10 March 2016

OPHIR ENERGY PLC

Full Year Results for the year ended 31 December 2015

Ophir Energy Plc announces its full year results for the year ended 31 December 2015.

Full Year Results Highlights:

- Delivered on key strategic objectives:
  - added production cash flow to deliver through-cycle sustainability
  - integrated acquired production operations whilst maintaining operational excellence
  - met all key deadlines on Fortuna FLNG project; which is on track for FID in mid-2016
  - high-graded the exploration portfolio; added five new plays and exited, or in process of exiting, five plays
  - delivered G&A savings and acquisition synergies of $60 million
- Improved strong financial position, all commitment capex funded to 2020:
  - net cash at year end 2015 of $355 million (2014: $1.17 billion)
  - pre-tax cash generated from operations $122 million ($150 million on a full year pro-forma basis) (2014: cash outflow of $16.4 million)
  - commitment capital expenditure of only $87 million (at the balance sheet date)
  - production break-even at oil price of $15 per bbl
  - revenue of $161 million ($211 million on a full year pro-forma basis) (2014: nil)
  - pre-tax operating loss of $376 million, after pre-tax impairments due to lower commodity price environment of $169 million (post tax impairments of $106 million), and exploration write offs of $149 million (2014: profit of $288 million)

Nick Cooper, CEO of Ophir Energy plc commented:

"2015 saw Ophir respond swiftly to an exceptionally challenging operating environment. We radically reduced our cost base, and delivered synergies ahead of forecast on the Salamander acquisition. In the period we delivered material progress on the Fortuna FLNG Project: signing gas fiscal terms with the host Government, securing Golar as midstream provider, commencing FEED, shortlisting binding offtake offers and signing a heads of agreement with Schlumberger to participate in the project. Through these steps, the forward funding requirements of the project will be met. In parallel through 2015, we also high-graded our

exploration portfolio at minimal cost and with negligible commitments; exiting five plays and entering seven new plays, two of which are post period, that are better suited to the new price environment.

Our strong balance sheet and net cash position, plus our low forward committed capex, provide Ophir with greater financial flexibility than we have ever enjoyed. We can now confidently look forward four years, to first gas and revenues from the Fortuna FLNG Project, knowing that we are fully funded. Meanwhile today we have further reduced our 2016 capex guidance to $150-200mm as we continue to prioritise capital requirements.

"The upstream model of the past decade is clearly broken. Yet Ophir's relatively strong financial position and quality asset base provide considerable optionality at this low point in the cycle. Exploration costs are approaching 30 year lows and quality opportunities for future growth are plentiful. Provided we continue to focus capital at assets that can deliver strong returns in the 'new normal' of lower oil and gas prices then we are confident of driving superior NAV growth. In future, Ophir will more transparently report its assessment of movements in our NAV and will explicitly use this metric to align our organisational behaviour with shareholder interests. We are confident that our track record of financial prudence, low finding costs, repeated ability to monetise discoveries and innovation across our asset base will increasingly differentiate our performance for investors."

A presentation for analysts will be held at 9.00am following this announcement. This will be webcast live through the link on the Company website: www.ophir-energy.com/investors.

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Notes to Editors

Ophir Energy (OPHR.LN) is an upstream oil and gas exploration company which is listed on the London Stock Exchange (FTSE 250). Ophir has a large portfolio of assets across Africa and Asia.

For further information on Ophir, please refer to www.ophir-energy.com

Chief Executive's review

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

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

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

In particular, the sector has suffered in two ways:

1. Diminishing exploration success rates, which with hindsight have been driven by:
   - financial and risk-taking indiscipline amongst exploration companies;
   - too many commitment wells drilled as host governments increased their demands of explorers; and
   - an indecent haste, partly motivated by equity market appetite, to chase new or breaking frontier plays rather than assimilate and build on collective understanding as a play is de-risked over time.
2. Increasing finding costs, as the above factors reduced finding rates, compounded by increased pricing in all three key exploration cost areas: acreage entry, seismic and drilling.

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

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

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

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

Despite our mistakes, we feel Ophir's track record is good. Ophir has demonstrated in Tanzania that it can monetise exploration success and we expect to provide further evidence of our ability to monetise our successes when we make a FID on the Fortuna FLNG project in 2016. Ophir has been one of the more successful international E&P companies of the past decades with finding costs of $3.78/boe and commercial success rates of 65%.

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

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

Current exploration conditions are arguably the most favourable for decades:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operations Review

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

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

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

Health and safety

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

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

Growing asset value

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

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

Asset overview

Reserves

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

Production assets

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

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

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

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

Development projects

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

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

The Fortuna FLNG project in Equatorial Guinea was a main focus of activity for us during 2015. Given the challenging macro environment, Ophir has made remarkable progress on this asset. The approach we have taken exemplifies all that is good about the independent sector as we have had to be innovative and ground-breaking in our contracting, gas marketing and financing strategies. During 2015 we achieved all the milestones we set, reaching agreement with Golar LNG to be the Midstream provider, agreed Heads of Terms (HoT) on gas sales with seven off-takers and embarked on Upstream FEED with our two world-class competing consortia.

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

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

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

Exploration

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

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

The two play fairways of Kutai Basin and West Papua in Indonesia are focal points for exploration activity.

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

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

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

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

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

However we have at the same time continued to take advantage of the lack of competition for exploration acreage to rebuild the portfolio with high-class acreage. We have signed our first PSC in Cote d'Ivoire. The CI-513 Block, located in a relatively under-explored part of the transform-margin play fairway, contains exploration opportunities of similar geology and scale to the discoveries in the Tano Basin to the east. Success in CI-513 would unlock another segment of this emerging oil play fairway in which Ophir is seeking to establish a material position, and we are excited about the potential for this basin, where we expect to be drilling in 2017. Furthermore, we have continued to build on our entry to Southeast Asia by adding a new block in Malaysia (Block 2A). Block 2A is pushing an extension of an existing play in the Sarawak basin into deeper water. We hope to be further expanding our position in both Malaysia and Myanmar during 2016.

Summary

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

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

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

Financial Review

	Units	2015	2014	2013

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

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity, going concern and longer-term viability
A total of $502.6 million of debt and $48.8 million of cash was inherited as part the Salamander acquisition. The debt comprised a convertible bond of $93.9 million, a Norwegian bond of $154.8 million and reserves

based lending facility of $253.9 million. Since the acquisition, total debt has reduced by $242.9 million (to $259.7 million) with the full repayment of the convertible bond, the Norwegian bond lenders' put option being exercised at change of control totalling $45.6 million and scheduled repayment of the reserves based lending facility of $100.9 million.

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

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic review section of the Annual Report and Accounts. The financial position of the Company, consisting of cash resources of $614.6 million, its cash flows and its liquidity position are described in the financial statements of the Annual Report and Accounts. In addition, note 26 to the financial statements of the Annual Report include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

Financial outlook

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

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

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

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

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

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

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

Consolidated statement of financial position
As at 31 December

	Notes	**2015 $'000**	2014 $'000
Non-current assets			
Exploration and evaluation assets	8	879,914	764,933
Oil and gas properties	9	662,177	–
Other property, plant and equipment		5,140	6,307
Financial assets		27,253	17,104
Investments accounted for using the equity method		130,200	–
		1,704,684	**788,344**
Current assets			
Inventory		50,216	23,902
Taxation receivable		22,322	13,424
Trade and other receivables		32,071	12,839
Cash and cash equivalents	10	614,569	877,872
Investments		–	294,904
		719,178	**1,222,941**
Total assets		**2,423,862**	**2,011,285**
Current liabilities			
Trade and other payables		(115,971)	(242,148)
Interest-bearing bank borrowings due within one year	11	(37,059)	–
Taxation payable		(38,056)	–
Provisions		(47,737)	(26,787)
		(238,823)	**(268,935)**
Non-current liabilities			
Interest-bearing bank borrowings	11	(115,949)	–
Bonds payable	12	(106,651)	–
Deferred tax liability		(245,745)	(44,048)
Provisions		(67,190)	(263)
		(535,535)	**(44,311)**
Total liabilities		**(774,358)**	**(313,246)**
Net assets		**1,649,504**	**1,698,039**
Capital and reserves			
Called up share capital		3,061	2,474
Reserves		1,646,723	1,695,845
Equity attributable to equity shareholders of the Company		**1,649,784**	**1,698,319**
Non-controlling interest		(280)	(280)
Total equity		**1,649,504**	**1,698,039**

The consolidated financial statements of Ophir Energy plc (registered number 05047425) were approved by the Board of Directors on 9 March 2016. On behalf of the Board:

Nicholas Smith
Chairman

Tony Rouse
Chief Financial Officer

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

	Called up share capital $'000	Treasury shares $'000	Other reserves $'000	Non-controlling interest $'000	Total equity $'000
As at 1 January 2014	**2,466**	**–**	**1,674,719**	**(276)**	**1,676,909**
Profit/(loss) for the period, net of tax	–	–	54,846	(4)	54,842
Other comprehensive income, net of tax	–	–	1,784	–	1,784
Total comprehensive income/(loss), net of tax	–	–	56,630	(4)	56,626
Purchase of own shares	–	(59)	(44,168)	–	(44,227)
Exercise of options	8	–	1,847	–	1,855
Share-based payment	–	–	6,876	–	6,876
As at 31 December 2014	**2,474**	**(59)**	**1,695,904**	**(280)**	**1,698,039**
Loss for the period, net of tax	–	–	(322,452)	–	(322,452)
Other comprehensive income, net of tax	–	–	(702)	–	(702)
Total comprehensive (loss), net of tax	–	–	(323,154)	–	(323,154)
New ordinary shares issued to third parties	587	–	325,545	–	326,132
Purchase of own shares	–	(99)	(56,011)	–	(56,110)
Exercise of options	–	3	–	–	3
Share-based payment	–	–	4,594	–	4,594
As at 31 December 2015	**3,061**	**(155)**	**1,646,878**	**(280)**	**1,649,504**

Consolidated statement of cash flows
For the year ended 31 December

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

Notes to the financial statements

1 Corporate information

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

The principal activity of the Group is the development of offshore and deepwater oil and gas exploration assets. The Company has an extensive and diverse portfolio of exploration interests across Africa and Southeast Asia.

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

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of certain derivative instruments measured at fair value. The consolidated financial statements are presented in US Dollars rounded to the nearest thousand dollars ($'000) except as otherwise indicated.

Comparative figures for the period to 31 December 2014 are for the year ended on that date.

The abbreviated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements in the Ophir Energy plc Annual Report and Accounts for the year ended 31 December 2015.

3 Segmental analysis

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

Segment revenues and results

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

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

	Year ended 31 December 2015			
	Africa $'000	Asia $'000	Other $'000	Total $'000
Additions to non-current assets	37,016	137,666	–	174,682

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

Non-current operating assets

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

Revenue from major customers

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

4 Net finance expense

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

1 Includes interest capitalised using a rate of 6.7%.

5 Other financial gains

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

6 Business combinations

Acquisition of Salamander Energy plc

On 3 March 2015 (the acquisition date), the Group acquired 100% of the share capital of Salamander Energy Plc ('Salamander'), a Southeast Asian focused independent exploration and production company quoted on the London Stock Exchange. The enlarged Group enhances Ophir's operating capabilities in both Africa and Southeast Asia and deepwater expertise across key technical and commercial functions. The combined Group provides shareholders with a diversified exposure to 21 production, development and exploration blocks in Africa and Southeast Asia.

The Group announced that the scheme of arrangement was approved by Salamander's shareholders on 6 February 2015 and was sanctioned by the Supreme Court in London effective on 2 March 2015. The consideration of $326.1 million was satisfied in full by equity by which Salamander shareholders received 0.5719 Ophir ordinary shares for each Salamander ordinary share held.

The acquisition will be accounted for as a single business combination. The fair value assessment of the Salamander identifiable assets and liabilities acquired as at the date of acquisition have been reviewed in accordance with the provisions of IFRS 3 – 'Business Combinations'.

The fair values of the assets acquired have been calculated using valuation techniques based on discounted cash flows using forward curve commodity prices, a discount rate based on market observable data and cost and production profiles.

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

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

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

1 The fair value of the trade and other receivables amounts to $68.7 million. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.
2 The convertible bonds were redeemed at par value $94.0 million on 30 March 2015. Accrued interest up to the date of redemption $2.35 million was also paid on this date.
3 The Group issued 152,208,612 new shares in consideration for the entire share capital of Salamander. The fair value of the shares is the published price of the shares of the Group at the acquisition date. Therefore, the fair value of the share consideration given is $326.1 million.

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

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

7 Taxation

(a) Taxation(credit) / charge

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

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

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

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

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

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Loss from operations before taxation	(376,048)	–
Add back losses from operations before taxation for activities outside of Thailand	296,547	–

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

(d) Deferred income tax

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

(e) Unrecognised tax losses

The Group has gross tax losses arising in the UK of $192,101,762 (2014: $135,921,762) and Australia $5,884,000 (2014: $7,331,000) that are available to carry forward indefinitely to offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is not sufficient certainty that taxable income will be realised in the future due to the nature of the Group's international exploration activities and the long lead times in either developing or otherwise realising exploration assets.

(f) Other unrecognised temporary differences

The Group has other net unrecognised temporary differences in the various African countries where we are active totalling $164,441,000 (2014: $164,441,000) in respect of provisions and exploration expenditure for which deferred tax assets have not been recognised.

(g) Change in corporation tax rate

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

The standard rate of UK corporation tax in the year changed from 21% to 20% with effect from 1 April 2015. Any UK deferred tax that is recognised is therefore recognised at the reduced rate of 20%. Deferred tax in Kenya and Tanzania is provided for at the statutory rates of 30% 2014: 30%). Deferred tax in Thailand is provided for at the statutory rate of 50%. Deferred tax in Indonesia is provided for at the statutory rate of 50%.

8 Exploration and evaluation assets

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

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

2 Acquisition of subsidiary: Refer to Note 6 of these consolidated financial statements.

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

4 Recovery of costs incurred on farm-out of exploration interest include:
The Group's disposal in 2014 of a 20% interest in Tanzania Blocks 1, 3 & 4. The Group received cash consideration of $1,250 million plus a completion adjustment to reflect interest and working capital movements from the effective date of the transaction of 1 January 2014. A further $38.0 million is payable following the final investment decision in respect of the development of Blocks 1, 3 & 4, currently expected in 2016. The total gain on disposal recognised for the year ended 31 December 2014 was $671.7 million.
The Group also received $77.8 million relating to the farm-out of the Gabonese exploration blocks.

The Group generally estimates value in use using a discounted cash flow model. Future cash flows are discounted to their present values using a pre-tax discount rate of 15% (2014: post-tax 10%). Adjustments to cash flows are made to reflect the risks specific to the CGU.

9 Oil and gas properties

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Cost		
Balance at the beginning of the year	–	–
Acquisition of subsidiary (Note 6)	827,131	–
Additions	42,721	–
Balance at the end of the year	869,852	–
Depreciation and amortisation	–	–
Balance at the beginning of the year	–	–
Charge for the year	(80,943)	–
Charge for impairment[1]	(126,732)	–
Balance at the end of the year	(207,675)	–
Net book value		
Balance at the beginning of the year	–	–
Balance at the end of the year	662,177	–

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

10 Cash and cash equivalents

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

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

11 Interest bearing bank loans

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year	–	–
Acquisition of subsidiary (Note 6)	253,918	–
Less: amounts repaid during the period	(100,910)	–
Less: amounts due within one year	(37,059)	–
Balance at the end of the year	115,949	–

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

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

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

The acquisition of Salamander by Ophir on 3 March 2015 (refer to Note 6 of these consolidated financial statements) constituted a change of control under the terms of the facility. Prior to this transaction completing, a waiver was obtained from the lending banks such that the terms of the borrowing facility were not impacted at the date of completion.

12 Bonds payable

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Balance at the beginning of the year	–	–
Acquisition of subsidiary:		
9.75% Unsecured, callable bonds at $150 million par value (Note 6)	154,835	–
Redemption – 9.75% Unsecured, callable bonds at $45.2 million par value	(45,652)	

	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2014 $'000
Gain on redemption	(282)	
Coupon interest charged	9,510	–
Interest paid	(11,760)	–
Balance at the end of the year	106,651	–

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

13 Net debt

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

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

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

14 Events after the reporting period

On 1 March 2016, the Ophir acquired a 40% non-operated interest in Block 2A, Malaysia for a consideration of $6.2 million.

On 9th March 2016 the Group acquired a 50% operated interest in block CI-513, Cote D'Ivoire for a consideration of $16.9 million.