

SALAMANDER ENERGY plc

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2017

COMPANY NUMBER: 05934263

Strategic Report

Introduction

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Salamander Energy plc and its subsidiary undertakings when viewed as a whole.

The Strategic Report discussed the following areas:

Fair review of the Group's business	Page 2
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Strategic Report (continued)

Fair review of the business

Review of the business is discussed in the following sections:

- Operational review
- Financial review

Operational review

Highlights

Our 2017 operational activities included an infill drilling programme in the Bualuang oil field and the completion of an extensive 3D seismic survey to support the development plan for the Kerendan field.

Our production base averaged 11,724 boepd. This delivered revenues of \$189 million (excluding Sinphuhorm which is equity accounted), up \$81 million or 76% on 2016 and included the first full year of production and cash flow contribution from the Kerendan field.

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

Bualuang, Thailand (28.3 MMbo 2P, 10.3 MMbo net 2C)

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

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

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

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

Strategic Report (continued) **Operational review (continued)**

Kerendan, Indonesia (14.8 MMboe 2P, 60.6 MMboe net 2C)

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

The field generated revenue of \$19 million at an average gas realisation price of \$5.30 per Mscf. In addition to ramping up production, the focus in 2017 was monetising further gas from the asset beyond the first contracted amount of 122 Bcf.

The onshore 3D seismic survey in the Bangkanai and West Bangkanai PSCs was completed in December 2017, covering 560 square kilometres. This new seismic data, in combination with the data from the West Kerendan-1 ('WK-1') well and the WK-1 drill stem test, is expected to provide the necessary information to facilitate monetisation of up to 457 Bcf of discovered, but uncontracted, gross contingent resource in the Kerendan field. This would move these boepd over the period in 2016 that it was producing, but is expected to ramp up to full contract volume of closer to 20 MMscfd in 2017, providing additional cash flows. The off taker contracted to take 16 MMscfd from 11 January 2016 and, under the take or pay provision in the GSA, a receivable of \$17 million had been accrued. This was settled in full in February 2017. A significant step forward in monetising the additional 2C resource in the Kerendan area occurred in late 2016 with SKK Migas approving the West Kerendan-1 expansion plan. This would move hydrocarbons from resources to reserves classification. We anticipate this could result in production potentially as high as 80 MMscfd by end of 2022. In February 2018, the group agreed, in principle, a higher gas price with PLN for the current Phase one production at \$5.65/MMbtu, an increase from the current level of 5.08/MMbtu. To this end, negotiations have started with PLN to supply a second phase of gas to a new build power plant from 2020. The group is also investigating further third party gas sales from 2020.

Sinphu Horm

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

In common with gas fields across Thailand, the cause of lower nominations appears to be related to competing sources of energy including spot LNG purchases by PTT replacing domestic sources of gas supply. The nominations returned to normal levels in the third quarter of the year, but dropped again in the fourth quarter due to extended turbine maintenance and lower demand. In 2018, we anticipate undertaking the PH-10 well workover (to maintain production capacity) and looking out to 2021, an appraisal well will be considered by the partnership to underpin a GSA extension. In addition, as gas has been discovered in APICO acreage L15/43 outside the field boundaries, we expect unitisation discussions to progress in 2018.

Strategic Report (continued)

Financial review

Key financial indicators

	Units	2017	2016	2015	2014
Income statement:					
Realised prices:					
- Oil	\$/bbl	51.86	37.85	56.32	92.81
- Gas (excluding Sinphuhorn)	\$/Mscf	5.3	-	-	-
Revenue	\$'millions	188.5	107.2	231.6	415.2
Operating costs per boe	\$/boe	11.42	13.41	8.40	14.64
Profit/(loss) before taxation	\$'millions	0.6	17.13	(354.6)	84.5
Taxation	\$'millions	72.9	59.2	(87.8)	133.5
Balance sheet:					
Capital expenditures:					
- Exploration and appraisal	\$'millions	21.3	42.7	40.1	47.2
- Development and production	\$'millions	43.9	16.7	47.2	222.0
Net debt ¹	\$'millions	16.8	110.0	188.4	379.6
Gearing ²	%	7	26	35	50
Cash flow statement:					
Cash generated from operations	\$'millions	139.6	50.4	155.1	282.6
Taxation payment	\$'millions	9.8	41.1	93.4	144.5
Net cash from operations per boe	\$/boe	30.31	15.57	15.19	26.64

² See note 21 to the consolidated Financial Statements for further details

³ Gearing is defined as net debt divided by net debt plus book equity

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

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

Net sources of funds

Working interest production for 2017 averaged 11,724 boepd for the year. Revenue from Bualuang totalled \$169 million (2016: \$107 million). Revenue from Kerendan totalled \$19 million.

In late 2017, the group implemented a commodity price hedging programme in respect of its 2018 production. A Brent-swap was purchased at an average price of \$59 per bbl and a call was purchased at an average price of \$67 per bbl, both trades for 3,200 bopd. The hedge represents approximately 27% of forecast 2018 production.

Net uses of funds

The Group's primary investments during 2017 were:

- Cote d'Ivoire Block CI-513 – drilling exploration well (\$13 million)
- Malaysia PM322 – seismic acquisition (\$8 million)
- Indonesia Kerendan – 3D seismic acquisition (\$13 million)
- Thailand Bualuang – drilling three infill wells (\$31 million)

Strategic Report (continued)

Financial review (continued)

Net interest charges and finance costs (excluding amortisation of capitalised arrangement fees) amounted to \$13 million (2016: \$16 million) against average gross debt of \$153 million (2016: \$219 million), giving rise to an average cost of debt of 9% for 2017 (2016: 7%). This was higher than 2016 with the deleveraging that occurred in 2017 and the repayment of the cheaper reserves based lending facility. This however lowered the total cost of borrowings, whilst preserving liquidity.

Debt

Cash outflow totalled \$1 million for the year (2016: \$18 million) giving rise to year-end 2017 net debt of \$16.8 million (year-end 2016: \$110 million). During 2017, the group completed the refinance of its reserves based lending facility into a new seven-year, \$250 million (plus accordion of \$100 million), senior secured facility with a maturity of mid-2024. The available balance on the facility of \$204 million remained undrawn at year-end 2017. Gross liquidity at year-end 2017 increased to \$292 million from \$99 million at year-end 2016.

The balance sheet therefore remains strong providing sufficient funds to meet the planned capital expenditure. Work on refinancing the outstanding \$104 million Nordic bond commenced in late-2017 and is expected to complete in 2018.

The Directors have also considered the longer-term viability of the Company and based on their assessment, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to end-2022.

Strategic Report (continued)

Operational summary and Business model

Business model

The Group aims to create sustainable shareholder value through building and exploiting its portfolio of upstream oil and gas assets.

The Group concentrates on a small number of asset positions, or hubs, that each offer production, development and exploration opportunities. Salamander typically holds operatorship and controls the scale, scope and pace of implementation of the work programme across its asset base.

Within each hub, the group benefits from technical, operational and financial synergies from its combined production, development and exploration activities. This helps the Group to control costs and build up a detailed understanding of the sub-surface in the areas in which the Group operates.

In order to be able to deliver on our work programmes we maintain a well-respected regional operating capability which includes recognising the need to complete our operations safely and responsibly.

Strategic Report (continued)

Key performance indicators

KPIs provide an illustration of management ability to successfully deliver against the strategic objectives.

	Working interest production (boepd)	Operating costs (\$ per boe)	Lost time injury frequency (per million man hours)	Post-tax operating cash flow (\$ per boe)
2016	10,800	13.41	0	2.87
2017	11,724	11.42	0	30.31
Definition	The average daily production associated with the Group's economic interest in its producing assets.	The average cost across the year of producing a barrel of oil equivalent of commercial hydrocarbons.	A work related injury that results in the individual being unable to report for work the following day/shift.	The free cash flow that is generated from a barrel of production.
Relevance	Production is the source of the Group's cash flow and as such the key driver of its finances.	The lower the operating cost base the greater the cash generation from production. A lower cost base will also prolong the field's productive life.	This metric is used to provide guidance as to the Group's HSE performance.	The greater the post-tax operating cash flow per boe the more cash is generated from production to fund planned capital expenditure.
Risk management	Diversifying the production base. Maintaining high standards of HSE.	Extensive planning pre-investment, cost engineering and estimating with experienced resources.	The Group targets zero Lost Time Injuries every year and has an active HSE plan to help try to achieve this.	Hedging policy to control cash flow volatility.

Strategic Report (continued)

Principal risks and uncertainties

The Group works in often challenging, complex and uncertain environments that present a potential risk to our objectives; to counter this we maintain robust and effective risk management as an integral part of our decision-making. During 2017, we continued to strengthen how the Group manages risk that could impact our people, the environment, our business and our reputation. The Group continuously strives to embed risk management principles in its processes and procedures.

Risk management

Internally, the Ophir Energy plc monitors and mitigates a more comprehensive list of risks through the its risk register, which is adopted by Salamander Energy plc and continues to be a vital component of our risk management process. It should be noted, for completeness, that there may be additional risks unknown to the company and other risks, currently believed to be immaterial, which could turn out to be material. In addition, it should be noted that not all of the risks and uncertainties set out below are within our control.

For clarity, we have indicated how our principal risks are linked to our strategic objectives.

Risk	Description of Risk	Control	Responsibility
Finding Low			
Funding	<ul style="list-style-type: none"> - Failure to forecast and work within our financial structure could impact our liquidity and lead to an inability to deliver the business plan. - Revenues, profitability and cash flows concentrated in a small number of producing assets. - The Group may face the possibility of future decommissioning costs that it cannot accurately predict. - Inability to access internal or external funding. 	<ul style="list-style-type: none"> - An ongoing strategic objective is to optimise the use of our capital by capturing highest commercial returns on our assets and exploration opportunities. - Regular review of cash flow, working capital and funding options, and prudent approach to budgeting and planning, to ensure sufficient capital to meet commitments. - Effective portfolio management via farm outs/asset sales as appropriate. - Budget focused on high and medium ranked assets/projects to deliver value creation and to ensure the Group can live within its means. - A formalised annual budget process and ongoing monthly reviews and analysis of actuals. - Board approval of Annual Work Programme. - Diversify the sources of funding and apply prudent levels of debt to development and production activities 	Chief Financial Officer
HSE Incident	<ul style="list-style-type: none"> - Loss of containment leading to major environmental incident. - Oil and gas exploration, development and production can present challenging operational environments and means we are exposed to a wide range of Health, Safety, Security and Environmental risks. - Our most significant risks are: <ul style="list-style-type: none"> - The potential loss of hydrocarbon containment caused by technical integrity failure, human error, natural disasters or other unforeseen events. - And the risk of harm to our workforce during transportation. - Major Health, Safety, Security or Environmental risk events could lead to regulatory action and legal liability, including penalties, increased costs and potential loss of our licence to operate. 	<ul style="list-style-type: none"> - An ongoing strategic objective is to execute operations safely with excellence. - The group is committed to maintaining robust Health, Safety, Security and Environmental management, and procedures are in place in order to respond to unexpected events that have a direct impact on the Group and the communities in which it works. - Comprehensive HSE and operations management systems including emergency response and oil spill response capability, as well as maintaining asset integrity. - Active security monitoring and management. - Learning from Group and third-party incidents. - Monitoring through leading indicators the highest HSE risk events. - The contracting and procurement process ensures suitably qualified contractors are employed and trained in the group's requirements and industry best practices. 	Director Operations Asia and Director Africa Exploration
Portfolio	<ul style="list-style-type: none"> - Limitations of portfolio/discovery risk and modest success rate leading to finding costs above \$1-2 per bbl. - Successful exploration and/or appraisal is fundamental to the purpose of our business and value creation for shareholders. - Persistent lack of success would lead to a loss of investor confidence and ultimately the failure of the business model. 	<ul style="list-style-type: none"> - An ongoing strategic objective is to capture high-quality exploration acreage, generate and high-grade prospects and mature top ranked, drillable prospects. - The group manages exploration risk by high grading plays in prospective acreage and focuses attention (and ultimately drilling) solely on the most prospective plays. - The group continues to build a portfolio of low cost opportunities with defined exit options for investors in order to decide whether or not to progress to the next phase of exploration. - The Board's Technical and Reserves Committee reviews subsurface risk and there is a robust peer review process embedded within the Group. 	Director Exploration and Africa

Strategic Report (continued)

Principal risks and uncertainties

		<ul style="list-style-type: none"> - There is an appropriate balance between growth by exploration and acquisition. - Application of technical excellence and use of appropriate technologies in exploration methodologies. - Review new geographic opportunities without impacting focus on strategic core growth areas. - Managing risk with partners in existing assets and new ventures. - Assets will only continue to be held and progressed if they can demonstrably create substantial value for shareholders. Capital is being selectively directed at those assets which offer the highest risk-weighted returns. 	
Financial Sustainability			
Investment	<ul style="list-style-type: none"> - Lack of suitable value adding opportunities and/or failure to execute/inability to fund P&D acquisitions. - The Group may not be able to identify appropriate expansion opportunities or be able to manage such expansion effectively. 	<ul style="list-style-type: none"> - Investments are not dictated by production or reserves growth targets; instead each investment will be assessed on an IRR and materiality basis. - Focus on growing a revenue generating business to fund exploration activities and minimise the overall cost of capital. - Allocate capital to highest return opportunities following rigorous risk reward analysis. - Risk assessment and due diligence process is undertaken on all potential new country entries. - the group endeavours to transact at the most appropriate time to create value for shareholders. 	Director Exploration and Africa
Compliance	<ul style="list-style-type: none"> - The Group conducts business in jurisdictions that have been allocated low scores on Transparency International's 'Corruption Perceptions Index', and where changes in the regulatory and legislative environment are possible. - Ethical wrongdoing and non-compliance, or failure to accurately report our data can lead to litigation against the Group which could materially impact our strategy. Potential impacts could be: <ul style="list-style-type: none"> - Reputational damage leading to withdrawal of support by shareholders, governments, lenders and/or co-venture partners. - Litigation and regulatory action leading to penalties and business disruption from investigation leading to unplanned cost impact. - Loss of assets, PSCs and projects. - Prosecution. 	<ul style="list-style-type: none"> - Top down leadership of the Group's values. - We have a strong Code of Conduct that we expect all employees and contractors to follow. - There is a Group Anti Bribery and Corruption Policy in place. - Compliance training is conducted across the Group. - Due diligence is carried out on counterparties and in our contract management. - There are anti-bribery and corruption provisions in our agreements. - Compliance controls and actions are reviewed by the Board and its committees - Annual employee sign-off confirming their observance of the Code of Conduct, Anti-Corruption policy and the Gifts and Hospitality standard. - A 'Letter of Assurance' is signed off annually by management. - Primary controls - All material information is released to the market on a timely basis and in accordance with all applicable regulations. 	General Counsel
Market Sentiment	<ul style="list-style-type: none"> - Adverse market sentiment and capital constraints due to competition for capital. - The sector continued to be depressed through 2017 and there remains a limited appetite for oil and gas investments. - The impact can negatively affect project value and modelling. 	<ul style="list-style-type: none"> - An ongoing strategic objective is to grow a revenue generating business to fund our exploration activities and minimise our overall cost of capital. - Deliver an appropriate capital structure to internally fund core exploration and appraisal activities from the addition of production assets and monetisation of resources to generate sustainable cash flow. - Ensure that commercial terms on new acreage reflect the changing landscape and involve minimal financial commitments with options to exit early. 	Chief Financial Officer
Commodity Price	<ul style="list-style-type: none"> - This can lead to loss of value and have an adverse effect on revenue, margins, profitability and cash flow. 	<ul style="list-style-type: none"> - Continue to review the Group's cost structure and make sure it reflects the new oil price environment. - Economics of development plans re-worked to reflect downside sensitivities of oil price scenarios. - Selectively exploit the low service costs that have resulted from the drop in the oil price. - Pursue acquisition opportunities that seek to protect shareholder value and sustain exploration. - Manage balance sheet strength. 	Chief Financial Officer
Climate Change	<ul style="list-style-type: none"> - The global ambition to limit mean temperature rise to below 2°C above pre-industrial levels will potentially require significant and sustained reductions in fossil fuel emissions. - It is hard to predict what changes in laws, regulations and obligations relating to man-made climate change will be, but they may increase costs, reduce value and constrain 	<ul style="list-style-type: none"> - Climate change will remain on the Board's strategic agenda going forward. - We will continue to develop the Company's strategy and our approach to tracking trends to provide us commercial foresight on how quickly the world is moving toward decarbonisation. - We will continue to report in line with CDP and the Global Reporting Initiative. 	Director Security and Surface Risk

Strategic Report (continued)

Principal risks and uncertainties

	future opportunities.		
Monetise Smartly			
Political	<ul style="list-style-type: none"> – We are exposed to a variety of changes in the macro environment around global affairs and international economics that are leading to greater global economic uncertainty. – At a more micro-level, the Group operates in jurisdictions that are subject to significant political, economic, legal, regulatory and social uncertainties which could lead to license appropriation. – The impacts can affect the safety of our people, operational continuity and lead to a loss in value and uncertain financial outcomes. 	<ul style="list-style-type: none"> – The group regularly monitors and seeks to understand changes taking place in political and regulatory environments although it is often hard to forecast the timing and gravity of political events. – The Group works to the highest industry standards with regulators, closely monitoring compliance with the Group's licence and PSC obligations. – We seek to reduce our exposure by maintaining a diverse portfolio. – Maintain positive relationships with governments and key stakeholders in host countries. – Appropriate legal agreements are in place to protect our interests. – When reviewing new positions/acquisitions we evaluate and compare the potential political risks within our portfolio 	Director Security and Surface Risk
Debt Financing	<ul style="list-style-type: none"> – Failure to debt finance projects could delay FID decisions. – The Group's business will require significant capital expenditure and the future expansion and development of its business could require future debt and equity financing. The future availability of such funding is not certain. 	<ul style="list-style-type: none"> – The continued focus for the Group is on increasing NAV/share. – Monitor and tailor projects to fit macro environment. – Facilitate buyer access/relationship with host Government. – Maximise transparency with equity buyers. – Contingency planning and preparedness to change the course of action as situations change. 	Chief Financial Officer
Counterparty	<ul style="list-style-type: none"> – Failure of some of our counterparties could lead to failure of projects and cause operational issues. 	<ul style="list-style-type: none"> – Due diligence carried out pre-approval. – Full credit risk assessment conducted and exposure value is risked. – Compliance with the group Treasury & Investment Policy. – Counterparty risk leading indicator in place. – Contingency planning. – Regular monitoring of credit ratings. – Cash forecasting providing key information to manage exposure and risk. – Credit assessment as part of CP&L process at per-qualification stage & once contract awarded. – Ongoing monitoring through leading indicator. – Legal protection included into contract. 	Chief Financial Officer

Approval of Strategic Report

Approval of Strategic Report

This Strategic Report was approved by the board of directors and signed on its behalf by:

Tony Rouse
Director
26 April 2018

Governance

Directors' Report

The Directors submit their report together with the audited Consolidated and Parent Company Financial Statements of Salamander Energy plc for the year ended 31 December 2017. This report is required to be produced by law and its contents are prescribed in the Companies Act 2006 (the "Act"). The liabilities of the Directors in connection with the Directors' Report shall be subject to the limitations and restrictions provided in the Act.

The Company

Salamander Energy plc is a company incorporated in England and Wales, with company number 05934263. As at 31 December 2017, it was the holding company of the Group and trades principally through its subsidiary undertakings in various jurisdictions. The subsidiary undertakings and jointly controlled undertakings are listed in note 15 to the accounts.

The Group's head office is in London with regional offices in Thailand, Indonesia and Malaysia.

The Directors

The Directors who served in office during the financial year and subsequently were as follows:

	Appointed
Nick Cooper	2 March 2015
Bill Higgs (Resigned - 7 th August 2017)	2 March 2015
Tony Rouse	2 March 2015

Directors' interests

A list of Directors is shown above. None of the directors listed have interests in the ordinary share capital of the Company or options granted over the ordinary share capital of the Company. There were no changes to the Directors' interests between 31 December 2017 and the date of signing this Directors' Report. No Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

Directors' indemnity arrangements

The Company had purchased and has maintained throughout the financial year and at the date of approval of this Annual Report and Accounts, Directors' and Officers' liability insurance in respect of itself and its Directors whether in their capacity as Directors of the Company or associated companies. The Directors also have the benefit of indemnity provisions in the Company's Articles of Association. These provisions are qualifying third party indemnity provisions as defined in section 234 of the Companies Act 2006.

Results and dividends

The consolidated Financial Statements for the year ended 31 December 2017 are as set out on pages 25-65. The Group's loss after taxation for the year was \$72.3 million (2016: loss after taxation of \$42.1 million).

The Company has declared no dividend for the year ended 31 December 2017 (2016: nil). The Directors do not currently intend that the Company will pay a dividend in the foreseeable future.

Future developments in the business of the Group

Details of the likely future developments in the business of the Group are set out in the Strategic Report on pages 1 to 10

Directors' Report (continued)

Use of financial instruments

The Company issued a US\$150 million senior unsecured bond issue in December 2013, as described in note 20 of the consolidated Financial Statements. The bonds have a tenure of six years and one month. The bonds are listed on the Nordic ABM.

Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Political donations

During the year the Group made no political donations (2016: nil).

Auditors

Each person who is a Director at the date of approval of this Annual Report and Accounts confirms that as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. In addition, each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Post balance sheet events

Particulars of important events affecting the Group since the end of the financial year are set out in note 31 to the accounts.

Going concern

The Group has expenditure commitments on its exploration and development portfolio within the next twelve months. The Group intends to partially meet these investment requirements through a mixture of up to \$250 million reserves based lending facility (see note 19), its Norwegian bond (see note 20) and free cash flow. It has also obtained a letter of support from its parent company, Ophir Energy plc, which confirms that it will provide financial support to assist the Salamander Group in meeting its liabilities as and when they fall due, to the extent that funds are not otherwise available to it, for at least 12 months from the date of approval of these financial statements.

Accordingly, after making enquiries as to both the Salamander Group's and the Ophir Group's financial position and future prospects, the Directors have a reasonable expectation that Ophir Energy plc and the Salamander Group have adequate financial resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

By order of the Board

Tony Rouse
Director
26 April 2018

Directors' responsibilities statement

Statement of Directors' responsibilities in relation to the financial statements and Annual Report

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements of the Group and the parent Company for each financial year. Under that law, the Directors are required to prepare financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company Law the Directors must not approve the Group and parent Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and parent Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company's financial position and financial performance; and
- state whether the Group and parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company's and enable them to ensure that the Group and parent Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, in accordance with the Companies Act 2006 and applicable regulations,

Tony Rouse
Director
26 April 2018

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALAMANDER ENERGY PLC

Opinion

In our opinion:

- ▶ Salamander Energy plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.
- ▶ We have audited the financial statements of Salamander Energy plc ("Salamander") which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2017	Parent Company balance sheet as at 31 December 2017
Consolidated statement of comprehensive income for the year ended 31 December 2017	Parent Company statement of changes in equity for the year ended 31 December 2017
Consolidated statement of changes in equity for the year ended 31 December 2017	Parent Company cash flow statement for the year ended 31 December 2017
Consolidated cash flow statement for the year ended 31 December 2017	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

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

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

► Key audit matters	<ul style="list-style-type: none">• Impairment of the tangible oil and gas assets, investment accounted for using the equity accounted method and exploration and evaluation assets• Estimates of oil and gas reserves• Revenue recognition
Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 18 components.• The components where we performed full or specific audit procedures accounted for 100% of EBITDAX, 100% of Revenue and 99% of total assets.
Materiality	<ul style="list-style-type: none">• Overall group materiality of \$3 million which represents 3% of earnings before interest, tax, amortisation (including impairment) and exploration costs ("EBITDAX").

Key audit matters

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

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

Risk	Our response to the risk	Key observations communicated to the those charged with governance
<p>Impairment of the tangible (oil and gas ("O&G")) assets, exploration and evaluation ("E&E") assets and investments accounted for using the equity method</p> <p>For O&G assets:</p> <p>Tangible oil and gas properties assets: \$583m (2016: \$1,603m)</p> <p><i>Refer to the Accounting policies and Note 11 of the Consolidated Financial Statements</i></p> <p>Fluctuating prices, as well as other potential triggers such as changes in reserves, production profiles, drilling commitments and cost forecasts, could indicate heightened risk of impairment and give rise to impairment testing.</p>	<p>We audited the impairment analysis and assumptions prepared and used by management through a combination of audit testing and bench-marking to external data sources and other companies in the sector. We used our internal valuation experts to assist in auditing the key assumptions such as future oil and gas prices and discount rates. In addition, we performed journal entry testing to confirm that management had not overridden the outcome of the impairment tests which we have audited.</p> <p>Our procedures included:</p> <p>For O&G assets:</p> <p>We inquired of both operational and finance personnel regarding assets' performance, specifically with regard to production and reserves data, and future plans to assess whether there were any indicators of impairment.</p> <p>For assets where an impairment indicator was identified, we obtained the relevant models supporting the recoverable amounts for the asset from management and compared these to the carrying value of the asset as of the balance sheet date to identify if there were any impairments or reversal of impairments.</p> <p>In assessing the appropriateness of management's assumptions and inputs included in the models we worked with our valuation specialists to assist us in performing industry benchmarking and analysis over oil and gas prices (short, medium and long-term), discount rates, foreign exchange rates and inflation rates. In respect of oil and gas reserve estimates including production profiles, we</p>	<p>For O&G assets:</p> <p>On the basis of our audit procedures we concluded that the oil and gas prices, discount rates, production volumes and the other assumptions used by management were within a reasonable range in light of the current market conditions; we therefore concluded that management's calculation of the recoverable amounts of the assets were within our reasonable ranges and hence the carrying values and disclosures in the financial statements are appropriate.</p>

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

	<p>made inquiries around the scope of work performed and independence of Salamander's third party reservoir engineers in order to assess both their competence and objectivity in respect of their reserves reporting.</p>	
<p><u>For E&E assets:</u></p> <p>Intangible E&E assets: \$47.3m (2016:\$90.9m)</p> <p><i>Refer to the Accounting policies; and Note 10 of the Consolidated Financial Statements</i></p> <p>Given the sensitivity to commodity prices and the knock-on impact on future exploration and capital expenditure plans, there is a significant risk that the carrying value of E&E assets may be impaired. In addition, Salamander Energy plc's right to explore in the specific areas may have expired during the period or will expire in the near future, and is not expected to be renewed.</p>	<p><u>For E&E assets:</u></p> <p>We verified that Salamander Energy plc had the right to explore in the relevant exploration licence by obtaining and reviewing supporting documentation such as licence agreements and or correspondence with relevant government agencies.</p> <p>We confirmed that management had the intention to carry out exploration and evaluation activity in the relevant exploration area by performing procedures which included the review of budgeted expenditures and discussions with senior management in financial and operational roles and discussions with executive management.</p> <p>We considered whether Salamander Energy plc has the ability to finance planned future exploration and evaluation activity.</p> <p>We considered the commercial viability of the exploration block based on the results of exploration and evaluation activities carried out in the relevant licence area.</p>	<p><u>For E&E assets:</u></p> <p>On the basis of our audit procedures, we agree with management's conclusions regarding the carrying values of the exploration and evaluation assets.</p>
<p><u>For investments accounted for using the equity method</u></p> <p>Fluctuating prices, as well as other potential triggers such as changes in reserves, production profiles, drilling commitments and cost forecasts, could indicate heightened risk of impairment and give rise to impairment testing.</p>	<p><u>For investments accounted for using the equity method</u></p> <p>We inquired of both operational and finance personnel regarding assets' performance, specifically with regard to production and reserves data, and future plans to assess whether there were any</p>	<p><u>For investments accounted for using the equity method</u></p> <p>On the basis of our audit procedures we concluded that the oil and gas prices, discount rates, production volumes and the other assumptions used by management were within a</p>

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

	<p>indicators of impairment. We identified an impairment trigger, therefore we obtained the relevant model supporting the recoverable amount for the asset from management and compared these to the carrying value of the asset as of the balance sheet date to identify if there were any impairment.</p> <p>In assessing the appropriateness of management's assumptions and inputs included in the models we worked with our valuation specialists to assist us in performing industry benchmarking and analysis over oil and gas prices (short, medium and long-term), discount rates, foreign exchange rates and inflation rates. In respect of oil and gas reserve estimates including production profiles, we made inquiries around the scope of work performed and independence of Salamander's third party reservoir engineers in order to assess both their competence and objectivity in respect of their reserves reporting</p>	<p>reasonable range in light of the current market conditions; we therefore concluded that management's calculation of the recoverable amounts of the assets were within our reasonable ranges and hence the carrying values and disclosures in the financial statements are appropriate.</p>
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Independent Auditor's Report to the members of Salamander Energy PLC (continued)

<p>Estimate of oil and gas reserves</p> <p>Reserves estimates have a pervasive effect on the financial statements and are a highly complex area which involve significant judgment and subjectivity.</p> <p>Due to the complexity, judgment and subjectivity involved, management can potentially manipulate the inputs to yield favourable outcomes.</p>	<p>Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves.</p> <p>We carried out procedures to walkthrough and understand Salamander Energy plc's internal process and key controls associated with the oil and gas reserves estimation process.</p> <p>We assessed the competence of both internal and external specialists and objectivity of external specialists. We also analysed the report of the external specialists on their audit of the reserves for the tangible (oil and gas) assets in Thailand and Indonesia as at 31 December 2017 where we performed procedures to evaluate their objectivity and competency.</p> <p>We have checked the consistency of the application of estimated reserves across the significant areas of the audit such as impairment testing; DD&A; and decommissioning provisions.</p>	<p>Based on our procedures we consider that the reserves estimations are reasonable and are an appropriate basis for use in, amongst other calculations, impairment testing, calculating Depreciation, Depletion & Amortisation and determination of decommissioning provisions.</p>
<p>Revenue recognition</p> <p>Revenue: \$188.5m (2016:\$107.2m)</p> <p><i>Refer to the Accounting policies; and Note 3 of the Consolidated Financial Statements</i></p> <p>Revenue is a large and inherently risky balance which may be manipulated via recognition of revenue in an incorrect period to achieve desired results.</p>	<p>We performed procedures to walkthrough and understand the process for revenue recognition and accounts receivable.</p> <p>We carried out substantive audit procedures over revenue recognition including testing of 100% of crude oil sales and gas sale transactions. We performed procedures to ensure transactions were recorded in the correct periods.</p> <p>We audited the trade debtors' ageing and collectability for any doubtful and or irrecoverable debtors, confirmed the material debtor balances with the relevant counterparties as well as testing that debtor amounts were received subsequent to year-end.</p>	<p>On the basis of our audit procedures, we have not identified any issues with respect to the revenue recognised by Salamander Energy plc.</p>

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 38 reporting components of the Group, we selected 23 components covering entities within UK, Thailand and Indonesia, which represent the principal business units within the Group.

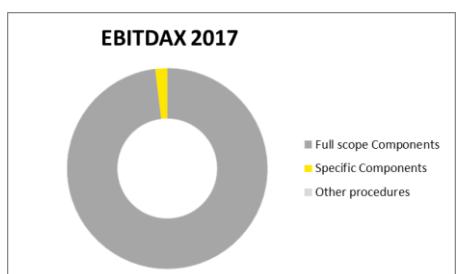
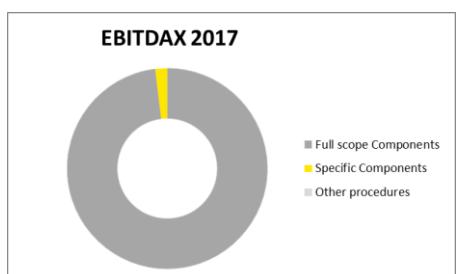
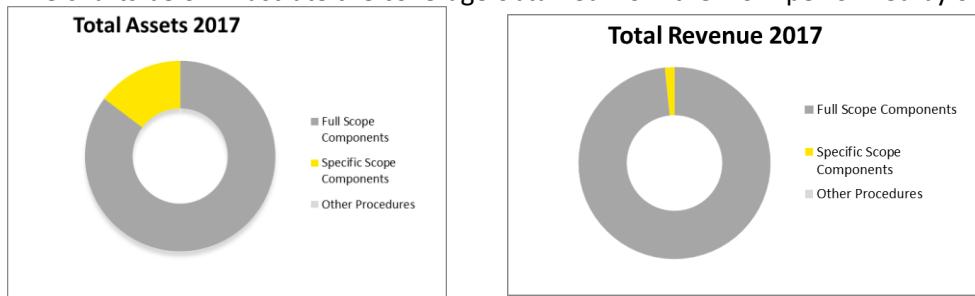
Of the 23 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics. For a further 18 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2016: -45%) of the Group's EBITDAX, 100% (2016: 100%) of the Group's Revenue and 99% (2016: 99%) of the Group's total assets.

For the current year, the full scope components contributed 102% (2016: -12%) of the Group's EBITDAX, 98% (2016: 100%) of the Group's Revenue and 85% (2016: 82%) of the Group's total assets. The specific scope component contributed -2% (2016: -33%) of the EBITDAX, 2% (2016: 0%) of the Group's Revenue and 14% (2016: 17%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 15 components we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

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



Independent Auditor's Report to the members of Salamander Energy PLC (continued)

Changes from the prior year

We have reassessed our scope and focused our procedures on areas that present a higher risk of material misstatement. Thus, we have altered our split of entities covered by full, specific and review scope for 2017. We believe that the 2017 audit scopes we set for each reporting unit when taken together, enable us to form an opinion on the group consolidated financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 5 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the 3 full scope and 18 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits both Indonesia and Thailand during the current year's audit cycle. During the current year's audit cycle, two visits were undertaken by the primary audit team to the component teams in both locations. These visits involved meeting with local management (including heads of country and personnel outside of the finance function) and component teams for planning purposes which included obtaining an understanding of the businesses and their operations including current year performance to enable risk identification, discussions around audit timetables, and the scope for the audit. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

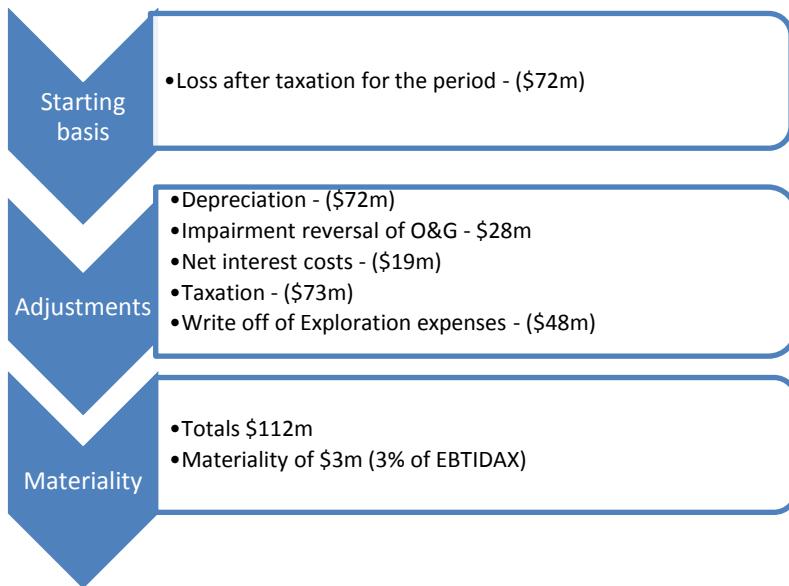
Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$3 million (2016: \$7 million), which is 3% of EBITDAX (2016: 0.75% of total assets). We have used EBITDAX of the Group as the basis for our materiality calculation as we concluded that EBITDAX is the most closely monitored financial measure for the stakeholders of Salamander Energy plc, who rely on these accounts for the bank covenant calculations for the Bonds and the Reserve Based Lending facility. In 2016 low oil prices had reduced EBITDAX to such a low level that we considered it was no longer appropriate to use EBITDAX as the basis for materiality.

We determined materiality for the Parent Company to be \$6 million (2016: \$4 million), which is 1% (2016: 0.75%) of total assets. We have however allocated materiality for group purposes to the parent company which resulted in a lower materiality than that determined for the parent company. Our testing used the allocated materiality calculated for the group audit purposes.

Independent Auditor's Report to the members of Salamander Energy PLC (continued)



During the course of our audit, we reassessed initial materiality and this did not result in any change to our materiality assessment.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016: 50%) of our planning materiality, namely \$2 million (2016: \$3 million). We have set performance materiality at this percentage due to the expectation of identifying audit differences this year based on our experience in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$0.5 million to \$2 million (2016: \$0.7 million to \$3 million).

Reporting threshold

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

We have reported to those charged with governance all uncorrected audit differences in excess of \$0.2 million (2016: \$0.3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 13, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Independent Auditor's Report to the members of Salamander Energy PLC (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*Paul Wallek (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 April 2018*

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Notes	2017 \$'000s	2016 \$'000s
Continuing operations			
Revenue	3	188,527	107,178
Cost of sales:			
Operating costs		(48,864)	(43,405)
Royalty payable		(14,061)	(9,135)
Amortisation of oil and gas properties	12	(71,772)	(52,771)
Movement in inventories of oil	16	(7,122)	9,583
Total cost of sales		(141,819)	(95,728)
Gross profit		46,708	11,450
Exploration expenses:			
Pre-licence exploration expenses		-	(769)
Exploration costs	11	(47,884)	(51,404)
Exploration inventory written off		(638)	(8,021)
Total exploration expenses		(48,522)	(60,194)
Share of profit of investments accounted for using the equity method	28	4,181	4,417
Impairment reversal/(expense) of oil and gas properties	12	27,505	85,727
Administration expenses		(1,320)	(2,493)
Other operating expenses	7	(9,481)	-
Operating profit		19,071	38,907
Interest income	8	124	96
Finance costs	9	(20,886)	(21,873)
Gain on oil derivatives		2,300	-
Profit before tax		609	17,130
Taxation:			
Current tax	10	(28,074)	(16,117)
Deferred tax	10	(44,854)	(43,069)
Total taxation		(72,928)	(59,186)
Loss after taxation		(72,319)	(42,056)
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges marked to market		(5,882)	-
Total comprehensive loss for the year		(78,201)	(42,056)

Consolidated balance sheet as at 31 December 2017

	Notes	2017 \$'000s	2016 \$'000s
Assets			
Non-current assets			
Intangible exploration and evaluation assets	11	47,297	90,936
Property, plant and equipment	12	583,301	573,232
Other receivables	13	19,071	19,147
Investments accounted for using the equity method	28	75,609	77,581
Total non-current assets		725,278	760,896
Current assets			
Inventories	16	22,812	28,841
Trade and other receivables	17	18,576	27,179
Current tax asset		9,120	9,120
Cash and cash equivalents	18	87,963	88,439
Total current assets		138,471	153,579
Total assets		863,749	914,475
Liabilities			
Non-current liabilities			
Other payables	23	15,279	10,942
Bank borrowings	19	-	79,844
Bonds payable	20	101,589	103,258
Provisions	22	50,438	56,125
Deferred tax liability	10	175,998	130,969
Total non-current liabilities		343,304	381,138
Current liabilities			
Trade and other payables	23	245,447	201,800
Derivative financial instruments	24	3,582	-
Bank borrowings due within one year	19	-	9,741
Current tax liability		30,282	12,040
Provisions	22	9,719	819
Total current liabilities		289,030	224,400
Total liabilities		632,334	605,538
Net assets		231,415	308,937
Equity			
Share capital	26	48,050	48,050
Share premium		810,298	810,298
Other reserves	30	275,734	280,937
Retained loss		(902,667)	(830,348)
Total equity, all attributable to owners of the Company		231,415	308,937

Approved by and authorised for issue, and signed on behalf of, the Board of Directors

Tony Rouse
Director
26 April 2018
Company Number 05934263

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital \$'000s	Share premium \$'000s	Other ¹ reserves \$'000s	Retained loss \$'000s	Total \$'000s
At 1 January 2016	48,050	810,298	279,906	(788,292)	349,962
Share-based payments	-	-	1,031	-	1,031
Comprehensive gain/(loss) for the year	-	-	-	(42,056)	(42,056)
At 31 December 2016	48,050	810,298	280,937	(830,348)	308,937
Comprehensive gain/(loss) for the year	-	-	(5,882)	(72,319)	(78,201)
Share-based payment	-	-	679	-	679
At 31 December 2017	48,050	810,298	275,734	(902,667)	231,415

¹ Refer to note 30 of these consolidated financial statements

Consolidated cash flow statement for the year ended 31 December 2017

	2017 \$'000s	2016 \$'000s
Cash flow from operating activities		
Profit before tax	609	17,130
Adjustments for:		
Amortisation and depreciation of property plant and equipment	71,996	53,220
Exploration write offs	47,884	51,404
Impairment reversal and gain on sale of business	(27,685)	(85,727)
Interest income	(124)	(96)
Finance costs	20,886	21,777
Share of profit of investments accounted for using the equity method	(4,181)	(4,417)
Share based payment expense	679	1,031
Movement in provisions	2,506	-
Operating cash flow prior to movement in working capital	112,570	54,322
Decrease/(increase) in inventories	6,029	(3,594)
Decrease in trade and other receivables	10,309	6,054
Increase/(decrease) in trade and other payables	10,644	(6,368)
Cash generated from operations	139,552	50,414
Payment of tax	(9,832)	(41,121)
Net cash from operating activities	129,720	9,293
Investing activities		
Expenditure on intangible assets	(21,804)	(41,587)
Expenditure on property, plant and equipment	(43,938)	(18,585)
Dividend received from investments	6,523	5,164
Increase in investments	(370)	(1,284)
Interest received	124	96
Proceeds from disposals of business	428	-
Net cash used in investing activities	(59,037)	(56,196)
Financing activities		
Interest paid	(16,861)	(15,680)
Repayment of borrowings facilities	(93,656)	(59,352)
Investment/loans from parent company	38,680	139,794
Net cash (used in)/provided by financing activities	(71,837)	64,762
Net (decrease)/increase in cash and cash equivalents	(1,154)	17,859
Cash and cash equivalents at the beginning of the year	88,439	69,327
Effect of foreign exchange rate changes	678	1,253
Cash and cash equivalents at the end of the year	87,963	88,439

Notes to the financial statements

1. Statement of accounting policies and general information

General Information on the Company and the Group

Salamander Energy plc (the “Company”) is a privately held subsidiary of Ophir Energy Plc, registered in England and Wales on 13 September 2006 under the Companies Act, which serves as a holding company for the Group. The address of the registered office is 4th Floor, 123 Victoria Street, London SW1E 6DE. The nature of the Group’s operations and its principal activities are as an oil and gas exploration, development and production company focused on building a portfolio of assets in Southeast Asia and more recently Cote d’Ivoire.

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 as issued by the International Accounting Standards Board and adopted by the European Union, IFRIC Interpretations and Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared under the historical cost convention.

The Financial Statements have been prepared on a going concern basis as set out in the Directors’ Report.

The separate Financial Statements of the Parent Company are presented as required by the Companies Act 2006 (the “Act”). As permitted by the Act, the separate Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. 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 Parent Company has not been included in accordance with section 408 of the Companies Act 2006. The loss for the year for the Parent Company is disclosed in the Statement of Changes in Equity to the Company Financial Statements.

New and amended accounting standards and interpretations

The Group has adopted the following relevant new and amended IFRS and IFRIC interpretations as of 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle – 2014-2016

These new and amended standards and interpretations have not materially affected amounts reported or disclosed in the Group’s consolidated financial statements for the year ended 31 December 2017.

Statement of accounting policies and general information (continued)

Standards and interpretations issued but not yet effective

The following standards and interpretations, relevant to the Group, have been issued by the IASB, but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

	Effective date for periods beginning on or after
IFRS 16 'Leases'	1 January 2019
IFRIC 23 'Uncertainty over income tax treatments' ¹	1 January 2019
Amendments to IAS 28: Long term interests in associates and joint ventures ¹	1 January 2019
Annual Improvements 2015-2017 Cycle ¹	1 January 2019
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IFRIC 22 'Foreign currency transactions and advanced consideration' ¹	1 January 2018
Clarifications to IFRS 15: 'Revenue from contracts with customers'	1 January 2018
Amendment to IFRS 2: 'Classification and measurement of share based payment transactions' ¹	1 January 2018

¹ These standards, amendments and improvements have not yet been endorsed by the European Union.

For new standards with an effective date of 1 January 2018, the Group has performed a preliminary assessment of the impact of these standards as outlined below.

IFRS 9 'Financial Instruments'

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

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group does not expect a significant impact on its equity due to the short-term nature and high quality of the financial assets.

(c) Hedge accounting

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

Statement of accounting policies and general information (continued)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

The Group generates revenue through the sale of oil and petroleum products. The impact of IFRS 15 on contracts with customers in which the sale of oil and petroleum products is generally expected to be the only performance obligation, is not expected to have any impact on the Group's profit or loss for such transactions. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the products.

In preparing to adopt IFRS 15, the Group has considered the following:

(a) Take or pay arrangements

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

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

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

(b) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. As required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

IFRS 16 'Leases'

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

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

Basis of Consolidation

The consolidated Financial Statements consist of the Financial Statements of the Company and all its subsidiary undertakings and incorporates the results of its joint ventures and associates using the equity method of accounting, drawn up to 31 December each year. 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% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

Joint Arrangements

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.

Interest in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures are accounted for using the equity method of accounting. 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.

Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operations using proportionate consolidation, that is, the Group's share of the assets, liabilities, income and expenses of the entities are combined with the equivalent consolidated Financial Statements on a line-by-line basis. Where the Group transacts with its joint operation entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

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 Income

Interest income 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 finance costs in the Statement of Comprehensive Income.

Cash flow hedges

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

The Group uses derivative commodity contracts to hedge its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 24 for more details.

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

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

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

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 27.

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 entity in the group 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 entity in the group 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 entities in the group 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, with a corresponding charge or credit to equity.

Transactions in foreign currencies in individual entities in the group 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.

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

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 well 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.

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

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.

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' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

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

Effective Interest Method

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

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

Financial Assets at Fair Value through Profit and Loss ("FVTPL")

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

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

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 24.

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 ("FVTPL")

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 24.

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

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Notes to the financial statements (continued)

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

The Group has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Judgements

Exploration and evaluation expenditure - accounting judgements

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploration, development or asset sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Management is also required to assess impairment in respect of exploration and evaluation assets. Note 11 discloses the carrying value of such assets. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the asset. Where this is no longer the case, the costs are immediately expensed. The triggering events for impairment are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established.

Income taxes – judgement of income taxes

The computation of the Group's income tax expense and liability involves the interpretation of applicable tax laws and regulations in many jurisdictions throughout the world. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and in some cases it is difficult to predict the ultimate outcome. Therefore, judgement is required to determine provisions for income taxes. In addition, the Group has carry forward tax losses and tax credits in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information see Note 10. Judgement is also required when determining whether a particular tax is an income tax or another type of tax (for example a production tax).

Estimates

Oil and gas properties – estimation of oil and gas reserves

The determination of the Group's estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, and commodity prices all impact on the determination of the Group's estimates of its oil and natural gas reserves. The Group employs independent reserves specialists who periodically report on the Group's level of commercial reserves by evaluating the estimates of the Group's in-house reserves specialists and where necessary referencing geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition, the Group undertakes its own assessment of commercial reserves, using standard evaluation techniques and related future capital expenditure by reference to the same datasets using its own internal expertise. The estimates adopted by the Group may differ from the independent reserves specialists' estimates where management considers that adjustments are appropriate in the circumstances. The last assessment by its independent reserves specialist was as at 1 January 2018.

Estimates of oil and natural gas reserves are used to calculate depreciation, depletion and amortisation charges for the group's oil and gas properties. The impact of changes in reserves is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. If reserves estimates are revised downwards, earnings could be affected by changes in depreciation expense or an

Notes to the financial statements (continued)

Statement of accounting policies and general information (continued)

immediate write-down of the property's carrying value. Information on the carrying amounts of the group's oil and natural gas properties, together with the amounts recognized in the income statement as depreciation, depletion and amortisation is contained in Note 12.

Impairment of oil and gas properties – estimation on the recoverability of asset carrying values

Determination as to whether, and by how much, an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas. For oil and natural gas properties, the expected future cash flows are estimated using management's best estimate of future oil and natural gas prices and production and reserves volumes. The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

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

For value-in-use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is derived from the cost of funding the Group calculated using an established model. The discount rates applied in assessments of impairment are reassessed each year. The method adopted for year-end 2017 represents a change from method adopted for year-end 2016, where a generic rate of 15% was used. For 2017, the Group average WACC was determined as 10%. The country specific discount rates were then derived by risking the Group average WACC. Reserves assumptions for value-in-use tests are restricted to proved and probable reserves.

The recoverability of exploration and evaluation assets is covered under exploration and evaluation expenditure - accounting judgements above.

Details of impairment charges and reversals recognised in the income statement and details on the carrying amounts of assets are shown in Note 12.

Decommissioning - estimation of provisions

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new technology or experience at other production sites. The expected timing, extent and amount of expenditure may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The estimated decommissioning costs are reviewed annually by management and the results of this review are then used for the purposes of the Group's consolidated financial statements.

Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

The timing and amount of future expenditures are reviewed annually, together with the interest rate used in discounting the cash flows. The interest rates used to determine the balance sheet obligations at the end of 2017 was 3.1% real. (2016: 3.1% - 5.2%)

Provisions and contingent liabilities are discussed in Note 22.

Special remuneratory benefit tax – estimation of tax rate

The Group is subject to a special remuneratory benefit tax in Thailand, the rate for which depends on the annual revenue per cumulative metre drilled. Accordingly the tax rate to be applied in calculating the Group's deferred special remuneratory benefit tax depends on management's forecast of future revenues and drilling activities.

Notes to the financial statements (continued)

2. Segmental Analysis

The Group's reportable and geographical segments are Thailand, Indonesia and Other. Other includes Malaysia, Cote d'Ivoire and the 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):

	2017			
	Thailand \$'000s	Indonesia \$'000s	Other ¹ \$'000s	Total \$'000s
Revenue (external)	169,461	19,066	-	188,527
Operating profit/(loss)	80,184	(2,982)	(58,131)	19,071
Interest revenue	14	10	100	124
Finance cost	(1,205)	278	(19,959)	(20,886)
Other financial gains	-	-	2,300	2,300
Profit/(loss) before tax	78,993	(2,694)	(75,690)	609
Tax	(72,923)	(5)	-	(72,928)
Profit/(loss) for the year	6,070	(2,699)	(75,690)	(72,319)
Non-current assets	494,445	222,397	8,436	725,278
Total assets	595,708	250,075	17,966	863,749
Additions to non-current assets	31,623	12,940	20,972	65,535
Depreciation and amortisation	61,793	10,190	13	71,996
Exploration costs written off	541	(743)	48,086	47,884

1. Other relates substantially to activities in the UK, Cote d'Ivoire and Malaysia

	2016			
	Thailand \$'000s	Indonesia \$'000s	Other ¹ \$'000s	Total \$'000s
Revenue (external)	105,731	1,447	-	107,178
Operating profit/(Loss)	110,387	(68,556)	(2,924)	38,907
Interest revenue	-	3	93	96
Finance cost	(3,677)	(1,284)	(16,912)	(21,873)
Profit/(loss) before tax	106,710	(69,837)	(19,743)	17,130
Tax	(57,511)	(1,649)	(26)	(59,186)
Loss for the year	49,199	(71,486)	(19,769)	(42,056)
Non-current assets	487,776	186,741	86,379	760,896
Total assets	590,484	222,094	101,897	914,475
Additions to non-current assets	(10,795)	21,505	28,612	39,322
Depreciation and amortisation	52,149	896	175	53,220
Exploration costs written off	-	49,904	1,500	51,404

1. Other relates substantially to activities in the UK, Cote d'Ivoire and Malaysia

Notes to the financial statements (continued)

The accounting policies used for the reportable segments are the same as the Group's accounting policies.

Substantially all of the tax charge in both 2017 and 2016 arises in Thailand.

Information about Major Customers

Included in revenue are the following which arise from sale to individual customers amounting to 10% or more of the Group total:

	2017 \$'000s	2016 \$'000s
Thailand:		
PTT Public Company Limited	169,461	105,731
PT PLN (Persero)	19,066	1,447

3. Revenue

Revenue comprises:

	2017 \$'000s	2016 \$'000s
Sales of oil	169,461	105,731
Sales of gas	19,066	1,447
Total revenue	188,527	107,178

4. Employee Numbers and Costs

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

	2017 Number	2016 Number
Professional	95	92
Administration	106	97
Total employee numbers	201	189

Notes to the financial statements (continued)

Their aggregate remuneration was as follows:

	2017 \$'000s	2016 \$'000s
Wages and salaries	6,396	9,397
Pension	285	457
Social security	970	1,770
Total employee costs	7,651	11,624

Directors Remuneration

The total remuneration for all serving Directors for their period of directorship to the Company is disclosed below.

	2017 \$'000s	2016 \$'000s
Remuneration	689	1,149
Pension Scheme contributions	39	46
Compensation for loss of office	43	-
	771	1,195

The amount above of \$771,000 (2016:\$ 1,195,000) was an apportionment of remuneration paid to the Directors of Ophir Energy Plc, the ultimate parent.

During the year the number of Directors who were accruing benefits under defined contribution pension schemes was as follows: 3 (2016:3)

Highest paid Director

	2017 \$'000s	2016 \$'000s
Remuneration	313	530
Pension scheme contributions	26	27
	339	557

5. Operating Lease Arrangements

	2017 \$'000s	2016 \$'000s
FPSO lease (refund)	-	(4,882)
FSO lease	15,317	14,781
Office leases	938	729
Minimum lease payments under operating leases recognised in Statement of Comprehensive Income for the year	16,255	10,628

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Notes to the financial statements (continued)

	2017		2016	
	FSO \$'000s	Offices \$'000s	FSO \$'000s	Offices \$'000s
Within one year	14,369	1,018	14,719	1,481
Within two to five years	60,845	1,251	61,116	798
Greater than five years	22,896	-	38,782	-
Total outstanding operating lease commitments	98,110	2,269	114,617	2,279

Office leases are negotiated for an average term of two years with rentals fixed for an average of two years. The FSO lease is for a term of 10 years and commenced in August 2014.

6. Operating Profit

Operating profit is stated after charging:

	2017 \$'000s	2016 \$'000s
Amortisation of oil and gas properties	71,772	52,771
Pre-licence exploration expenses	-	769
Exploration costs written off	47,884	51,404
Gain on disposal of assets	(180)	-
Employee costs expensed	7,651	11,624
Auditor's remuneration:		
Audit services	525	475
Non-audit services	-	-
Operating lease arrangements (see note 5)	16,255	10,628

Notes to the financial statements (continued)

Auditor's Remuneration

The following is an analysis of gross fees paid to the Company's Auditor, Ernst & Young LLP

	2017 \$'000s	2016 \$'000s
Audit services		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	377	319
The audit of the Company's subsidiaries pursuant to legislation	148	156
Total audit fees	525	475

There were no fees payable to Ernst & Young LLP for non-audit services in 2017 and 2016.

Fees payable to Ernst & Young 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.

7. Other operating expense

	2017 \$'000s	2016 \$'000s
Gain on disposal of assets	(180)	-
Provision for exiting contract	8,900	-
Other	761	-
Other operating expense	9,481	-

Notes to the financial statements (continued)

8. Interest Income

	2017 \$'000s	2016 \$'000s
Bank interest income	124	96
Total interest income	124	96

9. Finance Costs

	2017 \$'000s	2016 \$'000s
Long term borrowings:		
Interest expense on long term borrowings ¹	19,957	16,556
Unwinding of discount:		
Provision for decommissioning	1,449	3,033
Currency exchange loss/(gain)	(520)	2,284
Total finance costs	20,886	21,873

¹ Includes interest capitalised of nil (2016: \$2.3 million at 6.7% for 6 months)

Notes to the financial statements (continued)

10. Taxation

Taxation charge comprises:

	2017 \$'000s	2016 \$'000s
Current taxation		
Special remuneratory benefit	13,696	1,861
Income tax	14,378	8,734
Special remuneratory benefit-adjustments in respect of prior periods	-	1,180
Income tax – adjustments in respect of prior periods	-	4,342
Total current tax	28,074	16,117
Deferred taxation		
Special remuneratory benefit	50,876	2,338
Income tax	(6,022)	40,731
Total deferred tax	44,854	43,069
Total tax charge	72,928	59,186

Special remuneratory benefit is a tax that arises on one of the Group's assets, Bualuang in Thailand at rates that vary from zero to 75% of annual petroleum profit depending on the level of annual revenue per cumulative metre drilled. The current rate for special remuneratory benefit for 2017 was 18% (2016: 4%). 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 special remuneratory benefit charge to profit before taxation

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

	2017 \$'000s	2016 \$'000s
Profit before taxation		
Add back losses before taxation for activities outside of Thailand	78,383	89,580
Profit before taxation for activities in Thailand	78,992	106,710
Profit from investment in jointly controlled entities	(4,181)	(4,417)
Profit before taxation for activities in Thailand	74,811	102,293
Applicable rate of special remuneratory benefit	18%	4%
Tax at the applicable rate of special remuneratory benefit	13,466	4,092
Timing differences	(50,876)	(2,338)
Permanent differences	51,106	1,287
Total current special remuneratory benefit charge	13,696	3,041
Income tax impact (after deduction at the applicable rate of income tax)	6,848	1,521

The applicable rate for special remuneratory benefit is the rate applied for the year.

Notes to the financial statements (continued)

There were no unrelieved losses in respect of special remuneratory benefit for year ended 31 December 2017 (2016: nil).

Special remuneratory benefit is fully deductible for corporate tax purposes in Thailand and accordingly the figure of \$6,848,000 (2016: \$1,521,000) in the income tax effective rate reconciliation below represents the incremental impact of current special remuneratory benefit, 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:

	2017 \$'000s	2016 \$'000s
Profit before taxation	609	17,130
Profit from investment in jointly controlled entities	(4,181)	(4,417)
Profit before taxation after deducting investment in jointly controlled entities	(3,572)	12,713
Applicable rate (Being the weighted average Corporate tax rate for the Group) ¹	50%	50%
Tax at the applicable rate of tax	(1,786)	6,357
Tax effect of:		
Losses not recognised	5,234	3,949
Current special remuneratory benefit	6,848	1,521
Deferred special remuneratory benefit	25,438	1,169
Others	2,468	(172)
Items which are not deductible for tax:		
Exploration expenses written off	14,827	30,727
Effect of different tax rates in loss-making jurisdictions	19,939	10,113
Adjustments in respect of prior periods	(40)	5,522
Total tax charge	72,928	59,186

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

Notes to the financial statements (continued)

Deferred tax

Net deferred tax liabilities were:

	Accelerated Tax Amortisation	
	2017 \$'000s	2016 \$'000s
At 1 January	130,969	87,900
Debited/(credited) to Statement of Comprehensive Income:		
Income tax	(6,022)	40,731
Special remuneratory benefit	50,876	2,338
Exchange adjustments	175	-
At 31 December	175,998	130,969

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

	2017 \$'000s	2016 \$'000s
Income tax	103,788	109,635
Special remuneratory benefit	72,210	21,334
Net deferred tax liabilities	175,998	130,969

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

The net deferred tax liability of \$175,998,000 (2016: \$130,969,000) materially arose as a result of accelerated tax depreciation.

11. Intangible Exploration and Evaluation Assets

	2017 \$'000s	2016 \$'000s
Exploration and evaluation		
At 1 January	90,936	99,618
Additions	21,255	42,722
Disposal of assets	(6,402)	-
Transfers to PPE	(10,608)	-
Costs written off	(47,884)	(51,404)
At 31 December	47,297	90,936

The amounts shown above for intangible exploration and evaluation assets represent the Group's current exploration projects. Included within the total amount are assets held in Indonesia of \$47,297,000 (2016: \$52,800,000), Thailand of nil (2016: \$11,000,000), Malaysia of nil (2016: \$7,700,000) and Cote d'Ivoire of nil (2016: \$19,400,000)

2017 costs written off

The 2017 write off totalled \$47.9 million. The most significant write off was \$32.3 million in Cote d'Ivoire. The recoverable amount of the Block was \$nil. This was based on management's estimate of value in use. The trigger for expenditure write off was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in the Block was budgeted or planned within the current licence terms.

Notes to the financial statements (continued)

2016 costs written off

The 2016 write off totalled \$51.4 million. The most significant write off was \$50 million in Indonesia. The recoverable amount of the Block was \$5.5 million. This was based on management's estimate of value in use. The trigger for expenditure write off was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in the Block was budgeted or planned within the current licence terms.

12. Property, Plant and Equipment

	Oil and gas properties			Other fixed assets			Total net book value \$'000s
	Cost \$'000s	Amortisation \$'000s	Total \$'000s	Cost \$'000s	Depreciation \$'000s	Total \$'000s	
1 January 2016	1,552,374	(1,009,327)	543,047	6,126	(5,153)	973	544,020
Additions for the period ¹	(3,400)	-	(3,400)	105	-	105	(3,295)
Amortisation and depreciation	-	(52,771)	(52,771)	-	(449)	(449)	(53,220)
Impairment reversal	-	85,727	85,727	-	-	-	85,727
31 December 2016	1,548,974	(976,371)	572,603	6,231	(5,602)	629	573,232
Additions for the period	43,910	-	43,910	42	-	42	43,952
Amortisation and depreciation	-	(71,772)	(71,772)	-	(224)	(224)	(71,996)
Impairment reversal	-	27,505	27,505	-	-	-	27,505
Transfers from exploration and evaluation assets	10,608	-	10,608	-	-	-	10,608
31 December 2017	1,603,492	1,020,638	582,854	6,273	(5,826)	447	583,301

¹Additions in 2016 are stated net of a \$20.1 million decommissioning remeasurement

The 2017 Impairment reversal was due to further increased reserves related to the Bualuang infill drilling results in Thailand which had a recoverable amount of \$424m based on management's estimate of value in use. The discount rate used was 22% (pre-tax).

The 2016 Impairment reversal was due to the increase in the expected future prices and decrease in forecast capex which related to the Bualuang oil field in Thailand which has a recoverable amount of \$410.7m based on management's estimate of value in use. The discount rate used was 15% (pre-tax).

Additions to oil and gas properties includes capitalised interest of nil (2016: \$2,321,000) charged at an average rate of nil (2016 6.7%)

Included in the net book amount at 31 December 2017 in oil and gas properties are assets amounting to \$418,334,000 (2016: \$410,726,000) pledged against the Group's lending facilities.

Notes to the financial statements (continued)

13. Other Receivables

The other receivables balance of \$19,071,000 (2016: \$19,147,000) primarily represents VAT arising in respect of the Group's Indonesian operations.

14. Commitments and Guarantees

Bank Guarantees

At 31 December 2017, there were outstanding bank guarantees issued by banks on behalf of the Group, amounting to \$9,312,500 (2016: \$8,612,000).

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 31 December 2017, the Group's anticipates it will discharge its minimum financial capital commitments as follows:

31 December 2017

	2018 \$'000s	2019 \$'000s	2019-2021 \$'000s
Future capital commitments	3,670	5,840	90

31 December 2016

	2017 \$'000s	2018 \$'000s	2018-2020 \$'000s
Future capital commitments	32,273	30,645	140

Under certain Indonesia licence agreements, SKKMigas has the right to determine that a 10% 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 (the "Indonesian Participant").

15. Group Companies

A complete list of Salamander Energy plc Group companies at 31 December 2017, and Group's percentage of share capital (to the nearest whole number) are set out in Appendix A to these consolidated financial statements on pages 75 to 76. All of these subsidiaries have been included in these consolidated financial statements on pages 25 to 65.

Salamander Energy Group Limited is the only direct subsidiary of the Company.

Jointly Controlled Entities

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

Interests in the APICO group of companies are classified as joint ventures and are accounted for using the equity method in compliance with IFRS 11.

Notes to the financial statements (continued)

16. Inventories

	2017 \$'000s	2016 \$'000s
Oil	3,988	11,110
Materials	18,824	17,731
Total Inventories	22,812	28,841

The inventory valuation is stated net of a provision of \$5.1 million (2016: \$8.0 million) to write inventories down to their net realisable value.

17. Trade and Other Receivables

	2017 \$'000s	2016 \$'000s
Prepayments	1,866	5,963
Trade debtors and other debtors	16,710	21,216
Total trade and other receivables	18,576	27,179

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Group does not have any receivables that have not been provided for that are past their due date. The Directors consider the carrying amount of trade and other receivables approximates to their fair value.

18. Cash and Cash Equivalents

	2017 \$'000s	2016 \$'000s
Amounts held directly by the Group ¹	87,963	88,439
Total cash and cash equivalents	87,963	88,439

¹ \$9.3 million relates to restricted bank guarantees (2016: \$8.6 million), see note 14

Notes to the financial statements (continued)

Financial institutions, and their credit ratings, who held greater than 5% of the Group's cash and cash equivalents at the balance sheet date were as follows:

Bank	S&P Credit Ratings	2017 \$'000s	2016 \$'000s
HSBC	A-1	12,894	19,325
BNPP	A-1	3	65,504
SCB	A-2	69,535	-

19. Bank Borrowings

	2017 \$'000s	2016 \$'000s
Principal repayable on maturity	-	93,673
Less deferred fees	-	(4,088)
Total unamortised borrowings	-	89,585
Less amounts due within one year	-	(9,741)
Total long term borrowings	-	79,844

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

Notes to the financial statements (continued)

20. Bonds Payable

The unsecured callable bonds were issued in December 2013 at an issue price of \$150 million. The bonds have a term of six years and one month and will be repaid in full at maturity. The bonds carry a coupon of 9.75% and were issued at par.

	2017 \$'000s	2016 \$'000s
Liability component at start of period	103,258	100,293
Coupon interest charged	10,218	10,257
Interest paid	(12,422)	(7,998)
Amortisation of fees	535	706
Total liability component at end of period	101,589	103,258

21. Net Debt

	2017 \$'000s	2016 \$'000s
Amounts Due on Maturity:		
Bank borrowings (see note 19)	-	93,673
Bonds payable (see note 20)	104,800	104,800
Total gross debt	104,800	198,473
Less cash and cash equivalents (see note 18)	(87,963)	(88,439)
Total net debt	16,837	110,034

For purposes of net debt computation, the bonds payable figure relates to the face value of the outstanding bonds as at 31 December 2017 and 2016 and bank borrowings relates to the principal repayable on maturity for the periods presented.

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

	2017 \$'000s	2016 \$'000s
On demand or due within one year	-	9,741
In the second year	-	43,831
In the third to fifth year inclusive	-	40,101
Total principal payable on maturity	-	93,673

Notes to the financial statements (continued)

22. Provisions

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

	Decommissioning and restoration of oil and gas properties \$'000s	Other provisions \$'000s	Total \$'000s
At 1 January 2017	56,944	-	56,944
(Remeasurement)/Additions	(742)	8,900	8,158
Unwinding of discount	1,449	-	1,449
Amounts Released ¹	(6,394)	-	(6,394)
At 31 December	51,257	8,900	60,157
Balance at the end of the year			
Current	819	8,900	9,719
Non-current	50,438	-	50,438

¹ This relates to the release of a decommissioning provision because of the disposal of a subsidiary

Decommissioning and restoration of oil and gas properties

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

Other provisions

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

Contingent liabilities

At 31 December 2017 there were no contingent liabilities.

23. Trade and Other Payables

	2017 \$'000s	2016 \$'000s
Other creditors	23,090	12,475
Amounts payable to parent company	205,064	166,363
Accruals and deferred income	17,293	22,962
Total trade and other payables payable within one year	245,447	201,800
Other long term payables	15,279	10,942
Total trade and other payables payable after one year	15,279	10,942

Trade payables are unsecured and are usually paid within 30 days of recognition. The Directors consider the carrying value of trade and other payables (on which no interest is incurred) approximates to their fair value. Amounts payable to the parent company are due on demand.

24. 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 bonds payable disclosed in notes 19 and 20, cash and

Notes to the financial statements (continued)

cash equivalents as disclosed in note 18, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 26, note 30 and the Consolidated Statement of Changes in Equity. This is further discussed in the Directors' Report.

Gearing Ratio

Management reviews the capital structure on a continuing basis. The gearing ratio is defined as net debt divided by net book equity plus net debt and at the year-end was as follows:

	2017 \$'000s	2016 \$'000s
Net debt (see note 21)	16,837	110,034
Equity plus net debt	248,252	418,971
Gearing ratio	7%	26%

Significant Accounting Policies

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

Categories of Financial Instruments

	2017 \$'000s	2016 \$'000s
Financial assets:		
Cash and bank balances	87,963	88,439
Loans and receivables	9,386	20,464
Financial liabilities:		
Amortised cost	344,137	388,784
Mark to market value of oil derivatives	3,582	

Financial assets exclude prepayments and tax receivables. Financial liabilities exclude tax and social security and deferred income.

There were no reclassifications of financial assets during the year (2016: nil).

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 Group, its business plan and debt related coverage ratios. All hedging transactions to date have been related directly to expected cash flows and no speculative transactions have been undertaken.

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

As at 31 December 2017, the fair value of outstanding commodity contracts amounted to a liability of \$3.5 million. For cash flow hedges the group only claims hedge accounting for the intrinsic value of the contract with any fair value

Notes to the financial statements (continued)

attributable to time value taken immediately to the income statement. The amount in equity at 31 December 2017 is \$5.8 million maturing in 2018, with \$2.3m recognised in gain on oil derivatives.

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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2017 \$'000s	2016 \$'000s	2017 \$'000s	2016 \$'000s
US Dollar equivalent of:				
UK Pounds Sterling	20	76	188	399
Indonesian Rupiah	1,752	2,262	1,351	3,445
Singapore Dollar	5	-	(5)	14
Thailand Baht	64,767	7,550	2,989	1,721
Malaysian Ringgit	76	-	20	118

The following table details the Group's sensitivity to a 20% 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% change in the foreign currency rate. A positive number below indicates an increase in profit after tax where the US Dollar strengthens by 20% against the relevant currency. For a 20% 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.

	2017 \$'000s	2016 \$'000s
Change in profit or loss:		
UK Pounds Sterling	(34)	(64)
Indonesian Rupiah	80	(237)
Singapore Dollar	1	(3)
Thailand Baht	12,356	1,166
Malaysian Ringgit	11	(26)

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 A credit ratings assigned by international credit-rating agencies, as set out in note 18.

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, either

Notes to the financial statements (continued)

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.

2017	Weighted average effective interest rate %				Total \$'000s
		Within 1 year \$'000s	1-5 years \$'000s	5+ years \$'000s	
Non-interest bearing	n/a	246,130	-	-	246,130
Variable interest rate instruments	-	-	-	-	-
Fixed interest rate instruments:					
– Bond payable	9.75	10,218	115,018	-	125,236
Total		256,348	115,018	-	371,366

2016	Weighted average effective interest rate %				Total \$'000s
		Within 1 year \$'000s	1-5 years \$'000s	5+ years \$'000s	
Non-interest bearing	n/a	195,941	-	-	195,941
Variable interest rate instruments	4.38	16,438	90,206	-	106,644
Fixed interest rate instruments:					
– Bond payable	9.75	10,218	125,236	-	135,454
Total		222,597	215,442	-	438,039

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

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.

Notes to the financial statements (continued)

For net debt, if interest rates had been 1% higher or lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2017 would have increased or decreased by \$0.1 million (2016: \$1.1 million) respectively. This is principally attributable to the Group reducing gross debt as illustrated in note 19.

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 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 hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1	quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2	other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3	techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Level 1	(109,870)	(108,337)
Level 2	(3,582)	–
Level 3	–	(92,760)

Notes to the financial statements (continued)

(113,452)	(198,931)
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There were no transfers between fair value levels during the year.

Financial Assets and Liabilities

Current assets and liabilities

Management consider that due to the short term nature of current assets and liabilities, the carrying values equates to their fair value.

Non-current assets and liabilities

The carrying value and fair values of non-current financial instruments are shown in the following tables:

	As at 31 Dec 2017 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2016 \$'000
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial Liabilities:				
Interest bearing bank loans	-	-	(93,673)	(92,760)
Bonds payable	(101,589)	(109,870)	(103,258)	(108,337)
Total	(101,589)	(109,870)	(196,931)	(201,097)

Notes to the financial statements (continued)

25. Related Party Transactions

Transactions with Key Management Personnel

Compensation of key management personnel, which the Company defines as its Directors, is disclosed in Note 4 of the Group financial statements. In addition the Group and Company incurred social security costs of \$100,000 (2016: \$156,000) in respect of the directors.

Related Party Transactions with Ophir Energy plc Group

During the year, Ophir Energy plc made loans to the Salamander Group of \$38.7 million (2016: 139.8 million). None (2016: Nil) of these loans were capitalised as equity within Salamander Energy plc

The Group held balances (due to)/receivable from related parties at the balance sheet date as follows:

	2017 \$'000s	2016 \$'000s
Parent company:		
Ophir Energy plc	(205,064)	(166,363)
Entities under common control of the parent company:		
Ophir Asia Services Ltd	(747)	263
Myanmar (Block AD-3) Ltd	30	6
Ophir Holdings Limited	(3,560)	-
Ophir Holdings and Services Limited	(8,530)	-
Subsidiaries:		
Ophir Energy Indonesia (West Papua IV) 1 Ltd	573	467
Ophir Energy Indonesia (Kofiau) 1 Ltd	137	27
Ophir Energy Indonesia (Aru) Ltd	301	451
Ophir Indonesia (North Ganal) Ltd	567	600
Ophir Gabon (Manga) Limited	(215)	-
Ophir Energy Indonesia (Halmahera-Kofiau) 1 Ltd	16	9
Ophir Equatorial Guinea (Block R) Limited	2	-

26. Share Capital

Share capital as at 31 December 2017 amounted to \$48,050,000 (2016: \$48,050,000).

Allotted and Fully Paid Equity Share Capital

	2017 Ordinary Shares 10p Number	2016 Ordinary Shares 10p Number
At 1 January	266,146,183	266,146,183
At 31 December	266,146,183	266,146,183

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

Notes to the financial statements (continued)

27. Share Option Schemes and Share Based Payment

Following completion of the Ophir acquisition on 3 March 2015, all options granted under Deferred Equity Plan and Performance Share Plan were deemed vested on 3 March 2015. Options held by employees in Salamander Energy were subject to a scheme arrangement whereby option holders received 0.5719 of one new share in Ophir Energy plc in return for each option owned in Salamander Energy plc. There are currently no active share schemes in the Group.

Ophir Energy share option plans

In 2015, all Salamander Group employees were eligible to participate in the Ophir Energy Plc share option plans. Details of the plans are given below

Ophir Energy Long Term Incentive Share Option Plan

This plan is designed to give awards to senior management subject to outperforming a comparator group of similarly focused oil and gas exploration companies in terms of shareholder return over a three year period. The plan awards a number of shares to senior management based on a multiple of salary. However, these shares only vest after a three year period and the full award is made only if Ophir has performed in the top quartile when compared against a selected peer group of upstream oil and gas companies.

Ophir Energy Deferred Share plan

The Deferred Share Plan (DSP) was introduced to provide executive management with a means of retaining and incentivising employees. The structure of the DSP will enable a portion of participants' annual bonuses to be deferred into options to acquire ordinary shares in the capital of the Company. All options issued to date vest after a three year period. Options have an exercise period of 10 years from the date of grant. The DSP operates in conjunction with the Ophir Energy plc Employee Benefit Trust (the trust). The Trust will hold ordinary shares in the Company for the benefit of the Group's employees and former employees, which may then be used on a discretionary basis to settle the DSP Awards as and when they are exercised. No shares have been acquired by the Trust.

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

	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding options at the beginning of the year	1,795,500	0.33c/0.25p	-	-
Granted during the year	-	-	1,795,500	0.33c/0.25p
Exercised during the year	-	-	-	-
Expired during the year	(25,168)	0.33c/0.25p	-	-
Outstanding options at the end of the year	1,770,332	0.33c/0.25p	1,795,500	0.33/0.25p
Exercisable at the end of the year	-	-	-	-

There were no share options granted in 2017. The weighted average exercise price of options granted during 2016 was \$0.0033. The exercise price for options outstanding at the end of the year was \$0.0033 (2016: \$0.0033) with a remaining exercise period of between 1-2 years.

Notes to the financial statements (continued)

The fair value of equity-settled share options granted is estimated as at the date of grant using a Monte-Carlo simulation for the Long Term Incentive Plan and a binomial model for the DSP, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2017.

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

28. 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.

The Group's share of the results of its joint venture and the Group share of its assets and liabilities as at 31 December 2017 are shown in the tables below:

Results for the year ended 31 December 2017

	2017 \$'000s	2016 \$'000s
Revenue	12,215	14,617
Operating expenses	(5,002)	(6,994)
Net finance costs	(136)	(219)
Taxation	(2,896)	(2,987)
Profit for the year	4,181	4,417

Summarised financial information of APICO LLC

Results for the year ended 31 December 2017

	2017 \$'000s	2016 \$'000s
Sales and other operating revenues	44,941	53,778
Profit before interest and taxation	26,537	28,046
Net finance costs	(500)	(206)
Profit before taxation	26,037	27,840
Taxation	(10,654)	(10,990)
Total	15,383	16,850

Notes to the financial statements (continued)

Group share of assets and liabilities

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

Movements in the Group's investment during the year were as follows:

At 1 January 2016	77,045
- Share of profit of investments accounted for using the equity method	4,417
- Dividends received	(5,164)
- Additions	1,283
At 1 January 2017	77,581
- Share of profit of investments accounted for using the equity method	4,181
- Dividends received	(6,523)
- Additions	370
At 31 December 2017	75,609

29. Dividends

The Company has declared no dividend for the year (2016: nil).

30. Other reserves

Other reserves comprise:

	2017 \$'000s	2016 \$'000s
Share-based payment reserve ¹	28,658	27,979
Convertible bond	11,227	11,227
Merger reserve	241,731	241,731
Cash flow hedge reserve ²	(5,882)	-
Total other reserves	275,734	280,937

¹The share-based payment reserve represents the cost of share-based payments to Directors, employees and third parties.

²The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. It includes \$5.9 million relating to commodity price hedges which will only be reclassified to the income statement once the forecast sale occurs.

31. Post Balance Sheet Events

On the 26th February 2018, Ophir Energy PLC subscribed for one share in Salamander Energy PLC (the Company). The consideration payable to the Company was used to repay all outstanding debt owed by the Company to Ophir Energy PLC as at 31 December 2017. In exchange the Company issued 1 share at £0.10, plus a share premium of £128,553,917.28.

Parent Company balance sheet as at 31 December 2017

	Notes	2017 \$'000s	2016 \$'000s
Assets			
Non-current assets			
Investments	3	423,389	423,389
Other receivables		4,797	314
Loans to group companies		158,717	135,493
Total non-current assets		586,903	559,196
Current assets			
Cash and cash equivalents		599	10,461
Trade and other Receivable		780	-
Total current assets		1,379	10,461
Total assets		588,282	569,657
Liabilities			
Non-current liabilities			
Loans from group companies		4,158	3,263
Other creditors		921	-
Bonds payable	4	101,589	103,258
Total non-current liabilities		106,668	106,521
Current liabilities			
Derivative financial instruments		3,582	-
Loans from parent company	5	173,469	141,480
Total current liabilities		177,051	141,480
Total liabilities		283,719	248,001
Net assets		304,563	321,656
Equity			
Share capital	9	48,050	48,050
Share premium		810,298	810,298
Other reserves	9	412,235	412,235
Retained loss		(966,020)	(948,927)
Total equity		304,563	321,656

The Company's loss for the year was \$17,093,000 (2016: \$23,162,000)

Approved by and authorised for issue, and signed on behalf of, the Board of Directors

Tony Rouse
Director
26 April 2018
Company Number 5934263

Parent Company statement of changes in equity for the year ended 31 December 2017

	Share capital \$'000s	Share premium \$'000s	Other reserves \$'000s	Profit and loss \$'000s	Total \$'000s
At 1 January 2016	48,050	810,298	412,235	(925,766)	344,817
Loss for the year	-	-	-	(23,161)	(23,161)
At 1 December 2017	48,050	810,298	412,235	(948,927)	321,656
Loss for the year	-	-	-	(17,093)	(17,093)
At 31 December 2017	48,050	810,298	412,235	(966,020)	304,563

Parent Company cash flow statement for the year ended 31 December 2017

	2017 \$'000s	2016 \$'000s
Cash flow from operating activities		
Loss before tax	(17,093)	(23,162)
Adjustments for:		
Interest revenue	(32)	(62)
Finance costs	10,654	10,218
Other financial losses	(40)	242
Impairment and (gain) loss on sale of businesses and fixed assets	(86)	-
Impairment of investments	420	12,075
Operating cash flow prior to movement in working capital	(6,177)	(689)
Decrease/(Increase) in other receivables	(5,235)	2,298
Increase in other payables	5,400	3,245
Net cash used in operating activities	(6,012)	4,854
Investing activities		
Loans to Group companies	(23,223)	(111,104)
Interest received	32	62
Net cash used in investing activities	(23,191)	(111,042)
Financing activities		
Interest paid	(12,858)	(10,218)
Investment/loans from parent company	31,989	121,195
Net cash (used in)/from financing activities	19,131	110,977
Net (decrease)/increase in cash and cash equivalents	(10,072)	4,789
Cash and cash equivalents at the beginning of the year	10,460	5,151
Effect of foreign exchange rate change	211	520
Cash and cash equivalents at the end of the year	599	10,460

Notes to the Parent Company financial statements (continued)

1. Accounting Policies

The accounting policies of the Company are disclosed in note 1 of the consolidated Financial Statements.

2. Employee Numbers and Costs

The monthly average number of Executive Directors was as follows:

	2017 Number	2016 Number
Professional	3	3
Total employee numbers	3	3

The aggregate remuneration was as follows:

	2017 \$'000s	2016 \$'000s
Wages and salaries	689	1,149
Pensions	39	46
Social security	100	156
Compensation for loss of office	43	-
Total employee costs	871	1,351

3. Investments

The Group's principal Subsidiaries and Jointly Controlled Entities are as set out in note 15 to the consolidated Financial Statements.

Fair value information regarding investments in subsidiaries and jointly controlled entities has not been disclosed as their fair value cannot be measured reliably, as they are investments in unquoted group companies.

2017 Impairments

During the year there was an impairment charge of \$0.4 million. The impairment charge was recorded to reduce the carrying value of investments to their estimated recoverable amount of \$423.4 million. The trigger for impairment was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in a Block in Indonesia was budgeted or planned within the current licence terms. The recoverable amount was determined using the value in use of the underlying assets. The value in use was determined using the discounted cash flow using a pre-tax discount rate of ranging between 8 - 22%.

2016 Impairments

During the year there was an impairment charge of \$12.1 million. The impairment charge was recorded to reduce the carrying value of investments to their estimated recoverable amount of \$423.4 million. The trigger for impairment was management's assessment that no further expenditure on exploration and evaluation of hydrocarbons in a Block in Indonesia was budgeted or planned within the current licence terms. The recoverable amount was determined using the value in use of the underlying assets. The value in use was determined using the discounted cash flow using a pre-tax discount rate of 15%.

4. Bonds Payable

See note 20 in the consolidated Financial Statements.

Notes to the Parent Company financial statements (continued)

5. Loans from parent company

	2017 \$'000s	2016 \$'000s
Amounts payable to the parent company	173,469	141,480
Total other payables	173,469	141,480

The Directors consider the carrying value of other payables approximates their fair value.

6. Commitments and Guarantees

Bank Guarantees

At 31 December 2017, there were no outstanding bank guarantees issued by banks on behalf of the Company (2016: nil).

Salamander Energy PLC has entered into certain parent guarantee and other undertakings in relation to the Group's reserves based lending facility.

7. Financial Instruments

Full details of the Company's risk management and financial instrument policies are shown in note 23 to the consolidated Financial Statements.

Categories of Financial Instruments

	2017 \$'000s	2016 \$'000s
Financial assets:		
Cash and bank balances	599	10,461
Loans and receivables	314	314
Loans to group companies	158,717	135,493
Financial liabilities:		
Amortised cost	280,137	248,001
Fair value	3,582	-

Financial Risk Management

Foreign Exchange Risk

The carrying amounts of the Company's UK Pounds Sterling monetary assets and liabilities at the balance sheet date were as follows:

	Assets		Liabilities	
	2017 \$'000s	2016 \$'000s	2017 \$'000s	2016 \$'000s
UK Pounds Sterling	-	76	-	-

Notes to the Parent Company financial statements (continued)

The following table details the Company's profit/(loss) after tax sensitivity to a 20% change in US Dollars against UK Pounds Sterling.

	UK Pound Sterling currency impact	
	2017 \$'000s	2016 \$'000s
Change in profit or loss	-	15

This is due to the Company holding UK Sterling Pounds cash and cash equivalents.

Interest Rate Risk

If interest rates had been 1% higher or lower and all other variables were held constant, the Company's loss for the year ended 31 December 2017 would have decreased by \$0.03 million by (2016: decreased of \$0.1 million).

Liquidity Risk

The following tables detail the Company's remaining contractual maturity 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 on which the Company can be required to pay. The table includes both interest and principal cash flows.

2017	Weighted average effective interest rate %	Within 1 year \$'000s			1–5 years \$'000s	5+ years \$'000s	Total \$'000s
		Within 1 year \$'000s	1–5 years \$'000s	5+ years \$'000s			
Non-interest bearing	n/a	173,469	5,079	-	178,548		
Fixed interest rate instruments:	n/a						
– Bond payable	9.75%	10,218	115,018	-	125,236		
Total		183,687	120,097	-	303,784		

2016	Weighted average effective interest rate %	Within 1 year \$'000s			1–5 years \$'000s	5+ years \$'000s	Total \$'000s
		Within 1 year \$'000s	1–5 years \$'000s	5+ years \$'000s			
Non-interest bearing	n/a	141,480	3,263	-	144,743		
Fixed interest rate instruments:	n/a						
– Bond payable	9.75%	10,218	125,236	-	135,454		
Total		151,698	128,499	-	280,197		

Notes to the Parent Company financial statements (continued)

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 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.

Financial Assets and Liabilities

Current assets and liabilities

Management consider that due to the short term nature of current assets and liabilities, the carrying values equates to their fair value.

Non-current assets and liabilities

The carrying value and fair values of non-current financial instruments are shown in the following tables:

	As at 31 Dec 2017 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2016 \$'000
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial Liabilities:				
Bonds payable	(101,589)	(109,870)	(104,800)	(108,337)
Loans from Group companies	(5,079)	(5,079)	(3,263)	(3,263)
Total	(106,668)	(114,949)	(108,063)	(111,600)

8. Related Party Transactions

Transaction with Directors

Transactions with Directors are included in the Groups Remuneration Report and Note 4 in the Group financial statements.

Related Party Transactions with Subsidiary Companies

During the year, Ophir Energy plc made loans to the Company of \$32.0 million (2016: \$121.2 million). None (2016:\$Nil) of these loans were capitalised as equity within the Company.

Notes to the Parent Company financial statements (continued)

The Company held balances with related parties at the balance sheet date as follows:

	2017 \$'000s	2016 \$'000s
Investment in Salamander Energy Group Limited	423,389	423,389
Receivable from Salamander Energy Group Limited	158,716	135,494
Payable to Ophir Energy plc	(173,469)	(141,480)
Payable to Ophir Holdings & Services Ltd	(921)	-
Payable to Ophir Energy Indonesia Limited	(4,158)	(3,263)
Receivable from Ophir Energy Indonesia (West Papua IV) 1 Ltd	126	126
Receivable from Ophir Energy Indonesia (Kofiau) 1 Ltd	63	63
Receivable from Ophir Energy Indonesia (Aru) Ltd	126	126
Receivable from Ophir Thailand (Bualuang) Limited	-	-

Compensation of key management personnel, which the Company defines as its Directors, is disclosed in Note 4 of the Group financial statements.

Notes to the Parent Company financial statements (continued)

9. Share Capital and other reserves

Share capital as at 31 December 2017 amounted to \$48,050,000 (2016: \$48,050,000).

Allotted and fully paid Equity Share Capital

	2017 Ordinary Shares 10p Number	2016 Ordinary Shares 10p Number
At 1 January	266,146,183	266,146,183
At 31 December	266,146,183	266,146,183

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

Other reserves

Other reserves comprise:

	2017 \$'000s	2016 \$'000s
Share based payment reserve	26,947	26,947
Convertible bond	11,227	11,227
Merger reserve	374,061	374,061
Total other reserves	412,235	412,235

10. Dividends

The Company has declared no dividend for the year.

11. Post Balance Sheet Events

Please see note 31 of the Group financial statements for information on post balance sheet events.

Appendix A

Subsidiary companies

This is a complete list of Salamander Energy plc Group companies at 31 December 2017, and Group's percentage of share capital to the nearest whole number. All of these subsidiaries have been included in the consolidated financial statements on pages 25 to 65.

	Country of incorporation	Location of operation	Registered Office	Principal Activity	Holding 31 Dec
PHT Partners LP			Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801	United States of America	
	United States of America	Thailand			Holding 100%
Ophir Indonesia (Bangkanai) Limited			Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands	Exploration and Production	Exploration and Production 100%
	British Virgin Islands	Indonesia			
Salamander Energy (Bualuang Holdings) Limited	England & Wales	Thailand	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom	Exploration	Exploration 100%
Salamander Energy (Canada) Limited			4500 Bankers Hall East 855 - 2nd Street SW Calgary AB T2P 4K7 Canada		
	Canada	Canada			Holding 100%
Ophir Indonesia (Central Kalimantan) Limited	Belize	Indonesia	Suite 102, Ground Floor Blake Building Corner Eyre & Hutson Streets Belize City Belize	Exploration and Production	Exploration and Production 100%
Ophir Thailand (E&P) Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London, SW1E 6DE United Kingdom		
Salamander Energy (Glagah Kambuna) Limited			Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands		
	British Virgin Islands	Thailand			Exploration 100%
Ophir Indonesia (Kerendan) Limited	Mauritius	Indonesia	Ebene Esplanade, 24 Cybercity Ebene Mauritius	Exploration and Production	Exploration and Production 100%
Ophir Indonesia (Kutai) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	Exploration	Exploration 100%
Salamander Energy (Lao) Company Limited			LS Horizon (Lao) Limited Unit 4/1.1, 4th Floor Simuong Commercial Center Fa Ngum Road, Phia Vat Village Sisatanak District Vientiane Lao People's Democratic Republic	Exploration	Exploration 100%
	Lao PDR	Lao			

Appendix A (continued)

Salamander Energy (Malaysia) Limited	British Virgin Islands	Malaysia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Ophir Indonesia (North East Bangkanai) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Salamander Energy (North Sumatra) Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Salamander Energy (S.E. Asia) Limited	British Virgin Islands	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Exploration	100%
Ophir Indonesia (S.E. Sangatta) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Exploration	100%
Ophir Indonesia (South Sokang) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Exploration	100%
Salamander Energy (Thailand) Co. Ltd	England & Wales	Indonesia	28th Floor, Unit 2802 Q House Lumpini Building 1 South Sathorn Road Tungmahamek Sathorn District Bangkok 10120 Thailand	British Virgin Islands	Exploration	100%
Ophir Indonesia (West Bangkanai) Limited	Thailand	Thailand	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Salamander Energy Group Limited	British Virgin Islands	Indonesia	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Ophir Malaysia (Block 2A) Limited	British Virgin Islands	Malaysia	Jayla Place, Wickhams Cay 1 PO Box 3190 Road Town, Tortola VG 1110 British Virgin Islands	British Virgin Islands	Holding	100%
Ophir Cote d'Ivoire (CI-513) Limited	British Virgin Islands	Cote d'Ivoire	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Ophir Thailand (Bualuang) Limited	British Virgin Islands	Thailand	Jayla Place, Wickhams Cay 1 Road Town, Tortola VG1110	British Virgin Islands	Exploration	100%
Salamander Energy (Holdco) Limited	England & Wales	England & Wales	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Exploration and Production	100%
Ophir Energy Indonesia Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Holding	100%
Salamander Energy (JS) Limited	England & Wales	Indonesia	Level 4, 123 Victoria Street London SW1E 6DE United Kingdom	British Virgin Islands	Holding	100%

* Shares held directly by Salamander Energy plc.

All shares are ordinary shares.

Glossary

\$ or US Dollar	United States Dollar
£	UK Pounds Sterling
€	Euro
Bbl	Barrel
Bcf	Billion of standard cubic feet
boepd	Barrels of oil equivalent per day
boe	Barrels of oil equivalent
bopd	Barrels of oil per day
E&P	Exploration and production
FPSO	Floating Production Storage Offtake
FSO	Floating Storage Offtake
GDP	Gross domestic product
GHG	Greenhouse Gases
GSA	Gas sales agreement
HSE	Health, Safety and Environmental
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
km ²	sq km
LNG	Liquid natural gas
LTI	Lost Time Injury: a fatality or lost work day case. The number of LTIs is the sum of fatalities and lost work day cases
LTIFR	Lost Time Injury Frequency Rate (per million man hours worked)
Mbo	Thousand barrels of oil
Mbopd	Thousand barrels of oil per day
Mboepd	Thousand barrels of oil equivalent per day
MMbo	Million barrels of oil
MMboe	Millions barrels of oil equivalent
Mscf	Thousand standard cubic feet of gas
MMscfd	Million standard cubic feet per day of gas
OGP	Oil and Gas Producers
PSC	Production Sharing Contract
PSP	Performance Share Plan
TRIR	Total Recordable Injury Rate: the number of recordable injuries (fatalities + lost workday cases + restricted workday cases + medical treatment cases) per 1,000,000 hours worked

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Solicitors

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Bankers

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