**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your Ophir Shares, please send this document (the "Circular"), together with the accompanying Form of Proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold part only of your holding of Ophir Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. A prospectus relating to Ophir Energy plc ("Ophir" or the "Company") in connection with the proposed issue of New Ophir Shares to Salamander Shareholders has been published today and is available on Ophir's website (www.ophir-energy.com).

Application will be made to the FCA for the New Ophir Shares to be issued pursuant to the Transaction to be admitted to the premium listing segment of the Official List, and will be made to the London Stock Exchange for the New Ophir Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings on the London Stock Exchange in the New Ophir Shares will commence, on or shortly after the Effective Date which, subject to the satisfaction of certain conditions, including the sanction of the Scheme by the Court, is expected to take place on 3 March 2015 (although this date is subject to change).

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ophir energy plc

# OPHIR ENERGY PLC

*Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 05047425*

## Proposed acquisition of Salamander Energy plc ("Salamander") and Notice of General Meeting

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**This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out at Part I of this Circular and which recommends you to vote in favour of the Resolution to be proposed at the Ophir General Meeting referred to below. Please also see Part II of this Circular for a discussion of certain risk factors that you should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the Ophir General Meeting. The whole of this Circular should be read in light of these risk factors.**

Notice of a General Meeting of Ophir to be held at the offices of Linklaters LLP at 11.00 a.m. on 6 February 2015 is set out at the end of this Circular. A Form of Proxy for use at the Ophir General Meeting is enclosed with this Circular. The Form of Proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be received by post or (during normal business hours only) by hand at the offices of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA (or, should Shareholders prefer, in an envelope addressed to FREEPOST RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, LANCING, BN99 8LU) by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days. Shareholders may, if they so wish, submit their proxies electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Numbers set out in the Form of Proxy, by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Ophir General Meeting by following the procedures described in the CREST Manual (www.euroclear.com). CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST proxy instruction must be transmitted in accordance with the procedures described in the CREST Manual so that it is received by the issuer's agent (ID: RA19) by no later than by the latest time for receipt of proxy appointments specified above.

Completing and returning a Form of Proxy or electronic proxy appointment or completing and transmitting a CREST proxy instruction will not prevent a member from subsequently attending and voting at the Ophir General Meeting in person if they so wish.

Credit Suisse Securities (Europe) Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively as financial adviser to Ophir and no one else in connection with the matters described in this Circular and will not be responsible for anyone other than Ophir for providing the protections afforded to clients of Credit Suisse Securities (Europe) Limited nor for providing advice in relation to the matters referred to in this Circular, neither Credit Suisse Securities (Europe) Limited nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever whether direct or indirect, whether in contract, or tort, under statute or otherwise) to any person who is not a client of Credit Suisse Securities (Europe) Limited in connection with this Circular, any statement contained herein or otherwise.

Morgan Stanley & Co. International plc ("Morgan Stanley"), which is authorised in the UK by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Ophir and no one else in connection with the matters described in this Circular, and will not be responsible for anyone other than Ophir for providing the protections afforded to clients of Morgan Stanley nor for providing advice in relation to the matters referred to in this Circular. Neither Morgan Stanley nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Morgan Stanley in connection with this Circular, any statement contained herein or otherwise.

RBC Europe Limited, which is authorised in the UK by the Prudential Regulation Authority and authorised and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Ophir and no one else in connection with the matters described in this Circular, and will not be responsible for anyone other than Ophir for providing the protections afforded to clients of RBC Europe Limited nor for providing advice in relation to the matters referred to in this Circular. Neither RBC Europe Limited nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of RBC Europe Limited in connection with this Circular, any statement contained herein or otherwise.

Save for the responsibilities and liabilities, if any, of Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited assume no responsibility whatsoever and make no representations or warranties, express or implied, in relation to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by Ophir, or on Ophir's behalf, or by Credit Suisse Securities (Europe) Limited, Morgan Stanley or RBC Europe Limited or on Credit Suisse Securities (Europe) Limited's, Morgan Stanley's or RBC Europe Limited's behalf and nothing contained in this Circular is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Ophir or the Transaction. Each of Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Circular or any such statement.

The New Ophir Shares have not been, and are not expected to be, registered under the US Securities Act, or with any securities regulatory authority of any state or any other jurisdiction of the United

States. Accordingly, the New Ophir Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption from such act. The New Ophir Shares to be issued to Salamander Shareholders pursuant to the terms of the Transaction are expected to be issued in reliance upon an exemption from the registration requirements of the US Securities Act afforded by section 3(a)(10) of such act. Salamander Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Salamander or Ophir prior to, or of Ophir after, the Effective Date will be subject to certain US transfer restrictions relating to the New Ophir Shares received pursuant to the terms of the Transaction.

For the purposes of qualifying for this exemption, Ophir will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Transaction. The sanctioning of the Transaction will be relied upon by Ophir as an approval of the Transaction following a hearing on its fairness to Salamander Shareholders, at which hearing all such Salamander Shareholders will be entitled to attend in person or through counsel to support or oppose the sanctioning of the Transaction and with respect to which notification has been or will be given to all such Salamander Shareholders.

None of the securities referred to in this document have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

**Forward Looking Statements**

This document contains statements about Ophir and Salamander that are or may be forward looking statements. All statements other than statements of historical facts included in this document may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Ophir's or Salamander's operations and potential synergies resulting from the Transaction; and (iii) the effects of government regulation on Ophir's or Salamander's business.

Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results, performance or achievements to differ materially from those projected or implied in any forward looking statements. The important factors that could cause Ophir's or Salamander's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, economic and business cycles, the terms and conditions of Ophir's or Salamander's financing arrangements, foreign currency rate fluctuations, competition in Ophir's or Salamander's principal markets, acquisitions or disposals of businesses or assets and trends in Ophir's and/or Salamander's principal industries. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Each of Ophir and Salamander and each of their respective members, directors, officers, employees, advisers and any other persons acting on their behalf disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law.

Ophir Shareholders should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Such risks, uncertainties and other factors are set out more fully in Part II (Risk Factors). To the extent required by the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, the London Stock Exchange or applicable law, Ophir will update or revise the information in this document. Otherwise, Ophir and Salamander expressly disclaim any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the expectations of Ophir, Salamander or the Combined Group with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**No Profit Forecasts Or Estimates**

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for Ophir or Salamander, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Ophir or Salamander, as appropriate.

**Mineral Reserve And Mineral Resource Reporting**

Unless otherwise indicated, all reserves and resources information presented in this Circular were prepared using the definitions and guidelines set out by the 2007 SPE/AAPG/WPC/SPEE Petroleum Resources Management System (''PRMS''). ''Contingent resources'' are defined by the PRMS as ''those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status''. ''Prospective resources'' are instead defined by PRMS as ''those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity''.

**Shareholders should not place undue reliance on the forward looking statements in this Circular or on the ability of Ophir or Salamander to predict actual reserves or resources. Contingent resources relate to undeveloped accumulations and may include non-commercial resources. It should be noted that prospective resources relate to inferred, undiscovered and/or undeveloped mineral resources and accordingly by their nature are highly speculative. There can be no assurance that mineral reserve estimates will be accurate or that such reserves can be profitably exploited. A possibility exists that the prospects will not result in the successful discovery of economic resources in which case there would be no commercial development.**

# TABLE OF CONTENTS

# EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Transaction are indicative only and are based on Ophir's current expectations, may be subject to change and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the Capital Reduction and the date on which the Conditions are satisfied or, if capable of waiver, waived. The timetable is also dependent on whether the Court Order(s) sanctioning the Scheme and confirming the Capital Reduction and, in relation to the Capital Reduction, the statement of capital are delivered to the Registrar of Companies. The timetable is also dependent on process for implementation of the Transaction.

If any of the times and/or dates below change, the revised times and/or dates will be notified by Ophir to Ophir Shareholders by announcement through a Regulatory Information Service.

All times shown in this Circular are London times unless otherwise stated.

| **Event** | **Date and/or time** |
|---|---|
| Publication of the Scheme Document | 14 January 2015 |
| Publication of this Circular | 16 January 2015 |
| Publication of the Prospectus | 16 January 2015 |
| **Latest time and date for receipt of Forms of Proxy/CREST Proxy instructions for the Ophir General Meeting** | 11.00 a.m. on 4 February 2015(1) |
| Scheme Voting Record Time | 6.00 p.m. on 4 February 2015(2) |
| **Ophir General Meeting** | 11.00 a.m. on 6 February 2015 |
| Court Meeting | 1.00 p.m. on 6 February 2015 |
| Salamander General Meeting | 1.15 p.m. on 6 February 2015(3) |
| Scheme Court Hearing to sanction the Scheme and date of the Scheme Court Order | 25 February 2015(4) |
| Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Salamander Shares | 27 February 2015(4) |
| Scheme Record Time | 6.00 p.m. on 27 February 2015(4) |
| Suspension of Salamander Shares from the Official List and from trading on the London Stock Exchange's main market for listed securities | 7.30 a.m. on 2 March 2015(4) |
| Reduction Court Hearing to confirm the Capital Reduction | 2 March 2015(4) |
| Effective Date | 2 March 2015(4) |
| Delisting of Salamander Shares | by no later than 8.00 a.m. on 3 March 2015(4) |
| Issue of New Ophir Shares | by no later than 8.00 a.m. on 3 March 2015(4) |
| Admission and commencement of dealings in New Ophir shares | by no later than 8.00 a.m. on 3 March 2015(4) |
| CREST accounts credited | by no later than 8.00 a.m. on 3 March 2015(4) |
| Latest date for despatch of cheques in respect of cash consideration (where relevant), share certificates in respect of New Ophir Shares and for settlement of cash consideration (where relevant) through CREST or other form of payment | 17 March 2015(4) |
| Long Stop Date | 11.59 p.m. on 30 June 2015(5) |

Notes:

(1) The Ophir Forms of Proxy for the Ophir General Meeting must be returned by no later than 11.00 a.m. on 4 February 2015 (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting excluding non-working days) to be valid.

(2) If either the Court Meeting or the Salamander General Meeting is adjourned, the Scheme Voting Record Time for the relevant adjourned meeting will be 6.00 p.m. on the date two calendar days before the date set for the adjourned meeting.

(3) To commence at the fixed time or (if later) immediately after the conclusion or adjournment of the Salamander Court Meeting.

(4) These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the associated Capital Reduction and the date on which the Conditions set out in the Scheme Document are satisfied or (if capable of waiver) waived. If any of the expected dates change, Ophir and/or Salamander will, unless the Panel otherwise consents, give notice of the change by issuing an announcement through a Regulatory Information Service.
(5) The Long Stop Date is the latest date by which the Scheme must become effective, unless Ophir and Salamander agree, and (if required) the Court and the Panel permit, a later date.
(6) In this Circular, where the context requires, references to 14 January 2015 should be treated as being references to the Latest Practicable Date (unless otherwise stated).

## INDICATIVE TRANSACTION STATISTICS

| | |
|---|---|
| Number of existing Ophir Shares[1] | 575,186,914 |
| Number of New Ophir Shares to be issued pursuant to the Scheme[2] | 153,163,173 |
| Number of Ophir Shares in issue immediately following Admission[2] | 728,350,087 |
| New Ophir Shares as a percentage of the enlarged issued share capital of Ophir[2] | 21.0% |
| ISIN | GB00B24CT194 |
| SEDOL | B24CT19 |

Notes:

(1) Number of Ophir Shares as at 14 January 2015 (excludes 18,139,530 Ophir Shares held in treasury).

(2) Excluding Ophir Shares held in treasury and based on the 259,129,055 Salamander Shares in issue as at 14 January 2015 and assuming that: (i) all vested share options under the Salamander Share Schemes are exercised in full and the resulting 8,685,552 Salamander Shares are exchanged for New Ophir Shares under the Scheme (which excludes share options held by participants in Thailand and Indonesia which are proposed to be cash cancelled); (ii) there are no other issues of Salamander Shares or Ophir Shares (including under the Ophir Share Schemes) between 14 January 2015 and the Effective Date; and (iii) there are no buybacks of Ophir Shares between 14 January 2015 and the Effective Date.

# PART I – LETTER FROM THE CHAIRMAN OF OPHIR

*(incorporated in England and Wales with registered number 05047425)*

Level Four
123 Victoria Street
London SW1E 6DE

16 January 2015

Dear Shareholder,

**Proposed acquisition of Salamander Energy plc and Notice of General Meeting**

## 1. Introduction

On 24 November 2014, the Boards of Ophir and Salamander announced that they had agreed the terms of a recommended offer pursuant to which Ophir, or a wholly-owned subsidiary of Ophir, would acquire the entire issued and to be issued ordinary share capital of Salamander.

The Transaction will be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006 and that, pursuant to the terms of the Transaction, Salamander Shareholders will receive:

**for each Salamander Share 0.5719 of a New Ophir Share.**

On the basis of the Closing Price of 202.7 pence per Ophir Share on 24 October 2014 (being the last Business Day prior to the date of the announcement by Salamander on 27 October 2014 that commenced the Offer Period), the Transaction represents an indicative value for each Salamander Share of 115.9 pence per share, values the entire issued and to be issued share capital of Salamander at approximately £314 million and represents an indicative premium of approximately:

- 44.5 per cent. to the Closing Price of 80.3 pence per Salamander Share on 24 October 2014 (being the last Business Day prior to the date of the commencement of the Offer Period); and
- 31.6 per cent. to the volume weighted average Closing Price of 88.1 pence per Salamander Share for the one month period between 25 September 2014 and 24 October 2014 (being the last Business Day prior to the date of the commencement of the Offer Period).

On the basis of the Closing Price of 130.0 pence per Ophir Share on 12 January 2015 (being the latest practicable date prior to publication of the Scheme Document), the Transaction represents an indicative discount of approximately 7.4 per cent. to the Closing Price of 80.3 pence per Salamander Share on 24 October 2014 (being the last Business Day prior to commencement of the Offer Period).

On the basis of the Closing Price of 130.0 pence per Ophir Share on 12 January 2015 (being the latest practicable date prior to publication of the Scheme Document), the Transaction represents an indicative premium of approximately 23.9 per cent. to the Closing Price of 60.0 pence per Salamander Share on 12 January 2015 (being the latest practicable date prior to publication of the Scheme Document).

If the Scheme becomes Effective, Salamander Shareholders will hold approximately 21.0 per cent. of the Combined Group and Ophir Shareholders will hold approximately 79.0 per cent. of the Combined Group (in each case based on the issued ordinary share capital of Ophir and Salamander as at the Latest Practicable Date) and assuming the exercise of all outstanding options under the Salamander Share Schemes (taking into account the proposed cash cancellation for participants in Thailand and Indonesia).

The Transaction constitutes a "Class 1" transaction for the purpose of the Listing Rules, due to the size of the Transaction. Under the Listing Rules, a Class 1 transaction requires the approval of the Ophir Shareholders and, as a result, the Transaction is conditional upon the approval of the Resolution contained in the Notice of General Meeting set out at the end of this Circular (amongst other things).

The purpose of this Circular is to: (i) explain the background to and reasons for the Transaction; (ii) provide you with information about Salamander; (iii) explain why the Directors unanimously consider the Transaction to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the Ophir General Meeting.

A prospectus prepared in accordance with the Prospectus Rules, which contains further details of the Transaction and the Combined Group, has been published by Ophir today and will be available on Ophir's website (www.ophir-energy.com).

## 2. Background to and reasons for the Transaction

Ophir believes that there is compelling strategic logic for a combination of the two businesses that would substantially benefit the shareholders of both companies. The Combined Group would have a strong balance sheet, enhanced operating capability in both Africa and South East Asia, and deep expertise across key technical and commercial functions. The Combined Group has the opportunity to generate immediate operating and financial synergies across the combined portfolio. Leveraging Ophir's exploration track record and financial strength and Salamander's established Asian operating platform, the Combined Group would be well-positioned to accelerate exploration activity in Salamander's licences in offshore Thailand and in Ophir's recently acquired acreage in Myanmar and Indonesia, while continuing to pursue the significant opportunity set in South East Asia. The combination would provide shareholders with a diversified exposure to 21 production, development and exploration blocks in South East Asia, as well as to Ophir's extensive footprint in Africa.

Following completion of the Transaction, consistent with its strategy, Ophir will continue to actively manage the Combined Group's portfolio. Active management may, depending on circumstances that exist at the time, include licence applications, farm ins, farm outs and exchanges of interests.

*Platform for accelerated growth*

The Transaction forms the basis of Ophir's strategic entry into South East Asia, identified as a strategic priority by Ophir, providing it with an existing asset base and operating capability in South East Asia, including key commercial, legal and technical functions. The Transaction will also complement the transaction with Niko Resources in Indonesia announced on 27 October 2014 and the previously awarded exploration acreage offshore Myanmar.

Salamander's team has successfully brought onstream two offshore platforms on the Bualuang oilfield offshore Thailand, as well as developing the Kerendan gas field onshore Indonesia which is expected to be ready to commence production in 2015. Salamander's employees in Singapore, Thailand and Indonesia are predominantly local nationals who bring significant operational expertise as well as depth of domestic relationships across the value chain. By leveraging this established operating platform, Ophir intends to exploit the rich opportunity set that exists in the region and accelerate the successful execution of an exploration-led strategy in South East Asia.

*Production and cashflow diversifies funding*

Salamander's full year 2014 average daily production from the Bualuang and Sinphuhorm fields in Thailand was 14,200 boepd, with further production expected to come on stream in 2015 following first gas at Kerendan. Salamander's portfolio also includes a number of opportunities to add further production through the low-cost development of discovered resources, with approximately 93 MMboe 2C contingent resources potentially convertible to 2P reserves in the near-term.

Salamander's base business is highly cash generative with the portfolio breaking even (on an operating cash flow basis) at an oil price of US$15 per barrel. Over the period between 2011 and 2013 Salamander's post-tax operating cash flow averaged US$217 million on average production of 14,500 boepd. At the same time the post-tax cash margin increased from US$29 per boe to US$58 per boe in a flat oil price environment. As production is anticipated to grow towards 20,000 boepd over the coming years, Ophir plans to use its strong balance sheet position to continue generating material cash flow from the underlying assets.

This cash flow can be reinvested in Ophir's proven business model, namely that of exploration/appraisal and continued monetisation of exploration/appraisal success. This diversification of Ophir's funding strategy significantly enhances the long-term sustainability of the Combined Group's business.

The Combined Group is expected to have capital expenditure of US$300-350 million in 2015.

*Attractive exploration opportunities*

Salamander has received conditional environmental impact assessment approvals to commence drilling in the G4/50 concession in the Gulf of Thailand in 2015. This licence contains highly prospective acreage including 20 identified prospects with aggregate prospective resources of approximately 200 MMboe (gross). G4/50 is adjacent to Salamander's Bualuang oil development, implying rapid, highly-economic development options in the event of exploration success. Ophir currently intends to drill up to three wells on G4/50 in 2015. High-value, near-term step-out exploration opportunities also exist on the blocks surrounding Salamander's Sinphuhorm and Kerendan gas fields, with the development of Kerendan anticipated to add approximately 9,000 boepd of incremental production by 2019.

The Combined Group, including the assets Ophir has agreed to acquire from Niko Resources in Indonesia, will have a diversified exploration footprint in South East Asia, with a combination of frontier and proven basins consisting of 17 exploration blocks and approximately 64,300 km$^2$ of net acreage. The Combined Group will have a regional exploration portfolio, consisting of 41 currently mapped prospects totalling over 3.3 bnboe of unrisked prospective resources (currently expected to consist of 80 per cent. oil), which are expected to generate at least six high quality drilling opportunities annually over the coming years.

*Synergies*

The Ophir Board estimates that, as a result of the Transaction, the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately US$12 million which are expected to be delivered in full in the financial year ending 31 December 2016.

Cost synergies have been identified in the following areas:

- Duplication of corporate costs and functional overheads in London HQ (approximately US$8.5m), including rationalisation of overlapping senior management headcount, back office functions and reduction of office costs and general overhead costs. Approximately US$5.2 million of these costs relate to the rationalisation of overlapping headcount and US$3.3 million of these costs relate to other costs; and
- Duplication of functional overheads in Asia (approximately US$3.5 million), including rationalisation of overlapping headcount in back office roles and reduction of office costs and general overhead costs. Approximately US$3.1 million of these costs relate to rationalisation of overlapping headcount and US$0.4 million of these costs relate to other costs.

Assuming that the Transaction completes in the first quarter of 2015, the Ophir Board expects that the Combined Group will realise approximately 60 per cent. of these synergies in financial year ending 31 December 2015 and 100 per cent. in the financial year ending 31 December 2016.

It is expected that the realisation of these synergies will incur one-off implementation costs of US$9 million in the financial year ending 31 December 2015. The Ophir Directors do not anticipate any material dis-synergies to arise as a consequence of the Transaction.

The quantified synergies are contingent on the Transaction becoming Effective and will accrue as a direct result of the Transaction and would not be achieved on a standalone basis.*

### 3. Information on Salamander and the Salamander Group

Salamander is listed on the Official List of the London Stock Exchange and its shares were admitted to trading on 5 December 2006.

Salamander is a South East Asian-focused independent exploration and production company headquartered in London (England) and with a number of operated licences in Thailand, Indonesia and Malaysia. The Salamander Group's strategy has been to build a portfolio of hub positions in South East Asia, each with an operated anchor asset to which value can be added (either through development or commercialisation) and with both low risk exploration potential nearby, as well as opportunities to further build each position through business development in the same geological basin.

Salamander typically holds operatorship and controls the scale, scope and pace of implementation of the work programme across its asset base. Since inception, Salamander has built a balanced portfolio including:

- two producing blocks, both with further development opportunities;
- one development asset;
- four discoveries currently contemplated for appraisal and development; and

* These statements of estimated cost synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost synergies referred to may not be achieved, or those achieved could be materially different from those estimated. Neither these statements nor any other statement in this document should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Transaction, or in any subsequent period, would necessarily match or be greater than or be less than those of Ophir and/or Salamander for the relevant preceding financial period or any other period.

- an inventory of exploration leads and prospects.

As of 1 January 2014, Salamander had net proved and probable (2P) reserves of 65.3 MMboe and 121 MMboe of contingent (2C) resources.

Salamander's high quality portfolio consists of four core asset hubs:

- Greater Bualuang (oil, offshore Gulf of Thailand);
- Greater Kerendan (gas, onshore Central Kalimantan in Indonesia);
- North Kutei (oil and gas, onshore and offshore East Kalimantan in Indonesia); and
- Block PM-322 (oil, offshore Malacca Strait in Malaysia).

These production and development hubs are supplemented by additional assets elsewhere in the South East Asia region, such as the onshore Thailand gas producing Sinphuhorm field.

The executive directors of Salamander are James Menzies (Chief Executive Officer), Michael Buck (Chief Operating Officer) and Jonathan Copus (Chief Financial Officer).

Salamander achieved revenues of US$482 million in the year ended 31 December 2013, with 94 per cent. of these revenues originating from the production of oil. As of 31 December 2013, Salamander had total assets exceeding US$1.36 billion and for the 12 months ended 31 December 2013 incurred a net loss of US$120 million.

As at the Latest Practicable Date, Salamander directly employed 204 employees.

On 28 August 2014, Salamander released its interim results for the half year ended 30 June 2014. The performance of the Salamander Group was described in the Chief Executive's statement as follows:

***Operational***

- average daily production 11,800 boepd (1H 2013: 14,900 boepd), reflecting production downtime at the start of the year which reduced output by 2,800 boepd during the period;
- West Kerendan discovery takes the Kerendan field to over 1 tcf gas in place;
- construction of the Kerendan gas processing facilities is now more than 70 per cent. complete;

***Financial***

- pre-tax operating cash flow of US$115.2 million (first half of 2013: US$147.0 million);
- pre-tax profit of US$66.4 million (first half of 2013: US$10.3 million);
- post-tax loss of US$27.9 million (first half of 2013: US$86.1 million loss);
- net debt as at 30 June of US$401.0 million (for financial year 2013: US$259.9 million) with cash and funds of US$154.1 million (for financial year 2013: US$265 million);

Since the issue of Salamander's interim results for the six months ended 30 June 2014, the following developments have been announced:

- on 21 July 2014, it was announced that Salamander signed the SONA SPA to dispose of an effective 40 per cent. working interest in the B8/38 concession containing the Bualuang oil field and the surrounding G4/50 concession, both located in the Gulf of Thailand (decreasing Salamander's 100 per cent. interest to 60 per cent. post completion of the transaction);
- on 18 August 2014, it was announced that Salamander had completed the drilling of the North Kendang-2 exploration well ('NK-2') in the South East Sangatta PSC (in which Salamander has a 100 per cent. interest). The well successfully encountered two hydrocarbon bearing intervals however the volume of hydrocarbons encountered was considered to be sub-commercial and has been plugged and abandoned;
- on 19 August 2014, it was announced that first oil had been received in the tanks of the newly converted Suksan Salamander FSO at the Bualuang field in the Gulf of Thailand; and
- on 22 September 2014, it was announced that Salamander's 'Environmental Impact Assessment' ('EIA') for exploration drilling in the G4/50 concession, located in the Gulf of Thailand (in which Salamander has a 100 per cent. interest), had been granted conditional approval.

Additionally, on 14 January 2015, Salamander released a corporate trading update which included the following key information:

- average daily production for 2014 was 14,200 boepd, with Bualuang and Sinphuhorm oil fields producing record high annual rates;

- unaudited net debt as at 31 December 2014 of US$380 million with cash and funds of US$118 million;
- the completion of infrastructure upgrades at the Bualuang field had occurred in August 2014, significantly reducing costs (with Salamander on track to deliver targeted US$25 million annual reductions in operating costs) and extending the field's operating life;
- further progress on the construction of the Kerendan gas processing facilities, had been made and the facility was stated to be nearing completion;
- an expectation that renegotiations of the Kerendan gas sales agreement with PT PLN (Persero), the Indonesian State Power Company, would complete during the first quarter of 2015 on more favourable terms.

Salamander's corporate trading update also announced that Salamander and SONA intend to terminate by mutual agreement the SONA SPA. Once terminated with the consent of Ophir, such termination will satisfy the SONA Condition to the Transaction. Salamander also noted that in SONA's press release to its shareholders on 14 January 2015, SONA stated that it remains interested in acquiring a stake in the Greater Bualuang Area and intends to approach either Ophir or Salamander regarding a revised transaction post their respective shareholder meetings on 6 February 2015.

## 4. Effects of the Transaction

As a result of, and following Completion of, the Transaction, Ophir expects to consolidate Salamander's assets and liabilities. The Transaction will, accordingly, result in an increase in earnings of Ophir as Ophir does not currently have any earnings and Salamander does.

Following the Effective Date, the Combined Group is expected to have net 2C resources of 1,152 mmboe (an increase to Ophir's current net 2C resources, which the Ophir Directors estimate to be 1,031 mmboe, and based on Salamander's net 2C resources as at 1 January 2014). Ophir's current portfolio does not contain any production and therefore the Combined Group's production will, following the Effective Date, be based upon Salamander's existing production, which averaged 14,200 boepd for the full year 2014.

The above statements should not be construed as a profit forecast or be interpreted to mean that the future earnings per share, profits, margins or 2C resources of Ophir or the Combined Group after the Effective Date will be necessarily greater or less than the historic published earnings per share, profits, margins or 2C resources of Ophir and Salamander prior to the Effective Date.

## 5. Strategy of the Combined Group

The key elements of Ophir's strategy for the Combined Group are set out below.

***Value creation through exploration***

- Early stage, low-cost entry to significant operated acreage positions, often in underexplored basins and with minimal work commitments.
- Operate seismic and drilling phases, apply Ophir's in-house expertise to key decisions in the exploration process.
- Discover material commercial oil or gas resources where value can be optimised.

***Optimise value proposition through active portfolio management***

- Highest returns generated through exploration success.
- Monetise exploration success at optimal point on the value curve, according to broader industry conditions and dynamics, via sale, commercialisation or through a combination of both. In line with its strategy, Ophir also intends to continue to consider further acquisitions and disposals (particularly in light of the current period of oil price volatility and the associated opportunities within the industry) and Ophir is considering, and is in ongoing discussions regarding, potentially farming out all or part of the interests that it holds in Blocks 1, 3 and 4 Tanzania.
- Recycle proceeds to deliver sustained, consistent high-impact exploration activity, a cash generative production base and returns to shareholders.

***Development of operating capability***

- Flexibility to pursue the development of select projects where this creates optimal value for shareholders.
- Enhance Ophir's negotiating position in potential monetisation discussions and enable Ophir to decide optimal point of exit in the context of the market conditions.
- Broaden Ophir's opportunity set in focus areas of Africa and South East Asia.

***Diversified sources of funding***

- Aim to internally fund core exploration activities from operating cash flows.
- Apply prudent levels of debt financing where appropriate.
- Maintain balance sheet strength and flexibility and further enhance through select asset monetisations.

***Capital discipline and returns***

- Only allocate capital to highest return opportunities following rigorous risk/reward analysis.
- Manage risk profile through portfolio diversification, farm outs, exits.
- Focus on cash balances and cost management.
- Generate excess cash to enable capital returns to shareholders over time.

## 6. Structure of the Transaction

The Transaction, which will be implemented by way of the Scheme, is subject to the Conditions and further terms set out in Part 3 of the Scheme Document (although Ophir reserves the right to implement the Transaction by way of an Offer).

Pursuant to the Transaction, Salamander Shareholders will receive:

**for each Salamander Share** **0.5719 of a New Ophir Share.**

The purpose of the Scheme is to provide for Ophir to become the holder of the entire issued and to be issued ordinary share capital of Salamander. This is to be achieved by the cancellation of the ordinary shares of Salamander and the application of the reserve arising from such cancellation in paying up in full a number of new Salamander Shares (which is equal to the number of ordinary shares cancelled), and issuing the same to Ophir. In consideration for this, the Salamander Shareholders will receive the New Ophir Shares on the basis set out above.

To become effective, the Scheme must be approved by a majority in number of the Scheme Shareholders present and voting at the Court Meeting, either in person or by proxy, representing at least 75 per cent. in value of the Scheme Shares voted by those Scheme Shareholders. The Scheme also requires the passing at the Salamander General Meeting of a special resolution necessary to implement the Scheme and approve the related Capital Reduction. The Scheme must also be sanctioned by the Court and the associated Capital Reduction must be confirmed by the Court in each case at the relevant court hearings.

The Conditions and further terms set out in Part 3 of the Scheme Document include, among other things:

- the approval of the Scheme and related resolutions by Salamander Shareholders at the Court Meeting and the Salamander General Meeting;
- the Scheme becoming unconditional and effective and being sanctioned by the Court subject to the Takeover Code, by no later than 11.59 p.m. on 30 June 2015 or such later date (if any) as Ophir and Salamander may agree and the Panel and the Court may allow;
- the passing of the Resolution by Ophir Shareholders at the Ophir General Meeting; and
- the UK Listing Authority having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Ophir Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the

London Stock Exchange having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the New Ophir Shares will be admitted to trading on the London Stock Exchange's main market for listed securities.

The Transaction is also conditional upon: (a) the SONA SPA being terminated by SEPT and SONA or, with the prior consent of Ophir, by Salamander and SEBHL, in each case in accordance with the relevant provisions of the SONA SPA; (b) with the prior consent of Ophir, the SONA SPA being terminated by agreement of the parties to the SONA SPA otherwise than in accordance with the relevant provisions of the SONA SPA; or (c) Salamander Shareholders not passing any SONA Disposal Shareholder Approval Resolution and the proposed SONA Disposal subsequently being terminated. Ophir also has the right to waive this Condition.

On 14 January 2015, Salamander and SONA announced their intention to terminate the SONA SPA on mutually acceptable terms (subject to finalisation of the documentation to effect such termination and, in Salamander's case, the consent of Ophir). The formal agreement to terminate the SONA SPA (and related transaction documentation) is expected to be finalised after the latest practicable date prior to the posting of this document and a public announcement by Salamander will be made when such agreement is concluded. Once terminated with the consent of Ophir, such termination will satisfy the SONA Condition.

In circumstances where the termination agreement in respect of the SONA SPA is not concluded, and in light of the unanimous recommendation of the Salamander Directors to Salamander Shareholders to vote in favour of the Transaction, Salamander would defer any further action seeking Salamander Shareholder approval of the SONA Disposal until after the results of the Ophir General Meeting, expected to be held at 11:00 a.m. on Friday 6 February 2015. Assuming the respective shareholders of Ophir and Salamander both vote in favour of the Transaction, in conjunction with Ophir, Salamander would then decide the most appropriate means by which the SONA Condition would be satisfied.

The Transaction can only become Effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived (including any waiver of the condition in respect of the termination of the SONA Disposal). If any Condition is not capable of being satisfied by the date specified therein, Ophir shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by no later than 8.00 a.m. on the Business Day following the date so specified, stating whether Ophir has invoked that Condition, waived that Condition or, with the agreement of Salamander, specified a new date by which that Condition must be satisfied.

Once the necessary approvals from Salamander Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived, the Scheme must be approved by the Court. The Scheme will then become effective upon delivery of the Scheme Court Order(s) to the Registrar of Companies. Subject to satisfaction (or waiver) of the Conditions, the Scheme is expected to become effective in the first quarter of 2015.

The Scheme will lapse if:

- the Court Meeting and the Salamander General Meeting are not held on or before 28 February 2015 (or such later date as may be agreed between Ophir and Salamander);
- the Court sanction hearing to approve the Scheme is not held on or before 19 March 2015 and if the Court hearing to confirm the Capital Reduction is not held on or before 24 March 2015 (or such later dates as may be agreed between Ophir and Salamander); or
- the Scheme does not become effective by 11.59 p.m. on 30 June 2015 (or such later date as may be agreed between Ophir and Salamander and the Panel and the Court may allow),

provided however that the deadlines for the timing of the Court Meeting, the Salamander General Meeting and the Court hearing to approve the Scheme as set out above may be waived by Ophir, and the deadline for the Scheme to become effective may be extended by agreement between Salamander and Ophir. Ophir has agreed with Salamander that the Ophir General Meeting will be scheduled so as to be held before, but on the same date as, the Court Meeting and the Salamander General Meeting.

Upon the Scheme becoming effective, it will be binding on all Salamander Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Salamander General Meeting.

A summary of the Scheme Document and certain other Transaction-related agreements is set out in Part III (Summary of the Scheme and other Offer-related Arrangements).

Ophir has also reserved the right to elect to implement the Transaction by way of a takeover offer (as such term is defined in section 974 of the Companies Act 2006). In such event, the takeover offer will be implemented on substantially the same terms as those which would apply to the Scheme (subject to appropriate amendments, including (without limitation), and if agreed with the Panel, the inclusion of an acceptance condition set at 90 per cent. of the shares to which such offer relates or such lesser percentage, being more than 50 per cent., as Ophir may decide).

The issue of New Ophir Shares will be made pursuant to the authority granted to the Directors at the AGM on 21 May 2014.

## 7. Management, employees and locations

Ophir attaches great importance to the skills and experience of the existing management and employees of Salamander and believes that they will benefit from enhanced career and business opportunities within the Combined Group.

Ophir has given assurances to the Salamander Directors that, following completion of the Transaction, the existing employment rights, including pension rights, of all Salamander Group employees will be observed at least to the extent required by applicable law.

*Salamander Management*

The Salamander Executive Directors will resign as Salamander Directors with effect from completion of the Transaction and, in order to avoid duplication of roles, the chief executive officer and the chief financial officer of Salamander will be leaving upon or shortly after completion of the Transaction. Michael Buck (the current chief operating officer of Salamander) will remain with the Combined Group for a period after completion of the Transaction to help ensure a seamless and efficient integration of the two companies.

Dr Carol Bell, a current non-executive Director of Salamander will join the Ophir Board as a nonexecutive director with effect from the completion of the Transaction. The other Salamander nonexecutive Directors intend to resign as Salamander Directors with effect from completion of the Transaction.

Both Mr Buck and Dr Bell have considerable oil and gas industry experience, both in South East Asia and internationally. Mr Buck spent 20 years with LASMO plc, as a geophysicist in the UK and Indonesia, chief geophysicist in Colombia, Exploration Manager in Vietnam, and Exploration and nGeneral Manager in Libya; and subsequently spent four years with ENI as Country Manager for Pakistan and Managing Director for ENI, Iran. Dr Bell has been a non-executive director of Salamander since January 2012 and was previously a Managing Director of Chase Manhattan Bank's Global Oil & Gas Group and is currently a non-executive director of Petroleum Geo-Services ASA and two listed holding companies in the Fred Olsen Group, Bonheur ASA and Ganger Rolf ASA.

*South East Asia – operating business*

In conjunction with the recently announced transaction with Niko Resources, the Transaction provides Ophir with an enhanced operating capability in the region and Ophir intends to achieve operational and administrative synergies but does not expect this to impact the operational effectiveness and performance of the business.

A review of Salamander's operations is currently being undertaken. Although it is not anticipated that this will result in any significant restructuring, the review comprises a detailed strategic and operational evaluation of the Salamander business to identify opportunities arising from the expanded business, team alignment and other synergies with Ophir's existing business and the implication of oil price volatility. Ophir anticipates that a significant proportion of Salamander's employees in the region will be retained in the business.

Ophir intends to maintain the principal locations of the Salamander Group's operating business in South East Asia.

*South East Asia – Salamander regional head office in Singapore*

Following completion of the Transaction, Ophir intends to transfer some of the functions currently performed by personnel in Salamander's regional head office in Singapore to personnel in Ophir's regional office in Perth. Ophir intends to retain a smaller presence in Singapore and this is likely to involve the loss of twelve roles (including contractor roles) in the Singapore office.

*London Head Office*

Following completion of the Transaction, Ophir intends to operate one London head office for the Combined Group. This will result in the integration of the head office functions of both Salamander and Ophir into Ophir's head office in order to achieve efficiencies in respect of the Combined Group's administrative functions. There are currently ten employees and one contractor (other than Salamander Executive Directors) employed in Salamander's head office and, subject to any necessary consultation, the process of integration is likely to result in a reduction of this headcount by nine.

*Enhanced Redundancy Arrangements*

Salamander employees operating at below board level who are made redundant within the first 12 months of completion of the Transaction will be entitled to an enhanced redundancy payment of a minimum of one month for every year of service subject to the affected individuals entering into legally binding settlement agreements.

*Impact on Ophir*

Following completion of the Transaction, Ophir intends to undertake a review of its existing structure, in light of the increased size of the organisation. This may have an impact on some roles within Ophir.

## 8. De-listing of Salamander

Dealings in Salamander Shares on the London Stock Exchange are currently expected to cease at 7.30 a.m. on 2 March 2015 and no transfers of Salamander Shares will be registered after this time. After 7.30 a.m. on 2 March 2015, there will be no dealings in Salamander Shares. Prior to the Effective Date, Salamander will apply to the FCA for the listing of the Salamander Shares to be cancelled and for the Salamander Shares to cease to be admitted to trading on the London Stock Exchange's main market for listed securities. Such cancellation is expected to take effect on 3 March 2015. On that date, share certificates in respect of Salamander Shares will cease to be valid and entitlements to Salamander Shares held within the CREST system will be cancelled.

On the Effective Date, Salamander will become a wholly-owned subsidiary of Ophir and share certificates in respect of Salamander Shares will cease to be valid and entitlements to Salamander Shares held within the CREST system will be cancelled.

If the Transaction is effected by way of a takeover offer, it is anticipated that the cancellation of Salamander's listing on the Official List and admission to trading on the London Stock Exchange's market for listed securities will take effect no earlier than 20 Business Days following the date on which the Transaction becomes or is declared unconditional in all respects provided Ophir has attained 75 per cent. or more of the voting rights of Salamander.

## 9. Listing, dealings and settlement of the New Ophir Shares

An application will be made to each of the UK Listing Authority and the London Stock Exchange, respectively, for the New Ophir Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Ophir Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date (currently expected to be 3 March 2015).

## 10. Related party transactions

Within the 12 months prior to the Latest Practicable Date, SailingStone Capital Partners LLC ("SailingStone") held Ophir Shares representing more than 10 per cent. of the issued ordinary share capital of Ophir and currently hold 34,538,066 Salamander Shares. As a result, the acquisition of SailingStone's Salamander Shares is classified as a related party transaction under the Listing Rules. Due to the size of SailingStone's holding, the acquisition by Ophir of SailingStone's Salamander Shares is a "smaller related party transaction" under Listing Rule 11.1.10, the impact of which is that Ophir was required under the Listing Rules to make an announcement of the smaller related party transaction and to obtain a sponsor's written confirmation that the arrangements are fair and reasonable as far as Ophir's shareholders are concerned. The announcement was made on 16 January 2015. Under the Listing Rules, a separate vote of Ophir's independent shareholders will not be required in connection with the smaller related party transaction.

Furthermore, as at the Latest Practicable Date, Dr Nicholas Cooper (a Director of Ophir) held or is interested in 851,600 Salamander Shares. As a result of the size of Dr Nicholas Cooper's holding, the acquisition by Ophir of Dr Nicholas Cooper's Salamander Shares is a small related party transaction and, therefore, the related party transaction rules in the Listing Rules do not apply although the acquisition of such shares pursuant to a takeover offer would constitute an acquisition from a director for the purposes of section 190 of the Companies Act 2006 and approval of such acquisition is therefore being sought in the Resolution.

As at the Latest Practicable Date, Tony Rouse, the Director of Finance and a senior manager of Ophir held or was interested in 185,953 Salamander Shares and also held up to 236,654 options under the Salamander Share Schemes that vest, subject to performance criteria, in May 2015 and up to 190,903 options under the Salamander Share Schemes that vest, subject to performance criteria, in April 2016. Tony Rouse is not an Ophir Director and therefore the acquisition of Tony Rouse's Salamander Shares is not a related party transaction.

## 11. General Meeting

Implementation of the Transaction is conditional upon the passing of the Resolution at the Ophir General Meeting. You will find set out at the end of this Circular a notice convening a General Meeting to be held at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ at 11.00 a.m. on 6 February 2015 at which the Resolution will be proposed to approve the Transaction.

The Resolution, which will be proposed as an ordinary resolution, proposes that the Transaction be approved as a Class 1 transaction, that if the Transaction is implemented by way of a takeover offer the acquisition of Salamander Shares from Nick Cooper be approved for the purposes of section 190 of the Companies Act 2006, and the Ophir Directors be authorised to implement the Transaction.

## 12. Action to be taken

You will find enclosed a Form of Proxy for use at the Ophir General Meeting. Whether or not you intend to be present at the Ophir General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and, in any case, so as to be received by post or (during normal business hours only) by hand at the offices of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA (or, should Shareholders prefer, in an envelope addressed to FREEPOST RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, LANCING, BN99 8LU) by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days. Shareholders may, if they so wish, submit their proxies electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Numbers set out in the Form of Proxy, by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Ophir General Meeting by following the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST proxy instruction must be transmitted in accordance with the procedures described in the CREST Manual so that it is received by the issuer's agent (ID: RA19) by no later than by the latest time for receipt of proxy appointments specified above.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 11.00 a.m. on 4 February 2015. No message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Completing and returning a Form of Proxy or electronic proxy appointment or completing and transmitting a CREST Proxy Instruction will not prevent a member from subsequently attending and voting at the Ophir General Meeting in person if they so wish.

### 13. Further information

Your attention is drawn to the further information contained in Parts II to IX of this Circular and, in particular, to the Risk Factors in Part II.

### 14. Recommendation

**The Board, which has received financial advice from Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited, considers the Transaction to be in the best interests of the Ophir Shareholders as a whole. In providing advice to the Board, Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited have relied on the Board's commercial assessment of the Transaction.**

**The Board considers the Transaction to be in the best interests of the Shareholders as a whole and, accordingly, the Board unanimously recommends Ophir Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 1,123,801 Ophir Shares, representing approximately 0.195 per cent. of the Company's existing issued ordinary share capital as at the Latest Practicable Date.**

Yours faithfully

**Nicholas Smith**
*Chairman*

# PART II – RISK FACTORS

*Prior to making any decision to vote in favour of the proposed Resolution at the Ophir General Meeting, Ophir Shareholders should carefully consider, together with all other information contained in this document, the specific factors and risks described below. All material risks relating to the Transaction of which the Board is aware are disclosed, although these risk factors should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks of which the Board is not aware or which it believes to be immaterial which may have an adverse effect on the business, financial condition, results or future prospects of the Combined Group after the Effective Date. Due to the fact that the Ophir Group's and the Salamander Group's respective operations are of a similar nature in many respects, the risks set out below (other than those relating to the Transaction itself) will not be new risks for the Ophir Group which arise only on completion of the Transaction. Rather, the potential impact of existing risk factors will be materially increased (in absolute terms) from completion, as a result of the enhanced scale of the operations of the Combined Group.*

*The information given is as of the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Disclosure and Transparency Rules, the Takeover Code or any other law or regulation will not be updated.*

**Part A: Risks relating to the Transaction**

**Conditions to the Transaction**

The Transaction is subject to the satisfaction of a number of Conditions (which are set out in Part 3 of the Scheme Document) and further terms which are summarised below:

- the approval of the Scheme and related resolutions by Salamander Shareholders at the Court Meeting and the Salamander General Meeting;
- the Scheme becoming unconditional and effective and being sanctioned by the Court subject to the Takeover Code, by no later than 11.59 p.m. on 30 June 2015 or such later date (if any) as Ophir and Salamander may agree and the Panel and the Court may allow;
- the passing of the Resolution by Ophir Shareholders at the Ophir General Meeting; and
- the UK Listing Authority having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Ophir Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the New Ophir Shares will be admitted to trading on the London Stock Exchange's main market for listed securities.

The Transaction is also conditional upon: (a) the SONA SPA being terminated by SEPT and SONA or, with the prior consent of Ophir, by Salamander and SEBHL, in each case in accordance with the relevant provisions of the SONA SPA; (b) with the prior consent of Ophir, the SONA SPA being terminated by agreement of the parties to the SONA SPA otherwise than in accordance with the relevant provisions of the SONA SPA; or (c) Salamander Shareholders not passing any SONA Disposal Shareholder Approval Resolution and the proposed SONA Disposal subsequently being terminated. Ophir also has the right to waive this Condition.

The Transaction can only become Effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived (including any waiver of the condition in respect of the termination of the SONA Disposal). If any Condition is not capable of being satisfied by the date specified therein, Ophir shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by no later than 8.00 a.m. on the Business Day following the date so specified, stating whether Ophir has invoked that Condition, waived that Condition or, with the agreement of Salamander, specified a new date by which that Condition must be satisfied.

There is no guarantee that these (or any other) Conditions will be satisfied (or waived, if applicable). Failure to satisfy any of the Conditions may result in the Transaction not being completed, which would mean that costs of between £6,380,000 and £7,700,000 million in relation to the issue of this Circular, the Prospectus and to the negotiation, preparation and implementation of the Transaction will have been incurred by the Company with none of the potential benefits of the Transaction having been achieved. It would also mean that management's time spent in connection with the

Transaction, which could have otherwise been spent in connection with other aspects of the Ophir Group's business, will not have been spent productively.

**Even if a material adverse change to the Salamander Group's business or prospects was to occur, in certain circumstances, Ophir may not be able to invoke the Conditions and terminate the Transaction, which could reduce the value of Ophir Shares**

Completion of the Transaction is also subject to there being no material adverse change affecting the Salamander Group before the Scheme is sanctioned by the Court. However, under the Takeover Code, except in limited circumstances, Ophir may only invoke a condition to the Transaction to cause the Transaction not to proceed if the Panel is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to Ophir in the context of the Transaction.

If a material adverse change affecting the Salamander Group were to occur and the Panel did not allow Ophir to invoke a condition to cause the Transaction not to proceed, and the other Conditions are satisfied (including the Ophir Shareholders passing the Resolution at the Ophir General Meeting) the market price of Ophir Shares or the Combined Group's business or financial condition may be materially adversely affected.

**Business growth opportunities, cost savings and synergies achieved may differ from those anticipated**

While Ophir believes that the business growth opportunities, cost savings and synergies expected to arise from the Transaction have been reasonably estimated, unanticipated events or liabilities may arise which result in a delay or reduction in the benefits derived from the Transaction, or in costs significantly in excess of those estimated.

The Combined Group may also face challenges with the following: redeploying resources in different areas of operations to improve efficiency; minimising the diversion of management attention from ongoing business concerns; and addressing possible differences between the Ophir Group's business culture, processes, controls, procedures and systems and those of the Salamander Group. Additionally, the Transaction might affect the relationship that the Ophir Group and/or the Salamander Group have with suppliers, third party service providers and joint venture partners, and affect the performance and/or potential growth opportunities.

Under any of these circumstances, the business growth opportunities, cost savings and other synergies anticipated by the Ophir Group to result from the Transaction may not be achieved as expected, or at all, or may be delayed materially. To the extent that the Combined Group incurs higher integration costs or achieves lower synergy benefits than expected, its and the Combined Group's results of operations, financial condition and/or prospects, and the price of New Ophir Shares, may be adversely affected.

**The Combined Group's future prospects may, in part, be dependent on effective integration of the Ophir Group and the Salamander Group, including with respect to key employees and operational systems**

The Combined Group's future prospects may, in part, be dependent upon the Combined Group's ability to integrate the Ophir Group and the Salamander Group successfully and any other businesses that it may acquire in the future without material disruption to the existing business including as a result of the integration of operational systems. The performance of the Combined Group in the future will, amongst other things, also depend on the successful integration and motivation of key employees from both the Ophir Group and the Salamander Group. It is possible that failure to retain certain individuals during the integration period will affect the ability to integrate the Ophir Group and the Salamander Group successfully into the Combined Group and could have a material adverse effect on the Combined Group's results of operations, financial conditions and/or prospects. This risk factor should not, however, be interpreted as suggesting in any way that the Combined Group will not have in place adequate systems and controls with respect to the monitoring of its financial position and prospects.

**Part B: Risks relating to the Combined Group following Completion**

**Exploration activities may not result in the discovery of commercially recoverable oil and/or gas**

Although the Salamander Group currently has two producing assets, following Completion the Combined Group's total reserves and resources will also consist of contingent resources, which have not been determined to be commercially recoverable and prospective resources, which have not been discovered or determined to be commercially recoverable.

Accordingly, the success of the Combined Group following Completion will still depend on its ability to acquire, find, develop and/or commercially exploit resources and reserves. Exploration and development activities are capital intensive and their successful outcome cannot be assured. Following Completion, the Combined Group will undertake exploration activities with no guarantee that such expenditure will result in the discovery of commercially recoverable oil or gas.

There is a long lead time between discovery and production of oil and gas, particularly for gas. During this long lead time, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may incur significant costs at a level which may be difficult to predict. It will also have exposure to many of the risk factors described below, and may become exposed to additional risks not currently envisaged. These risks may individually or collectively diminish the returns obtainable by the Ophir Group, the Salamander Group and, following Completion, the Combined Group in relation to any discovery or even the ability to realise any value from the discovery at all, which may have a material adverse effect on the business, prospects, financial position and results of operations of the Ophir Group, the Salamander Group and, following Completion, the Combined Group.

**The Salamander Group's revenues, profitability and cash flows are, and following Completion, the Combined Group's revenues, profitability and cash flows will be, concentrated in a small number of producing assets**

The large majority of the Salamander Group's existing production capabilities are linked to the Bualuang field. As a result, the Salamander Group is, and following completion the Combined Group will be, exposed disproportionately to the impact of localised events or circumstances. Such adverse conditions could include delays or interruptions to production from wells caused by transportation capacity constraints, scarcity of equipment, facilities, personnel or services, political or social unrest, significant adverse governmental regulation, natural disasters, adverse weather conditions, wars or terrorist attacks. The concentrated nature of this asset portfolio results in such conditions having a relatively greater impact on the Combined Group's results of operations than they might have if the Combined Group had a more diversified portfolio of production assets with wider geographic exposure.

**Oil and gas prices have recently declined considerably, which has had, and may continue to have, a significant impact on the Ophir Group, the Salamander Group and, following Completion, the Combined Group**

Oil and gas prices are subject to volatility due to a variety of factors beyond the Ophir Group's and the Salamander Group's control. Factors affecting crude oil prices include supply and demand fundamentals, economic outlooks and production quotas set by the Organization of Petroleum Exporting Countries ("OPEC") and political events. Over the past six months, as a result of factors including weaker outlook for global demand growth combined with excess supply, oil prices worldwide have been subject to significant volatility and have fallen significantly and there can be no assurance that a recovery in oil prices will be forthcoming. Lower oil prices may reduce the economic viability of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's operations and proposed operations and materially adversely affect their prospects, financial condition and results of operations.

In particular, the Salamander Group's revenues, profitability, cash flows and rate of growth depend substantially on the prices at which it sells its natural gas, crude oil and condensate. Prices for substantially all of the Salamander Group's crude oil and condensate are set by reference to international benchmark oil prices, in particular the Dubai Crude (Fateh) benchmark ("Dubai Crude Price"), which has fallen 54 per cent. from US$102 to US$47 since the beginning of September 2014 to the Latest Practicable Date. Consequently, the decline in the Dubai Crude Price has adversely impacted the Salamander Group's revenue and cash generated from operating activities and, following Completion, may similarly impact the Combined Group.

Similarly, all of the Salamander Group's natural gas that is sold in Thailand and Indonesia, is and will be sold respectively into the domestic markets pursuant to existing long-term contracts. These existing natural gas contracts either provide for a fixed price with a 3.0 per cent. increase every three years or set prices based on a formula linked to the Singapore price for high sulphur fuel oil 180 CST ("High Sulphur Fuel Oil Price"), as published in the Price Average Supplement of Platts Oilgram Price Report, which generally moves in line with global spot oil prices. Consequently, the prices at which, following Completion, the Combined Group will sell natural gas under the Salamander Group's existing natural gas contracts will not reflect any subsequent increases in the market price of natural gas in South East Asia.

The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's ability to produce economically from a field will be determined, in large part, by the difference between the revenue received for natural gas, crude oil and condensate produced by the Ophir Group, the Salamander Group or, following Completion, the Combined Group or at fields in which it holds an interest and the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's operating costs, taxation costs, royalties and costs incurred in transporting and selling its natural gas, crude oil and condensate. Therefore, lower natural gas or crude oil prices may reduce the amount of natural gas, crude oil and condensate that the Ophir Group, the Salamander Group or, following Completion, the Combined Group or operators of the fields where it holds an interest are able to produce economically or may reduce the economic viability of the production levels of specific wells or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production. This could, in turn, result in a reduction in the reserves and resources to the extent certain fields are no longer economically viable to develop. Any reduction in reserves and resources and/or any curtailment in the overall production volumes of the Ophir Group, the Salamander Group or, following Completion, the Combined Group or at fields in which the Ophir Group, the Salamander Group or, following Completion, the Combined Group holds an interest due to a decline in natural gas, crude oil prices could result in a reduction in the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's net profit or increase in net losses, and impair its ability to make planned capital expenditures in the longer term and to incur costs that are necessary for the development of the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's fields, any of which could materially adversely affect the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

Many of the Ophir Group's, and a small number of the Salamander Group's, existing contracts (including the long term contracts described above) were entered into during a period when oil and gas prices were high, and the commercial terms required by national governments and contractors reflected elevated price expectations, therefore these contracts may have been entered into on more favourable terms than may be available in future licence rounds.

In order to partially mitigate the risks inherent in fluctuations in oil prices, the Salamander Group has, at times, entered into hedging arrangements and the Ophir Directors intend to continue such arrangements where appropriate. The Salamander Group's hedging programme only covers a portion of its oil and condensate production for a limited period of time, and there can be no assurance that the Salamander Group or, following Completion, the Combined Group will continue to receive the same prices for crude oil and/or condensate as it currently receives or historically has received. If prices for the Salamander Group's or, following Completion, the Combined Group's crude oil or condensate fall below current levels and/or if the Combined Group's overall production volumes are curtailed as a result of a decline in oil prices, this could materially adversely affect the Combined Group's business, results of operations, financial condition and prospects.

Should oil or gas prices significantly increase in the longer term a national government or third party contractor may want to change its commercial terms with the Ophir Group or the Salamander Group or, following Completion, the Combined Group. As a result of the jurisdictions in which the Ophir Group and the Salamander Group operate, this may result in the cancellation or termination of or a unilateral change or a series of unilateral changes (such as a change in oil and/or gas pricing policy or the renegotiation or nullification of existing concession contracts) to contracts by a national government or third party contractor which could materially and adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition and results of operations.

**The oil and gas reserves and contingent and prospective resources data contained in this Circular are estimates only and are inherently uncertain**

The reserves and contingent and prospective resources data contained in this Circular are estimates only and should not be construed as representing exact quantities. Reserves and resources estimates contained in this Circular are based on production data, prices, costs, ownership, geophysical, geological and engineering data, the interpretation of seismic data and other information assembled by the Ophir Group and the Salamander Group (with assistance from other operators), including drilling results. Such interpretation and estimates of the amounts of oil and gas resources are subjective and the results of drilling, testing and production subsequent to the date of any particular estimate may result in substantial upward or downward revisions to the original interpretation and estimates. Furthermore, different reservoir engineers may make different estimates of reserves, resources and cash flows based on the same available data.

Estimating the value and quantity of economically recoverable crude oil and natural gas reserves and resources, and consequently the rates of production, net present value of future cash flows realised from those reserves and resources and the timing and amount of capital expenditure, necessarily depend upon a number of variables and assumptions, such as ultimate reserves recovery, interpretation of geological and geophysical data marketability of oil and gas, royalty rates, continuity of current fiscal policies and regulatory regimes, future oil and gas prices, operating costs, development and production costs and work over and remedial costs, all of which may vary from actual results. In addition, these factors are more uncertain in areas where there has been limited historic hydrocarbon exploration, which is the case for certain of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's assets.

The estimates also assume that the future development of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's fields and the future marketability of their crude oil, condensate and natural gas will be similar to past development and marketability, that the assumptions as to capital expenditure and operating costs are accurate and that the capital expenditure strategy of the Ophir Group, the Salamander Group and, following Completion, the Combined Group is successfully implemented by it.

Any production profiles and development plans are based on a number of assumptions which, together with the estimates, may prove to be materially incorrect. Unless otherwise indicated, the definitions and guidelines set out by the 2007 SPE/AAPG/WPC/SPEE Petroleum Resources Management System ("PRMS") which defines prospective and contingent resources as undiscovered and/or undeveloped mineral resources, respectively have been used. PRMS recognises that contingent resources are by their nature uncertain in respect of the inferred volume range and may not be considered commercially recoverable for a variety of reasons, including the high costs involved in recovering contingent resources, the price of oil and gas at the time, the availability of personnel, equipment and funding, and other development plans that the Ophir Group, the Salamander Group and, following Completion, the Combined Group may have. Prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from accumulations yet to be discovered, and are therefore speculative in respect of their inferred presence and uncertain in respect of their inferred volume range. Prospective resources may fail to be discovered and even if discovered may not be commercially recoverable. In addition, such data is based on assumptions which, together with the estimates, may prove to be materially incorrect.

As a result, potential investors should not place undue reliance on the forward-looking statements contained in this Circular concerning the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's resources, reserves, production profiles and development plans. In addition, nothing in this Circular should be interpreted as assurances of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's oil and gas resources, reserves, the production profiles of the assets or the development plans of the Ophir Group, the Salamander Group and, following Completion, the Combined Group.

If the estimates of the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's oil and gas resources, reserves, production profiles and development plans and the assumptions on which they have been based prove to be incorrect, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may be unable to produce the estimated levels or quality of oil and gas set out in this Circular (or any oil and gas at all), actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material, and the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition and results of operations could be materially and adversely affected.

**The Ophir Group and, following Completion, the Combined Group may not be able to identify appropriate expansion opportunities or may not be able to manage such expansion effectively**

Future increases in the Ophir Group's and, following Completion, the Combined Group's reserves will depend not only on the Combined Group's ability to develop the Ophir Group's and the Salamander Group's present assets, but also on their ability to select, develop and/or acquire additional suitable producing assets or prospects which may require it to acquire land on which to locate pipelines, LNG plants and other equipment in a timely and cost-effective manner. Following Completion, the Combined Group will need to acquire or find and develop additional reserves in order to maintain the Salamander Group's current production levels in the long term. There can be no assurance that the Combined Group will be able to identify appropriate acquisition or development opportunities or that it will be able to make such acquisitions on appropriate terms as and when they become available.

If the Combined Group does identify such acquisition or development opportunities, there can be no assurance that the Combined Group will be able to manage effectively such expansion. The Combined Group may encounter numerous integration challenges arising on the acquisition of businesses and/or assets, including challenges that are not currently foreseeable and inheriting undisclosed liabilities. Any failure of the Ophir Group and, following Completion, the Combined Group to manage effectively its growth and development could have a material adverse effect on its business, prospects, financial condition or results of operations.

There is no certainty that all, or indeed any, of the elements of the Ophir Group's and, following Completion, the Combined Group's current strategy will develop as anticipated or that the Ophir Group will become profitable. In the event that the Ophir Group's and, following Completion, the Combined Group's operations are successful, the Ophir Group's and, following Completion, the Combined Group's current systems, procedures and controls will need to be expanded and strengthened to support the Ophir Group's and, following Completion, the Combined Group's future operations.

**The Ophir Group, the Salamander Group and, following Completion, the Combined Group may be subject to the risk of exploration and appraisal periods not being extended**

Whilst the Ophir Group and the Salamander Group negotiate, and, following Completion, the Combined Group will negotiate renewals of its exploration or appraisal periods and term contracts prior to their expiry, there can be no assurance that the Ophir Group, the Salamander Group and, following Completion, the Combined Group will be able to enter into a new phase or obtain extensions to contracts with governments, suppliers, service providers or joint venture partners on commercially reasonable terms, prior to the end of an exploration period, following the end of the period or at all.

Under its relevant Petroleum Agreements, the Ophir Group and the Salamander Group are obligated to carry out certain minimum work obligations within designated exploration or appraisal periods. In the event the Ophir Group, the Salamander Group or, following Completion, the Combined Group fails to satisfy its agreed minimum work programme commitments within the requisite time period and it is unable to secure an extension, the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's interest in the Petroleum Agreement may be terminated by the government, or the Ophir Group, the Salamander Group or, following Completion, the Combined Group may be required to relinquish all or part of the contract area or pay a specified sum to the government.

It is also possible that an exploration or appraisal period set out in a Petroleum Agreement may be insufficient to perform the necessary seismic, drilling or other exploration or appraisal activities required to determine whether it is appropriate for the Ophir Group, the Salamander Group or, following Completion, the Combined Group to elect to move into the next phase of the Petroleum Agreement and commit to additional work obligations. The Ophir Group, the Salamander Group or, following Completion, the Combined Group may therefore seek to secure the necessary amendments, renewals, extensions or waivers prior to making an election to move into the next phase of exploration or appraisal, and could miss the deadline for election to the next phase, whilst discussions with the government are pending.

The necessary amendments, renewals, extensions or waivers may not be forthcoming from the relevant government on terms commercially acceptable to the Ophir Group, the Salamander Group or, following Completion, the Combined Group, giving rise to the risk that the Ophir Group's, the Salamander Group's or, following Completion, the Combined Group's interest in the relevant Petroleum Agreement may be terminated by the government or the Ophir Group, the Salamander Group or, following Completion, the Combined Group may be required to relinquish all or part the contract area.

If the Ophir Group, the Salamander Group or, following Completion, the Combined Group is not able to obtain such amendments, renewals, extensions or waivers to a Petroleum Agreement, this could materially and adversely affect its business, prospects, financial condition and results of operations.

**The Ophir Group, the Salamander Group and, following Completion, the Combined Group may be adversely affected by natural disasters and climatic conditions**

The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's operations (particularly offshore), including the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's drilling programmes and other exploration activities and the transport and other logistics on which the Ophir Group, the Salamander Group and, following Completion, the Combined Group are dependent, may be adversely affected and severely disrupted by climatic conditions. Natural disasters, regular climatic events (such as monsoons) or adverse conditions may occur in those geographical areas in which the Ophir Group, the Salamander Group and, following Completion, the Combined Group operate, including severe weather, cyclones, oceanic currents, tsunamis, excessive rainfall, tropical storms or droughts. The occurrence of any of the above could cause delays in the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's exploration, appraisal and development activities which could adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition and results of operations.

**The Salamander Group is, and, following Completion, the Combined Group will be, subject to counterparty risk relating to the sales of the Salamander Group's and, following Completion, the Combined Group's crude oil, condensate and natural gas**

The Salamander Group has entered into agreements with a number of counterparties in relation to the sale and supply of its crude oil, condensate and natural gas (albeit all crude oil is sold to PTT, the state owned oil company) and is therefore subject to the risk of delayed offtakes or payment for delivered production volumes or counterparty default.

In certain cases, the Salamander Group's and, following Completion, the Combined Group's counterparty, either pursuant to contractual arrangements or as a result of political, geographic, infrastructure or other constraints or factors, is in practice the sole potential purchaser of the Salamander Group's production output. This is particularly the case for sales of natural gas, as sales and transportation of natural gas are dependent on the availability of transmission and other infrastructure facilities enabling the supply of natural gas produced by the Salamander Group to end users. In particular, at present the sole purchaser for the Salamander Group's natural gas in Central Kalimantan in Indonesia is PLN, the Indonesian state power company; the sole purchaser of gas from Sinphuhorm is PTT. Similarly, following the recent political changes in Thailand, all crude oil is now required, in practice, to be sold to PTT. The absence of alternative purchasers for the transmission or purchase of natural gas produced by the Salamander Group or, following Completion, the Combined Group and the practical restrictions on sales of crude oil produced by the Salamander Group, or following Completion, the Combined Group to persons other than PTT may expose it to offtake and production delays, adverse pricing or other adverse contractual terms, which could have a material adverse effect on the Salamander Group's or, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

**The Ophir Group and the Salamander Group face and, following Completion, the Combined Group will face strong competition for exploration licences**

The oil and gas exploration industry is highly competitive. There is significant competition in almost every public round of bidding for exploration licences throughout Africa and South East Asia. The Ophir Group, the Salamander Group and, following Completion, the Combined Group will compete with other industry participants in the search for, and acquisition of, oil and gas assets and licences. Competitors include companies with, in many cases, greater financial resources, technical resources, local contacts, staff and facilities than those of the Ophir Group and the Salamander Group. Many of these companies have strong market power as a result of several factors, including greater diversification and reduction of risk than the Ophir Group, the Salamander Group and, following Completion, the Combined Group, greater financial strength facilitating major capital expenditures, greater integration and exploitation of economies of scale in technology and organisation, strong technical experience, greater infrastructure and reserves, and strong brand recognition. Increased competition may lead to higher costs and reduced available growth opportunities for the Ophir Group, the Salamander Group and, following Completion, the Combined Group. The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's ability to remain competitive will require, among other things, management's continued focus on reducing unit costs, improving efficiency and maintaining long-term growth in the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's reserves and production. There can be no assurance that the Ophir Group, the Salamander Group and, following Completion, the Combined Group will succeed in obtaining any additional oil and/or gas assets or prospects, or, if it does so, that it will be able to acquire such assets or prospects on economically viable terms.

This may lead to increased costs in the carrying on of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's activities and reduced available growth opportunities, which could materially adversely affect its business, prospects, financial condition and results of operation.

**Salamander has, and, following Completion, the Combined Group will have material outstanding indebtedness**

As at 31 December 2014 (on an unaudited basis), Salamander had US$380 million of net external debt outstanding. Salamander's and, following Completion, the Combined Group's obligation to make scheduled payments on its indebtedness and to maintain its covenants could limit its financial and operational flexibility. The RBL Facility and the NOK Bonds each contain covenants requiring the Salamander Group to maintain certain specified financial ratios. If market conditions deteriorate significantly, there is a risk that existing financial covenants could be breached. Breach of such covenants could, subject to any applicable waiver or agreement, result in the RBL Facility and the NOK Bonds becoming immediately payable, potentially requiring the Salamander Group and, following Completion, the Combined Group to dispose of assets at significantly less than full value. In addition, should the RBL Facility be terminated or suspended, or be in default, this could limit the Salamander Group's and, following Completion, the Combined Group's access to capital in the longer term and, consequently, its ability to implement its capital expenditure programme. However, following Completion, the Combined Group expects to be able to maintain the relevant financial ratios for at least the next 12 months. In the event that there is any such breach, withdrawal, repayment, remedy or restriction, it could have an adverse impact on the Salamander Group's and, following Completion, the Combined Group's business, financial condition and/or results of operations in the longer term.

Furthermore, the borrowing amounts available to the Salamander Group under the RBL Facility depend on forecasted net revenues from some of the Salamander Group's assets. If the Salamander Group's and, following Completion, the Combined Group's assets become impaired, the amounts available to the Salamander Group and, following Completion, the Combined Group under the RBL Facility would decrease.

The RBL Facility is also made on a secured basis. Such secured borrowings will rank ahead of the unsecured borrowings of the Salamander Group and on an insolvent distribution of the Salamander Group's assets. If the lenders force a sale of any of the secured assets of the Salamander Group, there is a risk that the value received may be lower than the value at which the investment was previously recorded. If the value received is less than the amount of the indebtedness, the Salamander Group's other assets would be available to the lender. In addition, Salamander and, following Completion, the Combined Group will likely suffer reputational damage which could result in lender unwillingness to extend additional finance and significantly raise the Salamander Group's and, following Completion, the Combined Group's future borrowing costs.

**The Ophir Group's and the Salamander Group's businesses require and, following Completion, the Combined Group's business will require significant capital expenditure and the future expansion and development of their businesses could require future debt and equity financing. The future availability of such funding is not certain**

Ophir anticipates that it, and, following Completion, the Combined Group, will need to make substantial capital investments for its operations, exploration, appraisal, development and/or production plans. For capital expenditure beyond the Ophir Group's and the Salamander Group's current committed capital expenditure for the next 12 months, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may enter into significant borrowing arrangements (in addition to the RBL Facility and the NOK Bonds) or raise further equity financing for its operations. Various forms of debt are available, ranging from equipment credits from various export agencies through infrastructure development agency supported debt to bank debt.

However, the Ophir Group and, following Completion, the Combined Group, may be unable to obtain non-equity financing (in addition to the RBL Facility and the NOK Bonds) or additional equity financing in the amounts required for any expenditures beyond its current committed capital expenditure for the next 12 months and thereafter, on favourable terms or at all. Moreover, the global credit environment then existing may pose additional challenges to the Combined Group, securing necessary bank loans or securing acceptable rates of interest. Alternatively, the Ophir Group and, following Completion, the Combined Group, may in the future seek funds for such activities by selling part of its operations and/or by farming out its assets. There is no certainty that counterparties may enter into such transactions in the future or that the terms proposed by counterparties would be acceptable to the Ophir Group and, following Completion, the Combined Group.

To the extent the Combined Group does take out additional bank loans or other forms of debt financing, the Ophir Group and, following Completion, the Combined Group, would be subject to increased interest expenses, and may also be subject to covenants requiring that the Ophir Group and, following Completion, the Combined Group, maintain prescribed financial ratios and covenants restricting certain aspects of its business, including, for example, restrictions on additional future borrowings and indebtedness levels and permitted future acquisition or disposal activity, as well as security interests placed over certain of its assets. In addition, future debt financings may limit the Ophir Group's and, following Completion, the Combined Group's, ability to withstand competitive pressures, as the Ophir Group and, following Completion, the Combined Group may become illiquid or less liquid in cash as a result of interest payments on its debt due to increases in interest rates. This could hinder the Ophir Group's and, following Completion, the Combined Group's, ability to raise, renew and service its future indebtedness, reduce the funding options available to the Ophir Group and, following Completion, the Combined Group, and render it more vulnerable to economic downturns. In addition, if the Ophir Group and, following Completion, the Combined Group, requires debt but is unable to secure sufficient bank borrowings, it is highly likely that, other than in respect of its current committed capital expenditure, this would pose challenges to the Ophir Group's and, following Completion, the Combined Group's, planned development of its assets and the timeline for development.

Ophir, and following Completion, the Combined Group may, in addition, need to raise further additional equity at a future date (for expenditure beyond its current committed capital expenditure for the next 12 months). If the market conditions are not supportive, this may not be possible. If Ophir and, following Completion, the Combined Group is unable to generate or obtain additional funding (for expenditure beyond its current committed capital expenditure for the next 12 months) it is likely to be limited in its ability to undertake any additional operations, exploration, appraisal, development or production plans. This could have a material adverse effect on the Ophir Group's and, following Completion, the Combined Group's business, prospects, financial condition, results of operations and cash flows and on the Ophir Group's and, following Completion, the Combined Group's ability to fund the expansion or development of the business in the longer term.

**Interruptions or delay to exploration, appraisal, development and production could significantly impact the Ophir Group, the Salamander Group and, following Completion, the Combined Group**

If the Ophir Group, the Salamander Group and, following Completion, the Combined Group (or the operator of assets in which the Ophir Group, the Salamander Group and, following Completion, the Combined Group has an interest) is unable to explore, appraise or develop petroleum operations or produce oil and/or gas or is delayed in such matters as a result of matters such as failure to obtain equipment, equipment failure, natural disasters, political, economic, taxation, legal, regulatory and social uncertainties, piracy, terrorism, visa issues, non-governmental organisation activity or protests or labour disputes, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may experience loss of income from delayed or decreased (or zero) production and significant budget overruns.

For example, on 8 January 2014, Salamander announced that due to a damaged production riser, production from the Bualuang oil field had been temporarily shut-in. The situation was contained and all oil was successfully dispersed within a five hour period. Salamander subsequently announced on 13 February 2014 that the damaged risers had been repaired and production from the Bualuang field recommenced.

Furthermore, the Ophir Group, the Salamander Group and, following Completion, the Combined Group operate in jurisdictions that have developing transportation, telecommunications and financial services infrastructures which may present substantial obstacles and cause material delays to the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's proposed activities. As a result of any of these or other issues, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may be unable to satisfy the minimum work commitments under one or more of its Petroleum Agreements and may as a result experience difficulty in extending or renewing such Petroleum Agreements.

Such interruptions or delays could result in disruptions to the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's assets, increased costs, delayed or decreased incomes and may therefore have a material adverse impact on the Ophir Group's, the Salamander Group and, following Completion, the Combined Group's business, prospects, financial condition and results of operations.

**The Ophir Group and the Salamander Group rely on and, following Completion, the Combined Group will rely on third party contractors and providers of capital equipment. The future availability, quality and costs of services and equipment is not certain**

In common with other exploration and production companies, the Ophir Group and the Salamander Group (or the relevant operator of assets in which they have an interest) contract services and procure capital equipment, rigs, well casing and other drilling materials, storage tanks and other equipment from third party providers on which exploration, appraisal and development and production activities are dependent. Following Completion, the Combined Group will continue to do the same.

Such equipment, materials and services can be highly specific and scarce, may not be of the required quality and/or may face interruptions or delays in availability at the times and places required. With respect to rigs and drilling materials and equipment in particular, if there were a problem with a rig, or with a component of a rig, it may be difficult to find a suitable replacement in a short time frame. Failure to perform drilling within the expiry date of a Petroleum Agreement may lead to liability towards the authorities, loss of the Petroleum Agreement or might adversely affect the Salamander Group's and, following Completion, the Combined Group's standing as an energy company operating in Thailand, Indonesia, Malaysia or any other country in which the Combined Group will have oil and gas assets, which may negatively impact the Combined Group's prospects in future licensing rounds. The costs of third party services, materials and equipment have increased significantly over recent years and may continue to rise, including as a result of cost inflation or scarcity of such services, materials and equipment.

The scarcity of such equipment, materials and services, as well as their potentially high costs, could delay, restrict or lower the profitability and viability of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's assets and therefore could adversely affect its business, prospects, financial condition and results of operation. Conversely, should there be a sudden increase in availability of equipment, materials and services in the market, and a resulting fall in prices for such services, materials and equipment, then due to the necessity of contracting certain long lend items in avoidance of commencement of certain activities, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may have contracted at prices which would not be competitive with the then prevailing rates which could materially adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition and results of operation.

**The Ophir Group and the Salamander Group are typically required to consult with third party operators and other joint venture partners in relation to significant matters**

The Ophir Group and the Salamander Group operate a number of their assets within various joint ventures. For those assets where the Ophir Group or the Salamander Group is the operator and has a joint venture partner, the relevant operating agreement typically provides that the joint venture partner must be consulted or that it must provide its consent in relation to significant matters. Accordingly, while the Ophir Group or the Salamander Group generally has control over day-to-day management and operations of those assets, it may be unable to undertake certain activities because of opposition from a joint venture partner, or it may experience delays in undertaking activities due to time taken to obtain the consent of the relevant joint venture partner. Any such opposition or delay could result in losses or increased costs to the Ophir Group or the Salamander Group.

Where the Ophir Group or the Salamander Group are not the operator of an asset (such as in Blocks 1 and 4 in Tanzania in the case of the Ophir Group or the Khorat Plateau in the case of the Salamander Group), although it may have consultation rights or the right to withhold consent in relation to significant operational matters (depending on the level of the Ophir Group's or the Salamander Group's interest in such asset), it has limited control over day-to-day management so that mismanagement of an asset by the operator or disagreements with the operator as to the most appropriate course of action may result in significant delays, losses or increased costs to the Ophir Group or the Salamander Group.

The terms of the relevant operating agreement generally impose standards and requirements in relation to the operator's activities. The Ophir Group or the Salamander Group transfers operatorship to a third party or acquires interests in assets operated by third party operators only if it believes such third party is reputable and financially and technically able to perform the role of operator. Any transfer of operatorship is usually also subject to the consent of the relevant government. Governments generally require certain criteria to be satisfied by the proposed new operator before they will approve any transfer in the role of operator. However, there can be no assurance that such operators will observe such standards or requirements and this could result in a breach of the relevant operating agreement.

There is a risk that other parties with interests in the Ophir Group's or the Salamander Group's assets may not be able to fund or may elect not to participate in, or consent to, certain activities relating to those assets which require that party's consent (including decisions relating to drilling programmes, including the number, identity and sequencing of wells, appraisal and development decisions and decisions relating to production). In these circumstances, it may not be possible for such activities to be undertaken by the Ophir Group or the Salamander Group alone or in conjunction with other participants at the desired time or sequence or at all.

Other participants in the Ophir Group's or the Salamander Group's assets may default on their obligations to fund capital or other funding obligations in relation to the assets. In such circumstances, the Ophir Group or the Salamander Group may be required under the terms of the relevant operating agreement or otherwise to contribute all or part of such funding shortfall itself and, beyond completion of the current minimum work commitments for the next 12 months, the Ophir Group or the Salamander Group may not have the resources to meet these obligations.

Any disagreement, absence of consent, delay, opposition, breach of agreement, or inability to undertake activities or failure to provide funding of the kind identified above could adversely affect the Ophir Group's or the Salamander Group's business, prospects, financial condition and results of operation.

**Fluctuations in currency exchange rates may materially adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's results of operations and financial condition**

The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's revenue, finance costs and indebtedness are predominantly denominated in, or linked to, the US Dollar. The Ophir Group's and the Salamander Group's consolidated financial statements are, and, following Completion, the Combined Group's consolidated financial statements will be presented in US Dollars and the functional currency of Ophir and all of its subsidiaries is the US Dollar. However, a substantial portion of the Salamander Group's operating and other expenses (including operating costs and capital expenditures) are denominated in Thai baht, Indonesian rupiah, Singapore dollar and pounds sterling. A significant appreciation of Thai baht, Indonesian rupiah, Singapore dollar or pounds sterling against the US Dollar would have a negative impact on the Salamander Group's operating and other expenses. The Salamander Group holds, from time to time, cash balances in currencies other than the US Dollar, such as UK Pounds Sterling, Indonesian rupiah and Thai baht, to meet short-term commitments in those currencies. It also receives monies from oil sales, calculated in US Dollars, in Thai Bhat. Monetary assets and liabilities are translated into US Dollars at the exchange rates prevailing at the balance sheet date, with a corresponding charge or credit to the income statement. Accordingly fluctuations in the exchanges rate between the US Dollar and other currencies, principally Indonesian rupiah and Thai baht, could adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's reported results of operations. As a result, fluctuations in currency exchange rates may materially adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

**The Ophir Group and the Salamander Group are and, following Completion, the Combined Group will be dependent on a limited team of key personnel for its success**

The Ophir Group and the Salamander Group are, and, following Completion, the Combined Group will be dependent on a growing, but limited team of individuals with relevant experience, knowledge and skill in exploration and development operations for their success. The departure of any of these individuals or any impediment to any of them performing his or her duties may cause the Ophir Group, the Salamander Group and, following Completion, the Combined Group serious operational difficulties, and the Ophir Group, the Salamander Group and, following Completion, the Combined Group may not be able to locate suitable replacement personnel in a timely manner, or at all.

In addition, the personal connections and relationships of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's Senior Management are important to the conduct of its business. There is no guarantee that the Ophir Group, the Salamander Group and, following Completion, the Combined Group will retain key individuals, and if the Ophir Group, the Salamander Group and, following Completion, the Combined Group were to lose a member of their Senior Management teams unexpectedly, the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition and results of operations may be adversely affected.

**The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's long-term success depends on attracting and retaining skilled personnel**

The Ophir Group's and the Salamander Group's businesses require and, following Completion, the Combined Group's business will require skilled personnel and professional staff in the areas of exploration and development, operations, engineering, business development, oil and gas marketing, finance and accounting. There is competition for such personnel in the African region and also in the United Kingdom and Australia where the Ophir Group has offices and in the countries in which the Salamander Group operates. Limitations on the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's ability to engage, train and retain the required number of suitably qualified personnel would reduce its capacity to undertake further projects and may have a material adverse effect on its business, prospects, financial condition and results of operations.

**The Ophir Group and the Salamander Group face, and, following Completion, the Combined Group will face the possibility of future decommissioning cost that it cannot anticipate**

Upon the cessation of petroleum production and/or expiry or termination of Petroleum Agreements, contractors are commonly required, under the terms of relevant agreements or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites. Ophir's accounts do not make provision for such decommissioning since either local laws or relevant Petroleum Agreements do not specifically provide for decommissioning cost or Ophir does not consider it appropriate at this stage of its activities to make provision for the possibility of incurring decommissioning cost. There can be no assurance that the Ophir Group or following Completion, the Combined Group will not in the future incur decommissioning cost since local or national governments may require decommissioning to be carried out in circumstances where there currently is no express obligation to do so, particularly in the case of future licence renewals. The costs associated with decommissioning or penalties for failure to decommission a facility may have an adverse effect on the Ophir Group's or following Completion, the Combined Group's business, prospects, financial condition and results of operations.

The Salamander Group, through its interests under Petroleum Agreements, has assumed certain obligations in respect of the decommissioning of its fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Salamander Group to make provision for and/or underwrite the liabilities relating to such decommissioning. Although the Salamander Group's accounts make a provision for such decommissioning costs (such provisions amounted to US$48.4 million as at 31 December 2013), there can be no assurances that the costs of decommissioning will not exceed the amount of the long-term provision set aside to cover such decommissioning costs. In addition, local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, which may result in higher decommissioning costs than the Salamander Group expected at the time when provisions were made, and it may be required to provide cash-back guarantees, blocked cash deposits or similar upfront relating to future decommissioning costs. The oil and gas industry currently has little experience of decommissioning petroleum exploration and production infrastructure in South East Asia as few such structures have been decommissioned in these regions. It is therefore difficult to forecast accurately the costs that the Salamander Group or following Completion, the Combined Group's will incur in satisfying its decommissioning obligations and the Salamander Group or following Completion, the Combined Group's may have to draw on funds from other sources to bear such costs. Any significant increase in the actual or estimated decommissioning costs that the Salamander Group or following

Completion, the Combined Group's incurs could have a material adverse effect on the Salamander Group's business, results of operation, financial condition and prospects.

**The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's insurance and indemnities may not adequately cover all risks or expenses**

The insurance industry is not yet fully developed in some of the countries where the Ophir Group and the Salamander Group operate and, following Completion, the Combined Group will operate. Some forms of insurance protection common in other more developed countries are not yet available in these countries and insurance cover is typically provided by the international reinsurance markets with local fronting where required. This applies to both operational and employee risks that would typically be sourced by oil companies.

The Salamander Group's insurance (including that of operators of assets in which the Salamander Group has interests) currently includes cover for damage to or loss of its production facilities, loss of production income (to a limited extent) in respect of the Salamander Group's production assets in Thailand, insurance for out-of-control wells (including coverage of pollution and environmental damage caused thereby), third-party liability coverage (including employer's liability insurance), and directors and officers liability insurance. In each case, the insurances are subject to deductibles, exclusions and limitations.

The Salamander Group's upstream and midstream activities are covered under its insurance programme. The Ophir Group does not currently engage in any midstream or downstream activities. The Ophir Group's insurance currently includes cover for out-of-control wells (including coverage of pollution caused and re-drill costs), third-party liability coverage and directors and officers liability insurance, in each case subject to deductibles, exclusions and limitations. The Salamander Group, the Ophir Group and following Completion, the Combined Group will not carry key-person, onshore terrorism or sabotage insurance however where relevant in territories of operation, statutory insurance coverages will be purchased.

The Ophir Group, the Salamander Group and, following Completion, the Combined Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for the acts or omissions of third party contractors, operators or joint venture partners. Any indemnities the Ophir Group, the Salamander Group and, following Completion, the Combined Group may receive from such parties may be difficult to enforce if such third party contractors, operators or joint venture partners lack adequate financial resources.

The Ophir Group's and the Salamander Group's operations are, and, following Completion, the Combined Group's operations will be subject to the risks normally associated with exploration, appraisal and development activities and, in particular, deepwater operations. The Ophir Directors believe that its existing insurance and indemnity coverage is reasonable to cover all general material risks associated with the Ophir Group's operations (and that of the operators of assets in which it has an interest) and, following Completion, the Combined Group's operations. However, Ophir, Salamander and, following Completion, the Combined Group can give no assurance that its existing insurance and indemnity cover is reasonable or sufficient to cover all of the risks to which it may be subject at any time or that the proceeds of insurance applicable to covered risks or recovery under indemnities will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance and indemnity coverage. The Ophir Group and the Salamander Group are, and, following Completion, the Combined Group will be also subject to the risk of unavailability of insurance, increased premiums or deductibles, reduced coverage and additional or expanded exclusions in connection with its insurance policies and those of operators of assets it does not itself operate. In the event of any occurrence which results in losses or other adverse effects on the Ophir Group, the Salamander Group and, following Completion, the Combined Group for which it does not have adequate insurance or indemnity cover, this may have a material adverse effect on the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group business, prospects, financial condition and results of operations.

**The Salamander Group and, following Completion, the Combined Group, may be subject to tax liabilities in connection with the acquisition of SOCO Thailand LLC in 2010**

In 2010, the Salamander Group acquired the membership interests of SOCO Thailand LLC from SOCO International Operations LLC ("SOCO"). As part of the transaction, the parties entered into a tax deed whereby SOCO agreed to indemnify the Salamander Group for up to US$75 million of tax liabilities relation to the transaction or the pre-acquisition period.

If any such tax liabilities arise, a current tax liability may need to be recognised on the Salamander Group or, following Completion, the Combined Group balance sheet in respect of the potential tax exposures, while the corresponding asset in respect of the protection offered by the tax deed may not be recognised at the same time if the relevant recognition criteria for accounting purposes are not met.

Furthermore, should any tax exposure crystallise then it would be the responsibility of the Salamander Group or, following Completion, the Combined Group to pay the tax before any claim can be made under the tax deed. If it takes some time to recover these amounts under the tax deed, or the Salamander Group, or following Completion, the Combined Group is unable to recover under the tax deed, or the tax exposure is greater than US$75 million, it may have material adverse effect on the Salamander Group's, or following Completion, the Combined Group's business.

**The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's operations may be subject to delays or disruption due to actions by environmental or other stakeholder groups**

The Ophir Group's and the Salamander Group's operations have been and, following Completion, the Combined Group's operations may in the future be subject to delays or disruption as a result of actions by environmental or other stakeholder groups. For example, in November 2010 a non-governmental organisation Anti Global Warming Association & Co. filed a claim with the Central Administration Court of Thailand against certain Thai governmental authorities, including the Department of Mineral Fuels and the Office of Natural Resources and Environmental Policy and Planning of the Ministry of Energy, seeking an order to revoke concessions covering some areas of the Western Gulf of Thailand. The concessions that the claimant is seeking to have revoked include the concession held by the Salamander Group in respect of Block B8/38, which includes the Salamander Group's oil producing asset Bualuang and may include the concession in respect of Block G4/50. As of the date of this Circular, no decision has been rendered in respect of this claim though a decision is expected over the course of 2015. If a decision is made to revoke, or alter in a manner adverse to the Salamander Group's interests, the Salamander Group's concession in respect of Block B8/38 or Block G4/50, this would have a material adverse effect on the Salamander Group's business, results of operations, financial condition and prospects.

There can be no assurance that actions by non-governmental organisations or other stakeholder or community groups in the future will not result in the revocation of the Salamander Group's Petroleum Agreements and/or delays or disruption in the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's exploration, appraisal, development or production activities, which could have a material adverse effect on the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

**Part C: Risks Relating to the Combined Group's Jurisdictions of Operations**

**The expected levels of energy demand in South East Asia may not materialise**

The growth of South East Asian economies and, as a result, the region's energy requirements may be lower than anticipated. If the economic growth of the South East Asia region does not continue or declines, or if all or part of the region enters into a recession, demand for crude oil, condensate and natural gas in the region and the prices of crude oil, condensate and natural gas in the region are likely to decline. As most of the Salamander Group's and, following Completion, the Combined Group's hydrocarbon sales will be made in South East Asia, the Salamander Group and the Combined Group's revenues and profitability would be materially adversely affected if the Salamander Group, and following Completion, the Combined Group were unable to find alternative markets. Even if the Salamander Group or, following Completion, the Combined Group were successful in finding alternative markets outside South East Asia, they could incur higher costs of sales and additional import/export tariffs and taxes, and they could also receive lower prices outside of South East Asia. Consequently, a decline in the actual or anticipated levels of energy demand in South East Asia may have a material adverse effect on the Salamander Group's or, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

**The Ophir Group and the Salamander Group operate and, following Completion, the Combined Group will operate, in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties**

The Ophir Group and the Salamander Group have and, following Completion, the Combined Group will have, licence interests in, *inter alia*, Equatorial Guinea, Tanzania, Kenya, Gabon, the Seychelles, Myanmar, Thailand, Indonesia and Malaysia.

The Ophir Group's and the Salamander Group's operations are and, following Completion, the Combined Group's operations will be exposed to the significant political, economic, legal, regulatory and social risks of the jurisdictions in which they operate. These risks potentially include adverse changes to law, rules and regulations on fiscal policy, expropriation (which could, among others, take the form of the cancellation, invalidation, or termination of, a unilateral change or a series of unilateral changes to, Petroleum Agreements or other contracts, licences, permits, authorisations or approvals), difficulties and delays in obtaining new permits or licences or in renewing existing ones, nationalisation of property, the unilateral imposition of onerous obligations on the Ophir Group, the Salamander Group or the Combined Group, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, bribery and corruption, civil strife or labour unrest, war, hostilities, armed conflict, guerrilla activities or military repression, terrorism, piracy, organised crime, HIV-AIDS and outbreaks of other infectious diseases, prohibitions, restrictions on production, price controls, inability to repatriate profits and/or dividends, material fluctuations in currency exchange rates and high inflation, limitations or the imposition of tariffs or duties on imports of certain goods or exchange controls.

In some of the jurisdictions in which the Ophir Group and the Salamander Group operate and following Completion, where the Combined Group will operate, there is a history of civil and political conflict including civil war and government change by coup d'état. For example, Thailand has experienced increasing political and social instability in recent years, as a series of coups, changes in government and mass demonstrations took place between 2005 and 2012. Any future political uncertainty or social unrest in the jurisdictions where the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate could disrupt operations and otherwise have a material adverse effect on the Ophir Group's, the Salamander Group's and the Combined Group's business, results of operations, financial condition and prospects.

Any political or governmental instability could have a particularly significant impact on the Ophir Group, the Salamander Group and the Combined Group because their principal assets are Petroleum Agreements granted by the governments in the jurisdictions in which it operates. The Ophir Group and the Salamander Group are and, following Completion, the Combined Group will be required to negotiate the terms of its exploration and development projects with these governments and enter into Petroleum Agreements with the relevant authorities. However, such governments may impose conditions that could affect the viability of any given project such as providing the government with free carried interests, requiring local company participation or providing subsidies for the development of the local infrastructure or other social assistance. Additionally, if significant political changes occur, whether at the local, national or international level, there can be no assurance that the relevant governments will not seek to revise the terms of such Petroleum Agreements in a manner adverse to the Ophir Group, the Salamander Group and the Combined Group. In addition, the governments of the countries in which the Ophir Group and the Salamander Group currently operate, or where the Combined Group may operate in the future, have exercised and continue to exercise significant influence over the oil and gas industry. Some of the governments' actions aimed at the oil and gas industry, such as a change in oil or gas pricing policies or taxation regime, or renegotiation or nullification of existing Petroleum Agreements, could have a material adverse effect on the Ophir Group's, the Salamander Group's and the Combined Group's business, results of operations, financial condition and prospects.

The occurrence of any of the factors listed above could have a material and adverse effect on the Ophir Group's, the Salamander Group's and the Combined Group's business, prospects and results of operations.

**The Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's businesses depend on permits and consents granted by the authorities of the countries where the Ophir Group, the Salamander Group and, following Completion, the Combined Group operate and may experience substantial delays or increased costs in obtaining all necessary permits**

In order to conduct its exploration, appraisal, development and production activities, the Combined Group will be required to obtain various permits and approvals issued by the relevant governmental authorities in the countries where the Combined Group will operate (namely licences, permits, authorisations, consents and approvals from and registrations and filings with and ratifications by governmental and regulatory authorities including those relating to the exploration, appraisal, development, procurement and importation of assets and equipment, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation and environmental and health and safety matters). In common with other operators, the Combined Group may experience delays in obtaining some of the permits that it requires.

The Ophir Group, the Salamander Group and, following Completion, the Combined Group have and will have limited control over whether or not necessary licences (or renewals thereof) are granted, the timing of obtaining (or renewing) such licences, the terms on which they are granted or the tax regime to which it or assets in which it has interests will be subject. In addition, the Ophir Group, the Salamander Group and, following Completion, the Combined Group, or operators under Petroleum Agreements in which the Ophir Group, the Salamander Group and, following Completion, the Combined Group has an interest, may be unable or unwilling to comply with the terms or requirements of a licence including the meeting of specified deadlines for prescribed tasks and other obligations set out in the work programmes attached to the licence, which may entitle the relevant authority to suspend or withdraw the terms of the licence or approval. Non-compliance with these obligations may also give rise to enforcement action by the relevant authorities.

In a number of jurisdictions the laws and regulations which govern such licences and other regulatory requirements are undeveloped, untested and subject to change. In addition, administration and interpretation of these laws and regulations by the tribunals vary considerably and may be subject to change. Furthermore, changes in governmental policy may have a negative impact on foreign investment and the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business. The Ophir Group and the Salamander Group therefore have, and, following Completion, the Combined Group will have limited control over whether or not such licences and other regulatory requirements (or renewals thereof) are granted, the timing of obtaining (or renewing) them, the terms on which they are granted or renewed, any fees, levies, taxes, duties or other imposts payable in connection therewith or the general tax regime to which it or the assets in which it has interests in the relevant jurisdiction will be subject. Further, the licensing authorities have a high degree of discretion in determining the validity of a licence and whether or not licence holders are in compliance with their legal obligations. Moreover, vague and inconsistent regulatory and other legal requirements can make it difficult to conclude that any given licence has been issued in full compliance with applicable law. Therefore, there can be no assurance that the Ophir Group, the Salamander Group and, following Completion, the Combined Group licences will not be challenged or revoked for prior or future breaches.

If the Ophir Group, the Salamander Group and, following Completion, the Combined Group are unable to receive necessary licences in the future, or current licences are terminated or not renewed, the Ophir Group, the Salamander Group and, following Completion, the Combined Group may have to delay or cancel investment or development programmes. Any failure to obtain or maintain required licences or any loss of or challenge to a material licence could materially adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

As some of the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's assets are operated by third party operators, an act or omission by a third party operator could result in a revocation, suspension or non-renewal of a licence relating to a field where the Ophir Group, the Salamander Group and, following Completion, the Combined Group holds an interest but which the Ophir Group, the Salamander Group and, following Completion, the Combined Group does not operate. While operating agreements in respect of the assets not operated by the Ophir Group, the Salamander Group and, following Completion, the Combined Group often provide for a right of consultation or consent in relation to significant matters, the Ophir Group, the Salamander Group and, following Completion, the Combined Group generally has limited control over the day-to-day management or operations of those assets and will often be dependent upon the operator with respect to matters relating to compliance with licence terms and renewal of licences.

Failure to obtain, or delays or additional costs associated with obtaining, the necessary permits and approvals required by the Ophir Group, the Salamander Group and, following Completion, the Combined Group to conduct its production, development, appraisal and exploration activities may delay the Combined Group's operations and the execution of the Ophir Group's, the Salamander's Group and, following Completion, the Combined Group's strategy, which could have a material adverse effect on the Combined Group's business, results of operations, financial condition and prospects.

**Uncertainties in the interpretation and application of laws and regulations in the jurisdictions in which the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate could have an adverse effect on the Ophir Group's, the Salamander Group's or the Combined Group's business**

In several jurisdictions in which the Ophir Group and the Salamander Group have and, following Completion, where the Combined Group will have assets, decisions of the courts are not published and there are no public registers of property interests (including rights under Petroleum Agreements). In some of these jurisdictions there is little legislation regulating the oil and gas exploration, development, production or other activities which the Ophir Group may undertake. It may accordingly not be possible to establish, assert, protect or defend legal rights or title to assets (and, in particular rights to explore for, develop and produce petroleum) in the jurisdictions in which the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate or propose to operate with any certainty.

The courts in the jurisdictions in which the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate, may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established and developed jurisdictions. Accordingly, the Ophir Group, the Salamander Group or the Combined Group could face risks such as: (i) effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or, in an ownership or contract dispute; (ii) a higher degree of discretion on the part of governmental authorities and therefore less certainty; (iii) a lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; (v) relative inexperience of the judiciary and courts in such matters or (vi) a more protracted judicial process resulting in delays and higher costs in reaching a judicial outcome. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to Petroleum Agreements and business agreements. Some or all of such Petroleum Agreements and business agreements may be susceptible to revision or cancellation and legal redress may be uncertain, unavailable or delayed. Equally, there can be no assurance that Petroleum Agreements, joint ventures, licences, licence applications or other legal arrangements the Ophir Group, the Salamander Group or the Combined Group enter into will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Any contracts, Petroleum Agreements, joint ventures or other legal agreements that contain governing law and/or jurisdiction clauses of a jurisdiction other than that in which the Ophir Group, the Salamander Group or the Combined Group wishes to seek enforcement may not be enforceable under local laws, in particular where the jurisdiction does not have bilateral enforcement treaties with the jurisdiction of such agreement or is not a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958.

**There are risks and limitations in the title registration systems in certain of the regions in which the Ophir Group and the Salamander Group operate, and following Completion, where the Combined Group will operate**

Whilst the Ophir Group and the Salamander Group have investigated their title to, rights over and interests in, their Petroleum Agreements and other assets, this should not be construed as a guarantee of their title to such assets. The Ophir Group's and the Salamander Group's rights under its Petroleum Agreements and other assets, in particular those Petroleum Agreements in which the Ophir Group or the Salamander Group have acquired their interests from a third party rather than directly from the relevant government, may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title research and title may be affected by such undetected defects.

There can be no assurance that the Ophir Group's or the Salamander Group's title to some of their licence interests or other assets, including those interests which the Ophir Group or the Salamander Group have acquired from a third party rather than directly from the relevant government, will not be challenged or impugned. Any such challenge could have a material adverse effect on the Ophir Group's, the Salamander Group's or the Combined Group's business, prospects, financial condition and results of operations.

**The success of the Ophir Group's, Salamander Group's and, following Completion, the Combined Group's exploration and production operations depends on its Petroleum Agreements and similar arrangements with governmental entities; the Salamander Group's interests in or title under the Petroleum Agreements could be challenged**

The Ophir Group and the Salamander Group have entered into Petroleum Agreements with governments or government-controlled entities in the jurisdictions in which the Ophir Group and the Salamander Group operate (collectively, the "Government Counterparties"). The Petroleum Agreements are subject to the influence of governmental agencies and to the regulatory structure in the jurisdictions of the Government Counterparties, which are subject to change. There can be no assurance that any such changes would not adversely affect the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's ability to perform, or its rights, under the Petroleum Agreements.

Furthermore, the Ophir Group, the Salamander Group and, following Completion, the Combined Group must comply with certain procedural requirements in order to obtain the reimbursement of costs incurred under the Petroleum Agreements and to deduct such costs for income tax purposes under the Concession Agreements. The Ophir Group, the Salamander Group and, following Completion, the Combined Group may not be able to recover reimbursement or obtain tax deductibility, respectively of all such costs. The Ophir Group, the Salamander Group and, following Completion, the Combined Group may also be hindered or prevented from enforcing its rights under certain Petroleum Agreements, and Concession Agreements due to the doctrine of sovereign immunity. If the Ophir Group, the Salamander Group and, following Completion, the Combined Group are unable to comply with rules or regulations to which its Petroleum Agreements are subject or if any of the Government Counterparties take any actions adverse to the interests of the Ophir Group, the Salamander Group and, following Completion, the Combined Group, this could have a material adverse effect on the Salamander Group's and, following Completion, the Combined Group's business, results of operation, financial condition and prospects.

If it is determined that any Petroleum Agreements held by the Ophir Group or the Salamander Group was issued, re-issued, amended, transferred, assigned and/or entered into in violation of applicable laws or regulations, such Petroleum Agreement could be subject to revocation. A loss of any such Petroleum Agreement could have a material adverse effect on the Salamander Group's, the Ophir Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

Moreover, the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's ownership interests in or title to licences may be challenged, and if these challenges are successful, the Salamander Group and, following Completion, the Combined Group could lose all or a portion of its ownership interest in or title to the underlying licence. While the Salamander Group is the owner of record of all oil and gas licences in which the Salamander Group has a participating interest and is the shareholder of record in APICO in respect of licences held by APICO or its direct or indirect subsidiaries, certain of the Salamander Group's and, following Completion, the Combined Group's ownership interests in licences may be subject to prior claims or unregistered agreements, and title may be affected by undetected defects or incomplete or missing documentation.

Other documentary gaps may exist in the chain of ownership of certain of the Salamander Group's Concessions and licences (including certain Concessions in the Salamander Group's core areas). However, the Salamander Group has not experienced or been exposed to any adverse consequences of or disputes relating to these gaps in the documentary record and believes that it is the full and undisputed owner of the concessions and licences described in this Circular as being owned by the Salamander Group and that the risk of loss of any such licence as a result of such gaps in documentation is remote.

**Militant activity, terrorism and piracy in certain of the regions in which the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate, may impact their business**

Militant activity, terrorism and piracy are major problems in certain of the regions in which the Ophir Group and the Salamander Group operate and, following Completion, where the Combined Group will operate, and in particular, the Indian Ocean has seen an upsurge in marine criminal activity. There is a risk that companies such as the Ophir Group or the Salamander Group and their employees and third party contractors may be singled out. While there have been no direct incidents involving the Ophir Group's or the Salamander Group's operations, there have been incidents involving pirate and terrorist activity, including attempted hijackings, in the vicinity of areas in which the Ophir Group operates.

Such attacks and kidnappings could severely disrupt exploration, appraisal, development and production across a broad geographical area. The security environment in such regions is likely to remain volatile as a result of continuing terrorism and piracy. The Ophir Group has operated an extensive security operation in Tanzania, Kenya and Equatorial Guinea in conjunction with respective naval forces of these countries to provide support and assistance in case of an incident. However, if the Ophir Group, the Salamander Group or the Combined Group or their employees and third party contractors are the subject of any attacks, kidnappings or other security threats, they may be required to incur additional expenditure through increased insurance premiums, hiring additional security or equipment, replacement of assets and additional safety protections. Furthermore, any such event could have an adverse effect on the Ophir Group's or the Salamander Group's ability to staff its operations adequately and could affect their reputation.

The occurrence of any of the above could result in a long-term delay to the petroleum exploration, appraisal, development and production by the Ophir Group, the Salamander Group or the Combined Group in the affected region and could restrict their control over the nature and timing of its exploration, appraisal, development, production and other activities. Such interruptions, expenditure or delays could have a material and adverse effect on the Ophir Group's, the Salamander Group's or the Combined Group's business, prospects, financial condition and results of operations.

**The Ophir Group and the Salamander Group conduct and following Completion, the Combined Group will conduct business in jurisdictions with inherent risks relating to fraud, bribery and corruption**

The Ophir Group and the Salamander Group currently conduct business in a number of jurisdictions that have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it inherent risks associated with enforcement of the Ophir Group's and the Salamander Group's legal and contractual rights and third party obligations, fraud, bribery and corruption. Fraud, bribery and corruption are more common in some jurisdictions than in others. In addition, the oil and gas industries have historically been shown to be vulnerable to corrupt or unethical practices.

While the Ophir Group and the Salamander Group maintain anti-corruption training programmes, codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, it may not be possible for them to detect or prevent every instance of fraud, bribery or corruption in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. The Ophir Group, the Salamander Group and, following Completion, the Combined Group may therefore be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Ophir Group and the Salamander Group operate, including the UK Bribery Act 2010, could have a material adverse effect on its results of operations and financial conditions. In addition, as a result of the Ophir Group's and the Salamander Group's anti-corruption training programmes, codes of conduct and other safeguards, there is a risk that the Ophir Group and the Salamander Group could be at a commercial disadvantage and may fail to secure contracts and licences to the advantage of other companies who may not have or comply with such anticorruption safeguards.

**Changes in government policy could have a negative impact on the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business**

Governments of oil and gas producing jurisdictions typically exercise significant influence over their domestic oil and gas industries, as well as many other aspects of their respective economies. Any government action concerning the economy, including the oil and gas industry (such as a change in oil or gas pricing policy, domestic supply obligation or taxation rules or practice (see further the risks identified under "Tax regimes in certain jurisdictions are subject to differing interpretations and are subject to change'' below), or renegotiation or nullification of existing concession contracts or oil and gas exploration policy, laws or practice), could have a material adverse effect on the Ophir Group, the Salamander Group or the Combined Group. Sovereign or regional governments could also require the Ophir Group, the Salamander Group or the Combined Group to grant to them larger shares of oil and gas or revenues than previously agreed to, or postpone or review projects, nationalise assets, or make changes to laws, rules, regulations or policies, in each case, which could adversely affect the Ophir Group's, the Salamander Group's or the Combined Group's business, prospects, financial condition and results of operations.

**Tax regimes in certain jurisdictions are subject to differing interpretations and are subject to change**

Tax regimes in certain jurisdictions in which the Ophir Group, the Salamander Group and, following Completion, the Combined Group will have a presence may be subject to differing interpretations and are often subject to legislative change and changes in administrative interpretation in those jurisdictions. Such changes can be prompted by, *inter alia*, transactions (including those that may require governmental consent) and may be implemented with retrospective effect. The interpretation by the Ophir Group, the Salamander Group, and, following Completion, the Combined Group of relevant tax law as applied to their transactions and activities (including farm ins and farm outs) may not coincide with that of the relevant tax authorities now or at a future date. As a result, transactions may be challenged by tax authorities and any profits from activities in those jurisdictions may be assessed to additional tax or additional transactional taxes (e.g. stamp duty or VAT), which, in each case, could result in significant additional taxes, penalties and interest, any of which could have a material adverse impact on the Ophir Group's, the Salamander Group's and, following Completion, the Combined Group's business, prospects, financial condition or results of operations. The Salamander Group is subject to taxation in the United Kingdom, Thailand, Indonesia, Canada, Singapore, Malaysia and Laos and is faced with increasingly complex tax laws. The amount of tax the Salamander Group pays could increase substantially as a result of changes in, or new interpretations of, these laws, which could have a material adverse effect on its liquidity and results of operations. During periods of high profitability in the oil and gas industry, there are often calls for increased or windfall taxes on oil and gas revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future. In addition, taxing authorities could review and question the Salamander Group's or the Ophir Group's tax returns leading to additional taxes and penalties which could be material.

# PART III – SUMMARY OF THE SCHEME AND OTHER OFFER-RELATED ARRANGEMENTS

The following is a summary of the principal terms of the Scheme and certain other Transaction-related arrangements.

## 1. Scheme of Arrangement

It is intended that the Transaction will be implemented by means of a scheme of arrangement between Salamander and Salamander Shareholders under section 899 of the Companies Act. The procedure involves an application by Salamander to the Court to sanction the Scheme and to confirm the cancellation of Salamander Shares, in consideration for which Salamander Shareholders will receive 0.5719 of a New Ophir Share for each Salamander Share.

To become effective, the Scheme requires, amongst other things, the approval of a majority in number of Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares so voted, together with the passing of the resolutions necessary to implement the Scheme at the Salamander General Meeting and the sanction of the Scheme and subsequent confirmation of the Reduction of Capital by the Court. The Scheme will only become effective upon delivery to the Registrar of Companies of a copy of the Scheme Court Order sanctioning the Scheme and the registration of the Scheme Court Order in relation to the Reduction of Capital. Upon the Scheme becoming effective, it will be binding on all Salamander Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Salamander General Meeting. It is expected that the Scheme will become effective in the first quarter of 2015.

Under the Scheme, each Salamander Share will be cancelled and New Ophir Shares will be issued fully paid to Salamander Shareholders.

The Conditions to the Scheme and the Transaction are set out in full in Appendix I to the Announcement (which information is incorporated by reference in this Circular).

The Conditions include, among other things:

- the approval of the Scheme and related resolutions by Salamander Shareholders at the Court Meeting and the Salamander General Meeting;
- the Scheme becoming unconditional and effective and being sanctioned by the Court subject to the Takeover Code, by no later than 11.59 p.m. on 30 June 2015 or such later date (if any) as Ophir and Salamander may agree and the Panel and the Court may allow;
- the passing of the Resolution by Ophir Shareholders at the Ophir General Meeting; and
- the UK Listing Authority having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Ophir Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange having acknowledged to Ophir or its agent (and such acknowledgement not having been withdrawn) that the New Ophir Shares will be admitted to trading on the London Stock Exchange's main market for listed securities.

The Transaction is also conditional upon: (a) the SONA SPA being terminated by SEPT and SONA or, with the prior consent of Ophir, by Salamander and SEBHL, in each case in accordance with the relevant provisions of the SONA SPA; (b) with the prior consent of Ophir, the SONA SPA being terminated by agreement of the parties to the SONA SPA otherwise than in accordance with the relevant provisions of the SONA SPA; or (c) Salamander Shareholders not passing any SONA Disposal Shareholder Approval Resolution and the proposed SONA Disposal subsequently being terminated. Ophir also has the right to waive this Condition.

On 14 January 2015, Salamander and SONA announced their intention to terminate the SONA SPA on mutually acceptable terms (subject to finalisation of the documentation to effect such termination and, in Salamander's case, the consent of Ophir). The formal agreement to terminate the SONA SPA (and related transaction documentation) is expected to be finalised after the latest practicable date prior to the posting of this document and a public announcement by Salamander will be made when such agreement is concluded. Once terminated with the consent of Ophir, such termination will satisfy the SONA Condition.

In circumstances where the termination agreement in respect of the SONA SPA is not concluded, and in light of the unanimous recommendation of the Salamander Directors to Salamander Shareholders to vote in favour of the Transaction, Salamander would defer any further action seeking Salamander Shareholder approval of the SONA Disposal until after the results of the Ophir General Meeting, expected to be held at 11:00 a.m. on Friday 6 February 2015. Assuming the respective shareholders of Ophir and Salamander both vote in favour of the Transaction, in conjunction with Ophir, Salamander would then decide the most appropriate means by which the SONA Condition would be satisfied.

The Transaction can only become Effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived (including any waiver of the condition in respect of the termination of the SONA Disposal). If any Condition is not capable of being satisfied by the date specified therein, Ophir shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by no later than 8.00 a.m. on the Business Day following the date so specified, stating whether Ophir has invoked that Condition, waived that Condition or, with the agreement of Salamander, specified a new date by which that Condition must be satisfied.

Once the necessary approvals from Ophir Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived, the Scheme must be approved by the Court. The Scheme will then become effective upon delivery of the Court Order(s) to the Registrar of Companies. Subject to satisfaction (or waiver) of the Conditions, the Scheme is expected to become effective before 31 March 2015.

The Scheme will lapse if:

- the Court Meeting and the Salamander General Meeting are not held 28 February 2015 (or such later date as may be agreed between Ophir and Salamander);
- the Court hearing to approve the Scheme is not held on or before 19 March 2015 and if the Court hearing to confirm the Capital Reduction is not held on or before 24 March 2015 (or such later dates as may be agreed between Ophir and Salamander); or
- the Scheme does not become effective by a Long Stop Date of 30 June 2015 (or such later date as may be agreed between Ophir and Salamander and the Panel and the Court may allow), provided, however, that the deadlines for the timing of the Court Meeting, the Salamander General Meeting and the Court hearing to approve the Scheme as set out above may be waived by Ophir, and the deadline for the Scheme to become effective may be extended by agreement between Salamander and Ophir. Ophir has agreed with Salamander that the Ophir General Meeting will be scheduled so as to be held before, but on the same date as, the Court Meeting and the Salamander General Meeting.

Upon the Scheme becoming effective, it will be binding on all Salamander Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Salamander General Meeting.

Ophir has reserved the right to elect to implement the Transaction by way of a takeover offer (as such term is defined in section 974 of the Companies Act 2006). In such event, the takeover offer will be implemented on substantially the same terms as those which would apply to the Scheme (subject to appropriate amendments, including (without limitation), and if agreed with the Panel, the inclusion of an acceptance condition set at 90 per cent. of the shares to which such offer relates or such lesser percentage, being more than 50 per cent., as Ophir may decide).

## 2. Confidentiality and Standstill Agreement

On 10 December 2013, Salamander and Ophir entered into a confidentiality and standstill agreement (the "Confidentiality and Standstill Agreement") pursuant to which they each undertook, subject to certain exceptions, to keep information relating to one another confidential and to not disclose it to third parties. Unless terminated earlier, the confidentiality obligations will remain in force for two years from the date of the agreement.

The Confidentiality and Standstill Agreement also included standstill obligations, which have since expired.

A copy of the Confidentiality and Standstill Agreement is available on Ophir's website at www.ophir-energy.com until the Effective Date.

## 3. Co-operation Agreement

Salamander and Ophir entered into a co-operation agreement dated 24 November 2014 (the "Co-operation Agreement"). Pursuant to the Co-operation Agreement, among other things:

- Ophir has agreed to convene the Ophir General Meeting so that it is held on the same date as, but prior to, the Court Meeting;
- save for: (a) the Salamander Share Scheme arrangements described below; (b) any transaction related bonus payable within the financial parameters of the existing annual bonus schemes for 2014 for directors and employees involved in the transaction paid, in the case of Executive Directors, at a level of no more than 50 per cent. of the total annual bonus opportunity; and in the case of persons who are not Executive Directors, at a level determined by the Executive Directors; (c) any payment in respect of the 2015 bonus year to any Executive Director or employee made redundant on (or shortly after) the Scheme becoming Effective, provided the payment does not exceed 1/6th of the amount of bonus payable to that individual for the 2014 bonus year; and (d) the enhanced redundancy arrangements described in the Announcement applicable to employees below director level (the text of which is hereby incorporated by reference (see Part IX (Documents Incorporated by Reference)), Salamander has agreed that it will not (and shall procure that the Salamander Group shall not) pay or agree to pay (whether in writing or otherwise) any payments or bonuses or grant any rights to or enter into any incentivisation arrangements with any employees or directors of Salamander or the Salamander Group which are connected to or conditional upon the Transaction or otherwise outside the ordinary course of business for Salamander and the Salamander Group (without the prior consent of Ophir); and
- in relation to the Salamander Share Schemes, the outstanding options under the Salamander Share Schemes shall vest and become exercisable for a period of one month from the Scheme being sanctioned by the Court on the basis that: (a) options under the Salamander Deferred Share Plan shall vest in full; (b) options under the Salamander Performance Share Plan 2006 shall vest to the extent determined by Salamander's remuneration committee; and (c) options shall not be time prorated. Any Salamander Shares received on exercise of those options shall take part in the Scheme or will be acquired by Ophir for the same consideration per Salamander Share as any other Salamander Shareholder will receive under the Scheme (subject to the requirements of applicable overseas securities laws).

A copy of the Co-operation Agreement is available on Ophir's website at www.ophir-energy.com until the Effective Date.

## 4. Irrevocable Undertakings and Letters of Intent

*(1) Salamander Directors*

The following Salamander Directors have given irrevocable undertakings to vote in favour of the resolutions relating to the Transaction at the Salamander General Meeting and the Court Meeting (or in the event that the Transaction is implemented by takeover offer, to accept or procure the acceptance of such offer) and to vote against the SONA Disposal Shareholder Approval Resolution in relation to the following Salamander Shares:

| Name | Total Number of Salamander Shares | Percentage of existing Salamander issued share capital |
|---|---:|---:|
| Charles Jamieson | 848,619 | 0.32749 |
| James Menzies | 2,750,097 | 1.06128 |
| Michael Buck | 860,153 | 0.33194 |
| Jonathan Copus | 85,090 | 0.03284 |
| Struan Robertson | 20,345 | 0.00785 |
| Carol Bell | 12,012 | 0.00464 |
| Robert Cathery | 537,500 | 0.20743 |
| John Crowle | 71,515 | 0.02760 |
| Michael Pavia | 59,500 | 0.02296 |

James Menzies and Michael Buck have also undertaken in their irrevocable undertaking to procure (so far as they are able) that any Salamander Shares held by their respective family members and related trusts are voted (or not voted) in the same manner.

The irrevocable undertakings given by Salamander Directors will cease to be binding in the event that: (i) the Scheme lapses or is withdrawn in accordance with its terms and Ophir does not elect to implement the Transaction by way of a takeover offer or otherwise; (ii) the Scheme has not become effective by 11.59 p.m. on 30 June 2015 (or such later time or date as agreed between Ophir and Salamander, with the approval of the Court and/or the Panel if required); or (iii) Ophir publicly confirms (including by means of withdrawing the recommendation of the board of Ophir to Ophir Shareholders to vote in favour of the Transaction) that it does not intend to proceed with the Transaction.

*(2) Other Salamander Shareholders*

The following Salamander Shareholders (being Salamander Shareholders that are not also Salamander Directors) have given irrevocable undertakings to vote in favour of the resolutions relating to the Transaction at the Salamander General Meeting and the Court Meeting (or in the event that the Transaction is implemented by takeover offer, to accept or procure the acceptance of such offer) and to vote against the SONA Disposal Shareholder Approval Resolution in relation to the following Salamander Shares (in the case of SailingStone Capital Partners LLP, to the extent that it has discretionary voting authority in respect of such Salamander Shares at the time of such acceptance or vote):

| **Name** | **Total Number of Salamander Shares** | **Percentage of existing Salamander issued share capital** |
|---|---|---|
| SailingStone Capital Partners LLC | 34,538,066 | 13.3 |
| Artemis Investment Management LLP | 12,000,000 | 4.6 |

The irrevocable undertakings given by certain Salamander Shareholders (being Salamander Shareholders that are not also Salamander Directors) will cease to be binding in the event that: (i) the Scheme Document is not sent to Salamander Shareholders within 28 days (or such longer period as Ophir and Salamander may agree) after the date of the Announcement; or (ii) the Scheme lapses or is withdrawn in accordance with its terms and Ophir does not elect to implement the Transaction by way of a takeover offer or otherwise; or (iii) the Scheme has not become effective by 11.59 p.m. on 30 June 2015 (or, in the case of the irrevocable undertaking from SailingStone Capital Partners LLC only, such later time or date as agreed between Ophir and Salamander, with the approval of the Court and/or the Panel if required); or (iv) Ophir publicly confirms (including by means of withdrawing the recommendation of the board of Ophir to Ophir Shareholders to vote in favour of the Transaction) that it does not intend to proceed with the Transaction.

The irrevocable undertakings given by Salamander Shareholders (being Salamander Shareholders that are not also Salamander Directors) will also lapse if a third party announces a firm intention to make an offer under Rule 2.7 of the Takeover Code for the whole of the issued and to be issued ordinary share capital of Salamander (other than any such shares which at the date of the relevant offer are already held by the third party offeror) under which the amount or value of the consideration offered for each Salamander Share is not less than 10 per cent. greater than the value per Salamander Share offered pursuant to the Transaction, and (in the case of the irrevocable undertaking from SailingStone Capital Partners LLC only) Ophir has not within seven days of the time and date of making of the competing offer announced a revised offer which exceeds the value of the competing offer.

Under the terms of the irrevocable undertakings, SailingStone Capital Partners LLC and Artemis Investment Management LLP are not restricted from acquiring further Salamander Shares or from any sale, transfer, charge, encumbrance, option, lien or disposal of any interest in Salamander Shares to any third party who has not been publicly identified as or who SailingStone Capital Partners LLC or Artemis Investment Management LLP (as relevant) are not aware is an actual or possible competing offeror for Salamander.

The following Salamander Shareholders (being Salamander Shareholders that are not also Salamander Directors) have given non-binding letters of intent (''Letters of Intent'') to vote in favour of the resolutions relating to the Transaction at the Salamander General Meeting and the Court Meeting (or in the event that the Transaction is implemented by takeover offer, to accept or procure the acceptance of such offer) and to vote against the SONA Disposal Shareholder Approval Resolution in relation to the following Salamander Shares:

| **Name** | **Total Number of Salamander Shares** | **Percentage of existing issued share capital** |
|---|---|---|
| T. Rowe Price International Ltd | 5,120,823 | 2.0 |
| T. Rowe Price Associates, Inc. | 16,573,016 | 6.4 |

Copies of the director and shareholder irrevocable undertakings (together, the ''Irrevocable Undertakings'') and the Letters of Intent are available on Ophir's website at www.ophir-energy.com until the Effective Date.

# PART IV – HISTORICAL FINANCIAL INFORMATION RELATING TO SALAMANDER

**Section A – Historical Consolidated Financial Information relating to the Salamander Group**

In this Part IV, unless otherwise stated, references to the ''company'' are references to Salamander, references to ''Group'' are references to the Salamander Group, and references to the ''directors'' or the ''Board of Directors'' are references to the Salamander Directors and the Salamander Board, respectively. In this Section A, references to pages are to the relevant pages of the corresponding Salamander Annual Report.

**Basis of Financial Information**

The following pages set out consolidated financial information relating to Salamander prepared under IFRS as adopted by the European Union for each of the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for the six months ended 30 June 2014. In addition, restated consolidated financial information for the year ended 31 December 2013 is set out below following Salamander's adoption of IFRS 11. The financial information has been extracted without material adjustment from the corresponding Salamander Annual Report. Deloitte LLP of 2 New Street Square, London EC4A, chartered accountants regulated by the ICAEW, has issued unqualified audit opinions on the consolidated financial statements of the Salamander Group for each of the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011. The restated 31 December 2013 financial information for Salamander have been extracted without material adjustment from the corresponding Salamander interim results for the six months ended 30 June 2014.

The consolidated financial information contained in this Part IV does not constitute statutory information within the meaning of section 434 of the Companies Act.

*(i) Audited consolidated financial information for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 and restated unaudited consolidated financial information for the year ended 31 December 2013*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Year Ended 31 December 2011 | 2012 | 2013 | Unaudited adjustments(1) | Unaudited restated balances as at 31 December 2013(2) |
|---|---|---|---|---|---|---|
| | | | | (US$'000s) | | |
| Revenue | 2 | 408,000 | 367,987 | 482,220 | (26,024) | 456,196 |
| Cost of sales: | | | | | | |
| Operating costs | 3 | — | (74,784) | (86,272) | 2,683 | (83,904) |
| Royalty payable | | — | (30,572) | (44,394) | 3,253 | (41,141) |
| Amortisation of oil and gas properties | | — | (96,723) | (113,029) | 1,042 | (111,987) |
| Impairment | | (205,496) | (6,682) | — | — | — |
| Movement in inventories of oil | | — | (36,403) | (13,007) | — | 13,007 |
| Total cost of sales | | (205,496) | (245,164) | (230,688) | 6,663 | (224,025) |
| Gross profit | | 202,504 | 122,823 | 251,532 | | 232,171 |
| Exploration expenses: | | | | | | |
| Exploration costs written off | 5 | (50,316) | (44,384) | (162,253) | — | (162,253) |
| Pre-licence exploration expenses | 5 | (7,502) | (6,744) | (7,041) | — | (7,041) |
| Total exploration expenses | | (57,818) | (51,128) | (169,294) | — | (169,294) |
| Share of profit of investments accounted for using the equity method | | — | — | — | 11,522 | 11,522 |
| Loss on disposal of an asset | | — | — | (871) | — | (871) |
| Impairment of non-producing assets held for sale | | — | (16,554) | — | — | — |
| Profit on disposal of subsidiary undertakings | | 6,807 | — | — | — | — |
| Administration expenses | | (14,568) | (10,820) | (7,290) | — | (7,290) |
| Operating profit/(loss) | 5 | 136,925 | 44,321 | 74,077 | | 66,238 |
| Interest revenue | 6 | 55 | 193 | 111 | (8) | 103 |
| Finance costs | 7 | (22,247) | 27,352 | (22,804) | 24 | (22,780) |
| Other financial (losses)/gains | 8 | (2,084) | (6,328) | (4,093) | 112 | (3,981) |
| Profit/(Loss) before tax | | 112,649 | 10,834 | 47,291 | | 39,580 |
| Taxation: | | | | | | |
| Current tax | 9 | (121,425) | (78,910) | (146,756) | 7,711 | (138,868) |
| Deferred tax | 9 | (36,686) | 5,786 | (20,310) | (177) | (20,487) |
| Total Taxation | 9 | (158,111) | (73,124) | (167,066) | — | (159,355) |
| Loss after taxation | | (45,462) | (62,290) | (119,775) | — | (119,775) |
| Loss on cash flow hedges | | | | (4,346) | — | (4,346) |
| Total comprehensive loss for the year | | (45,462) | (62,290) | (124,121) | | (124,121) |
| Loss per ordinary share | | US$'s | US$'s | US$'s | | US$'s |
| Basic and diluted | 10 | (0.29) | (0.32) | (0.46) | | (0.46) |

Note:

(1) Adjustments are related to the adoption and application of IFRS 11 Joint Arrangements by Salamander Energy plc from 1 January 2014.

(2) The restated 31 December 2013 financial information for Salamander was taken from the unaudited interim results of Salamander for the six months ended 30 June 2014.

## CONSOLIDATED BALANCE SHEETS

| | Notes | Year Ended 31 December 2011 | 2012 | 2013 | Unaudited adjustments(1) | Unaudited restated balances as at 31 December 2013(2) |
|---|---|---|---|---|---|---|
| | | | | *(US$'000s)* | | |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible exploration and evaluation assets | 11 | 226,825 | 298,256 | 311,419 | (18,272) | 293,147 |
| Property, plant and equipment | 12 | 522,770 | 599,184 | 662,777 | (14,765) | 648,012 |
| Investments accounted for using the equity method | | | | | 29,922 | 29,922 |
| Other receivables: | | | | | | |
| Restricted bank deposits | 13 | 1,363 | — | 18,000 | | 18,000 |
| Other | 13 | 23,889 | 47,206 | 30,493 | | 30,493 |
| Deferred tax asset | 9 | 789 | 559 | 1,718 | (1,718) | — |
| Total non-current assets | | 775,636 | 945,205 | 1,024,407 | | 1,019,574 |
| **Current assets** | | | | | | |
| Assets classified as held for sale | | — | 18,000 | — | | — |
| Inventories | 17 | 60,067 | 37,502 | 43,556 | (1,186) | 42,370 |
| Trade and other receivables | 18 | 51,740 | 64,115 | 51,688 | (4,950) | 46,738 |
| Restricted bank deposits | | 24,011 | 1,467 | 2,279 | | 2,279 |
| Cash and cash equivalents | 19 | 60,376 | 207,342 | 244,769 | | 244,769 |
| Total current assets | | 196,194 | 328,432 | 342,292 | | 336,156 |
| Total assets | | 971,830 | 1,273,637 | 1,366,699 | | 1,355,730 |
| **Liabilities** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Borrowings | 20 | 171,351 | 280,823 | 259,593 | | 259,593 |
| Convertible bonds | 21 | 90,887 | 93,691 | 96,495 | | 96,495 |
| Bonds payable | 22 | — | — | 145,970 | | 145,970 |
| Provisions | 24 | 12,677 | 25,267 | 48,440 | (742) | 47,698 |
| Deferred tax liability | 9 | 155,981 | 149,965 | 171,434 | (982) | 170,452 |
| Total non-current liabilities | | 430,896 | 549,746 | 721,932 | | 720,208 |
| **Current liabilities** | | | | | | |
| Liabilities associated with assets held for sale | 16 | — | 1,884 | — | | — |
| Trade and other payables | 25 | 60,851 | 119,461 | 89,796 | (2,069) | 87,727 |
| Borrowings due within one year | 20 | 17,303 | 12,709 | 7,831 | | 7,834 |
| Current tax liability | 9 | 83,807 | 65,529 | 144,724 | (7,176) | 137,548 |
| Provisions | 24 | — | 4,000 | — | | — |
| Total current liabilities | | 161,961 | 203,583 | 242,354 | | 233,109 |
| Total liabilities | | 592,857 | 753,329 | 964,286 | | 953,317 |
| Net assets | | 378,973 | 520,308 | 402,413 | | 402,413 |
| **Equity** | | | | | | |
| Share capital | 28 | 30,160 | 46,632 | 46,842 | | 46,842 |
| Share premium | 28 | 381,565 | 563,703 | 563,703 | | 563,703 |
| Other reserves | 28 | 266,704 | 271,719 | 273,389 | | 273,389 |
| Retained loss | 28 | (299,456) | (361,746) | (481,521) | | (481,521) |
| Total equity, all attributable to owners of the Company | | 378,973 | 520,308 | 402,413 | | 402,413 |

Note:

(1) Adjustments are related to the adoption and application of IFRS 11 Joint Arrangements by Salamander Energy plc from 1 January 2014.

(2) The restated 31 December 2013 financial information for Salamander was taken from the unaudited interim results of Salamander for the six months ended 30 June 2014.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share Premium | Other Reserves | Profit and Loss | Total |
|---|---|---|---|---|---|
| | | | *(US$'000s)* | | |
| At 1 January 2011 | 30,034 | 381,565 | 261,786 | (253,994) | 419,391 |
| Ordinary shares issued | 126 | — | — | — | 126 |
| Share based payments | — | — | 4,918 | — | 4,918 |
| Comprehensive loss for the year | — | — | — | (45,462) | (45,462) |
| At 31 December 2011 | 30,160 | 381,565 | 266,704 | (299,456) | 378,973 |
| Ordinary shares issued | 16,472 | 182,138 | — | — | 198,610 |
| Share based payments | — | — | 5,015 | — | 5,015 |
| Comprehensive loss for the year | — | — | — | (62,290) | (62,290) |
| At 31 December 2012 | 46,632 | 563,703 | 271,719 | (361,746) | 520,308 |
| Ordinary shares issued | 210 | — | — | — | 210 |
| Share based payments | — | — | 6,019 | — | 6,016 |
| Comprehensive loss for the year | — | — | (4,346) | (119,775) | (124,121) |
| At 31 December 2013 | 46,842 | 563,703 | 273,389 | 481,521 | 402,413 |

***Other Reserves***

Other reserves comprise:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Share based payment reserve | 13,702 | 18,717 | 24,733 |
| Hedge reserves | — | — | (4,346) |
| Convertible bond (see Note 22) | 11,271 | 11,271 | 11,271 |
| Merger reserve | 241,731 | 241,731 | 241,731 |
| Total other reserves | 266,704 | 271,719 | 273,389 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Year Ended 31 December 2011 | 2012 | 2013 | Adjustments[1] | Adjusted 31 December 2013 |
|---|---|---|---|---|---|---|
| | | | | (US$'000s) | | |
| **Cash flow from operating activities** | | | | | | |
| Profit before tax | | 112,649 | 10,834 | 47,291 | (7,711) | 39,580 |
| **Adjustments for**: | | | | | | |
| Amortisation, depreciation and impairment of property plant and equipment | 3 | 109,308 | 96,907 | 113,806 | (1,042) | 112,764 |
| Impairment of producing oil and gas properties | 3 | — | 6,682 | — | — | — |
| Exploration write offs | 3 | 50,316 | 44,384 | 162,253 | | 162,253 |
| (Profit)/Loss on disposal of assets | | (6,807) | — | 871 | — | 871 |
| Impairment of non-producing assets held for sale | 16 | — | 16,554 | — | — | — |
| Interest revenue | | (55) | (193) | (111) | 8 | (103) |
| Finance costs | 7 | 22,247 | 27,352 | 22,804 | (24) | 22,780 |
| Other financial losses | 9 | 2,084 | 6,328 | 4,093 | (112) | 3,981 |
| Share based payment | 27 | 3,836 | 4,113 | 4,463 | — | 4,463 |
| Share of profit of investments accounted for using the equity method | | — | — | — | (11,522) | (11,522) |
| **Operating cash flow prior to movement in working capital** | | **293,578** | **212,961** | **355,470** | **(20,403)** | **335,067** |
| (Increase)/decrease in oil inventories | 17 | (34,551) | 36,403 | (13,007) | — | (13,007) |
| Decrease/(increase) in trade and other receivables | 18 | 53,395 | (10,425) | 7,304 | (3,133) | 4,171 |
| Decrease in trade and other payables | 25 | (16,461) | 16,679 | 18,027 | 100 | 18,127 |
| **Cash generated from operations** | | **295,961** | **255,618** | **367,794** | **(23,436)** | **344,358** |
| Payment of tax | | (102,052) | (97,188) | (67,538) | 10,820 | (56,718) |
| **Net cash from operating activities** | | **193,909** | **158,430** | **300,256** | **(12,616)** | **287,640** |
| **Investing activities** | | | | | | |
| Expenditure on intangible assets | 11 | (123,318) | (113,125) | (177,654) | 7,476 | (170,178) |
| Expenditure on property, plant and equipment | 12 | (108,211) | (173,982) | (179,414) | (312) | (179,726) |
| Dividend received from investments | 31 | — | — | — | 6,115 | 6,115 |
| Increase in investments | | — | — | — | (679) | (679) |
| Proceeds from disposal of assets | | 45,673 | — | 27,000 | — | 27,000 |
| Movement in other receivables (Including restricted bank deposits) | | (17,465) | 1,235 | (18,650) | — | (18,650) |
| Interest received | | 4 | 193 | 111 | (8) | 103 |
| **Net cash used in investing activities** | | **(203,317)** | **(285,679)** | **(348,607)** | **12,592** | **(336,015)** |
| **Financing activities** | | | | | | |
| Interest paid | 7 | (13,877) | (14,700) | (19,283) | — | (19,283) |
| Other financial receipts and payments | 8 | (2,762) | 573 | 715 | 24 | 739 |
| Cash flows in respect of long term borrowings | | | | | | |
| Repayment of borrowings facilities | 20 | (224,678) | (195,805) | (50,000) | — | (50,000) |
| Drawdown of borrowings facilities | 20 | 221,712 | 288,466 | 20,557 | — | 20,557 |
| Cash flow in respect of shares issued | | 126 | — | — | — | — |
| Gross proceeds | | — | 210,455 | 209 | — | 209 |
| Fees | | — | (11,845) | — | — | — |
| Proceeds from issue of bonds payable | 22 | — | — | 150,000 | — | 150,000 |
| Fees from issue of bonds payable | | — | — | (4,952) | — | (4,952) |
| **Net cash from financing activities** | | **(19,479)** | **277,144** | **97,246** | **24** | **97,270** |
| **Net increase in cash and cash equivalents** | | **(28,887)** | **149,895** | **48,895** | **—** | **48,895** |
| Cash and cash equivalents at the beginning of the year | | 89,860 | 60,376 | 207,342 | — | 207,342 |
| Effect of foreign exchange rate changes | | (597) | (2,929) | (11,468) | — | (11,468) |
| Cash and cash equivalents at the end of the year | | **60,376** | **207,342** | **244,769** | **—** | **244,769** |

Note:

(1) Adjustments are related to the adoption and application of IFRS 11 Joint Arrangements by Salamander Energy plc from 1 January 2014.

**Statement of Accounting Policies and General Information**

***General Information on the Company and the Group***

Salamander Energy plc ("the Company") is a company registered in England and Wales on 13 September 2006 under the Companies Act, which serves as a holding company for the group subsidiaries (each a "Group Company" and together with the Company, "the Group"). The address of the registered office is 4th Floor, 25 Great Pulteney Street, London W1F 9LT. The nature of the Group's operations and its principal activities are as an upstream oil and gas exploration, development and production company focused on building a portfolio of assets in Southeast Asia.

***Financial Information***

The financial information is presented in US Dollars because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with policies set out later in this section.

**Accounting Policies and Presentation of Financial Information**

***Basis of Preparation***

The financial statements have been prepared in accordance with IFRS and IFRIC interpretations adopted for use in the European Union and therefore the consolidated financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The financial statements have been prepared on a going concern basis as set out in the Directors' Report.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost basis. The principal accounting policies are the same as those set out in the Statement of Accounting Policies and General Information in this section. As a Consolidated Statement of Comprehensive Income is included, a separate Statement of Comprehensive Income for the Company has not been included in accordance with section 408 of the Companies Act 2006. The loss for the year for the Company is disclosed in the Statement of Changes in Equity to the Company financial statements.

***Adoption of New and Revised Accounting Standards***

In the current year, the following new and revised standards and interpretations have been adopted:

| | |
|---|---|
| IFRS 7 (amended) | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| IFRS 13 | Fair Value Measurement |
| IAS 1 (amended) | Presentation of Items of Other Comprehensive Income |
| IAS 19 (revised) | Employee Benefits |

The adoption of the standards listed above did not have a material impact on the financial statements of the Group in the current financial year, but may impact the accounting for future transactions and arrangements. The additional disclosures required by IFRS 13 are provided in note 26.

At the date of authorisation of these financial statements, the Group has not applied the following standards and interpretations that have been issued but are not effective:

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| IFRS 10 | Investment Entities |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IAS 27 (amended) | Separate Financial Statements |

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 11 will when adopted on 1 January 2014, require the Group to change its accounting treatment for its investment in the various APICO interests in Thailand from proportional consolidation to equity accounting. Details of the most recent financial results of these entities are provided in note 15; and

- IAS 32 (amended) will increase the disclosure requirements for offsetting financial assets and financial liabilities on the balance sheet.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

***Basis of Consolidation***

The consolidated financial statements consist of the financial statements of the Company and all its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Revenues and the results of subsidiary undertakings are consolidated in the Consolidated Statement of Comprehensive Income from the dates on which control over the operating and financial decisions is obtained. Where necessary, adjustments are made to the results of subsidiary and joint venture entities to bring the accounting policies into line to those used by the Group.

***Commercial Reserves***

Commercial reserves are proved and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50 per cent. statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent. statistical probability that it will be less.

***Joint Ventures***

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Where a Group Company undertakes its activities under joint venture arrangements directly, the Group's share of jointly-controlled assets and any liabilities incurred jointly with other ventures' are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interest in jointly-controlled entities using proportionate consolidation, that is, the Group's share of the assets, liabilities, income and expenses of jointly-controlled entities that are combined with the equivalent items in consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

***Acquisitions***

On an acquisition that qualifies as a business combination in accordance with IFRS 3 – Business Combinations, the assets and liabilities of a subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill which is treated as an intangible asset. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the Statement of Comprehensive Income in the period of acquisition. If the Group acquires a group of assets or equity in a company that does not constitute a business combination in accordance with IFRS 3 – Business Combinations, the cost of the acquired group of assets or equity is allocated to the individual identifiable assets acquired based on their relative fair value.

***Revenue***

Revenue represents the sales value, net of value added tax ("VAT") and equivalent taxes of the Group's share of liftings in the period together with tariff income. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Income received under take-or-pay sales contracts in respect of undelivered volumes is accounted for as deferred income. Revenue is recognised when goods are delivered and title has passed.

***Interest Revenue***

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

***Derivative Financial Instruments and Hedge Accounting***

The Group uses derivative financial instruments to manage its exposure to movements in oil and gas prices, interest rates and foreign exchange. The Group does not use derivatives for speculative purposes. Derivative financial instruments are stated at fair value The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the instrument (designation). Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the Statement of Comprehensive Income in the period. These include economic hedges that might qualify as accounting hedges, but were not designated as such at inception. The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The estimated fair value of these derivatives is included in other creditors or other debtors in the Balance Sheet and the related changes in the fair value are included in other financial gains and losses in the Statement of Comprehensive Income. Upon settlement, the cumulative amount of previously recognised gains or losses is reversed out of other financial gains and losses and, together with any final realised gains or losses, recorded within revenue. The Group designates certain hedging instruments, which include derivatives, as cash flow hedges of future forecast sales revenues. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Cost of Sales**

***Underlift and Overlift***

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

***Share-Based Payment***

The Company has applied the requirements of IFRS 2 – Share Based Payment. The Group makes equity settled share-based payment to certain employees. Equity settled share based schemes are measured at fair value of the equity instrument at the date of grant. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29. The fair value determined at the grant of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on an estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of the non-market based vesting conditions. The expenses so recognised are simultaneously added back as an adjustment through equity.

***Operating Leases***

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

***Operating Profit***

Operating profit is stated before investment income and finance costs.

***Foreign Currencies***

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. On consolidation, financial statements of foreign currency denominated subsidiaries are translated into US Dollars whereby the results of the overseas operations are translated at the average rate of exchange for the period and their Balance Sheets at rates of exchange current at the balance sheet date. Transactions in foreign currencies in individual subsidiaries are recorded at the rates of exchange current at the transaction dates. Monetary assets and liabilities are translated into US Dollars at the exchange rates current at the balance sheet date, with a corresponding charge or credit to the Statement of Comprehensive Income.

***Finance Costs and Borrowings***

Finance costs of borrowings are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Debt is shown on the Balance Sheet net of arrangement fees and issue costs, and amortised through to the Statement of Comprehensive Income as finance costs over the term of the debt. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

***Taxation***

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more, or right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is provided on temporary differences arising on acquisitions that are categorised as business combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the Statement of Comprehensive Income as the underlying temporary difference is reversed.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

***Exploration and Evaluation Assets***

The Group adopts the "successful efforts" method of accounting for exploration and evaluation costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs and borrowing costs are capitalised insofar as they relate to specific exploration and development activities. Pre-licence costs are expensed in the period they are incurred. If prospects are deemed to be impaired ("unsuccessful") on completion of an evaluation, the associated capitalised costs are charged to the Statement of Comprehensive Income. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in a single field cost centre.

***Property, Plant and Equipment***

Property, plant and equipment is stated in the Balance Sheet at cost less accumulated amortisation and depreciation.

***Oil and Gas Properties***

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

Where there has been a change in economic conditions (including commodity assumptions and cost of capital) that indicate a possible impairment of a field previously determined to be commercially viable, the recoverability of the net book amount relating to that field is assessed by comparison with its recoverable amount, which is typically the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the Statement of Comprehensive Income as additional depreciation, depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation that would have been charged since the impairment.

Provision for decommissioning is recognised in full when the related facilities are installed, where the Group has a legal or constructive obligation to decommission. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as finance costs.

***Other Fixed Assets***

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

***Assets as Held for Sale***

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

***Investments***

Investments in subsidiaries and joint venture entities held by the Company as non-current assets are stated at cost less any provision for impairment.

***Share Issue Expenses and Share Premium Account***
Costs of share issues are written off against the premium arising on the issue of share capital.

***Inventories***
Inventories of oil are stated at their net realisable values. Inventories of materials are stated at the lower of cost or net realisable value.

***Financial Instruments***
Financial assets and financial liabilities are recognised in the group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

***Financial Assets***
All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets "at fair value through profit and loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

***Effective Interest Method***
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

***Financial Assets at Fair Value through Profit and Loss***
Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as all derivatives that are not designated and effective as hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other financial gains and losses" line item in the Consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note 26.

***Impairment of Financial Assets***
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. All impairment losses are taken to the Statement of Comprehensive Income. Trade receivables are assessed for impairment based on the number of days outstanding on individual invoices. Any trade receivable that is deemed uncollectible is immediately written off to the Statement of Comprehensive Income, any subsequent recoveries are also taken directly to the Statement of Comprehensive Income upon receipt of cash collected.

*Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Derecognition of Financial Assets*

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

*Financial Liabilities*

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

*Financial Liabilities at Fair Value through Profit and Loss*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ''other financial gains and losses'' line item in the Consolidated Statement of Comprehensive Income. Fair value is determined in the manner described in note 26.

*Other Financial Liabilities*

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

*Derecognition of Financial Liabilities*

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

*Critical Judgements and Accounting Estimates*

In the process of applying the Group's accounting policies described above, management has made judgements and estimates that may have a significant effect on the amounts recognised in the financial statements.

*Commercial Reserves*

Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depreciation charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically report on the Group's level of commercial reserves by evaluating the estimates of the Group's in house reserves specialists and where necessary referencing geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves and related future capital expenditure by reference to the same datasets using its own internal expertise. The estimates adopted by the Group may differ from the independent reserves specialists' estimates where management considers that adjustments are appropriate in the circumstances. For the year ended 31 December 2013, the Group has adopted reserves consistent with the level of reserves assessed by its independent reserves specialist.

*Carrying Value of Intangible Fixed Assets*

Management is required to assess intangible exploration and evaluation (''E&E'') assets for impairment with reference to the indicators provided in IFRS 6 – Exploration for Evaluation of Mineral Resources. The outcome of continuing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain as it depends on a number of factors, including whether commercial reserves exist and estimates of future commodity prices, capital/

operating expenditure and discount rate. Note 11 to the consolidated financial statements discloses the carrying value of such assets.

***Carry Value of Property Plant and Equipment***

Management is required to review and potentially test property plant and equipment for impairment usually by estimating a pre-tax value in use for each asset held and comparing that value to the net book amount of the asset being carried in the Balance Sheet. Such a review is done on at least an annual basis. This requires estimates to be made of in particular, future commodity prices, production volumes, capital/operating expenditure and an appropriate pre-tax discount rate. Details of the Group's property plant and equipment are provided in note 12 to the consolidated financial statements.

***Provision for Decommissioning***

In recording a provision for decommissioning, management is required to make estimates as to the legal requirements, related costs, timing of work and the discount rate.

***Taxation***

The Group is subject to income tax principally in Thailand and Indonesia. In deciding whether provisions or disclosure are required for uncertain tax positions, management is required to make judgements as to the status of ongoing discussions with the relevant tax authorities and other counterparties and uses both its in-house tax expertise and advice from independent tax advisors. In such circumstances the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable. Where the potential liability is not probable, it is disclosed as a contingent liability unless the risk of an outflow of economic benefit is remote. There were no additional tax exposures that required disclosure as a contingent liability in the current year. The Group is subject to a special remuneratory benefit tax in Thailand, the rate for which depends on the annual revenue per cumulative metre drilled. Accordingly the tax rate to be applied in calculating the Group's deferred special remuneratory benefit tax depends on management's forecast of future revenues and drilling activities.

# NOTES TO THE AUDITED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

## 1. Segmental Analysis

The Group's reportable and geographical segments are Thailand, Indonesia, the Philippines, Lao PDR, Vietnam and Other. Other activities include its corporate centre in the UK.

Information regarding the Group's operating segments is reported below

### *Segment Revenues and Results*

The following is an analysis of the Group's revenue, results and assets by reportable segment (as reviewed by management):

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Thailand** | **Indonesia** | **Philippines** | **Lao PDR** | **Vietnam** | **Other** | **Total** |
| | | | | *(US$'000s)* | | | |
| Revenue (external) | 291,438 | 116,212 | — | — | — | 350 | 408,000 |
| Operating Profit/(Loss) | 152,996 | 14,630 | 250 | (131) | (16,361) | (14,459) | 136,925 |
| Interest Revenue | — | — | — | — | — | 55 | 55 |
| Finance Cost | — | — | — | — | — | (22,247) | (22,247) |
| Other Financial Losses | — | — | — | — | — | (2,084) | (2,084) |
| Profit before Tax | — | — | — | — | — | — | 112,649 |
| Tax | — | — | — | — | — | (158,111) | (158,111) |
| Loss for the Year | — | — | — | — | — | — | (45,462) |
| Non-current assets | 458,969 | 286,851 | — | 3,337 | — | 26,479[1] | 775,636 |
| Total assets | 529,440 | 324,264 | 254 | 3,351 | 1,131 | 113,390 | 971,830 |
| Depreciation and amortisation | 54,518 | 54,598 | — | — | — | 192 | 109,308 |
| Additions to non-current assets | 95,924 | 71,634 | — | 3,623 | 15,079 | 17,653 | 203,913 |

Note:

(1) This balance predominantly consists of the long term and short term restricted bank deposits of US$1,363,000 and US$24,011,000 respectively.

The Group's reportable and geographical segments are Thailand, Indonesia and Other. For 2012, the Group has consolidated the previously reported, but immaterial, segments of Philippines, Lao PDR and Vietnam into Other. In addition, other activities include the corporate centre in the UK.

Information regarding the Group's operating segments is reported below.

| | 2012 | | | |
|---|---|---|---|---|
| | **Thailand** | **Indonesia** | **Other** | **Total** |
| | | *(US$'000s)* | | |
| Revenue (external) | 342,581 | 30,808 | (5,402) | 367,987 |
| Operating Profit/(Loss) | 113,072 | (46,993) | (21,758) | 44,321 |
| Interest Revenue | — | — | 193 | 193 |
| Finance Cost | — | — | (27,352) | (27,352) |
| Other Financial Losses | — | — | (6,328) | (6,328) |
| Profit before Tax | 113,072 | (46,993) | (55,245) | 10,834 |
| Tax | (73,124) | (73,124) | | |
| Loss for the Year | 113,072 | (46,993) | (128,369) | (62,290) |
| Non-current assets | 570,704 | 369,763 | 4,738 | 945,205 |
| Total assets | 655,711 | 436,590 | 181,336 | 1,273,637 |
| Depreciation and amortisation | 55,480 | 41,243 | — | 96,723 |
| Additions to non-current assets | 183,151 | 140,619 | 3,697 | 327,467 |
| Impairment of producing oil and gas properties | — | 6,682 | — | 6,682 |
| Exploration costs written off | 41,516 | 1,344 | 1,524 | 44,384 |
| Impairment of non-producing assets held for sale | — | 16,554 | — | 16,554 |

| | 2013 (Unaudited Restated) | | | |
|---|---|---|---|---|
| | **Thailand** | **Indonesia** | **Other** | **Total** |
| | | *(US$'000s)* | | |
| Revenue (external) | 453,578 | 8,063 | (5,445) | 456,196 |
| Operating Profit/(Loss) | 201,450 | (110,415) | (24,797) | 66,238 |
| Interest Revenue | — | — | 103 | 103 |
| Finance Cost | — | — | (22,780) | (22,780) |
| Other Financial Losses | — | — | (3,981) | (3,981) |
| Profit before Tax | 201,450 | (110,415) | (51,455) | 39,580 |
| Tax | — | — | (159,355) | (159,355) |
| Loss for the Year | 201,450 | (110,415) | (210,810) | (119,775) |
| Non-current assets | 615,086 | 384,212 | 20,276 | 1,019,574 |
| Total assets | 698,546 | 425,641 | 231,543 | 1,355,730 |
| Depreciation and amortisation | 101,406 | 11,358 | — | 112,764 |
| Additions to non-current assets | 214,659 | 156,851 | 1,543 | 373,053 |
| Impairment of producing oil and gas properties | — | — | — | — |
| Exploration costs written off | 54,127 | 108,126 | — | 162,253 |

## 2. Revenue

Revenue, excluding interest revenue (see note 6), comprises:

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Sales of Oil | 339,435 | 328,427 | 458,336 |
| Sales of Gas | 68,215 | 44,962 | 3,305 |
| Oil and Gas Derivatives: | | | |
| Realised Settlement Gains/(Losses) | 350 | (5,402) | (5,445) |
| Total Revenue (excluding Interest Revenue) | 408,000 | 367,987 | 456,196 |

Total revenue in accordance with IAS 18 includes interest revenue and amounted to US$408,004,000 (2012: US$368,180k; 2013 US$456,299k).

## 3. Employee Numbers and Costs

The monthly average number of employees (including Executive Directors and consultants) employed and charged to operations was as follows:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *Number* | |
| Professional | 127 | 120 | 106 |
| Administration | 68 | 85 | 78 |
| Total Employee Numbers | 195 | 205 | 184 |

Their aggregate remuneration was as follows:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Wages and Salaries | 32,003 | 30,199 | 24,984 |
| Share Based Payment (see note 28) | 4,918 | 5,015 | 6,016 |
| Pension | 1,266 | 1,349 | 1,321 |
| Social Security | 1,303 | 1,211 | 789 |
| Total Employee Costs | 39,490 | 37,774 | 33,110 |

A proportion of total employee costs were directly attributable to capital and other projects and were capitalised or expensed consistent with the project expenditures as follows:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Non-current Assets | 31,200 | 25,403 | 26,221 |
| Operating Costs | 1,766 | 3,056 | 4,840 |
| Administrative Expenses | 6,524 | 23,610 | 2,049 |
| Total Employee Costs | 39,490 | 37,774 | 33,110 |

### 4. Operating Lease Arrangements

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| FPSO lease | 19,901 | 20,554 | 21,113 |
| Office leases | 2,683 | 3,056 | 1,914 |
| Minimum Lease Payments Under Operating Leases Recognised in Statement of comprehensive income for the Year | 22,584 | 23,610 | 23,027 |

### 5. Operating Profit/ (Loss)

Operating profit/ (loss) is stated after charging/(crediting):

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Impairment | — | 6,682 | — |
| Impairment of non-producing assets held for sale | — | 16,554 | — |
| Exploration costs written off | 50,316 | 44,384 | 162,253 |
| Loss on disposal of assets | — | — | 871 |
| Pre-licence exploration expenses | 7,502 | 6,744 | 7,041 |
| Profit on disposal of subsidiary undertakings | (6,807) | — | — |
| Employee Costs Expensed | 23,643 | 12,371 | 6,889 |
| Amortisation and Depreciation of Property, Plant and Equipment | 109,034 | 96,723 | 112,764 |
| Auditor's Remuneration (see below) | | | |
| Audit Services | 602 | 681 | 753 |
| Non-audit Services | 265 | 186 | 195 |
| Movement in inventories of Oil | (34,764) | — | — |
| Operating Lease Arrangements (see note 4) | | | |
| FPSO lease | 19,901 | 20,554 | 21,113 |
| Office leases | 2,683 | 3,056 | 1,914 |

***Auditor's Remuneration***

The following is an analysis of gross fees paid to the Company's Auditor, Deloitte LLP:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Audit Services | | | |
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | 432 | 493 | 565 |
| The audit of the Company's subsidiaries pursuant to legislation | 170 | 188 | 188 |
| Total Audit Fees | 602 | 681 | 753 |
| Non-audit Services | | | |
| Audit related assurance services | 72 | 75 | 80 |
| Corporate finance services (reporting accountant services) | — | 796 | — |
| Tax compliance services | 76 | 15 | 39 |
| Tax advisory services | 7 | — | 76 |
| Other assurance services | 110 | 16 | — |
| Total Non-Audit Services | 265 | 902 | 195 |
| Total | 867 | 1,582 | 948 |

Audit related assurance services represent the fees for the Group's half year review.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

## 6. Interest Revenue

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Loan Interest Revenue | — | — | — |
| Bank Interest Revenue | 55 | 193 | 103 |
| Total Interest Revenue | 55 | 193 | 103 |

## 7. Finance Costs

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Long Term Borrowings: | | | |
| Fee attributable to repaid borrowings | 7,864 | 12,721 | 1,607 |
| Fee attributable to borrowings | — | — | 2,219 |
| Interest Expense | 13,527 | 15,169 | 18,966 |
| Unwinding of Discount | | | |
| Convertible Bonds | 2,317 | 2,317 | 2,317 |
| Provision for Decommissioning | 348 | 474 | 624 |
| Less Interest Capitalised | (1,809) | (3,329) | (2,953) |
| Total Finance Costs | 22,247 | 27,352 | 22,780 |

Interest capitalised during the year arose on the general borrowings pool and is calculated by applying a capitalisation rate of 2013 4.2 per cent. (2012: 4.3 per cent. and 2011: 4.7 per cent.) to expenditure on such assets.

The amortisation of capitalised arrangement fees includes a US$5.5 million charge for the write off of unamortised fees in respect of the previous reserves based lending facility ("RBL") and bridge loan facilities, which were replaced by a new RBL facility in May 2011.

The amortisation of capitalised arrangement fees attributable to repaid borrowings of US$12,721,000 for 2012 is the write off of unamortised fees in respect of the reserves based lending facility of May 2011 which was fully repaid on drawdown of the reserves based lending facility of December 2012. The 2011 figure includes US$5,986,000 relating to the write off of equivalent fees on the reserves based lending facility which was replaced by the May 2011 facility.

The amortisation of capitalised arrangement fees attributable to repaid borrowings of US$1,607,000 for 2013 is the write off of unamortised fees in respect of the US$50 million bridge facility which was fully repaid in December 2013.

## 8. Other Financial Gains and Losses

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| (Loss)/Profit relating to oil derivatives | (2,435) | (3,982) | 7,130 |
| Profit/(Loss) relating to interest rate swap derivatives | 1,032 | 395 | — |
| (Loss)/Profit on investments | (84) | 188 | (162) |
| Currency exchange loss | (597) | (2,929) | (10,949) |
| Total Other Financial (Losses)/Gains | (2,084) | (6,328) | (3,981) |

No other gains and losses have been recognised in respect of loans and receivables, other than those recognised in note 8. No gains or losses have been recognised on financial liabilities measured at amortised cost other than as disclosed in note 8.

## 9. Taxation

| | 2011 | 2010 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Current Taxation | | | |
| Income Tax – current year | 65,115 | 52,814 | 47,740 |
| Income Tax – prior year adjustment | (1,985) | — | — |
| Special Remuneratory Benefit | 58,295 | 26,096 | 91,128 |
| Total Current Tax | 121,425 | 78,910 | 138,868 |
| Deferred Taxation | | | |
| Income Tax | 29,756 | (37,386) | 22,370 |
| Special Remuneratory Benefit | 6,930 | 31,600 | (1,883) |
| Total Deferred Tax (see note 17) | 36,686 | 5,786 | 20,487 |
| Total Tax Charge | 158,111 | 73,124 | 159,335 |

Special Remuneratory Benefit ("SRB") is a tax that arises on certain fields in Thailand and which is payable at a variable rate dependent on a number of financial and operational metrics.

***Reconciliation of Tax Charge to Loss Before Tax***

The tax charge for the year can be reconciled to the profit/(loss) before tax per the statement of comprehensive income as follows:

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Profit/(Loss) before taxation | 112,649 | 10,834 | 39,580 |
| Applicable Rate | 48% | 50% | 50% |
| Tax at the applicable rate of tax | 54,072 | 5,418 | 19,790 |
| Tax Effect of: | | | |
| Items which are not deductible for tax: | | | |
| UK losses not recognised | 15,046 | 21,365 | 12,660 |
| Utilisation of brought forward exploration expenses/ losses on which a deferred tax asset has not been recognised | — | 18,000 | (6,971) |
| Special remuneratory benefit | 27,865 | 28,848 | 45,564 |
| Tax effect of investment in jointly controlled entities | — | — | (5,761) |
| Other | — | — | 39,437 |
| Items which are not deductible for tax: | | | |
| Exploration expenses | 27,637 | 9,211 | 51,608 |
| Others | 34,559 | — | 3,593 |
| Foreign losses not recognised | 963 | — | — |
| Different foreign tax rates | (2,031) | (276) | (565) |
| Total Tax Charge | 158,111 | 73,124 | 159,335 |

The Group's operations are conducted primarily outside the United Kingdom. Accordingly the applicable tax rate used above is the average statutory rate of tax (excluding SRB), weighted in proportion to accounting profits, applicable across the Group.

**Deferred Tax**

Net deferred tax liabilities were:

| | Accelerated Tax Amortisation | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| | | *(US$'000s)* | |
| At 1 January | 118,508 | 155,192 | 149,406 |
| (Disposal)/Acquisition of Subsidiaries | (2) | — | — |
| Debited/(Credited) to statement of comprehensive income | | | |
| Income Tax | 36,686 | (37,386) | 22,193 |
| *Special Remuneratory Benefit* | — | 31,600 | (1,883) |
| At 31 December | 155,192 | 149,406 | 169,716 |

At 31 December 2013, the Group had unused tax attributes (including tax losses, exploration expenses and pre-trading expenditure) of US$673,200,000 (2012: US$542,100,000, 2011: US$134,500,000) available for offset against future profits. The Group has not recognised a potential deferred tax asset relating to these attributes, as there is insufficient evidence of future taxable profits in the relevant jurisdictions.

### 10. Loss per Ordinary Share

The calculation of the basic and diluted loss per share is based on the following data:

| | Units | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Loss for the purpose of basic and diluted earnings per share being the net loss attributable to equity holders of the parent | US$'000s | (45,462) | (62,290) | (119,775) |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 000s | 154,457 | 193,517 | 257,805 |
| Loss per ordinary share | | | | |
| Basic and Diluted | US$'s | (0.29) | (0.32) | (0.46) |

### 11. Intangible Exploration and Evaluation Assets

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Long Term Borrowings: | | | |
| Fee attributable to repaid borrowings | 7,864 | 12,721 | 1,607 |
| Exploration and Evaluation | | | |
| At 1 January | 239,278 | 226,825 | 287,348 |
| Additions | 84,617 | 128,543 | 180,975 |
| Transfers to property, plant and equipment | (46,754) | — | (8,306) |
| Transfers to assets held for sale | — | (3,400) | — |
| Disposals for the period | — | — | (4,617) |
| Impairment of assets held for sale | — | (9,328) | — |
| Costs Written Off | (50,316) | (44,384) | (162,253) |
| At 31 December | 226,825 | 298,256 | 293,147 |

The amounts shown above for intangible exploration and evaluation assets represent the Group's current exploration projects. The transfer to property plant and equipment in 2011 includes transfer of intangible costs in respect of Thailand (Bualuang East Terrace) and Indonesia (Kerendan) on commercialisation of the related assets

## 12. Property, Plant and Equipment

| | Oil and Gas Properties | | | Other Fixed Assets | | | |
|---|---|---|---|---|---|---|---|
| | Cost | Amortisation | Total | Cost | Depreciation | Total | Total Net Book Value |
| | *(US$'000s)* | | | | | | |
| At 1 January 2011 | 870,018 | (353,954) | 516,064 | 2,971 | (2,030) | 941 | 517,005 |
| Additions for the period | 106,502 | — | 106,502 | 683 | — | 683 | 107,185 |
| Disposals for the period | (38,866) | — | (38,866) | — | — | — | (38,866) |
| Transfers from Intangible Assets | 46,754 | — | 46,754 | — | — | — | 46,754 |
| Amortisation and depreciation | — | (109,166) | (109,166) | — | (142) | (142) | (109,308) |
| **31 December 2011** | **984,408** | **(463,120)** | **521,288** | **3,654** | **(2,172)** | **1,482** | **522,770** |
| Additions for the period | 200,360 | — | 200,360 | 1,469 | — | 1,469 | 201,829 |
| Transfer of assets held for sale | (14,600) | — | (14,600) | — | — | — | (14,600) |
| Impairment of assets held as property, plant and equipment | (6,682) | — | (6,682) | — | — | — | (6,682) |
| Impairment of assets held for sale | (7,226) | (7,226) | — | — | — | (7,226) | |
| Amortisation and depreciation | — | (96,723) | (96,723) | — | (184) | (184) | (96,907) |
| **31 December 2012** | **1,156,260** | **(559,843)** | **596,417** | **5,123** | **(2,356)** | **2,767** | **599,184** |
| Additions for the period | 191,629 | — | 191,629 | 449 | — | 449 | 192,078 |
| Disposals for the period | (23,254) | — | (23,254) | — | — | — | (23,254) |
| Transfers from Intangible Assets | 8,306 | — | 8,306 | — | — | — | 8,306 |
| Amortisation and depreciation | — | (111,987) | (111,987) | — | (777) | (777) | (112,764) |
| **31 December 2013 (as restated, unaudited)** | **1,313,706** | **(668,113)** | **645,593** | **5,552** | **(3,133)** | **2,419** | **648,012** |

## 13. Other Receivables

### 2011

Restricted long term and short term bank deposits of US$1,363,000 and US$24,011,000 respectively represent deposits held as security against bank guarantees issued by the bank on behalf of the Group in support of certain of its operations.

The Other balance of US$23,889,000 represents VAT arising on the Group's Indonesian exploration and evaluation activities, which will only be recovered once the related assets begin production

### 2012

Restricted short term bank deposits of US$1,467,000 represent deposits held as security against bank guarantees issued by the bank on behalf of the Group in support of certain of its operations.

The Other balance of US$47,206,000 represents VAT arising in respect of the Group's Thailand and Indonesian operations. In respect of Indonesia exploration and evaluation activities, VAT can be recovered once the related assets begin production.

### 2013

Restricted long term bank deposits of US$18,000,000 and short term bank deposits of US$2,279,000 represent deposits held as security against bank guarantees issued by the bank on behalf of the Group in support of certain of its operations. The US$18,000,000 deposit represents the Group's minimum exploration commitment in respect of its Malaysian exploration interest and is released back to the Group as the related expenditure is incurred.

The Other balance of US$30,493,000 represents VAT arising in respect of the Group's Thailand and Indonesian operations. In respect of Indonesia exploration and evaluation activities, VAT can be recovered once the related assets begin production.

## 14. Commitments and Guarantees

### Bank Commitments

***2011***

At 31 December 2011, there were outstanding bank guarantees issued by banks on behalf of the Group, amounting to US$27,000,000.

***2012***

At 31 December 2012, there were outstanding bank guarantees issued by banks on behalf of the Group, amounting to US$3,411,000

***2013***

At 31 December 2013, there were outstanding bank guarantees issued by banks on behalf of the Group, amounting to US$20,279,000.

### Capital Commitments

The Group's outstanding financial capital commitments represent the minimum agreed amounts the Group will expend completing its obligated work programmes of carrying out geophysical and geological studies, and to drill exploration and appraisal wells. At the balance sheet date, the Group's anticipates it will discharge its minimum financial capital commitments as follows:

***2011***

| | **2012** | **2013** | **2014** |
|---|---|---|---|
| | | *(US$'000s)* | |
| Future Capital Commitments | 91,000 | 50,000 | — |

***2012***

| | **2013** | **2014** | **2015** |
|---|---|---|---|
| | | *(US$'000s)* | |
| Future Capital Commitments | 210,833 | 68,559 | 4,170 |

***2013***

| | **2014** | **2015** | **2016** |
|---|---|---|---|
| | | *(US$'000s)* | |
| Future Capital Commitments | 266,703 | 15,419 | 6,255 |

Under certain Indonesia licence agreements, BPMigas has the right to determine that a 10 per cent. undivided interest in the total rights and obligations under the PSC be offered to a Government designated Indonesian company, the shareholders of which shall be Indonesian nationals or a local government company.

## 15. Group Companies

The subsidiaries and jointly controlled entities of the Group, the activity of which relates to oil and gas exploration, development and production, at 31 December 2013 were as follows:

**Subsidiaries**

| Company | Country of Operation | Country of Incorporation | Percentage Holding |
|---|---|---|---|
| Salamander Energy Group Limited[1] | Great Britain, Thailand and Vietnam | Great Britain | 100.00% |
| Salamander Energy (E&P) Limited | Great Britain and Thailand | Great Britain | 100.00% |
| PHT Partners LP | United States of America | United States of America | 100.00% |
| Salamander Energy (Indonesia) Limited | Great Britain | Great Britain | 100.00% |
| Salamander Energy Singapore Pte Ltd | Singapore | Singapore | 100.00% |
| Salamander Energy (S.E. Asia) Limited | Great Britain | Great Britain | 100.00% |
| Salamander Energy (Bontang) Company Pte Ltd | Indonesia | Singapore | 100.00% |
| Salamander Energy (Philippines) Limited | The Philippines | Great Britain | 100.00% |
| Salamander Energy (Indonesia) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Vietnam) Limited | Vietnam | Great Britain | 100.00% |
| Salamander Energy (Simenggaris) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Bengara) limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Lao) Company Limited | Lao PDR | Lao PDR | 100.00% |
| Salamander Energy (Canada) Limited | Canada | Canada | 100.00% |
| Salamander International Holdings Limited | British Virgin Islands | British Virgin Islands | 100.00% |
| Salamander Energy (Asahan) Limited | Indonesia | British Virgin Islands | 100.00% |
| Salamander Energy (Seruway) Limited | Indonesia | British Virgin Islands | 100.00% |
| Salamander Bualuang & Kambuna Holdings Limited | British Virgin Islands | British Virgin Islands | 100.00% |
| Salamander Energy (Bualuang) Limited | British Virgin Islands | British Virgin Islands | 100.00% |
| Salamander Energy (Glagah Kambuna) Limited | Indonesia | British Virgin Islands | 100.00% |
| Salamander Energy (Kutai) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (S.E. Sangatta) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (North Sumatra) Limited | Indonesia | British Virgin Islands | 100.00% |
| Salamander Energy (Bualuang Holdings) Limited | Great Britain | Great Britain | 100.00% |
| Salamander Energy (Glagah Kambuna Holdings) Limited | Great Britain | Great Britain | 100.00% |
| Bontang Energy Limited[1] | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Kerendan) Limited | Mauritius | Mauritius | 100.00% |
| Salamander Energy (North East Bangkanai) Limited | British Virgin Islands | British Virgin Islands | 100.00% |
| Salamander Energy (Vietnam Group) Pte Ltd | Singapore | Singapore | 100.00% |
| Salamander Energy (West Bangkanai) Limited | British Virgin Islands | British Virgin Islands | 100.00% |
| Salamander Energy Thailand LLC | Thailand | United States of America | 100.00% |

| Company | Country of Operation | Country of Incorporation | Percentage Holding |
|---|---|---|---|
| Salamander Energy (Thailand) Co., Ltd | Thailand | Thailand | 100.00% |
| Salamander Energy (South Sokang) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Bangkanai) Limited | Indonesia | British Virgin Islands | 100.00% |
| Salamander Energy (JS) Limited | Indonesia | Great Britain | 100.00% |
| Salamander Energy (Central Kalimantan) Limited | Indonesia | Belize | 100.00% |

Note:
(1) Salamander Energy Group Limited and Bontang Energy Limited are the only direct subsidiaries of the Company.

**Jointly Controlled Entities**

| Company | Country of Operation | Country of Incorporation | Percentage Holding |
|---|---|---|---|
| APICO LLC | Thailand | United States of America | 27.18% |
| APICO (Khorat) Holdings LLC | Thailand | United States of America | 27.18% |
| APICO (Khorat) Limited | Thailand | Thailand | 27.18% |

The following amounts are included in the financial statements relating to proportionately consolidated jointly controlled entities of the Group:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Total Revenue | 26,888 | 30,515 | 26,024 |
| Total Expenses | 15,208 | 25,371 | 14,502 |
| Non-current Assets | 16,009 | 26,740 | 34,755 |
| Current Assets | 5,667 | 9,559 | 44,314 |
| Non-current Liabilities | 2,326 | 458 | 1,724 |
| Current Liabilities | 7,373 | 12,253 | 9,244 |

**16. Assets Held for Sale**

The major classes of assets classified as held for sale are as follows:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Intangible exploration and evaluation assets | — | 3,400 | — |
| Property, plant and equipment | — | 14,600 | — |
| Liabilities associated with assets held for sale | — | (1,884) | — |
| Total Inventories | — | 16,116 | — |

Intangible exploration and evaluation assets relate to the Group's asset, the Bengara-1 PSC (41 per cent.), Indonesia. Property, plant and equipment assets relate to the Group's asset, Simenggaris JOB (21 per cent.), Indonesia. They were classified as held for sale as the Group agreed in principle in December 2012 to exchange its interest in the assets for an additional 15 per cent. interest in the Bangkanai PSC.

An impairment charge of US$16,554,000 was charged to the income statement reflecting the difference between the asset carrying value and the fair value of the additional 15 per cent. interest in the Bangkanai PSC.

### 17. Inventories

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Oil | 38,560 | 2,157 | 15,164 |
| Materials | 21,507 | 35,351 | 27,206 |
| Total Inventories | 60,067 | 37,508 | 42,370 |

### 18. Trade and Other Receivables

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Prepayments | 5,346 | 8,292 | 5,970 |
| Trade Debtors | 9,082 | 40,423 | 22,275 |
| Other Debtors | 37,312 | 15,400 | 18,493 |
| Total Trade and Other Receivables | 51,740 | 64,115 | 46,738 |

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The Other Debtors balance above primarily relates to VAT and amounts owed by other joint venture partners.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average age of trade debtors in 2013 was 18.9days, in 2012 was 39.6 days and in 2011 was 8.2 days.

The Group does not have any receivables that are past their due date. No provision for doubtful debts has been raised in 2013, 2012 or 2011 as it is believed that all trade debtor balances are recoverable. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

### 19. Cash and Cash Equivalents

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Amounts held directly by the Group | 56,637 | 206,817 | 244,220 |
| Amounts held in Joint Ventures | 3,739 | 525 | 549 |
| Total Cash and Cash Equivalents | 60,376 | 207,342 | 244,769 |

Of the amounts held directly by the Group, in 2013 US$4,275,000,( 2012: US$5,322,000 and 2011: US$13,418,000) was held in a debt service account in accordance with the Group's reserves based lending facility, the key terms of which are described in note 20.

Financial institutions, and their credit ratings, who held greater than five per cent. of the Group's cash and cash equivalents at the balance sheet date were as follows:

| | **S&P Credit Rating** | **2011** | **S&P Credit Rating** | **2012** | **S&P Credit Rating** | **2013** |
|---|---|---|---|---|---|---|
| | *(US$'000s)* | | *(US$'000s)* | | *(US$'000s)* | |
| HSBC Bank Plc | AA- | 10,157 | AA- | 26,822 | AA- | 23,591 |
| The Hong Kong and Shanghai Banking Corporation Ltd | AA1 | 5,879 | AA- | 19,638 | AA1 | — |
| BNPP | AA2 | 33,976 | A+ | 153,310 | AA2 | 135,955 |
| BNI | BB+ | 6,603 | BB | 7,018 | BB+ | — |
| ANZ | — | — | — | — | AA2 | 31,000 |
| Credit Agricole | — | — | — | — | BB+ | 33,501 |

**20. Bank Borrowings**

| | **2011** | **2012** | **2013** |
|---|---|---|---|
| | | *(US$'000s)* | |
| Principal Repayable on Maturity | 195,805 | 303,368 | 274,993 |
| Less Deferred fees | (7,151) | (9,836) | 7,566 |
| Total Unamortised Borrowings | 188,654 | 293,532 | 267,427 |
| Less Amounts Due Within One Year | (17,303) | (12,709) | (7,834) |
| Total Long Term Borrowings | 171,351 | 280,823 | 259,593 |

**2011**

In May 2011, the Group completed the refinancing of its existing borrowings, replacing its combined US$230 million senior/junior reserves based lending facilities and US$90 million acquisition bridge facility with combined US$325 million senior/junior reserves based lending facilities. The new facilities have been arranged for a tenure of seven years and have a cost of debt and securitisation comparable to the previous facilities.

The reserves based lending facilities are secured against certain of the Group's Thailand and Indonesia development and producing assets and includes certain covenants relating to the ratio of the loan balance outstanding to the net present value of cash flows of the secured assets. There has been no breach of terms on the borrowing facility. The key terms of the facility are:

- Initial facilities' amount of US$325 million (senior: US$250 million; and junior: US$75 million).
- The Group may draw an amount up to the lower of the facility amount or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets.
- Interest accrues at a rate of between 2.80 per cent. and 3.30 per cent. plus LIBOR depending on the maturity of the assets. The borrowing base amount is re-determined on an bi-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.

At 31 December 2011, the Group had drawn fully against the amount that was available under the facility (2010: fully drawn against the facility available).

**2012**

In December 2012, the Group completed the refinancing of its existing borrowings, replacing its combined US$325 million senior/junior reserves based lending facilities with a US$350 million senior reserves based lending facility and a US$50 million bridge facility. The new facilities have been arranged for tenures of seven years and two years respectively.

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

- Initial facility amount of US$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 or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets.

- Interest accrues at a rate of between 3.70 per cent. and 4.20 per cent. plus LIBOR depending on the maturity of the assets. The borrowing base amount is re-determined on a bi-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 bridge facility is secured against the Group's Bangkanai PSC, Indonesia and other assets of assets of the Group. The key terms of the facility are:

- Initial facility amount of US$50 million.
- Financial covenants relating to working capital and the maximum amount of borrowings of the Group.
- Interest accrues at a rate of between 6.00 per cent. and 6.50 per cent. plus LIBOR depending on the borrowing period.
- No early repayment penalties.
- Change of control provisions.

At 31 December 2012, the Group had drawn fully against the amounts that were available under the reserves based lending facility and bridge facility (2011: fully drawn as the facility available).

**2013**

In December 2012, the Group completed the refinancing of its existing borrowings, replacing its combined US$325 million senior/junior reserves based lending facilities with an up to US$350 million senior reserves based lending facility and a US$50 million bridge facility. The new facilities have been arranged for tenures of seven years and two years respectively. In December 2013, the Group repaid in full the US$50 million bridge facility.

The 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 US$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 or the borrowing base amount as determined by the forecast cash flows arising from the borrowing base assets, which at 31 December 2013 was US$300 million.
- Interest accrues at a rate of between 3.70 per cent. and 4.20 per cent. plus LIBOR depending on the maturity of the assets. The borrowing base amount is redetermined on a bi-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.

At 31 December 2013, the Group had not drawn fully against the amounts that were available under the reserves based lending facility (2012: fully drawn as the facility available).

**21. Convertible Bonds**

The net proceeds received from the issue of the convertible bonds have been split between the financial liability element (estimated at the time of issue) using the prevailing market interest rate for similar non-convertible debt) and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company. The movement in the liability component during the period was as follows;

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Liability component at start of period | 89,379 | 92,137 | 94,941 |
| Issues during the period | — | — | — |
| Coupon interest charged | 4,955 | 5,000 | 5,000 |
| Unwinding of discount | 2,317 | 2,317 | 2,317 |
| Interest paid | (5,000) | (5,000) | (5,000) |
| Less deferred fees relating to debt component | — | — | — |
| Amortisation of deferred fees | 486 | 487 | 487 |
| Liability component at end of period | 92,137 | 94,941 | 97,745 |
| Reported in: | | | |
| Non-current liabilities | 90,887 | 93,691 | 96,945 |
| Trade and other payables in current liabilities | 1,250 | 1,250 | 1,250 |
| Total liability component | 92,137 | 94,941 | 97,745 |

**2011**

The convertible bonds were issued on 30 March 2010 at an issue price of US$100 million. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date. On issue, each bond was convertible at a price of £3.637 share and using a fixed rate of exchange of £1 = US$1.529. The conversion price is set at a 37.5 per cent. premium to the volume weighted average share price of the ordinary shares at the date the convertible bonds were issued.

**2012 & 2013**

If the bonds have not been converted, they will be redeemed on 30 March 2015 at par. Interest of five per cent. will be paid annually up until that settlement date. The total convertible bond interest expensed for the period is calculated by applying an effective interest rate of eight per cent. to the liability component for the period since the bonds were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the Balance Sheet at 31 December 2013 represents the effective interest rate less interest paid to that date.

The fair value of the convertible bond at the Balance Sheet date of 31 December 2013 is not materially different from the book value of US$97,745,000 (2012: US$94,941,000) .

### 22. Bonds Payable

The unsecured callable bonds were issued in December 2013 at an issue price of US$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 per cent. and were issued at par.

| | *(US$'000s)* |
|---|---|
| Proceeds of issue of bonds | 150,000 |
| Coupon interest charged | 922 |
| Less fees relating to bond issue | (4,952) |
| Total liability component at 31 December 2013 | 145,970 |

### 23. Net Debt

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| **Amounts Due on Maturity**: | | | |
| Bank Borrowings | 195,805 | 303,368 | 274,993 |
| Bonds Payable | — | — | 150,000 |
| Convertible bonds (see note 21) | 100,000 | 100,000 | 100,000 |
| Total gross debt | 295,805 | 403,368 | 524,993 |
| Less Restricted Bank Deposits | (25,374) | (1,467) | (20,279) |
| Less Cash and Cash Equivalents (see note 19) | (60,376) | (207,342) | (244,769) |
| **Total Net Debt** | 210,055 | 194,559 | 259,945 |

At the Balance Sheet date, the principal repayable on maturity (excluding the convertible bonds, see note 21) is calculated to be repayable as follows:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| On demand or due within one year | 17,303 | 12,709 | 7,834 |
| In the second year | 41,937 | 101,448 | 74,427 |
| In the third to fifth year inclusive | 105,301 | 132,128 | 149,319 |
| After five years | 31,264 | 57,083 | 43,413 |
| Total Principal Payable on Maturity | 195,805 | 303,368 | 274,993 |

Total gross debt at the balance sheet date includes a five year convertible bond completed May 2010 (see note 21), a seven year reserves based lending facility completed in December 2012 (see note 20), and a six year callable bond completed in December 2013 (see note 22).

### 24. Provisions

Provisions for decommissioning and restoration of oil and gas assets are:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| At 1 January | 9,490 | 12,677 | 29,267 |
| Additions | 2,839 | 16,116 | 22,503 |
| Wells restored | — | — | (3,978) |
| Unwinding of discount | 348 | 474 | 648 |
| At 31 December | 12,677 | 29,267 | 48,440 |

The above amounts are included as:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Non-Current Liabilities | 12,677 | 26,267 | 48,440 |
| Current Liabilities | — | 4,000 | — |
| At 31 December | 12,677 | 29,267 | 48,440 |

During 2013, the Kambuna field in Indonesia was fully decommissioned. The provision outstanding at 31 December 2013 is expected to fall due from 2035 onwards.

### 25. Trade and Other Payables

| | 2011 | 2012 | 2013 (Unaudited Restated) |
|---|---|---|---|
| | | *(US$'000s)* | |
| Other Creditors | 29,645 | 43,373 | 46,524 |
| Accrued Expenses | 31,206 | 76,088 | 41,203 |
| Total Trade and Other Payables | 60,851 | 119,461 | 87,727 |

The average credit period taken for trade purchases was 35.3 days in 2013 (2012: 35.8 days and 2011: 36.5 days). The Directors consider the carrying value of trade and other payables (on which no interest is incurred) approximates to their fair value.

### 26. Financial Instruments

**Capital Risk Management**

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and convertible bonds disclosed in notes 21 and 22, cash and cash equivalents as disclosed in note 19, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 28 and the statement of changes in equity.

***Gearing Ratio***

Management reviews the capital structure on a continuing basis. In 2013, the gearing ratio is defined as net debt divided by net book equity plus net debt at the year-end. In 2011 and 2012 it was defined as borrowings divided by net book equity plus borrowings at the year-end. The gearing ratios for the three years were as follows:

| | 2011 | 2012 |
|---|---|---|
| | *(US$'000s)* | |
| Borrowings[(1)] | 279,541 | 387,223 |
| Equity plus Borrowings | 658,514 | 909,201 |
| Gearing Ratio | 42% | 43% |

| | 2013 |
|---|---|
| | *(US$'000s)* |
| Net Debt | 259,945 |
| Equity plus Net Debt | 662,358 |
| Gearing Ratio | 39% |

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

**Categories of Financial Instruments**

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| **Financial Assets**: | | | |
| Restricted bank deposits | 25,374 | 1,467 | 20,279 |
| Cash and bank balances | 60,376 | 207,342 | 244,769 |
| Loans and Receivables | 21,610 | 44,487 | 33,682 |
| Mark to Market Value of Oil Derivatives | — | — | 2,730 |
| **Financial Liabilities**: | | | |
| Mark to Market Value of Interest Rate Swap Derivatives | 395 | — | — |
| Mark to Market Value of Oil Derivatives | 373 | 4,634 | 4,581 |
| Amortised Cost | 338,849 | 504,300 | 598,150 |

Financial assets and liabilities exclude tax receivables and payables as they do not constitute a contractual right or obligation to receive or pay cash or another financial asset.

There were no reclassifications of financial assets over the three years.

**Financial Risk Management**

The Group's Board of Directors monitors and manages the financial risks relating to the operations of the Group through an internal risk register. These include commodity, foreign exchange, credit, liquidity and interest rate risks.

***Commodity Price Risk***

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

**2011**

For 2011, the Group's oil production was all sold at prices relative to the spot market. 2011 production was hedged with put options for 4,000 boepd with a price of US$60.00 per barrel, all of which expired in 2011. During September 2011 the Group purchased put options for 1,800 boepd with a price of US$70.00 per barrel and swaps for 1,800 boepd with an average swap price of US$103 per barrel.

During 2011, 77 per cent. of the Group's gas production (its Indonesian gas production) was sold at fixed prices under long term contracts with the balance (its Thai gas production) sold at prices based on a formula related to spot medium sulphur fuel oil prices. The Group held no hedges with respect to its gas production during 2011.

**2012**

For 2012, the Group's oil production was all sold at prices relative to the spot market. 2012 production was hedged with swaps for 1,800 boepd with an average swap price of US$103 per barrel and put options for 1,800 boepd at a price of US$70 per barrel.

The hedges expired at the end of 2012. During 2012, 35 per cent. of the Group's gas production (its Indonesian gas production) was sold at fixed prices under long term contracts with the balance (its Thai gas production) sold at prices based on a formula related to spot medium sulphur fuel oil prices. The Group held no hedges with respect to its gas production during 2012.

**2013**

For 2013, the Group's oil production was all sold at prices relative to the spot market. 2013 production was hedged with swaps for 2,600 boepd with an average swap price of US$103 per barrel. The hedges expired at the end of 2013.

During 2013, 26 per cent. of the Group's gas production (its Indonesian gas production) was sold at fixed prices under long term contracts with the balance (its Thai gas production) sold at prices based on a formula related to spot medium sulphur fuel oil prices. The Group held no hedges with respect to its gas production during 2013.

The key variable which affects the fair value of the Group's hedging instruments is market expectations about future commodity prices. The following illustrates the sensitivity on hedging mark to markets values to net income and equity to a twenty per cent. increase and a twenty per cent. decrease in this variable (a positive sign indicates a positive effect on net income and vice versa):

**Increase/(decrease) to mark to market value**

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | Oil | |
| | | *(US$'000s)* | |
| Twenty per cent. increase | (13,722) | (16,908) | (2,461) |
| Twenty per cent. decrease | 15,394 | 12,849 | 2,461 |

***Foreign Exchange Risk***

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through maintaining the majority of the Group's cash and cash equivalent balances in US Dollars, the Group's presentational currency and the functional currency of all its subsidiaries. The Group also holds, from time to time, cash balances in UK pounds sterling and other currencies to meet short-term commitments in those currencies.

| | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 |
| | | | *(US$'000s)* | | | |
| **US Dollar Equivalent**: | | | | | | |
| UK Pounds Sterling | 1,711 | 25,154 | 4,514 | 1,983 | 843 | 726 |
| Canadian Dollar | — | 229 | 12 | — | — | — |
| Singapore Dollar | 528 | 646 | 720 | 154 | 253 | 426 |
| Indonesian Rupiah | 25,122 | 15,531 | 10,765 | 3,357 | 5,780 | 26,771 |
| Thailand Baht | 17,409 | 67,697 | 20,265 | 6,619 | 60,281 | 107,388 |
| Vietnamese Dong | 878 | — | — | 490 | — | — |

The UK Pound Sterling net asset balance at 31 December 2012 substantially represent cash and cash equivalents which are held by the Group to meet future UK Pound Sterling commitments.

The following table details the Group's sensitivity to a 20 per cent. increase or decrease in the US Dollar against the relevant foreign currency. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 20 per cent. change in the foreign currency rate. A positive number below indicates an increase in profit after tax where the US Dollar strengthens by 20 per cent. against the relevant currency. For a 20 per cent. weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the profit after tax and the balances below would be negative

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| **Change in Profit or Loss** | | | |
| Canadian Dollar | — | 46 | 2 |
| UK Pounds Sterling | (54) | 4,862 | 758 |
| Singapore Dollar | 75 | 79 | 59 |
| Indonesian Rupiah | 4,353 | 1,950 | 3,201 |
| Thailand Baht | 2,158 | 1,483 | 17,425 |
| Vietnamese Dong | 78 | — | — |

***Credit Risk***

Credit risk refers to the risk that a counter-party will default on its obligations resulting in a financial loss to the Group. The Group is exposed to the following credit and counter party risks.

In respect of cash and cash equivalents, the Group's principal financial asset, the credit risk is deemed limited because the majority of the cash and cash equivalents are deposited with banks with AA- or A+ credit ratings assigned by international credit-rating agencies, as set out in note 19.

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, either international energy companies or state owned companies based in Thailand and Indonesia and obtaining sufficient collateral where appropriate. The Group consistently monitors counterparty credit risk.

The carrying value of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk at the year-end without taking account of any collateral obtained. In addition, the Group's operations are typically structured via contractual joint venture arrangements. As such the Group is reliant on joint venture partners to fund their capital or other funding obligations in relation to assets and operations which are not yet cash generative. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard

***Liquidity Risk***

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

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

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **Less than 1 month** | **2-3 months** | **3 months to 1 year** | **1-5 years** | **5+ years** | **Total** |
| | % | | | (US$'000s) | | | |
| Non-interest bearing | n/a | 28,102 | 31,206 | — | — | — | 59,308 |
| Variable interest rate instruments | 6.3 | 925 | 1,851 | 25,631 | 172,703 | 32,610 | 233,720 |
| Fixed interest rate instruments | 5.0 | 417 | 833 | 3,750 | 112,500 | — | 117,500 |
| Total | | 29,444 | 33,890 | 29,381 | 285,203 | 32,610 | 410,528 |

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **Less than 1 month** | **2-3 months** | **3 months to 1 year** | **1-5 years** | **5+ years** | **Total** |
| | % | | | (US$'000s) | | | |
| Non-interest bearing | n/a | 49,935 | 69,526 | — | — | — | 119,461 |
| Variable interest rate instruments | 5.1 | — | 4,632 | 26,407 | 302,633 | 27,088 | 360,760 |
| Fixed interest rate instruments – convertible bonds | 5.0 | — | 2,500 | 2,500 | 107,500 | — | 112,500 |
| Total | | 49,935 | 76,658 | 28,907 | 410,133 | 27,088 | 592,721 |

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **Less than 1 month** | **2-3 months** | **3 months to 1 year** | **1-5 years** | **5+ years** | **Total** |
| | % | | | (US$'000s) | | | |
| Non-interest bearing | n/a | 10,358 | 79,438 | — | — | — | 89,796 |
| Variable interest rate instruments | 5.7 | — | 3,919 | 20,809 | 290,360 | — | 315,088 |
| Fixed interest rate instruments | | | | | | | |
| Convertible bonds | 5.0 | — | 2,500 | 2,500 | 102,500 | — | 107,500 |
| Bond payable | 9.75 | — | — | 14,625 | 58,500 | 164,625 | 237,750 |
| Total | | 10,358 | 85,857 | 37,934 | 451,360 | 164,625 | 750,134 |

Additionally, note 14 to the financial statements set-outs the Group's outstanding financial commitments at the balance sheet date.

The following tables details the Group's remaining contractual maturities for its derivative financial liabilities as at 31 December 2013:

| | 2011 | | | |
|---|---|---|---|---|
| | Less than 1 month | 1-3 months | 3 months to 1 year | Total |
| | | *(US$'000s)* | | |
| Oil swap – assets | 2,730 | — | — | 2,730 |
| Oil swap – liabilities | (4,581) | — | — | (4,581) |
| Total | (1,851) | — | — | (1,851) |

***Interest Rate Risk***

The Group is exposed to interest rate movements through its lendings, bank borrowings and cash and cash equivalent deposits, which are at rates fixed to LIBOR.

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

For net debt, if interest rates had been one per cent. higher or lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2011 would have increased or decreased by US$3.8 million (2012: US$0.9 million and 2011: US$1.1 million) respectively. This is principally attributable to the Group maintaining a lower cash and cash equivalents position as described in note 19.

For interest rate swaps, if interest rates had been one per cent. higher or lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2011 would have decreased or increased by US$0.6 million and US$0.2 million respectively (2010: decreased or increased by US$0.8 million and US$0.3 million respectively).

**Fair Value of Financial Instruments**

Fair value of financial instruments carries at amortised cost

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

***Fair Value of Financial Assets and Financial Liabilities***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities:
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | 2011 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | | *(US$'000s)* | | |
| **Derivative financial liabilities held to hedge the Group's exposure on expected future sales and interest rate movements**: | | | | |
| Derivative financial liabilities ................................ | — | (768) | — | (768) |
| | — | (768) | — | (768) |

| | 2012 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | | *(US$'000s)* | | |
| **Derivative financial liabilities held to hedge the Group's exposure on expected future sales and interest rate movements**: | | | | |
| Derivative financial liabilities ................................ | — | (4,634) | — | (4,634) |
| | — | (4,634) | — | (4,634) |

| | 2013 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | | *(US$'000s)* | | |
| **Derivative financial liabilities held to hedge the Group's exposure on expected future sales and interest rate movements**: | | | | |
| Derivative financial assets...................................... | 2,730 | 2,730 | | |
| Derivative financial liabilities ................................ | — | (4,581) | — | (4,581) |
| | — | (1,851) | — | (1,851) |

All of the Groups' fair value financial assets and liabilities are deemed to be Level 2. There were no transfers between Level 1 and 2 during the three years.

### 27. Related Party Transactions

*Transactions with Key Management Personnel*

Details of the remuneration of key management personnel (defined as both those of executive and non-executive directors together with the members of the leadership team) are provided below:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | | *(US$'000s)* | |
| Short term employee benefits | 7,826 | 9,974 | 5,870 |
| Share based payment | 3,074 | 3,415 | 2,914 |
| Total key management employee costs | 10,900 | 13,389 | 8,784 |

### 28. Share Capital

Share capital as at 31 December 2013 amounted to US$46,842,000 (2012: US$46,632,000 and 2011: US$30,160,000).

**Allotted and Fully Paid Equity Share Capital**

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| | Ordinary Shares 10p | | |
| | | *Number* | |
| At 1 January | 154,015,588 | 154,797,171 | 256,954,637 |
| 11 January to 9 December 2011: Allotment of Shares to employees | 781,583 | — | — |
| Rights Issue | — | 100,654,679 | — |
| 27 March to 17 December 2012 : Allotment of shares to employees | — | 1,502,787 | — |
| 27 February to 23 December 2013 : Allotment of shares to employees | — | — | 1,362,962 |
| At 31 December | 154,797,171 | 256,954,637 | 258,317,599 |

The Company has one class of ordinary shares which carry no right to fixed income.

In 2012, the Company raised US$198,610,000 (net of expenses of US$11,844,000) through a rights issue of 100,654,679 new ordinary shares at 130 pence each on the basis of thirteen new ordinary shares for every twenty existing ordinary shares. The issue price represented a discount of 49 per cent. to the closing price of 256.1 pence per existing ordinary share on 26 April 2012, the announcement date of the rights issue.

### 29. Share Options Schemes and Share Based Payments

**Performance Share Plan**

The Company has an equity-settled share option scheme for employees called the Salamander Energy Performance Share Plan (''PSP''). Awards under the PSP may be satisfied by the issue of new shares, or the transfer of shares from the Company's treasury or shares purchased in the market. In any 10 year period, the Company may not issue (or have the possibility to issue) more than 10 per cent. of the issued capital of the Company pursuant to awards granted under the PSP and any other rights granted under any other employee share plan adopted by the Company. Shares held in treasury will count as new issue shares for the purposes of the above limits unless institutional bodies decide that they need not count. Shares purchased in the market will not, however, count towards the limit described above.

Movement in PSP shares over the years was as follows:

| | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|
| | **Shares Under Option** | **Weighted Average Price** | **Shares Under Option** | **Weighted Average Price** | **Shares Under Option** | **Weighted Average Price** |
| | *Number* | *(£'s)* | *Number* | *(£'s)* | *Number* | *(£'s)* |
| Outstanding at 1 January | 4,748,426 | 0.10 | 4,676,140 | 0.10 | 5,911,544 | 0.10 |
| Granted during the Year | 1,025,685 | 0.10 | 2,822,986 | 0.10 | 2,274,371 | 0.10 |
| Exercised during the Year | (781,583) | 0.10 | (1,301,302) | 0.10 | (736,674) | 0.10 |
| Lapsed during the Year | (316,388) | 0.10 | (286,280) | 0.10 | (1,116,918) | 0.10 |
| Outstanding at 31 December | 4,676,140 | 0.10 | 5,911,544 | | 6,332,323 | 0.10 |
| Exercisable at 31 December | 56,575 | | 347,784 | | 250,917 | |

The expense recognised for unvested employee share options in 2013 of US$3,697,000,( 2012: US$3,726,000 and 2011: US$3,654,300) relates wholly to equity-settled share based payment arising from grants made under the PSP. Of this amount, in 2013, US$954,000, (2012: US$492,000 and 2011: US$801,000) was capitalised as being directly attributable to capital and other projects. At 31 December 2013, the total future expense relating to unvested awards not yet recognised was US$2,599,000 (2012: 3,031,000, 2011: US$4,116,685) which is expected to be recognised over the following three years. In 2013, the weighted average market price of shares at the date of exercise was £1.79 (2012: £1.79, 2011: £2.61). Outstanding share options at 31 December 2013 will vest between 2014 and 2015 subject to the vesting criteria.

In 2013, the weighted average fair value of share options granted during the year, as estimated at the date of grant, was £1.04 per share (2012: £1.02, 2011:£2.27). This was calculated using a Monte-Carlo simulation model based on the following assumptions:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Weighted Average Share Price at Date of Grant | £3.10 | £1.63 | £2.06 |
| Exercise Price | £0.10 | £0.10 | £0.10 |
| Expected Volatility | 65% | 39% | 38% |
| Expected Life | 3 years | 3 years | 3 years |
| Expected Dividend | 0% | 0% | 0% |
| Risk-free Interest Rate | 1.64% | 0.42% | 0.89% |

There is a 12 month window for exercise. However, as the exercise price is nominal it is assumed that recipients exercise at the end of the performance period. Therefore an expected life of three years after the date of grant has been assumed

**Deferred Equity Plan**

The Company also has another equity-settled share option scheme for employees called the Salamander Energy Deferred Equity Plan ("DEP"). The DEP follows a similar principle to the PSP scheme, but removes the requirement of a comparator group with shares settled after a period of two years by the issue of new shares, or the transfer of shares from the Company's treasury or shares purchased in the market.

Movement in DEP shares during the year was as follows:

| | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|
| | **Shares Under Option** | **Weighted Average Price** | **Shares Under Option** | **Weighted Average Price** | **Shares Under Option** | **Weighted Average Price** |
| | *Number* | *(£'s)* | *Number* | *(£'s)* | *Number* | *(£'s)* |
| Outstanding at 1 January | 239,457 | 0.10 | 772,617 | 0.10 | 1,734,512 | 0.10 |
| Granted during the Year | 533,160 | 0.10 | 1,347,163 | 0.10 | 867,567 | 0.10 |
| Exercised during the Year | — | 0.10 | (215,119) | 0.10 | (626,876) | 0.10 |
| Lapsed during the Year | — | 0.10 | (170,149) | 0.10 | (129,908) | 0.10 |
| Outstanding at 31 December | 772,617 | 0.10 | 1,734,512 | | 1,845,295 | 0.10 |
| Exercisable at 31 December | — | | 54,407 | | 110,500 | |

In 2013, the expense recognised for unvested employee share options of US$2,319,000 (2012: US$1,289,000, 2011: US$1,263,700) relates wholly to equity-settled share based payment arising from grants made under the DEP. Of this amount, US$599,000 (2012: US$384,000, 2011: US$281,000)was capitalised as being directly attributable to capital and other projects. At 31 December 2013, the total future expense relating to unvested awards not yet recognised was US$1,146,000 (2012: US$2,197,000, 2011: US$1,706,779) which is expected to be recognised over the following two years. Outstanding share options at 31 December 2013 will vest between 2014 and 2015 subject to the vesting criteria.

The weighted average fair value of share options granted during the year, as estimated at the date of grant, was £1.53 per share (2012: £1.53, 2011: £3.03). This was calculated using a Monte-Carlo simulation model based on the following assumptions:

| | 2011 | 2012 | 2013 |
|---|---|---|---|
| Weighted Average Share Price at Date of Grant | £3.10 | £1.63 | £2.06 |
| Exercise Price | £0.10 | £0.10 | £0.10 |
| Expected Life | 2 years | 2 years | 2 years |
| Expected Dividend | 0% | 0% | 0% |
| Risk-free Interest Rate | 1.58% | 0.31% | 0.89% |

There is a 12 month window for exercise. However, as the exercise price is nominal it is assumed that recipients exercise at the end of the performance period. Therefore an expected life of two years after the date of grant has been assumed

### 30. Dividends

The Company declared no dividend in the year 2011, 2012 and 2013.

### 31. Profit on Disposal of Subsidiary Undertakings

**2011**

During the year the Group sold the subsidiary undertakings which held its five per cent. non-operated interests in the offshore Northwest Java and Southeast Sumatra PSCs. The total net proceeds from the sale were US$45,673,000 (after accounting for cash movements between the effective date and closing date of the transaction), realising a gain of US$6,807,000. The entities disposed of did not qualify as a discontinued operation.

**2012**

There was no disposal of subsidiary undertakings.

**2013**

There was no disposal of subsidiary undertakings.

## 32. Post Balance Sheet Events

On the 8 January 2014, the Company announced that due to a damaged production riser, production from the Bualuang oil field in Thailand was temporarily shut-in. Production recommenced on 13 February 2014 and the Group anticipates that any costs associated with the repair will be reimbursed under the Group's insurance policies.

*(ii) Unaudited condensed consolidated interim financial information for the six months ended 30 June 2014*

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**Six months ended 30 June**

| | Notes | Six months ended 30 June 2014 Unaudited (US$'000) | Six months ended 30 June 2013 Unaudited Restated (US$'000) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 5 | 177,781 | 196,989 |
| **Cost of sales:** | | | |
| Operating costs | | (39,689) | (37,701) |
| Royalty payable | | (15,460) | (16,797) |
| Amortisation of oil and gas properties | | (40,813) | (52,792) |
| Movement in inventories of oil | | 6,602 | 28,949 |
| Total cost of sales | | (89,360) | (78,521) |
| **Gross profit** | | 88,421 | 118,468 |
| Exploration expenses: | | | |
| Pre-licence exploration expenses | | (3,973) | (2,569) |
| Exploration costs written off | 10 | (2,729) | (108,650) |
| Total exploration expenses | | (6,702) | (111,219) |
| Share of profit of investments accounted for using the equity method | 18 | 7,856 | 7,494 |
| Impairment of non-producing assets held for sale | | — | (871) |
| Administration expenses | | (4,996) | (2,327) |
| **Operating profit** | | 84,579 | 11,545 |
| Interest revenue | | 81 | 58 |
| Finance costs | 6 | (16,917) | (10,383) |
| Other financial (losses)/gains | 7 | (1,332) | 9,077 |
| **Profit before tax** | | **66,411** | **10,297** |
| **Taxation:** | | | |
| Current tax | | (49,189) | (48,370) |
| Deferred tax | | (45,107) | (48,046) |
| Total Taxation | 8 | (94,296) | (94,416) |
| **Loss after taxation** | | (27,885) | (86,119) |
| Loss on cash flow hedges[2] | | (2,135) | (1,357) |
| Total comprehensive loss for the period | | (30,020) | (87,476) |
| **Loss per ordinary share** | | | |
| Basic and diluted | 9 | (0.11) | (0.33) |

## CONDENSED CONSOLIDATED BALANCE SHEET

**Six months ended 30 June**

| | Notes | Six months ended 30 June 2014 Unaudited | Six months ended 30 June 2013 Unaudited Restated |
|---|---|---|---|
| | | *(US$'000)* | *(US$'000)* |
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible exploration and evaluation assets | 10 | 325,979 | 293,204 |
| Property, plant and equipment | 11 | 725,104 | 602,951 |
| Other receivables: | | | |
| Restricted bank deposits | | 19,439 | 2,331 |
| Other | | 37,772 | 32,700 |
| Investments accounted for using the equity method | 18 | 36,664 | 27,797 |
| **Total non-current assets** | | **1,144,958** | **958,983** |
| **Current assets** | | | |
| Inventories | | 51,228 | 62,473 |
| Trade and other receivables | | 25,033 | 53,938 |
| Restricted bank deposits | | 843 | 3,768 |
| Cash and cash equivalents | | 133,773 | 162,992 |
| Assets classified as held for sale | | — | 18,000 |
| **Total current assets** | | 210,877 | 301,171 |
| **Total assets** | | **1,355,835** | **1,260,154** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 12 | 223,632 | 254,017 |
| Convertible bonds | 13 | — | 95,093 |
| Bonds payable | 14 | 145,596 | — |
| Provisions | | 52,614 | 26,885 |
| Deferred tax liability | 8 | 215,559 | 198,011 |
| **Total non-current liabilities** | | **637,401** | **574,006** |
| **Current liabilities** | | | |
| Liabilities associated with assets held for sale | | — | 3,034 |
| Trade and other payables | | 95,857 | 126,011 |
| Bank borrowings due within one year | 12 | 80,226 | 61,995 |
| Convertible bonds | 13 | 91,897 | — |
| Current tax liability | | 75,436 | 54,708 |
| Provisions | | — | 4,000 |
| **Total current liabilities** | | **343,416** | **249,748** |
| **Total liabilities** | | **980,817** | **823,754** |
| **Net assets** | | **375,018** | **436,400** |
| **Equity** | | | |
| Share capital | 17 | 46,929 | 46,826 |
| Share premium | | 563,703 | 563,703 |
| Other reserves | | 273,792 | 273,736 |
| Retained loss | | (509,406) | (447,865) |
| **Total equity** | | **375,018** | **436,400** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

**Six months ended 30 June 2014**

| | Share Capital | Share Premium | Other Reserves | Retained Loss | Total |
|---|---|---|---|---|---|
| | | | *(US$'000)* | | |
| **1 January 2013** | **46,632** | **563,703** | **271,719** | **(361,746)** | **520,308** |
| Ordinary shares issued | 194 | — | — | — | 194 |
| Share-based payments | — | — | 3,374 | — | 3,374 |
| Comprehensive loss for the period | — | — | (1,357) | (86,119) | (87,476) |
| **30 June 2013** | **46,826** | **563,703** | **273,736** | **(447,865)** | **(436,400)** |
| Ordinary shares issued | 16 | — | — | — | 16 |
| Share-based payments | — | — | 2,642 | — | 2,642 |
| Comprehensive loss for the period | — | — | (2,989) | (33,656) | (36,645) |
| **31 December 2013** | **46,842** | **563,703** | **273,389** | **(481,521)** | **402,413** |
| Ordinary shares issued | 87 | — | — | — | 87 |
| Share-based payments | — | — | 2,538 | — | 2,538 |
| Comprehensive loss for the period | — | — | (2,135) | (27,885) | (30,020) |
| **30 June 2014 (unaudited)** | **46,929** | **563,703** | **273,792** | **(509,406)** | **375,018** |

**Other reserves**

**Other reserves comprise:**

| | Six months ended 30 June 2014 Unaudited | Six months ended 30 June 2013 Unaudited Restated |
|---|---|---|
| | *US$'000s* | *US$'000s* |
| Share-based payment reserve | 27,271 | 22,091 |
| Convertible bonds (see Note 13) | 11,271 | 11,271 |
| Hedge reserve | (6,481) | (1,357) |
| Merger reserve | 241,731 | 241,731 |
| **Total other reserves** | 273,792 | 273,736 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**Six months ended 30 June**

| | Six months ended 30 June 2014 Unaudited | Six months ended 30 June 2013 Unaudited Restated |
|---|---|---|
| | *US$'000s* | *US$'000s* |
| **Cash flow from operating activities** | | |
| Profit before tax | 66,411 | 10,297 |
| Adjustments for: | | |
| Amortisation, depreciation and impairment of property plant and equipment | 41,053 | 53,238 |
| Exploration write-offs | 2,729 | 108,650 |
| Loss on disposal of assets | — | 871 |
| Interest revenue | (81) | (58) |
| Finance costs | 16,917 | 10,383 |
| Other financial losses/(gains) | 1,332 | (9,077) |
| Share of profit of investments accounted for using the equity method | (7,856) | (7,494) |
| Share-based payment | 2,179 | 2,175 |
| **Operating cash flow prior to movement in working capital** | 122,684 | 168,985 |
| (Increase)/Decrease in oil inventories | (6,496) | (28,949) |
| Decrease/(Increase) in trade and other receivables | 5,845 | 20,366 |
| (Decrease)/increase in trade and other payables | (6,847) | (13,380) |
| **Cash generated from operations** | 115,186 | 147,022 |
| Payment of tax | (111,338) | (50,974) |
| **Net cash from operating activities** | 3,848 | 96,048 |
| **Investing activities** | | |
| Expenditure on intangible assets | (33,946) | (113,665) |
| Expenditure on property, plant and equipment | (96,124) | (67,469) |
| Dividend received from investments | 1,359 | 3,533 |
| Increase in investments | (272) | — |
| Proceeds from disposal of assets | — | 27,000 |
| Movement in other receivables | (3) | (2,301) |
| Interest received | 81 | 59 |
| **Net cash used in investing activities** | (128,905) | (152,843) |
| **Financing activities** | | |
| Interest paid | (16,787) | (11,282) |
| Other financial receipts and payments | (7,652) | 736 |
| Cash flows in respect of long-term bank borrowings: | | |
| Repayment of borrowings facilities | (6,242) | — |
| Drawdown of borrowings facilities | 42,758 | 21,134 |
| Cash flow in respect of shares issued: | | |
| Gross proceeds | 87 | 194 |
| Fees | | |
| Cash flow in respect of bonds issued: | | |
| Proceeds from issue of bonds payable | — | — |
| Fees from issue of bonds payable | — | — |
| **Net cash from financing activities** | 12,164 | 10,782 |
| **Net (decrease)/ increase in cash and cash equivalents** | (112,893) | (46,013) |
| Cash and cash equivalents at the beginning of the year | 244,769 | 207,342 |
| Effect of foreign exchange rate changes | 1,897 | 1,663 |
| **Cash and cash equivalents at the end of the year** | 133,773 | 162,992 |

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**Six months ended 30 June**

### 1. Going Concern

The Group has significant expenditure commitments on its exploration and development portfolio within the next 12 months. As highlighted in notes 13, 14 and 15, the Group intends to meet these investment requirements through a mixture of an up to US$350 million reserves based lending facility, bond financing and free cash flow.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. Accordingly, the Company continues to adopt the going concern basis in the preparation of the condensed consolidated interim financial statements.

### 2. Accounting Policies

The annual financial statements of Salamander Energy plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed set of financial statements included in this interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

### 3. Changes in Accounting Policies

IFRS 11 "Joint Arrangements"

The Group adopted IFRS 11 "Joint Arrangements" on 1 January 2014. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. See note 18 for further details.

### 4. Segmental Analysis

The Group's reportable and geographical segments are Thailand, Indonesia and Other. Other includes Malaysia and corporate centre in the UK and Singapore.

**Segment Revenues and Results**

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

| | Six months ended 30 June 2014 | | | |
|---|---|---|---|---|
| | **Thailand** | **Indonesia** | **Other** | **Total** |
| | | *(US$'000)* | | |
| **Revenue (external)** | 181,046 | — | (3,265) | 177,781 |
| **Operating profit/(loss)** | 97,835 | (2,308) | (10,948) | 84,579 |
| Interest revenue | — | — | 81 | 81 |
| Finance cost | — | — | (16,917) | (16,917) |
| Other financial losses | — | — | (1,332) | (1,332) |
| **Profit/(loss) before tax** | 97,835 | (2,308) | (29,116) | 66,411 |
| Tax | — | — | (94,296) | (94,296) |
| **Profit/(loss) for the period** | 97,835 | (2,308) | (123,412) | (27,885) |
| **Total assets** | 779,264 | 458,407 | 118,164 | 1,355,835 |

| | Six months ended 30 June 2013 (Unaudited Restated) | | | |
|---|---|---|---|---|
| | **Thailand** | **Indonesia** | **Other** | **Total** |
| | *(US$'000)* | | | |
| **Revenue (external)** | 192,310 | 7,046 | (2,367) | 196,989 |
| **Operating profit/(loss)** | 130,006 | (97,134) | (21,327) | 11,545 |
| Interest revenue | — | — | 58 | 58 |
| Finance cost | — | — | (10,383) | (10,383) |
| Other financial losses | — | — | 9,077 | 9,077 |
| **Profit/(loss) before tax** | 130,006 | (97,134) | (22,575) | 10,297 |
| Tax | — | — | (96,416) | (96,416) |
| **Profit/(loss) for the period** | 130,006 | (97,134) | (118,991) | (86,119) |
| **Total assets** | 718,444 | 419,878 | 121,832 | 1,260,154 |

Substantially all the tax charge in all periods presented arises in Thailand.

## 5. Revenue

Revenue, excluding interest revenue of US$81,000, comprises:

| | **Six Months ended 30 June 2014** | **Six Months ended 30 June 2013 (Unaudited Restated)** |
|---|---|---|
| | *US$'000s* | |
| Sales of Oil | 181,046 | 196,198 |
| Sales of Gas | — | 3,157 |
| Realised settlement losses on hedging | (3,265) | (2,366) |
| **Total revenue (excluding interest revenue)** | 177,781 | 196,989 |

## 6. Finance Costs

| | **Six Months ended 30 June 2014** | **Six Months ended 30 June 2013 (Unaudited Restated)** |
|---|---|---|
| | *US$'000s* | |
| **Long term borrowings**: | | |
| Amortisation of capitalised arrangement fees | 2,098 | 1,590 |
| Interest expense | 15,740 | 9,101 |
| **Unwinding of discount**: | | |
| Convertible bonds | 1,159 | 1,147 |
| Provision for decommissioning | 501 | 286 |
| **Less interest capitalised** | (2,581) | (1,741) |
| **Total finance costs** | 16,917 | 10,383 |

## 7. Other Financial Gains and Losses

| | Six Months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| Gain relating to oil derivatives | — | 7,130 |
| (Loss)/profit on investments | (99) | 68 |
| Currency exchange gain | 1,604 | 1,879 |
| Bad debt written off | (2,837) | — |
| **Total other financial (losses)/gain** | (1,332) | 9,077 |

Profit relating to hedges is a result of hedges contracted by the Group. Refer to note 16 for further details.

## 8. Taxation

Taxation charge comprises:

| | Six Months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| **Current taxation** | | |
| Special remuneratory benefit | 32,193 | 28,550 |
| Income tax | 16,996 | 19,820 |
| **Total current tax** | 49,189 | 48,370 |
| **Deferred taxation** | | |
| Special remuneratory benefit | 28,648 | 27,796 |
| Income tax | 16,459 | 20,250 |
| **Total deferred tax** | 45,107 | 48,046 |
| **Total tax charge** | 94,296 | 96,416 |

Special remuneratory benefit ("SRB") is a tax that arises on one of the Group's assets, Bualuang in Thailand, at rates that vary from zero to 75per cent. of annual petroleum profit depending on the level of annual revenue per cumulative metre drilled. The current rate for special remuneratory benefit for 1H 2014 was 52 per cent. Petroleum profit for the purpose of special remuneratory benefit is calculated as revenue less a number of deductions including operating costs, royalty, capital expenditures, special reduction (an uplift of certain capital expenditures) and losses brought forward.

**Reconciliation of SRB Charge to Profit Before Taxation**

The taxation charge for SRB for the year can be reconciled to the profit before tax per the Statement of Comprehensive Income as follows:

| | Six Months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| **Profit before taxation** | 66,411 | 10,297 |
| Less losses before taxation for activities outside of Thailand | 31,424 | 119,709 |
| Profit before taxation for activities in Thailand | 97,835 | 130,006 |
| Applicable rate of SRB | 52% | 47% |
| Tax at the applicable rate of SRB | 50,874 | 61,103 |
| Special reduction | (4,116) | (2,191) |
| Change in SRB average deferred tax rate | — | 4,446 |
| Other | 14,083 | (7,012) |
| **Total SRB charge** | 60,841 | 56,346 |
| **Income tax impact (after deduction at the applicable rate of income tax)** | 30,421 | 28,173 |

The applicable rate for SRB is the rate applied for the financial period.

There were no unrelieved losses in respect of SRB for period ended 30 June 2014.

SRB is fully deductible for corporate tax purposes in Thailand and accordingly the figure of US$30,421,000 in the income tax effective rate reconciliation below represents the incremental impact of SRB, current and deferred, on the overall tax charge, after taking account of the tax relief thereon.

**Reconciliation of Total Tax Charge to Profit Before Taxation**

The tax charge for the year can be reconciled to the profit before tax per the Statement of Comprehensive Income as follows:

| | Six Months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| Profit before taxation | 66,411 | 10,297 |
| Applicable rate | 50% | 50% |
| Tax at the applicable rate of tax | 33,206 | 5,149 |
| Tax effect of: | | |
| UK losses not recognised | 14,021 | 7,770 |
| Utilisation of brought forward exploration expenses / losses on which a deferred tax asset has not been recognised | — | — |
| SRB | 30,421 | 28,173 |
| Tax effect of investment in jointly controlled entities | (3,928) | (3,747) |
| Other | 18,752 | 3,721 |
| Items which are not deductible for tax: | | |
| Exploration expenses | 1,824 | 55,610 |
| Disposal of assets | — | |
| Different foreign tax rates | — | (260) |
| **Total tax charge** | 94,296 | 96,416 |

The Group's operations are conducted primarily outside the United Kingdom and Thailand predominantly. Accordingly the applicable tax rate used above is the Thailand statutory rate of tax (excluding SRB).

**Deferred Tax**

Deferred tax liabilities included in the Balance Sheet were as follows:

| | 30 June 2014 | 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| Income tax | 114,557 | 94,095 |
| SRB | 101,002 | 103,916 |
| **Net deferred tax liabilities** | 215,559 | 198,011 |

There are no significant unrecognised temporary differences associated with undistributed profits of subsidiaries and joint ventures.

The net deferred tax liability of US$215,559,000 materially arose as a result of accelerated tax depreciation.

## 9. Earnings/(loss)Per Ordinary Share

The calculation of the basic and diluted profit/(loss) per share is based on the following data:

| | Units | Six months to 30 June 2014 | Six Months to 30 June 2013 (Unaudited Restated) |
|---|---|---|---|
| Loss for the purpose of basic earnings per share being the net profit/(loss) attributable to equity holders of the parent | *US$'000s* | (27,885) | (86,119) |
| Basis weighted average number of shares | *US$'000s* | 258,410 | 257,360 |
| Earnings/(loss) per ordinary share: basic and diluted | *US$'s* | (0.11) | (0.33) |

As there is a loss for the period ended 30 June 2014, there is no difference between the basic and diluted earnings per share.

## 10. Intangible Exploration and Evaluation Assets

| | 30 June 2014 | 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| At 1 January | 293,147 | 287,348 |
| Additions for the period | 35,761 | 119,123 |
| Transfers to property, plant and equipment | (200) | — |
| Disposals for the period | — | (4,617) |
| Costs written off for the period | (2,729) | (108,650) |
| **Net book amount at end of period** | 325,979 | 293,204 |

The amounts shown above for intangible exploration and evaluation assets principally represent the Group's current exploration projects in Indonesia (US$281,028,000) and Thailand (US$39,262,000).

## 11. Property, Plant and Equipment

| | Oil and gas properties | | | Other Fixed Assets | | | Total net book amount |
|---|---|---|---|---|---|---|---|
| | Cost | Amort'n | Total | Cost | Dep'n | Total | |
| | | | | *US$'000s* | | | |
| **1 January 2013** | 1,137,025 | (556,126) | 580,899 | 5,103 | (2,356) | 2,747 | 583,646 |
| Additions for the period................ | 95,627 | — | 95,627 | 167 | — | 167 | 95,794 |
| Disposals for the period................ | (23,254) | — | (23,254) | — | — | — | (23,254) |
| Charge for the period.................... | — | (52,969) | (52,969) | — | (66) | (66) | (53,235) |
| **30 June 2013 (Unaudited Restated)** | 1,209,398 | (609,095) | 600,303 | 5,270 | (2,622) | 2,648 | 602,951 |
| Additions for the period................ | 96,022 | — | 96,022 | 282 | — | 282 | 96,284 |
| Transfers from intangible exploration and evaluation assets.......................................... | 8,306 | — | 8,306 | — | — | — | 8,306 |
| Amortisation and depreciation...... | — | (59,018) | (59,018) | — | (511) | (511) | (59,529) |
| **31 December 2013** | 1,313,706 | (668,113) | 645,593 | 5,552 | (3,133) | 2,419 | 648,012 |
| Additions for the period................ | 117,805 | — | 117,805 | 140 | — | 140 | 117,945 |
| Disposals for the period................ | 200 | — | 200 | — | — | — | 200 |
| Charge for the period.................... | — | (40,812) | (40,812) | — | (241) | (241) | (41,053) |
| **30 June 2014**................................. | 1,431,711 | (708,925) | 722,786 | 5,692 | (3,374) | 2,318 | 725,104 |

## 12. Bank Borrowings

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | *US$'000s* | |
| **Principal repayable on maturity** .......................................................................... | 311,013 | 324,993 |
| Less deferred fees.................................................................................. | (7,155) | (8,981) |
| **Total unamortised borrowings** ............................................................................ | 303,858 | 316,012 |
| Less amounts due within one year .................................................................... | (80,226) | (61,995) |
| **Total long term borrowings** ................................................................................. | 223,632 | 254,017 |

The Group's borrowings comprised a US$350 million senior reserves based lending facility secured against certain of the Group's development and producing assets in Thailand and Indonesia for a tenure of seven years commencing in December 2012.

## 13. Convertible Bonds

The net proceeds received from the issue of the convertible bonds have been split between the financial liability element (estimated at the time of issue using the prevailing market interest rate for similar non-convertible debt) and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company. The movement in the liability component during the period was as follows:

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | *US$'000s* | |
| Liability component at start of period | 97,745 | 94,941 |
| Coupon interest charged | 2,500 | 2,500 |
| Unwinding of discount | 1,159 | 1,159 |
| Interest paid | (2,500) | (2,500) |
| Amortisation of deferred fees | 243 | 243 |
| Redemption | (6,000) | — |
| **Liability component at end of period** | 93,147 | 96,343 |
| Reported in: | | |
| Non-current liabilities | — | 95,093 |
| Current liabilities – principal | 91,897 | — |
| Current liabilities – interest | 1,250 | 1,250 |
| **Total liability component** | 93,147 | 96,343 |

If the bonds have not been converted, they will be redeemed on 30 March 2015 at par. Interest of five per cent. will be paid annually up until settlement date.

The total convertible bond interest expense for the period is calculated by applying an effective interest rate of eight per cent. to the liability component for the period since the bonds were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the Balance Sheet at 30 June 2014 represents the effective interest rate less interest paid to that date.

The fair value of the convertible bond at the Balance Sheet date is not materially different from the book value.

## 14. Bonds Payable

The unsecured callable bonds were issued in December 2013 at an issue price of US$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 9.75per cent. and were issued at par.

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | *US$'000s* | |
| Liability component at start of period | 145,970 | — |
| Proceeds of issue of bonds payable | — | — |
| Coupon interest charged | 7,366 | — |
| Interest paid | (8,288) | — |
| Less fees relating to bond issue | — | — |
| Amortisation of deferred fees | 548 | — |
| **Total liability component at end of period** | 145,596 | — |

## 15. Net Debt

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | *US$'000s* | |
| Amounts due on maturity: | | |
| Bank borrowings (see note 12) | 311,013 | 324,993 |
| Convertible bonds (see note 13) | 94,000 | 100,000 |
| Bonds payable (see note 14) | 150,000 | — |
| **Total gross debt** | 555,013 | 424,993 |
| Less restricted bank deposits | (20,282) | (6,099) |
| Less cash and cash equivalents | (133,773) | (162,992) |
| **Total net debt** | 400,958 | 255,902 |

The average maturity of gross debt at 30 June 2014 was 3.9 years.

## 16. Fair Value of Financial Instruments

### Fair Value of Financial Instruments Carried at Amortised Cost

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities:
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | *Level 2* | |
| Derivative financial liabilities held to hedge the Group's exposure on expected future sales and interest rate movements: | | |
| Derivative financial assets | 1,378 | 1,138 |
| Derivative financial liabilities | (5,363) | — |
| **Total** | (3,985) | 1,138 |

All of the Groups' fair value financial assets and liabilities are deemed to be Level 2. There were no transfers between Level 1 and 2 during the six months ended 30 June 2014.

### 17. Share Capital

Share capital as at 30 June 2014 amounted to US$46,929,000.

**Allotted and fully paid equity share capital**

| | 30 June 2014 Ordinary Shares 10p | 30 June 2013 Ordinary Shares 10p |
|---|---|---|
| | *Number* | |
| At 1 January | 258,317,599 | 256,954,637 |
| Other share issue | 521,378 | 1,266,465 |
| **At 30 June** | 258,838,977 | 258,221,102 |

The Company has one class of ordinary shares, which carry no right to fixed income.

### 18. Investments Accounted for Using the Equity Method

The investments represent the Group's interest in the following jointly controlled entities, accounted for using the equity method in compliance with IFRS 11.

| Company | Percentage Holding |
|---|---|
| APICO LLC | 27.18% |
| APICO (Khorat) Holdings LLC | 27.18% |
| APICO (Khorat) Limited | 27.18% |

The investments in the jointly controlled entities have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11 on 1 January 2014, the Group's interest was proportionately consolidated.

The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2013), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting.

The tables below show the effect on the statement of comprehensive income, balance sheet and the statement of cash flows.

Impact on statement of comprehensive income:

| | Six Months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| **Credit/(charge)** | | |
| Revenue | (17,245) | (17,353) |
| Operating expenses | 3,917 | 4,001 |
| Share of profit of investments accounted for using the equity method | 7,856 | 7,494 |
| Administration expenses | — | — |
| Interest revenue | (4) | (6) |
| Finance costs | 16 | 12 |
| Other financial losses | 47 | 231 |
| Taxation | 5,413 | 5,621 |
| **Total** | — | — |

Impact on balance sheet:

| | 30 June 2014 | 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| **Increase/(decrease)** | | |
| Assets: | | |
| Intangible exploration and evaluation assets | (18,602) | (11,681) |
| Property, plant and equipment | (14,465) | (14,898) |
| Investments accounted for using the equity method | 36,664 | 27,797 |
| Deferred tax asset | (1,937) | (1,503) |
| Inventories | (1,424) | (1,521) |
| Trade and other receivables | (10,236) | (6,839) |
| **Total** | (10,000) | (8,645) |
| Liabilities: | | |
| Provisions | (1,308) | (509) |
| Deferred tax liability | (884) | (670) |
| Trade and other payables | (2,069) | (1,902) |
| Current tax liability | (5,739) | (5,564) |
| **Total** | (10,000) | (8,645) |

Impact on statement of cash flows:

| | Six months ended 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| **Increase/(decrease)** | | |
| Net cash from operating activities | 1,529 | (4,308) |
| Net cash from investing activities | (1,545) | 4,296 |
| Net cash from financing activities | 16 | 12 |
| Net increase/(decrease) in cash and cash equivalents | — | — |

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

| | 30 June 2014 | Six Months ended 30 June 2013 (Unaudited Restated) |
|---|---|---|
| | *US$'000s* | |
| Opening balance as start of period | 29,922 | 23,836 |
| Share of profit of investments | 7,856 | 7,494 |
| Dividends received | (1,359) | (3,533) |
| Additions | 245 | — |
| **Total at end of period** | 36,664 | 27,797 |

**19. Post Balance Sheet Events**

In August this year, the Group concluded operations on the North Kendang-2 exploration well ("NK-2") in its operated South East Sangatta PSC. The volume of hydrocarbons was considered to be sub-commercial and the NK-2 well was plugged and abandoned pending a review of the Group's strategic options in this area.

On 18 July, the Group announced it had signed a sale and purchase agreement with SONA Petroleum Berhard ("SONA") to dispose of an effective 40 per cent. working interest in the B8/38 concession containing the Bualuang oil field and the surrounding G4/50 concession. The transaction is expected to complete in 4Q 2014 subject to shareholder and regulatory approvals.

# PART V – RECONCILIATION OF FINANCIAL INFORMATION ON THE SALAMANDER GROUP ON THE BASIS OF THE ACCOUNTING POLICIES OF THE OPHIR GROUP

**Section A – Reconciliation of financial information on the Salamander Group on the basis of the accounting policies of the Ophir Group**

**1. Basis of preparation**

The following unaudited reconciliations summarise the material adjustments which reconcile the Group's audited consolidated profit for each of the years in the three-year period ended 31 December 2013 and half year to 30 June 2014 and consolidated total equity as at 31 December 2011, 2012, 2013 and 30 June 2014 to those which would have been reported had the Salamander Group applied the accounting policies applied by the Ophir Group in the preparation of its audited consolidated financial statements for the year ended 31 December 2013 and the unaudited consolidated financial statements for the half year to 30 June 2014.

**2. Unaudited reconciliation of the Salamander Group's consolidated profit for the three years ended 31 December 2011, 2012 and 2013 and 6 months to 30 June 2014.**

| | Notes | Year Ended 31 December 2011 | Year Ended 31 December 2012 | Year Ended 31 December 2013 | Half Year 30 June 2014 |
|---|---|---|---|---|---|
| | | | *(US$'000s)* | | |
| **Consolidated loss for the period as reported by the Salamander Group** | (1a) | (45,462) | (62,290) | (124,121) | (30,020) |
| Adjusted for differences from Ophir Group accounting policies: | | | | | |
| Exploration expenses | (1b) | — | 42,545 | 160,800 | 19,700 |
| **Consolidated profit/ (loss) for the period of the Salamander Group under Ophir Group accounting policies** | | **(45,462)** | **(19,745)** | **36,679** | **(10,320)** |

**3. Unaudited reconciliation of the Salamander Group's consolidated total equity as at 31 December 2011, 2012, 2013 and 30 June 2014**

| | Notes | 31 December 2011 | 31 December 2012 | 31 December 2013 | 30 June 2014 |
|---|---|---|---|---|---|
| | | | *(US$'000s)* | | |
| **Consolidated total equity as reported by the Salamander Group** | (1a) | 378,973 | 520,308 | 402,413 | 375,018 |
| Adjusted for differences from Ophir Group accounting policies: | | | | | |
| **Non-current assets** | | | | | |
| Exploration and evaluation assets | (1b) | — | 32,557 | 193,357 | 208,057 |
| Investments | (1b) | — | 9,988 | 9,988 | 14,988 |
| **Consolidated total equity of the Salamander Group under Ophir Group accounting policies** | | 378,973 | 562,853 | 605,758 | 598,063 |

**Notes:**

(1a) The consolidated profit of the Salamander Group for the year ended 31 December 2011, 2012, and half year to 30 June 2014 and total equity of the company as at 31 December 2011, 2012, and six months to June 2014 have been extracted without material adjustment from the Salamander Group consolidated financial statements for each of the respective periods. The consolidated profit of the Salamander Group for the year ended 31 December 2013 and total equity of the company as at 31 December 2013 have been extracted from the unaudited 30 June 2014 consolidated financial statements, as these contain the unaudited restated figures for the year ended 31 December 2013 following the adoption of IFRS 11 by the Salamander Group.

(1b) The adjustment reflects the difference in accounting policy the two groups applied to the impairment of exploration and evaluation assets. The Ophir Group tests its exploration and evaluation assets for impairment using cash generating units principally defined at the licence or block area. The Salamander Group tests its exploration and evaluation assets for impairment using cash generating units principally defined at the individual prospect level. Both methods are permissible under IFRS 6 – Exploration for and Evaluation of Mineral Resources. The effect is to decrease the consolidated loss for the years ended 31 December 2012, 2013 and the six months ended 30 June 2014.

The adjustment relates to the Bontang asset in Singapore and the B8/38, G4/50, L15/43 and L27/43 assets in Thailand. These assets would not have incurred impairments over the years had they been accounted for using the Ophir Group's accounting policies.

In the year ended 31 December 2013 and the six months ended 30 June 2014, the impairment not recognised under the Ophir Group's accounting policy of US$10m which had been recognised by the Salamander Group, is realised as an increase to the investment balance due to the implementation of IFRS 11 from 1 January 2014.

## 4. Unaudited reconciliation of the Salamander Group's consolidated income statement for the year ended 31 December 2013 and 6 months to 30 June 2014.

| | Year ended 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | **Income statement as reported by the Salamander Group** | **Accounting policy adjustments** | **Salamander Group income statement under Ophir Group accounting policies** | **Alignment of income statement presentation** | **Salamander Group income statement under Ophir Group accounting policies and presentation** |
| | | | *(US$'000s)* | | |
| **Note** | **(2a)** | **(2b)** | | **(2c)** | **(2d)** |
| Revenue | 456,196 | — | 456,196 | — | 456,196 |
| **Cost of sales:** | | | | | |
| Operating costs | (83,904) | — | (83,904) | — | (83,904) |
| Royalty payable | (41,141) | — | (41,141) | — | (41,141) |
| Amortisation of oil and gas properties | (111,987) | — | (111,987) | — | (111,987) |
| Movement in inventories of oil | 13,007 | — | 13,007 | — | 13,007 |
| Total cost of sales | (224,025) | — | (224,025) | — | (224,025) |
| **Gross profit** | **232,171** | **—** | **232,171** | — | **232,171** |
| Exploration expenses: | | | | | |
| Exploration costs (written off) / write off reversals | (162,253) | 160,800 | (1,453) | — | (1,453) |
| Pre-licence exploration expenses | (7,041) | — | (7,041) | — | (7,041) |
| Total exploration expenses | (169,294) | 160,800 | (8,494) | — | (8,494) |
| Share of profit of investments accounted for using the equity method | 11,522 | — | 11,522 | — | 11,522 |
| Loss on disposal of an asset | (871) | — | (871) | — | (871) |
| Administration expenses | (7,290) | | (7,290) | — | (7,290) |
| **Operating profit/(loss)** | **66,238** | **160,800** | **227,038** | | **227,038** |
| Finance income | — | — | — | 103 | 103 |
| Interest revenue | 103 | — | 103 | (103) | — |
| Finance costs | (22,780) | — | (22,780) | (10,949) | (33,729) |
| Other financial (losses)/gains | (3,981) | — | (3,981) | 10,949 | 6,968 |
| **Profit/(Loss) before tax** | **39,580** | **160,800** | **200,380** | — | **200,380** |
| **Taxation:** | | | | | |
| Current tax | (138,868) | — | (138,868) | — | (138,868) |
| Deferred tax | (20,487) | — | (20,487) | — | (20,487) |
| Total Taxation | (159,355) | **—** | (159,355) | — | (159,355) |
| **(Loss)/profit after taxation** | **(119,775)** | **160,800** | **41,025** | | **41,025** |
| Loss on cash flow hedges | (4,346) | — | (4,346) | — | (4,346) |
| **Total comprehensive loss for the year** | **(124,121)** | **160,800** | **36,679** | — | **36,679** |

| | Six months to 30 June 2014 | | | | |
|---|---|---|---|---|---|
| | Income statement as reported by the Salamander Group | Accounting policy adjustments | Salamander Group income statement under Ophir Group accounting policies | Alignment of income statement presentation | Salamander Group income statement under Ophir Group accounting policies and presentation |
| | | | *(US$'000s)* | | |
| **Note** | **(2a)** | **(2b)** | | **(2c)** | **(2d)** |
| Revenue | 177,781 | — | 177,781 | — | 177,781 |
| **Cost of sales:** | | | | | |
| Operating costs | (39,689) | — | (39,689) | — | (39,689) |
| Royalty payable | (15,460) | — | (15,460) | — | (15,460) |
| Amortisation of oil and gas properties | (40,813) | — | (40,813) | — | (40,813) |
| Movement in inventories of oil | 6,602 | — | 6,602 | — | 6,602 |
| Total cost of sales | (89,360) | — | (89,360) | — | (89,360) |
| **Gross profit** | **88,421** | **—** | **88,421** | — | **88,421** |
| Exploration expenses: | | | | | |
| Exploration costs (written off) / write off reversals | (2,729) | 19,700 | 16,971 | — | 16,971 |
| Pre-licence exploration expenses | (3,973) | — | (3,973) | — | (3,973) |
| Total exploration expenses | (6,702) | 19,700 | 12,998 | — | 12,998 |
| Share of profit of investments accounted for using the equity method | 7,856 | — | 7,856 | — | 7,856 |
| Loss on disposal of an asset | — | — | — | — | — |
| Administration expenses | (4,996) | — | (4,996) | — | (4,996) |
| **Operating profit/(loss)** | **84,579** | **19,700** | **104,279** | — | **104,279** |
| Finance income | — | — | — | 1,685 | 1,685 |
| Interest revenue | 81 | — | 81 | (81) | — |
| Finance costs | (16,917) | — | (16,917) | — | (16,917) |
| Other financial (losses)/gains | (1,332) | — | (1,332) | (1,604) | (2,936) |
| **Profit/(Loss) before tax** | **66,411** | **19,700** | **86,111** | — | **86,111** |
| **Taxation:** | | | | | |
| Current tax | (49,189) | — | (49,189) | — | (49,189) |
| Deferred tax | (45,107) | — | (45,107) | — | (45,107) |
| Total Taxation | (94,296) | — | (94,296) | — | (94,296) |
| **(Loss)/profit after taxation** | **(27,885)** | **19,700** | **(8,185)** | — | **(8,185)** |
| Loss on cash flow hedges | (2,135) | — | (2,135) | — | (2,135) |
| **Total comprehensive loss for the year** | **(30,020)** | **19,700** | **(10,320)** | — | **(10,320)** |

## 5. Unaudited reconciliation of the Salamander Group's consolidated balance sheet under the Ophir Group's accounting policies as at 30 June 2014

| | Balance Sheet as reported by the Salamander Group | Accounting policy adjustments | Salamander Group balance sheet under Ophir Group accounting policies | Alignment of balance sheet presentations | Salamander Group balance sheet under Ophir Group accounting policies and presentation |
|---|---|---|---|---|---|
| | | | *(US$'000s)* | | |
| **Note** | **(2a)** | **(2b)** | | **(2c)** | **(2d)** |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible exploration and evaluation assets | 325,979 | 208,057 | 534,036 | — | 534,036 |
| Property, plant and equipment | 725,104 | — | 725,104 | — | 725,104 |
| Other receivables | | | | | |
| Restricted bank deposits | 19,439 | — | 19,439 | (19,439) | — |
| Other | 37,772 | — | 37,772 | (37,772) | — |
| Financial assets | — | — | — | 57,211 | 57,211 |
| Investments accounted for using the equity method | 36,664 | 14,988 | 51,652 | — | 51,652 |
| **Total non-current assets** | **1,144,958** | **223,045** | **1,368,003** | — | **1,368,003** |
| **Current assets** | | | | | |
| Inventories | 51,228 | — | 51,228 | — | 51,228 |
| Trade and other receivables | 25,033 | — | 25,033 | — | 25,033 |
| Restricted bank deposits | 843 | — | 843 | (843) | — |
| Financial assets | — | — | — | 843 | 843 |
| Cash and cash equivalents | 133,773 | — | 133,773 | — | 133,773 |
| **Total current assets** | **210,877** | **—** | **210,877** | — | **210,877** |
| **Total assets** | **1,355,835** | **223,045** | **1,578,880** | — | **1,578,880** |
| **Liabilities** | | | | | |
| Non-current liabilities | | | | | |
| Bank borrowings | 223,632 | — | 223,632 | — | 223,632 |
| Bonds payable | 145,596 | — | 145,596 | — | 145,596 |
| Provisions | 52,614 | — | 52,614 | — | 52,614 |
| Deferred tax liability | 215,559 | — | 215,559 | — | 215,559 |
| **Total non-current liabilities** | **637,401** | **—** | **637,401** | — | **637,401** |
| **Current liabilities** | | | | | |
| Trade and other payables | 95,857 | — | 95,857 | — | 95,857 |
| Bank borrowings due within one year | 80,226 | — | 80,226 | — | 80,226 |
| Convertible bonds | 91,897 | — | 91,897 | — | 91,897 |
| Current tax liability | 75,436 | — | 75,436 | — | 75,436 |
| **Total current liabilities** | **343,416** | — | **343,416** | — | **343,416** |
| **Total liabilities** | **980,817** | — | **980,817** | — | **980,817** |
| **Net assets** | **375,018** | **223,045** | **598,063** | — | **598,063** |
| **Equity** | | | | | |
| Share capital | 46,929 | — | 46,929 | — | 46,929 |
| Share premium | 563,703 | — | 563,703 | — | 563,703 |
| Other reserves | 273,792 | — | 273,792 | — | 273,792 |
| Retained loss | (509,406) | **223,045** | (286,361) | — | (286,361) |
| **Total equity** | **375,018** | **223,045** | **598,063** | — | **598,063** |

Notes:

(2a) The consolidated income statement of the Salamander Group for the year ended 31 December 2013 and balance sheet of the Salamander Group as at 31 December 2013 have been extracted from the unaudited 30 June 2014 consolidated financial statements, as these contain the unaudited restated figures for the year ended 31 December 2013 following the implementation of IFRS 11 by the Salamander Group.

(2b) The adjustments reflect the difference in accounting policy the two groups applied to the impairment of exploration and evaluation assets and have been extracted without adjustment from the table in Part V (Reconciliation of Financial Information on the Salamander Group on the basis of the accounting policies of the Ophir Group), sections 2 and 3 for the year ended 31 December 2013 and the half year to 30 June 2014 for the consolidated income statement and consolidated balance sheet respectively.

(2c) Summarisation of certain income statement and balance sheet items in order to present the Salamander Group income statement and balance sheet on a consistent basis to the Ophir Group:

Income statement

- Interest revenue for the year ended 31 December 2013 (US$103 thousand) has been included within Finance income (US$103 thousand).
- Currency exchange loss for the year ended 31 December 2013 (US$10,949 thousand) has been included within Finance cost (US$33,729 thousand). The currency exchange loss was included within Other financial losses/gains in the consolidated income statement of the Salamander Group for the year ended 31 December 2013.Interest revenue (US$81 thousand) and currency exchange gain (US$1,604) for the six months ended 30 June 2014 have been included within Finance income (US$1,685 thousand).

Balance sheet

*Non-current assets:*

- Restricted bank deposits (US$19,439 thousand) and Other (Other receivables) (US$37,772) have been included within Financial assets (US$57,211 thousand).

*Current assets:*

- Restricted bank deposits (US$843) have been included within Financial assets (US$843 thousand).

(2d) The consolidated income statement and balance sheet presented for the Salamander Group has been adjusted to be consistent with the Ophir Group's accounting policies.

**Section B – Accountant's report on reconciliation of Salamander financial information**

The Directors and Proposed Director
on behalf of Ophir Energy plc
Level Four
123 Victoria Street
London SW1E 6DE

16 January 2015

Dear Sirs

**Ophir Energy plc (the "Company") proposed acquisition of Salamander Energy plc ("Salamander")**

We report on the reconciliation of the consolidated profit and consolidated total equity for the years ended and as at 31 December 2011, 2012 and 2013 the together the "financial information," as previously reported in the financial statements of Salamander prepared under International Financial Reporting Standards as adopted by the European Union, showing the adjustments necessary to restate it on the basis of the Company's accounting policies used in preparing the Company's last set of annual financial statements (the "Reconciliation"), set out in Part V of the Class 1 circular of the Company dated 16 January 2015. This report is required by Listing Rule 13.5.27R(2)(a) of the United Kingdom Listing Authority and is given for the purpose of complying with that Listing Rule and for no other purpose.

Save for any responsibility we may have to any person to whom this report is expressly addressed and which we may have to ordinary shareholders of the Company as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Listing Rule 13.5.27R(2)(a) does not require us to report on the reconciliation of financial information for the six month period ended 30 June 2014 and accordingly our work under this report did not include consideration of that reconciliation and we do not express an opinion thereon.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Reconciliation in accordance with Listing Rule 13.5.27R(2)(a).

It is our responsibility to form an opinion, as required by Listing Rule 13.5.27R(2)(a) as to whether the:

- Reconciliation has been properly compiled on the basis stated; and
- the adjustments are appropriate for the purpose of presenting the financial information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies,

and to report that opinion to you.

The Reconciliation is based on the audited balance sheets as at 31 December 2011, 2012 and 2013 of Salamander which were the responsibility of the directors of Salamander and were audited by another firm of accountants. We do not accept any responsibility for any of the historical financial statements of Salamander, nor do we express any opinion on those financial statements.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of checking whether the unadjusted financial information of Salamander has been accurately extracted from an appropriate source, assessing whether all adjustments necessary for the purpose of presenting the financial information on a basis consistent in all material respects with the Company's accounting policies have been made, examination of evidence supporting the adjustments and checking the arithmetical accuracy of the calculations within the Reconciliation.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Reconciliation has been properly compiled on the basis stated and that the adjustments are appropriate for the purpose of presenting the financial information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Reconciliation has been properly compiled on the basis stated; and
- the adjustments are appropriate for the purpose of presenting the financial information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Yours faithfully

Ernst & Young LLP

# PART VI – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

**Section A – Unaudited *pro forma* financial information of the Combined Group**

The unaudited *pro forma* consolidated income statements and unaudited *pro forma* statement of financial position of the Combined Group set out below have been prepared for illustrative purposes only, in accordance with item 20.2 of Annex I of the Prospectus Directive Regulation and on the basis of the notes set out below. The first unaudited *pro forma* income statement has been prepared to illustrate the effect on earnings of the Combined Group in the year ended 31 December 2013 as if the Transaction had taken place on 1 January 2013. The second unaudited *pro forma* income statement has been prepared to illustrate the effect on earnings of the Combined Group in the six months ended 30 June 2014 as if the Transaction had taken place on 1 January 2014. The unaudited *pro forma* statement of financial position has been prepared to illustrate the effect on assets and liabilities of the Combined Group as at 30 June 2014 as if the Transaction had taken place on that date. The unaudited consolidated *pro forma* income statements and unaudited *pro forma* statement of financial position of the Combined Group have been prepared in a manner consistent with the accounting policies adopted by the Ophir Group in preparing its historical consolidated financial information for the year ended 31 December 2014, on the basis set out below and in accordance with Annex II of the Prospectus Directive Regulation.

The unaudited consolidated *pro forma* income statements and the unaudited *pro forma* statement of financial position have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and, do not, therefore, represent the Combined Group's actual financial position or results.

The unaudited *pro forma* financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the US Securities Act. In addition, the unaudited *pro forma* financial information does not purport to represent what the Ophir Group's or the Combined Group's financial position and results of operations actually would have been if the Transaction had been completed on the dates indicated nor do they purport to represent the Ophir Group's or the Combined Group's results of operations for any future period or the Ophir Group's or the Combined Group's financial condition at any future date.

Shareholders should read the whole of this Circular and not rely solely on the unaudited *pro forma* financial information contained in this Part VI (Unaudited Pro Forma Financial Information of the Combined Group).

In addition to the matters noted above, the unaudited *pro forma* financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Transaction.

**Unaudited *pro forma* income statement for the year ended 31 December 2013**

| Notes | Ophir Group for the year ended 31 December 2013 (1) | Adjustments: Salamander Group for the year ended 31 December 2013 (as reconciled) (2) | Adjustments: Acquisition accounting adjustments (3) | Combined Group Pro forma for the year ended 31 December 2013 (4) |
|---|---|---|---|---|
| | | *(US$'000s)* | | |
| **Revenue** | — | 456,196 | | 456,196 |
| **Cost of sales:** | | | | |
| Operating costs | — | (83,904) | — | (83,904) |
| Royalty payable | — | (41,141) | — | (41,141) |
| Amortisation of oil and gas properties | — | (111,987) | (28,806) | (140,793) |
| Movement in inventories of oil | — | 13,007 | — | 13,007 |
| **Total cost of sales** | **—** | **(224,025)** | **(28,806)** | **(252,831)** |
| **Gross profit** | **—** | **232,171** | **(28,806)** | **203,365** |
| Other income | 12 | — | — | 12 |
| Exploration expenses | (229,103) | (8,494) | (389,024) | (626,621) |
| General & administration expenses | (32,098) | (7,290) | — | (39,388) |
| Loss on disposal of asset | — | (871) | — | (871) |
| Other operating expenses | (46,357) | — | (20,640) | (66,997) |
| Share of profit of investments accounted for using the equity method | — | 11,522 | — | 11,522 |
| **Operating profit / (loss)** | **(307,546)** | **227,038** | **(438,470)** | **(518,978)** |
| Finance income | 27,079 | 103 | — | 27,182 |
| Finance costs | — | (33,729) | — | (33,729) |
| Other financial (losses)/ gains | — | 6,968 | — | 6,968 |
| **Profit / (loss) from continuing operations before taxation** | **(280,467)** | **200,380** | **(438,470)** | **(518,557)** |
| Taxation | 34,660 | (159,355) | 59,840 | (64,855) |
| **Loss for the period** | **(245,807)** | **41,025** | **(378,630)** | **(583,412)** |

**Unaudited *pro forma* income statement for the six months ended 30 June 2014**

| Notes | Ophir Group for the six months ended 30 June 2014 (1) | Adjustments: Salamander Group for the six months ended 30 June 2014 (as reconciled) (2) | Adjustments: Acquisition accounting adjustments (3) | Combined Group Pro forma for the six months ended 30 June 2014 (4) |
|---|---|---|---|---|
| | | *(US$'000s)* | | |
| **Revenue** | — | 177,781 | | 177,781 |
| **Cost of sales:** | | | | |
| Operating costs | — | (39,689) | — | (39,689) |
| Royalty payable | — | (15,460) | — | (15,460) |
| Amortisation of oil and gas properties | — | (40,813) | (9,144) | (49,957) |
| Movement in inventories of oil | — | 6,602 | — | 6,602 |
| **Total cost of sales** | **—** | **(89,360)** | **(9,144)** | **(98,504)** |
| **Gross profit** | **—** | **88,421** | **(9,144)** | **79,277** |
| Gain on farm out | 673,020 | — | — | 673,020 |
| Exploration expenses | (67,706) | 12,998 | (389,024) | (443,732) |
| General & administration expenses | (27,217) | (4,996) | — | (32,213) |
| Other operating expenses | (774) | — | (20,640) | (21,414) |
| Share of profit of investments accounted for using the equity method | — | 7,856 | — | 7,856 |
| **Operating profit** | **577,323** | **104,279** | **(418,808)** | **262,794** |
| Finance income | 12,113 | 1,685 | — | 13,798 |
| Finance costs | — | (16,917) | — | (16,917) |
| Other financial (losses)/ gains | — | (2,936) | — | (2,936) |
| **Profit / (loss) from continuing operations before taxation** | **589,436** | **86,111** | **(418,808)** | **256,739** |
| Taxation | (250,383) | (94,296) | 18,900 | (325,779) |
| **Profit / (loss) for the period** | **339,053** | **(8,185)** | **(399,908)** | **(69,040)** |

**Unaudited *pro forma* statement of financial position as at 30 June 2014**

| Notes | Ophir Group net assets as at 30 June 2014 (as reported) (1) | Adjustments: Salamander Group net assets as at 30 June 2014 (as reconciled) (2) | Adjustments: Acquisition accounting adjustments (3) | Combined Group Pro forma as at 30 June 2014 (4) |
|---|---|---|---|---|
| | | *(US$'000s)* | | |
| **Non-current assets** | | | | |
| Goodwill | 20,868 | — | 114,362 | 135,230 |
| Exploration and evaluation assets | 722,528 | 539,024 | (389,024) | 872,528 |
| Property, plant and equipment | 6,821 | 725,104 | 151,896 | 883,821 |
| Financial assets | 16,460 | 57,211 | — | 73,671 |
| Investments accounted for using the equity method | — | 46,664 | 181,336 | 228,000 |
| Total non-current assets | 766,677 | 1,368,003 | 58,570 | 2,193,250 |
| **Current assets** | | | | |
| Inventory | 23,316 | 51,228 | — | 74,544 |
| Trade and other receivables | 36,269 | 25,033 | — | 61,302 |
| Cash and cash equivalents | 1,040,823 | 133,773 | (20,640) | 1,153,956 |
| Financial assets | — | 843 | — | 843 |
| Investments | 450,000 | — | — | 450,000 |
| Total current assets | 1,550,408 | 210,877 | (20,640) | 1,740,645 |
| **Total assets** | **2,317,085** | **1,578,880** | **37,930** | **3,933,895** |
| **Current liabilities** | | | | |
| Trade and other payables | (211,367) | (95,857) | — | (307,244) |
| Bank borrowings due within one year | — | (80,226) | — | (80,226) |
| Convertible bonds | — | (91,897) | — | (91,897) |
| Taxation payable | (21,157) | (75,436) | — | (96,593) |
| Provisions | (35,398) | — | — | (35,398) |
| Total current liabilities | (267,922) | (343,416) | — | (611,338) |
| **Non-current liabilities** | | | | |
| Deferred income tax | (26,968) | (215,559) | (315,000) | (557,527) |
| Bank borrowings | — | (223,632) | — | (223,632) |
| Bonds payable | — | (145,596) | — | (145,596) |
| Provisions | (354) | (52,614) | — | (52,968) |
| Total non-current liabilities | (27,322) | (637,401) | (315,000) | (979,723) |
| Total liabilities | (295,244) | (980,817) | (315,000) | (1,591,061) |
| **Net assets** | **2,021,841** | **598,063** | **(277,070)** | **2,342,834** |

**Notes:**

(1) The Ophir Group financial information for the year ended 31 December 2013 has been extracted without material adjustment from the audited consolidated financial statements of the Ophir Group for the year ended 31 December 2013. No adjustment has been made to reflect the trading results of the Ophir Group since 31 December 2013. The financial information as at 30 June 2014 has been extracted without material adjustment from the unaudited interim results of the Ophir Group for the six months ended 30 June 2014.

(2) The consolidated income statement and balance sheet for the year ended 31 December 2013 and the six months ended 30 June 2014 of the Salamander Group has been extracted without adjustment from notes 2 and 3 respectively to the table in section 3 of Part V (Reconciliation of Financial Information on the Salamander Group on the basis of the Accounting Policies of the Ophir Group).

(3) (a) The unaudited *pro forma* statement of net assets as at 30 June 2014 has been prepared on the basis that the Transaction will be treated as an acquisition of the Salamander Group by the Ophir Group in accordance with IFRS 3 – Business Combinations. For purposes of the *pro forma*, the excess purchase consideration over the book value of the net assets acquired has been attributed to goodwill and no *pro forma* impairment charge has been applied to the goodwill balance in the period presented. The preliminary goodwill arising has been calculated as follows:

| | **US$'000s** |
|---|---|
| Total consideration transferred (i) | 320,993 |
| Less book value of net assets acquired | (598,063) |
| Acquisition accounting adjustments (ii) | (277,070) |
| Goodwill purchase (before measurement of the assets acquired and liabilities assumed at their fair value on the Effective Date) | 135,230 |

Note:

(i) The calculation of the consideration is based on the Closing Price of Ophir Shares of 137.10 pence and a US$/GBP exchange rate of 1.511 on 7 January 2015, being the latest practicable date for the purposes of the pro forma statement prior to publication of the Circular, and assumes that there will be 270,940,133 Salamander Shares in issue not already owned by the Ophir Group or held by the Ophir Group at completion and that each Salamander Share will be exchanged for 0.5719 of an Ophir Share. The calculation of the actual consideration to be reflected in the first set financial statements prepared of the Ophir Group to be prepared after the transaction has been completed will be based on the actual share price and foreign exchange rate of the closing date of the transaction, which may be materially different from that included in the *pro forma*.

(ii) The acquisition accounting adjustments relate to the fair value measurement of the acquired assets and liabilities of the Salamander Group on the basis that the Transaction will be treated as an acquisition of the Salamander Group by the Ophir Group in accordance with IFRS 3 – Business Combinations.

(iii) The adjustments in respect of Exploration and evaluation assets, Property, plant and equipment and Investments for using the equity method relate the assessment of the fair value of interests in oil and gas assets. These have been based on economic models prepared in respect of these assets using the information currently available which includes the competent person's reports with respect to reserves, production sales contracts and other forecast data including oil and gas production, future capital expenditure and operating expenditure.

Summarisation of the acquisition accounting adjustments included in the *pro forma* and its impact on the Combined Group:

Net assets as at 30 June 2014:

- Exploration and evaluation assets (US$389,024 thousand) have decreased as a result of the valuation performed by the Ophir Group.
- Property, plant and equipment (US$151,896 thousand) has increased as a result of the valuation performed by the Ophir Group.
- Investments accounted for using the equity method (US$181,336 thousand) have increased as a result of the valuation performed by the Ophir Group. The calculation of the fair value by the Ophir Group of Investments accounted for using the equity method has been performed on the basis of the valuation of the underlying oil and gas assets held by the investee.
- Deferred income tax (US$237,000 thousand) has increased as a result of the increase in the fair value of Property, plant and equipment (US$151,896 thousand). The Ophir Group has calculated the deferred tax liability balance (US$237,000 thousand) by applying the prevailing corporate tax rate to the difference in the value between the brought forward tax carrying value of the assets and their fair value as at 30 June 2014. The corporate tax rates applied for the purposes of calculating the deferred tax liability have been 50 per cent. for assets held in Thailand and 44 per cent. for those assets held in Indonesia.
- The Ophir Group has estimated the other remaining assets and liabilities' on the basis that their fair value is approximate to their carrying value in the Salamander Group's balance sheet as at 30 June 2014.

Income Statement for the six months ended 30 June 2014:

- Amortisation of oil and gas properties (US$9,144 thousand) for the six months ended 30 June 2014 has been increased to reflect the increase in the amount of Property, plant and equipment (US$151,896 thousand). The increase in the Amortisation of oil and gas properties (US$9,144 thousand) has calculated at the same rate as that of the Salamander Group for the six months ended 30 June 2014.
- Exploration expenses (US$389,024 thousand) for the six months ended 30 June 2014 has been increased to reflect the decrease in the amount of Exploration and evaluation assets (US$389,024).
- Taxation (US$14,220 thousand) for the six months ended 30 June 2014 has decreased to reflect the increase in the Amortisation of oil and gas properties (US$9,144 thousand).

Income Statement for the year ended 31 December 2013:

- Amortisation of oil and gas properties (US$28,806 thousand) for the year ended 31 December 2013 has been increased to reflect the increase in the amount of Property, plant and equipment (US$151,896 thousand). The increase in the Amortisation of oil and gas properties (US$28,806 thousand) has calculated at the same rate as that of the Salamander Group for the year ended 31 December 2013.
- Exploration expenses (US$389,024 thousand) for the year ended 31 December 2013 has been increased to reflect the decrease in the amount of Exploration and evaluation assets (US$389,024).
- Taxation (US$45,030 thousand) for the year ended 31 December 2013 has decreased to reflect the increase in the Amortisation of oil and gas properties (US$28,806 thousand).

The fair values of all the assets and liabilities acquired in the transaction that will be included in the first set of financial statements prepared after the transaction has been completed, will be determined based on the closing date, and this may differ materially from those based in the *pro forma*. As a result, the change in measurement of the fair value of the assets and liabilities acquired, the calculation of any goodwill arising from the transaction may differ materially from that included in the *pro forma*.

(b) Transaction costs expected to be incurred by the Ophir Group and the Salamander Group as a result of the Transaction of approximately US$11.64 million and US$9.0 million respectively (assuming no discretionary element of Transaction fees are paid) have been recognised as an operating expense and deducted from cash and cash equivalents in the unaudited consolidated *pro forma* income statement and balance sheet respectively. These costs will not have a continuing impact on the Combined Group.

No adjustments have been made to the unaudited *pro forma* to reflect transactions or activities, including any expected synergies or costs savings or any other transactions, of the Ophir Group or the Salamander Group since 30 June 2014.

**Section B – Accountant's report in respect of the *pro forma* financial information**

The Directors and Proposed Director
on behalf of Ophir Energy plc
Level Four
123 Victoria Street
London SW1E 6DE

16 January 2015

Dear Sirs

We report on the *pro forma* financial information (the ''Pro Forma Financial Information'') set out in Part VI (Unaudited Pro Forma Financial Information of the Combined Group) of the circular dated 16 January 2015 (the ''Circular''), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Ophir Energy plc (the ''Company'') in preparing the financial statements for the year ended 31 December 2013 and the six-month period ended 30 June 2014. This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with this Listing Rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Yours faithfully

Ernst & Young LLP

# PART VII – ADDITIONAL INFORMATION

## 1 Responsibility

The Company and the Directors, whose names are set out in paragraph 4 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

## 2 Ophir

The Company was incorporated and registered in England and Wales on 18 February 2004 as a private company limited by shares with registered number 05047425 with the name of "Ophir Energy Company Limited". On 12 September 2007 the Company was re-registered as a public limited company and changed its name to "Ophir Energy plc".

The principal legislation under which the Company was formed and under which the Company operates is the Companies Act 1985 and the Companies Act 2006 respectively. The Company is domiciled in the United Kingdom.

The registered office of the Company is Level Four, 123 Victoria Street, London SW1E 6DE, United Kingdom and its telephone number is +44 (0)20 7811 2400. The business of the Company, and its principal activity, is to act as the ultimate holding company of the Ophir Group.

## 3 Trend information

### 3.1 Ophir

At the date of this Circular, the Company has undertaken early stage exploration activities, but has not generated any revenue from oil and gas, although it has incurred costs – primarily related to the acquisition and exploration of its asset portfolio. The Ophir Group has a limited operating history on which to assess its future expected performance. The Company has experienced operating losses in each full financial year reported on since its incorporation. However, Ophir did not experience operating losses in the six months ended 30 June 2014 and 30 June 2011. Due to the general nature of oil and gas exploration and, where successful, the long lead times in developing projects, the Company expects to incur further operating losses in the current and future financial years as its exploration and development activities continue. There can be no assurance that the Company will earn significant revenues or any revenues at all, or achieve profitability, and the Company (and, following the Effective Date, the Combined Group) may be dependent on portfolio management to meet the Ophir Group's mid to longer term capital expenditure plans beyond the Ophir Group's current committed capital expenditure for the next 12 months.

The key factors affecting the Company's results of operations and financial condition since 31 December 2013, and those that are expected to affect its results of operations and financial condition in the future, include the following:

- acquisition, exploration and development expenditure and success rates;
- rapid expansion of the Company's operations;
- oil and gas prices;
- foreign exchange; and
- issues of Ophir Shares.

***Acquisition, exploration and development expenditure and success rates***

The Company has incurred substantial expenses related to the acquisition of assets and early stage exploration activities, and in the future expects to incur further significant exploration and development expenditure as it moves closer to oil and gas production. In particular, the level of its expenditure will depend in substantial part on whether the Company is successful in discovering and appraising oil and gas reserves and developing those reserves into oil and gas-producing assets.

The Company has historically incurred substantial expenses in connection with pre-licence exploration activities or in pursuit of new ventures, which it has expensed, as well as post-licence exploration activities, which it has capitalised or written off.

***Rapid expansion of the Company's operations***

The Company has expanded its operations rapidly in recent years, which has affected its cost base. Given that the Company is not yet generating revenue from its exploration portfolio, growth in expenses related to its activities has contributed to operating losses. As the scope of the Company's business and activities has expanded, so have its administrative costs and expenses associated with its pre-licence exploration activities. In addition, expenses associated with share options to employees have also contributed to operating losses.

***Oil and gas prices***

The Company's exploration and production strategies are and, should it begin production, its results of operations will be, influenced significantly by crude oil and natural gas prices. Crude oil prices have been volatile in the past and are likely to continue to be volatile in the future. Prices for oil are driven by world supply and demand and a number of other factors, including government regulation and social and political conditions.

Natural gas is commonly sold under long term contracts at a price which is linked to that of crude oil and is therefore influenced by the same factors and uncertainties. In some markets the price of natural gas has become largely independent of crude oil, but is nevertheless governed by similar considerations and can as a result also show considerable variation.

***Foreign exchange***

Foreign exchange gains and losses have an impact on the Company's results of operations. Each entity in the Ophir Group determines its own functional currency, which for most entities is the US Dollar (given that most of the expenditure incurred by Group entities is in US Dollars). The Ophir Group has realised foreign currency gains and losses in the recent past due largely to cash and cash equivalents held in pounds sterling by Group companies with US Dollar functional currencies. The Ophir Group has also realised losses and gains due to settlement of foreign currency-denominated supplier invoices and revaluation of foreign-denominated bank accounts. The Ophir Group minimises its exposure to foreign exchange fluctuations by holding a substantial part of its financial assets in US Dollars.

***Issue of Ophir Shares***

The development of the Ophir Group's exploration assets has to date been financed by multiple equity issues (carried out between 2004 and 2013), and by the issue of the Ophir convertible bond in 2006, which was converted into shares during the 2008 financial period. In March 2013, the Company raised funds as a result of the placing of 19.85 million Ophir Shares (which raised approximately £91.3 million) and a 2 for 5 share rights issue (which raised approximately £462.1 million).

**3.2 Salamander**

Against the backdrop of stable oil prices, global activity and world trade started to show signs of a concerted recovery in the second half of 2013. There is evidence to suggest that cost inflation peaked during the first half of 2013 and cost pressures started to ease during the second half of 2013.

With the sale of Onshore North West Java and South East Sumatra production sharing contracts in October 2011, the Salamander Group's production fell in 2012. On a Salamander Group basis, production grew by 31 per cent. in 2013 to 14,200 boepd. With continuing development and exploration in the Gulf of Thailand and the success of the West Kerendan-1 gas discovery in Indonesia, production is expected to increase to approximately 20,000 boepd by 2017.

The key factors affecting Salamander's results of operations and financial condition since 31 December 2013, and those that are expected to affect its results of operations and financial condition in the future, include the following:

- expansion of operations;
- oil and gas prices; and
- foreign exchange.

*Expansion of Salamander's operations*

Salamander continues to work on its 'hub' business model to create sustainable shareholder value through building and exploiting its portfolio of upstream oil and gas assets. The Salamander Group's model concentrates on a small number of asset positions, or hubs, that each offer production, development and exploration opportunities to provide greater control and a more detailed understanding of the assets. Consequently, this has led to expansion into new blocks and Petroleum Agreements to expand Salamander's operations in the most effective manner.

*Oil and gas prices*

During 2013 and through to mid-2014, the oil price continued to trade in a narrow range between US$100 and US$110 per barrel as the perception of a slowdown in demand growth, particularly in China, India and the Middle East, was offset by supply side concerns and political instability in the Middle East and North Africa. Since the middle of 2014, oil prices have been subject to significant volatility steadily shifted downwards and since December, have hovered in the US$47 to US$73 range due to weaker outlook for global demand growth combined with excess supply largely attributed to increased production from US unconventional plays.

*Foreign exchange*

The Salamander Group undertakes certain transactions denominated in foreign currencies, and therefore faces exposure to exchange rate fluctuations. Exchange rate exposures are managed through maintaining the majority of the Salamander Group's cash and cash equivalent balances in US Dollars, the Salamander Group's presentational currency and the functional currency of all its subsidiaries. The Salamander Group also holds, from time to time, cash balances in UK Pounds Sterling and other currencies to meet short term commitments in those currencies.

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

**4 Directors and senior management**

The names and principal functions of the Directors and the Company's senior management are as follows:

| Directors | Position |
|---|---|
| Nicholas Smith | Non-Executive Chairman |
| Dr Nicholas Cooper | Executive Director & Chief Executive Officer |
| Bill Higgs | Executive Director & Chief Operating Officer |
| Ronald Blakely | Independent Non-Executive Director |
| Alan Booth | Independent Non-Executive Director |
| Vivien Gibney | Independent Non-Executive Director |
| Lyndon Powell | Independent Non-Executive Director |
| Bill Schrader | Independent Non-Executive Director |

| Senior Management | Position |
|---|---|
| Clark Brannin | Director of Drilling |
| Andrew Brown | Commercial Director |
| Michael Fischer | President, Africa |
| Andrew Oldham | Director, Exploration |
| Oliver Quinn | Head of New Business |
| Gawain Ross | Corporate Services Director |
| Tony Rouse | Director of Finance |
| Dato Sandroshvili | Head of Corporate Finance and Portfolio |
| Dina Taylor | Head of HR |

## 5 Directors' and senior management's shareholdings and stock options

### 5.1 Shares

The interests of the Directors and of members of senior management (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) as at the Latest Practicable Date are as follows (not including options disclosed below):

| | As at the Latest Practicable Date | | Immediately following the Transaction | |
|---|---|---|---|---|
| **Name** | **No of Ophir Shares** | **As a % of total Ophir Shares** | **No of Ophir Shares(1)** | **As a % of total Ophir Shares(1)** |
| Nicholas Smith | 128,000(2) | 0.022% | 128,000(2) | 0.018% |
| Dr Nicholas Cooper | 770,001(3) | 0.134% | 1,257,031(3) | 0.173% |
| Bill Higgs | — | — | — | — |
| Ronald Blakely | 47,000(4) | 0.008% | 47,000(4) | 0.006% |
| Alan Booth | 125,000(5) | 0.022% | 125,000(5) | 0.017% |
| Vivien Gibney | 10,000 | 0.002% | 10,000 | 0.001% |
| Lyndon Powell | 33,600 | 0.006% | 33,600 | 0.005% |
| Bill Schrader | 10,200 | 0.002% | 10,200 | 0.001% |
| Clark Brannin | — | — | — | — |
| Andrew Brown | — | — | — | — |
| Michael Fischer | — | — | — | — |
| Andrew Oldham | — | — | — | — |
| Oliver Quinn | 835 | 0.00% | 835 | 0.00% |
| Gawain Ross | 6,155(6) | 0.001% | 6,155(6) | 0.001% |
| Tony Rouse | — | — | 106,347(7) | 0.015% |
| Dato Sandroshvili | — | — | — | — |
| Dina Taylor | — | — | — | — |

Notes:

(1) The number of Ophir Shares immediately following the Transaction and percentage of total Ophir Shares assumes that: (a) 153,163,173 Ophir Shares are issued in connection with the Transaction; and (b) Ophir does not issue any further new Shares or undertake any buybacks between the Latest Practicable Date and the Effective Date.

(2) Mr. Smith holds a beneficial interest in 128,000 Ophir Shares. The legal interest is held by Vestra Nominees Limited.

(3) Dr Cooper holds a beneficial interest in 769,201 Ophir Shares. The legal interest is held by Goldman Sachs International. The beneficial interest in 800 Ophir Shares is held by a connected person, Alison Nightingale. The legal interest is held by James Capel (Nominees) Limited. As at 14 January 2015, Dr Cooper also held a beneficial interest in 851,600 Salamander shares, 1,600 of which were held by a connected person, Alison Nightingale.

(4) Mr. Blakely and members of his family hold a beneficial interest in 47,000 Ophir Shares. The legal interest is held by Vidacos Nominees Limited.

(5) Mr. Booth holds a beneficial interest in 125,000 Ophir Shares. The legal interest is held by TD Direct Investing Nominees (Europe) Ltd.

(6) Mr. Ross has a beneficial interest in 6,155 Ophir Shares. The legal interest is held by his wife.

(7) Mr Rouse holds a beneficial interest in 185,953 Salamander Shares and also holds up to 236,654 options under the Salamander Share Schemes that vest, subject to performance criteria, in May 2015 and up to 190,903 options under the Salamander Share Schemes that vest, subject to performance criteria, in April 2016. The number of Ophir Shares immediately following the Transaction assumes these options do not vest on or prior to the Effective Date.

**5.2 Share options**

As at Latest Practicable Date the following options to acquire Ophir Shares had been granted to the Directors and senior management under the Ophir Share Schemes, such options being exercisable at the price shown below:

| Name | No. of Ophir Shares over which options granted | Exercise price (£) | Expiry Date |
|---|---|---|---|
| Dr Nicholas Cooper (Long Term Incentive Plan) | 373,190 | 0.00 | 13 April 2015 |
| | 277,518 | 0.00 | 19 June 2015 |
| | 370,025 | 0.00 | 19 June 2016 |
| | 370,025 | 0.00 | 19 June 2017 |
| Dr Nicholas Cooper (2006 Share Option Plan).... | 578,164 | 2.162 | 31 May 2021 |
| Clark Brannin (Long Term Incentive Plan).......... | 35,846 | 0.00 | 12 April 2016 |
| | 82,520 | 0.00 | 25 March 2017 |
| | 96,568 | 0.00 | 23 March 2018 |
| Clark Brannin (2006 Share Option Plan)............. | 57,816 | 4.333 | 12 August 2019 |
| Andrew Brown (Long Term Incentive Plan)......... | 48,082 | 0.00 | 25 March 2017 |
| | 111,476 | 0.00 | 23 March 2018 |
| Michael Fischer (Long Term Incentive Plan) ....... | 97,395 | 0.25 | 12 April 2016 |
| | 72,642 | 0.25 | 25 March 2017 |
| | 112,233 | 0.25 | 23 March 2018 |
| Michael Fischer (2006 Share Option Plan) ........... | 57,816 | 2.162 | 31 August 2018 |
| | 57,816 | 2.162 | 31 August 2018 |
| Andrew Oldham (Long Term Incentive Plan) ...... | 90,056 | 0.25 | 12 April 2016 |
| | 69,613 | 0.25 | 25 March 2017 |
| | 81,458 | 0.25 | 23 March 2018 |
| Andrew Oldham (2006 Share Option Plan) .......... | 115,632 | 2.162 | 31 August 2018 |
| | 115,632 | 2.162 | 31 August 2018 |
| Oliver Quinn (Deferred Share Plan)...................... | 16,730 | 0.00 | 24 July 2018 |
| Gawain Ross (Deferred Share Plan) ..................... | 13,461 | 0.00 | 23 March 2018 |
| Dato Sandroshvili (Long Term Incentive Plan).... | 89,579 | 0.00 | 23 March 2018 |
| Dina Taylor (Deferred Share Plan)...................... | 16,730 | 0.00 | 23 March 2018 |

Save as disclosed in this paragraph 5, no Director or senior management, nor their immediate families, nor any person connected with any Director or senior management has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

**6 Directors' service contracts**

6.1 Save for the service contracts described below, there are no existing or proposed service contracts between any Director or proposed director of the Company and the Company and its subsidiary undertakings.

6.2 Dr Nicholas Cooper (Chief Executive Officer) and Bill Higgs (Chief Operating Officer) are the Executive Directors of the Company and are employed by the Company. A summary of their service contracts is set out below:

| Name | Continuous employment | Current salary per annum (£) | Notice by the Company | Notice by Executive Director |
|---|---|---|---|---|
| Dr Nicholas Cooper........... | 1 June 2011 | 550,000[(1)] | 12 months | 12 months |
| Bill Higgs............................ | 10 September 2014 | 375,000 | 12 months | 12 months |

Notes:

(1) The Board decides on the quantum of salary in March each year for the year just commenced. Accordingly salaries for the year commencing January 2015 are currently unknown. A new salary would normally take effect from 1 January. In the Annual Report for 2013, the Board stated its intention to increase Dr Cooper's salary to £550,000 with effect from January 2015, subject to continued appropriate levels of performance.

6.3 The following remuneration (including benefits and any contingent or deferred compensation) was paid to the Executive Directors for services in all capacities to the Ophir Group for the financial year ended 31 December 2014.

| Director | Salary (£) | Bonus (£) | Benefits in kind (£) | Pension/ Super-annuation (£) |
|---|---|---|---|---|
| Dr Nicholas Cooper.................... | 482,000 | not known(1) | 9,000 | 53,000 |
| Bill Higgs .................................... | 114,000(2) | not known(1) | 3,000 | 12,500 |

Notes:

(1) The Board decide on the amount of annual bonuses in March of each year for the preceding year ending 31 December. Bonuses for the year ended 31 December 2014 are therefore currently unknown.

(2) Bill Higgs commenced employment with the Company on 10 September 2014 and the figure shown is a pro rated figure of his annualised salary of £375,000.

6.4 In connection with his recruitment, Dr Nicholas Cooper was granted a number of options, the following of which were exercised or continued to be exercisable in 2014:

(a) nil-cost options under the Long Term Incentive Plan 2011 over: (i) 173,449 Ophir Shares; (ii) 247,785 Ophir Shares; and (iii) 99,113 Ophir Shares were exercised on 27 June 2014; and

(b) an option over 578,164 Ophir Shares under the 2006 Share Option Plan with an exercise price of £2.162 per Ophir Share which is exercisable from the second anniversary of the date of grant.

The number of Ophir Shares stated to be under the options described in paragraphs (a)(i) and (b) above reflects the adjustment which took place on 22 November 2011 to reflect the price of the Ophir Shares on the Initial Public Offering.

**6.5 Termination provisions**

In addition to the notice periods set out above, the relevant employer within the Ophir Group has the contractual right (aside from any statutory employment rights which the individuals may have) to terminate each service contract with immediate effect if the Executive Director: (i) does not perform his duties for 180 days in any period of 365 days because of sickness, injury or other incapacity; (ii) has not performed his duties under the service contract to the standard reasonably required by the Board; (iii) commits any serious or persistent breach of his obligations under the service contract; (iv) does not comply with any term of the service contract (in the case of Bill Higgs, with any material terms of the service contract); (v) does not comply with any lawful order or direction given to him/her by the Board; (vi) is guilty of any gross misconduct or conducts himself/herself (whether in connection with his employment or not) in a way which is harmful to any Group company; (vii) is guilty of dishonesty or is convicted of an offence (other than a motoring offence which does not result in imprisonment) whether in connection his employment or not; (viii) commits (or is reasonably believed by the Board to have committed) a breach of any legislation in force which may affect or relate to the business of any Ophir Group company; (ix) becomes of unsound mind, is bankrupted or has a receiving order made against him/her or makes any general composition with his creditors or takes advantage of any statute affording relief for insolvent debtors; or (x) becomes disqualified from being a director of a company.

The service contracts of the Executive Directors further provide for termination with immediate effect if they fail or are disqualified from maintaining registration with a regulatory body as reasonably required by the Company; or if their directorship of the Company terminates without the consent or concurrence of the Company.

The service contracts of the Executive Directors contain a payment in lieu of notice provision where the relevant employer, at its sole discretion, may pay the basic salary only as a lump sum or in equal monthly instalments with a duty on the Executive Director to mitigate such payments by seeking alternative income and if alternative income is found, then the instalment payments shall be reduced by that amount or to nil if alternative income is higher than the monthly instalments. There is also a provision enabling the relevant employer to put the Executive Director on garden leave for up to six months at any time after notice to terminate the service contract has been given by the Executive Director or the relevant employer or the Executive Director has resigned without giving due notice and the relevant employer has not accepted the resignation. During the garden leave period the Executive Director will be entitled to salary and contractual benefits (excluding bonuses). At the end of the garden leave period, the Company may, at its discretion, pay the Executive Director basic salary alone in respect of the balance of any period of notice given by the Company or Executive Director. These payments will be reduced to the extent alternative income is received.

**6.6 Change of control**

The service contract of Dr Nicholas Cooper provides that, if within three months following a change of control of the Company, the Company or Dr Cooper serves notice to terminate the employment, then the notice period will be waived, the employment will be terminated immediately and Dr Nicholas Cooper will be entitled to be paid 12 months' basic salary.

''Change of Control'' is defined in Dr Nicholas Cooper's service contract as where a third party (i.e., not a member of the Ophir Group or employee, officer, director or agent of any member of the Ophir Group) who does not already control the Company acquires control of it, and ''control'' means, in relation to the Company, the power of a person to secure that the affairs of the Company are conducted in accordance with the wishes of that person by means of the holding of shares or the possession of voting power in or in relation to the Company, or by virtue of any powers conferred by the constitutional or corporate documents (or any other document) regulating the Company (or any other company).

**6.7 Benefits**

*Bonus*

The Executive Directors are entitled to be considered for a discretionary bonus or to participate in any applicable bonus scheme which the Board puts in place for Executive Directors subject to such conditions as the Board may in its discretion determine from time to time. The Executive Directors' maximum bonus is 150 per cent. of their respective gross annual salaries, subject to satisfaction of certain key performance indicators as determined by the Board and the rules of any applicable bonus scheme from time to time. Any bonus payments are said to be purely discretionary.

*Benefits in kind*

The range of taxable benefits in kind available to Executive Directors includes health insurance, life assurance, medical evacuation insurance, travel insurance for all work related travel, holiday pay and sick leave cover.

*Pensions*

The Company contributes 11 per cent. of Executive Directors' base salary to personal pension arrangements.

The terms of the Directors' remuneration are in accordance with the terms of the Directors' Remuneration Policy which was approved by shareholders at the Company's AGM held on 21 May 2014, details of which can be found on Ophir's website (www.ophir-energy.com).

6.8 There are six Non-Executive Directors as follows:

| Name | Date of commencement of appointment | Initial Term(2) | Total fees per annum (£) |
|---|---|---|---|
| Nicholas Smith (Chairman) | 10 October 2007 | 3 years(3)(5) | 140,000 |
| Ronald Blakely | 7 July 2011 | 3 years(5) | 75,000(1) |
| Alan Booth | 22 April 2013 | 3 years | 75,000(1) |
| Vivien Gibney | 14 August 2013 | 3 years | 75,000(1) |
| Lyndon Powell | 7 July 2011 | 3 years(4)(5) | 75,000(1) |
| Bill Schrader | 18 February 2013 | 3 years | 70,000 |

Notes:

(1) Includes a Board Committee's Chairmanship fee of £5,000 per annum.

(2) After the end of the initial term, reappointment is typically for a further three year period. All Non-Executive Directors are subject to reappointment annually at the Company's AGM and if they are not reappointed their term automatically terminates without compensation.

(3) The Chairman's initial term was from the date of appointment until the fourth AGM.
(4) Lyndon Powell has indicated that he will step down from the Board at the 2015 AGM.
(5) The Chairman, Ronald Blakely and Lyndon Powell have not been issued with further letters of appointment since their initial term ended because they have been re-appointed at the AGM each year.

6.9 Fees may be paid at the discretion of the Board during any period of illness, disability or injury.

6.10 Under each letter of appointment, the appointment takes effect from the date that the Non-Executive Director signs the letter of appointment or the date specified in the letter of appointment and each Non-Executive Director is expected to serve a three year term from the date of their appointment and, in the case of Nicholas Smith only, his contractual appointment was until the fourth annual general meeting after their appointment commences. He has been annually reappointed at the Company's AGM since his initial appointment expired.

6.11 The Company may terminate the appointment, without payment of any compensation: (i) in the cases of the Chairman, Lyndon Powell or Ronald Blakely, if they commit any serious or repeated breach or non-observance of his obligations to the Company; (ii) in Bill Schrader, Alan Booth and Vivien Gibney's cases, if they commit any material breach of their obligations, commit any gross default or misconduct affecting the business of the Company or the Ophir Group or are guilty of conduct tending to bring themselves or the Company or any member of the Ophir Group into disrepute during the term of their appointment; and (iii) in all cases, for failure to be re-elected at an AGM.

6.12 The Chairman and Non-Executive Directors are not entitled to participate in the Company's executive remuneration programmes or pension arrangements.

6.13 The Directors and officers of the Company have the benefit of directors & officers insurance and an indemnity from the Company out of the Company's funds against: (i) any liability incurred by or attaching to the Director or officer in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company; and (ii) any other liability incurred by or attaching to the Director or officer in the 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 other than certain excluded liabilities including to the extent that such an indemnity is not permitted by law.

## 7 Key individuals of Salamander

The executive directors of Salamander are James Menzies (Chief Executive Officer), Michael Buck (Chief Operating Officer) and Jonathan Copus (Chief Financial Officer). The non-executive directors of Salamander are Carol Bell, Robert Cathery, John Crowle, Charles Jamieson, Michael Pavia and Struan Robertson.

## 8 Major shareholders of Ophir

8.1 Other than the interests of the Directors and members of the senior management disclosed in paragraph 4 above, as at the Latest Practicable Date the Company had been notified of the following holdings in the Company's issued ordinary share capital pursuant to DTR 5 (each, a "Notifiable Interest"):

| | As at the Latest Practicable Date | | Immediately following Admission | |
|---|---|---|---|---|
| Shareholder | Number of Ophir Shares | Percentage of voting rights attached to the Ophir Shares | Number of Ophir Shares(1) | Percentage of voting rights attached to the Ophir Shares(2) |
| Capital Group Companies .......... | 75,808,712 | 13.180% | 75,808,712 | 10.408% |
| Kulczyk Investments S.A.(3)........ | 56,607,366 | 9.842% | 56,607,366 | 7.772% |
| BlackRock Group ...................... | 53,256,563 | 9.259% | 57,029,530 | 7.830% |
| SailingStone Capital Partners LLC ...................................... | 50,069,414 | 8.705% | 69,821,734 | 9.586% |
| Hotchkis & Wiley Cap Mngmnt LLC ...................................... | 39,136,348 | 6.804% | 39,136,348 | 5.373% |
| M&G Inv Management Ltd ....... | 37,853,922 | 6.581% | 40,808,509 | 5.603% |
| Janus Capital ............................. | 33,022,505 | 5.741% | 33,022,505 | 4.534% |
| Wellington Mnt. Co................... | 28,416,424 | 4.940% | 28,416,424 | 3.901% |
| Mittal Investments S.a.r.l........... | 25,314,653 | 4.401% | 25,314,653 | 3.476% |
| The Vanguard Group ................ | 19,784,717 | 3.440% | 21,279,986 | 2.922% |

Notes:

(1) Calculated by reference to the number of New Ophir Shares such Shareholder will receive under the Transaction on the basis of the number of Ophir Shares set out in this table and the number of Salamander Shares held by such Shareholder in Salamander as at the Latest Practicable Date as disclosed in the most recent disclosure by such Shareholder under Rule 8 of the Takeover Code.

(2) Calculated by reference to the issued share capital of the Company of 576,186,914 Existing Ophir Shares as at the Latest Practicable Date (excluding Ophir Shares held in treasury) and on the assumption that: (a) 153,163,173 New Ophir Shares are issued on the Effective Date in connection with the Transaction; and (b) Ophir does not issue any further new Ophir Shares or undertake any buybacks of Ophir Shares in the period between the Latest Practicable Date and the Effective Date.

(3) Kulczyk Investments S.A. indirectly owns a 100 per cent. interest in Oil and Gas Exploration Limited and includes Hydrocarbon Investments Limited.

8.2 Save as set out above, the Company is not aware of any other Notifiable Interests.

## 9 Listing, dealings and settlement of New Ophir Shares

The New Ophir Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Ophir Shares, including the right to receive and retain in full all dividends and other distributions (if any) made, paid or declared after the date of this Circular. The New Ophir Shares will be created under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The other rights attached to the New Ophir Shares are set out in the Articles of Association of the Company which are incorporated into this Circular by reference.

## 10 Fractional entitlements

Fractions of New Ophir Shares will not be allotted or issued pursuant to the Scheme and fractional entitlements will be rounded down to the nearest whole number of New Ophir Shares. As a result, Salamander Shareholders who hold one Salamander Share will not receive any New Ophir Shares (or any other consideration) pursuant to the Scheme unless they increase their holding of Salamander Shares prior to the Scheme Record Time.

## 11 Related party transactions

Save as disclosed below, in paragraph 10 of Part I (Letter from the Chairman of Ophir) and in the notes to the financial statements of the Ophir Group for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013, the text of which is hereby incorporated by reference (see Part IX (Documents incorporated by reference)), the Company has not entered into any related party transactions during the period commencing 1 January 2011 and up to the date of this Circular.

## 12 Material contracts

### 12.1 The Ophir Group

In addition to the Co-operation Agreement, the Confidentiality and Standstill Agreement, the Irrevocable Undertakings and the Letters of Intent, the following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Ophir Group: (i) within the two years immediately preceding the date of this Circular which are or may be, material; or (ii) which contain any provision under which any member of the Ophir Group has any obligation or entitlement which is (or may be) material to the Ophir Group as at the date of this Circular:

***Tanzania – material contracts***

*12.1.1 Block 1 PSA between the Tanzanian Government, TPDC, PSHI, Ophir Tanzania (Block 1) Limited ("Ophir Tanzania (Block 1)") and BG Tanzania, as amended*

BG Tanzania, PSHI and Ophir Tanzania (Block 1) (the "Block 1 Contractor") are, together with the Tanzanian Government and TPDC, parties to a PSA dated 29 October 2005 for Block 1 offshore of Tanzania (the "Block 1 PSA"), as amended by the PSA Addendum for Natural Gas to the Block 1 PSA dated 26 May 2010 (the "Block 1 PSA Addendum"), which incorporated fiscal terms for the development and exploitation of any natural gas discovery. The Block 1 PSA is governed by the laws of Tanzania.

Ophir Tanzania (Block 1) currently holds a 20 per cent. participating interest share in Block 1, having sold a 20 per cent. interest to PSHI and the remaining 60 per cent. is held by BG Tanzania who is also operator of Block 1. TPDC has the option to acquire a 12 per cent. participating interest at any time during the life of the Block 1 PSA which, when exercised, will be taken from BG Tanzania, PSHI and Ophir Tanzania (Block 1) in proportion to their participating interest share.

The term of the Block 1 PSA shall expire on the later to occur of: (i) the expiry of the last extension of the Block 1 exploration period; and (ii) the expiry of any development licence which may be granted under the terms of the Block 1 PSA and the Petroleum (Exploration and Production) Act, 1980 of Tanzania (the "Tanzania Petroleum Act"). The Block 1 PSA is currently in the second extension period, subject to receipt of written confirmation from the Tanzanian Government, which is due to expire in December 2016. Upon each extension of the exploration licence, 50 per cent. of the contract area is required to be relinquished subject to such exceptions as the Tanzanian Government may elect to grant.

Under the terms of the Block 1 PSA, the process for discovery and development differs depending upon whether a crude oil or natural gas discovery is made. Upon a discovery of crude oil which is of potential commercial interest, the Block 1 Contractor will be granted (upon application) a period of up to four years to appraise the discovery and if determined to be commercially recoverable, the Block 1 Contractor must submit a development plan for the purpose of obtaining a development licence (for a term of 25 years as set out in Section 42(a) of the Tanzania Petroleum Act).

As provided for in the Block 1 PSA Addendum, once a discovery of natural gas is made, it can be categorised as either a discovery of eventual commercial interest or a discovery of present commercial interest. If a discovery is of eventual commercial interest, the discovery may be retained by the Block 1 Contractor for a period of four years or the remaining term of the exploration licence (including any extensions thereof) and may be aggregated with other discoveries.

*12.1.2 Block 3 PSA between the Tanzanian Government, TPDC, PSHI, Ophir Tanzania (Block 1) and BG Tanzania, as amended*

BG Tanzania, PSHI and Ophir Tanzania (Block 1) (the "Block 3 Contractor") are, together with TPDC and the Tanzania Government, parties to a PSA dated 19 June 2006 for Block 3 offshore of Tanzania (the "Block 3 PSA"), as amended by the PSA addendum for natural gas to the Block 3 PSA, dated 26 May 2010 (the "Block 3 PSA

Addendum"), which incorporated into the Block 3 PSA the fiscal terms for the development and exploitation of any natural gas discovery. The Block 3 PSA is governed by the laws of Tanzania.

BG Tanzania has notified the Block 3 Contractor parties and the Tanzanian Government of its decision to withdraw from Block 3. However, in anticipation of consents from the Tanzanian Government to BG Tanzania's withdrawal and transfer of operatorship, Ophir Tanzania (Block 1) currently holds a 20 per cent. participating interest share in Block 3, having sold a 20 per cent. interest to PSHI and the remaining 60 per cent. is held by BG Tanzania who is also operator of Block 3. In the event that the Tanzanian Government does consent to BG Tanzania's withdrawal and transfer of operatorship, Ophir will hold a 80 per cent. participating interest share in Block 3 and also take on operatorship. TPDC has the option to acquire a 12 per cent. participating interest at any time during the life of the Block 3 PSA and a further three per cent. participating interest at any time within 12 months following a declaration of commerciality. Upon exercise of its option(s), TPDC's interest will be taken from BG Tanzania, Ophir Tanzania (Block 1) and PSHI in proportion to their respective participating interest share.

The term of the Block 3 PSA shall expire on the later to occur of: (i) the expiry of the last extension of the Block 3 exploration period; and (ii) the expiry of any development licence which may be granted under the terms of the Block 3 PSA and the Tanzania Petroleum Act. The Tanzanian Government has not yet provided consent in response to the Block 3 Contractor parties existing request to move into the second extension period. In the event that Tanzanian Government consent is granted to move into the second extension period, the period is due to continue to October 2017. Upon each extension of the exploration licence, 50 per cent. of the contract area is required to be relinquished subject to such exceptions as the Tanzanian Government may elect to grant.

Under the Block 3 PSA, the process for discovery and development differs depending upon whether a crude oil or natural gas discovery is made. Upon a discovery of crude oil which is of potential commercial interest, the Block 3 Contractor will be granted (upon application) a period of four years to appraise the discovery and if determined to be commercially recoverable, the Block 3 Contractor must submit a development plan for the purpose of obtaining a development licence (for a term of 25 years as set out in Section 42(a) of the Tanzania Petroleum Act).

As provided for in the Block 3 PSA Addendum, once a discovery of natural gas is made, it can be categorised as either a discovery of eventual commercial interest or a discovery of present commercial interest. If a discovery is of eventual commercial interest, the discovery may be retained by the Block 3 Contractor for the longer of a period of four years or the remaining term of the exploration licence (including any extensions, thereof) and may be aggregated with other discoveries.

*12.1.3 Block 4 PSA between the Tanzanian Government, TPDC, PSHI, Ophir Tanzania (Block 1) and BG Tanzania, as amended*

BG Tanzania, PSHI and Ophir Tanzania (Block 1) (the "Block 4 Contractor") are, together with the Tanzanian Government and TPDC, parties to a PSA dated 19 June 2006 for Block 4 offshore of Tanzania (the "Block 4 PSA"), as amended by the PSA addendum for natural gas to the Block 4 PSA dated 26 May 2010 (the "Block 4 PSA Addendum"), which incorporated into the Block 4 PSA the fiscal terms for the development and exploitation of any natural gas discovery. The Block 4 PSA is governed by the laws of Tanzania.

Ophir Tanzania (Block 1) currently holds a 20 per cent. participating interest share of Block 4, having sold a 20 per cent. interest to PSHI (see paragraph 12.1.12 below) and the remaining 60 per cent. is held by BG Tanzania who is also operator of Block 4. TPDC has the option to acquire a 12 per cent. participating interest at any time during the life of the Block 4 PSA and a further three per cent. participating interest, within 12 months following a declaration of commerciality. Upon exercise of its option(s), TPDC's interest will be taken from BG Tanzania, PSHI and Ophir Tanzania (Block 1) in proportion to their respective participating interest share.

The term of the Block 4 PSA shall expire on the later to occur of: (i) the expiry of the last extension of the Block 4 exploration period; and (ii) the expiry of any development licence which may be granted under the terms of the Block 4 PSA and the Tanzania Petroleum Act. The Block 4 PSA is currently in the second extension period, subject to receipt of written confirmation from the Tanzanian Government, which is due to expire in October 2017. Upon each extension of the exploration licence, 50 per cent. of the contract area is required to be relinquished, subject to such exceptions as the Tanzanian Government may elect to grant.

Under the Block 4 PSA, the process for discovery and development differs depending upon whether a crude oil or natural gas discovery is made. Upon a discovery of crude oil which is of potential commercial interest, the Block 4 Contractor will be granted (upon application) a period of four years to appraise the discovery and if determined to be commercially recoverable, the Block 4 Contractor must submit a development plan for the purpose of obtaining a development licence (for a term of 25 years as set out in Section 42(a) of the Tanzania Petroleum Act).

As provided for in the Block 4 PSA Addendum, once a discovery of natural gas is made, it can be categorised as either a discovery of eventual commercial interest or a discovery of present commercial interest. If a discovery is of eventual commercial interest, the discovery may be retained by the Block 4 Contractor for the longer of a period of four years or the remaining term of the exploration licence (including any extensions, thereof) and may be aggregated with other discoveries.

*12.1.4 JOA – Tanzania Block 1*

Ophir Tanzania (Block 1), PSHI and BG Tanzania are parties to a JOA, dated 16 April 2010 ("Block 1 JOA"). The Block 1 JOA sets out the parties' rights and obligations in respect of the operations under the Block 1 PSA.

The terms of the Block 1 JOA are subject to a confidentiality undertaking. The Block 1 JOA contains provisions relating to, among other things, Ophir Tanzania (Block 1) Limited, PSHI and BG Tanzania's respective interests in the Block 1 PSA and arrangements between the parties in relation to production and operation.

*12.1.5 JOA – Tanzania Block 3*

Ophir Tanzania (Block 1) Limited, PSHI and BG Tanzania are parties to a JOA, dated 16 April 2010 ("Block 3 JOA"). The Block 3 JOA sets out the parties' rights and obligations in respect of the operations under the Block 3 PSA.

The terms of the Block 3 JOA are subject to a confidentiality undertaking. The Block 3 JOA contains provisions relating to, among other things, Ophir Tanzania (Block 1), PSHI and BG Tanzania's respective interests in the Block 3 PSA and arrangements between the parties in relation to production and operation.

*12.1.6 JOA – Tanzania Block 4*

Ophir Tanzania (Block 1), PSHI and BG Tanzania are parties to a JOA dated 16 April 2010 ("Block 4 JOA"). The Block 4 JOA sets out the parties' rights and obligations in respect of the operations under the Block 4 PSA.

The terms of the Block 4 JOA are subject to a confidentiality undertaking. The Block 4 JOA contains provisions relating to, among other things, Ophir Tanzania (Block 1), PSHI and BG Tanzania's respective interests in the Block 4 PSA and arrangements between the parties in relation to production and operation.

*12.1.7 Implementation agreement in respect of Blocks 1, 3 and 4*

The Tanzania Government, TPDC, Ophir Estate Africa Holdings Limited, Ophir Tanzania (Block 1), BG Tanzania, Ruvuma Pipeline Company Limited, Mzalendo Gas Processing Company Limited and Fahari Gas Marketing Company Limited (among others) are parties to an implementation agreement in respect of Blocks 1, 3 and 4 dated 26 May 2010 (the "Tanzania Gas Implementation Agreement").

The Tanzania Gas Implementation Agreement grants Ophir Tanzania (Block 1) and each of the companies noted below the rights set out below to develop projects for the commercialisation of any natural gas discovery in any of Blocks 1, 3 or 4.

(a) Mzalendo Gas Processing Company Limited

Mzalendo Gas Processing Company Limited is granted the following rights:

(i) the right to build, own and operate the most appropriate type of gas plant(s) for the treatment, conditioning, synthesising, refining, processing, separation or conversion of natural gas (including an LNG plant, NGL plant and/or GTL plant);

(ii) the right to build, own and operate infrastructure required to support a gas plant (e.g. power plant, jetty, transport links) and any infrastructure required to access utilities (e.g. water) required to support the operations of any gas plant; and

(iii) if, for technical and/or economic reasons it is determined that an offshore natural gas FPSO would be more suitable than an onshore gas processing facility, the Tanzania Gas Implementation Agreement permits the development of offshore processing facilities.

(b) Ruvuma Pipeline Company Limited

Ruvuma Pipeline Company Limited is granted the right to build, own and operate a pipeline for the transportation of gas from the development area to the gas plant.

(c) Fahari Gas Marketing Company Limited

Fahari Gas Marketing Company Limited has the right to export the gas products resulting from the processing to international markets at a price linked to the appropriate international indices.

The Tanzania Gas Implementation Agreement sets out, in a term sheet format, the key commercial terms for the agreements relating to the sale, transportation and processing of natural gas and its subsequent sale as gas products to the export market. The parties are free to negotiate the commercial agreements (on the basis of the term sheets), except that the Tanzanian Government's approval must be obtained in respect of certain agreed key commercial issues.

*12.1.8 Heads of Agreement for the LNG project*

BG Tanzania, Ophir Tanzania (Block 1), ExxonMobil Exploration and Production Tanzania Limited, Statoil Tanzania AS and PSHI are parties to a heads of agreement effective from 1 January 2014 (the "Heads of Agreement"). The Heads of Agreement confirms BG Tanzania's appointment as project developer in respect of pre-FEED phase work and sets out the methodology for sharing costs relating to pre-FEED phase work.

Decision-making regarding pre-FEED phase work is made on a consensual basis by an operating committee composed of members of the commercial parties and work will be carried out by the developer through the integrated project team.

The terms of the Heads of Agreement are subject to confidentiality undertakings. The term of the Heads of Agreement currently runs to 30 June 2015.

*12.1.9 Memorandum of understanding regarding land acquisition for the LNG project*

The Tanzanian Government, TPDC, BG Tanzania, Ophir Tanzania (Block 1), Statoil Tanzania AS and ExxonMobil Exploration and Production Tanzania Limited are parties to a memorandum of understanding relating to land acquisition for the LNG project in Tanzania dated 4 April 2014 (the "Land MoU"). The extended terms of the Land MoU are subject to a confidentiality undertaking.

The Land MoU sets out the steps to be taken in progressing the acquisition of land necessary for the development of the LNG project, including in respect to the site selection for the joint LNG plant, the process for acquiring the site, the lease to be negotiated, and how any resettlement will be managed.

The term of the Land MoU currently runs to 30 June 2015.

12.1.10 *Farm out agreement relating to the production sharing agreements relating to Blocks 1, 3 and 4 offshore of Tanzania, between the Company, Ophir Tanzania (Block 1) and BG, dated 16 April 2010 (as amended by amendment agreements dated 27 July 2010 and 7 June 2011 respectively) ("Tanzania Farm Out Agreement")*

Ophir Tanzania (Block 1) (which has taken a transfer, since the date of the Tanzania Farm Out Agreement, of Ophir Tanzania (Block 3) Limited's and Ophir Tanzania (Block 4) Limited's interest in the Block 3 PSA and Block 4 PSA, respectively) transferred to BG a 60 per cent. participating interest share in each of the Block 1 PSA, Block 3 PSA and Block 4 PSA (subject to TPDC's back in rights discussed in paragraphs 12.1.1, 12.1.2 and 12.1.3 above).

The Company provides a parent company guarantee in support of the obligations of Ophir Tanzania (Block 1) under the Tanzania Farm Out Agreement.

12.1.11 *Multi-user facilities agreement dated 19 July 2011 and made between BG Tanzania, Statoil Tanzania AS, Petrobras Tanzania Limited, Dominion Tanzania Limited and Ophir East Africa Ventures Limited for port facilities at Mtwara, as amended ("MUFA")*

The MUFA regulates the mutual obligations of Ophir East Africa Ventures Limited (in respect of East Pande), Dominion Tanzania Limited (in respect of Block 7), BG Tanzania, Statoil and Petrobras with respect to the use and development of, and the sharing of costs relating to, the Mtwara port facilities and is governed by the laws of England and Wales. Under the terms of the agreement BG Tanzania is appointed as the operator of the facilities. Petrobras is currently in the process of withdrawing from the agreement.

The MUFA came into effect on 26 August 2011 and will continue in force unless the parties agree to terminate the agreement or the lease relating to the port facilities is terminated, revoked, cancelled or annulled.

Any party to the MUFA who is an operator under a PSA entered into with the Tanzanian Government (in the case of Blocks 1, 3 and 4, BG Tanzania and in the case of East Pande Block, Ophir East Africa Ventures Limited and in the case of Block 7, Dominion Tanzania Limited) must contribute a share of the capital costs of the Mtwara facilities and will have the benefit of a proportionate share of the capacity of the facilities, to service the supply of that party's exploration and production operations under its PSA. Accordingly, Ophir East Africa Ventures Limited and Dominion Tanzania Limited are together required to contribute a third of the costs relating to the Mtwara facilities and has an entitlement to use a third of the capacity (following Petrobras's withdrawal).

Future operators under PSAs entered into with the Tanzanian Government may apply to BG Tanzania and, subject to certain criteria being met, may accede to the MUFA subject to approval by the existing parties, the provision of security (if required) and the contribution of certain past capital costs and a joining fee.

Decisions relating to the port facilities will be made by an operating committee constituted under the MUFA, where decisions are made by two or more funding parties having at least 65 per cent. of the voting rights, or in respect of certain agreed matters, unanimously. Each party's voting rights is determined by reference to its cost share. Accordingly, Ophir holds a third of the voting rights (following Petrobras' withdrawal).

The parties to the MUFA have agreed to undertake a phase 2 expansion programme with the intention to almost double the capacity of the extension plan. In addition, to the extent that the capacity requirements of the Mtwara port facilities increases, the parties may undertake further expansions.

12.1.12 *Farm out agreement relating to the sale of a 20 per cent. interest in Blocks 1, 3 and 4 offshore of Tanzania, between Ophir Tanzania (Block 1) and PSHI dated 14 November 2013 ("Pavilion Farm Out Agreement")*

Pursuant to the Pavilion Farm Out Agreement, Ophir Tanzania (Block 1) sold a 20 per cent. participating interest in Blocks 1, 3 and 4 offshore of Tanzania to PSHI (subject to TPDC's back in rights referred to in paragraphs 12.1.1, 12.1.2 and 12.1.3 above). The sale completed on 24 March 2014, following the satisfaction of a number of conditions within the Pavilion Farm Out Agreement.

In respect of the 20 per cent. interest participating interest in Blocks 1, 3 and 4, Ophir Tanzania (Block 1) has agreed to indemnify PSHI against all losses, liabilities, proceedings and claims incurred, sustained or arising prior to 1 January 2014 and PSHI has agreed to indemnity Ophir Tanzania (Block 1) against all losses, liabilities, proceedings and claims incurred, sustained or arising on or following 1 January 2014.

***Indonesia – material contracts***

*12.1.13 Niko Resources Framework Agreement*

On 26 October 2014 Ophir Asia Limited ("Ophir Asia") and Niko Resources Limited ("Niko Resources") signed a framework agreement in respect of seven Indonesian exploration blocks (the "FWA"). The blocks are held under PSCs with the Government of Indonesia and are named as follows: Aru; Halmahera-Kofiau; Kofiau; North Ganal; North Makasar Strait; Obi and West Papua IV ("Niko Interests"). The FWA provides for the acquisition of the Niko Interests via asset purchase agreements or share purchase agreements for the corporate entities holding the PSCs. Pursuant to the terms of the FWA, Ophir Asia elected to acquire the Niko Interests via share purchase agreements of the corporate entities.

The obligations of Niko Resources and Ophir Asia to complete the transaction under the FWA with respect to a Niko Interest are conditional on the satisfaction of a number of conditions precedent including: (i) receipt of all necessary consents, approvals or waivers that may be required from any Government of Indonesia entity (including SKKMiGas); (ii) receipt of written consent from joint venture parties under a JOA, as applicable (iii) where applicable, in relation to any pre-emptive rights of any joint venture partner under a JOA, confirmation that such rights have not been exercised.

Ophir Asia will pay a base consideration for each Niko Interest, which will total (assuming all conditions precedent are met and Ophir Asia acquires all the Niko Interests) US$31,280,000. Subject to the conditions set out in the FWA, Ophir Asia will further pay up to four commerciality payments to Niko Resources for each qualifying acknowledgement of commerciality received by Ophir in respect of a Niko Interest, such acknowledgement being a letter from SKKMiGas pursuant to the terms of a Niko Resources PSC confirming that a discovery is commercial. The commerciality payments are subject to financial caps.

Subject to the conditions set out in the FWA, Ophir Asia will further pay up to four first production payments to Niko Resources for each commencement of first production in respect of a Niko Interest, which is the commencement of the contractor's obligation to account to the Government of Indonesia for petroleum products produced pursuant to a commercial sales contract. The first production payments are subject to financial caps.

***Equatorial Guinea – material contracts***

*12.1.14 PSC between Equatorial Guinea, La Compañia Nacional de Petróleos de Guinea Ecuatorial ("GEPetrol") and Ophir Equatorial Guinea (Block R) Limited ("Ophir EG") for Block R*

Equatorial Guinea (represented by the Ministry of Mines, Industry and Energy ("MMIE")), GEPetrol and the Company entered into a PSC (the "Block R PSC") on 6 March 2006 for Block R, Equatorial Guinea, which was approved and ratified on 22 March 2006 by the president of the Republic of Equatorial Guinea. The Company then transferred its rights and obligations under the Block R PSC to Ophir EG (a wholly owned subsidiary of the Company) pursuant to a transfer of rights and interests agreement dated 20 September 2006. The Block R PSC is governed by the laws of Equatorial Guinea (Ophir EG and GEPetrol are together the "Block R Contractor").

Ophir EG holds an 80 per cent. participating interest share and GEPetrol holds a 20 per cent. participating interest share in Block R. GEPetrol's 20 per cent. participating interest share of costs is required to be carried by the Block R Contractor (which at present is only Ophir EG) during the exploration period, until the date on which a discovery is declared to be a commercial field. The carried costs will be recoverable during the production phase. Ophir EG is designated as technical operator.

The Block R PSC requires that the parties thereto execute a joint operating agreement (the "Block R JOA") and that such Block R JOA contains provisions requiring Ophir EG to carry GEPetrol's beneficial interest during the exploration period up until the date of a discovery. A summary of the Block R JOA is set out in paragraph 12.1.15 below.

Three amendment agreements to the Block R PSC have been entered into with Equatorial Guinea and GEPetrol: the first two on 21 October 2011 (the "First Amendment Agreement" and the "Second Amendment Agreement"), and the third on 1 November 2014 (the "Third Amendment Agreement").

As a result of the First Amendment Agreement and the Second Amendment Agreement, and further subsequent approvals from the MMIE, the exploration period has been extended, as follows:

(i) the area of Block R in which discoveries have been made has been designated an Appraisal Area, for which the exploration period has been extended to 31 December 2016; and

(ii) the exploration period for the remainder of Block R has also been extended to 31 December 2016.

The Appraisal Area will be relinquished if a discovery has not been declared to be a commercial field. The remainder of Block R will be relinquished if a commitment to drill a well by 31 December 2016 is not made by 30 June 2016.

Following any declaration of a commercial field, the Block R PSC will expire at the end of the development and production period (including any extensions thereof) and fulfilment of abandonment and decommissioning obligations by the Block R Contractor.

Under the terms of the First Amendment Agreement, Ophir EG agreed with the MMIE and GEPetrol that the Block R contract area was to be extended by the incorporation of the adjacent Block C offshore of Equatorial Guinea into the Block R contract area.

Under the terms of the Third Amendment Agreement, Ophir EG agreed with the MMIE and GEPetrol to amend the fiscal terms of the Block R PSC to accommodate gas discoveries and the planned development of a floating LNG facility.

The Block R development and production period shall be 25 years from the date of approval of the development and production plan. The Block R Contractor may apply for an extension of five years on the condition that the Block R Contractor has fulfilled all its contractual obligations during the development and production period and can demonstrate that commercial production from Block R will still be possible after the initial development and production period.

*12.1.15 JOA – Equatorial Guinea*

Ophir Energy Company Limited and GEPetrol entered into the JOA on 5 April 2006 (the "EG JOA"). Ophir Energy Company Limited then transferred its rights and obligations under the EG JOA to Ophir EG pursuant to a Transfer of Rights and Interests Agreement dated 22 September 2006. The contract sets out the parties' rights and obligations in respect of the Block R Contractor's operations under the Block R PSC.

The extended terms of the EG JOA are subject to a confidentiality undertaking. The EG JOA contains provisions relating to, among other things, Ophir EG and GEPetrol's respective interests in the Block R PSC, arrangements between the parties in relation to production and operation, the liabilities of the parties and obligations in the event of default.

*12.1.16 Midstream MOU*

On 6 November 2014, Ophir EG, GEPetrol, the MMIE and Excelerate Liquefaction Solutions (Block R) LLC ("Excelerate LLC") entered into a memorandum of understanding setting out the high level terms and principles which will govern how the MMIE, Ophir, GEPetrol and Excelerate LLC will work together on the development and implementation of a floating LNG vessel for the treatment of natural gas into LNG and its subsequent sale.

### 12.2 The Salamander Group

In addition to the Co-operation Agreement and the Confidentiality and Standstill Agreement, the following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Salamander Group: (i) within the two years immediately preceding the date of this Circular which are or may be, material; or (ii) which contain any provision under which any member of the Salamander Group has any obligation or entitlement which is (or may be) material to the Ophir Group as at the date of this Circular:

*12.2.1 SONA SPA*

(a) Introduction

The SONA SPA governs the sale and purchase of the SONA Sale Shares and was entered into on 18 July 2014 by SEBHL as the seller, SEPT as the buyer, SONA as the guarantor of SEPT's obligations and Salamander in its capacity as guarantor of SEBHL's obligations under the SONA SPA and other documents being entered into as part of the SONA Disposal.

(b) Conditions precedent

Completion of the SONA Disposal is conditional upon the following being obtained:

(i) the approval by Salamander Shareholders of the sale of the SONA Sale Shares;

(ii) the approval by the Securities Commission Malaysia ("SC") of the purchase of the SONA Sale Shares and the other related transactions in the SONA SPA;

(iii) the entry into full form documentation implementing the SONA Financing Commitment Letter; and

(iv) the approval of SONA's shareholders of the purchase of the SONA Sale Shares and the other related transactions in the SONA SPA.

The approval of the SC referred to in paragraph (b)(ii) above was obtained on 24 November 2014 and the entry into full form documentation implementing the SONA Financing Commitment Letter referred to in paragraph (b)(iii) above was satisfied on 24 October 2014.

(c) Consideration

The consideration for the sale and purchase of the SONA Sale Shares is the total sum of US$280,000,000 in cash plus a working capital adjustment based on the effective date of 1 January 2014.

(d) Interim period

The SONA SPA provides for a locked box mechanism with provisions covering the cash flows to and from SEBG for the period between 1 January 2014 and completion. These provisions provide for SEBHL to indemnify SEPT for any outflow to the Salamander Group of value other than permitted leakage and for SEPT to indemnify SEBHL for any cash received by SEBG from the Salamander Group in respect of cash calls made by SEBG which is not repaid to the Salamander Group during such period.

The SONA SPA also stipulates controls for the period prior to the date of completion according to which SEBG is to operate and continue to carry on its business in the usual course, implement the applicable work programmes and budgets, provide SEPT with financial and operational data and refrain from taking specified actions without consent.

(e) Completion

Completion is to occur in Kuala Lumpur (or any other agreed place) on the tenth business day after the date of the final certificate of fulfilment to be sent by Salamander and SEBHL to SONA and SEPT on the one hand and by SONA and SEPT to Salamander and SEBHL on the other hand relating to satisfaction of the conditions pursuant to the SONA SPA.

The shares in SEBG are subject to a charge in favour of Standard Chartered Bank (Hong Kong) Limited (in its capacity as the security trustee). At or before completion, Standard Chartered Bank (Hong Kong) Limited (as security trustee) is required to issue a letter, in agreed form, confirming that the charge over shares granted by SEBHL over the SONA Sale Shares and the assignment of accounts granted by SEBG over its collection account held in Bangkok have both been released in full, and that it has no underlying claims against such shares nor any of the assets of SEBG. In addition to this letter, there are a number of other customary deliverables due at completion.

(f) Termination rights

SEBHL is not obliged to complete the SONA Disposal unless:

(i) SEPT complies with all its obligations in relation to completion; and

(ii) the sale and purchase of all the SONA Sale Shares is completed simultaneously.

Similarly, SEPT is not obliged to complete the SONA Disposal unless:

(i) SEBHL complies with all its obligations in relation to completion; and

(ii) the sale and purchase of all the SONA Sale Shares is completed simultaneously.

If in any material respect the obligations of any of the parties are not complied with on completion, the party not in default may:

(i) defer completion to a date not more than 28 days after completion should have taken place but for the said default;

(ii) proceed to completion so far as practicable; or

(iii) terminate the SONA SPA without prejudice to the rights and liabilities which accrued prior to termination which shall continue to subsist,

by means of a notice in writing served on the other.

(g) Customary warranties and limitations on liability

Warranties customary for a transaction of this nature, such as warranties in relation to capacity, existence of SEBG, preparation of accounts, finance and compliance with law, have been given in the SONA SPA. These warranties are subject to customary limitations, including:

(i) a 10 year time limit for bringing a claim in relation to the tax warranties and covenant and a two year time limit for the other warranties;

(ii) (save for claims under the tax covenant in the SONA SPA) a minimum threshold of liability of US$280,000, unless aggregate liability of all claims brought exceeds US$2,800,000 and each individual claim exceeds US$50,000, in which case SEBHL may be liable for the whole amount; and

(iii) a maximum ceiling on liability ranging from US$140,000,000 to US$280,000,000 depending on the applicable warranty.

(h) Indemnities

SEPT indemnifies the Salamander Directors, and keeps the Salamander Directors indemnified, on demand for losses reasonably incurred by the Salamander Directors arising out of or pursuant to the Salamander Directors' report relating to SEBG which forms part of the circular published by SONA to its shareholders pursuant to the condition to be satisfied by SEPT.

SEBHL indemnifies SEPT and SONA for losses that are attributable to the 40 per cent. interest in the Block G4/50 Concession which continues to be owned by SEBG during the period from 1 January 2014 to the date of completion of the Block G4/50 Transfer Agreement listed in Part 7 of the SONA SPA. The general limitations on SEBHL's liability as set out under paragraph (g) above are not applicable in relation to this indemnity.

SEBHL indemnifies SEPT for an amount equal to 66.67 per cent. of SEBG's losses arising out of or in relation to any claims of an employment related nature made against SEBG by a person who ceased to be employed by Brunel Energy (Thailand) Limited prior to 1 January 2014 and has provided consultancy or contractor services direct to SEBG in Thailand. The general limitations on SEBHL's liability as set out under paragraph (g) above are not applicable in relation to this indemnity. However, if any such claim is made after completion, this indemnity extends only to amounts payable due to a breach by SEBG prior to the date of the SONA SPA and SEBHL's liability expires four years following completion. The SONA SPA provides specific limitations on SEBHL's liability where this results from a change in law and also gives SEBHL the right to conduct the defence on behalf of SEBG in relation to any such employment claims.

SEBHL indemnifies SEPT for certain tax losses which arise in relation to the SONA Disposal. These include indemnities relating to events which occur on or before 31 December 2013 and relating to income, profits or gains earned, accrued or received on or before 31 December 2013.

(i) Guarantee

Each of Salamander and SONA guarantees SEBHL and SEPT respectively in relation to due and punctual performance of contractual obligations and provides an indemnity for loss where this does not occur.

(j) Governing law and arbitration

The SONA SPA is governed by English law and has provisions for dispute resolution through arbitration in accordance with the arbitration rules of the Singapore International Arbitration Centre with an arbitration panel consisting of three arbitrators.

(k) Amendments to the SONA SPA

The parties to the SONA SPA signed a supplemental agreement to the SONA SPA on 28 August 2014 (the "Supplemental SPA"), amending the SONA SPA. The Supplemental SPA amended and replaced the recital of the SONA SPA which detailed the issued share capital of SEBG held by SEBHL and also amended the definitions of "Working Capital Amount", "Shareholders' Agreement" and "Management Services Agreement".

(l) Latest developments

Please refer to paragraphs 3 and 6 of Part I of this Circular for an update in relation to the potential termination of the SONA SPA.

*12.2.2 Block B8/38 Concession*

Petroleum Concession No. 3/2539/50 (for the purpose of this summary, the "Concession") was awarded to SOCO Exploration (Thailand) Co. Ltd, which changed its name to SETCL, on 24 October 1996. SOCO owned 99.993 per cent. of the issued share capital of SETCL. The Concession was subject to a farm in by GFI and TOP under the terms of a participating agreement. In 2007, TOP assigned its interest in the farm in to GFI.

On 17 March 2008 the Company completed the acquisition of GFI by means of a scheme of arrangement and GFI subsequently changed its name to SEBG. On 27 July 2009 the Minister of Energy approved SETCL's transfer of 60 per cent. of its interest in the Concession to SEBG as evidenced by a Supplementary Petroleum Concession (No.4) to Concession No. 3/2539/50 dated 27 July 2009.

Pursuant to a share sale agreement dated 19 July 2010 between SOCO International Operations LLC ("SIOPS") and Salamander, Salamander acquired all of the issued shares in the capital of SOCO which holds a 99.993 per cent. ownership of SETCL, in effect giving the Company a 99.9972 per cent. indirect interest in the Concession.

The current participants under the Concession are:

| | |
|---|---|
| SEBG .......................................................... | 60 per cent. |
| SEEPL.......................................................... | 40 per cent. |

The initial petroleum exploration period was six years from 24 October 1996 to 23 October 2002. This was extended by three years to 23 October 2005. The petroleum production period is 20 years from the date following termination of the exploration period. Renewal of the petroleum production period for a period of not more than 10 years is permitted if applied for no less than six months prior to the termination of the period. The Concession is currently in the petroleum production phase.

The fiscal petroleum terms of the Concession include:

- concessionaire shall pay US$50,000 per annum throughout the commercial production life of the Concession when the total daily production from the block first averages 5,000 barrels of crude oil equivalent for a period of 30 consecutive days; an additional US$500,000 is payable when the total daily production first averages 5,000 barrels of crude oil equivalent for a period of 60 consecutive days; an additional US$1,000,000 is payable when the total daily production first averages 25,000 barrels of crude oil equivalent for a period of 60 consecutive days;

- the concessionaire pays a monthly royalty for volume of production sold or disposed of. The royalty rates are based on volume of production sold or disposed of in a month and range from five per cent. to 15 per cent. (with five per cent. being payable in respect of a volume of petroleum sold or disposed of which does not exceed 60,000 bbl/month and up to 15 per cent. being payable in respect of a volume of petroleum sold or disposed of in excess of 600,000 bbl/month);

- a surface reservation fee is payable at the rate prescribed by the ministerial regulations being in force on the date of submission of the application for the reservation area;

- Special Remuneratory Benefit (''SRB''), as set out in the Petroleum Act B.E 2514 and as amended by the Petroleum Act (No. 4) B.E. 2532 must be paid; and

- income tax is charged at a rate of 50 per cent. of the net profit from petroleum operations.

In the case where the concessionaire fails to make a payment due to the government by the stipulated date and such money is not for payments of royalty, SRB or petroleum income tax, the concessionaire shall pay interest on such amount at the rate of 15 per cent. per annum commencing from the date of default.

The priority for the disposal of natural gas is: (i) preservation of reservoir pressure; (ii) sale in Thailand, including to the government; and (iii) export.

The Minister of Energy may revoke the Concession under certain circumstances as listed in the Concession, including violation of the Concession or the Petroleum Acts. As required by the Petroleum Act notice and opportunity to cure must be given.

The Concession terminates: upon expiration of the petroleum production period; when the effective Concession area ceases to exist by virtue of the provisions of the Petroleum Act, or through the concessionaire's voluntary relinquishment; upon revocation; or upon termination of the concessionaire's status as a legal person. During the last five years of the petroleum production period or the renewed petroleum production period, the concessionaire may not remove, sell, give away, dispose of or transfer any property listed in the Concession except with the prior written consent of the Minister of Energy. Upon the termination of the petroleum production period, the concessionaire is required to turn over to the government all fixed assets and facilities needed for the conduct of petroleum activities in the production area.

If the parties cannot settle disputes by mutual agreement, such disputes are to be resolved by arbitration in Thailand before two arbitrators and a referee applying the rules of the International Court of Justice save for disputes related to compliance with the Petroleum Income Tax Act B.E 2514, disputes relating to criminal offences under the Petroleum Act B.E 2514, disputes in connection with the Petroleum Act B.E 2514 where the concessionaire has been pursuing a claim in the Thai Court and disputes on rulings or orders which are deemed to be final pursuant to the Petroleum Act B.E 2514.

*12.2.3 Block B8/38 petroleum area licence*

The Production Area Licence (for the purpose of this summary, the "Licence") relates to Concession No. 3/2539/50. The Licence is dated 7 March 2006. Pursuant to the Licence the Department of Mineral Fuels (Thailand) awarded SETCL an area for petroleum production. The awarded area is 376.5626 km$^2$. Pursuant to the terms of Petroleum Concession No.3/2539/50, the petroleum production period in production areas shall be 20 years (which is subject to a renewal period).

*12.2.4 Block B8/38 sale and purchase agreement*

Pursuant to a sale and purchase agreement dated 19 July 2010, Salamander acquired the membership interests in SOCO (being 100 per cent. of the limited liability company interests in SOCO or ownership interests in the capital) from SIOPS. SOCO owns SETCL, which holds a 40 per cent. interest in the B8/38 licence in the Gulf of Thailand.

Under the terms of the agreement, the initial consideration for the membership interests in SOCO was US$105,000,000 adjusted for any leakage, actual tax liabilities and change in net current assets from the net current assets position at 31 December 2009 and to reflect the intercompany balance position at the date of completion, being 20 September 2010.

The terms of the agreement provide for the payment of contingent consideration of US$1,000,000 plus interest within five business days after production of one million barrels of oil from the first new discovery on the B8/38 licence that is located more than five kilometres from the Bualuang Well Head Platform.

The agreement provides that SIOPS is responsible for the termination of the contract of employment or consultancy agreement of Dr Suphapong and Mr Bunlua Waiprib and SIOPS agrees to indemnify SOCO and/or SETCL against all costs, claims or liabilities that SOCO and/or SETCL incur in connection with such termination.

Salamander agreed to change the names of SOCO and SETCL within 20 business days of completion and to procure that each of SOCO and SETCL cease using the word "SOCO" in any way in connection with its business within three months of completion. Salamander agreed to protect, defend and indemnify SIOPS against any losses arising after completion out of the use of the word "SOCO" as part of the names of SOCO and SETCL or in connection with their business.

The limitation period for warranty claims (other than tax claims) is 12 months from the date of the agreement. The limitation period for tax claims is: (i) three months from the expiry of the relevant statute of limitation applicable to tax claims in the United States of America or Thailand; (ii) three months following the date of the final settlement of any tax claim made by a taxation authority for which SIOPS would be liable under the terms of the agreement; or (iii) three months following final settlement of any queries raised by a taxation authority whether or not such final settlement if made outside the relevant statute of limitations applicable to tax claims.

The maximum aggregate liability of SIOPS for breach of the warranties relating to the membership interests in SOCO or the ownership interests in SETCL is US$75,000,000. The maximum aggregate liability of SIOPS for breach of tax warranties is US$75,000,000. The maximum aggregate liability of SIOPS for breach of any other warranty is US$50,000,000. The aggregate liability for all claims under the warranties and tax warranties is limited to US$105,000,000.

The obligations of SIOPS under the agreement and the tax deed are guaranteed by SOCO International plc.

The agreement is governed by English law.

*12.2.5 Block G4/50 Petroleum Concession*

Petroleum Concession No. 15/2550/91 (for the purpose of this summary, the "Concession") was awarded to Chevron and MOECO on 19 December 2007 (for the purpose of this summary, the "Effective Date"). Under the Concession, Chevron held an undivided participating interest of 75 per cent. and MOECO held an undivided participating interest of 25 per cent.

Chevron transferred all of its interests in the Concession to MOECO under an assignment agreement dated 9 December 2010. On 5 January 2012, the Minister of Energy approved the transfer and MOECO became the sole concessionaire as evidenced by a Supplementary Petroleum Concession (No.1) to the Concession No. 15/2550/91.

MOECO and SEBG entered into a farm out agreement dated 8 September 2011 under which MOECO transferred 100 per cent. of its undivided participating interest in the rights and obligations under the Concession to SEBG. The transfer is subject to the consent of the Minister of Energy of Thailand.

Pursuant to Supplementary Petroleum Concession (No. 2) to Petroleum Concession No. 15/2550/91 dated 29 June 2012, pursuant to which the Minister of Energy granted approval to MOECO to transfer all of its rights, benefits and obligations under the Petroleum Concession No. 15/2550/91 to SEBG. SEBG became the sole concessionaire and the operator for the Petroleum Concession No. 15/2550/91.

Pursuant to Supplementary Petroleum Concession (No. 3) to Petroleum Concession No. 15/2550/91 dated 26 June 2013, pursuant to which the Minister of Energy granted approval to SEBG to alter the physical work obligations under Petroleum Concession No. 15/2550/91. SEBG became obligated to complete the drilling of two exploratory wells with a minimum expenditure of US$6,000,000 by 18 December 2013.

Pursuant to the Approval Letter dated 14 May 2014 from the Department of Mineral Fuels in Thailand (for the purpose of this summary, the "Approval Letter"), pursuant to which the Minister of Energy granted approval to SEBG to renew the petroleum exploration period of Block G4/50 for a period of three years from 19 December 2013 to 18 December 2016. The signing of Supplementary Petroleum Concession (No. 4) to Petroleum Concession No. 15/2550/91 in relation to this approval as enclosed with the Approval Letter has not yet occurred.

There are three phases of petroleum exploration and the Concession is currently in the third phase. The third phase relates to a renewal of the exploration period for a maximum of 10 years and the minimum expenditure obligation in this phase is negotiated between the concessionaire and the government (for which, see the description of the Approval Letter above).

The petroleum production period is 20 years from the day following the date of termination of the exploration period. Renewal is permitted if applied for no less than six months prior to termination of the petroleum production period.

The fiscal terms of the Concession include that the concessionaire shall pay:

- US$30,000 during the second phase of exploration in relation to training, study, conferences and seminars;
- a surface reservation fee (prescribed under ministerial regulations);
- a monthly royalty for volume of production sold or disposed of. The royalty rates are based on volume of petroleum sold or disposed of in a month and range from five per cent. to 15 per cent. (with five per cent. being payable in respect of a volume of petroleum sold or disposed of which does not exceed 60,000 bbl/month up to 15 per cent. being payable in respect of the volume of production of petroleum sold or disposed of exceeding 600,000 bbl/month);
- SRB, as set out in the Petroleum Act B.E 2514 and as amended by the Petroleum Act (No. 4) B.E. 2532; and
- income tax at the rate of 50 per cent. of the net profit from petroleum operations.

The priority for the disposal of natural gas is: (i) preservation of reservoir pressure; (ii) sale in Thailand, including to the government; and (iii) export.

The parties acknowledge that the Concession entitles a Thai legal entity (being an entity in which Thai nationals hold greater than a 50 per cent. interest) to acquire an undivided participating interest of not less than five per cent. under the Concession. Such entity will be required to reimburse the concessionaire for all of the expenditure which has been incurred in connection with the block prior to the date of its participation in proportion to its undivided participating interest share and bear its percentage participation interest share of all the expenditure incurred in connection with the block from the date of its participation. This right has not been exercised to date.

The Minister of Energy may revoke the Concession under certain circumstances as listed in the Concession including, amongst others, failing to commence petroleum exploration and bankruptcy. As required by the Petroleum Act, notice and opportunity to cure must be given.

The Minister of Energy may revoke the Concession on the occurrence of certain events including, amongst others, failing to commence petroleum exploration and bankruptcy.

The Concession terminates: upon expiration of the petroleum production period; when the effective Concession area ceases to exist by virtue of the provisions of the Petroleum Act, or through concessionaire's voluntary relinquishment; upon revocation; or upon termination of concessionaire's status as a legal person.

During the last five years of the petroleum production period or the renewed petroleum production period, the concessionaire shall not remove, sell, give away, dispose of or transfer any property listed in the Concession except with the prior written consent of the Minister of Energy. Upon the termination of the petroleum production period, the concessionaire shall deliver to the government (free of charge) all fixed assets and facilities needed for the conduct of petroleum activities in the production area.

If the parties cannot settle disputes by mutual agreement, such disputes are to be resolved by arbitration in Thailand before two arbitrators and a referee applying the rules of the International Court of Justice save for disputes related to compliance with the Petroleum Income Tax Act B.E 2514, disputes relating to criminal offences under the Petroleum Act B.E 2514, disputes in connection with the Petroleum Act B.E 2514 where the concessionaire has been pursuing a claim in the Thai Court and disputes on rulings or orders which are deemed to be final pursuant to the Petroleum Act B.E 2514.

*12.2.6 Block G4/50 Farm Out Agreement*

The farm out agreement is dated 8 September 2011 and relates to MOECO transferring 100 per cent. of its undivided participating interest in rights and obligations under the Concession No. 15/2550/91 (including the operatorship and all associated rights and obligations of the operator) to SEBG.

The transfer is subject to the consent of the Government of Thailand to the transfer of Chevron Petroleum (Thailand) Ltd's 75 per cent. undivided participating interest to MOECO (which consent was obtained on 5 January 2012) and the subsequent government consent to the transfer from MOECO to SEBG (for the purpose of this summary, the "Conditions").

If government consent in respect of the Conditions is not received by 1 September 2012, then SEBG has until 1 December 2012 to decide whether or not to proceed into the next contract year (the sixth year) under the Concession (if SEBG fails to decide by this time, MOECO may decide on its behalf and bind SEBG to the continuation of the Concession).

If the Concession continues into the next contractual year under the Concession but government consent in respect of the conditions is not obtained by 1 November 2013, both parties shall have a right to terminate the Block G4/50 Farm Out Agreement.

If the parties agree to terminate the Block G4/50 Farm Out Agreement on this basis (or SEBG elects not to continue the Concession into the next contractual year, the sixth year of the Concession), the remaining work obligations under the Concession are payable by SEBG, save for the obligation to drill two wells in the fifth contractual year under the Concession, which shall be paid by MOECO subject to a US$6,000,000 cap.

SEBG's obligations under the Block G4/50 Farm Out Agreement are required to be supported by a parent company guarantee from the Company.

MOECO agrees to be liable to SEBG for all obligations attributable to SEBG's participating interest prior to the effective date of the Block G4/50 Farm Out Agreement (deemed to be 19 December 2010).

Until the transfer of the participating interest to SEBG receives government consent, SEBG is required to act as "de facto" operator under the Concession, including by performing and paying for the minimum work obligations for the second obligation period under the Concession. In support of this obligation (amongst other obligations on MOECO):

- SEBG may charge a fee to MOECO;
- MOECO is required to execute all required service agreements upon written request of SEBG; and
- MOECO is required to do all such further reasonable acts as are necessary to enable SEBG to perform its duties as de facto operator under the Block G4/50 Concession.

MOECO is granted an option to either: (i) back in during either the second obligation period (three years from the day following the date of termination of the first obligation period in the exploration period) or the third obligation period (the renewal of the petroleum exploration period) for up to 50 per cent. of the undivided participating interest in the concession; or (ii) elect to receive an overriding royalty on production from the area covered by the concession (five per cent. of the gross revenue from the first production area under the Concession, and three per cent. from each subsequent production area under the concession). Where MOECO elects to back in: (i) prior to the end of the second obligation period, it will be able to secure a 25 per cent. working interest for no consideration or share of costs; with any incremental percentage acquired resulting in the payment of an amount equivalent to a proportionate participating interest share of costs incurred up to the end of the period; or (ii) during the third obligation period, it will pay the same amount as it would have done if it had exercised the back-in option during the second obligation period, plus a disproportionate share of costs for the third obligation period. Where MOECO elects to receive the overriding royalty, it may elect to assign its right to the payments, subject to the prior consent of SEBG (not to be unreasonably withheld).

The parties acknowledge that as the Concession entitles a Thai legal entity to acquire no less than five per cent. of the undivided participating interest in the Concession, that MOECO or, as the case may be following a transfer, SEBG shall transfer such interest when required.

Subject to the assignment conditions, during the interim period the parties are entitled to transfer their rights and obligations under the Block G4/50 Farm Out Agreement, and their participating interests, provided they obtain the prior written consent of the other party. It is expressly stated that any transfer of part or all of the participating interest of SEBG to a third party shall not release SEBG of its duties, obligations and liabilities under the Block G4/50 Farm Out Agreement, and that SEBG will indemnify MOECO for any losses, costs or damages arising as a result of default by any third party transferee.

If SEBG or MOECO fail to pay amounts due under the Block G4/50 Farm Out Agreement, default interest accrues at LIBOR plus five per cent., calculated from the date of the default until the date upon which such default is cured and the non-defaulting party has the option following five days' notice to the defaulting party of such default to require the defaulting party's participating interest to be reassigned to the non-defaulting party.

The Block G4/50 Farm Out Agreement is governed by English law, and all disputes which are unable to be resolved by negotiation amongst senior executives are required to be submitted to the Singapore International Arbitration Centre.

*Deed of assignment in respect of the farm out agreement relating to Petroleum Concession No. 15/2550/91, Thailand*

This deed of assignment documents the transfer (subject to the approval of the Government of Thailand) of the 100 per cent. undivided participating interest and the operatorship in Petroleum Concession No. 15/2550/91 from MOECO to SEBG pursuant to the farmout agreement dated 8 September 2011 (as summarised above).

The deed of assignment is governed by English law.

*Parent company guarantee from Salamander in favour of MOECO in respect of farm out agreement relating to Petroleum Concession No. 15/2550/91, Thailand*

The guarantee is dated 8 September 2011 and is required to be procured by SEBG pursuant to the terms of the farm out agreement dated 8 September 2011 (set out above), relating to the Concession. Salamander agrees to guarantee the full and punctual performance by SEBG of its obligations under the farm out agreement.

The guarantee is stated to expire on the earlier of: (i) the discharge of all the guaranteed obligations (including any costs of enforcement); (ii) the date of government consent to MOECO to exercise its back-in option; (iii) the expiry of the term of the Concession; and (iv) the exercise of MOECO's option to receive an overriding royalty (see further above).

12.2.7 *Block G4/50 Agreement*

(a) Introduction

This is an agreement between Salamander and SONA (the "Block G4/50 Agreement") setting out the arrangements in relation to funding obligations in respect of the Block G4/50 Concession and the financial implications for SONA and Salamander of MOECO exercising certain rights under the Block G4/50 Farm Out Agreement. Under the Block G4/50 Agreement, Salamander has agreed to hold SONA harmless in respect of costs and expenses incurred in SEBG that relate to the 40 per cent. interest in the Block G4/50 Concession that is the subject of the Block G4/50 Transfer Agreement.

(b) Carry and costs

Salamander agrees to pay (or procure the payment of) 100 per cent. of the costs associated with the next two exploration wells and any other exploration expenditures in Block G4/50 up to a total amount of US$15,000,000 after which each of Salamander and SONA will be liable for their respective share of SEBG's costs for Block G4/50 on a pro rated basis of 33.33 per cent. and 66.67 per cent. respectively.

(c) MOECO's exercise of rights

Where MOECO elects to exercise its rights under the Block G4/50 Farm Out Agreement:

(i) to an overriding royalty, an amount equal to the overriding royalty is to be paid subject to the following on a pro rated basis of 60 per cent. by the Salamander Group and 40 per cent. by SONA Group. SONA Group will bear 100 per cent. of the overriding royalty up to a total cumulative amount of US$10,000,000, after which SEBHL will pay its share of the overriding royalty. Immediately upon approval of a production area in Block G4/50, SEPT will pay SEBHL US$5,000,000; or

(ii) pursuant to a back in option to acquire a participating interest in the Block G4/50 Concession, SEPT will participate in certain shares of the amounts payable by MOECO in respect of the third obligation period. SEPT undertakes to give its portion of the payment entitlement to SEBHL up to a maximum amount of US$15,000,000. In the event that SEPT's share of the payment entitlement is less than US$15,000,000, SEPT will make up any shortfall.

Any payments by the parties under the Block G4/50 Agreement will be treated by the parties as a variation of the purchase price payable for the SONA Sale Shares.

(d) Latest developments

Please refer to paragraphs 3 and 6 of Part I of this Circular for an update in relation to the potential termination of the SONA SPA (and related transaction documentation, including this agreement).

*12.2.8 Bangkanai PSC*

The Bangkanai PSC was entered into between BPMIGAS, an oil and gas upstream regulatory agency in Indonesia and EBEL as contractor and approved by the Government of Indonesia on 30 December 2003 (for the purpose of this summary, the "Effective Date") in respect of the Bangkanai area.

The current participants under the concession are:

| | |
|---|---|
| SEBAN | 54 per cent. |
| Salamander Energy (Central Kalimantan) Limited | 11 per cent. |
| Salamander Energy (Kerendan) Limited | 5 per cent. |
| Saka | 30 per cent. |

The contract provides that within three months of the contractor's notification to BPMIGAS of first discovery of petroleum which can be commercially produced, BPMIGAS may require the contractor to offer a right to back-in for a 10 per cent. interest in the PSC to the designated Indonesian participant (a company with Indonesian nationals as shareholders). The relevant entity is required to reimburse the contractor for 10 per cent. of historical operating costs incurred in the contract area.

The contract further provides that at the end of six years from the Effective Date the contractor may make a request that BPMIGAS extend the concession by a further four years (as allowed pursuant to the PSC). If no commercial quantities have been discovered at the end of the first 10 years, the contract will terminate automatically. In the event that the contractor does not produce petroleum in commercial quantities within a maximum period of five consecutive years after the end of the exploration period the contractor shall be obliged to relinquish the contract area.

The term of the contract is 30 years from the Effective Date.

The fiscal terms of the contract provide that:

- the contractor pays production bonuses (which are not cost recoverable) of US$100,000, US$250,000 and US$500,000 on reaching cumulative production of each of 25 MMboe, 50 MMboe and 75 MMboe respectively;
- 20 per cent. of total petroleum production in each year (the "FTP") is shared between BPMIGAS and the contractor in accordance with the parties' Profit Oil Share and Profit Gas Share (see below);
- the contractor has the right to recover operating costs against available production produced. Operating costs are defined to include depreciated capital costs and non-capital costs in relation to each year's operations, such as labour and materials, services, plus the costs of surveys and the intangible costs of drilling exploratory and development wells. Unrecovered costs can be carried forward to future years for cost recovery purposes;
- the contractor can recover an investment credit of up to 102.14 per cent. of the capital investment costs directly required to develop oil and gas production facilities for production from pre-tertiary reservoir rocks and up to 15.78 per cent. for oil production facilities for production from tertiary reservoir rock;
- after allowing for FTP and cost-recovery, BPMIGAS and the contractor allocate the Profit Oil Share as follows:

| Description | BPMIGAS share | Contractor share |
|---|---|---|
| Marginal field | 64.2857% | 35.7143% |
| EOR projects | 64.2857% | 35.7143% |
| Pre-tertiary < 50,000 boepd | 64.2857% | 35.7143% |
| Pre-tertiary 50,001-150,000 boepd | 73.2143% | 26.7857% |
| Pre-tertiary > 150,000 boepd | 82.1429% | 17.8571% |
| All other crude production | 73.2143% | 26.7857% |

The Profit Gas Share is: BPMIGAS 37.5 per cent. and contractor 62.5 per cent.;

- a percentage of the contractor's share of Profit Oil is required to satisfy domestic market obligations, such percentage not to exceed 25 per cent. of the oil produced from the contract area multiplied by the Profit Oil Share. The price paid for DMO oil depends upon the year in which the field started commercial production: for the first five years of commercial production the price paid for DMO oil is the weighted average contract price of all crude produced and sold in the relevant contract area for the relevant calendar year; after five years of production (based on ICP), the DMO oil price is reduced to 15 per cent. of the weighted average contract price of all crude produced and sold in the relevant contract area for the relevant calendar year;

- the contractor pays Indonesian income tax including any final tax on profits after tax deduction if applicable, on the revenue from the sale of its Profit Oil Share and Profit Gas Share (including its share of FTP). The contractor is also subject to branch profits tax on after-tax profits;

- for the purposes of Indonesian income tax payments, the oil sales price is deemed to be equal to the applicable ICP or DMO price and the gas sales price is the weighted average price of gas sold to third parties; and

- an administration fee of US$75,000 is payable by the contractor to BPMIGAS at the start of each contract year to cover administrative requirements such as transport, visas and security requirements and further advances may be payable in addition to this amount where requested by BPMIGAS.

The contractor is required to use its best reasonable efforts to market the oil (to the extent markets are available), including BPMIGAS's share of oil unless BPMIGAS notifies otherwise. The contractor has the right to export its share of oil and retain abroad the proceeds from such sale after complying with domestic market obligations. Gas is treated on an equivalent basis to oil under the fiscal terms of the contract except in respect of the parties' respective shares in production and as otherwise mentioned above.

All equipment purchased by the contractor under a work program becomes the property of the Government of Indonesia. The contractor undertakes to employ and train Indonesian personnel for the purposes of its operations. The costs and expenses of training Indonesian personnel are included in operating costs, as are expenditures incurred and funding estimates made by the contractor in relation to its abandonment and site restoration program.

The contractor can assign all or any part of its participating interest under the contract to affiliates without the consent of BPMIGAS and the Government of Indonesia and to a non-affiliated party with the prior written consent of BPMIGAS and the Government of Indonesia, provided that the assignee does not hold any participating interest in any other PSC.

At least three months prior to the beginning of each calendar year, the contractor is responsible for preparing and submitting to BPMIGAS a work program and a budget of operating costs for operations for the ensuing calendar year. The contractor should include in the budget of operating costs an estimate of anticipated abandonment and site restoration costs. The contractor can make changes to a work program provided that the general objective of the work is not changed and there is no increase in the expenditures in the approved budget of operating costs.

Any delay or default by either party to perform its obligations under the contract shall be excused to the extent that the delay or default is attributable to circumstances beyond the control and without the fault or negligence of the party.

The contractor may relinquish its rights and be relieved from its obligations arising under the contract in future if operations are no longer warranted after notifying and consulting with BPMIGAS.

If at the end of the first six years of the contract, the contractor has failed to perform as a reasonable and prudent operator or has failed to perform its obligations, BPMIGAS may issue a "Performance Deficiency Notice" and unless the contractor remedies the deficiency within 120 days of such notice (or any extended period of time agreed by the parties), BPMIGAS has the right to terminate the contract.

Either party may terminate the contract by 90 days' written notice if the other party commits a major breach and conclusive evidence of such breach is proven in arbitration.

In relation to gas, the contract contemplates that where operating and financial data reveal that commercial production of gas is possible, the parties will agree on arrangements with respect to gas production having due regard to the long term character of gas supply contracts.

Disputes under the contract which cannot be settled amicably are to be resolved finally by arbitration in accordance with the arbitration rules of the International Chamber of Commerce.

The contract is governed by Indonesian law.

12.2.9 *Bangkanai joint operating agreement*

The Bangkanai joint operating agreement was entered into between EBEL and Mitra Energia Bangkanai Ltd, dated 25 April 2005. The joint operating agreement relates to the joint exploration, appraisal, development, production and disposition of petroleum from the Bangkanai contract area. The current operator under the JOA is SEBAN.

The joint operating agreement continues in effect until termination of the Bangkanai PSC and all property used in connection with the joint or sole operations in the contract area has been removed and disposed of, and there has been final financial settlement between the parties.

The participating interests of the parties as of the date of the joint operating agreement was in accordance with a farm in agreement dated 1 October 2004 under which 49 per cent. of EBEL's participating interest was transferred to Mitra Energia Bangkanai Limited. On 25 April 2006 Mitra Energia Banganai Limited assigned 15 per cent. of its participating interest to Bangkanai Petroleum (L) Berhad.

Each party is entitled to take and separately dispose of its respective portion of petroleum produced and saved from the contract area.

The joint operating agreement contains an acknowledgement by the parties that if gas is discovered it may be necessary for the parties to enter into arrangements for gas disposal which are consistent with any development plan under the contract.

The operator is liable to the other parties only for gross negligence and is indemnified by the other participants for all other acts as operator. No party is liability for consequential or environmental loss.

An operating committee is established to exercise overall supervision and control of matters pertaining to the joint operations. Each party owning a participating interest of 15 per cent. or more is to appoint one representative and one alternate representative to serve on the operating committee.

Exclusive operations provisions are included in the contract. Back-in penalties range from 400 per cent. to 1000 per cent.

A default will result in loss of the defaulting party's entitlement to hydrocarbons. The joint operating agreement provides for a buy-out option of a defaulting party's interest to non-defaulting parties where the default is not remedied with interest within a specified period. Assignment to affiliates with consent is permitted. A party has the right to withdraw from the contract by giving notice.

Disputes are referred to binding arbitration in accordance with the arbitration rules of the Singapore Arbitration Association and such arbitration is take place in Singapore. The contract is governed by Indonesian law.

Joint operating agreement novation agreement entered into between Saka, SEBAN, Salamander Energy (Central Kalimantan) Limited, Salamander Energy (Kerendan) Limited and Bangkanai Petroleum (L) Berhad dated 20 June 2013 relating to Bangkanai whereby SEBAN was released from, and Saka accepted, 30 per cent. of the liabilities and obligations under the original joint operating agreement dated 25 April 2005 as a result of a farmout agreement between Salamander and Saka dated 11 March 2013 whereby Salamander transferred a 30 per cent. participating interest in and under the joint operating agreement to Saka.

*12.2.10 Bangkanai sale and purchase agreement*

Pursuant to a sale and purchase agreement dated 11 November 2010, SEGL acquired from PTET the entire issued share capital of EBEL, which owns a 69 per cent. interest in the Bangkanai PSC.

The total consideration for the shares of EBEL was US$11,200,000. Prior to the date of the agreement, SEGL paid a non refundable deposit of US$500,000, and provided PTET with two standby letters of credit in the amount of US$6,500,000 and US$4,200,000. The letters of credit were exercisable at the date of closing, being 22 November 2010. The consideration was subject to a working capital adjustment, to be settled within 30 days of the closing date.

SEGL warranted that it would procure EBEL to grant a free carry to Chariot of a five per cent. participating interest in the Bangkanai PSC until first gas production. SEGL further warranted that it agreed to Chariot's active participating interest of six per cent. in the Bangkanai PSC (cash call) that was in existence at the date of the agreement. The parties agreed that, once EBEL had recovered the costs paid by it under the Bangkanai PSC from the date of the agreement to first gas production (to the extent approved as recoverable), Chariot would be entitled to recover its costs paid under the Bangkanai PSC up to the date of closing, to the extent that such costs were approved as recoverable by the BPMIGAS.

Under the terms of the sale and purchase agreement, PTET agreed to procure that EBEL terminate the employment of all its employees prior to the date of closing. PTET warranted that a severance payment of Indonesian rupiah 5,000,000,000 represented the full amount the employees were entitled to as a result of the termination. PTET agreed to transfer Indonesian rupiah 2,537,358,625 to EBEL as part of the severance payment and SEGL agreed to be responsible for the remaining amount of Indonesian rupiah 2,462,641,375. PTET agreed to indemnify EBEL and SEGL against any and all claims made by the employees relating to their employment prior to the termination or to the termination itself. Pursuant to the terms of the agreement, SEGL and EBEL have the right to re-hire all employees of EBEL, treating such employees as if they had not previously been employed by EBEL, and SEGL agreed to procure EBEL to provide an equal or better salary for such employees.

SEGL agreed that within 90 days of the closing date, it would use reasonable efforts not to use the word "Elnusa" as all or part of EBEL's name.

PTET agreed to indemnify SEGL for all claims, demands and actions accruing before the effective date, being the date on which the rights and obligations of PTET in connection with the operational activities of EBEL in relation to the Bangkanai PSC are transferred to SEGL, commencing on 31 October 2010. SEGL agreed to indemnify PTET for all claims, demands and actions accruing after the effective date. PTET further agreed to indemnify SEGL for all tax liabilities including all penalties, resulting from the operations of EBEL before the effective date, or resulting from an event occurring on or before the effective date.

The agreement is governed by Indonesian law.

*12.2.11 Bangkanai Farm Out Agreement*

SEBAN entered into a farm out agreement with Saka dated 11 March 2013 (the "Bangkanai Farm Out Agreement") by which SEBAN agreed to assign, subject to certain conditions, a 30 per cent. participating interest in the Bangkanai PSC to Saka. In consideration for the 30 per cent. participating interest and a 30 per cent. share of any pre-2013 cost recovery pool, Saka paid SEBAN US$27 million on 26 June 2013. There is a carry arrangement under the Bangkanai Farm Out Agreement whereby Saka will pay an additional 50 per cent. of the development costs, excluding geological and geophysical costs but including general and administrative expenses, up to a maximum of US$30 million. Saka will also pay an additional 30 per cent. of the West Kerendan-1 well costs from 1 January 2012, up to a maximum of US$5.6 million and an additional 7.5 per cent. of the costs of a second exploration well, up to a maximum of US$1.5 million. Under the terms of the Bangkanai Farm Out Agreement, pre-2013 costs are recovered first (i.e. Saka receives 30 per cent.), following which Saka will recover the carried costs from a 50 per cent. share of total cost recovery from SEBAN.

*12.2.12 Medco swap agreement*

On 7 March 2013, SEBAN, SESL and SEBL entered into a swap agreement with Medco Bangkanai, Medco Simenggaris and Medco Bengara. Under the swap agreement, SESL agreed to assign, subject to certain conditions, a 21.0 per cent. participating interest in the Simenggaris PSC to Medco Simenggaris. SEBL also agreed to assign, subject to certain conditions, a 41.67 per cent. participating interest in the Bengara-I PSC to Medco Bengara. In consideration for both of these assignments, Medco Bangkanai agreed to assign, subject to certain conditions, a 15.0 per cent. participating interest in the Bangkanai PSC to SEBAN. No cash consideration was payable under the swap agreement. The effective date of the transaction was 1 January 2013.

The assignments of the interests under the relevant PSCs were subject to prior approval of the Government of Indonesia and SKKMiGas (received 22 July 2013 and 11 September 2013 respectively). Under the swap agreement, the assignors agreed to indemnify the assignees for any breach of the assignor's obligations to satisfy any of its financial commitments under the relevant PSCs or other related obligations prior to the effective date, while the assignees agree to hold the assignors harmless for any obligations arising after the effective date. Each assignor further agreed to give a tax indemnity to the corresponding assignee in respect of certain tax claims which may arise out of or as a result of the relevant assignments on or before the effective date of the transaction or between the effective date and the date of completion of the transaction where these arise outside the ordinary course of business. The swap agreement has a standard set of warranties and specifies a ceiling for each assigned interest on the amount which a party may recover from another under any claim. A party cannot assign its rights or obligations under the swap agreement, except to an affiliate, with such assignment being subject to certain conditions and consents. The swap agreement is governed by the laws of England and Wales with provisions for any unresolved dispute to be submitted for arbitration in accordance with the rules of the Singapore International Arbitration Centre and with Singapore as the place of arbitration.

*12.2.13 Bontang PSC*

The Bontang PSC was entered into between BPMIGAS and EPB on 30 December 2003 (for the purpose of this summary, the "Effective Date"). EPB assigned 80 per cent. of its rights and obligations in this PSC to SEBP on 18 November 2005. Salamander acquired 100 per cent. of the issued shares in SEBP pursuant to a Share Sale and Purchase Deed with Capitalrealm dated 9 March 2006.

Pursuant to a share sale agreement dated 2 March 2010 between PT Eksindo Petroleum Tabuhan and Salamander, Salamander acquired all of the issued shares in the capital of Bontang Energy Limited. At that time Bontang Energy Limited held a 20 per cent. interest in the Bontang PSC. With the SEBP stake Salamander therefore owned a 100 per cent. stake in the Bontang PSC. The term of the contract is 30 years from the Effective Date.

The fiscal terms of the contract provide that:

- the contractor pays production bonuses of US$2.5 million on reaching cumulative production of each of 25 MMboe, 50 MMboe, and 75 MMboe;
- 15 per cent. of total production in each year, the FTP, is shared between BPMIGAS and the contractor in accordance with the parties' Profit Oil Share and Profit Gas Share (see below);
- the contractor has the right to recover operating costs against available production produced. Operating costs are defined to include depreciated capital costs and non-capital costs in relation to each year's operations, such as labour, materials and

services, plus the costs of surveys and the intangible costs of drilling exploratory and development wells. Unrecovered costs can be carried forward to future years for cost recovery purposes;

- the contractor can recover an investment credit of up to 80 per cent. of the capital investment costs directly required to develop gas production facilities for new fields in water depth of more than 1,000 metres;
- after allowing for FTP and cost-recovery, BPMIGAS and the contractor allocate the remaining petroleum in accordance with the parties' respective shares of production; the contractor receiving 58.8235 per cent. of oil production (Profit Oil) and 67.2269 per cent. of gas (Profit Gas) and BPMIGAS receiving the remaining 41.1765 per cent. and 32.7731 per cent. of crude oil and gas production respectively;
- a percentage of the contractor's share of Profit Oil is required to satisfy DMO, such percentage not to exceed 25 per cent., of the oil produced from the contract area multiplied by the Profit Oil Share. The price paid for the DMO oil depends upon the year in which the field started commercial production: for the first 5 years of commercial production the price paid for DMO oil is the weighted average price of all crude produced and sold in the relevant contract area; after 5 years of production the DMO oil price is reduced to 25 per cent. of the weighted average price of all crude produced and sold in the relevant contract area for the relevant calendar year;
- the contractor pays Indonesian income tax including final tax on profits after tax deduction if applicable, on the revenue from the sale of its Profit Oil Share and Profit Gas Share (including their share of FTP). The contractor is also subject to branch profits tax on after-tax profits; and
- for the purposes of Indonesian income tax payments the oil sales price is deemed to be equal to the applicable ICP or DMO price and the weighted average price of gas sold to third parties.

Within 3 months of the contractor's notification to BPMIGAS of first discovery of petroleum which can be commercially produced, BPMIGAS may require the contractor to offer a right to back-in for a 10 per cent. interest in the PSC to the designated Indonesian participant (a company with Indonesian nationals as shareholders). The relevant entity is required to reimburse the contractor for 10 per cent. of historical operating costs incurred in the contract area.

The contractor is required to market BPMIGAS's share of oil unless BPMIGAS notifies otherwise. The contractor has the right to export its share of oil and retain abroad the proceeds from such sale after complying with domestic market obligations. Gas is treated on an equivalent basis to oil under the fiscal terms of the contract except in respect of the parties' respective shares in production and as otherwise mentioned above.

All equipment purchased by the contractor under a work program becomes the property of BPMIGAS. The contractor undertakes to employ and train Indonesian personnel for the purposes of its operations. The costs and expenses of training Indonesian personnel are included in operating costs. The contractor must make a deposit into an abandonment fund, and this is treated as an operating cost for the purposes of cost recovery. Any excess in the fund, after fulfilling abandonment obligations, reverts to BPMIGAS.

The contractor can assign any undivided part of its interest under the contract to affiliates without the consent of BPMIGAS and the Government of Indonesia. Any assignment to a third party requires the prior written consent of BPMIGAS and the Government of Indonesia.

At least three months prior to the beginning of each calendar year, the contractor is responsible for preparing and submitting to BPMIGAS a work program and a budget of operating costs for operations for the ensuing calendar year. The contractor should include in the budget of operating costs an estimate of anticipated abandonment and site restoration costs. The contractor can make changes to a work program provided that the general objective of the work is not changed and there is no increase in the expenditures in the approved budget of operating costs.

Any delay or default by either party to perform its obligations under the contract shall be excused to the extent that the delay or default is attributable to circumstances beyond the control and without the fault or negligence of the party.

The contract states that if at the end of the first six years of the contract (or 10 years if extended by BPMIGAS at the contractor's request), commercial quantities of petroleum have not been discovered, the contract automatically terminates. At the end of the initial six years of the contract, the contractor can request a four year contract extension from BPMIGAS and BPMIGAS cannot unreasonably withhold its approval to such extension.

The contract states that if at the end of the first six years of the contract, the contractor has failed to perform as a reasonable and prudent operator or has failed to perform its obligations, BPMIGAS may issue a "Performance Delivery Notice", and unless the contractor remedies the deficiency within 120 days of such notice (or any extended period of time agreed by the parties), BPMIGAS has the right to terminate the contract.

Either party may terminate the contract by 90 days' written notice if the other party commits a major breach and conclusive evidence of such breach is proven in arbitration.

The contractor may relinquish its rights and be relieved from its obligation arising under the contract in future if operations are no longer warranted after notifying and consulting with BPMIGAS.

In relation to gas, the contract contemplates that where operating and financial data reveal that commercial production is possible, the parties will agree on arrangements with respect to gas production.

Disputes under the contract are to be referred to final and binding arbitration, conducted in accordance with the arbitration rules of the International Chamber of Commerce. The contract is governed by Indonesian law.

*12.2.14 Block E5-North Concession*

The E5-North Block Concession was awarded to Esso Exploration Inc on 16 March 1979. The Concession was amended by supplementary Concessions Nos. 1, 2, 3 and 4. Salamander acquired its interest in the Concession through APICO LLC ("APICO") by virtue of a transfer from Amerada Hess (Thailand) Limited ("AHTL") of part of its interest to APICO and by the Minister of Energy's consent provided by supplementary Concession No. 4, dated 4 November 2003. Participants and their respective interests in the Concession, as stated in Supplementary Concession No. 5, dated 5 July 2004, are: AHTL 35 per cent.; APICO 35 per cent.; Exxon Mobil Exploration and Production Khorat Inc. ("EMEPKI") 10 per cent., and PTT Exploration and Production Public Company Ltd ("PTTEP") 20 per cent. (from a back-in right). The Concession area covers Block E5-North. The operator of the current Concession area is PTTEP.

The exploration period of the concession was 8 years from the date of the Concession (16 March 1979) and the production period is 30 years from the termination of the exploration period. The initial exploration period was extended pursuant to supplementary Concession No. 1 dated 19 June 1989 for a further period of 4 years. The expiry date for the Concession is 15 March 2021. A further extension to the production period, of up to 10 years, is available under the Concession which needs to be applied for 6 months before expiration.

The fiscal terms of the concession provide that:

- a production bonus of US$7,000,000 is payable within 30 days in the event that daily production of oil exceeds an average of 100,000 boepd or the gas energy equivalent for a period of 120 days;
- a further production bonus of US$14,000,000 is payable within 30 days in the event that daily production of oil exceeds an average of 200,000 boepd or the gas energy equivalent thereof, for a period of 120 consecutive days;
- the concessionaire shall pay income tax at a rate of 50 per cent. of net profits derived from the petroleum business;
- the concessionaire shall pay a surface reservation fee of 4,000 Thai baht per square kilometre or fraction thereof per year; and

- the concessionaire is required to contribute toward an environmental protection fund.

This Concession is currently in the production phase.

The basis of the royalty payable is 12.5 per cent. of the value of the petroleum sold or disposed of or, if paid in kind, volume of petroleum equivalent in value to one seventh of the value of petroleum sold or disposed of.

The concessionaire has the right to export its share of gas and retain abroad the proceeds from such sale after complying with domestic market obligations pursuant to which natural gas must be disposed of in the following order of priority: (i) use in conservation of petroleum resources; (ii) sale or disposal in Thailand; and (iii) export for sale or disposal.

The Minister of Energy undertakes to assist the concessionaire in its dealings with other government agencies and with landowners. The concessionaire's benefits and rights are not to be challenged unilaterally including immunity from taxes, pricing and posting of petroleum, retaining and remitting money in foreign currency abroad and liability to royalties and income tax.

During the last five years of the petroleum production period and at the end of this period the concessionaire shall not remove or sell any of the plant, machinery or infrastructure except with the prior written consent of the Minister of Energy.

During the term of the Concession the concessionaire must fulfil work obligations and must also meet minimum expenditure requirements in relation to the work obligations.

The concessionaire can seek renewal of the petroleum production period for a period not exceeding 10 years provided all of its obligations under the Concession are being complied with.

The Government of Thailand is entitled to a 20 per cent. participation after the discovery of commercial petroleum reserves which has already been exercised.

Disputes are to be referred to arbitration to be held in a place agreed by the parties and, in the absence of agreement, Zurich and awards are to be determined in accordance with Thai law and applicable principles of international law save for disputes related to compliance with the Petroleum Income Tax Act B.E 2514 (as amended), disputes relating to criminal offences under the Petroleum Act B.E 2514 (as amended), disputes in connection with the Petroleum Act B.E 2514 (as amended) where the concessionaire has been pursuing a claim in the Thai Court and disputes on rulings or orders which are deemed to be final pursuant to the Petroleum Act B.E 2514 (as amended).

The Concession terminates on: (i) the termination of the petroleum production period; (ii) when the Concession area ceases to exist by operation of law; (iii) upon voluntary relinquishment by the concessionaire; (iv) upon revocation of the Concession; or (v) upon the termination of the concessionaire's status as a legal person.

*12.2.15 Block E5-North joint operating agreement*

In relation to Block E5-North, APICO is a participant in the joint operating agreement between AHTL and PTTEP, entered into on 11 August 2001, to which it became a party pursuant to a side agreement to the Block E-5 North joint operating agreement dated 4 November 2003. The current parties to the agreement are AHTL, APICO, EMEPKI and PTTEP. The parties' respective interests in the contract are in accordance with their respective interests in Concession No. 2/2522/17. Under this contract, AHTL is the operator.

The joint operating agreement continues until the Concession ceases to be in force, all joint property is disposed of, and final settlement is made between the parties in accordance with their respective rights and obligations.

Termination of the joint operating agreement does not prejudice rights and remedies occurring prior to termination at or in consequence of its termination or any proceedings with respect to any rights or remedies including proceedings by way of arbitration under the agreement.

Apart from petroleum sold under the terms of the gas sales agreements and gas coordination agreement and liquid hydrocarbon extracted from production each party is entitled to take and separately dispose of its respective portion of petroleum produced and saved from the contract area in accordance with the Concession and at its own expense.

Removal of the operator is provided for where:

- the operator does not commence and diligently pursue the curing of a material breach committed by it within 30 working days of written notice from a non-operator specifying the default and requesting the operator to remedy the same; or
- the operator becomes bankrupt, insolvent or makes an assignment for the benefit of creditors.

The operator is liable only for gross negligence or wilful misconduct. There is no liability for consequential loss or damage.

Upon the resignation or removal of the operator, a new operator shall be designated by the representatives of the parties owning at least 81 per cent. of the participating interests.

An operating committee is established to exercise overall supervision and control of matters pertaining to the joint operations. Operating committee decisions in respect of exploration operations require the affirmative vote of at least two parties holding an aggregate of 60 per cent. of the participating interest whilst a vote of at least two parties holding an aggregate of 81 per cent. of the participating interests is required for other matters.

The contract contains sole-risk development provisions. The sole risk party shall have the right to receive all of the production attributable to such sole risk operation until the sole risk party shall have received out of the said production or until such time that the non-participating parties shall have paid the sole risk party their proportionate share of an amount equal to the sum of: (i) 400 per cent. of the cost of drilling, deepening, deviating, completing, recompleting, reworking or testing a development well and installing production facilities; plus (ii) 100 per cent. of the operating costs and expenses.

Forfeiture of a defaulting party's interest to the non-defaulting parties is provided for where the default is not remedied within a specified period. In addition to other remedies available, the non-defaulting parties shall have the option to require the defaulting party to assign a share of the defaulting party's rights and entitlements under this agreement and the Concession.

Assignment to an affiliate or representative of the Government of Thailand is permitted.

Pre-emptive right provisions apply in the case of assignment to a third party. All assignments must be in accordance with the requirements of the Petroleum Act and are subject to the government approvals, the joint operating agreement, the Concession, the gas sales agreements and the gas coordination agreement.

At least 3 months prior to the date on which any relinquishment or application to renew any portion of the Concession is due or proposed, the operator shall furnish to each party a written recommendation with respect to such application or relinquishment. Unless such recommendation is approved by a vote of the parties owning at least 81 per cent. of the participating interest within 30 days from the date such written recommendation is notified to the parties, the operator shall call a meeting of the operating committee to reach a decision on the course of action to be followed.

The contract is governed by Thai law. Disputes are to be referred to arbitration by three arbitrators in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce, Paris and awards are to be determined in accordance with Thai law and principles of law established by the Courts of international jurisdiction and practice and usage in the oil and gas industry.

*12.2.16 Block EU-1 Concession*

This Concession was initially awarded to Esso Udon Inc on 3 June 1981. The Concession was amended by supplementary Concessions Nos. 1, 2, 3 and 4.

Salamander acquired its interest in the Concession by virtue of a transfer from Amerada Hess (Thailand) Limited ("AHTL") of part of its interest to APICO and by virtue of supplementary Concession No.2, dated 4 November 2003, by which the Minister of Energy granted consent to the transfer.

The Concession area covers Block EU-1. The exploration period of the concession was 8 years from the date of the Concession (3 June 1981) and the production period is 30 years from the termination of the exploration period. The expiry date for the concession is 2 June 2019. A further extension to the production period of a period not exceeding 10 years is available under the Concession.

The parties to the Concession and their respective interests are: AHTL 35 per cent.; APICO 35 per cent.; EMEPKI 10 per cent.; and PTTEP (through its subsidiary PTTEP Siam Ltd) 20 per cent. The operator of the current Concession area is PTTEP.

The fiscal terms of the Concession provide that:

- a production bonus of US$20,000,000 is payable within 30 days in the event that daily production of oil exceeds an average of 100,000 boepd or the gas equivalent for a period of 120 consecutive days;
- a further production bonus of US$40,000,000 is payable within 30 days in the event that daily production of oil exceeds an average of 200,000 boepd, or the gas equivalent thereof, for a period of 120 consecutive days;
- the concessionaire shall pay income tax at a rate of 50 per cent. of net profits derived from the petroleum business;
- the concessionaire shall pay a surface reservation fee of 4,000 baht per square kilometre or fraction thereof per year; and
- the concessionaire is required to contribute funds to an environmental protection fund. The Concession is currently in the production phase.

The basis of the royalty payable is 12.5 per cent. of the value of the petroleum sold or disposed of or, if paid in kind, a volume of petroleum equivalent in value to one seventh of the value of petroleum sold or disposed of.

The concessionaire has the right to export its share of gas and retain abroad the proceeds from such sale after complying with domestic market obligations pursuant to which natural gas must be disposed of in the following order of priority: (i) use in conservation of petroleum resources; (ii) sale or disposal in Thailand; and (iii) export for sale or disposal.

The Minister of Energy undertakes to assist the concessionaire in its dealings with other government agencies and with landowners. The concessionaire's benefits and rights are not to be challenged unilaterally including immunity from taxes, pricing and posting of petroleum, retaining and remitting money in foreign currency abroad and liability to royalties and income tax.

During the last 5 years of the petroleum production period and at the end of this period the concessionaire shall not remove or sell any of the plant, machinery or infrastructure except with the prior written consent of the Minister of Energy.

During the term of the Concession the concessionaire must fulfil work obligations and must also meet minimum expenditure requirements in carrying out the work obligations.

The concessionaire can seek renewal of the petroleum production period for a period not exceeding 10 years provided all obligations under the Concession are being complied with.

Disputes are to be referred to arbitration to a place agreed upon by the parties, or in the absence of agreement, Zurich, Switzerland and awards are to be determined in accordance with Thai law and applicable principles of international law save for disputes related to compliance with the Petroleum Income Tax Act B.E 2514 (as amended), disputes relating to criminal offences under the Petroleum Act B.E 2514 (as amended), disputes in connection with the Petroleum Act B.E 2514 (as amended) where the concessionaire has been pursuing a claim in the Thai Court and disputes on rulings or orders which are deemed to be final pursuant to the Petroleum Act B.E 2514 (as amended).

The Concession terminates on: (i) the termination of the petroleum production period; (ii) when the concession area ceases to exist by operation of law; (iii) upon voluntary relinquishment by the concessionaire; (iv) upon revocation of the Concession; or (v) upon the termination of the concessionaire's status as a legal person.

*12.2.17 Block EU-1 joint operating agreement*

In relation to Block EU-1, APICO entered into a joint operating agreement with AHTL on 4 November 2003. PTTEP, through its subsidiary PTTEP Siam Ltd, later became a party to the joint operating agreement as a result of its accession to Block EU-1 which was approved on 31 January 2005. Under this contract, AHTL is the operator. The current parties to the agreement are AHTL, APICO, EMEPKI and PTTEP Siam Ltd.

The joint operating agreement continues until the Block EU-1 Concession ceases to be in force, or, if later, all property used in connection with the petroleum operations is disposed of, and final settlement is made between the parties in accordance with their respective rights and obligations.

Termination of the joint operating agreement does not prejudice rights or remedies accruing prior to termination at or in consequence of its termination or any proceedings with respect to any right or remedies including proceedings by way of arbitration under the agreement.

Apart from petroleum sold under the terms of the gas sales agreement and gas coordination agreement, and liquid hydrocarbon extracted from production, each party is entitled to take and separately dispose of its respective portion of petroleum produced and saved from the contract area in accordance with the Concession and at its own expense.

The agreement provides for removal of the operator if:

(i) the operator does not commence and diligently pursue the curing of a material breach committed by it within 30 days of written notice from a non-operator specifying the default and requesting the operator to remedy the same; or

(ii) the operator becomes bankrupt, insolvent or makes an assignment for the benefit of creditors.

The operator is liable only for gross negligence or wilful misconduct. There is no liability for consequential loss.

Upon the removal or resignation of the operator a new operator shall be designated by the representatives of the parties owning at least 81 per cent. of the participating interests.

An operating committee is established to exercise overall supervision and control of matters pertaining to the joint operations. Operating committee decisions in respect of exploration operations require the affirmative vote of two parties holding an aggregate of 60 per cent. of the participating interest, whilst a vote of at least two parties having a combined interest of more than 81 per cent. of the participating interests is required for all other matters.

The joint operating agreement contains sole-risk exploration operations and sole risk development operations provisions. A non-participating party has certain options to reinstate the rights it relinquished in respect of sole-risk exploration operations and sole-risk development operations and such non-participating parties shall pay their respective participating interest in such sole-risk exploration operation equal to the relevant proportionate share of all liabilities and expenses including overheads. In addition, a non-participating party is also required to pay a cash premium in an amount equal to 800 per cent. (including overheads) of the non-participating parties' relevant proportion of the original cost for sole-risk drilling to participate in geophysical work, appraisal drilling or a development program relating to a discovery from sole-risk drilling, and testing, as prescribed in the joint operating agreement

Forfeiture of a defaulting party's interest to the non-defaulting parties is provided for where the default is not remedied with interest within a specified period. In addition to other remedies available, non-defaulting parties shall have the option to require the defaulting party to assign a share of the defaulting party's rights and entitlements under the agreement and the Concession.

Assignment to an affiliate or representative of the Government of Thailand is permitted subject to obtaining any required government approvals.

Pre-emptive right provisions apply in the case of assignment to a third party. All assignments must be in accordance with the requirements of the Petroleum Act and are subject to government approvals, the joint operating agreement, the Concession, the gas sales agreement and the gas coordination agreement.

At least three months prior to the date on which any relinquishment or application to renew any portion of the Concession is due or proposed, the operator shall furnish to each party a written recommendation with respect to such application or relinquishment. Unless such recommendation is approved by a vote of the parties owning at least 81 per cent. of the participating interest within 30 days from the date such written recommendation is notified to the parties, the operator shall call a meeting of the operating committee to reach a decision on the course of action to be followed.

The agreement is governed by Thai law. Disputes are to be referred to arbitration by three arbitrators in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce, Paris and awards are to be determined in accordance with Thai law and principles of law established by courts of international jurisdiction and practice and usage in the oil and gas industry.

*12.2.18 Blocks L15/43 and L27/43 Concession*

Petroleum Concession No. 9/2546/66 (Blocks L15/43 and L27/43) was awarded to Nucoastal (Thailand) Limited on 25 September 2003 by the Minister of Energy. By virtue of Supplementary Concession No.1 dated 12 April 2006, the Minister of Energy granted consent to the transfer of a 100 per cent. interest in the concession to APICO (Khorat) Limited ("APICO (Khorat)").

The concession area covers onshore Blocks L15/43 and L27/43. The concession provides for an exploration period of six years from 25 September 2003 to 24 September 2009 and a production period of 20 years from the termination of the exploration period. The Concession was renewed (by virtue of Supplementary Concession No. 5) for a third obligation period until 24 September 2012.

Supplementary Concession No. 6 dated 21 May 2012 granted approval to alter the physical work obligations of Salamander in Block L27/43 to conduct a geological study in the block and a three dimensional seismic survey covering an area of at least 75 $km^2$ with a minimum expenditure obligation of US$1,575,000.

The third obligation period was extended in relation to Block L15/43 until 5 March 2014 by virtue of Supplementary Concession No.7 dated 6 March 2013. By letter dated 28 August 2012, in exercise of the power conferred by Section 42 and Section 22/1 (2) of the Petroleum Act B.E. 2514, the DMF approved the creation of the Dong Mun production area in Block L27/43. By an approval letter dated 29 August 2014, in exercise of the power conferred by Section 42 and Section 22/1(2) of the Petroleum Act B.E. 2514, the DMF approved the creation of the Sinphuhorm East Production Area in Block L15/43. The concessions thereby entered into the petroleum production periods with respect to the areas so created.

By an approval letter dated 1 October 2012, the DMF approved APICO (Khorat)'s reservation of an area of 492 $km^2$ in Block L27/43 for not more than five years from the end of the exploration period. In consideration for such reservation, APICO (Khorat) is required to pay a reservation fee of 100,000 Thai baht/$km^2$ each year. By a further approval letter dated 11 September 2014, the DMF approved APICO (Khorat)'s reservation of an area of 390 $km^2$ in Block L15/43 for not more than five years from the end of the exploration period. In consideration for such reservation, APICO (Khorat) is required to pay a reservation fee of 100,000 Thai baht/$km^2$ each year.

The fiscal terms of the concession provide that:

- the concessionaire pays a monthly royalty for volume of petroleum sold or disposed of. The royalty rates are as follows:

| Volume (bbl/month) | Incremental royalty |
|---|---|
| Less than 60,000 | 5.00% |
| 60,000 to 150,000 | 6.25% |
| 150,000 to 300,000 | 10.00% |
| 300,000 to 600,000 | 12.50% |
| Greater than 600,000 | 15.00% |

  A conversion rate of 10 MMBTU of heating value of gas equivalent to one bbl is applied;

- SRB, as set out in the Petroleum Act B.E 2514 and as amended by the Petroleum Act (No.4) B.E. 2532 must be paid. For the calculation of the SRB, the geological constant (K) has been determined as 450,000m for each block and the special reduction ('uplift') has been set at 35 per cent. for each block; the SRB is computed at SRB rate multiplied by petroleum profit, where:
  - SRB rate ranges from 0 per cent. to 75 per cent. and is a function of adjusted petroleum revenue per metre drilled; and
  - petroleum profit is petroleum revenue less royalty, capex, opex and losses carried forward, with up lift of 35 per cent. on production facilities capex;
- a surface reservation fee is payable at the rate prescribed by the ministerial regulations being in force on the date of submission of the application for the reservation area; for 2014 the fee payable is US$1,680,000;
- capital depreciation is computed with tangible expenses depreciated over five years using straight-line depreciation, intangible expenses (pre-production) depreciated over 10 years using straight-line depreciation, and intangible expenses (post-production) expensed; and
- income tax is charged at a rate of 50 per cent. of the net profit from petroleum operations.

*12.2.19 West Bangkanai PSC*

The West Bangkanai PSC was entered into between SKKMiGas and Salamander Energy (West Bangkanai) Limited as contractor (for the purposes of this summary, the "Contractor") and approved by the Government of Indonesia on 15 May 2013 (for the purposes of this summary, the "Effective Date") in respect of the West Bangkanai area. Under the West Bangkanai PSC, SKKMiGas is responsible for the management of petroleum operations in the West Bangkanai area and the Contractor is responsible to SKKMiGas for execution of such petroleum operations.

The term of the West Bangkanai PSC is 30 years from the Effective Date. At the end of six years from the Effective Date the Contractor may make a request that SKKMiGas extend the concession by a further four years. If at the end of the initial six years of the contract period (or the end of the approved extension period, if applicable) no petroleum in commercial quantities is discovered in the contract area, the Contractor shall be obliged to relinquish the contract area.

Under the terms of the West Bangkanai PSC, SKKMiGas may require the Contractor to offer a right to back-in for a 10 per cent. interest in the PSC to a designated Indonesian participant (a company designated by the local government of the Republic of Indonesia) within one month of the Contractor's notification to SKKMiGas of the first plan of development being approved by the central government of the Republic of Indonesia. The relevant entity is required to reimburse the Contractor for 10 per cent. of historical operating costs incurred in the contract area.

The fiscal terms of the contract include the following:

- the Contractor pays production bonuses (which are not cost recoverable) of US$250,000, US$500,000 and US$750,000 on reaching cumulative production of each of 25 MMboe, 50 MMboe and 75 MMboe respectively;

- the Contractor has the right to recover operating costs against the sales proceeds of petroleum (or other dispositions of available petroleum). Operating costs are defined to include depreciated capital costs and non-capital costs in relation to each year's operations, such as labour, materials and services used in day to day oil well operations, oil field production facilities operations and other operating activities, including repairs and maintenance and marketing. Unrecovered costs can be carried forward to future years for cost recovery purposes;
- 20 per cent. of total production in each year (the "FTP") is shared between SKKMiGas and the Contractor in accordance with the parties' profit oil share and profit gas share;
- after allowing for FTP and cost recovery, the profit oil share is allocated such that SKKMiGas has 58.333 per cent. and the Contractor has 41.6667 per cent.;
- the profit gas share is also allocated such that SKKMiGas has 41.6667 per cent. and the Contractor has 58.3333 per cent.;
- a percentage of the Contractor's share of profit oil is required to satisfy domestic market obligations, such percentage not to exceed 25 per cent. of the Contractor's profit oil share multiplied by the total quantity of crude oil produced from the contract area. The DMO oil price is 25 per cent. of the weighted average contract price of all crude oil produced and sold in the relevant contract area for the relevant calendar year;
- a percentage of the Contractor's share of profit gas is required to satisfy DMOs, such percentage not to exceed 25 per cent. of the quantity of natural gas proven reserves in a newly discovered reservoir in the contract area multiplied by the Contractor's profit share;
- the Contractor pays Indonesian income tax including any final tax on profits after tax deduction if applicable, on the revenue from the sale of its profit oil share and profit gas share (including its share of FTP); and
- an administration fee of US$75,000 is payable by the Contractor to SKKMiGas at the start of each contract year to cover administrative requirements such as transport, visas and security requirements and further advances may be payable in addition to this amount where requested by SKKMiGas.

The Contractor is required to use its best reasonable efforts to market the oil (to the extent markets are available), including SKKMiGas's share of oil. The Contractor has the right to export its share of oil from such sale after complying with DMO.

All equipment purchased by the Contractor under a work program becomes the property of the Government of Indonesia. The Contractor undertakes to employ and train Indonesian personnel for the purposes of its operations. The costs and expenses of training Indonesian personnel are included in operating costs.

The Contractor can assign all or any part of its participating interest under the contract to affiliates with the consent of the Government of Indonesia through SKKMiGas, provided that the assignee does not hold any participating interest in any other PSC or other form of co-operation contract.

The Contractor can assign all or any part of its participating interest under the contract to a non-affiliated party with the prior written consent of the Government of Indonesia through SKKMiGas, provided that the assignee does not hold any participating interest in any other PSC or other form of co-operation contract and that the Contractor shall remain a majority holder (greater than 50 per cent.) of the participating interest and shall hold the operatorship of the contract.

At least three months prior to the beginning of each calendar year, the Contractor is responsible for preparing and submitting to SKKMiGas a work program and a budget of operating costs for operations for the ensuing calendar year. The Contractor can make changes to a work program provided that the general objective of the work is not changed and there is no increase in the expenditures in the approved budget of operating costs.

Any delay or default by either party to perform its obligations under the contract shall be excused to the extent that the delay or default is attributable to circumstances beyond the control and without the fault or negligence of the party.

At the end of three years from the Effective Date, the Contractor may relinquish its rights and be relieved from its obligations arising under the contract in future if operations are no longer warranted after notifying and consulting with SKKMiGas.

If at any time during the term of the contract, the Contractor has failed to perform as a reasonable and prudent operator or has failed to perform its obligations, SKKMiGas may issue a notice to the Contractor and unless the Contractor remedies the deficiency within 120 days of such notice (or any extended period of time agreed by the parties), SKKMiGas has the right to terminate the contract.

The contract contemplates that if natural gas is encountered in commercial quantities, special provisions shall be drawn up having due regard to the long term character of natural gas supply contracts.

The West Bangkanai PSC is governed by Indonesian law. Disputes under the contract which cannot be settled amicably are to be resolved finally by arbitration in Indonesia in accordance with the UNCITRAL arbitration rules.

*12.2.20 West Bangkanai joint operating agreement*

The West Bangkanai joint operating agreement (''West Bangkanai JOA'') was entered into between Salamander WB and Saka Bangkanai dated 14 May 2014. The joint operating agreement relates to the joint exploration, appraisal, development and production of hydrocarbons from the West Bangkanai contract area. The current operator under the West Bangkanai JOA is Salamander WB.

Salamander WB has a 70 per cent. participating interest and Saka Bangkanai has a 30 per cent. participating interest under the West Bangkanai JOA. Subject to some limited exceptions, each party is entitled to take and separately dispose of its respective portion of hydrocarbons produced and saved from the contract area. The parties may also, by unanimous execution of a multiparty natural gas disposition agreement, agree to dispose of natural gas produced under the PSC on a multiparty basis to a common purchaser or purchasers.

Salamander WB as operator under the West Bangkanai JOA is liable to the other parties only for gross negligence or wilful misconduct and is indemnified by the other participants for all other acts as operator.

An operating committee is established to exercise overall supervision and control of matters pertaining to the joint operations. Each party is to appoint one representative and one alternate representative to serve on the operating committee.

The West Bangkanai JOA has customary provisions in relation to exclusive operations carried out by fewer than all the parties to the agreement. This includes provisions in relation to costs and use of property.

There are customary provisions in relation to default, and where a party defaults, the non-defaulting party should issue a default notice to the defaulting party, giving them seven days to remedy the default. If the defaulting party fails to remedy the default within this seven day period, the defaulting party loses its entitlement to hydrocarbons until the default is remedied. Until such point, the operator (or notifying party if the operator is the defaulting party) shall be authorised to see the defaulting party's entitlement to hydrocarbon on terms that are commercially reasonable under the circumstances.

The West Bangkanai JOA continues in effect until termination of the West Bangkanai PSC and all property used in connection with the joint or sole operations in the contract area has been removed and disposed of, and there has been final financial settlement between the parties. Under the terms of the West Bangkanai JOA, a party not in default has the right to withdraw from the contract by giving notice, but remains liable for its share of certain costs and obligations incurred prior to the date of its withdrawal. Such a withdrawing party is required to assign its participating interest free of cost to each of the non-withdrawing parties in the proportion of each of their participating interests.

The West Bangkanai JOA is governed by the laws of England and Wales. Disputes which cannot be fully resolved between the parties shall be referred to binding arbitration in accordance with the arbitration rules of the Singapore International Arbitration Centre and such arbitration is to take place in Singapore unless otherwise agreed by all parties to the dispute.

*12.2.21 North East Bangkanai PSC*

The North East Bangkanai PSC was entered into between SKKMiGas and Salamander Energy (North East Bangkanai) Limited as contractor (for the purposes of this summary, the ''Contractor'') and approved by the Government of Indonesia on 15 May 2013 (for the purposes of this summary, the ''Effective Date'') in respect of the North East Bangkanai area. Under this agreement, SKKMiGas is responsible for the management of petroleum operations in the North East Bangkanai area and the Contractor is responsible to SKKMiGas for execution of such petroleum operations.

The term of the North East Bangkanai PSC is 30 years from the Effective Date. At the end of six years from the Effective Date the Contractor may make a request that SKKMiGas extend the concession by a further four years (as allowed pursuant to the PSC). If at the end of the initial six years of the contract period (or the end of the approved extension period, if applicable) no petroleum in commercial quantities is discovered in the contract area, the Contractor shall be obliged to relinquish the contract area.

Under the terms of the North East Bangkanai PSC, SKKMiGas may require the Contractor to offer a right to back-in for a 10 per cent. interest in the PSC to a designated Indonesian participant (a company designated by the Local Government of the Republic of Indonesia) within one month of the Contractor's notification to SKKMiGas of the first plan of development being approved by the central government of the Republic of Indonesia. The relevant entity is required to reimburse the Contractor for 10 per cent. of historical operating costs incurred in the contract area.

The fiscal terms of the contract include the following:

- the Contractor pays production bonuses (which are not cost recoverable) of US$250,000, US$500,000 and US$750,000 on reaching cumulative production of each of 25 MMboe, 50 MMboe and 75 MMboe respectively;
- the Contractor has the right to recover operating costs against the sales proceeds of petroleum (or other dispositions of available petroleum). Operating costs are defined to include depreciated capital costs and non-capital costs in relation to each year's operations, such as labour, materials and services used in day to day oil well operations, oil field production facilities operations and other operating activities, including repairs and maintenance and marketing. Unrecovered costs can be carried forward to future years for cost recovery purposes;
- 20 per cent. of total production in each year (the ''FTP'') is shared between SKKMiGas and the Contractor in accordance with the parties' profit oil share and profit gas share;
- after allowing for FTP and cost recovery, the profit oil share is allocated such that SKKMiGas has 58.333 per cent. and the Contractor has 41.6667 per cent.;
- the profit gas share is also allocated such that SKKMiGas has 41.6667 per cent. and the Contractor has 58.3333 per cent.;
- a percentage of the Contractor's share of profit oil is required to satisfy domestic market obligations, and such percentage is not to exceed 25 per cent. of the Contractor's profit oil share multiplied by the total quantity of crude oil produced from the contract area. The DMO oil price is 25 per cent. of the weighted average contract price of all crude oil produced and sold in the relevant contract area for the relevant calendar year;
- a percentage of the Contractor's share of profit gas is required to satisfy DMOs, such percentage not to exceed 25 per cent. of the quantity of proven natural gas reserves in a newly discovered reservoir in the contract area multiplied by the Contractor's profit share;

- the Contractor pays Indonesian income tax including any final tax on profits after tax deduction if applicable, on the revenue from the sale of its profit oil share and profit gas share (including its share of FTP); and
- an administration fee of US$75,000 is payable by the contractor to SKKMiGas at the start of each contract year to cover administrative requirements such as transport, visas and security requirements and further advances may be payable in addition to this amount where requested by SKKMiGas.

The Contractor is required to use its best reasonable efforts to market the oil (to the extent markets are available), including SKKMiGas's share of oil. The Contractor has the right to export its share of oil and from such sale after complying with domestic market obligations.

All equipment purchased by the contractor under a work program becomes the property of the Government of Indonesia. The Contractor undertakes to employ and train Indonesian personnel for the purposes of its operations. The costs and expenses of training Indonesian personnel are included in the operating costs.

The Contractor can assign all or any part of its participating interest under the contract to affiliates with the consent of the Government of Indonesia through SKKMiGas, provided that the assignee does not hold any participating interest in any other PSC or other form of co-operation contract.

The Contractor can assign all or any part of its participating interest under the contract to a non-affiliated party with the prior written consent of the Government of Indonesia through SKKMiGas, provided that the assignee does not hold any participating interest in any other PSC or other form of co-operation contract and that the Contractor shall remain a majority holder (greater than 50 per cent.) of the participating interest and shall hold the operatorship of the contract.

At least three months prior to the beginning of each calendar year, the Contractor is responsible for preparing and submitting to SKKMiGas a work program and a budget of operating costs for operations for the ensuing calendar year. The contractor can make changes to a work program provided that the general objective of the work is not changed and there is no increase in the expenditures in the approved budget of operating costs.

Any delay or default by either party to perform its obligations under the contract shall be excused to the extent that the delay or default is attributable to circumstances beyond the control and without the fault or negligence of the party.

At the end of three years from the Effective Date, the Contractor may relinquish its rights and be relieved from its obligations arising under the contract in future if operations are no longer warranted after notifying and consulting with SKKMiGas.

If at any time during the term of the contract, the Contractor has failed to perform as a reasonable and prudent operator or has failed to perform its obligations, SKKMiGas may issue a notice to the Contractor and unless the Contractor remedies the deficiency within 120 days of such notice (or any extended period of time agreed by the parties), SKKMiGas has the right to terminate the contract.

The contract contemplates that if natural gas is encountered in commercial quantities, special provisions shall be drawn up having due regard to the long term character of natural gas supply contracts.

The North East Bangkanai PSC is governed by Indonesian law. Disputes under the North East Bangkanai PSC which cannot be settled amicably are to be resolved finally by arbitration in Indonesia in accordance with the UNCITRAL arbitration rules.

*12.2.22 Block PM322 PSC*

The Block PM322 PSC was entered into between Petronas, SEML and Petronas Carigali (together with SEML, for the purpose of this summary, the "Contractors") on 11 December 2013 (for the purpose of this summary, the "Effective Date") and relates to the exploration and production of petroleum from Block PM322, offshore peninsular Malaysia.

The term of the Block PM322 PSC is 27 years commencing on the Effective Date. The exploration period is three years from the Effective Date.

According to the terms of the Block PM322 PSC, if crude oil is discovered in a commercial quantity in a sub-block, that sub-block becomes part of the development area. If the Contractors fail to produce crude oil commercially from any sub-block within four years of it becoming part of the development area, that sub-block shall be deemed to be relinquished to Petronas. Further, failure to make any discovery of non-associated gas shall render the gas fields relinquished to Petronas.

The production of crude oil and non-associated gas may be carried out for a period of 20 years commencing on the date of the first commercial production of crude oil or natural gas (as the case may be) from the sub-block in which an oil field or gas field (as applicable) is located, or the expiry of the term of the Block PM322 PSC (plus a five year gas holding period, in the case of non-associated gas), whichever is earlier. If the Contractors fail to produce crude oil commercially from any oil field for a continuous period of more than one year, that oil field shall be deemed to be relinquished to Petronas.

The key fiscal terms of the contract include the following:

- a maximum of 10 per cent. of the gross production of crude oil and natural gas in each quarter shall be taken by Petronas;
- the Contractors have the right to recover costs and expenses against available production, other than certain non-recoverable expenditure, based on Contractors' R/C;
- division of profit oil in any given quarter shall be determined based on the Contractors' R/C for the immediate preceding quarter;
- where in any month the value of crude oil or natural gas exceeds the base price (which, in the case of crude oil, is equal to US$40/bbl + two per cent. p.a., subject to a maximum of US$80/bbl, and in the case of natural gas, is equal to US$3.30/MMBTU + four per cent. p.a.) and the Contractors' R/C exceeds 1, the Contractors shall make a supplemental cash payment of 70 per cent. of the amount of profit above base price to Petronas;
- the Contractors are obliged to pay to Petronas a research cess of 0.5 per cent. of the price of every kilolitre of Cost Oil and Profit Oil to which they are entitled;
- the Contractors shall pay at their own expense all taxes (state and federal) for which they are liable and such amounts shall not be cost recoverable;
- the Contractors are obliged to pay to Petronas an annual abandonment cess (which is cost recoverable) based on an estimate of abandonment costs and reserves; and
- the minimum work commitment for the Contractors during the exploration period is the acquisition and processing of 600 $km^2$ of new 3D full-fold high quality seismic data, drilling of not less than one firm exploration well and detailed and systematic review of the hydrocarbon potential of the contract area. The minimum financial commitment by the Contractors for such work is US$18,000,000 (being cost recoverable).

The Contractors may market, lift and export their portion of Cost Oil (excluding disputed cost) and Profit Oil. Subject to the provisions on the valuation of crude oil, Petronas has the right to market, lift and export on the Contractors' behalf, the Contractors' portion of Cost Oil and Profit Oil.

The Contractors are obliged to comply with the national objective of maximising Malaysian participation in the use of local equipment, facilities, goods, materials, supplies and services required for the petroleum operations and shall give priority to Malaysian goods and services, suppliers and facilities for the work programme. All equipment purchased by the Contractors under a work programme becomes the property of Petronas.

A Contractor can only assign all or any part of its participating interest under the Block PM322 PSC (including to related parties) with the prior written approval of Petronas.

The Block PM322 PSC is governed by Malaysian law. Any disputes between the parties are to be submitted to arbitration. The place of arbitration is Kuala Lumpur and any arbitration shall be conducted in accordance with the Rules of Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

*12.2.23 Block PM322 joint operating agreement*

The Block PM322 joint operating agreement (the "Block PM322 JOA") was entered into between SEML and Petronas Carigali on 11 December 2013. The joint operating agreement relates to the mutual rights and obligations of the parties in relation to the exploration, exploitation, winning and obtaining of petroleum resources in offshore peninsular Malaysia covered by the Block PM322 PSC.

SEML has an 85 per cent. participating interest and Petronas Carigali has a 15 per cent. participating interest under the Block PM322 JOA. SEML is the current operator under the Block PM322 JOA and is responsible for performance of operations on behalf of the parties.

Under the terms of the Block PM322 JOA, each party is entitled to own, take in kind and separately dispose of its respective proportion of petroleum. The agreement states that if gas is discovered in commercial quantity, the parties shall mutually agree upon the handling and disposal of their percentage interests.

SEML, as operator is liable to the other parties only for gross negligence and is indemnified by the other participants for all other acts as operator. No party is liable for loss of profits or business, or special, indirect or consequential damages.

The Block PM322 JOA establishes a management committee to exercise overall supervision and control of matters pertaining to joint operations. Each party is to appoint two representatives to the management committee.

The Block PM322 JOA has customary provisions in relation to sole risking as well as cost recovery for a sole risk project.

There are also customary provisions applicable where a party defaults as a result of a failure to contribute funds requested by the operator by the due date. Where a defaulting party fails to remedy its default within thirty days from the effective date of default, the non-defaulting party may serve the defaulting party with a written demand for an assignment or transfer to the non-defaulting party of the proportionate share of the rights and interests of the defaulting party under the Block PM322 PSC and Block PM322 JOA, including the defaulting party's share of all petroleum.

A party can only assign all or a part of its participating interest under the Block PM322 JOA together with its corresponding interest under the Block PM322 PSC and only with the approval of Petronas . Any such assignment or transfer is also subject to the right of the other party to acquire such participating interest in priority to the proposed assignee and on the terms agreed with such assignee. A party cannot make any assignment which would result in such party or its assignee owning less than a 10 per cent. participating interest under the Block PM322 JOA.

A party does not have the right to withdraw from the Block PM322 JOA and the Block PM322 PSC, by giving notice, until the minimum work or financial obligations for the applicable period set forth in the contract have been fulfilled. Should all parties withdraw from the Block PM322 JOA, then the Block PM322 JOA and the Block PM322 PSC shall be terminated. The Block PM322 JOA may also be terminated:

- by the unanimous consent of the parties;
- by the termination of the Block PM322 PSC; or
- by the vesting of all rights and obligations in one party.

The Block PM322 JOA is governed by Malaysian law. Any disputes between the parties are to be submitted to arbitration. The place of arbitration is Kuala Lumpur and any arbitration shall be conducted in accordance with the Rules of Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

*12.2.24 Convertible Bonds*

The Convertible Bonds were issued on 30 March 2010 in an aggregate principal amount of US$100 million and have a final maturity date of 30 March 2015.

Unless previously purchased and cancelled, redeemed or converted, the Convertible Bonds will be redeemed at their principal amount on 30 March 2015.

On giving not less than 30 and not more than 60 days' notice, Salamander may redeem all, but not some only, of the Convertible Bonds at their principal amount, together with accrued but unpaid interest to such date in the following circumstances:

(a) at any time on or after 20 April 2013, if the aggregate value of the bonds on each dealing day in any period of not less than 20 dealing days in any period of 30 consecutive dealing days exceeds US$130,000;

(b) at any time if 85 per cent. or more in principal amount of the Convertible Bonds originally issued shall have been previously purchased and cancelled, converted and/ or redeemed; or

(c) (i) Salamander satisfies BNP Paribas Trust Corporation UK Limited, in its capacity as trustee that it has or will become obliged to pay additional amounts in respect of any payments of interest in respect of the Convertible Bonds, as a result of, among other things, any change in the laws or regulations of the United Kingdom, which change became effective on or after 18 March 2010; and (ii) such obligation cannot be avoided by Salamander taking reasonable measures available to it.

If Salamander gives notice of its intention to redeem the Convertible Bonds for tax reasons, each Bondholder will have the right to elect that his Convertible Bonds shall not be redeemed pursuant to such notice, whereupon payments of interest to be made in respect of such Convertible Bonds shall be made subject to the deduction or withholding of United Kingdom taxation required to be withheld or deducted.

Following the occurrence of a CB Change of Control (as defined below), the holder of each Convertible Bond will have the right to require Salamander to redeem that Convertible Bond on the change of control put date at its principal amount, together with accrued and unpaid interest to such date. Salamander will have an option to redeem the Convertible Bonds in sterling.

A "CB Change of Control" shall occur if an offer is made to all shareholders (or all such shareholders other than the offeror and/or any associate of the offeror (as defined in Section 988(1) of the Companies Act 2006), to acquire all or a majority of the issued ordinary share capital of Salamander or if any person proposes a scheme with regard to such acquisition (other than an exempt newco scheme) and (such offer or scheme having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of Salamander has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act 2006).

Interest is paid on the Convertible Bonds from (and including) 30 March 2010 at the rate of 5.00 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrears in equal instalments on 30 March, and 30 September, in each year commencing on 30 September 2010.

The Convertible Bonds have the benefit of a negative pledge and cross acceleration.

Each Convertible Bond entitles the holder to a conversion right to convert such Convertible Bond into Salamander Shares, credited as fully paid.

The conversion right in respect of a Convertible Bond, may be exercised at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and the CB Conditions) from, and including, 10 May 2010 to, and including, the close of business (at the place where the relevant Convertible Bond is delivered for conversion) on (i) 23 March 2015; or (ii) if such Convertible Bond is to be redeemed, at the option of Salamander (including redemption for taxation reasons, as described above), prior to 30 March 2015, on the seventh calendar day before the date fixed for redemption.

The number of Salamander Shares to be issued or transferred and delivered on exercise of a conversion right in respect of a Convertible Bond will be determined by dividing the principal amount of such Convertible Bond to be converted (translated into sterling at a rate of US$1.529 per £1.00) by the conversion price in effect on the relevant conversion date. The initial conversion price is £3.637 per Salamander Share.

The events of default under the CB Conditions include, but are not limited to, non-payment of principal or interest by Salamander subject to certain grace periods, breach of Salamander's other obligations under the Convertible Bonds and related documents, cross default in respect of other debt subject to a threshold of US$20 million, enforcement of certain types of encumbrances assumed by Salamander or any of its principal subsidiaries over all or a substantial part of their property or assets if not discharged within 60 days or in *bona fide* dispute and insolvency of Salamander or any of its principal subsidiaries.

Holders of the Convertible Bonds will be contacted regarding the effect of the Transaction on their rights in respect of the Convertible Bonds held by them.

*12.2.25 NOK Bond*

*(a) Overview*

(i) The NOK Bond was entered into on 5 December 2013 between Salamander and Norsk Tillitsmann ASA (the "NOK Bond Trustee"), was issued on 6 December 2013 and was listed on the Nordic ABM on 19 March 2014. Under the NOK Bond, a series of bonds in the maximum amount of US$150,000,000 were issued, ranking *pari passu* between themselves and with a face value of US$200,000.

(ii) The bonds constitute senior debt obligations of Salamander, are unsecured, and rank at least *pari passu* with all other senior obligations of Salamander and rank ahead of subordinated capital and debt.

(iii) The proceeds of the NOK Bond were used by Salamander for general corporate purposes of the Salamander Group including refinancing of existing indebtedness and financing field development costs in relation to resources in Greater Bualuang, Greater Kerendan and Onshore Northeast Thailand.

*(b) Repayment*

(i) The NOK Bond is repayable in full on 6 January 2020 and shall be repaid at par. Salamander shall pay interest on the par value of the bonds from, and including, the issue date at a fixed rate of 9.75 per cent. per annum semi annually on 30 June and 31 December each year except for the first interest payment date which was 30 June 2014 and the last interest payment date which shall be the maturity date.

(ii) Salamander has a call option to redeem the NOK Bond in whole or in part.

(iii) Bondholders have a right of prepayment upon a change of control for a price of 101 per cent. of par value plus accrued interest.

(iv) The NOK Bond provides that, in certain circumstances, disposals can lead to the triggering of a bondholder option to receive partial prepayment at 100 per cent. of par. Whether the option is exercisable, and the extent to which any right of prepayment arises, depends on the extent to which disposal proceeds are used to repay debt and invest in capital expenditures and/or acquire development assets.

*(c) Guarantee and indemnity*

(i) The NOK Bond Trustee, is liable for direct losses incurred by bondholders or Salamander as a result of gross negligence or wilful misconduct. This is limited to a maximum of US$150,000,000.

(ii) Salamander is liable for, and shall indemnify the NOK Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the NOK Bond Trustee as a result of negligence by Salamander (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of the NOK Bond and any other finance document, including losses incurred by the NOK Bond Trustee's own actions based on misrepresentations made by Salamander.

(d) *Fees*

Salamander covers all costs and expenses incurred by itself and the NOK Bond Trustee in connection with the NOK Bond including, but not limited to, obligations, preparation and enforcement. Fees and expenses payable to the NOK Bond Trustee are covered by a separate agreement.

(e) *Covenants, warranties and representations*

(i) Salamander has a covenant to pay on any payment date all amounts due in relation to the NOK Bond and any other finance document. Other general covenants exist, and are valid until no amounts are outstanding under the NOK Bond, including, but not limited to, providing information, *pari passu* ranking, mergers, cessation of business, corporate status, compliance with law and insurance. Special covenants exist including, but not limited to, distributions, disposals, indebtedness, security and financial support. There are other financial covenants in relation to liquidity and compliance and capital employed, leverage and interest cover ratios. The Transaction does not result in any breach of the aforementioned covenants.

(ii) Several warranties and representations exist in the NOK Bond including, but not limited to, Salamander's status, consent, conflicts and confirmation of no litigation, no misleading information and environmental compliance.

(f) *Events of default*

The following events may lead the NOK Bond Trustee to declare Salamander in default of its obligations under the NOK Bond: (i) non-payment of obligations under the NOK Bond or any specified finance document; (ii) breach of other obligations; (iii) cross default in relation to any group company; (iv) misrepresentation under the NOK Bond or any specified finance documents; (v) insolvency of any group company; (vi) insolvency proceedings against and dissolution of any group company; (vii) where creditors seize over US$2,000,000 of any group company's assets; (viii) impossibility or illegality; and (ix) material adverse effect. The Transaction does not result in any breach of the aforementioned events of default.

(g) *Change of control*

(i) A change of control includes a situation where any person, group of persons under the same influence, or persons acting in concert directly or indirectly obtaining the majority of voting rights in Salamander or a right to elect a majority of the board of directors.

(ii) A "change of control" also includes where the Salamander Shares are de-listed from the London Stock Exchange, or any other recognised stock exchange, and no subsequent re listing occurs.

(iii) Each bondholder shall have a right of prepayment of its bonds at a price of 101 per cent. of par value plus accrued interest on the occurrence of a change of control event. This must be exercised within 60 days of Salamander giving notice of a change of control event.

(h) *Governing law*

(i) The NOK Bond and all disputes arising out of are governed by Norwegian law. The courts of Norway shall exclusively resolve matters with the District Court of Oslo as the sole legal venue.

(ii) The jurisdiction and governing law provision is for the benefit of the NOK Bond Trustee only, who consequently shall not be prevented from taking proceedings relating to a dispute to any other courts with jurisdiction. If allowed by law, concurrent proceedings may be taken in any number of jurisdictions.

*(i) Other provisions*

The NOK Bond also has provisions relating to the role and authority of the NOK Bond Trustee and changes to the NOK Bond Trustee as well as provisions in relation to meetings of the bondholders.

*12.2.26 RBL Facility*

*(a) Overview*

(i) The RBL Facility was entered into on 17 December 2012 between, among others, Salamander Energy (E&P) Limited, Standard Chartered Bank and BNP Paribas (as amended from time to time).

(ii) The RBL Facility is guaranteed by SEEPL, Salamander Energy (S.E. Asia) Limited, Salamander Energy (Holdco) Limited, SEBHL, Salamander (Bualuang) Limited, Salamander Energy (Thailand) Co Ltd, PHT Partners L.P.

(iii) The RBL Facility amount is US$350 million split into two tranches:

(1) US$300 million commercial bank tranche; and

(2) US$50 million IFC tranche.

(iv) The purpose of the RBL Facility was to fund operating and capital expenditure on the Salamander Group's borrowing, fund potential future acquisition of oil and gas assets and for the general corporate purposes of the Salamander Group.

(v) The RBL Facility is an updated facility agreement bringing together several borrowings of the Salamander Group into one arrangement.

(vi) The RBL Facility provides two revolving loan facilities, one from certain bank lenders (including BNP Paribas and Standard Chartered Bank, Singapore branch) and one from the IFC (together, for the purposes of this paragraph 12.2.25, the "Lenders").

*(b) Interest*

The rate of interest is calculated depending on margin, LIBOR and mandatory costs. The margin is 3.70 per cent. per annum before 31 December 2016 and 4.20 per cent. per annum afterwards (with different rates where a cash lock up event is continuing). Interest periods can be selected as either three or six months or any other period agreed between SEEPL and Standard Chartered Bank (Hong Kong) Limited.

*(c) Repayment*

(i) All the commitments under the RBL Facility should be reduced to zero on the final maturity date, which is the earliest of 31 December 2019 or another date to be calculated depending on amounts outstanding.

(ii) Any loans drawn must be repaid by the borrower on the last day of such loan's interest period.

(iii) The borrowers are also to repay any required amounts of loans on reduction dates, which are scheduled on 30 June and 31 December of each year, or another date as determined by a lender when making a projection.

*(d) Guarantee and Indemnity*

(i) Each guarantor under the RBL Facility and Salamander, as the parent, (for the purposes of this summary (d), each a "Guarantor" and together the "Guarantors") guarantees the punctual performance by obligors of their obligations under the RBL Facility. Furthermore each Guarantor undertakes to immediately and on demand pay amounts whenever an obligor does not pay.

(ii) If any guaranteed obligation becomes unenforceable, invalid or illegal, each Guarantor will also indemnify any Lenders immediately on demand against any cost, loss or liability it incurs as a result of an obligor not paying any amount which would have been payable but for such unenforceability, invalidity or illegality.

(iii) The guarantee is a continuing guarantee.

(iv) There are a number of standard indemnities, including a currency indemnity, being provided by some of the Salamander group companies.

*(e) Fees*

(i) The borrowers shall pay commitment fees calculated on the basis of the borrowing base amount, aggregate commitments and whether they exceed the aggregate amount of all outstanding loans.

(ii) Other fees, as set out in letters between the borrowers and Lenders, are also due as well as fees for SEEPL when a lender requires an independent engineer and/or any legal adviser, insurance adviser, environmental consultant, engineering consultant or model auditor appointed to exercise, enforce and perform its rights and obligations under the RBL Facility.

*(f) Covenants, warranties and representations*

(i) There are standard representation provisions, including, but not limited to, no misleading information, no default, no conflict with other obligations, *pari passu* ranking and power and authority to enter into the RBL Facility.

(ii) The RBL Facility contains general information undertakings between the borrowers and the Lenders and also other undertakings which include, but are not limited to, compliance with law, a negative pledge to ensure no security over assets and restrictions on disposals, mergers, and the nature of business. The Transaction does not result in any breach of the aforementioned covenants.

(iii) There are provisions for financial covenants requiring a test for the ratio of financial indebtedness of the wider Salamander Group to EBITDAX for a relevant period.

*(g) Events of Default*

The RBL Facility has standard provisions in relation to events of default, including: (i) non payment of any amount payable; (ii) non compliance in relation to certain undertakings to IFC; (iii) financial covenants being left unsatisfied; (iv) misrepresentation; (v) cross default; (vi) insolvency and insolvency proceedings; (vii) concerns over liquidity and other ratios; (viii) material adverse change; (ix) acceleration; and (x) ownership, asset and industry practice concerns.

*(h) Pre payment and cancellation*

There are standard provisions in relation to prepayment and cancellation which may occur in situations which include illegality, change of control, voluntary cancellation, voluntary prepayment. In particular, in the event of a change of control of SEEPL, SEEPL has to notify Standard Chartered Bank (Hong Kong) Limited promptly. The Lenders then have an option, giving not less than 30 days' notice to SEEPL, to cancel the RBL Facility and declare all loans outstanding, together with all amounts accrued including interest immediately due and payable. IFC in its capacity as lender may do the same but the notice is not less than 90 days.

There is a cash sweep provision requiring SEEPL to, in the event that there is a continuing cash lock-up event, procure that all excess revenues are applied to the prepayment of loans on the first business day after the cash lock up event and the first business day of each month thereafter.

*(i) Governing law*

The RBL Facility and all disputes arising out of it are governed by English law.

(j) *Other provisions*

The RBL Facility also has other provisions in relation to the role of various parties, changes to the Lenders and changes to the obligors, provisions in relation to set off and other such standard provisions for a facility agreement.

*12.2.27 RBL Facility Waivers*

(i) On 31 December 2014 Salamander, Salamander Energy (E&P) Limited and Standard Chartered Bank entered into a waiver and amendment letter relating to the RBL Facility, pursuant to which, among other things, the obligations of Salamander Energy (E&P) Limited under the RBL Facility to carry out a redetermination in respect of its borrowing base assets were waived until after the Scheme was expected to become Effective.

(ii) On 14 January 2015, Salamander, Salamander Energy (E&P) Limited, the International Finance Corporation and Standard Chartered Bank (Hong Kong) Limited entered into a further waiver and amendment letter relating to the RBL Facility, pursuant to which, among other things, the lenders have agreed to waive their right to cancel the RBL Facility and require prepayment solely as a result of the change of control of Salamander arising pursuant to the Transaction and certain consequential amendments to the RBL Facility, contingent on completion of the Transaction, to reflect Ophir as the ultimate parent company of the Combined Group.

## 13 Litigation

### 13.1 The Ophir Group

13.1.1 There are no governmental, legal or arbitration proceedings nor, so far as Ophir is aware, are any such proceedings pending or threatened, which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on Ophir's or the Ophir Group's financial position or profitability.

13.1.2 In 2005 and 2006, Ophir entered into certain agreements with Mr Moto Mabanga pursuant to which Mr Mabanga agreed to provide consultancy services and assistance to Ophir in relation to Blocks 1, 3 and 4 in Tanzania. These agreements were terminated in June 2010 pursuant to a deed of termination, under which Mr Mabanga waived all rights and claims which he had or may have in the future (whether known or unknown) against Ophir. Mr Mabanga has made claims against Ophir alleging misrepresentations in respect of the termination of his services and the valuation of his interest in Blocks 1, 3 and 4, Tanzania. These claims have been rejected by Ophir on the basis that the claims were without merit.

In 2012, Mr Mabanga brought a claim against the Company in the English courts, on the basis of the alleged misrepresentations described above. Mr Mabanga's claim was dismissed by summary judgment and costs were awarded against him on an indemnity basis. Mr Mabanga has since commenced related proceedings before the courts of Tanzania, which are pending trial. The Company does not expect such proceedings to have a significant effect on Ophir or the Ophir Group's financial position or profitability.

13.1.3 In 2009, Dominion entered into an option with M&P in respect of part of its interest in the PSA between Dominion and the Tanzanian Government dated 20 May 2005 (the "Kisangire PSA"). Dominion is a wholly-owned subsidiary of Ophir. The option allowed M&P to acquire 35 per cent. of Dominion's residual interest for a period of up to 100 days following the drilling of a commitment well, which Heritage (the farm in partner of Dominion) had agreed to drill and fund. The commitment well was not drilled and the Kisangire PSA was relinquished at the end of 2010. The Ophir Group is having ongoing discussions with each of Heritage and M&P, and M&P has commenced arbitration proceedings before the ICC International Court of Arbitration seeking payment for an amount equal to a proportion of the cost of the undrilled commitment well, which are pending the hearing. The Company does not expect such proceedings to have a significant effect on Ophir's or the Ophir Group's financial position or profitability.

**13.2 The Salamander Group**

13.2.1 Save as disclosed in the following paragraph, there are no governmental, legal or arbitration proceedings nor, so far as Ophir is aware, are any such proceedings pending or threatened, which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on Salamander's or the Salamander Group's financial position or profitability.

13.2.2 On 1 January, 2014 the Bualuang field production riser and water injection riser and other equipment were damaged in an incident involving the Rubicon Vantage FPSO, which resulted in a production shutdown lasting 44 days. The Rubicon Vantage FPSO was chartered under a bareboat charter with Rubicon Vantage Offshore Pte Ltd ("Rubicon") and operations and maintenance activities in connection with the Rubicon Vantage FPSO were carried out by an affiliated company of Rubicon, Maritime Offshore Pte. Ltd. Salamander believes it has a claim for considerable damages in respect of the loss sustained as a consequence of the shutdown but has not yet brought any formal proceedings and is yet to quantify the appropriate level of such claim for the purposes of any formal proceedings.

## 14 Working capital

In the opinion of the Company, the working capital available to the Combined Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this Circular.

## 15 Significant changes

**15.1 The Ophir Group**

There has been no significant change in the financial or trading position of the Ophir Group since 30 June 2014, the date to which the last published interim financial statements were prepared.

**15.2 The Salamander Group**

There has been no significant change in the financial or trading position of the Salamander Group since 30 June 2014, the date to which the last published interim financial statements were prepared.

## 16 Incorporation by reference

The following documents (or parts of documents) are incorporated by reference in, and form part of, this Circular:

(a) the Announcement;

(b) the Articles of Association of Ophir;

(c) the Annual Reports and audited consolidated financial information of Ophir for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, together with the audit review reports thereon; and

(d) the interim results of Ophir for the six months ended 30 June 2014.

Part IX (Documents Incorporated by Reference) is a checklist of information incorporated by reference which sets out the location by references to the above documents within this Circular.

## 17 Consents

17.1 Credit Suisse Securities (Europe) Limited has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.

17.2 Morgan Stanley has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.

17.3 RBC Europe Limited has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.

17.4 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion of its report on reconciliation of Salamander financial information with the accounting policies of the Ophir Group, its report on the *pro forma* financial information and its name in this Circular in the form and context in which they are included.

**18 Documents available for inspection**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at Level Four, 123 Victoria Street, London SW1E 6DE and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ up to and including the date of the Ophir General Meeting:

(a) the articles of association of Ophir;

(b) the Prospectus;

(c) the Scheme Document;

(d) this Circular and the Form of Proxy;

(e) the Announcement;

(f) the Irrevocable Undertakings and Letters of Intent;

(g) the Confidentiality and Standstill Agreement;

(h) the Co-operation Agreement;

(i) the consent letters referred to in paragraph 17 above;

(j) the unaudited interim condensed financial statements for the six months ended 30 June 2014 and the Annual Reports and audited consolidated financial information of Ophir for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, together with the audit review reports thereon;

(k) the unaudited interim condensed financial statements for the six months ended 30 June 2014 and the Annual Reports and audited consolidated financial information of Salamander for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, together with the audit review reports thereon;

(l) the reports of Ernst & Young LLP set out in Section B of Parts V (Reconciliation of Financial Information on the Salamander Group on the basis of the accounting policies of the Ophir Group) and VI (Unaudited Pro Forma Financial Information of the Combined Group) and in Appendix 1 (Quantified Financial Benefits Statement) of the Scheme Document; and

(m) the report of Credit Suisse Securities (Europe) Limited, Morgan Stanley and RBC Europe Limited set out in Appendix 1 (Quantified Financial Benefits Statement) of the Scheme Document.

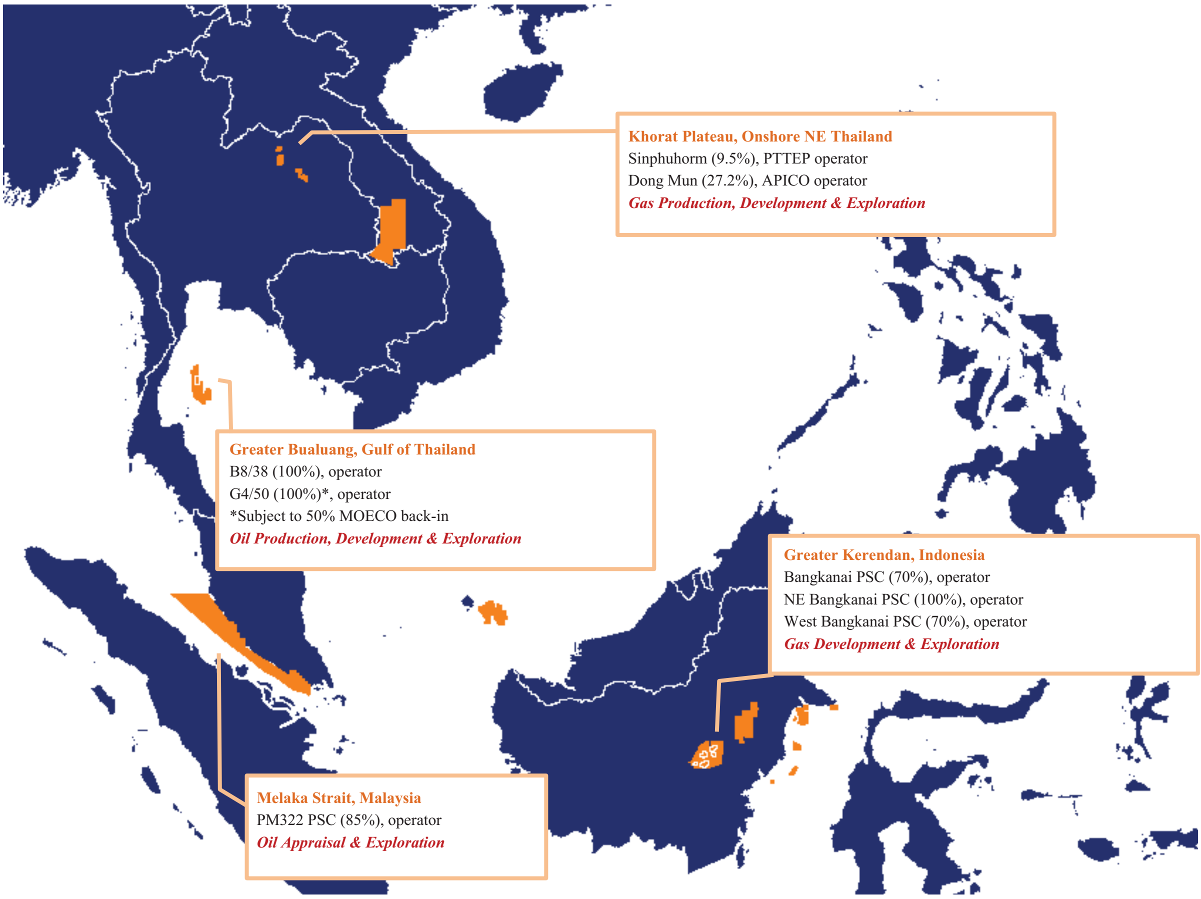
The above documentation will also be available for inspection on the date and at the place of the Ophir General Meeting for at least 15 minutes before the Ophir General Meeting is held until its conclusion.

# PART VIII – SUMMARY OF SALAMANDER RESOURCES AND RESERVES INFORMATION

## 1 Summary of Key Assets

Salamander has operations across South East Asia, with the principal assets located in Indonesia and Thailand. The portfolio has been established through a series of asset and company transactions, as well as organic license round entries. In Thailand, a Salamander Group company is operator of the producing Bualuang offshore oil field and has, through its holding in APICO, a non-operated interest in the producing Sinphuhorm gas field and the Dong Mun gas field development. In Indonesia, a Salamander Group company is operator of the Kerendan gas field development. The Salamander Group has further operated and non-operated interests in a number of exploration licences throughout Thailand, Indonesia, Malaysia and Laos.

The map below shows the location of Salamander's key partnership interests.




*Source: Salamander*

The table below summarises the details of the Salamander Group's ownership interests:

| Asset | Location | Onshore/ Offshore | Contract Area ($km^2$) | Working Interest (per cent.) | Status | Operator |
|---|---|---|---|---|---|---|
| ***Greater Bualuang, Thailand*** | | | | | | |
| Block B8/38 (Bualuang) | Thailand Western Gulf | Offshore | 377 | 100.0 | Production and development Oil | Salamander |
| Block G4/50(1) | Thailand Western Gulf | Offshore | 2,906 | 100.0 | Exploration | Salamander |
| ***Onshore NE Thailand*** | | | | | | |
| Blocks E5N/EU1 (Sinphuhorm)(2) | Thailand North East | Onshore | 230 | 9.5 | Production and development Gas | PTTEP |
| Block L27/43 (Dong Mun)(2) | Thailand North East | Onshore | 524 | 27.2 | Pre-development Gas | APICO |
| Block L15/43(2) | Thailand North East | Onshore | 460 | 27.2 | Appraisal Gas | APICO |
| ***Greater Kerendan, Indonesia*** | | | | | | |
| Bangkanai PSC (Kerendan) | Indonesia Central Kalimantan | Onshore | 1,385 | 70.0 | Development First gas expected 2015 | Salamander |
| West Bangkanai PSC | Indonesia Central Kalimantan | Onshore | 5,463 | 70.0 | Exploration | Salamander |
| North East Bangkanai PSC | Indonesia Central Kalimantan | Onshore | 5,455 | 100.0 | Exploration | Salamander |
| ***Other Assets, Indonesia & Malaysia*** | | | | | | |
| Bontang PSC | Indonesia East Kalimantan | Offshore | 428 | 100.0 | Exploration Pre-development | Salamander |
| South East Sangatta PSC | Indonesia East Kalimantan | Offshore | 1,892 | 100.0 | Exploration | Salamander |
| PM322 PSC | Malaysia Melaka Strait | Offshore | 24,541 | 85.0 | Exploration | Salamander |

*Source: Salamander*

Notes:

(1) The Salamander Group's interest is subject to an option granted under a farm out agreement with MOECO whereby MOECO has the option to back-in up to 50.0 per cent. of the participating interest in the concession subject to certain rights and costs.

(2) The Salamander Group's interest is held through APICO in which the Salamander Group has a 27.2 per cent. shareholding.

## 2 Reserves and Contingent Resources

The Salamander Group's portfolio is marked by the producing Bualuang oil field and Sinphuhorm gas field in Thailand and the Kerendan gas field development in Indonesia. As set out in Salamander's Annual Report and Accounts for the year ended 31 December 2013, the Salamander Group had independently certified 2P reserves of 65.3MMboe against these assets as at 31 December 2013.

Salamander's main producing asset is the Bualuang oil field in the Gulf of Thailand that, as of 1 January 2014, contained 2P reserves of 30.1 MMbbl. Having delivered 17.2 MMbbl of production by end of 2013, the expected ultimate recovery from the field currently stands at 47.3 MMbbl, representing a 217 per cent. increase since Salamander first entered the field in 2008. Salamander's other producing asset is the Sinphuhorm gas field, located onshore northeast Thailand. As at 1 January 2014, Sinphuhorm contained 18.3 MMboe net 2P reserves with the Kerendan gas field, located onshore Indonesia in East Kalimantan, comprising the remaining 16.8 MMboe net 2P reserves. Underpinning these volumes was a net 1P reserve of 41.9 MMboe; the high ratio of 1P to 2P being a strong indicator of the tangibility of the Salamander Group's core portfolio.

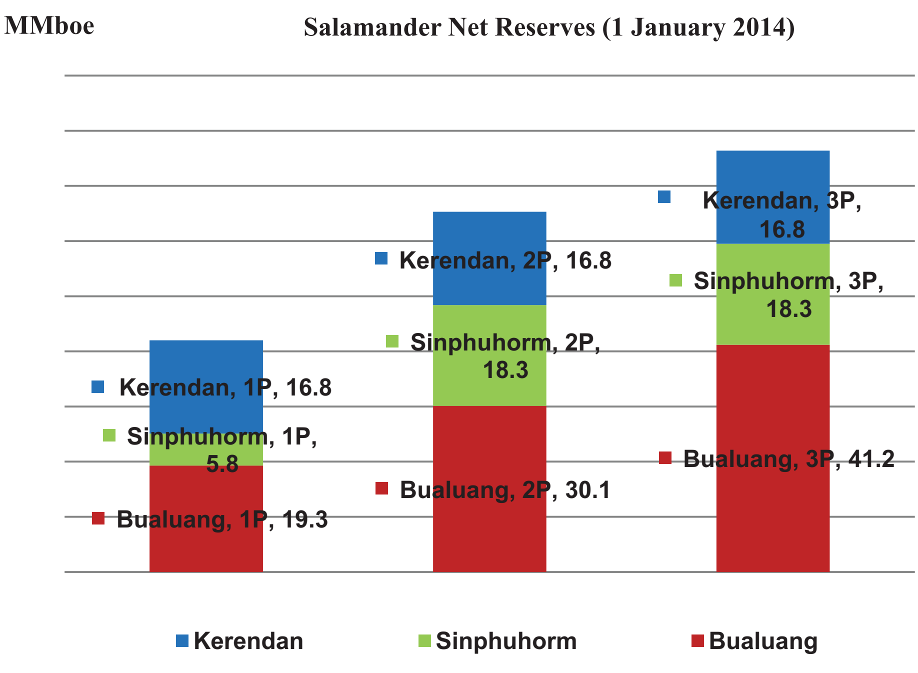
Additionally the Salamander Group had independently certified net 2C resources totalling 110.1 MMboe as of 1 January 2014. The contingent resources are attributable to the upside on the Bualuang, Sinphuhorm, Kerendan and West Kerendan fields and also include the Dong Mun development.

The table below sets out an overview of Salamander's independently certified reserves and resources (Net Salamander WI Basis):

| Certified Reserves (MMboe, as of 1 January 2014) | 1P | 2P | 3P |
|---|---|---|---|
| Bualuang | 19.3 | 30.1 | 41.2 |
| Sinphuhorm | 5.8 | 18.3 | 18.3 |
| Kerendan | 16.8 | 16.8 | 16.8 |
| **Total Reserves** | 41.9 | 65.3 | 76.4 |

| Certified Resources (MMboe, as of 1 January 2014) | 1C | 2C | 3C |
|---|---|---|---|
| Bualuang | 20.7 | 27.8 | 32.4 |
| Sinphuhorm | 3.0 | 13.6 | 116.2 |
| Kerendan / West Kerendan | 19.3 | 64.6 | 149.2 |
| Dong Mun | 2.0 | 4.1 | 8.2 |
| **Total Resources** | 45.0 | 110.1 | 306.0 |
| **Total Reserves And Resources** | 87.0 | 175.4 | 382.4 |

The chart below sets out Salamander's independently certified reserves on a net working interest basis as at 1 January 2014:




### 3 Production and Development

Salamander has stated that average production for 2014 was 14,200 boepd.

The majority of the production comes from the Bualuang oil field which has increased production through 2013 and 2014 as Salamander has completed an extended development drilling programme utilizing the 16 well slots, plus four new well slots added in 2014, on the Bravo WHP. Despite a six-week shutdown in January and February whilst the facilities underwent repairs, Salamander has stated that production from the Bualuang oil field in 2014 averaged nearly 12,500 boepd.

The Suksan Salamander FSO arrived on location in July 2014 and following hook-up and commissioning, received first oil in August 2014. Along with new oil processing and power generation modules, the FSO completes the planned upgrades to the Bualuang facilities which targeted a reduction in operating costs of up to US$25 million per annum.

The Sinphuhorm gas field, onshore Thailand, has been producing gas since 2006. The gas is sold under a gas sales agreement to PTT and used to feed the Nam Phong power station. The agreement provides for the sale of gas at a daily contract quantity of up to 108 MMscfd over a period of 15 years to November 2021 for a price that is indexed to High Sulphur Fuel Oil. PTTEP assumed operatorship of the field following the acquisition of Hess' Thai portfolio in April 2014. On the basis of information provided by Salamander, average production from the field for 2014 was approximately 105 MMscfd and 414 bcpd gross (10 MMscfd and 39 bcpd net to Salamander).

On the Dong Mun gas discovery east of Sinphuhorm, gas sales negotiations and pre-development work are ongoing ahead of an investment decision on the field development.

The Kerendan gas field onshore Indonesia is expected to be ready to commence production in 2015. Four development wells were completed and tested in 2013 at a combined rate of 40 MMscfd. This rate is well in excess of the 20 MMscfd of gas that Salamander is contracted to deliver under the existing gas sales agreement. In March 2014, the West Kerendan-1 exploration well successfully tested at a combined flow rate of 50 MMscfd. Salamander has stated that it has commenced discussions to incorporate the West Kerendan discovery into an enlarged Kerendan area development to supply potentially up to 70 MMscfd to the gas-fired power plant that is currently being constructed adjacent to the Kerendan field. Salamander is also in active negotiations to raise the gas sales price to PLN (currently US$4.79/MMBTU).

Salamander also recognises 6.3 MMboe of 2C resources in the Tutung discovery in the Bontang PSC, Indonesia. This is a small gas-condensate field for which a plan of development has been submitted to the regulator, SKKMiGas, for approval.

# PART IX – DOCUMENTS INCORPORATED BY REFERENCE

| Information incorporated by reference | Document reference | Page number(s) in this Circular |
|---|---|---|
| Announcement | page 19; Appendix 1 | 40, 42 |
| Ophir Articles of Association | | 123 |
| Ophir Annual Report 2011 | Note 30 on page 131 | 123, 124 |
| Ophir Annual Report 2012 | Note 27 on page 109 | 123, 124 |
| Ophir Annual Report 2013 | Note 28 on page 89 | 123, 124 |

The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Circular. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Circular.

Copies of the above documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of Ophir at Level Four, 123 Victoria Street, London SW1E 6DE and at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ up to and including the date of the Ophir General Meeting. The documents are also available on Ophir's website (www.ophir-energy.com).

# PART X – GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Circular. Grammatical variations of these terms should be interpreted in the same way.

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| **2D seismic** | seismic data acquired in a single traverse or series of traverses. 2D seismic data provides single cross sections through the sub-surface |
| **3D seismic** | seismic data acquired as multiple, closely spaced traverses. 3D seismic data typically provides a more detailed and accurate image of the subsurface than 2D seismic data |
| **appraisal** | the phase of petroleum operations immediately following a successful discovery. Appraisal is carried out to determine size, production rate and the most efficient development of a field |
| **appraisal well** | a well drilled as part of an appraisal of a field |
| **back-in right** | the right of an entity (typically a government or a state-owned company) to acquire an equity stake in a licence subject to certain terms and conditions |
| **Barrel** or **bbl** | a unit of volume measurement used for petroleum and its products one barrel of oil; one barrel = 35 imperial gallons (approx.), or 159 litres (approx.); 7.5 barrels = one tonne (approximately, depending upon the oil density); 6.29 barrels = one cubic metre |
| **beneficial interest** | interest in an oil or gas concession which corresponds to the net economic interest after inclusion of the effects of any third-party back in rights |
| **block** | term commonly used to describe areas over which there is a petroleum or production licence or PSC or PSA |
| **bnboe** | billion boe |
| **boe** | barrels of oil equivalent derived by converting gas to oil in the ratio of 6,000 scf of gas to one bbl of oil (in relation to the Greater Kerendan field, "boe" means barrels of oil equivalent derived by converting gas to oil in the ratio of between 5,500 scf of gas to one bbl of oil) |
| **boepd** | boe per day |
| **Bravo WHP** | the small wellhead platform installed on the Bualuang oil field |
| **British Thermal Unit** or **BTU** | the amount of heat required to increase the temperature of a pound of water by one degree Fahrenheit, equal to around 1055 joules |
| **carry** | agreement between two parties according to which one of the two agrees to pay for ("carry") all or part of the costs attributable to the other, typically conditional on later reimbursement by the latter to the former |
| **charge** or **migration** | the movement of hydrocarbons from source rocks into reservoir rocks. Migration can be local or can occur along distances of hundreds of kilometres in large sedimentary basins, and is a critical to a viable petroleum system |
| **commercial discovery** | discovery of oil and gas which the Company determines to be commercially viable for appraisal and development |
| **concession** | the right to conduct petroleum operations within an area |
| **Concession Agreement** | the instrument under which a Concession is granted and which establishes the rights and obligations of the Concessionaire |
| **Concessionaire** | the holder of a Concession |
| **condensate** | hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons |

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| **contingent resources** | those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status |
| **cost gas** | a portion of produced gas that the operator applies on an annual basis to recover defined costs specified by a PSC or PSA |
| **cost oil** | a portion of produced oil that the operator applies on an annual basis to recover defined costs specified by a PSC or PSA |
| **cost recovery** | mechanism determined in a PSC or PSA by which the Company (or companies) party to the PSC or PSA is enabled to recover present and past costs |
| **declaration of commerciality** | document which assesses the production of oil and gas from a field that is commercially and economically viable |
| **decommission** or **decommissioning** | the process or the procedure by which the facilities and the infrastructure related to the production of hydrocarbon from an oil field are demobilised and abandoned |
| **deepwater** | any area of water over 250m in depth |
| **discovery** | an exploration well which has encountered oil and gas for the first time in a structure |
| **E&E** | exploration and evaluation |
| **exploration** | the phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling |
| **exploration drilling** | drilling carried out to determine whether oil and gas are present in a particular area or structure |
| **exploration well** | a well in an unproven area or prospect, may also be known as a "wildcat well" |
| **farm in** | a term used to describe when an oil and gas company buys a portion of the acreage in a block from another company, usually in return for consideration and for taking on a portion of the selling company's work commitments |
| **farm out** | a term used to describe when a company sells a portion of the acreage in a block to another company, usually in return for consideration and for the buying company taking on a portion of the selling company's work commitments |
| **fault** | a displacement (vertical, inclined or lateral) below the Earth's surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons |
| **FEED** | Front End Engineering Design |
| **field** | a geographical area under which either a single oil or gas reservoir or multiple oil or gas reservoirs lie, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition |
| **fluid content** | fluid within the pore space of a rock |

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| **formation** | a body of rock identified by lithic characteristics and stratigraphic position which is mappable at the Earth's surface or traceable in the sub-surface |
| **FPSO** | a floating production, storage and offloading unit which is a vessel used for processing hydrocarbons |
| **FSO** | a floating storage and offloading unit which is a vessel used for storing hydrocarbons |
| **gas field** | a field containing natural gas but no oil |
| **geological basin** | a depression in the earth's crust where sediments accumulate |
| **geophysical** | association with the earth science concerned with the physical properties. Geophysical exploration is concerned with measuring the earth's physical properties to delineate structure, rock type and fluid content; these measurements include electrical, seismic, gravity and magnetics |
| **gravimetry survey** | a survey to measure gravity within an area. Anomalies in the gravity field are used to delineate density contrasts, therefore sediment thickness, and basin architecture |
| **hydrocarbon** | a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate |
| **infrastructure** | oil and gas processing, transportation and off-take facilities |
| **JOA** | joint operating agreement |
| **lead** | an identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A lead generally requires more data to mature it to the prospect level |
| **licence** | an exclusive right to explore for petroleum, usually granted by a national governing body |
| **LNG** | natural gas that has been liquefied under high pressure and low temperature to reduce its volume to enable easier transportation |
| **m** | metre |
| **MMbbl** | million barrels |
| **MMboe** | million boe |
| **MMBTU** | millions of British Thermal Units |
| **MMscfd** | millions of standard cubic feet per day |
| **natural gas** | gas, predominantly methane, occurring naturally, and often found in association with crude petroleum |
| **offshore** | that geographic area that lies seaward of the coastline |
| **oil** | a mixture of liquid hydrocarbons of different molecular weights |
| **oil field** | the mapped distribution of a proven oil-bearing reservoir or reservoirs |
| **onshore** | geographic area that lies landward of the coastline |
| **operator** | the company that has legal authority to drill wells and undertake production of oil and gas. The operator is often part of a consortium and acts on behalf of this consortium |
| **participating interest** | the proportion of exploration and production costs each party will bear and the proportion of production each party will receive, as set out in an operating agreement |
| **petroleum** | a generic name for oil and gas, including crude oil, natural gas liquids, natural gas and their products |

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| **Petroleum Agreement** | a PSC, Concession Agreement or agreement of a similar nature entered into with a government or governmental entity which confers the right to carry out, and governs the conduct of, hydrocarbon exploration, appraisal development and/or production operations |
| **petroleum system** | geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal |
| **play** | a conceptual model for a style of hydrocarbon accumulation |
| **PRMS** | 2007 Petroleum Resources Management System (as defined by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers) |
| **profit gas** | the amount of production, after deducting cost gas production allocated to costs and expenses, that will be divided between the participating parties and the host government under the PSC or PSA |
| **profit oil** | the amount of production, after deducting cost oil production allocated to costs and expenses, that will be divided between the participating parties and the host government under the PSC or PSA |
| **prospect** | an identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A prospect generally is mature enough to be considered for drilling |
| **prospective resources** | those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity |
| **PSA** or **PSC** | production sharing agreement or contract under which the contractor agrees to fund and carry out pre-agreed work programmes on behalf of the concession owner in return for a share of production revenues |
| **reserves** | those quantities of petroleum which are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reference should be made to the full PRMS definitions for the complete definitions and guidelines |
| **reservoir** | an underground porous and permeable formation where oil and gas has accumulated |
| **resources** | contingent and prospective resources, unless otherwise specified |
| **rig** | the machine used to drill a wellbore |
| **royalty** | a percentage share of production, or the value derived from production, paid from a producing well |
| **scf** | standard cubic feet |
| **seal** | a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete petroleum system |

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| **seismic survey** | a method by which an image of the earth's sub-surface is created through the generation of shockwaves and analysis of their reflection from rock strata |
| **source** | characteristic of organic-rich rocks to contain the precursors to oil and gas, such that the type and quality of expelled hydrocarbon can be assessed |
| **source rock** | a rock rich in organic matter which, if given the right conditions, will generate oil or gas. Typical source rocks, usually shales or limestones, contain at least 0.5 per cent. total organic carbon, although a rich source rock might have as much as 10 per cent. organic matter. Access to a working source rock is necessary for a complete petroleum system |
| **tcf** | Trillion cubic feet |
| **tertiary** | a geological period from approximately 65 million to 2.5 million years ago |
| **trap** | a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs). A trap is an essential component of a petroleum system |
| **upstream** | operations stages in the oil and gas industry that involve exploration and production |
| **WI** | working interest |

# PART XI – DEFINITIONS

The following definitions apply throughout this Circular, unless the context otherwise requires:

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| **Admission** | the admission of the New Ophir Shares to the Official List with a premium listing and to trading on the London Stock Exchange's main market for listed securities |
| **AGC** | Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau |
| **AGM** | means the annual general meeting of Ophir or Salamander (as applicable) |
| **AHTL** | Amerada Hess (Thailand) Limited |
| **Announcement** | the announcement made by Ophir and Salamander on 24 November 2014 pursuant to Rule 2.7 of the Takeover Code |
| **APICO** | APICO LLC |
| **Articles of Association** | the articles of association of the Company which were adopted by special resolution passed on 28 June 2011 |
| **Bangkanai Farm Out Agreement** | the farm out agreement between SEBAN and Saka dated 11 March 2013 |
| **Bengara-I PSC** | a PSC originally entered into between Perusahaan Pertambangan Minyak dan Gas Bumi Negara (PERTAMINA) and PT Petroner Bengara Energi on 27 September 1999 in respect of the Bengara-I contract area |
| **BG** | BG International Limited |
| **BG Tanzania** | BG Tanzania Limited |
| **Block B8/38** | the area defined in the Block B8/38 Concession |
| **Block B8/38 Concession** | the exploration block awarded under the Petroleum Concession No. 3/2539/50 and any amendments thereto |
| **Block G4/50** | the area defined in the Block G4/50 Concession |
| **Block G4/50 Concession** | the exploration block awarded under the Petroleum Concession No. 15/2550/91 and any amendments thereto |
| **Block G4/50 Farm Out Agreement** | the farmout agreement in respect of the Block G4/50 Concession between SEBG and MOECO dated 8 September 2011 |
| **Block G4/50 Transfer Agreement** | the Block G4/50 transfer agreement dated 18 July 2014 entered into between SEBG and SEEPL in relation to the sale by SEBG to SEEPL of a 40 per cent. interest in the Block G4/50 Concession |
| **Block L15/43 and Block L27/43** | the area defined in the exploration blocks awarded under the Petroleum Concession No. 9/2546/66 and any amendments thereto |
| **Board** | the board of directors of Ophir, currently comprising the Directors whose names appear in Part VII of this Circular |
| **BPMIGAS** | Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi |
| **Bualuang field** | the location of that name in the Gulf of Thailand under the approved exploration and production area established under the Block B8/38 Concession |
| **Business Day** | a Day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in the City of London |
| **Capital Reduction** | the proposed reduction of the share capital of Salamander involving the cancellation of the Scheme Shares pursuant to the Scheme under Sections 645 to 648 of the Companies Act as described in the Scheme Document |
| **CB Conditions** | the terms and conditions of the Convertible Bonds |

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| **certificated** or **in certificated form** | where a share or other security is not in uncertificated form (that is, not in CREST) |
| **Chairman** | means the chairman of the Board |
| **Chariot** | Chariot International Limited |
| **Chevron** | Chevron Petroleum (Thailand) Ltd |
| **Circular** | this document |
| **Closing Price** | the closing middle market price of a Ophir Share or a Salamander Share (as the case may be) as derived from the Daily Official List on any particular date |
| **Combined Group** | the combined group following Completion, comprising the Ophir Group and the Salamander Group |
| **Companies Act 1985** | the Companies Act 1985 (as amended) |
| **Companies Act 2006** | the Companies Act 2006 (as amended) |
| **Company** or **Ophir** | Ophir Energy plc a company registered in England and Wales with registered number 05047425 whose registered office is at Level Four, 123 Victoria Street, London SW1E 6DE |
| **Completion** or **completion of the Transaction** | the Transaction becoming Effective |
| **Conditions** | the conditions to the implementation of the Transaction (including the Scheme) which are set out in Part 3 of the Scheme Document |
| **Confidentiality and Standstill Agreement** | the confidentiality and standstill agreement dated 10 December 2013 entered into between Ophir and Salamander |
| **Convertible Bonds** | the US$100,000,000 5.00 per cent. convertible bonds due March 2015 issued by Salamander |
| **Co-operation Agreement** | the co-operation agreement dated 24 November 2014 entered into between Ophir and Salamander in connection with the Transaction |
| **Court** | the High Court of Justice in England and Wales |
| **Court Orders** | the order(s) of the Court sanctioning the Scheme and confirming the Capital Reduction |
| **Court Meeting** | the meeting of the Scheme Shareholders convened by order of the Court pursuant to section 899 of the Companies Act (and any adjournment thereof) to be held on 6 February 2015 for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) of which notice is set out in Part 9 of the Scheme Document |
| **CREST** | the relevant system (as defined in the CREST Regulations) in respect of which Euroclear U.K. and Ireland Limited is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form |
| **CREST Courier and Sorting Service** or **CCSS** | the CREST courier and sorting service operated by Euroclear to facilitate, *inter alia*, the deposit and withdrawal of securities |
| **CREST Manual** | the manual, as amended from time to time, produced by Euroclear U.K. and Ireland Limited describing the CREST system and supplied by Euroclear U.K. and Ireland Limited to users and participants thereof |
| **CREST member** | a person who has been admitted to CREST as a system member (as defined in the CREST Regulations) |
| **CREST participant** | a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations) |
| **CREST Regulations** | the Uncertificated Securities Regulations 2001 (SI 2001/3755) |
| **CREST sponsor** | a CREST participant admitted to CREST as a CREST sponsor |

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| **Daily Official List** | the daily official list of the London Stock Exchange |
| **Department of Mineral Fuels** or **DMF** | the Department of Mineral Fuels of the Thailand Ministry of Energy, the governmental agency that regulates upstream petroleum activities in Thailand |
| **Directors** or **Ophir Directors** | the directors of Ophir as at the date of this Prospectus, being Nicholas Smith, Dr Nicholas Cooper, Bill Higgs, Ronald Blakely, Alan Booth, Vivien Gibney, Lyndon Powell and Bill Schrader |
| **Disclosure and Transparency Rules** or **DTR** | the disclosure rules and transparency rules made by the FCA pursuant to section 73A of FSMA |
| **DMO** | domestic market obligation |
| **Dominion** | Dominion Petroleum Ltd |
| **EBEL** | Elnusa Bangkanai Energy Ltd. |
| **EBITDAX** | earnings before interest, taxation, depreciation, depletion, amortisation and exploration expenses |
| **Effective** | in the context of the Transaction: (i) if the Transaction is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (ii) if the Transaction is implemented by way of the Offer, the Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code |
| **Effective Date** | the date on which the Transaction becomes Effective |
| **EIA** | Environmental Impact Assessment |
| **EPB** | PT Eksindo Petroleum Bontang |
| **Equatorial Guinea** | Republic of Equatorial Guinea |
| **Equiniti** | Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA |
| **EU IAS Regulation** | Regulation (EC) 1606/2002 of 19 July 2002 |
| **Euroclear** | Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST |
| **Excelerate** | Excelerate Energy L.P. |
| **Excluded Shares** | any Salamander Shares which are registered in the name of or beneficially owned by any member of the Ophir Group at the Scheme Record Time |
| **Executive Directors** | the executive directors of Ophir, currently Dr Nicholas Cooper and Bill Higgs |
| **Existing Ophir Shares** | the Ophir Shares in issue as at the date of this Circular |
| **FCA** or **Financial Conduct Authority** | the Financial Conduct Authority or its successor from time to time |
| **Form of Proxy** | the form of proxy accompanying this Circular for use by Shareholders in relation to the Ophir General Meeting |
| **FSMA** | Financial Services and Markets Act 2000, as amended from time to time |
| **Gabon** | the Gabonese Republic |
| **GFI** | GFI Oil & Gas Thailand Inc. |
| **Greater Bualuang** | the area located in the Gulf of Thailand containing the Block B8/38 Concession which includes the Bualuang field and the Block G4/50 Concession |
| **Greater Kerendan** | the area located in Central Kalimantan, Indonesia containing the Bangkanai PSC which includes the Kerendan gas development and WK-1 gas discovery, the North East Bangkanai PSC and West Bangkanai PSC |

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| **Heritage** | Heritage Oil Tanzania Limited |
| **IAS** | International Accounting Standards |
| **ICAEW** | Institute of Chartered Accountants in England and Wales |
| **ICP** | Indonesian Crude Price |
| **IFC** | International Finance Corporation |
| **IFRIC** | the IFRS Interpretation Committee |
| **IFRS** | the international accounting standards and international financial reporting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union |
| **Indonesia** | Republic of Indonesia |
| **Initial Public Offering** or **IPO** | the admission of the Company to the premium segment of the Official List and to the London Stock Exchange on 13 July 2011 |
| **ISIN** | International Securities Identification Number |
| **Kenya** | Republic of Kenya |
| **Kisangire PSA** | the PSA between Dominion and the Tanzanian Government dated 20 May 2005 |
| **Laos** | the Lao People's Democratic Republic |
| **Latest Practicable Date** | 14 January 2015, being the latest practicable date prior to the publication of this Circular for the purposes of ascertaining certain information contained in this Circular |
| **LIBOR** | London interbank offering rate |
| **Listing Rules** | the rules and regulations made by the Financial Conduct Authority in its capacity as the UKLA under Part 6 of the FSMA, and contained in the UKLA's publication of the same name |
| **London Stock Exchange** | the regulated market operated by London Stock Exchange plc or its successor |
| **Long Stop Date** | 30 June 2015, being the latest date by which the Scheme must become effective unless Ophir and Salamander agree, and (if required) the Court and the Panel permit, a later date |
| **Maurel & Prom** or **M&P** | the Maurel and Prom Company |
| **Medco Bangkanai** | Bangkanai Petroleum (L) Berhad |
| **Medco Bengara** | PT Medco E&P Bengara |
| **Medco Simenggaris** | PT Medo E&P Simenggaris |
| **MOECO** | Mitsui Oil Exploration Co., Ltd |
| **Morgan Stanley** | Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London, E14 4QA, Sponsor, co-financial adviser and joint corporate broker to Ophir |
| **Net Salamander WI Basis** | net working interest to the Salamander Group which does not account for the terms of the relevant PSC or concession. For Indonesian PSCs, the Salamander Group's net entitlement interest will be less than the net working interest |
| **New Ophir Shares** | the new Ophir Shares proposed to be issued and credited as fully paid to holders of Scheme Shares pursuant to the Transaction |
| **Niko Resources** | Niko Resources Limited of 4600 Devon Tower, 406 3rd Avenue S.W., Calgary, Alberta, T2P 4H2 |
| **NOK Bonds** | the US$150,000,000 9.75% unsecured callable bonds due January 2020 issued by Salamander |
| **NOK Bond Trustee** | Norsk Tillitsmann ASA |

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| **Non-Executive Directors** | Nicolas Smith, Ronald Blakely, Alan Booth, Vivien Gibney, Lyndon Powell and Bill Schrader |
| **Nordic ABM** | the marketplace for listing and trading of bonds and short-term fixed income instruments operated by the Oslo Børs |
| **Notice of General Meeting** | the notice of the Ophir General Meeting which is set out at the end of this Circular |
| **Offer** | if (subject to the consent of the Panel) Ophir elects to implement the Transaction by way of a takeover offer (as defined in section 974 of the Companies Act 2006), the offer to be made by or on behalf of Ophir to acquire the entire issued and to be issued ordinary share capital of Salamander |
| **Offer Period** | the offer period (as defined by the Takeover Code) relating to Salamander, which commenced on 27 October 2014 |
| **Official List** | the Official List maintained by the UKLA |
| **Ophir EG** | Ophir Equatorial Guinea (Block R) Limited |
| **Ophir General Meeting** | the general meeting of the Company to be held at 11.00 a.m. on 6 February 2015 (or any adjournment thereof) at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ (or any adjournment thereof), notice of which is set out at the end of this Circular |
| **Ophir Group** | the Company and its subsidiary undertakings and where the context permits, each of them |
| **Ophir Services** | Ophir Services Pty Ltd |
| **Ophir Shareholder** or **Shareholder** | the holders of Ophir Shares |
| **Ophir Share Schemes** | the Foundation Incentive Scheme, the 2006 Share Option Plan, the Long Term Incentive Plan 2011 and the Deferred Share Plan 2012 |
| **Ophir Shares** | the ordinary shares of 0.25 pence each in the capital of the Company |
| **Ophir Tanzania (Block 1)** | Ophir Tanzania (Block 1) Limited |
| **Panel** | the UK Panel on Takeovers and Mergers |
| **Pavilion Energy** | Pavilion Energy Pte Ltd., a subsidiary of which is Pavilion |
| **Pavilion Energy Group** | Pavilion Energy Pte Ltd. and its subsidiary undertakings |
| **Pavilion Farm Out Agreement** | the farm out agreement relating to the sale of a 20 per cent. interest in Blocks 1, 3 and 4 offshore of Tanzania, between Ophir Tanzania (Block 1) and Pavilion dated 14 November 2013 |
| **Petronas** | Petroliam Nasional Berhad (Petronas) |
| **Petronas Carigali** | Petronas Carigali Sdn. Bhd. |
| **PLN** | PT PLN (Persero), the Indonesian State power company |
| **Proposed Director** | Dr Carol Bell |
| **Prospectus** | the prospectus document to be produced by the Company and made publicly available to Shareholders (other than, subject to certain exceptions, those in Restricted Jurisdictions) on or around the publication of this Circular in respect of the New Ophir Shares to be issued to Salamander Shareholders in connection with the Transaction |
| **Prospectus Directive Regulation** | Commission Regulation (EC) No. 809/2004 |
| **Prospectus Rules** | the prospectus rules made by the FCA pursuant to section 73A of the FSMA |
| **PSHI** | Pavilion Strategic Holdings I Pte. Ltd., a company existing under the laws of Singapore and a wholly-owned subsidiary of Temasek, a Singapore investment company |

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| **PTET** | PT Elnusa Tbk |
| **PTT** | PTT Public Company Limited on PTT International Trading Pte Ltd |
| **PTTEP** | PTT Exploration and Production Public Company Ltd, the Thai state-owned oil and gas company |
| **R/C** | revenue-over-cost |
| **RBL Facility** | the US$350,000,000 senior borrowing base facility entered into by Salamander dated 17 December 2012 |
| **Reduction Court Hearing** | the hearing by the Court of the claim form to confirm the Capital Reduction under Section 648 of the Companies Act |
| **Registrar of Companies** | the Registrar of Companies for England and Wales |
| **Registrars** | Equiniti |
| **Regulatory Information Service** | any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the Listing Rules |
| **Resolution** | the ordinary resolution as set out in the Notice of General Meeting at the end of this Circular |
| **Restricted Jurisdictions** | any jurisdiction where the extension or availability of the Transaction to Salamander Shareholders generally in such jurisdiction would contravene any applicable law |
| **RPS** | RPS Energy Consultants Limited, a company incorporated in England & Wales with registered number 3287074 |
| **Rubicon** | Rubicon Vantage Offshore Pte Ltd |
| **SailingStone** | SailingStone Capital Partners LLC |
| **Saka** | PT Saka Bangkanai Klemantan |
| **Salamander** | Salamander Energy plc, a company incorporated under the laws of England and Wales with company number 05934263, whose registered office is at 4th Floor, 25 Great Pulteney Street, London W1F 9LT |
| **Salamander Directors** | the directors of Salamander as at the date of this Circular, being James Menzies, Michael Buck, Jonathan Copus, Dr Carol Bell, Robert Cathery, John Crowle, Charles Jamieson, Michael Pavia and Struan Robertson |
| **Salamander General Meeting** | the general meeting of Salamander Shareholders (and any adjournment thereof) convened in connection with the Scheme to be held on 6 February 2015 |
| **Salamander Group** | Salamander, and Salamander's subsidiary undertakings and where the context permits, each of them |
| **Salamander Share Schemes** | the Salamander Deferred Share Plan and the Salamander Performance Share Plan 2006 |
| **Salamander Shareholder** | holders of Salamander Shares |
| **Salamander Shares** | the existing unconditionally allotted or issued and fully paid ordinary shares of 10 pence each in the capital of Salamander and any further such ordinary shares which are unconditionally allotted or issued before the Scheme becomes effective |
| **Salamander WB** | Salamander Energy (West Bangkanai) Limited |
| **Scheme** | the scheme of arrangement under Part 26 of the Companies Act between Salamander and the Scheme Shareholders set out in Part 8 of the Scheme Document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court and agreed by Salamander and the Company |

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| **Scheme Court Hearing** | the hearing by the Court of the claim form for the sanction of the Scheme |
| **Scheme Court Order** | the order of the Court sanctioning the Scheme under section 899 of the Act |
| **Scheme Document** | the document sent to Salamander Shareholders containing, amongst other things, the Scheme and the notices convening the Court Meeting and the Salamander General Meeting |
| **Scheme Record Time** | the date and time specified in the Scheme Document by reference to which the Scheme will be binding on the holders of Salamander Shares at such time |
| **Scheme Shareholders** | holders of a Scheme Share, and a "Scheme Shareholder" shall mean any one of the Scheme Shareholders |
| **Scheme Shares** | the Salamander Shares:<br>(i) in issue at the date of the Scheme Document and which remain in issue at the Scheme Record Time;<br>(ii) if any, issued after the date of the Scheme Document but before the Scheme Voting Record Time and which remain in issue at the Scheme Record Time; and<br>(iii) if any, issued at or after the Scheme Voting Record Time but at or before the Scheme Record Time on terms that the original or any subsequent holders thereof are, or shall have agreed in writing, to be bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time,<br>in each case other than any Excluded Shares |
| **Scheme Voting Record Time** | the date and time specified in the Scheme Document by reference to which entitlement to vote at the Court Meeting will be determined, expected to be 6.00 p.m. on the day which is two days before the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned Court Meeting |
| **SEBAN** | Salamander Energy (Bangkanai) Limited |
| **SEBG** | Salamander Energy (Bualuang) Limited |
| **SEBHL** | Salamander Energy (Bualuang Holdings) Limited |
| **SEBL** | Salamander Energy (Bengara) Limited |
| **SEBP** | Salamander Energy (Bontang) Pte. Ltd. |
| **SEC** | the US Securities and Exchange Commission |
| **SEDOL** | Stock Exchange Daily Official List |
| **SEEPL** | Salamander Energy (E&P) Limited |
| **SEGL** | Salamander Energy Group Limited |
| **SEML** | Salamander Energy (Malaysia) Limited |
| **Senior Management** | Clark Brannin, Andrew Brown, Michael Fischer, Andrew Oldham, Oliver Quinn, Gawain Ross, Tony Rouse, Dato Sandroshvili and Dina Taylor |
| **SEPT** | SONA Exploration & Production (Thailand) Ltd. |
| **SETCL** | Salamander Energy (Thailand) Co., Ltd. |
| **Singapore** | Republic of Singapore |
| **SKKMiGas** | Special Task Force for Upstream Oil and Gas Business Activities established by the government of Indonesia under Presidential Regulation Number 9 of 2013 on 4 February, 2013 |
| **Somaliland** | Republic of Somaliland |

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| **SONA** | SONA Petroleum Berhad |
| **SONA Condition** | the condition set out in paragraph 3 of the Conditions relating to the SONA Disposal |
| **SONA Disposal** | the agreement between Salamander and SONA to dispose of an effective 40 per cent. working interest in the B8/38 concession containing the Bualuang oil field and the surrounding G4/50 concession, both located in the Gulf of Thailand, further details of which can be found in the announcement by Salamander on 5 June 2014 |
| **SONA Disposal Shareholder Approval Resolution** | the resolution to be proposed to Salamander Shareholders to approve the SONA Disposal as a Class 1 transaction for Salamander under the Listing Rules |
| **SONA Financing Commitment Letter** | the firm financing commitment letter dated 18 July 2014 in respect of a fully underwritten bridge loan in the amount of US$140 million from BNP Paribas to SONA in respect of the acquisition of the SONA Sale Shares |
| **SONA Sale Shares** | 66.67 per cent. of the class "A" non-voting ordinary shares and 49 per cent. of the class "B" ordinary shares in the capital of SEBG |
| **SONA SPA** | the sale and purchase agreement between SEBHL, Salamander, SEPT and SONA dated 18 July 2014 |
| **SRB** | special remuneratory benefit tax, as set out in the Petroleum Act B.E 2514 and as amended by the Petroleum Act (No. 4) B.E. 2532 |
| **Takeover Code** | the City Code on Takeovers and Mergers |
| **Tanzania** | the United Republic of Tanzania |
| **Tanzanian Sale** | sale of the Ophir Group's 20 per cent. interest in Blocks 1, 3 and 4 offshore of Tanzania, pursuant to the Pavilion Farm Out Agreement |
| **Thailand** | Kingdom of Thailand |
| **TOP** | TOPoil Ltd |
| **TPDC** | Tanzania Petroleum Development Corporation |
| **Transaction** | the recommended offer and proposed acquisition by Ophir of the entire issued and to be issued share capital of Salamander (other than Salamander Shares held by the Ophir Group, if any) by means of the Scheme (and other matters to be considered at the Meetings), or should Ophir so elect, by means of a takeover offer made by or on behalf of Ophir for the entire issued and to be issued share capital of Salamander (other than Salamander Shares held by the Ophir Group, if any) |
| **UK** or **United Kingdom** | United Kingdom of Great Britain and Northern Ireland |
| **UK Listing Authority** or **UKLA** | the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA |
| **uncertificated** or in **uncertificated form** | in respect of a share or other security, where that share or other security is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST |
| **UNCITRAL** | United Nations Commission on International Trade Law |
| **US** or **United States** | the United States of America, its territories and possessions, any State of the United States and the District of Columbia |
| **US Securities Act** | the United States Securities Act 1933, as amended, and the rules and regulations promulgated under such Act |

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| **VAT** | any value added tax imposed under directive 2006/11 2/EC, the Value Added Tax Act 1994 and/or any primary or secondary legislation supplemental to either of them and/or any equivalent tax in any other jurisdiction |

For the purposes of this Circular, ''subsidiary'', ''subsidiary undertaking'', ''undertaking'' and ''associated undertaking'' have the respective meanings given thereto by the Companies Act 2006.

All references to ''pounds'', ''pounds Sterling'', ''Sterling'', ''£'', ''pence'', ''penny'' and ''p'' are to the lawful currency of the UK.

References to ''US$'', ''US cents'' or ''US Dollars'' are to the lawful currency of the United States of America.

Percentages and certain amounts included in this Circular have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Circular reflect calculations based on the underlying information prior to rounding, and accordingly may not confirm exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

All the times referred to in this Circular times unless otherwise stated.

References to the singular include the plural and vice versa.

# Ophir Energy plc

*Incorporated in England and Wales with registered number 5047425*

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Ophir Energy plc (the ''Company'') will be held at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ on 6 February 2015 at 11.00 a.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Capitalised terms not defined below are references to those terms as defined in the circular to Shareholders dated 16 January 2015.

### Ordinary resolution

THAT the proposed offer by the Company to acquire the entire issued and to be issued ordinary share capital of Salamander Energy plc (''Salamander'') (the ''Transaction''), to be effected pursuant to a scheme of arrangement of Salamander under Part 26 of the Companies Act 2006 or a takeover offer made by or on behalf of the Company for the entire issued and to be issued share capital of Salamander, substantially on the terms and subject to the conditions set out in the circular to shareholders of the Company dated 16 January 2015 outlining the Transaction and the prospectus prepared by the Company in connection with the admission of new ordinary shares in the Company to be issued pursuant to the Transaction to the Official List of the UK Listing Authority with a premium listing dated 16 January 2015 (a copy of each of which is produced to the meeting and signed for identification purposes by the chairman of the meeting) including the acquisition of shares in Salamander from Dr Nicholas Cooper and persons connected with him, be and is hereby approved and the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Transaction; and (ii) agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Transaction (provided that any such modifications, variations, revisions, waivers or amendments are not a material change to the terms of the Transaction for the purposes of Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as they may in their absolute discretion think fit.

By order of the Board,

**Chandrika Kher**
*Secretary*

16 January 2015

*Registered office:*
Level Four, 123 Victoria Street, London SW1E 6DE, United Kingdom

**Notes:**

1. **Record Date**

   Shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 4 February 2015 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting excluding non-working days) shall be entitled to attend or vote at the Ophir General Meeting in respect of the shares registered in their name at that time.

   Changes to entries on the Register of Members after 6.00 p.m. on 4 February 2015 will be disregarded in determining the rights of any person to attend or vote at the Ophir General Meeting.

2. **Proxies**

   Members are entitled to appoint another person as his proxy (who need not be a member of the Company) to exercise all or any of their rights to attend, speak and vote on their behalf at the Ophir General Meeting.

   A member may appoint more than one proxy in relation to the Ophir General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Members who wish to appoint more than one proxy in respect of their holding may obtain additional Forms of Proxy by contacting the Company's Registrars, Equiniti Limited on 0871 384 2030 (UK only calls cost 8p per minute plus network extras) or +44 (0)121 415 7047 (if calling from overseas calls are charged at standard overseas call rates). Lines are open Monday to Friday 8.30 a.m. to 5.30 p.m, excluding UK bank holidays.

   Alternatively, members may photocopy the Form of Proxy provided with this document indicating on each copy the name of the proxy appointed and the number of ordinary shares in the Company in respect of which that proxy is appointed. All Forms of Proxy should be returned together in the same envelope.

   A Form of Proxy is enclosed with this Notice of General Meeting. Completion of the Form of Proxy will not prevent a member from subsequently attending and voting at the Ophir General Meeting in person if they so wish.

   The Form of Proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be received by post or (during normal business hours only) by hand at the offices of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA (or, should Shareholders prefer, in an envelope addressed to FREEPOST RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, LANCING, BN99 8LU) by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days.

Shareholders may, if they so wish, submit their proxies electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Numbers set out in the Form of Proxy, by no later than 11.00 a.m. on 4 February 2015, being 48 hours before the time appointed for the holding of the Ophir General Meeting excluding non-working days.

**3. Information Rights and Nominated Persons**

Persons who have been nominated under section 146 of the Companies Act 2006 (a "Nominated Person") to enjoy information rights do not have a right to vote or appoint a proxy at the Ophir General Meeting and the statements of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

However, a Nominated Person may have the right (under an agreement with the member by whom they were nominated) to be appointed, or to have someone else appointed, as a proxy for the Ophir General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise that right, they may have a right to give voting instructions to the registered shareholder under any such agreement.

**4. Corporate Representatives**

A corporate shareholder may authorise a person or persons to act as its representative(s) at the Ophir General Meeting. Each such representative may exercise (on behalf of the corporate shareholder) the same powers as the corporate shareholder could exercise if they were an individual shareholder in the Company, provided that they do not do so in relation to the same shares.

**5. CREST Proxy Instructions**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Ophir General Meeting to be held on 6 February 2015 and any adjournment thereof by following the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 11.00 a.m. on 4 February 2015. No message received through the CREST network after this time will be accepted.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The CREST Manual is available at www.euroclear.com.

CREST members and, where applicable, their CREST sponsors or voting service provider should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company will treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**6. Total Voting Rights**

Holders of the Company's ordinary shares are entitled to attend and vote at general meetings of the Company. Each ordinary share entitles the holder to one vote on a poll. As at 14 January 2015, being the latest practicable date prior to the publication of this Notice of General Meeting, the Company's issued share capital consisted of 593,326,444 ordinary shares. The Company holds 18,139,530 shares in treasury. Therefore, the total voting rights in the Company as at 14 January 2015 are 575,186,914.

**7. Questions**

Any member attending the Ophir General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Ophir General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the Ophir General Meeting that the question be answered.

**8. Voting at the Ophir General Meeting**

The Resolution to be put to the Ophir General Meeting will be voted on by way of a poll and not by a show of hands. In this way, the voting preferences of all shareholders are taken into account not only those who are able to physically attend the Ophir General Meeting. The results of the poll will be notified to the market in the usual way and published on the Company's website after the meeting.

**9. Display Documents**

Copies of the Notice of General Meeting, the Articles of Association of the Company, the Circular and the documents listed in the Circular as available for inspection are available for inspection at the registered office of the Company and the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the conclusion of the Ophir General Meeting and also at the place of the Ophir General Meeting from 9.00 a.m. on the day of the Ophir General Meeting until the conclusion thereof.

**10. Information Available on the Website**

A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at www.ophir-energy.com.

**11. Electronic Address**

Please note that shareholders may not use any electronic address provided in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

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