ophir energy plc

An African Energy Company

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2009

Company Registration No 5047425

HIGHLIGHTS

- In July 2009 a Competent Person Report ("CPR"), prepared by RPS Energy, reported increases in risked resources resulting in a 25% increase in the fully risked expected monitory value ("EMV") of the Company's exploration portfolio on a like-for-like basis since May 2008. The report has been distributed to all shareholders.

- Detailed studies of the Fortuna and Lykos gas discoveries, in Equatorial Guinea Block R, suggest that commercial development is potentially viable. Discussions with the Government concerning commercial arrangements, potential development options and appraisal drilling locations have commenced.

- A further 1,000km^2 of 3D seismic data were acquired in Block R and have demonstrated that the Fortuna reservoir is thicker and extends further than previously thought. These new data were not included within the July 2009 CPR.

- Large 3D seismic surveys acquired in Tanzania during 2008 covering approximately 3,500km^2, have been processed and interpreted resulting in a significant increase in the size and diversity of the prospect portfolio. Several prospects have now been prepared to drill-ready status and negotiations with prospective farminees are underway.

- The Company, in partnership with the Tanzania Petroleum Development Corporation ("TPDC"), is redeveloping the port of Mtwara in southern Tanzania so that it can support deepwater drilling operations. The facilities will be fully operational during Q2 2010 and all necessary drilling inventories have been procured. The West Polaris drillship is available during Q1 2011, however efforts are underway to secure access to an alternate rig during 2010 so that, following completion of farm out negotiations, two or possibly three of the high-graded prospects can be drilled at the earliest opportunity.

- Analysis of the disappointing dry holes drilled in Gabon during 2008, has identified the most likely remaining potential to be contained within sediments lying beneath a layer of salt. The existing seismic data does not adequately image beneath this layer of salt, however due to advances in geophysical technology and encouraged by spectacular sub-salt discoveries on the conjugate margin in Brazil, the Company acquired an experimental 2D seismic programme and a gravity gradiometry survey - both specifically designed to image below salt. These new data were not included in the July 2009 CPR.

- A farm out of up to a 25% interest in our AGC Profond PSC was approved by the Government and the farminee, Rocksource ASA, has now committed to the drilling of the first well and will pay a promoted share of the well costs. The preparatory work prior to drilling is essentially complete and the Company is now seeking a rig at the earliest opportunity.

- The Frida-1 well drilled by our Congo Marine IX joint venture, operated by Premier Oil, was disappointingly a dry hole. Due to technical and budget concerns Ophir had elected not to participate in the well and therefore did not have to make any contribution towards the cost.

- The Lemba-1 well drilled by our JDZ Block 3 joint venture, operated by Addax, was a sub-commercial gas discovery. Results from adjacent wells drilled within the Nigeria-São Tomé/Principe Joint Development Zone during the year have been generally disappointing and ongoing participation in this project is under review.

- The second tranche of the equity placing to Mittal Investments S.à.r.l, raised £65.8 million (US$108 million) at a price of £2.50 per share.

- At the end of 2009 the Company had cash of US$135 million and no debt.

CONTENTS

The Directors of Ophir Energy plc (the "Company") present their annual report on the affairs of the Company and its subsidiaries (together, "Ophir" or "Group"), together with the financial statements and auditor's report for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

Ophir is an independent oil and gas exploration business with a focus on Africa. The principal activities of the Group are currently the exploration for oil and gas, predominantly in deepwater acreage in eight jurisdictions in West and East Africa; the Group's gas discoveries offshore Equatorial Guinea are being considered for their commercial potential and for further appraisal. Ophir Energy plc is the parent Company of the Group and is incorporated in the United Kingdom. The Group's headquarters are located in London, England with operational offices in Perth (Australia), Malabo (Equatorial Guinea) and Dar es Salaam (Tanzania).

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 December 2009 are set out on pages 20 to 56. The Group recorded a loss for the year after taxation of US$43.266 million (18 month period ended 31 December 2008: US$127.830 million).

No dividends were paid or declared by the Company during the financial year (18 month period ended 31 December 2008: nil). The Directors do not propose to pay a dividend for the year ended 31 December 2009.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Ophir currently has interests in 16 exploration projects in eight different jurisdictions in Africa as shown in the table below:

JURISDICTION	ASSET	PAYING INTEREST (%)	BENEFICIAL INTEREST (%)	GROSS AREA (KM^2)
Equatorial Guinea (Operator)	Block R	100	80	2,681
Gabon (Operator)	Mbeli	100	90(1)	3,384
Gabon (Operator)	Ntsina	100	90(1)	3,299
Gabon (Operator)	Manga	100	85(1)	3,455
Gabon (Operator)	Gnondo	100	90(1)	2,574
Tanzania (Operator)	Block 1	100	88(2)	7,070
Tanzania (Operator)	Bock 3	100	85(2)	10,595
Tanzania (Operator)	Block 4	100	85(2)	10,007
AGC (Senegal/Guinea Bissau Common Zone) (Operator)	Profond	94.3	83 - 88(3)	9,838
Somaliland (primarily onshore) (Operator)	Berbera	75	75(4)	16,270
SADR (Operator)	Daora	50	50(5)	17,540
SADR (Operator)	Haouza	50	50(5)	17,277
SADR (Operator)	Mahbes	50	50(5)	16,338
SADR (Operator)	Mijek	50	50(5)	23,172
Nigeria - São Tome/Principe JDZ	Block 3	4	4	666
Congo (Brazzaville)	Marine IX	35	31.5	1,044

Notes:
(1) The Government of Gabon has a 10% (15% in the case of Manga) beneficial interest from the start of production.
(2) The Tanzanian Petroleum Development Corporation ("TPDC") has a 12% back-in right in Block 1 and a 15% back-in right in each of Blocks 3 and 4, from the start of production. A private partner currently has an equivalent of a 5% beneficial interest in the form of a net profits entitlement. Such entitlement should be deducted from the Group's beneficial interest in assessing its economic interest.
(3) Entreprise AGC S.A. has a 12% beneficial interest, with an option to increase such beneficial interest by a maximum of 5%.
(4) The Berbera PSC was granted by the Government of Somaliland. Although a declaration of independence was made by Somaliland in 1991, it is yet to be recognised as a sovereign state by the UN. The Group's rights under this PSC remain uncertain pending recognition of sovereignty.
(5) Title remains subject to the approval of a UN Resolution granting the Saharawi Arab Democratic Republic ("SADR") international recognition as an independent and sovereign state.

Although there has been only limited drilling activity during 2009, it has been an extremely busy year with prospects in Tanzania, Equatorial Guinea and AGC being brought up to drill-ready status. This has involved a great deal of technical effort as well as logistical planning, facilities construction and well design. In parallel, the Company has been actively managing its portfolio exposure with farm out discussions concerning several key assets currently underway.

In July 2009 RPS Energy delivered an update to the Competent Person Report ("CPR") that was included within the Information Memorandum prepared in May 2008. The CPR reported significant increases in risked resource which resulted in a 25% increase in the fully risked expected monitory value ("EMV") of the Group's exploration portfolio on a like-for-like basis assuming a US$80/bbl long term oil price.

In Equatorial Guinea, where the Group made the Fortuna-1 and Lykos-1 gas discoveries in 2008, detailed technical and commercial studies have culminated in the preparation of a conceptual field development plan which suggests that under favourable market conditions, development of gas resources in Block R should be commercially viable. Further drilling will be required to confirm the quantity of gas present and its produceability, however the nature of the anomalous seismic response caused by the presence of gas is now well calibrated and provides considerable confidence as to the expected volumes.

The gas reservoir encountered by the Fortuna-1 well extended beyond the limit of the pre-existing 3D seismic and estimates of potential volumes were consequently based on sparse 2D seismic data. A further 1,000km^2 of 3D seismic data were acquired in Block R during 2009 and have demonstrated that the Fortuna reservoir is thicker and extends further than previously thought. These new data were not included in the July 2009 CPR.

Discussions with the Government concerning commercial arrangements and potential development options have commenced and various parties with experience of LNG development and marketing have expressed interest in the project. The preparatory work to support further drilling activity has been done and Government approval for the appraisal and development plan is being sought.

In Tanzania large 3D seismic surveys acquired during 2008, covering approximately 3,500km^2, have been processed and interpreted, resulting in a significant increase in the size and diversity of the portfolio. Several prospects have now been prepared to drill-ready status and negotiations with prospective farminees are underway.

The offshore basins of Tanzania are prospective for both oil and gas, however most analysis suggests that gas is more likely than oil or at least is likely to be volumetrically more significant than oil. The recent discovery of gas at Anadarko's Windjammer-1 well in the block immediately to the south of our Block 1 confirms this view. Ophir's own internal analysis, supported by the CPR, suggests that in the event of success there could be sufficient gas to support the development of an export LNG project as well as providing feedstock for extensive infrastructure development in Tanzania if demand exists.

The Group, in partnership with the Tanzania Petroleum Development Corporation ("TPDC"), is redeveloping the port of Mtwara in southern Tanzania so that it can support deepwater drilling operations. The facilities will be fully operational during Q2 2010 and all necessary drilling inventories have been procured. The West Polaris drillship is available during Q1 2011, however efforts are underway to secure access to an alternate rig during 2010 so that, following completion of farm out negotiations, two or possibly three of the high-graded prospects can be drilled at the earliest opportunity.

Our drilling results from Gabon during 2008 were disappointing. There has been a thorough post mortem, including external peer review, through the year to determine if further investment is warranted. A significant amount of the oil discovered to date in Gabon lies beneath a layer of salt. The salt is present within our Gabonese acreage but conventional seismic data has not been able to image the sedimentary sequences that lie underneath. Recent advances in geophysical technology have meant that modern data can now penetrate through salt much more efficiently, and substantial sub-salt exploration successes offshore Brazil and in the Gulf of Mexico provide ample evidence of its efficacy. Encouraged by the sub-salt discoveries on the conjugate margin of Brazil, the Company acquired an experimental 2D seismic programme and a gravity gradiometry survey both specifically designed to image below salt. The results of the seismic were encouraging and at the time of writing the gravity gradiometry data is being processed. These new data were not included in the July 2009 CPR. It is proposed to introduce a farminee into this project to bring both finance and specialised technical skills to explore beneath salt.

In northwest Africa our farm out of up to a 25% interest in the AGC Profond PSC to Norwegian based Rocksource ASA was approved by the Government. As a condition of the farm in Rocksource paid for 100% of the cost of a controlled source electromagnetic survey ("CSEM") and based on encouraging results from that survey they have now elected to commit to the drilling of at least one well and will pay a promoted share of the costs. The preparatory work prior to drilling is essentially complete and the Company is now seeking a rig at the earliest opportunity.

The Frida-1 well drilled by our Congo Marine IX joint venture, operated by Premier Oil, was a disappointing dry hole. Due to technical and budget concerns, Ophir elected not to participate in the well and therefore did not have to make any contribution towards the cost.

The Lemba-1 well drilled by our JDZ Block 3 joint venture, operated by Addax, was a sub-commercial gas discovery. Results from adjacent wells drilled within the Nigeria-São Tomé/Principe Joint Development Zone during the year have been generally disappointing and ongoing participation in this project is under review.

The Company raised £65.8 million (US$108 million) through an equity placement to Mittal Investments S.à.r.l in August 2009, which comprised the second and final tranche of the investment by Mittal agreed in the previous year. Net cash used in investing activities of US$40.3 million benefited from a receipt of US$10.1 million on closing of a foreign exchange transaction linked to the equity subscription noted above, and from the release of US$14.3 million which had been deposited in 2008 to secure obligations under a drilling contract. Cash invested in exploration was US$62.9 million (18 months ended 31 December 2008: US$165 million); this reflected a lower level of drilling activity in 2009 and principally comprised payments in respect of the drilling operations in late 2008 and preparatory costs for drilling in Tanzania, together with various survey costs.

The net cash inflow taking account of the above items was US$56.6 million, resulting in a year end cash balance of US$135.1 million (2008: US$77.9 million). The drilling programme for 2010, and hence expenditure commitments for the year, remain largely flexible at the date of this Report, with various opportunities noted above under consideration, certain of which are expected to be at least partly funded through farm outs. Ophir expects to fund its future operations through a combination of its existing resources, farm outs and other external sources of capital. The Group is party to a rig sharing agreement which provides availability to the Group of a drill ship for periods within the next two years. While the Group's position is that it has not yet made any firm commitment under this arrangement, under certain circumstances if an expected assignment of the rig to a third party operator is not concluded, the Group could potentially be required to take the rig for a period which equates to US$36 million in rig costs.

The Group reported a post tax loss for the year ended 31 December 2009 of US$43.3 million, against a loss of US$127.8 million for the comparative 18 month period. Exploration expense accounted for US$21.9 million of the loss (2008: US$106.8 million) and relates to write offs recognised in Gabon, Republic of Congo and the JDZ area (2008: principally dry holes offshore Gabon and Equatorial Guinea).

Although the net result from the currency hedging related to the equity issuance described above was a cash inflow to the Group, under fair value accounting the Group recognised an exchange loss of US$8.9 million within finance expenses, partially reversing an unrealised exchange gain of US$18.3 million recorded in 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

As an oil and gas exploration business, the Group operates in an inherently risky sector. Ophir seeks to manage and mitigate these risks where practicable through its risk management processes, but acknowledges that risks need to be taken to succeed in this industry. Significant risks and uncertainties include:

Discovery Risk:	Ophir employs advanced geoscience techniques to evaluate its exploration prospects. Such technology mitigates, but cannot eliminate, the risk that no economically producible oil or gas will be discovered by exploration efforts or determined to be recoverable from the Group's exploration assets described in this report.
No Current Production:	The Group does not currently produce any oil or gas and therefore does not

	have operating cash flow to sustain investment levels.
Capital Intensive Business:	The Group has been successful in raising capital from diverse investors to date, and manages its liquidity and commitments closely, with no debt obligations at present. However, oil and gas exploration is a highly capital intensive business and will require the Group to raise new capital in the future and/or to farm out assets.
Political Risk:	Some of the countries in which the Group operates are in areas of the world where there is political uncertainty and where the rule of law is not necessarily enforced. Political risk is mitigated by having a diverse portfolio across several countries.
Competition:	There is a great deal of competition for every public round of bidding for exploration blocks throughout Africa.
Oil & gas price:	The Group's asset value and the economic viability of its exploration projects depend on the price of oil and gas and the Group's ability to raise funds in the future is likely to be sensitive to the price of oil and gas.
No Market for the Company's Shares:	Although the Directors intend to obtain a listing on a stock exchange at some stage in the future, none of the Company's shares are currently quoted.
Environmental Regulations:	The Group's operations are subject to the environmental risks inherent in the oil and gas industry.
Small Team of Professionals:	The Group is reliant on a small team of experienced oil and gas professionals for its success.

EVENTS SINCE THE BALANCE SHEET DATE

There were no events that occurred during the period from 31 December 2009 to the date of this report that warrant disclosure in this report or the Financial Statements.

DIRECTORS AND SECRETARY

The names of the Directors and Secretary of the Company during the financial year and since the end of the financial year are:

Non Executive Chairman

Nicholas Smith - *Chairman (appointed director 10 October 2007, Chairman 4 September 2009)*
Mr Smith trained as a Chartered Accountant with Ernst and Young. He joined the Jardine Fleming Group in 1986 serving, from 2003, as Chief Financial Officer and as a member of the Executive Committee until 1997. Mr Smith became a director of Robert Fleming International Ltd in 1998 and Director of Origination - Investment Banking, serving until 2000. Mr Smith currently serves as a non executive director for Asian Citrus Holdings Ltd, PLUS Markets Group plc, Plus Markets plc, Sorbic International Ltd., Japan Opportunities Fund II Limited and 9 Flies Limited. Mr Smith served as Chairman of the Nominations Committee until 12 May 2009 and as Chairman of the Audit Committee until his appointment as Chairman on 4 September 2009. Mr Smith is a member of the Audit, Remuneration and Nominations Committees.

Executive Directors

Alan Stein - *Managing Director (appointed 18 February 2004)*
Dr Stein began his career in the UK as a geologist with oil consultants Dolan & Associates where he worked on projects

in Europe, Australia and the Far East. In 1992, he established Dolan & Associates' first international office in Australia and in 1994 was one of the founding partners of the IKODA consultancy group which had offices in London and Perth. In 1996 he was one of the founding directors of FIL Resources Limited which acquired interests offshore Mauritania. These interests were sold to Fusion Oil & Gas plc ("Fusion") and Dr Stein was appointed managing director of Fusion in 1998. Fusion was listed on AIM in 2000 and made several oil and gas discoveries offshore Mauritania. Dr Stein resigned from Fusion following its sale in December 2003 and in early 2004 was one of the founding directors of Ophir. Dr Stein is non-executive chairman of Neon Energy Limited, an ASX-listed petroleum exploration and production company headquartered in Perth.

Jonathan Taylor - *Technical Director (appointed 4 May 2004)*
Mr Taylor is a geophysicist with over 20 years' experience in the international oil industry, having previously worked for Amerada Hess Ltd, Clyde Petroleum plc and Gulf Canada Resources Ltd in a variety of roles in Africa, Europe, the Far East and the Middle East. Mr Taylor was appointed exploration director of Fusion Oil & Gas plc in November 1998, resigning in March 2004. In early 2004, Mr Taylor was a founding director of Ophir. Mr Taylor is a member of the Heath, Safety & Environment Committee.

Peter Thomas - *Chief Financial Officer (appointed 3 December 2009)*
Mr Thomas is a Chartered Accountant with over 20 years' experience within the international oil and gas exploration and production industry. He began his career with KPMG in London, becoming a specialist in the oil and gas sector. From 1991 to 2002, Mr Thomas worked for Enterprise Oil plc, holding senior finance positions as Group Financial Controller, Group Treasurer and Head of Planning. He served as Chief Financial Officer of Hardman Resources Limited, the Australian oil exploration and production company with interests primarily in Africa, from 2005 until its acquisition in 2007 and subsequently as Finance Director at Stratic Energy Corporation, a Canadian oil and gas business, and briefly as Chief Financial Officer of Nexus Energy Limited in Australia.

Independent Non Executive Directors

Dennis McShane - *Independent Non Executive Director (appointed 10 October 2007)*
Mr McShane is a principal of Midas Resource Partners. From September 2004 to November 2008 Mr McShane was a senior executive of the Ferrexpo group of companies serving as executive director of finance and business strategy. He led the successful initial public offering of Ferrexpo plc on the Official List of the London Stock Exchange in June 2007, advising on the recruitment of senior executives and on the restructuring of the group. Prior to joining Ferrexpo, Mr McShane was an investment banker with JPMorgan Chase & Co ("JPM"). Over his 25-year career with JPM, he established its office in Johannesburg and assisted in building JPM's emerging markets investment banking and mining and metals practices in London. In 2002, he became head of mining and metals in JPM's Asia-Pacific practice, based in Sydney. He attended Harvard Business School and the State University of New York. Mr McShane is a member of the Audit, Nominations and Remuneration Committees. He was appointed Chairman of the Audit and Nominations Committees on 4 September 2009.

Lyndon Powell - *Independent Non Executive Director (appointed 10 October 2007)*
Mr Powell retired from HM Forces in 2006 after completing a full career with Royal Military Police and Special Forces. He served in diverse locations throughout the world in a variety of appointments, gaining a wide spectrum of experience in operational and strategic security management. He has worked with the Foreign and Commonwealth Office, providing protection for HM Ambassadors and has commanded four major units. He was Chief of Special Forces at the Allied Rapid Reaction Corps, and was an advisor to the Sierra Leone Armed Forces in Freetown. In 2007 he was appointed as Deputy Director Security Operations with Infinity SDC Ltd, and in 2008 moved to start his own company, Barbican Global Ltd, which specialises in independent security advice to the corporate sector. Mr Powell serves as Chairman of the Heath, Safety & Environment Committee and is a member of the Remuneration Committee.

John Lander - *Independent Non Executive Director (appointed 18 November 2008)*
Mr Lander started his career with Shell as a geophysicist in their international division, and has more than 40 years' experience in the international oil and gas industry, having held executive boardroom positions at RTZ Oil & Gas Limited, Pict Petroleum plc, Premier Oil plc, British-Borneo Petroleum Syndicate plc and Tullow Oil plc, the latter until his retirement from fulltime employment. He is currently chairman of Alkane Energy plc and Canadian North Sea Energy Limited as well as being a non executive director of Neon Energy Limited. Mr Lander is Chairman of the Remuneration

Committee and is a member of the Audit, Nominations and Heath, Safety & Environment Committees

Shareholder Representative Non Executive Directors

Harak Banthia - *Non Executive Director (appointed 4 September 2009)*
Mr Banthia joined the Mittal Group in April 1995 and has worked as Chief Financial Officer/Director Finance for its steel business working for Arcelor Mittal in Ireland, Romania and South Africa between 1995 and 2005. Since 2006 he has been associated with the Group as Director Finance/Vice President for its oil business based in London. He has held responsibility for, amongst others, the finance, treasury, accounting, forex, hedging, strategies, major contract negotiation, merger & acquisition and legal functions. Mr Banthia has extensive international experience in finance and management with various companies in the group. Prior to joining the Mittal Group, he was associated with Lovelock & Lewes, a part of Coopers & Lybrand, in various capacities in various areas including general audit, consultancy, computer assurance, programming and taxation. He has graduated as a Bachelor of Commerce and is a Fellow of the Institute of Chartered Accountants of India.

Michael Cohen - *Non Executive Director (appointed 17 March 2008)*
Mr Cohen is an Executive Managing Director and Head of European Investing for The Och-Ziff Group and the CEO of Och-Ziff Management Europe Limited, a global institutional asset management firm. The firm presently manages in excess of US$24 billion. Mr Cohen joined Och-Ziff in 1997 as an Analyst, and is now based in London and manages the firm's London operations. Prior to Och-Ziff, Mr Cohen was employed as an Analyst at Franklin Mutual Advisory, analysing equity investments and as an Investment Banking Analyst at CS First Boston, specialising in the financial services sector. Mr Cohen holds a BA in Economics from Bowdoin College.

Jaroslaw Paczek - *Non Executive Director (appointed 2 December 2008)*
Mr Paczek is a Barrister from Poland. He graduated from the Jagiellonian University in Cracow and subsequently attended the Harvard Business School and DePaul University in Chicago. He began his career as a lawyer with the Hogan & Hartson Legal office in Warsaw in 1995 and also practiced with Feuguer et Associés in Paris. In 1997 Mr Paczek joined ERA GSM, the Polish Mobile operator as a Deputy General Director. For the last nine years, Mr Paczek has worked with the Kulczyk Group, the largest Private Equity Fund in Poland where he was involved in various M&A transactions in the Eastern European Region, in particular in the Telecom, Electricity and Insurance sectors. Mr Paczek transferred to their London office in 2006 and has been responsible for the successful generation and development of their portfolio of oil, gas and mineral investments.

Rajan Tandon - *Non Executive Director (appointed 4 September 2009)*
Mr Tandon, is Vice President-in-charge of Finance and Accounts at Mittal Investments and has over 23 years of industrial experience. Prior to this he was Director-in-charge of Finance and Accounts at Mittal Steel. He has been a leading member of the Mittal Corporate Finance Team. He has also served as Treasurer for LNM Holdings NV until its merger with Ispat International in December 2004. In a 20-year career within the Mittal Group, he has held various positions in Finance and Accounting. Mr Tandon is an Honours Graduate in Accounting and Commerce from St Xavier's College, Kolkata and a Fellow of The Institute of Chartered Accountants of India and member of The Institute of Internal Auditors. He also serves on the Board of various companies in the Mittal Group.

Mikki Xayiya - *Non Executive Director (appointed 5 April 2004)*
Mr Xayiya has been an active member of the African National Congress ("ANC") since 1978 and was imprisoned on Robben Island by the apartheid government of South Africa from 1984 to 1990. After his release in 1990, Mr Xayiya was involved in various community programmes in South Africa before becoming a policy advisor to the Gauteng Provincial Government in 1994. He was appointed as managing director of Mawenzi Asset Managers (Pty) Ltd in 1998 and he joined Mvelaphanda in 1999, where he currently holds the position of executive chairman and also serves on several boards within the group.

Jacob Ulrich - *Alternate to Mr Mikki Xayiya (appointed 4 September 2009)*

Former Directors

Tokyo Sexwale - *Non Executive Chairman (appointed 5 October 2004, resigned 12 May 2009)*
Olivier Klaric - *Non Executive Director (appointed 1 September 2008, resigned 4 September 2009)*

Company Secretary

Raymond Godson *(appointed 18 February 2004)*

DIRECTORS' REMUNERATION

The remuneration of the Directors for the year ended 31 December 2009 is set out in the Remuneration Report on pages 16 and 17, and Note 5, to the Financial Statements.

Directors' Interests in Shares in the Company

Directors interests in shares in the Company are set out in the table below.

		Ordinary Shares of 0.25p Each	
Name	**Notes**	**31 December 2009**	**31 December 2008**
Nicholas Smith	1	48,000	48,000
Alan Stein	2	7,303,792	7,303,792
Jonathan Taylor	3	6,836,320	6,836,320
Peter Thomas		-	-
Dennis McShane	4	104,000	104,000
Lyndon Powell	5	24,000	24,000
John Lander	6	152,000	152,000
Mikki Xayiya	7	46,391,120	46,391,120
Michael Cohen	8	35,735,723	35,735,723
Harak Banthia	9	47,421,790	n/a
Rajan Tandon	9	47,421,790	n/a
Jaroslaw Paczek	10	29,597,007	29,597,007
Jacob Ulrich	11	46,391,120	n/a

NOTES:

1 *Mr Smith held a total of 48,000 shares as at 31 December 2009 and at the date of this report.*

2 *Dr Stein and members of his family held direct interests in 5,697,140 ordinary shares in the Company as at 31 December 2009 and at the date of this report. In addition, at 31 December 2009, Dr Stein held a 40% legal and beneficial interest in FIL Resources Limited ("FIL"), which was the legal and beneficial owner of 1,400,272 ordinary shares in the Company as at 31 December 2009 and at the date of this report. FIL is also the legal and beneficial owner of Haroma Pty Ltd which was the legal and beneficial owner of 206,380 ordinary shares in the Company as at 31 December 2009 and at the date of this report*

3 *Mr Taylor and members of his family held a legal and beneficial interest in of a total of 6,836,320 ordinary shares in the Company as at 31 December 2009 and at the date of this report.*

4 *Mr McShane held a 100% legal and beneficial interest in 104,000 ordinary shares as at 31 December 2009 and at the date of this report.*

5 *Mr Powell held a total of 24,000 shares as at 31 December 2009 and at the date of this report.*

6 *Mr Lander and members of his family hold a 100% legal and beneficial interest in Vectis Petroleum Limited the holder of 152,000 ordinary shares as at 31 December 2009 and at the date of this report.*

7 *Mr Xayiya holds an indirect and beneficial 10% interest in Mvelaphanda Holdings (Proprietary) Limited ("Mvelaphanda"). Mvelaphanda directly hold 40,000,000 ordinary shares in the Company and hold an indirect interest in a further 6,391,120 ordinary shares in the Company directly owned by Ivern International Ltd., a wholly owned subsidiary of African Global Capital I, L.P., a limited partnership in which Mvelaphanda hold an interest. These interests were held at 31 December 2009 and at the date of this report.*

8 *Mr Cohen holds an interest in shares in the Company by virtue of his membership of the board of Och-Ziff Management Europe Limited, a wholly owned subsidiary of OZ Management LP, the investment manager of each of OZ Master Fund, Ltd., OZ Europe Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P. (collectively, the "OZ Funds"). The OZ Funds directly hold 29,344,603 ordinary shares in the Company and have an indirect interest in a further 6,391,120 ordinary shares in the Company directly owned by Ivern International Ltd., a wholly owned subsidiary of African Global Capital I, L.P., a limited partnership in which the OZ Funds collectively hold an interest. These interests were held at 31 December 2009 and at the date of this report.*

9 *Messrs Banthia and Tandon held a non-beneficial interest in shares in the Company by virtue of their employment by the Mittal Group, the holder of 47,421,790 ordinary shares in the Company as at 31 December 2009, the date of this report and at the date of their appointment as directors of the Company. During the year the Mittal Group was issued a total of 26,321,791 shares at £2.50 per share under a share subscription agreement.*

10 *Mr Paczek holds a non-beneficial interest in shares in the Company by virtue of his employment by the Kulczyk Group. The Kulczyk Group indirectly owns a 100% interest in Oil & Gas Exploration Limited a company that is beneficially interested in 29,597,007 ordinary shares in the Company. This interest was held at 31 December 2009 and at the date of this report.*

11 *Mr Ulrich has been nominated as an Alternate Director to Mr Xayiya by Mvelaphanda and therefore is deemed to hold a legal non-beneficial interest in 40,000,000 ordinary shares in the Company and in a further 6,391,120 ordinary shares in the Company directly owned by Ivern International Ltd., a wholly owned subsidiary of African Global Capital I. L.P., a limited partnership in which Mvelaphanda hold an interest. These interests were held at 31 December 2009 and at the date of this report.*

DIRECTORS' INTERESTS IN OPTIONS GRANTED OVER ORDINARY SHARES IN THE COMPANY

Mr Paczek by virtue of his employment by the Kulczyk Group is deemed to be interested in the following options and warrants:

- 697,173 share warrants with an exercise price of £0.0025 per share exercisable on or before 30 June 2012.
- 1,200,000 options with an exercise price of £0.50 per share exercisable on or before 21 September 2010.
- 2,000,000 options with an exercise price of £2.30 per share exercisable on or before 21 September 2010.

Mr Cohen by virtue of his membership of the board of Och-Ziff Management Europe Limited is deemed to be interested in the following warrants:

- 697,173 warrants to subscribe for ordinary shares at a price of £0.0025 per share on or before 30 June 2012.

No options in which directors were interested, were exercised during the year or during the subsequent period up to the date of this report.

Other than the transactions outlined above, there were no acquisitions or disposals by the Directors of shares and options in the Company during the year ended 31 December 2009.

There have been no changes to the shareholdings or options of Directors between 31 December 2009 and the date of this report.

SIGNIFICANT SHAREHOLDERS

As at the date of this report the significant interests in voting rights of the Company's issued ordinary shares were as follows:

	VOTING RIGHTS ATTACHING TO ISSUED ORDINARY SHARES	PERCENTAGE OF VOTING RIGHTS	NATURE OF HOLDING
Mittal Investments S.à.r.l.	47,421,790	21.1%	Direct
Mvelaphanda Holdings (Proprietary) Limited	46,391,120	20.6%	Direct/Indirect
OZ Group	35,735,723	15.9%	Direct/Indirect
Kulczyk Group	29,597,007	13.2%	Direct/Indirect

SUPPLIER PAYMENT POLICY

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that the supplier is aware of the terms and to abide by the terms of the payment. At 31 December 2009, the Group had an average of 35 days' purchases outstanding in creditors (2008: 32 days).

DIRECTORS' LIABILITIES & INSURANCE COVER

The Articles of the Company provide for the indemnification, to the extent permitted by the Companies Act 2006, by the Company, of all Directors (and Officers) of the Company against:

(a) any liability in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company other than (i) any liability to the Company or any associated company and (ii) to pay a fine under a criminal law or to a regulator for breach of a regulatory requirement, for the costs in criminal proceedings in which the director is convicted or for the costs of civil proceedings brought by the Company (or a Group company) in which the director is unsuccessful; and

(b) any other liability in relation to actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

The Company maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources, and various instruments, and trade creditors, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that there is no trading in derivative financial instruments which are only used in prescribed circumstances to hedge risks. See Note 27 to the financial statements

CONFLICT OF INTERESTS

With effect from 1 October 2008, a Director has a duty under the Companies Act 2006 to avoid a situation where he has, or can derive a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. Following this new legislation, the Company has put in place procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board where appropriate.

RELATIONSHIPS WITH SHAREHOLDERS

The Board remains fully committed to maintaining regular communication with its shareholders. Certain major shareholders are represented on the Board. There is regular dialogue with major shareholders and meetings are offered, normally with the Managing Director and/or the Chief Financial Officer following his recent appointment. The Chairman is also available to meet with shareholders. Press releases are issued for significant events and the Company maintains a website on which all press releases are posted and which also contains major corporate presentations and the annual reports and accounts. Additionally, all registered shareholders are sent regular Shareholder Letters containing updates about the Group's activities. Enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed. Shareholders are also encouraged to attend the Annual General Meeting to discuss the progress of the Group.

GOING CONCERN

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements (refer Note 2 to the financial statements).

CHARITABLE AND POLITICAL DONATIONS

The Group did not make any political or charitable donations during the year or prior period, however as part of its commitments in the various countries the Group operates it participates in social and community-related and economic programmes.

AUDITORS

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act

2006.

Ernst & Young LLP were reappointed as auditor of the Company at the Annual General Meeting held on 5 June 2009. A resolution to appoint the Company's auditor for the period until the date of the following Annual General Meeting will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Sixth Annual General Meeting of the Company will be held on 4 June 2010 to consider ordinary business.

None of the Directors is required to retire by rotation.

By order of the Board

Alan Stein
Managing Director
19 March 2010

COMPLIANCE WITH THE COMBINED CODE ON CORPORATE GOVERNANCE

This Report describes how the Company has applied the principles of the Combined Code on Corporate Governance (June 2008) (the "Code") published by the Financial Reporting Council, including the extent of compliance with the provisions of the Code and the reasons for any matters where there is not currently full compliance.

The Company's shares are not presently listed and therefore the Company is not formally required to comply with the Code disclosures. Accordingly the disclosures herein are made on a voluntary basis. However, the Directors are committed to a high standard of corporate governance and, where practicable for a company of this size and stage of development, to applying the requirements of the Code.

BOARD OPERATION, STRUCTURE AND ITS COMMITTEES

The Board is responsible to shareholders for the proper management of the Group. The Board has a formal schedule of matters specifically reserved to it for decision. In addition to those formal matters required by the Companies Act 2006 be set before a board of directors, the Board will also consider strategy and policy, acquisition and divestment proposals, approval of major capital investments and financial commitments, risk management policy, senior appointments, significant financing matters and shareholder reporting. To enable the Board to discharge its duties, all Directors receive appropriate and timely information and the Chairman ensures that the Directors take independent professional advice as required. Appropriate training is available where necessary. There is a clear separation of the roles of the Chairman and of the Managing Director, who has responsibility for managing the Group's business and for proposing strategy, and who leads the executive team which has responsibility for the execution of the strategy and for operational matters.

The Board of Directors currently comprises the Non Executive Chairman, Mr Nicholas Smith, three independent Non Executive Directors, three Executive Directors, including Dr Alan Stein the Managing Director, as well as five Non Executive Directors who are appointees of the Company's major shareholders, pursuant to various relationship agreements between the shareholder entities they represent and the Company and who are therefore not considered independent. The directors who are considered to be independent are: Mr John Lander, Mr Dennis McShane and Mr Lyndon Powell. The Board has agreed to grant Mr Smith a share-based incentive, noted below, which under the Code would not normally be permitted. The Board considers it appropriate in the Company's circumstances because of the role he is expected to play in achievement of key strategic objectives. The Board has not considered a determination of whether Mr Smith remains an independent Director under the provisions of the Code as a result of this incentive arrangement. Mr McShane is the Senior Independent Director and is available to meet with shareholders. The Code requires that at least half of the Board, excluding the Chairman, should normally consist of independent non executive directors while a smaller company should have at least two independent non executive directors. The Board considers that its composition is currently appropriate to its needs as an unquoted company given the range of skills, experience and expertise amongst its members. Biographies of the Directors are set out on pages 5 to 7 of this Annual Report.

The Board meets regularly throughout the year with meetings held at least quarterly and as issues arise which require Board attention. In addition, the Chairman has held meetings of the Non Executive Directors without the executives present.

The Board has established Audit, Remuneration and Nominations Committees comprised solely of Independent Non Executive Directors and a Health, Safety & Environment Committee comprised of a majority of Non Executive Directors. Terms of Reference for the Committees have been approved by the Board and are available to shareholders on request to the Company.

The attendance record of each Director, together with the maximum number of meetings that director could have attended during the year, are tabulated below:

	Board		Remuneration		Audit		Nominations		HSE	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Tokyo Sexwale	1	1	n/a	n/a	n/a	n/a	1	1	n/a	n/a
Nicholas Smith	5	5	2	2	2	2	2	2	n/a	n/a
Alan Stein	5	5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Taylor	5	5	n/a	n/a	n/a	n/a	n/a	n/a	3	3
Peter Thomas	1	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dennis McShane	5	5	2	2	2	2	2	2	n/a	n/a
Lyndon Powell	5	5	2	2	n/a	n/a	n/a	n/a	3	3
Jaroslaw Paczek	5	5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Olivier Klaric	3	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michael Cohen	5	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Harak Banthia	2	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rajan Tandon	2	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Lander	5	4	1	1	2	2	2	0	3	3
Mikki Xayiya (or his alternate)	5	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

The other commitments of the Chairman, Mr Smith, are included in his biography and have not restricted his ability to devote the agreed time to his role as Non Executive Chairman.

Directors are not currently subject to retirement by rotation and re-election to the Board.

Non Executive Directors are kept abreast of the views of major shareholders about the Company through the representation of the largest shareholders on the Board and regular reports from the Chairman and the Managing Director on meetings they have held with investors.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are Messrs Lander (Chairman), McShane, Powell and Smith. The Committee was chaired by Mr McShane until 4 September 2009, when Mr Lander was appointed to the Committee as its Chairman.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's overall remuneration policy framework and for determining the terms of service and remuneration of the Company's Executive Directors and Chairman. The Remuneration Committee also makes recommendations to the Board concerning pension contributions and employee incentives, including share-based schemes. This includes the design of share incentive plans and the determination of targets for annual performance-related pay. The Board itself is responsible for determining the remuneration of Non Executive Directors. Terms of remuneration are set with due regard to the overall framework, external advice where appropriate, the interests of shareholders, the performance of the Group and all relevant legal requirements.

The Committee has purchased surveys on remuneration levels of comparable companies and used this information in making its recommendations. The Managing Director is invited to join the Committee's meetings to provide input on the remuneration of the other Executive Directors. Directors of the Group are not permitted to participate in discussions or decisions of the Committee regarding their own remuneration.

The Remuneration Report is set out on pages 16 and 17 and includes details of the terms and conditions of appointment of the Directors.

As the Company's major shareholders are represented on the Board, and the Board approves all new long term equity-linked incentive schemes, it is considered that the substantive objectives of the Code for shareholder approval of such schemes have been met.

AUDIT COMMITTEE

Members of the Audit Committee are Messrs McShane (Chairman), Smith and Lander. The Committee was chaired by Mr Smith until his appointment as Chairman on 4 September 2009, when Mr McShane was appointed Chairman. For the purpose of the Combined Code, Mr McShane, who until 2008 served as Finance Director of Ferrexpo plc, is considered by the Board to have recent and relevant financial experience.

The Audit Committee is responsible for monitoring the integrity of the Group's financial reporting and reviewing the Group's systems of internal financial control. It liaises with the external auditor, Ernst & Young, and reviews the reports from the auditor relating to financial reporting and control matters. It also monitors the level of audit and non-audit services provided to the Group by the auditor, in order to safeguard auditor objectivity and independence. The auditor reports to the Committee annually to confirm that his independence has been maintained. The Committee also makes recommendations to the Board on the Group's financial affairs and insurance requirements. Meetings are normally attended by the external auditor and by the Chief Financial Officer and General Manager - Finance at the invitation of the Committee. The Committee meets at least twice a year, including meeting with the audit engagement partner without the presence of management.

NOMINATION COMMITTEE

Members of the Nominations Committee are Messrs McShane (Chairman), Smith and Lander. The Committee was chaired by Mr Smith, until 5 June 2009, when Mr McShane was appointed Chairman.

The Nominations Committee is responsible for regularly reviewing the structure, size and composition (including the experience, skills base and experience) of the Board and makes recommendations to the Board on changes including candidates to fill Board vacancies. The Committee meets as required. It met two (2) times in 2009 principally to deal with the changes required as a result of Mr Sexwale's resignation, to approve the replacement of Non Executive Directors and to consider the appointment of the new Chief Financial Officer for the Company. As the only Non Executive vacancies filled during the year were for representatives nominated by major shareholders, and as the Chairman appointed during the year was an existing Director, the Committee did not consider it appropriate or necessary to employ search consultants or open advertising for those positions.

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Members of the Health, Safety & Environment Committee are Messrs Powell (Chairman), Lander and Taylor.

The Heath, Safety & Environment Committee assists the Board to fulfil its overall responsibilities in relation to health, safety, environmental and community matters arising out of the activities of the Group and as they affect employees, contractors and the communities in which it operates.

DIRECTORS' REMUNERATION

Directors' remuneration is summarised in Note 5 to the financial statements and detailed in the Remuneration Report on pages 16 and 17.

INTERNAL CONTROLS

The Directors acknowledge their overall responsibility for the Group's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for internal and external use.

The Board has put an organisational structure in place with clearly defined lines of responsibility and delegation of authority. Procedures include Board approval of all significant new projects, and senior management approval at appropriate stages of the transaction cycle. There is a comprehensive annual budgeting and planning process. Actual results are reported against budgets approved by the Board. Revised financial forecasts are prepared regularly through the year.

The Directors do not believe the size of the Company warrants an internal audit function.

The Board has overall responsibility for the effectiveness of the Group's risk management activities and internal control processes. Any system of controls can provide only reasonable but not absolute assurance that assets are safeguarded, transactions authorised and correctly recorded and that any material errors or irregularities are detected within a reasonable timeframe.

The consideration of business risks is a regular matter for Board discussion. The Health, Safety & Environment Committee has also considered certain operational risks and their management and mitigation. However, the Board has not yet implemented a more formal process for identification and evaluation of risks in all areas of the business and review of the effectiveness of the Group's system of internal controls. The Board intends further to develop its processes in this regard in 2010 as the Group develops in complexity and also in order to comply fully with the Code requirements.

By order of the Board

Nicholas Smith
Chairman
19 March 2010

REMUNERATION REPORT

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to the Group's operations and further development of the business. The elements of the remuneration package for Executive Directors and senior management are base salary, annual bonus, taxable benefits, pension payments and, in certain cases, participation in the Group's share incentive arrangements. The founder executive directors have a significant stake in the Company's equity. A significant element of the potential remuneration package is, therefore, performance- and/or equity-linked.

The Remuneration Committee is responsible for the determination of the remuneration of the Executive and Non Executive directors. The Committee, which currently comprises Messrs Lander (Chairman), McShane, Powell and Smith, operates under a written mandate and meets on a regular basis. The Managing Director may attend part of the Committee's meetings and be consulted in setting the remuneration of the other Executive Directors by invitation.

The elements of the remuneration package for executive directors (comprising basic salary, discretionary bonus and non-cash benefits and participation in the Company's share option scheme) are reviewed annually with regard to personal performance, Company performance, changes in responsibilities and competitive market practices. When determining the total remuneration of the Executive Directors, the Committee takes into account the remuneration practices adopted by listed and unlisted companies of a similar capitalisation and overseas complexity to Ophir. The Committee sets annual performance targets relevant to the Group's key objectives for the year, against which to assess awards of performance-related annual bonuses for the Executive Directors. The Committee plans to implement a new, more formalised short term incentive scheme during 2010. Other than Dr Stein who received remuneration of US$7,442 for his services as Chairman of Neon Energy Limited, an unrelated entity, no Executive directors receive any remuneration in respect of non executive roles elsewhere.

The Board as a whole determines the remuneration of the Non Executive Directors. Remuneration paid to Non Executive Directors is set at a level to attract persons with the necessary experience and ability to make a significant contribution to the Company's operations. Non Executive Directors representing the Company's major shareholders and appointed by virtue of various relationship agreements between the Company and the shareholder entities they represent are not remunerated.

DIRECTORS' REMUNERATION

The remuneration of the Directors for the year ended 31 December 2009 is detailed below and summarised in Note 5 to the Financial Statements.

	SALARY/FEES US$	BONUS US$	PENSION/ SUPERANNUATION US$	BENEFITS US$	TOTAL US$
Tokyo Sexwale	-	-	-	-	-
Nicholas Smith	115,096	-	-	-	115,096
Alan Stein	739,409	-	12,376	3,869	755,654
Jonathan Taylor	685,094	-	60,289	-	745,383
Peter Thomas(1)	35,811	-	4,319	-	40,130
Dennis McShane	93,956	-	-	-	93,956
Lyndon Powell	93,956	-	-	-	93,956
Jaroslaw Paczek	-	-	-	-	-
Olivier Klaric	-	-	-	-	-
Michael Cohen	-	-	-	-	-
Harak Banthia	-	-	-	-	-
Rajan Tandon	-	-	-	-	-
John Lander(2)	93,956	-	-	-	93,956
Mikki Xayiya/Jacob Ulrich	-	-	-	-	-
TOTAL	**1,857,278**	**-**	**76,984**	**3,869**	**1,938,131**

NOTES:

1 *In respect of the period from start of employment on 25 November 2009. Excludes Share Based Payments Charge of US$31,020 relating to options issued to Mr Thomas.*

2 *Salary/Fees includes payments made to Vectis Petroleum Limited, a company associated with Mr Lander, for the provision of Mr Lander's services as a Director.*

PENSIONS AND SUPERANNUATION

The Company contributes 11% of executive directors' remuneration to private pension plans or superannuation funds. Where the level of contribution is higher than that which is eligible for tax relief, the excess can be converted into additional salary; both Dr Stein and Mr Taylor so elected in 2009 in respect of part of their entitlements.

EMPLOYMENT AND SERVICE CONTRACTS

Each of Mr Xayiya (Mvelaphanda Group representative), Mr Cohen (Och Ziff Group representative), Messrs Banthia and Tandon (Mittal Group representative) and Mr Paczek (Oil & Gas Exploration representative) hold office by virtue of various relationship agreements between the shareholder entities they represent and the Company. No representative director (or the entity he represents) receives any remuneration for his services as a director.

Dr Stein has an employment contract with the Company and Ophir Services Pty Ltd, a subsidiary of the Company. The contract does not provide for a specific term. Ophir Services Pty Ltd may terminate Dr Stein's employment by giving not less than 12 months' written notice (or, at its absolute discretion, by making payment in lieu of notice) and Dr Stein may terminate his employment by giving not less than 6 months' written notice. The notice periods reflect the view of the Directors that the services of Dr Stein are key to the success of the Group.

Mr Taylor and Mr Thomas have service agreements with the Company. The contracts do not provide for a specific term. The Company may terminate Mr Taylor's or Mr Thomas' employment by giving not less than 12 months' written notice (or, at its absolute discretion, by making payment in lieu of notice) and Mr Taylor and Mr Thomas may terminate their employment by giving not less than 6 months' written notice. The notice periods reflect the view of the Directors that the services of Messrs Taylor and Thomas are key to the success of the Group.

The letters of appointment of the Independent directors, Messrs Smith, Lander, McShane and Powell do not provide for specific terms, however there is an expectation that all independent directors will serve for a period until at least the Company's fourth Annual General Meeting after their appointment took effect.

Messrs Lander's and Powell's services as directors of the Company are provided under a contract between the Company and Vectis Petroleum Limited (a company controlled by Mr Lander) and Barbican Global Limited (a company controlled by Mr Powell) respectively.

OTHER INCENTIVES

Mr Thomas is the holder of options over 700,000 shares at price of £2.50 per share under the Ophir Energy Company Limited 2006 Share Option Plan. The option provides for variation in the exercise price under certain conditions.

Mr Smith is entitled to an incentive award of up to the equivalent of 108,000 shares in the Company in the event of certain corporate objectives being achieved on or before 31 December 2010.

By order of the Board

John Lander
Chairman, Remuneration Committee
19 March 2010

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the International Accounting Standard ("IAS") Regulation to prepare the Group financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

IAS 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IAS Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state that the Company has complied with IFRS's, subject to any material disclosures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Alan Stein
Managing Director
19 March 2010

Peter Thomas
Director & Chief Financial Officer

Independent Auditor's Report
To The Members Of Ophir Energy PLC

We have audited the financial statements of Ophir Energy plc for the year ended 31 December 2009 which comprise the Group Income Statement and Statement of Comprehensive Income, Group and Company Statement of Financial Position, the Group Cash Flow Statement, the Group and Parent Statement of Changes in Equity and the related Notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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 and 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Steven Dobson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 March 2010

Group Income Statement and Statement of Comprehensive Income
For The Year Ended 31 December 2009

	Notes	Year ended 31 Dec 2009 US$'000	18 months ended 31 Dec 2008 US$'000
GROUP INCOME STATEMENT			
Continuing Operations			
Interest Income		616	5,470
Revenue		**616**	**5,470**
Exploration expense	4 (a)	(21,891)	(106,822)
Finance expense	4 (b)	(11,031)	(3,586)
Administration expenses	4 (c)	(6,870)	(10,940)
Other expenses	4 (d)	(4,090)	(11,952)
Loss from continuing operations before taxation		**(43,266)**	**(127,830)**
Taxation	7	-	-
Loss from continuing operations for the year/period attributable to equity holders of the parent		(43,266)	(127,830)
Loss per share for loss from continuing operations attributable to equity holders of the parent			
Basic and diluted EPS on loss for the year/period (per share)	8	**(19)¢**	**(76)¢**
GROUP STATEMENT OF COMPREHENSIVE INCOME			
Loss from continuing operations for the year/period attributable to equity holders of the parent		**(43,266)**	**(127,830)**
Other comprehensive income			
Foreign currency translation		1,013	804
Other comprehensive income for the year/period, net of tax		**1,013**	**804**
Total comprehensive loss for the year/period, net of tax attributable to equity holders of the parent		**(42,253)**	**(127,026)**

Group Statement of Changes in Equity
For The Year Ended 31 December 2009

	Called up share capital US$'000	Share Premium US$'000	Options Premium Reserve US$'000	Special Reserve US$'000	Cons Reserve US$'000	Equity Component on Convertible Bond US$'000	Foreign Currency Translation Reserve US$'000	Accumulated Losses US$'000	Total Equity US$'000
As at 1 June 2007	585	163,374	16,972	-	(500)	669	3,317	(57,663)	**126,754**
Loss for the period, net of tax	-	-	-	-	-	-	-	(127,830)	**(127,830)**
Other comprehensive income, net of tax	-	-	-	-	-	-	804	-	**804**
Total Comprehensive Income, net of tax	585	163,374	16,972	-	(500)	669	4,121	(185,493)	**(272)**
New ordinary shares issued to third parties	333	321,987	-	-	-	-	-	-	**322,320**
Exercise of options	8	-	-	-	-	-	-	-	**8**
Share issue costs		(19,024)	-	-	-	-	-	-	**(19,024)**
Transfer to special reserves on reduction of share capital	-	(156,435)	-	156,435	-	-	-	-	**-**
Share-based payments	-	-	3,468	-	-	-	-	-	**3,468**
At 31 December 2008	**926**	**309,902**	**20,440**	**156,435**	**(500)**	**669**	**4,121**	**(185,493)**	**306,500**
Loss for the year, net of tax	-	-	-	-	-	-	-	(43,266)	**(43,266)**
Translation Gain	-	-	-	-	-	-	1,013	-	**1,013**
Total comprehensive income, net of tax	926	309,902	20,440	156,435	(500)	669	5,134	(228,759)	**264,247**
New ordinary shares issued to third parties	108	107,706	-	-	-	-	-	-	**107,814**
Exercise of options	7	-	-	-	-	-	-	-	**7**
Share issue costs	-	(560)	-	-	-	-	-	-	**(560)**
Share-based payments	-	-	2,588	-	-	-	-	-	**2,588**
At 31 December 2009	**1,041**	**417,048**	**23,028**	**156,435**	**(500)**	**669**	**5,134**	**(228,759)**	**374,096**

Company Statement of Changes in Equity
For The Year Ended 31 December 2009

	Called up share capital US$'000	Share Premium US$'000	Options Premium Reserve US$'000	Special Reserve US$'000	Other reserves US$'000	Foreign Currency Translation Reserve US$'000	Accumulated losses US$'000	Total Equity US$'000
As at 1 July 2007	585	163,374	16,972	-	669	13,980	(40,773)	**154,807**
Loss for the period, net of tax	-	-	-	-	-	-	(122,058)	**(122,058)**
Other comprehensive income, net of tax	-	-	-	-	-	(2,141)	-	**(2,141)**
Total comprehensive income, net of tax	585	163,374	16,972	-	669	11,839	(162,831)	**30,608**
New ordinary shares issued to third parties	333	321,987	-	-	-	-	-	**322,320**
Exercise of options	8	-	-	-	-	-	-	**8**
Share issue costs	-	(19,024)	-	-	-	-	-	**(19,024)**
Transfer from share premium to other reserves	-	(156,435)	-	156,435	-	-	-	**-**
Share-based payments	-	-	3,468	-	-	-	-	**3,468**
At 31 December 2008	**926**	**309,902**	**20,440**	**156,435**	**669**	**11,839**	**(162,831)**	337,380
Loss for the period, net of tax	-	-	-	-	-	-	(20,302)	**(20,302)**
Other comprehensive income, net of tax	-	-	-	-	-		-	**-**
Total comprehensive income, net of tax	926	309,902	20,440	156,435	669	11,839	(183,133)	**317,078**
New ordinary shares issued to third parties	108	107,706	-	-	-	-	-	**107,814**
Exercise of options	7	-	-	-	-	-	-	**7**
Share issue costs	-	(560)	-	-	-	-	-	**(560)**
Share-based payments	-	-	2,588	-	-	-	-	**2,588**
At 31 December 2009	**1,041**	**417,048**	**23,028**	**156,435**	**669**	**11,839**	**(183,133)**	**426,927**

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	NOTES	AS AT 31 DEC 2009 US$'000	AS AT 31 DEC 2008 US$'000
Non-current assets			
Exploration and evaluation assets	9	238,295	229,847
Intangible assets	10	-	3,459
Property, plant and equipment	11	2,204	1,217
Other financial assets	13	288	1,482
		240,787	**236,005**
Current assets			
Inventory	14	9,116	6,816
Trade and other receivables	15	1,136	1,497
Other financial assets	13	1,200	32,520
Other current assets	16	1,015	1,061
Cash and short term deposits	17	135,077	77,927
		147,544	**119,821**
Total assets		**388,331**	**355,826**
Current liabilities			
Trade and other payables	18	(13,983)	(49,174)
		(13,983)	**(49,174)**
Non-current liabilities			
Provisions	19	(252)	(152)
		(252)	**(152)**
Total liabilities		**(14,235)**	**(49,326)**
Net assets		**374,096**	**306,500**
Capital and reserves			
Called up share capital	20	1,041	926
Share premium account	21	417,048	309,902
Reserves	21	(43,993)	(4,328)
Total equity		**374,096**	**306,500**

Approved by the Board on 19 March 2010

Nicholas Smith
Chairman

Peter Thomas
Director

Company Statement of Financial Position
As at 31 December 2009

	Notes	As at 31 Dec 2009 US$'000	As at 31 Dec 2008 US$'000
Non-current assets			
Exploration and evaluation assets	9	49	49
Intangible assets	10	-	3,459
Property, plant and equipment	11	126	82
Investments in subsidiaries	12	294,806	252,200
		294,981	**255,790**
Current assets			
Trade and other receivables	15	635	1,254
Other financial assets	13	1,200	19,491
Cash and short term deposits	17	131,195	61,847
		133,030	**82,592**
Total assets		**428,011**	**338,382**
Current liabilities			
Trade and other payables	18	(1,084)	(1,002)
Total Liabilities		**(1,084)**	**(1,002)**
Net assets		**426,927**	**337,380**
Capital and reserves			
Called up share capital	20	1,041	926
Share premium account	21	417,048	309,902
Reserves	21	8,838	26,552
Total equity		**426,927**	**337,380**

Approved by the Board on 19 March 2010

Nicholas Smith
Chairman

Peter Thomas
Director

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000
Net cash flow used in operating activities	22	**(10,394)**	**(27,111)**
Investing activities			
Purchases of property, plant and equipment		(1,319)	(1,140)
Exploration expenditure		(62,910)	(165,378)
Funds placed on deposit		(384)	(14,422)
Funds returned from deposit		14,279	39,884
Funds from close out of forward exchange contract		10,082	-
Net cash flow from/(used in) investing activities		**(40,252)**	**(141,056)**
Financing activities			
Issue of ordinary shares		107,820	224,364
Issue costs		(560)	(19,024)
Net cash flow from financing activities		**107,260**	**205,340**
Increase in cash and cash equivalents for the year/period		**56,614**	**37,173**
Effect of exchange rates on cash and cash equivalents		536	144
Cash and cash equivalents at the beginning of the year/period		77,927	40,610
Cash and cash equivalents at the end of the year/period	**17**	**135,077**	**77,927**

Company Statement of Cash Flows
For the Year Ended 31 December 2009

	Notes	Year ended 31 Dec 2009 US$'000	18 months ended 31 Dec 2008 US$'000
Net cash used in operating activities	22	**(4,306)**	**(15,709)**
Investing activities			
Purchases of property, plant and equipment		(114)	(78)
Loans to subsidiaries		(43,067)	(168,313)
Funds placed on deposit		(384)	-
Funds returned from deposit		-	39,884
Funds from close out of forward exchange contract		10,082	-
Net cash used in investing activities		**(33,483)**	**(128,507)**
Financing activities			
Issue of ordinary shares		107,820	224,364
Issue costs		(560)	(19,024)
Net cash from financing activities		**107,260**	**205,340**
Increase in cash and cash equivalents for the year/period		**69,471**	**61,124**
Effect of exchange rates on cash and cash equivalents		(123)	91
Cash and cash equivalents at the beginning of the year/period		61,847	632
Cash and cash equivalents at the end of the year/period	17	**131,195**	**61,847**

Notes to the Financial Statements

1 Authorisation of financial statements

Ophir Energy plc (the "Company" and the ultimate parent of the Group) is a limited company incorporated and domiciled in England and its registered offices are situated at 6/7 Pollen Street, London, W1S 1NJ.

The Group's and Company's financial statements for the year ended 31 December 2009 were authorised for issue by the board of the directors on 19 March 2010 and the statement of financial position was signed on the board's behalf by Mr N Smith and Mr P Thomas.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 2006 not to publish its individual income statement and related Notes.

2 Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation and statement of compliance

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except for revaluation of certain derivative instruments measured at fair value. The consolidated financial statements are presented in United States Dollars rounded to the nearest thousand dollars (US$'000) except as otherwise indicated.

Comparative figures for the period to 31 December 2008 are for the 18 month period ended on that date.

2.2 Basis of accounting

The financial statements have been prepared under the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position and its financial commitments.

2.3 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and Amended Accounting Standards and Interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
FRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements
IAS 23 Borrowing Costs (Revised)
IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 13 Customer Loyalty Programmes effective
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
Improvements to IFRSs

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the financial position and performance of the Group, its impact is described below:

IAS 1 (revised), 'Presentation of financial statements' is mandatory for the first time for the financial year beginning 1 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. In this regards, the Group has elected to prepare two linked statements.

Standards and Interpretations issued but not yet effective

Standards issued but not yet effective at the date of these financial statements are listed below.

	EFFECTIVE DATE
IFRS 2 Share-based payment: group cash-settled share-based payment transactions	1 January 2010
IFRS 5 Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 9 Financial instruments, covering classification and measurement of financial assets	1 January 2013
IAS 1 Current/non-current classification of convertible instruments	1 January 2010
IAS 7 Classification of expenditures on unrecognised assets	1 January 2010
IAS 17 Classification of leases of land and buildings	1 January 2010
IAS 36 Unit of accounting for goodwill impairment test	1 January 2010
IAS 38 Additional consequential amendments arising from IFRS 3 (revised)	1 January 2010
IAS 38 Measuring the fair value of an intangible asset acquired in a business combination	1 January 2010
IAS 39 Treating loan pre-payment penalties as closely related derivatives	1 January 2010
IAS 39 Scope exemption for business combination contracts	1 January 2010
IAS 39 Financial instruments: recognition and measurement - eligible hedging items	1 July 2009
IAS 39 Cash flow hedge accounting	1 January 2010
IAS 39 Hedging using internal contracts	1 January 2009
IFRIC 9 and IFRS 3 (revised) Scope of IFRIC 9 and IFRS 3 (revised)	1 July 2009
IFRIC 17 Distributions of non-cash assets to owners	1 July 2009
IFRIC 18 Transfers of assets from customers	1 July 2009

The impact of the adoption of the above standards has not yet been assessed by the Group.

2.4 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising there from, are eliminated.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocation of the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

2.5 Exploration and Evaluation Expenditure

The company applies the successful efforts method of accounting for the exploration and evaluation (E&E) costs as permitted by IFRS 6. "Exploration for and Evaluation of Mineral Resources."

All costs incurred after the rights to explore an area have been obtained, such as licence acquisition costs, geological and geophysical costs and other direct costs of exploration and evaluation are accumulated and capitalised as exploration and evaluation ("E&E") assets, in well, field or licence-specific exploration cost centres as appropriate pending determination.

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

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

If on completion of evaluation of prospects or licences, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Group decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period of that determination.

The carrying value of E&E assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2.6 Intangibles

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

2.7 Property, Plant and Equipment

Property, plant and equipment, which comprises furniture and fittings and computer equipment, is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation

Depreciation is provided on property, plant and equipment calculated using the straight line method at rates to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset over expected useful lives ranging from 3 to 10 years.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2.8 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.

2.9 Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Allowance is made when there is objective evidence that the Group will not be able to recover balances in full. Evidence on non-recoverability may include indications that the debtor or group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or default or delinquency in repayments. Balances are written off when the probability of recovery is assessed as being remote. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

2.10 Inventories

Inventories which comprise drilling consumables are stated at the lower of cost end net realisable value. Cost is determined by using weighted average cost method and comprises direct purchase costs, cost transportation and other related expenses.

2.11 Cash and short term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.12 Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

2.13 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. If the effect of the time value of money is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

2.14 Pensions and other post retirement benefits

The Group does not operate its own pension plan but makes pension or superannuation contributions to private funds of its employees which are defined contribution plans. The cost of providing such benefits are expensed in the income statement as incurred.

2.15 Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.16 Equity instruments

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

2.17 Interest bearing borrowing

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 method.

Gains and losses are recognised in the income statement when liabilities are derecognised as well as through the amortisation process.

2.18 Interests in Joint ventures

The Group has a number of contractual arrangements with other parties which represent joint ventures. A joint venture is a contractual arrangement whereby the Group and other parties undertake economic activity.

Where a Group Company undertakes its activities under joint venture arrangements the Group's share of jointly controlled assets, liabilities and related income and expenses are included in the financial statements in their respective classification categories. Where Ophir acts as Operator to the joint venture, the gross liabilities and receivables (including amounts due to or from the other non operating participants) of the joint venture are included in the Group balance sheet.

The Group's interests in joint ventures are identified in Note 23.

2.19 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The group has leases where the Lessor retains substantially all the risks and benefits of ownership of the asset. Such leases are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease term.

2.20 Derivative financial instruments

Financial instruments are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading. Gains or losses on investments classified as held for trading are recognised in profit or loss.

2.21 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, excluding discounts, rebates, VAT and other sales taxes or duty.

2.22 Interest income

Interest income is recognised as interest accrues using the effective interest 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.

2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are expensed in the income statement in the period in which they are incurred.

2.24 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, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing 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 balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

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

For equity-settled share-based payment transactions with third parties, the goods or services received are measured at the date of receipt by reference to their fair value with a corresponding entry in equity. If the Group cannot reliably estimate the fair value of the goods or services received, their value is measured by reference to the fair value of the equity instruments granted.

2.25 Foreign currency translation

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 or an average rate for the month. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement.

The assets and liabilities of the Company and those foreign operations whose functional currency is other than that of the presentation currency of Ophir Energy plc are translated into the presentation currency, at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2.26 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 balance sheet date.

Current income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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 balance sheet 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.

3 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated 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 Group 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 noted below with further details of the assumptions used listed in the relevant Note.

ITEM	NOTES
Exploration and Evaluation assets	2.5, 9
Share-based payments	2.24, 6
Deferred tax	2.26, 7

		Group	
		Year ended 31 Dec 2009 US$'000	18 months ended 31 Dec 2008 US$'000
4	**Operating loss before taxation**		
	The Group operating loss from continuing operations before taxation is stated after charging/(crediting):		
(a)	Exploration expenses		
	- inventory management	439	-
	- pre licence exploration costs	2,608	6,909
	- expenditure written off	18,844	99,913
		21,891	106,822
(b)	Finance expense		
	Interest on convertible bond	-	11,756
	Letter of credit fees	-	5,833
	Amortisation of establishment fees	-	1,654
	Foreign Exchange Gains & Losses		
	- loss/(gain) on forward exchange contract (1)	8,209	(18,291)
	- other losses	2,822	2,634
		11,031	3,586

(1)In 2008 the Company entered into a GBP 65 million forward exchange contract to buy US Dollars under contract maturing on 21 May 2009 at an exchange rate of USD:GBP 1.7370 in respect of the funds receivable under an equity subscription agreement. The fair value of the contract as at 31 December 2008 was recorded in the Statement of Financial Position at 31 December 2008 resulting in a gain of US$18.291 million. The contract matured and settled on 21 May 2010 generating a cash inflow of US$10.1 million and a loss of US$8.209 million being the difference between the fair value of the contract at 31 December 2008 and funds received.

(c)	Administrative expenses include:		
	Audit of the financial statements	216	200
	Other fees to auditors:		
	- local statutory audits for subsidiaries	-	-
	- taxation services	10	11
	- other services(2)	15	2
		241	213

(2)2008 Comparative excludes an amount of US$2,941,610 in respect of corporate finance fees in relation to equity issuance charged against Share Premium.

Operating lease payments - minimum lease payments	823	926
Share-based compensation charge	2,588	2,950

		GROUP	
		YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000
(d)	Other expenses		
	- Loss on disposal of assets	22	32
	- Amortisation of intangible non-current assets	33	109
	- Depreciation of property plant & equipment	576	603
	- Amortisation - intangible assets (refer Note 10)	3,459	11,208
		4,090	11,952

As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the Company has not been separately presented in these accounts. The Company's loss for the financial year amounted to US$20.302 million (31 December 2008 - US$122,058).

		GROUP	
		YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000

5 Staff costs and Directors' emoluments

(a)	**Staff Costs**		
	Employee costs (including payments to executive directors) during the year/period comprised:		
	Wages and salaries	5,049	7,186
	Social security costs	392	529
	Contributions to pension plans and superannuation funds	575	1,135
	Share-based compensation charge	1,643	401
		7,659	9,251
(b)	**Directors' emoluments**		
	(i) Aggregate compensation		
	Salaries	1,763	2,022
	Post-employment benefits	77	266
	Other Benefits	4	-
		1,844	2,288
	(ii) Share based compensation charge	31	354
	(iii) Amounts paid to director related entities (refer Note 25)	94	154

	GROUP	
	YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000
(iv) Amount paid to the highest paid director		
Remuneration paid to the highest paid director includes superannuation contributions of US$12,376 (2008 - US$123,603).	756	955
	Number	**Number**
Number of directors to whom superannuation or pension benefits are accruing.	3.0	2.0
Average number of persons employed (full time equivalents):		
CEO	1.0	1.0
Exploration & technical	16.0	14.3
Finance & commercial	7.0	5.9
Support	3.8	2.1
	27.8	23.3

6 Share-based compensation

The Company has operated two incentive plans for employees

(a) Ophir Energy Company Foundation Incentive Scheme

Ophir Energy Company Foundation Incentive Scheme was established on 12 May 2004 shortly after the formation of the Company to attract new employees on start up. The plan provided for a total of 1,450,000 options to acquire ordinary shares at 1p per share to be issued to eligible employees. The Scheme was terminated on 24 November 2005 and all options issued under the scheme have fully vested.

(b) 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 to his duties substantially the whole of his working time 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.

(c) The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period for both the above schemes. These are denominated in GBP and have been translated to USD using the closing exchange rate for presentation purposes.

	2009 NUMBER	2009 WAEP	2008 NUMBER	2008 WAEP
Outstanding options beginning of year/period	7,848,080	$2.46/£1.55	7,527,640	$1.61/£1.12
Granted during the year/period	800,000	$3.98/£2.50	1,485,000	$3.62/£2.50
Exercised during the year/period	(50,000)	$0.004/£0.0025	(1,164,560)	$0.004/£0.0025
Lapsed during the year/period	(100,000)	$3.98/£2.50	-	-
Outstanding options at end of year/period	8,498,080	$2.60/£1.63	7,848,080	$2.23/£1.55
Exercisable at end of year/period	7,055,580	$2.31/£1.45	6,363,080	$1.91/£1.32

The weighted average fair value of options granted during the year was US$3.98 (2008: US$3.62). The range of exercise prices for options outstanding at the end of the year was US$0.0040 to US$3.98 (2008: US$0.0036 to US$3.62) with a remaining exercise period in the range of 4 to 9 years.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2009 and 18 months period ended 31 December 2008.

	2009	2008
Dividend yield (%)	0.00	0.00
Volatility (%)	18.50	50.00
Risk-free interest rate (%)	1.0	3.0
Expected life of option (years)	2.00	2.00 to 4.00
Weighted average share price	£2.50 (US$4.16)	£2.50 (US$3.62)

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

	2009 NUMBER	2009 WAEP	2008 NUMBER	2008 WAEP
Outstanding options and warrants at beginning of year/period	7,394,346	$1.38 (£0.88)	4,061,000	$0.36 (£0.25)
Granted during the year/period	-	-	3,794,346	$2.11 (£1.46)
Exercised during the year/period	(1,600,000)	$0.0040 (£0.0025)	(461,000)	$0.0036 (£0.0025)
Outstanding options and warrants at end of year/period (all exercisable)	5,794,346	$1.76 (£1.11)	7,394,346	$1.28 (£0.88)

The fair value of options granted to suppliers of goods and services is determined by reference to the fair value of goods and services at the date they are received.

No options were granted during the year (2008 weighted average fair value: US$2.11). The range of exercise prices for options outstanding at the end of the year was US$0.0040 to US$3.66 (2008: US$0.0036 to US$3.33) with a remaining contractual life in the range of 9 months to 3 years.

(e) Share-based payments to directors

A total of 700,000 options to acquire ordinary shares at a price of £2.50 per share under the Ophir Energy Company Limited 2006 Share Option Plan were granted to an executive director on his appointment under the terms of his employment contract. The option provides for variation in the exercise price under certain conditions. (Refer Note 6 (b) above).

During the prior period a total of 72,000 shares at a value of US$353,543 were issued to three non executive directors for nominal consideration.

	GROUP	
	YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000
7 Taxation		
(a) Income tax expense		
Current Income Tax:		
UK corporation tax	-	-
Foreign tax	-	-
Total current income tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Tax charge in the income statement	-	-
(b) Reconciliation of the total tax charge		
The tax benefit not recognised in the income statement is reconciled to the standard rate of corporation tax in the UK of 28% (2008:28%). The differences are reconciled below:		
Loss on operations before taxation	(43,266)	(127,830)
Loss on operations before taxation multiplied by the UK standard rate of corporation tax of 28% (2008: 28%)	(12,115)	(35,792)
Non-deductible expenditure	16	20
Share-based payments	1,693	3,594
Expenditure in tax exempt jurisdictions	1,452	3,604
Unrecognised deferred tax assets	8,986	28,621
Other	(32)	(47)
Total tax expense in the income statement	-	-

	Group Year ended 31 Dec 2009 US$'000	Group 18 months ended 31 Dec 2008 US$'000
(c) Deferred income tax		
Deferred income tax balances at 31 December relate to the following:		
Deferred tax liabilities:		
Property plant and equipment	(25)	(44)
Deferred tax assets:		
Revenue tax losses	25	44
	-	-

(d) Unrecognised tax losses

The Group has further tax losses arising in the UK and Australia totalling US$36,556,555 (2008: US$19,373,870) that are available to carry forward indefinitely to offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is not sufficient certainty that taxable income will be realised in the future due to the nature of the Group's international exploration activities and the long lead times in either developing or otherwise realising exploration assets.

(e) Other unrecognised temporary differences

The Group has other unrecognised temporary differences in the UK, Australia and various African countries totalling US$117,675,653 (2008: US$100,318,830) in respect of provisions and exploration expenditure for which deferred tax assets have not been recognised.

	GROUP YEAR ENDED 31 DEC 2009 US$'000	GROUP 18 MONTHS ENDED 31 DEC 2008 US$'000

8 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders is based on the following data:

	YEAR ENDED 31 DEC 2009 US$'000	18 MONTHS ENDED 31 DEC 2008 US$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Loss for the year/period attributable to equity holders)	(43,266)	(127,830)

	2009 ('000s)	2008 ('000s)
Number of shares ('000s)		
Basic weighted average number of shares	224,071	168,026

There were 14,292,426 (2008: 15,242,426) outstanding share options and warrants at 31 December 2009 which were anti-dilutive.

9 Exploration and evaluation assets

	GROUP 2009 US$'000	GROUP 2008 US$'000	COMPANY 2009 US$'000	COMPANY 2008 US$'000
Capitalised exploration expenditure at the beginning of the year/period	229,847	122,569	49	50
Foreign currency translation	13	(33)	-	(1)
Exploration expenditure incurred during the financial year/period	27,312	207,333	-	-
Expenditure written off (i)	(18,844)	(99,913)	-	-
Less: amortisation of right to access geological data base	(33)	(109)	-	-
Capitalised exploration expenditure at the end of the year/period	238,295	229,847	49	49

Other than amortisation of the Group's right to access geological database no amortisation of intangible assets was provided during the year/period. The gross carrying amount of exploration and evaluation assets at 31

December 2009 was US$238,459,627 (2008: US$229,979,888) with associated accumulated amortisation of US$165,409 (2008: US$132,968).

(i) Write off of impaired assets/expenditure related including dry wells in the JDZ project. (2008 dry well expenditure written off in relation to Gabon and Equatorial Guinea projects).

		GROUP		COMPANY	
		2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
10	**Intangible assets**				
	Area of mutual interest agreement	14,084	14,084	14,084	14,084
	Less amortisation	(14,084)	(10,625)	(14,084)	(10,625)
		-	3,459	-	3,459
11	**Property, plant and equipment**				
	Furniture and office equipment				
	Cost				
	Balance at beginning of year/period	1,903	1,101	132	69
	Foreign currency translation	519	(188)	-	(4)
	Additions	1,319	1,140	114	78
	Disposals	(49)	(150)	(42)	(11)
	Balance at end of year/period	3,692	1,903	204	132
	Accumulated depreciation				
	Balance at beginning of year/period	686	373	50	15
	Foreign currency translation	248	(174)	-	(1)
	Disposals	(22)	(117)	(19)	(7)
	Depreciation charge for the year/period	576	604	47	43
	Balance at end of year/period	1,488	686	78	50
	Book value				
	At beginning of year/period	1,217	728	82	54
	At end of year/period	2,204	1,217	126	82

There are no debts secured over any of the Group's assets.

	COMPANY	
	2009 US$'000	2008 US$'000
12 Investments in subsidiaries		
(a) Subsidiary companies		
Shares at cost		
Balance at beginning of year/period	-	-
Acquisitions	-	-
Balance at end of year/period	-	-
Non current loans to subsidiaries		
Balance at beginning of year/period	355,745	187,432
Advances during the year/period		
Ophir Holdings Limited	42,838	163,497
Ophir Services Pty Ltd	229	4,816
Balance at end of year/period	398,812	355,745
Allowance for impairment		
Balance at the beginning of the year/period	(103,545)	(1,484)
Additional allowance	(461)	(102,061)
Balance at end of year/period	(104,006)	(103,545)
Total	294,806	252,200
Book value		
At beginning of year/period	252,200	185,948
At end of year/period	294,806	252,200

Loans to subsidiaries are unsecured, interest free and repayable on demand. The parent Company has indicated that it does not intend to demand repayment in the foreseeable future. The impairment charge primarily relates to a reduction in value of the subsidiaries associated with the write off of exploration expenditure.

Loans to subsidiaries are denominated in US Dollars.

(b) The Parent Company has investments in the following subsidiary undertakings:

	Country of Incorporation	Principal Activity	Class of Shares	Holding	Book Value of Investment 2009 (US$)	Book Value of Investment 2008 (US$)
Subsidiaries of Ophir Energy plc						
Ophir Services Pty Ltd	Australia[1]	Exploration	Ordinary	100%	2	2
Ophir Holdings Limited	Jersey C.I.	Exploration	Ordinary	100%	8	8
Ophir Asia Limited	Jersey C.I.	Dormant	Ordinary	100%	-	-
					10	10

	Country of Incorporation	Principal Activity	Class of Shares	Holding 2009	Holding 2008
Subsidiaries of Ophir Holdings Limited					
Ophir AGC (Profond) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Congo (Marine IX) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Equatorial Guinea Holdings Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Gnondo) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Manga) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Mbeli) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Gabon (Ntsina) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir JDZ Limited	Jersey C.I.	Exploration	Ordinary	100%	50%
Ophir Somaliland (Berbera) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Tanzania (Block 1) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Tanzania (Block 3) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir Tanzania (Block 4) Limited	Jersey C.I.	Exploration	Ordinary	100%	100%
Ophir East Africa (1) Limited	Jersey C.I.[1]	Inactive	Ordinary	100%	100%
Ophir East Africa (2) Limited	Jersey C.I.[1]	Inactive	Ordinary	100%	100%
Subsidiary of Ophir Equatorial Guinea Holdings Limited					
Ophir Equatorial Guinea (Block R) Limited[4]	Jersey C.I.	Exploration	Ordinary	100%	100%
Subsidiary of Ophir JDZ Limited					
Ophir Energy Company Nigeria (JDZ) Limited	Nigeria	Exploration	Ordinary	100%	100%

[1]Incorporated 9 December 2009

All subsidiaries have a functional currency of US Dollars with the exception of Ophir Services Pty Ltd which has an Australian Dollar functional currency.

		Group		Company	
		2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
13	**Other financial assets**				
	Current				
	Security Deposits	1,200	14,229	1,200	1,200
	Fair value of forward exchange contract (Refer Note 20 (b))	-	18,291	-	18,291
		1,200	32,520	1,200	19,491
	Security deposits are floating interest deposits pledged to third parties or banks as security in relation to the Group's exploration commitments. There are no receivables that are past due or impaired.				
	The security deposit of US$14,229,000 was held by a third party in relation to a drilling contract in 2008				
	The forward exchange contract which was recognised at fair value through the income statement in 2008, matured in 2009				
	Non Current				
	Security Deposits	288	1,482	-	-
14	**Inventory**				
	Drilling consumables (at cost)	9,116	6,816	-	-
15	**Trade and other receivables**				
	Other debtors	1,136	1,497	393	242
	Amounts owed by subsidiary undertakings	-	-	242	1,012
		1,136	1,497	635	1,254
	Refer to Note 2.9 for terms and conditions.				
	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.				
16	**Other current assets**				
	Prepayments	1,015	1,061	-	-
		1,015	1,061	-	-

	GROUP 2009 US$'000	GROUP 2008 US$'000	COMPANY 2009 US$'000	COMPANY 2008 US$'000

17 Cash and short term deposits

	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
Cash	10,077	17,927	6,195	1,847
Short-term deposit	125,000	60,000	125,000	60,000
Cash and short term deposits	135,077	77,927	131,195	61,847

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-tem deposit rates. There are no deposits that are past due or impaired.

18 Trade and other payables

	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
Amounts falling due within one (1) year				
Trade creditors	5,833	1,826	689	545
Accruals	7,628	46,937	3	228
Employee accruals for annual leave	522	411	392	229
	13,983	49,174	1,084	1,002

Refer to Note 2.12 and 2.15 for terms and conditions.

19 Provisions

	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
Amounts falling due after more than one (1) year				
Employee provisions for long service leave	252	152	-	-

	GROUP & COMPANY 2009 US$'000	2008 US$'000
20 Called up share capital		
(a) Authorised		
2,000,000,000 ordinary shares of 0.25p each	7,963	7,237
(b) Called up, allotted and fully paid		
197,053,738 ordinary shares of 0.25p in issue at the beginning of the year (period ended 31 December 2008: 127,752,144)	926	585
26,321,790 ordinary shares of 0.25p each issued during the year (period ended 31 December 2008: 46,014,558)	108	227
21,661,476 ordinary shares of 0.25p each issued in period ended 31 December 2008 on conversion of the Convertible Bond	-	106
1,650,000 ordinary shares of 0.25p each issued during the year on exercise of options (period ended 31 December 2008: 1,625,560)	7	8
225,025,528 ordinary shares of 0.25p each at 31 December 2009 (31 December 2008: 197,053,738)	1,041	926

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.

(a) Shares issued during the year/period

The 26,321,790 ordinary shares issued during 2009 other than through the exercise of share options comprise 26,321,790 ordinary shares issued to Mittal Investments S.à.r.l. raising US$107.8 million. (Refer to (b) below.)

Shares issued in the prior period other than through the conversion of the Convertible Bond and exercise of share options, totalling 46,014,558, comprise:

(i) 21,100,000 ordinary shares issued to Mittal Investments S.à.r.l. during the period ended 31 December 2008 raising US$105.3 million, (Refer to (b) below).
(ii) 4,436,558 ordinary shares (together with 1,394,346 warrants) issued to investors during the period ended 31 December 2008 in February 2008 at a price of 230 pence raising a total of US$20 million in working capital. The warrants expire 30 June 2012 and have an exercise price of £0.0025.
(iii) 20,358,000 ordinary shares placed at 250 pence per share in May 2008 to institutions and also to

certain of the Company's Non Executive Directors, raising a total of US$100.2 million.

(b) Subscription Agreement

On 2 May 2008 the Company signed a subscription agreement with Mittal Investments S.à.r.l. to place approximately 47 million ordinary shares at £2.50 per share in two tranches, the first of which closed on 21 May 2008 (representing 21.1 million shares). The second tranche comprising 26,321,790 shares was completed on 2 August 2009.

(c) Options issued during the year/period

Options issued to employees and suppliers are detailed in Note 6.

	Group		Company	
	As at 31 Dec 2009 US$'000	As at 31 Dec 2008 US$'000	As at 31 Dec 2009 US$'000	As at 31 Dec 2008 US$'000
21 Reserves				
Share Premium Account[a]	417,048	309,902	417,048	309,902
Reserves:				
Option premium reserve[b]	23,028	20,440	23,028	20,440
Equity component on convertible bond[c]	669	669	669	669
Consolidation reserve[d]	(500)	(500)	-	-
Special reserve[e]	156,435	156,435	156,435	156,435
Translation reserve[f]	5,134	4,121	11,839	11,839
Accumulated losses	(228,759)	(185,493)	(183,133)	(162,831)
	(43,993)	(4,328)	8,838	26,552

Notes on reserves:

(a) 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 the Special Reserve.
(b) The option premium reserve represents the cost of share-based payments to directors, employees and third parties.
(c) 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.
(d) The consolidation reserve represents a premium on acquisition of a minority interest in a controlled entity.
(e) The Special Reserve was created on reduction of the Company's share capital on 26 July 2007. The Special Reserve will be available to offset accumulated losses once all creditors who were in existence at the date of the transfer from share premium have been settled.
(f) 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.

22 Notes to the Statement of Cash Flows

Reconciliation of operating profit to net cash inflow from operating activities

	Group As at 31 Dec 2009 US$'000	Group As At 31 Dec 2008 US$'000	Company As At 31 Dec 2009 US$'000	Company As At 31 Dec 2008 US$'000
Operating loss before taxation	**(43,266)**	**(127,830)**	**(20,302)**	**(122,058)**
Adjustments to reconcile operating loss before tax to net cash flows from operating activities				
Depreciation of property, plant and equipment	576	604	47	43
Amortisation of geological databases	32	109	-	-
Amortisation of intangible assets	3,459	10,625	3,459	10,625
Amortisation of letter of credit establishment fees	-	1,654	-	1,654
(Profit)/Loss on disposal of assets	22	32	(19)	4
Provision for employee entitlements	211	269	30	177
Foreign currency exchange losses	195	(723)	166	(3,644)
Share-based payments	2,588	3,821	2,588	3,821
Interest expense - convertible bond	-	11,756	-	11,756
Exploration expenditure written off	18,844	99,913	-	-
Impairment allowance on intercompany loans	-	-	461	102,061
Fair value of forward exchange contract	8,209	(18,291)	8,209	(18,291)
Working capital adjustments				
Increase in inventory	(3,315)	(6,816)	-	-
(Decrease)/Increase in trade and other payables	296	(1,306)	51	(1,362)
Increase in trade and other receivables	1,755	(928)	1,004	(495)
Cash utilised in operations	**(10,394)**	**(27,111)**	**(4,306)**	**(15,709)**
Income taxes paid	-	-		
Net cash flow used in operating activities	**(10,394)**	**(27,111)**	**(4,306)**	**(15,709)**

23 Interests in Joint Ventures

The Group has the following joint venture interests:

COUNTRY	ASSET	BENEFICIAL INTEREST (%)
AGC (Operator)	Profond	83-88
Congo (Brazzaville)	Marine IX	31.5
Equatorial Guinea (Operator)	Block R	80
Gabon (Operator)	Mbeli	90
Gabon (Operator)	Ntsina	90
Gabon (Operator)	Manga	85
Gabon (Operator)	Gnondo	90
Nigeria - São Tomé/Principe JDZ	Block 3	4
SADR (Operator)	Daora	50
SADR (Operator)	Haouza	50
SADR (Operator)	Mahbes	50
SADR (Operator)	Mijek	50
Somaliland (primarily onshore) (Operator)	Berbera	75
Tanzania (Operator)	Block 1	88
Tanzania (Operator)	Block 3	85
Tanzania (Operator)	Block 4	85

Capital commitments relating to these projects are included in Note 24(b). There are no contingent liabilities associated with these projects.

	GROUP		COMPANY	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000

24 Expenditure commitments

(a) Lease commitments

At 31 December 2009 the Group was committed to making the following future minimum lease payments in respect of operating leases over land and buildings with lease termination dates between 1 and 5.5 years:

	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Due within one (1) year	834	692	125	281
Due later than one (1) year but within five (5) years	1,586	1,391	-	105
Due later than five (5) years	-	232	-	-
	2,420	2,315	125	386

(b) Exploration expenditure commitments

In acquiring its oil and gas interests the Group has pledged that various work programmes will be undertaken on each permit/interest. The exploration commitments below are an estimate of the net cost to the Group of performing these work programmes.

	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Due within one (1) year	5,164	7,261	-	-
Due later than one (1) year but within two (2) years	19,118	2,788	-	-
Due later than two (2) years but within five (5) years	40,971	-	-	-
	65,253	10,049	-	-

(c) Rig Commitments

The Group is party to a rig sharing agreement with a major oil company which provides availability to the Group of the West Polaris drillship for up to 300 days over an approximate two (2) year period from 1 January 2010. The arrangement is flexible and allows the Group, subject to specified notice periods, to defer or hand back periods ("contract slots") in the scheduled rig programme which are allocated to the Group. As such there is no firm expenditure commitment relating to the rig, although it could be used to drill the wells included in the table of exploration commitments above, which include drilling costs. The Group elected to defer a scheduled contract slot commencing 1 May 2010, but the other operator has disputed aspects of the Group's notice to defer the contract slot. It is expected that the rig will be assigned to a third operator for the relevant period, but the assignment agreement is yet to be completed. If it were not completed, the Group's potential expenditure commitment for the rig in the next 12 months, on a minimum commitments basis, would be US$36 million should the Group's interpretation of the rig sharing agreement not prevail.

25 Related party transactions

(a) Identity of related parties

The Company has related party relationships with its subsidiaries (refer Note 12), its directors and companies associated with its directors identified in the following paragraph.

(b) Payments to director/key management personnel related entities

The Company made payments of US$93,956 (period ended 31 December 2008: US$154,370) to Vectis Petroleum Limited, a company associated with Mr J Lander, for the provision of Mr Lander's service as a Director.

26 Borrowing facilities

The Company and the Group had no borrowing facilities as at 31 December 2009 (2008: Nil).

27 Financial risk management & financial instruments

Strategy and objectives

The Group's principal financial assets and liabilities, other than derivatives, comprise cash and short term deposits, and various items, such as receivables and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to manage short term cash flow and provide finance for the Group's operations.

The Group's senior management oversees the management of financial instrument risk and the Board of Directors has established an Audit Committee to assist in the identification and evaluation of significant financial risks. Where appropriate, consultation is sought with an external advisor to determine the appropriate response to identified risks. The Group does not trade in derivatives for speculative purposes.

During 2008, in order to manage the currency risk arising from the Subscription Agreement referred to in Note 20(b), the Group entered into a forward exchange contract. The contract matured during the year ended 31 December 2009.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are foreign currency, interest rate and credit risks.

(a) Significant accounting policies

Details of significant accounting policies and methods adopted in respect of each class of financial assets, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(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 Company or Group. The Company and Group's maximum exposure to credit risk of third parties is the aggregate of the carrying value of its cash and short term deposits, other receivables and the carrying value of the forward exchange contract and the amount receivable under the Subscription Agreement.

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*		Internally rated	
	A-1 and above	A-2 and below	No default customers	Total
Year ended 31 December 2009				
Current financial assets				
Cash and cash equivalents	134,662	369	-	135,031
Security deposits	-	1,200	-	1,200
Trade and other receivables		-	1,136	1,136
	134,662	1,569	1,136	137,367
Non-current financial assets				
Security deposits	-	288	-	288
	-	288	-	288

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

	Equivalent S&P rating*		Internally rated	
	A-1 and above	A-2 and below	No default customers	Total
Period ended 31 December 2008				
Current financial assets				
Cash and cash equivalents	77,881	-	-	77,881
Security deposits	14,229	-	-	14,229
Foreign exchange contract	-	18,291	-	18,291
Trade and other receivables	-		1,496	1,496
	92,110	18,291	1,496	111,897
Non - current financial assets				
Security Deposits	-	1,482	-	1,482
	-	1,482	-	1,482

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

Credit risk on cash and short term deposits is managed by limiting the term of deposits to periods of less than 6 months and selecting counterparty financial institutions with reference to long and short term credit ratings published by Standard & Poors.

Fair values

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

The fair values and carrying values of non-current receivables of the Group are as follows:

	2009		2008	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Security Deposits	288	238	1,482	1,391
Forward Exchange Contract	-	-	18,291	18,291
	288	238	19,773	19,682

There are no non-current receivables in the Company.

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk (refer Note 27(g)).

(c) Interest rate risk

As of 31 December 2009, the Group's interest rate risk is limited to interest receivable on deposits and bank balances as it has no borrowings.

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's cash assets held primarily in short term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk.

	GROUP		COMPANY	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Financial assets				
Security deposits	1,488	15,711	1,200	1,200
Cash and cash equivalents	135,077	77,927	131,195	61,847
Net Exposure	136,565	93,638	132,395	63,047

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of the Group's profit before tax for a 12 month period through the impact on floating rate deposits and cash equivalent:

	GROUP		COMPANY	
INCREASE/DECREASE IN INTEREST RATE	EFFECT ON PROFIT 31 DEC 2009	EFFECT ON PROFIT 31 DEC 2008	EFFECT ON PROFIT 31 DEC 2009	EFFECT ON PROFIT 31 DEC 2008
+0.5%	677	389	662	309
-0.5%	(677)	(389)	(662)	(309)

The sensitivity in 2009 was maintained at 0.5% as volatilities of interest rates were 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 Company and all of its principal operating subsidiaries, with the exception of Ophir Services Pty Ltd, have adopted US Dollars as their functional and reporting currencies as this represents the currency of their primary economic environment as the majority of the Group's funding and expenditure is US dollars. Ophir Services Pty Ltd has adopted the Australian Dollar as its functional currency.

The Group's exposure to foreign currency risk is managed by holding the majority of its funds in US Dollars, as a natural hedge, with remaining funds being held in Sterling and Australian Dollars to meet commitments in those currencies.

As at 31 December 2009, the Group's predominant exposure to foreign exchange rates related to cash and cash equivalents held in Sterling by companies with US Dollar functional currencies.

At the balance sheet date, the Group had the following exposure to GBP, XAF and AUD foreign currency that is not designated in cash flow hedges:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Financial assets				
Cash and cash equivalents	3,015	4,575	2,326	1,234
Forward exchange Contract	-	18,291	-	18,291
	3,015	22,866	2,326	19,525
Financial Liabilities				
Trade & other payables	(975)	(812)	(393)	(540)
Net Exposure	2,040	22,054	1,933	18,985

At 31 December 2009, had the US$ moved, as illustrated in the table below, with all other variables held constant , post tax profit and other comprehensive income would have been affected as follows:

	Post tax Loss higher/(lower)		Other comprehensive income higher/(lower)	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Group				
US Dollar to GBP Sterling +5% (2008: +5%)	(98)	(947)	-	-
US Dollar to GBP Sterling -5% (2008: -5%)	98	947	-	-
US Dollar to AUD +5% (2008: +5%)	13	76	51	40
US Dollar to AUD -5% (2008: -5%)	(13)	(76)	(51)	(40)
US Dollar to EUR +5% (2008: +5%)	(10)	7	-	-
US Dollar to EUR -5% (2008: -5%)	10	(7)	-	-
US Dollar to XAF +5% (2008: +5%)	28	87	-	-
US Dollar to XAF -5% (2008: -5%)	(28)	(87)	-	-
Parent				
US Dollar to GBP Sterling +5% (2008: +5%)	(97)	(949)	-	-
US Dollar to GBP Sterling -5% (2008:-5%)	97	949	-	-

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 USD spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.

(e) Liquidity Risk

The Group has a liquidity risk arising from its ability to fund its liabilities and exploration commitments. This risk is managed by ensuring that the Group has sufficient funds to meet those commitments by monitoring the expected total cash in and out flows on a continuous basis.

All of the Group and Company's trade creditors and accruals (Note 18) are payable in less than six months.

(f) Derivative instruments

Other than the forward exchange contract referred to above neither the Company nor Group made use of derivative instruments during the year/period.

Derivative valuation methodology

The group uses a valuation technique to determine the fair value of derivatives. This involves comparing contracted rates to market rates with the same length of maturity to determine the value of forward contracts. The principal inputs to valuation techniques are listed below:

- Interest rates
- Foreign currency exchange rates
- Price volatilities
- Discount rates
- Credit risk

Interest rates and foreign exchange rates are determined by reference to published/observable prices.

(g) Disclosure of fair values

The carrying value of all other financial assets and financial liabilities disclosed in the financial statements as at 31 December 2009 approximate their fair value for both the Company and Group.

The Group uses various methods in estimating the fair value for financial instruments carried at fair value in the financial statements. The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset of liability, either directly (as price) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market date.

There were no transfers between levels during the year

As at 31 December 2008 the foreign exchange contract was assessed as Level 1 and valued at its fair value of US$18.2 million.

(h) Capital Management

Capital consists of equity attributable to the equity holders of the Parent. The primary objective of the Group's capital management is to ensure it has sufficient funds to carry out its exploration and potential development activities. At 31 December 2009 the Group had no debt, other than payables as part of normal working capital.

CORPORATE DIRECTORY

DIRECTORS

Non Executive Chairman

Nicholas Smith

Executive Directors

Alan Stein - Managing Director
Jonathan Taylor - Technical Director
Peter Thomas - Chief Financial Officer

Non Executive Directors

Michael Cohen
Rajan Tandon
Harak Banthia
Jaroslaw Paczek
Mikki Xayiya

Jacob Ulrich (Alternate Director for Mikki Xayiya)

Independent Non Executive Directors

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Dennis McShane
Lyndon Powell

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Raymond Godson

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