Ophir Holdings Limited	(130)	(653,392)
Dominion Petroleum Limited	–	(43,258)
Ophir Services Pty Limited	–	(4,148)
Other	(6,204)	(5,318)
Balance at the end of the year	2,418,331	2,272,694
Foreign exchange translation gains and losses	–	–
Allowance for impairment		
Balance at the beginning of the year	(1,113,123)	(620,759)
Additional allowance	(44,910)	(492,364)
Balance at the end of the year	(1,158,033)	(1,113,123)
Net book value		
At the beginning of the year	1,159,571	1,139,524
At the end of the year	1,260,298	1,159,571

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 2017, and Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these financial statements on pages 153 to 156. All of these subsidiaries have been consolidated in the Group financial statements on pages 97 to 135.

8 Financial assets

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Non-current		
Security deposits – Rental properties	2,079	1,887
	2,079	1,887

9 Inventory

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Drilling consumables	–	6,215

The inventory valuation is stated net of a provision of nil (2016: $0.4 million) to write inventories down to their net realisable value.

10 Trade and other receivables

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Other debtors	609	711
Prepayments	969	1,626
	1,578	2,337

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 2017 $'000	As at 31 Dec 2016 $'000
Cash	3,976	35,767
Cash equivalents	123,958	229,747
	127,934	265,514

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 $127.9 million (2016: $265.5 million).

Cash and cash equivalents at 31 December 2017 includes $2.2 million (2016: Nil) of restricted bank guarantees.

12 Trade and other payables

	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Trade creditors	54	590
Accruals	–	2,143
	54	2,733

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 2017					
Current financial assets					
Cash and cash equivalents	127,934	–	–	–	127,934
Trade and other receivables	–	–	–	–	–
	127,934	–	–	–	127,934
Non-current financial assets					
Security deposits	–	–	–	2,079	2,079
	–	–	–	2,079	2,079

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 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.

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 2017, the Company has no external borrowings (2016: 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 2017 $'000	As at 31 Dec 2016 $'000
Financial assets		
Security deposits	2,079	1,887
Cash and cash equivalents	127,934	265,514
	130,013	267,401
Financial liabilities		
Loans from subsidiary undertakings	–	–
Net exposure	**130,013**	**267,401**

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 2017 $'000	Effect on loss 31 Dec 2016 $'000
+0.5%	640	1,328
-0.5%	(640)	(1,328)

The sensitivity in 2017 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 of the Group financial statements for further details.

As at 31 December 2017, 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 2017 $'000	As at 31 Dec 2016 $'000
Financial assets		
Cash and cash equivalents		
EUR	–	1
GBP	1,397	7,049
	1,397	7,050
Security deposits		
GBP	2,079	1,887
	3,476	8,937
Financial liabilities		
Trade and other payables		
AUD	–	–
THB	–	–
MYR	–	–
EUR	–	(12)
GBP	(21)	(2,051)
	(21)	(2,063)
Net exposure	3,455	6,874

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)		Equity higher/(lower)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
US Dollar to GBP Sterling +5% (2016: +5%)	173	344	173	344
US Dollar to GBP Sterling -5% (2016: -5%)	(173)	(344)	(173)	(344)

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. This Company utilises the same policies to mitigate liquidity risk as the rest of the Group. Refer to Note 25 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 2017 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 2017 $'000	Year ended 31 Dec 2016 $'000
Level 1	–	–
Level 2	–	–
Level 3	2,079	1,887
	2,079	1,887

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

14 Called up share capital

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'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; (2016: 746,019,407)	3,061	3,061
In issue at the end of the year; 746,019,407; (2016: 746,019,407)	3,061	3,061

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 2017 $'000	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year: 39,918,385 (2016: 40,227,138)	153	155
Disposed of on exercise of share options during the year: 207,562 (2016: 308,753)	(1)	(2)
Balance at the end of the year; 39,710,823 (2016: 39,918,385)	152	153

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 2017 Nil shares were purchased (2016: Nil).

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 currency translation reserve $'000	Accum-ulated profits/ (losses) $'000	Total other reserves $'000
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 1 January 2017	807,427	160	57,794	667,337	669	11,839	(112,616)	1,432,610
Profit for the period, net of tax	–	–	–	–	–	–	(47,618)	(47,618)
Other comprehensive income, net of tax	–	–	–	–	–	–	–	–
Total comprehensive income, net of tax	–	–	–	–	–	–	(47,618)	(47,618)
Share-based payment	–	–	3,909	–	–	–	–	3,909
Transfers within reserves	–	–	–	(341,792)	–	(11,839)	353,631	–
As at 31 December 2017	807,427	160	61,703	325,545	669	–	193,397	1,388,901

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 In 2017, the premium arising on the 2012 Dominion Petroleum acquisition, which was classified within the merger reserves according to the provisions of the Companies Act 2006 relating to Merger Relief (s612 and s613), was realised to accumulated profits/(losses)as a result of the full impairment of the Dominion Group in previous years.
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.

17 Operating lease commitments

At 31 December 2017 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 2017 $'000	As at 31 Dec 2016 $'000
Due within one year	1,180	1,083
Due later than one year but within five years	4,724	4,335
Due later than five years	1,141	2,130
	7,045	7,548

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 2017, 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 2017, 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 97 to 135.

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2017
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 JE2 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 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%

Appendix A – Subsidiary companies continued

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2017
Ophir Tanzania (Block 3) Limited	Jersey C.I.	Tanzania	12 Castle Street, St Helier Jersey JE2 3RT Channel Islands	Exploration	100%
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%
Dominion Investments Limited	Tanzania	Tanzania	Plot 1676, Hamza Aziz Road Msasani Penninsula Dar es Salaam Tanzania	Exploration	100%
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 Tanzania Limited	Tanzania	Tanzania	Plot 1676, Hamza Aziz Road Msasani Penninsula Dar es Salaam Tanzania	Exploration	100%
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%

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2017
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 (Bualuang Holdings) Limited	England & Wales	Thailand	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Exploration	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%
Ophir Thailand (E&P) 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 (S.E. Asia) Limited	England & Wales		Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Holding	100%
Ophir Indonesia (S.E. Sangatta) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Exploration	100%
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%
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 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%

Appendix A – Subsidiary companies continued

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec 2017
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 (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%
Salamander Energy (JS) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Exploration	100%
Ophir Equatorial Guinea (EG-24) Limited	British Virgin Islands	Equatorial Guinea	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration	100%
Ophir Mexico Block 5 Salina, S.A de C.V	Mexico	Mexico	Guillermo Gonzalez Camarena No 1600, Piso 6, Oficina "B", Col. Centro de Ciudad Santa Fe, Delegacion Alvaro Obergon C.P. 01210, Mexico City, Mexico	Exploration	100%
Ophir Global New Ventures Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Exploration	100%
Salamander Energy (Canada)	Canada	Canada	4500 Bankers Hall East 855 -2nd Street SW Calgary AB T2P 4K7 Canada	Holding	100%

* Shares held directly by Ophir Energy plc.

All shares are ordinary shares.

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, 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.

2018 Financial calendar

Annual General Meeting	16 May 2018
Half-year results announcement	13 September 2018
Full-year results announcement	7 March 2019

Trading market and shareholder profiles

Ophir Energy plc's shares are traded on the London Stock Exchange with ticker OPHR. The Company's LEI number is 213800LAZOZTKPAV2583. 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 profile by size of holding as at 31 December 2017

Range	No. of holders	% of total	Shares held 31.12.2017	% of total
1 – 1,000	476	38.60%	202,012	0.03%
1,001 – 10,000	352	28.55%	1,145,424	0.15%
10,001 – 100,000	189	15.33%	7,471,360	1.00%
100,001 – 1,000,000	133	10.79%	47,671,280	6.39%
1,000,001 – 10,000,000	65	5.27%	182,522,112	24.47%
10,000,000+	18	1.46%	507,007,219	67.96%
	1,233	100.00%	746,019,407	100.00%

Shareholder profile by category as at 31 December 2017

Category	No. of holders	% of total	Shares held 31.12.2017	% of total
Private shareholders	556	45.09%	1,837,830	0.25%
Nominees and other institutional investors	677	54.91%	744,181,577	99.75%
	1,233	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

$
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 & environment

HSSE
Health, safety, security & 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

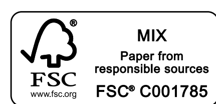
NGO
Non-Governmental Organisation

OneLNG
Joint Venture between Golar LNG and Schlumberger

PSC
Production Sharing Contract

Spud
To commence drilling a well

Tcf
Trillion cubic feet



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