ANNUAL REPORT

Chairman's Statement and Operational Report

30 August 2006
SIGNIFICANT EVENTS

July 2005
• Oversubscribed rights issue at £3.25 per share to raise £5.4 million.

October 2005
• Acquired 31.5% interest in Block Marine IX offshore Congo (Brazzaville).
• Announcement of Ophir's successful bid for Block R offshore Equatorial Guinea.
• Signature of the Block 1 Production Sharing Agreement ("PSA") in Tanzania.
• Acquired 75% shareholding in Rova Energy Corporation Limited (Somaliland).

December 2005
• Acquired 2D seismic survey Block 1 offshore Tanzania.

March 2006
• Issue of c. 3.275 million shares at £8.00 to raise £26.2 million.
• Signature of four (4) Production Sharing Contracts ("PSCs") in the Saharawi Arab Democratic Republic.
• Signature of the Block 3 PSC in the Nigeria - São Tomé/Principe Joint Development Zone.

April 2006
• Government ratification of Block R PSC offshore Equatorial Guinea.

May 2006
• Issue of convertible bond to raise £38.2 million.
• Issue of c. 4.9 million shares at £9.20 to raise £45 million.
• Signature of agreement, subject to due diligence, to acquire producing oil and gas field in Kazakhstan.

June 2006
• Signature of PSAs over Blocks 3 and 4 offshore Tanzania.

August 2006
• Commenced 2D seismic survey Blocks 3 and 4 offshore Tanzania.
COMPANY PROFILE

Ophir Energy Company Limited (“Ophir” or “the Company”) is a privately owned oil and gas company with an extensive exploration portfolio in Africa. The Company has significant African ownership and enjoys a strategic relationship with its largest shareholder, Mvelaphanda Holdings (Proprietary) Limited (“Mvelaphanda”), one of South Africa’s pre-eminent Black Economic Empowerment investment groups. Mr Tokyo Sexwale, Chairman of Mvelaphanda, is also Non Executive Chairman of the Company. Ophir’s executive team of Dr Alan Stein and Mr Jonathan Taylor, together with one of Ophir’s Non Executive Directors - Dr Peter Dolan, were previously the founders and executives of Fusion Oil & Gas plc which was listed on the Alternative Investment Market (“AIM”) in September 2000.

Ophir was founded in February 2004 and has built a strong portfolio of exploration projects in Equatorial Guinea, Gabon, Congo (Brazzaville), the Nigeria-São Tomé/Principe Joint Development Zone, South Africa, Tanzania, Somaliland and Saharawi Arab Democratic Republic (“SADR”).

In terms of net exploration acreage, Ophir is now one of the largest deepwater acreage holders in Africa with many of these license interests in the highly prolific Gulf of Guinea - a region which holds more than 80% of sub-Saharian Africa’s oil and gas reserves.

The Company is now actively seeking to balance its portfolio through the acquisition of interests in producing or near-producing assets. In addition to a number of projects in Africa, the Company is also evaluating opportunities in the Middle East, Kazakhstan and Russia.

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Dear Shareholder

It gives me great pleasure to report on another successful year for our Company. During the reporting period we have:

- Expanded and diversified our portfolio;
- Introduced institutional investors to our share register; and
- Welcomed new additions to the management team.

In the past 12 months our portfolio has doubled in size to in excess of 160,000 square kilometres which has further cemented our position as one of the leading and largest deepwater acreage holders in Africa. I would be among the first, however, to point out that size alone is not an adequate measure of the worth of an oil and gas portfolio. To provide investors with a more demonstrable measure of value your Board commissioned an independent review of the portfolio towards the end of 2005.

The results of that independent review were sufficiently robust to support the successful efforts of your management and advisors in raising over £110 million in working capital in the first half of 2006. Some of the funds came from existing shareholders, however the majority has come from new institutional investors whose presence on the share register represents a significant developmental milestone for our Company. This is a sign of confidence.

Our exploration portfolio has been enhanced by the acquisition of interests offshore SADR and Tanzania. In Tanzania, having acquired Block 1 in October 2005, we were fortunate to secure early access to a seismic vessel that was already in the area. Within a few weeks of signing the contract Ophir was able to fulfil its initial investment obligations. The results of that survey were sufficiently encouraging to cause us to seek more acreage and it gave me particular pleasure to attend a ceremony in Dar es Salaam in June to sign Production Sharing Contracts over Blocks 3 and 4. Once again we have been fortunate in that a seismic vessel was available within a few weeks of signing and so as I write we are acquiring valuable seismic data over these exciting new areas.

Your Company has received serious and credible expressions of interest from several international oil companies wishing to acquire farm-in interests in various of our projects. Building strong partnerships has always been part of Ophir's strategy to enhance operational capability and discussions with interested parties are ongoing.

Your Board has given your management team a broad mandate to seek appropriate new ventures. Further growth in the exploration portfolio is envisaged, however as contemplated by last year's report, the new ventures focus has been directed towards the acquisition of producing or near-producing assets. In May, your Company entered into an agreement, subject to due diligence, to buy a producing oil and gas field in Kazakhstan with substantial undeveloped reserves. It would be inappropriate to comment further on these activities while due diligence is underway. However, I would like to note that this is just one of several such projects currently being pursued in both Kazakhstan and within Africa. I shall report on these transactions as and when appropriate.

We have progressed some way down the path towards establishing Ophir as a significant exploration and production company. In the expectation of making further progress towards this objective, your management has had preliminary discussions with major investment banks regarding the likely appetite of capital markets should the Company seek a listing of its shares on a public stock exchange. These discussions have given your Board cause for cautious optimism such that, should conditions remain favourable, access to international capital markets via a public listing would enable your Company to maintain its aggressive growth strategy and would also provide shareholders with a liquid market for their shares. This is a matter at the forefront of our minds over the coming year.
While there can be no argument that this period of sustained high oil prices has had a positive impact on the financial performance of the oil and gas sector as a whole, it is becoming increasingly apparent that the industry is severely challenged by a shortage of skilled personnel and equipment, particularly drilling rigs. As shareholders we have been particularly fortunate that the founding core of our management team have worked together over many years and have particular experience in Africa and elsewhere. We have been equally fortunate that your Company has been successful in attracting highly talented and motivated individuals to augment that team. The results of their dedication and hard work will become evident to you in reading this report and on behalf of all shareholders I would like to record my gratitude to them.

As ever, at the core of any successful company are supportive shareholders and the Board is appreciative of the ongoing support that Ophir receives both directly and indirectly in conducting its business.

Tokyo Sexwale
Chairman
30 August 2006
Ophir aspires to be a leading independent global African energy company. Whilst Ophir’s assets are currently all in Africa it is significant to note that Ophir is an African energy company with global ambitions, rather than just another energy company operating in Africa.

Ophir’s experienced management and staff have previously been involved in a series of major discoveries in Africa and have a proven ability to add value to projects through the innovative application of geoscience and commercial deal making.

Previously, as founders and management of AIM-listed Fusion Oil & Gas plc, the Ophir executive team of Dr Alan Stein and Mr Jonathan Taylor, together with Non Executive Director Dr Peter Dolan, were involved in significant discoveries offshore Mauritania and had interests in six (6) other West African countries. The Company therefore enjoys a continuity of existing relationships and experience in Africa that has been further enhanced by additional management appointments and through its strategic relationship with Mvelaphanda, one of South Africa’s largest industrial and resources groups.

Under the strategic relationship arrangement, Ophir acquired Mvelaphanda’s existing oil and gas assets and Mvelaphanda agreed to work exclusively with Ophir on upstream oil and gas projects worldwide. Mr Tokyo Sexwale, Chairman of Mvelaphanda, is also Non Executive Chairman of the Company and Mvelaphanda is the Company’s largest shareholder.

Because of the experience and background of its management and principal shareholders, the Directors are of the opinion that the Company enjoys a competitive advantage in securing attractive projects across the African continent. Since formation in 2004, the Company has been able to acquire an extensive exploration portfolio including a core of prospective interests in the deepwaters of the Gulf of Guinea - where there is considerable competition for acreage. These interests, in the opinion of the Directors and Management, have a high probability of exploration success and will be of interest to the growing number of groups competing for opportunities in Africa.

Despite this focus upon Africa, Ophir has a mandate to expand its portfolio by the inclusion of projects of merit, irrespective of geographical location, and has evaluated, and continues to evaluate, projects in the Middle East, Kazakhstan and Russia.
The Company is currently evaluating opportunities to acquire producing or near-producing assets which would complement its exploration portfolio. There is a limited market or trade in high quality producing assets in Africa and it is the opinion of the Directors and Management that such assets generally trade at a premium to global market rates. As a consequence, although the focus of the Company remains very much upon Africa, the search for producing or near-producing assets has focussed, in particular, on Kazakhstan.

In terms of net area of exploration acreage Ophir is now one of the largest deepwater acreage holders in Africa with many of these license interests in the highly prolific Gulf of Guinea - a region which holds more than 80% of Sub-Saharan Africa's oil and gas reserves.
Ophir has an interest in 17 exploration projects in nine (9) countries in Africa (refer figure below) that cover a combined area in excess of 160,000 square kilometres.

The status of each of these projects is summarised in the table below.

<table>
<thead>
<tr>
<th>Country</th>
<th>Asset</th>
<th>Equity (%)</th>
<th>Area (km²)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equatorial Guinea</td>
<td>Block R</td>
<td>80</td>
<td>2,681</td>
<td>Awarded</td>
</tr>
<tr>
<td>Gabon</td>
<td>Mbeli</td>
<td>100</td>
<td>3,384</td>
<td>Awarded</td>
</tr>
<tr>
<td>Gabon</td>
<td>Ntsina</td>
<td>100</td>
<td>3,299</td>
<td>Awarded</td>
</tr>
<tr>
<td>Gabon</td>
<td>Manga</td>
<td>100</td>
<td>3,455</td>
<td>Awarded</td>
</tr>
<tr>
<td>Gabon</td>
<td>Gnondo</td>
<td>100</td>
<td>2,574</td>
<td>Awarded</td>
</tr>
<tr>
<td>Congo (Brazzaville)</td>
<td>Marine IX</td>
<td>31.5</td>
<td>1,044</td>
<td>Awarded</td>
</tr>
<tr>
<td>Nigeria – São Tomé/Principe JDZ</td>
<td>Block 3</td>
<td>*4</td>
<td>666</td>
<td>Awarded</td>
</tr>
<tr>
<td>South Africa</td>
<td>2A</td>
<td>**10</td>
<td>12,175</td>
<td>Awarded</td>
</tr>
<tr>
<td>South Africa</td>
<td>2C</td>
<td>**10</td>
<td>9,320</td>
<td>Awarded</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Block 1</td>
<td>100</td>
<td>13,270</td>
<td>Awarded</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Block 3</td>
<td>100</td>
<td>10,790</td>
<td>Awarded, pending ratification</td>
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<tr>
<td>Tanzania</td>
<td>Block 4</td>
<td>100</td>
<td>10,190</td>
<td>Awarded, pending ratification</td>
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<tr>
<td>Somaliland (primarily onshore)</td>
<td>Berbera</td>
<td>75</td>
<td>14,306</td>
<td>Awarded</td>
</tr>
<tr>
<td>SADR</td>
<td>Daora</td>
<td>50</td>
<td>17,540</td>
<td>Awarded, pending resolution</td>
</tr>
<tr>
<td>SADR</td>
<td>Haouza</td>
<td>50</td>
<td>17,277</td>
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<tr>
<td>SADR</td>
<td>Mahbès</td>
<td>50</td>
<td>16,338</td>
<td>Awarded, pending resolution</td>
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<td>SADR</td>
<td>Mijek</td>
<td>50</td>
<td>23,172</td>
<td>Awarded, pending resolution</td>
</tr>
</tbody>
</table>

*subject to exercise of option over 2%
**back-in right
EQUATORIAL GUINEA

OVERVIEW

The PSC for Block R offshore Bioko Island that was signed between the Ministry of Mines, Industry & Energy, the National Oil Company of Equatorial Guinea (“GEPetrol”) and Ophir, was ratified by the Government of Equatorial Guinea on 19 April 2006.

Block R lies within the highly prospective deep waters of the Niger Delta in an area characterised by compressional toe-thrusts and multiple reservoir fairways. There have been a number of significant fields found in the permits adjacent to Block R and competition to acquire prospective deepwater acreage in this area is generally strong. Nearby discoveries include Akpo (600 MMBbl of condensate and 1.2 TCF of gas), Usan/Ukot (600 MMBbl of oil and 250 Bcf of gas) and Zafiro (1,200 MMBbl of oil and 500 Bcf of gas). The Chinese National Oil Company (“CNOOC”) recently acquired a 45% interest in the Akpo Field for US$2.268 billion* earlier this year the Chevron-led consortium in Block 1 of the Nigeria - São Tomé/Principe Joint Development Zone made an oil and gas discovery with the Obo-1 well some 60km to the west south-west of Block R. Although no detailed information concerning potential reserves or volumes in-place have been released the discovery provides further encouragement concerning the presence of an active petroleum system in Block R.

Based on a preliminary evaluation of the available 3D seismic data a portfolio of six (6) prospective features have been identified with a gross un-risked prospective resource in excess of 2.5 Bbbl. By definition, prospective resources are those that it is estimated may be potentially recoverable from as yet un-drilled prospects. While there is no certainty of finding hydrocarbons in this block the prospectivity is considered to be good with analogue support from nearby discoveries and the presence of various anomalies on the seismic data which may be indicative of the presence of hydrocarbons. A more thorough evaluation of the petroleum geology of Block R is now underway. A 3D seismic survey acquired by Total in the late 1990s covers the most prospective part of the Block. These data are currently being reprocessed to enable the Company to take advantage of recent advances in fluid and lithology prediction technology. It is expected that a drill-ready prospect inventory will be completed by mid-2007.

LICENSE DETAILS

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Block R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basin</td>
<td>Niger Delta</td>
</tr>
<tr>
<td>Gross Area</td>
<td>2,681 square kilometres</td>
</tr>
<tr>
<td>Water Depth</td>
<td>1,300 to 2,600m</td>
</tr>
<tr>
<td>Operator</td>
<td>Ophir</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>80%</td>
</tr>
</tbody>
</table>

*Plus an adjustment of US$424 million for expenses in the period prior to closing.
There are numerous examples of seismic attributes on the Block R 3D seismic data that might indicate the presence of hydrocarbons. This example of a spatial stack shows seismic “flat spots” which may be caused by the reflection of seismic energy from a contact between different fluid types. In the case of hydrocarbon contacts the reflection can be caused by gas and/or oil on water or gas on oil. “DHI” = Direct Hydrocarbon Indicator.

Thrust structures in Block R, seen here in a three dimensional perspective view, have been caused by downslope slippage of sediments deposited by the Niger River. This is a common trapping style in the deepwater Niger Delta.
Three dimensional perspective view from Block R 3D seismic survey showing shallow gas anomalies, depositional geometries in underlying horizons and deep structure. These data are currently being reprocessed so that the Company can take advantage of recent advances in lithology and fluid prediction technology. Understanding the relationship between the distribution of reservoir and sub-surface structure is a critical part of the geoscientific risk reduction process.

In this three dimensional perspective view a potential reservoir fairway, highlighted in yellow, is draped over the crest of a thrust structure.
GABON

OVERVIEW

On 16 March 2005, Ophir was awarded 100% working interest in four (4) deepwater blocks - Mbeli Marin, Ntsina Marin, Manga Marin and Gnondo Marin, situated west and north of the prolific Ogooue Delta complex in water depths ranging from less than 50m to 2,500m. Since the 1960s over 2,000 MMbbl of oil and 900 Bcf of gas have been discovered in post-salt sequences of the Ogooue Delta. Nearby discoveries with significant reserves offsetting the Ophir deepwater blocks include Anguille Marin - 1962 (225 MMbbl), Torpille Marin - 1968 (161 MMbbl), Grondin Marin - 1971 (235 MMbbl) and Iguega Marin - 1997 (75 MMbbl).

The prospectivity of the Blocks is considered to be good, with multiple reservoir target levels, proven oil hydrocarbon charge (oil in Padouk 1 in Ntsina Marin), a diversity of untested play types and a large inventory of mapped leads and prospects. Exploration within these deepwater blocks has been limited, with only four (4) wells drilled; one (1) in each of Mbeli Marin and Gnondo Marin and two (2) in Ntsina Marin. Recent discoveries offshore Equatorial Guinea demonstrate the potential for deepwater blocks in this basin to receive an oil charge.

There is an extensive legacy seismic database in these blocks comprising 3,450 square kilometres of 3D seismic and over 16,313km of 2D seismic. Although a number of prospective features have already been identified in these data it has been decided to completely re-interpret all four (4) blocks starting at the regional scale and progressing through to detailed mapping and attribute analysis of the various 3D seismic surveys. The timetable for completion is running broadly in parallel with the work programme in Block R with a drill-ready prospect inventory anticipated by mid-2007.

LICENSE DETAILS

 Licence Name        Mbeli Marin; Ntsina Marin; Manga Marin; Gnondo Marin
 Basin              North Gabon
 Gross Area         12,712 square kilometres (Mbeli 3,384; Ntsina 3,299; Manga 3,455; Gnondo 2,574)
 Water Depths       <50 to 2,500m
 Operator           Ophir
 Ophir Equity       100%
Three dimensional perspective view of one of the Ntsina Marin prospects with a cube of seismic data extracted from the 3D volume illustrating structural style.

Seismic attributes are used here to identify a potential reservoir fairway on the flanks of the structure drilled by Ika Marin-1. The well appears to have missed the main reservoir fairway which has an up-dip termination against a salt swell. This is one of the prospective features currently being investigated.
Seismic attributes can sometimes be used to identify variations in lithology and occasionally fluid content. This example from the Manga Marin block uses merged amplitude attributes to identify various channel facies within the Nandou Prospect. It is possible to map out complex discrete meandering channel systems as well as more areally extensive overbank deposits. The individual features in this image are colour coded by age with blue being oldest and red being youngest.
CONGO (BRAZZAVILLE)

OVERVIEW

Ophir has entered into a joint venture with Premier Oil plc ("Premier") to pursue projects in Congo (Brazzaville). A PSC for Block Marine IX was signed on 14 March 2006 with ratification on 19 May 2006. Ophir has an effective interest of 31.5% with the project being operated by Premier. There is an extensive database available including good quality 3D seismic data which has enabled past drilling results to be interrogated in some detail. These data are going to be enhanced prior to finalisation of a drill-ready portfolio in 2007.

Block Marine IX lies within an established oil province. Existing fields with significant reserves in the immediate vicinity include;

- Kitina Marine - 7km east, 110 MMbbl
- Moho-Bilondo Complex - 14km south east, 285 MMbbl
- Sendji Marine - 22km east, 177 MMbbl
- Yombo Marine - 24km north, 115 MMbbl

LICENSE DETAILS

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Marine IX</th>
</tr>
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<tbody>
<tr>
<td>Basin</td>
<td>Lower Congo Basin/Congo Fan Basin</td>
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<tr>
<td>Gross Area</td>
<td>1,044 square kilometres</td>
</tr>
<tr>
<td>Water Depth</td>
<td>300 to 1,200m</td>
</tr>
<tr>
<td>Operator</td>
<td>Premier</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>31.5%</td>
</tr>
</tbody>
</table>
OVERVIEW

A PSC for the Nigeria-São Tomé/Principe Joint Development Zone ("the JDZ") Block 3 was signed on 14 March 2006.

The Company currently owns 50% of Ophir JDZ Limited which has a 4% interest in the Block 3 PSC. The Company has an option to acquire the balance of the shares in Ophir JDZ Limited that it does not already own. The Block 3 PSC is operated by US company Anadarko (51%) and was awarded following successful application in the second Joint Development Authority ("JDA") licensing round.

The JDZ area is jointly administered by the Governments of Nigeria and São Tomé/Principe through the JDA. The JDZ covers an area of 35,000 square kilometres situated in the south eastern part of the Niger Delta complex in water depths ranging from 1,500 to 2,600m.

Nearby discoveries such as the Akpo Field in OPL 246, located 20km to the north of Block 1 and the recent Obo-1 discovery within Block 1 itself, give cause for cautious optimism regarding the petroleum potential of Block 3. The potential size of the Obo-1 discovery is, as yet unknown however, the Akpo field, typical of deepwater Nigeria, is in 1,360m of water and is reported to contain estimated recoverable reserves in the order of 600 MMbbl condensate and 1.2 Tcf gas.

LICENSE DETAILS

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<thead>
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<th>Block 3</th>
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<td>Basin</td>
<td>Niger Delta</td>
</tr>
<tr>
<td>Gross Area</td>
<td>666 square kilometres</td>
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<tr>
<td>Water Depth</td>
<td>1,800 to 2,300m</td>
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<tr>
<td>Operator</td>
<td>Anadarko</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>4%*</td>
</tr>
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</table>

*Subject to exercise of option.
**SOUTH AFRICA**

**OVERVIEW**

Subject to the usual consents Ophir has acquired from Mvelaphanda a 10% back-in right to Blocks 2A and 2C offshore South Africa. The option may be exercised by refunding pro-rata back-costs. Ophir will then participate in the joint venture according to its working interest and pay its pro-rata share of costs.

Block 2A contains the Ibhubesi gas discovery which has proven and probable reserves in excess of 450 Bscf. The project operator, Forest Oil Corporation ("Forest"), is currently in discussions regarding a gas sales contract prior to initiating field development.

Strong energy demand in South Africa means that electricity generation provides the foundation for current development plans. At this stage a phased development scenario is envisaged, involving a sub-sea gathering system with a 100km sub-sea tieback pipeline to an onshore processing facility.

**LICENCE DETAILS**

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Blocks 2A and 2C</th>
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</thead>
<tbody>
<tr>
<td>Basin</td>
<td>Orange Basin</td>
</tr>
<tr>
<td>Gross Area</td>
<td>21,495 square kilometres (Block 2A 12,175; Block 2C 9,320)</td>
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<tr>
<td>Water Depths</td>
<td>&lt;100-1,800m</td>
</tr>
<tr>
<td>Operator</td>
<td>Forest</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>10%*</td>
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</tbody>
</table>

*Ophir has entered into an agreement with Mvelaphanda to acquire its 10% back in right in Blocks 2A and 2C. This assumes the option right is exercised.
Extract from a 3D seismic volume within Block 2A with an opacity cube slice at the Ibhubesi reservoir level used to identify a meandering channel complex and a possible overbank deposit (crevasse splay).

A satellite image of Africa at night, shows that the Ibhubesi gas field is well located to supply the best developed power markets in sub-Saharan Africa. Source: www.inquinamentoluminoso.it
TANZANIA

OVERVIEW

East African offshore areas have experienced a recent surge in exploration interest, with companies such as Petrobras, Statoil and Shell, all with current participation in, or in negotiations for, Tanzanian blocks and recent awards to Anadarko, ENI (Agip) and Norsk Hydro in Mozambique while others, such as Woodside and Dana, are actively involved in Kenya and Total made an entry into southern offshore Somalia in 2001. ExxonMobil and BG have established a major presence to the east, offshore Madagascar.

Following a successful bid in the Third Tanzania Offshore Licensing Round, Ophir signed a PSC with the government of Tanzania on 28 October 2005 over Block 1; a 13,270 square kilometre area located immediately to the north of the Tanzania - Mozambique maritime boundary. Block 1 covers the southern portion of the Mafia Deep Offshore Basin (“MDOB”) and northern portion of the Ruvuma Basin in water depths ranging from approximately 100m to in excess of 3,000m.

On 31 December 2005, Ophir completed acquisition of 1,650km of 2D seismic data in Block 1 to infill the existing regional seismic grid. Encouraged by the preliminary results from this seismic survey the Company made an application to the Government to acquire additional acreage and in June 2006 signed PSCs over Blocks 3 and 4 (pending ratification). Blocks 3 and 4 cover a combined area of 20,980 square kilometres in water depths that range from 500 to 3,000m.

In August 2006 the Company commenced the acquisition of 2,650km of 2D seismic data in Blocks 3 and 4.

LICENSE DETAILS

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Blocks 1, 3 and 4</th>
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<td>Basin</td>
<td>Mafia Deep Offshore Basin/Ruvuma Basin</td>
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<tr>
<td>Gross Area</td>
<td>34,250 square kilometres (Block 1 13,270; Block 3 10,790; Block 4 10,190)</td>
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<tr>
<td>Water Depth</td>
<td>100 to 3,000m</td>
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<tr>
<td>Operator</td>
<td>Ophir</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>100%</td>
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</table>
The “GeoMariner” seismic vessel acquired 1,650km 2D seismic data over Block 1 late in 2005.

There is a thick sedimentary basin offshore Tanzania with complex structure resulting in a variety of potential hydrocarbon trapping styles. These data from Block 3 are part of a regional multi-client survey acquired by Western Geophysical.

Examples of the seismic data acquired by the “GeoMariner” over prospective features in Block 1.
SOMALILAND

OVERVIEW

The Berbera PSA was awarded to Rova Energy Corporation Limited ("Rova") by the Government of Somaliland in May 2003. Ophir acquired 75% of the issued share capital of Rova in October 2005.

The Somaliland state is not yet formally recognised by the international community, however following more than 15 years of self-rule, under a democratically elected Government, tangible progress is being made towards achieving full recognition.

Following discussions with the Ministry of Water & Mineral Resources, Rova has agreed to redefine the area under the Berbera PSA to focus exploration on the more prospective western region, covering Blocks 35 and M10A. The licence area covers 14,306 square kilometres in northern Somaliland and is situated both onshore and offshore where water depths reach up to 1,000m.

Exploration success in Yemen in the 1980s led to renewed activity in Somaliland which has contiguous geology. This exploration activity was halted by the Somalian civil war which ended with a declaration of independence by Somaliland in 1991.

Rova has entered into contracts for the acquisition of aeromagnetic data over the onshore and seismic data in the offshore. These contracts are subject to the satisfaction of various conditions out of Rova’s control, however it is hoped that operational activity will commence later this year.

LICENSE DETAILS

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Berbera Block</th>
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<tr>
<td>Basin</td>
<td>Guban Basin/Sagaleh Basin</td>
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<td>Water Depth</td>
<td>Onshore to 1,000m</td>
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<td>Rova</td>
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<tr>
<td>Ophir Equity</td>
<td>75% (via its shareholding in Rova)</td>
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</table>
Typical terrain within the Berbera PSA area.

In many cases seismic lines acquired by past Operators can still be located in the field.

Wherever practical Ophir field crews have verified seismic line locations using global positioning satellites.
**SAHARAWI ARAB DEMOCRATIC REPUBLIC (“SADR”)**

**OVERVIEW**

On 15 March 2006 the Company, in partnership with Premier, signed four (4) PSCs offshore the SADR. This territory is commonly referred to as Western Sahara. Ophir has a 50% interest in each PSC and is the project Operator.

The sovereignty of Western Sahara is subject to a long standing dispute between the indigenous Saharawi people, as represented by the Government of the SADR, and the Kingdom of Morocco. The Security Council of the United Nations has been mediating between both sides in an attempt to find a just and diplomatic solution to the decolonisation of Western Sahara.

Offshore Western Sahara is one of the least explored sedimentary basins in the whole of West Africa. Preliminary studies suggest that all the necessary elements of an effective petroleum system could be in place but further seismic and geological studies are required.

A delegation from Ophir and Premier attended a ceremony within the liberated territory of Western Sahara in April 2006 where the PSCs were ratified by the Government.

The PSCs will only become operational when there is a resolution to the territorial dispute which recognises the right to self determination of the Saharawi people.

**LICENCE DETAILS**

<table>
<thead>
<tr>
<th>Licence Name</th>
<th>Daora; Haouza; Mahbes; Mijek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basin</td>
<td>Aaiun Basin</td>
</tr>
<tr>
<td>Gross Area</td>
<td>74,327 square kilometres (Daora 17,540; Haouza 17,277; Mahbes 16,338; Mijek 23,172)</td>
</tr>
<tr>
<td>Water Depth</td>
<td>Coastline to &gt;2,500m</td>
</tr>
<tr>
<td>Operator</td>
<td>Ophir</td>
</tr>
<tr>
<td>Ophir Equity</td>
<td>50%</td>
</tr>
</tbody>
</table>
Saharawis attending a concert to commemorate signing of the offshore PSCs.

Ophir field party April 2006.

Saharawi refugee camps near Tindouf in Algeria.
NEW VENTURES

In addition to the pursuit of various exploration new ventures the Company has been giving an increasing amount of attention to acquiring producing or near-producing assets. Various opportunities for such transactions in Africa have been reviewed and whilst some remain under active consideration, it is the view of the Board that the numbers of such opportunities in Africa are limited and those that are available are currently relatively expensive.

As foreshadowed in last year’s report the Company has also been seeking opportunities beyond Africa and in May 2006 entered into an agreement, subject to ongoing due diligence, to acquire a 100% interest in an oil and gas field in Kazakhstan. Based on current estimates the field contains approximately 400 to 500 MMbbl of undeveloped oil-in-place and 1.5 to 2.0 Tcf of undeveloped gas-in-place. The final acquisition consideration will be determined with reference to 1P and 2P reserves as certified by an independent expert working to standards defined by the Society of Petroleum Engineers.

Subject to the satisfactory completion of due diligence it is expected that this may be the first of several other such projects that the Company will pursue in the region.
**DIRECTORS’ PROFILES**

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

<table>
<thead>
<tr>
<th>NAME</th>
<th>BASE</th>
<th>QUALIFICATIONS</th>
<th>PARTICULARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Sexwale</td>
<td>Johannesburg</td>
<td>PhD (Hon)</td>
<td>Non Executive Chairman</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>As a former member of the African National Congress (“ANC”) underground movement Mr Sexwale was sentenced to 18 years imprisonment on Robben Island by the Apartheid Government of South Africa in 1978. After his release in 1990 he served as the Head of the Public Liaison Department of the ANC Headquarters and subsequently was appointed Head of Special Projects, under Military Headquarters. In September 1990 he was elected to the Executive Committee of the ANC and served as Governor of Gauteng Province from 1994 to 1998 when he left political office to establish Mvelaphanda Holdings. Mr Sexwale is the Executive Chairman of Mvelaphanda and serves on the Board of several of the companies that Mvelaphanda has an interest in. Mr Sexwale was appointed to the Board in October 2004.</td>
</tr>
<tr>
<td>Alan Stein</td>
<td>Perth/London</td>
<td>BSc, PhD</td>
<td>Managing Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dr Stein started his career in 1988 in the UK with the oil consultants Dolan &amp; Associates working on projects in Europe, Australia and the Far East. In 1992 he moved to Perth to establish a petroleum consulting business that became part of the IKODA group in 1994. In 1996 he negotiated the acquisition of interests offshore Mauritania and established the joint venture which was the precursor to Fusion Oil &amp; Gas NL. Dr Stein was appointed Managing Director of Fusion Oil &amp; Gas NL in June 1998 and Fusion Oil &amp; Gas plc in June 2000. Dr Stein resigned from Fusion in February 2004, and was appointed as a Director of Ophir in April 2004.</td>
</tr>
<tr>
<td>Jonathan Taylor</td>
<td>London</td>
<td>BSc, MSc</td>
<td>Technical Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mr Taylor has worked for Amerada Hess Ltd, Clyde Petroleum plc and Gulf Canada Resources Ltd in a variety of roles in Africa, the Far East, Australia and Middle East. Between 1996 and 1998, he was responsible for exploration activity in Africa, initially for Clyde and subsequently, following takeover, for Gulf. Mr Taylor was appointed Exploration Director of Fusion Oil &amp; Gas NL in November 1998 and Fusion Oil &amp; Gas plc in June 2000. Mr Taylor resigned from Fusion in March 2004, and was appointed as a Director of Ophir in April 2004.</td>
</tr>
</tbody>
</table>
The names and particulars of the Non Executive Directors of the Company during the financial year and since the end of the financial period are:

<table>
<thead>
<tr>
<th>NAME</th>
<th>BASE</th>
<th>QUALIFICATIONS</th>
<th>PARTICULARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Dolan</td>
<td>London</td>
<td>BSc, PhD</td>
<td>Non Executive Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dr Dolan has been involved in international oil and gas exploration for 40 years; initially as an employee of Mobil, Ball &amp; Collins (predecessor of Premier Oil) and then as a founder and director of JECBO Seismic Ltd. He was subsequently a founder and director of Dolan &amp; Associates and IKODA and has acted as a consultant and adviser to a large number of oil companies, financial institutions and Governments. His geographic experience spans the Americas, Europe, Africa, Australia and Far East. Dr Dolan was appointed Chairman of Fusion Oil &amp; Gas plc in June 2000. Dr Dolan resigned from Fusion in March 2004, and was appointed as a Director of Ophir in April 2004.</td>
</tr>
<tr>
<td>Mikki Xayiya</td>
<td>Johannesburg</td>
<td>BA</td>
<td>Non Executive Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>From 1978 to 1990 Mr Xayiya was an active member of the ANC and from 1984 to 1990 was imprisoned on Robben Island by the apartheid government of South Africa. From 1990 to 1994 Mr Xayiya was involved in various community programmes in South Africa and Swaziland before becoming a policy advisor to the Gauteng Provincial Government. In 1998 he was appointed Managing Director of Mawenzi Asset Managers and in 2000 joined Mvelaphanda where he currently holds the office of Deputy Chairman and serves on the Boards of various subsidiary companies. Mr Xayiya was appointed to the Board in April 2006.</td>
</tr>
<tr>
<td>Mark Willcox</td>
<td>Johannesburg</td>
<td>BA (LLB)</td>
<td>Non Executive Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mr Willcox trained as a lawyer and completed postgraduate studies in taxation at the University of Cape Town where he received various scholarships and awards for academic excellence. Following his studies he joined a US based financial institution, Euro Property and Finance Ltd, where he was involved in various significant mining and property transactions in the US, Far East and Africa. Mr Willcox was one of the founding directors of Mvelaphanda where he currently holds the position of Chief Executive Officer and serves on the Boards of various subsidiary companies. Mr Willcox was appointed to the Board in April 2006.</td>
</tr>
</tbody>
</table>
CORPORATE DIRECTORY

DIRECTORS
Tokyo Sexwale
Non Executive Chairman

Alan Stein
Managing Director

Jonathan Taylor
Technical Director

Peter Dolan
Non Executive Director

Mikki Xayiya
Non Executive Director

Mark Willcox
Non Executive Director

COMPANY SECRETARY

Raymond Godson

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6/7 Pollen Street
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Australia:
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Perth WA 6000
Australia

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