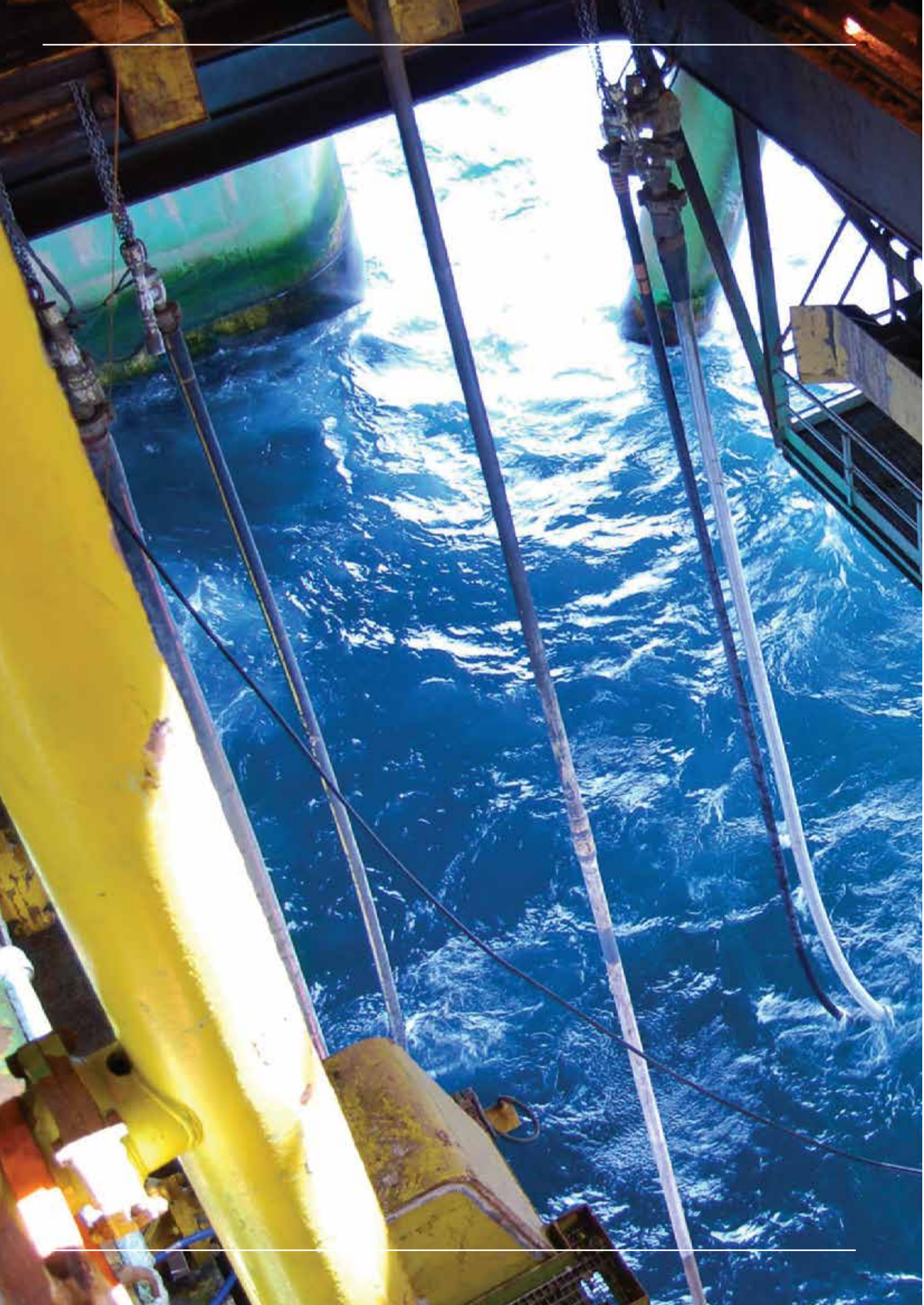


Building a well-funded, full-cycle, exploration led E&P company



Report and Accounts
for the year ended 31 December 2015



Rockhopper Exploration plc (AIM: RKH) is an oil and gas exploration and production company with key interests in the North Falkland Basin and the Greater Mediterranean region.

STRATEGIC REPORT

- 2 2015 highlights
- 3 Rockhopper – the story so far
- 4 Rockhopper at a glance
- 6 Objective, strategy and business model
- 8 Chairman and Chief Executive Officer's Review
- 10 Key Performance Indicators (KPIs)
- 11 Market overview
- 12 Chief Operating Officer's Review
- 18 Chief Financial Officer's Review
- 21 Internal controls and risk management
- 22 Principal risks and uncertainties
- 24 Health, Safety, Environmental and Social Management

GOVERNANCE

- 26 Chairman's Governance Report
- 28 Board of Directors
- 30 Corporate Governance Statement
- 33 Remuneration Report
- 46 Statutory Information
- 48 Independent auditor's report to the members of Rockhopper Exploration plc

ACCOUNTS

Group company financial statements

- 49 Group income statement
- 49 Group statement of comprehensive income
- 50 Group balance sheet
- 51 Group statement of changes in equity
- 52 Group cash flow statement
- 53 Notes to the group financial statements

Parent company financial statements

- 76 Company balance sheet
- 77 Company statement of changes in equity
- 78 Company cash flow statement
- 79 Notes to the company financial statements

- 88 Key licence interests as at 1 April 2016
- 89 Shareholder information

2015 highlights

→ Significant progress in advancing the Sea Lion development

- Pre-FEED work for Phase 1 completed
- FEED contracts awarded to a set of world class contractors
- Modified project scope and cost improvements have enhanced project economics and lowered break-even oil price
- Draft Field Development Plan submitted to the Falkland Islands Government

→ Material exploration successes at Zebedee and Isobel Deep

→ All-share merger with Falkland Oil & Gas Limited (completed post the year end)

- Consolidates Rockhopper's leading North Falkland Basin acreage position

→ Significant production increase achieved in Greater Mediterranean portfolio

- Exit 2015 production rate in excess of 700 boepd
- Completion of Guendalina side track
- First gas achieved at Rockhopper operated Civita field

→ Confirmation of Falkland Islands tax deferment

→ Balance sheet strength maintained with cash resources at 31 December 2015 of US\$110 million

Rockhopper – the story so far

Q1 2016



Sea Lion enters FEED

Sea Lion project enters FEED with set of world-class contractors.

Rockhopper completes merger with Falkland Oil & Gas following shareholder approval from both Rockhopper and FOGL shareholders.

2015



NFB exploration campaign commences

In March, the Eirik Raude rig arrives in the North Falkland Basin to commence a multi-well drilling campaign. Exploration successes at Zebedee and Isobel Deep with multiple oil discoveries made.

In November, Rockhopper announced the terms of its all-share merger with Falkland Oil & Gas. Through the merger with FOGL, Rockhopper consolidates its leading acreage and resource position in the North Falkland Basin.

2014



Acquisition of MOG

In May, Rockhopper announced a recommended cash and share offer to acquire AIM listed Mediterranean Oil & Gas plc. The transaction completed in August. Through the acquisition Rockhopper acquired a 2P/2C resource base of 32.5 million barrels of oil equivalent and a portfolio of production, development, appraisal and exploration interests in Italy, Malta and France.

In November, and in response to a significant reduction in the global price for oil, Rockhopper and Premier announce a lower cost, phased development concept for Sea Lion.

2013



Consolidates interests in NFB acreage

Rockhopper consolidates its interests in the Falklands through the farm-in to acreage held by Desire Petroleum. As a result, Rockhopper increases its interests in licences PL004a, PL004b and PL004c to 24%.

2012

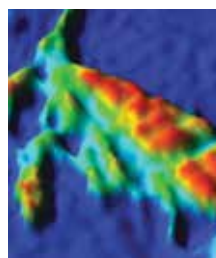


Farm-Out

In July, Rockhopper announced it had entered into a farm-out agreement with Premier Oil plc ("Premier"), whereby Premier acquired a 60% operated interest in Rockhopper's North Falkland Basin licences for undiscounted consideration of c.\$1bn (comprising cash, development carry and exploration carry).

In recognition of Rockhopper's unrivalled understanding of the North Falkland Basin, it was agreed that Rockhopper would retain the sub-surface lead in relation to future exploration activities.

2011



Sea Lion Appraisal

Following the successful flow test in late 2010 a further eight exploration and appraisal wells were drilled by Rockhopper across the complex, six of those being discoveries.

In addition, Rockhopper participated in a further five non-operated wells.

2010



Sea Lion Discovery

In February, the Ocean Guardian drilling rig arrived in Falklands waters to carry out a multi-well programme on behalf of multiple operators. In the spring, Rockhopper (as operator) drilled its first exploration well on the Sea Lion prospect which resulted in an oil discovery. The well was successfully flow tested in September.

Pre-2010



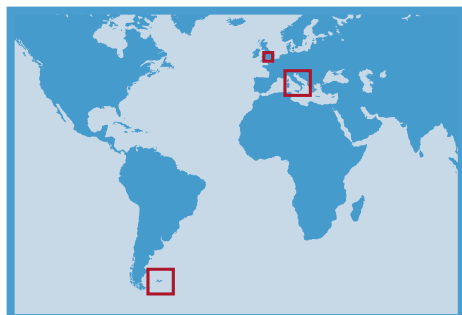
Founded in 2004

Rockhopper was founded in 2004 to undertake an offshore oil exploration programme in the North Falkland Basin. The Company floated on AIM in August 2005.

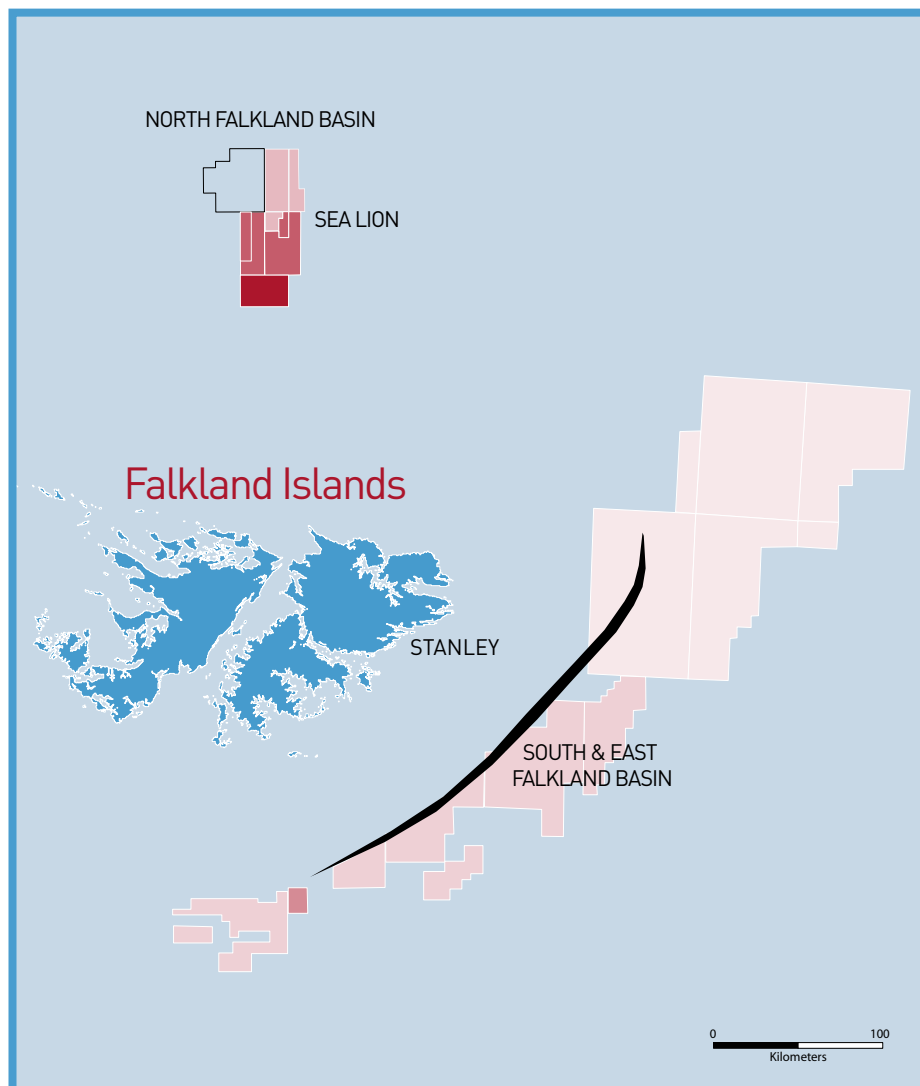
A 3D seismic survey was acquired and processed during 2007 with interpretation completed in August 2008.

Rockhopper at a glance

Falkland Islands



Rockhopper Exploration plc (AIM: RKH) is an oil and gas exploration and production company with key interests in the North Falkland Basin and the Greater Mediterranean region.



Head Office
London and
Salisbury, UK

Regional Office
Rome, Italy

Falkland Islands

Sea Lion phase 1 (PL032)

- 40% working interest
- 220 mmbbls gross*
88 mmbbls net to Rockhopper*
- Targeting FID in mid 2017
- First oil anticipated 2020

Sea Lion phase 2 (PL032/PL004)

- 40-64% working interest†
- 300 mmbbls gross*
120-192 mmbbls net to Rockhopper*

Phase 3 – Isobel-Elaine (PL004)

- 64% working interest
- Isobel-Elaine
Complex significantly de-risked during recent NFB exploration campaign

* Operator's estimate

† Sea Lion phase 2 straddles licences PL032 in which Rockhopper holds a 40% interest and PL004 in which Rockhopper holds a 64% interest.

Greater Mediterranean

**Italy****Guendalina**

- 20% working interest
- Northern Adriatic production

Ombrina Mare

- 100% working interest
- Central Adriatic appraisal

Civita

- 100% working interest
- Onshore gas production

Monte Grosso

- 23% working interest
- Exploration stage

Malta**Area 3**

- 40% working interest
- Exploration Study Agreement extended to end of 2016

Croatia**Block 9**

- 40% working interest
- Signature of PSA expected during 2016

Objective

Building a well-funded, full cycle, exploration led E&P company

Strategy

→ Balanced portfolio in core geographical areas

- North Falkland Basin ("NFB") and Mediterranean & North Africa
- Building a balanced portfolio across the asset life cycle
- Estimated revenue of \$8-10 million in 2016

→ Maintaining balance sheet strength

- Strong balance sheet – end 2015 cash \$110 million
- Fully funded through Phase 1 of Sea Lion via Development Carry and Standby Loan from Premier
- Opportunistically seeking to add low-cost, low-commitment production and cash flow

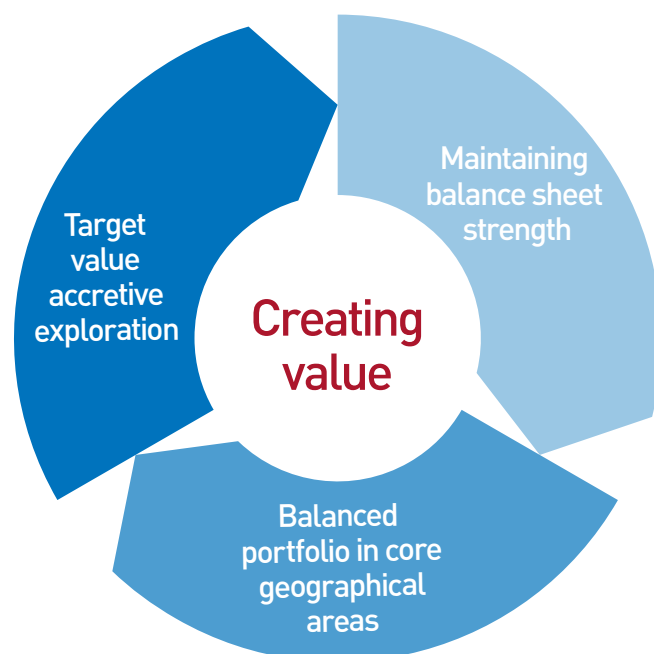
Business model

Exploration

- ↗ High impact multi-well exploration programme successfully executed in North Falkland Basin
- ↗ > 60 mmbbl discovery at Zebedee
- ↗ Isobel Deep and Isobel-Elaine re-drill well significantly de-risked potential 500 mmbbl complex

→ **Value accretive exploration**

- Leveraging technical skill set
- Focus on proven hydrocarbon basins
- NFB emerging as world class resource with billion barrel potential
- Exploration opportunities progressing in Italy, Malta and Croatia



Development

- Sea Lion project enters FEED with set of world-class contractors
- Draft Field Development Plan submitted to FIG
- First gas achieved at Rockhopper operated Civita field in Italy

Production

- Material production and revenue increase during 2015 as a result of Guendalina side track and first gas at Civita
- 2015 exit production in excess of 700 boepd

Chairman and Chief Executive Officer's Review



Left: Pierre Jungels
Right: Samuel Moody



Chairman's introduction

2015 has been transformational for your Company – this year we have consolidated our leading position in the North Falkland Basin; made a number of material oil discoveries in the Falklands and progressed the Sea Lion project into FEED.

Since its foundation in 2004, Rockhopper has evolved from a fledgling oil explorer to a leading UK listed independent oil and gas exploration company having discovered what we believe will likely become over a billion barrels of recoverable oil in the North Falkland Basin. With the Company having made such significant achievements in that period and having seen such success in the recent drilling programme, it now seems appropriate to announce my intention to retire from the Board following the Company's forthcoming AGM on 17 May. It has been an immense privilege to serve as Chairman of your Company over the last 11 years, originally as Executive Chairman and then, since 2010, as Non-executive Chairman.

I am delighted that David McManus will succeed me as Non-executive Chairman. David brings with him significant oil industry experience and, as a shareholder, I am confident that David will prove to be an excellent leader for your Board as Rockhopper continues to succeed and thrive. He provides superb continuity having been a non-executive director of your company for almost six years already.

Combination with Falkland Oil & Gas consolidates Rockhopper's leading position in the North Falkland Basin

Your Board believes the combination of Rockhopper and Falkland Oil & Gas Limited ("FOGL"), completed in January 2016, will create significant value for shareholders and allow Rockhopper to have materially more strategic influence over the future pace and direction of oil and gas development in the North Falkland Basin.

As a result of the combination, Rockhopper is now the largest North Falkland Basin licence and discovered resource holder with a material working interest in all key North Falkland Basin licences. Our enhanced interests provide us with a more strategic position in future farm-out discussions as well as providing us with a materially greater exposure to the upside in licence PL004, including the Isobel/Elaine complex which was significantly de-risked during the 2015/16 exploration campaign.

Our North Falkland Basin exploration campaign has resulted in significant exploration successes at Zebedee and Isobel Deep

The Zebedee well has added at least 60 million barrels of recoverable oil to a Phase 2 development. The Isobel Deep well, which was the first test of the Isobel/Elaine fan complex, encountered oil-bearing sandstone at prognosed depth and opened up a new play in the previously underexplored southern part of licence PL004. The Isobel Deep prospect was re-drilled later in the campaign through the Isobel-Elaine well, which confirmed the results of the Isobel Deep exploration well and in addition discovered hydrocarbons in various shallower sandstones. The results of the Isobel-Elaine well, which did not penetrate an Oil Water Contact within any of the sands, indicate that the total oil column established by this well is likely to be in excess of 480 metres.

Unfortunately, due to material operational issues experienced with the drilling rig, the rig contract was terminated in February 2016. As a result, the last well of the proposed campaign, the Chatham well, was not drilled in the campaign, though it will likely be drilled as part of a development drilling programme relating to the Sea Lion project. Nonetheless, the highly successful well results achieved during the campaign support Rockhopper's view that the North Falkland Basin has the potential to deliver multiple future phases of development and a billion barrels of recoverable oil.

Sea Lion project progresses to FEED

Significant progress has been made to mature the development planning for the first phase of Sea Lion. Pre-FEED work was completed in late 2015 and FEED contracts were awarded to a set of world-class contractors in early 2016. Technical and cost improvements and efficiencies have been identified to enhance significantly the project economics and lower the break-even oil price. A draft Field Development Plan has been prepared and submitted to the Falkland Islands Government.

Revised commercial terms with Premier Oil were documented in line with the Heads of Agreement announced in November 2014. As a result, the joint venture partners now enjoy greater economic alignment to allow the project to progress.

Under the revised terms, Rockhopper will now access the full US\$48 million Exploration Carry for the 2015/16 campaign with the remaining Development Carry of US\$674 million split equally between Phase 1 (US\$337 million) and the balance (US\$337 million) deferred to the subsequent phase of development. Standby Finance arrangements have been simplified to a more traditional loan structure of up to US\$750 million. In addition, Rockhopper will pay a Guarantee Fee to Premier for the provision of parent company guarantees, as required by contractors, on Rockhopper's behalf.

Production growth in the Greater Mediterranean

In our Mediterranean portfolio, whilst we were disappointed with the recent legislative changes in Italy, which have hampered our ability to progress the Ombrina Mare project, we have seen significant production growth at the Guendalina gas field and achieved first gas from the Rockhopper operated Civita gas field. Our interests in Guendalina and Civita are together estimated to generate gross revenues in the order of US\$8-10 million in 2016 (based on current gas price, foreign exchange rate and production projections).

Corporate matters

As a result of the merger with FOGL, we are delighted that John Martin and Tim Bushell, previously Chairman and CEO respectively of FOGL, have joined the Rockhopper board as non-executive directors, effective 18 January 2016.

Your board has previously articulated the ambition to move Rockhopper to a Premium Listing on the Main Market of the London Stock Exchange in due course and discussions with the UK Listing Authority ("UKLA") on this matter have been progressed. However, with the Company's significant focus on the North Falkland Basin, it appears unlikely that Rockhopper will meet the strict criteria required to move to the Premium List during 2016. Specifically, given our material but non-operated interest in Sea Lion, Rockhopper is unable to demonstrate to the satisfaction of the UKLA

a controlling interest in the majority of its assets. Likewise, our Mediterranean portfolio is seen by the UKLA as insufficient in scale (relative to our interests in Sea Lion) to meet the strict spread of assets test. Whilst a Standard Listing on the Main Market could be pursued at this time, the Board does not believe that this would achieve the longer-term benefits being sought. As circumstances change, the Company will re-engage with the UKLA regarding eligibility for a Premium Listing and the Board will re-consider the matter as appropriate. Our commitment to the highest standards of corporate governance remains firmly in place.

Outlook

The FEED process for Sea Lion is anticipated to take approximately 15 months to complete and we expect further cost reduction opportunities to be pursued during that time as we move towards a project sanction decision point in mid-2017. While the spot price for Brent Crude is around US\$40 per barrel today, the most important factors when considering the investment economics for large-scale offshore projects such as Sea Lion, are the long-term oil price outlook and the cost reductions that can be achieved.

Premier Oil has confirmed its intention to seek an additional partner ahead of taking project sanction and Rockhopper will support Premier Oil in this initiative.

Our Greater Mediterranean business has seen a step-change in production having achieved an exit rate for 2015 of over 700 barrels of oil equivalent per day. We will continue to pursue opportunities which add low-cost, value-accretive production to our portfolio whilst preserving our strong balance sheet.

Dr Pierre Jungels CBE
Chairman

Samuel Moody
Chief Executive Officer

12 April 2016

Retirement of Pierre Jungels

I would like to pay tribute to Pierre, who is standing down at this year's AGM having been with Rockhopper for over ten years. Pierre has been an immense help to all of us and in particular to me personally as we have grown the company from an idea in 2004 into the full cycle E&P business it is today. Pierre's appointment brought genuine industry gravitas to Rockhopper when it was in its infancy, and under his leadership the company has achieved many milestones, from its early days when we obtained the old Shell acreage through the transformational discovery of Sea Lion, and onto the subsequent successful drilling programmes we undertook.

On Pierre's watch we have also been active deal doers both in the Falklands and other regions, with the acquisitions of both MOG and FOGL bringing additional depth to our resources and significantly our first production. These achievements are a great reflection on Pierre, who helped set so much of our direction of travel over the last decade. The greatest compliment I can pay Pierre is that he leaves us in fantastic shape as a company and we wish him all the best for his future endeavours.

Sam Moody





Key Performance Indicators (KPIs)

KPIs provide a guide of management ability to successfully deliver against pre-defined strategic objectives.

KPIs for the period ended 31 December 2015 were based around certain short-term targets designed to ensure the Company achieves its long-term strategy.

For the year ending 31 December 2016, KPIs have again been set based on short-term targets designed to ensure the Company achieves its long-term strategy.

2015

	Definition	Performance	Attainment
KPI #1	Completion of a safe and successful exploration campaign in the North Falkland Basin.	Oil discoveries were made in each of the three wells drilled during the North Falkland Basin exploration campaign and the Isobel-Elaine complex was significantly de-risked. There have been no HSE incidents.	 Fully achieved
KPI #2	Achievement of specific milestones for the Final Investment Decision on the Sea Lion Development.	Pre-FEED work completed. Project entered FEED with a set of world class contractors. Draft Field Development Plan prepared and submitted to the FIG.	 Fully achieved
KPI #3	New venture activity to enhance the Company's portfolio of assets in its strategic areas of interest.	All share merger with Falkland Oil & Gas Limited enhanced and consolidated Rockhopper's leading position in the North Falkland Basin.	 Partially achieved
KPI #4	Progressing funding alternatives for the uncarried Sea Lion development costs.	Material reduction in capital costs per barrel achieved through the pre-FEED work. Further capital cost per barrel reductions expected. Preliminary discussions initiated with a range of commercial banks to test appetite to lend to the Sea Lion project.	 Partially achieved

2016

	Definition
KPI #1	Bringing an additional paying partner into the Sea Lion Development Project.
KPI #2	Completion of a Competent Person's Report that meets specific objectives set by the Board.
KPI #3	Achievement of production related targets.
KPI #4	Achievement of specific milestones for the Final Investment Decision for the Sea Lion Development.

Market overview

A summary of the global oil and gas market

Economic overview

- Dramatic decline in crude oil prices
- Chinese growth continues to cool
- Eurozone instability
- Moderate growth in the US

Equity markets

- Strong equity market performance across most major indices January to May 2015
- Significant correction mid year due to increasing concerns around the Chinese economy
- Investor sentiment for the oil and gas sector remained muted through the year given commodity price declines

Oil price

- Continued decline in crude oil prices throughout the year from US\$55 per barrel in January 2015 to around US\$37 per barrel in December 2015
- Driven by oversupply concerns and demand uncertainty
- Oil prices fell further in early January 2016 to below US\$30 per barrel, recovering somewhat to US\$40 per barrel in late March 2016
- "Lower for longer" new industry mantra

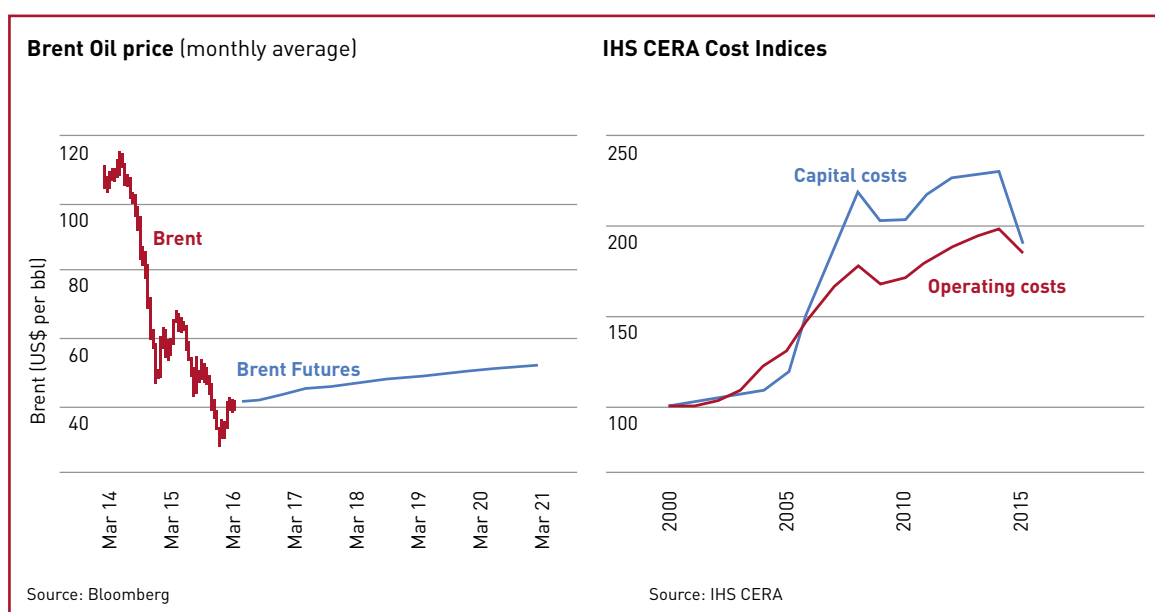
Industry costs

- Reduction in industry costs in line with fall in commodity prices (with a time lag)
- Driven by capital expenditure reductions, project deferrals and increasing competition between contractors and suppliers
- Further weakness in industry cost structure expected through 2016

M&A

- Weak merger and acquisition market generally
- Disconnect between buyers' and sellers' oil price outlook given recent volatility
- Corporate transactions dominated by Shell's acquisition of BG and Repsol's acquisition of Talisman
- Industry farm-out market limited to select geographic "hot spots"
- Increasing number of financially distressed situations as oil price weakness persists

Market trends over time



Chief Operating Officer's Review



Fiona MacAulay

“Rockhopper is immensely proud of the results of the exploration campaign and we look forward to incorporating the results of these wells into our regional data set”

Following completion of Rockhopper's merger with FOGL, Rockhopper is the largest North Falkland Basin licence holder with a material working interest in all key licences as well as operatorship of PL003a, PL003b and PL005.

Sea Lion development significantly de-risked

In January 2016, we were delighted to announce that the Sea Lion Phase 1 development project had entered the Front End Engineering and Design (“FEED”) stage. The Sea Lion Phase 1 development definition phase was completed in late 2015 and significant improvements have been identified to enhance overall project economics in response to the lower oil price environment. Highlights of the Phase 1 development include:

- Recoverable resources to be commercialised increased from 160 mmbbls to approximately 220 mmbbls (operator's estimate).
- Field peak production increased from approximately 60,000 to 85,000 bbls per day.
- Field life increased from 15 to 20 years.
- Well count increasing from 14 to 18, with 13 wells drilled pre-first oil.
- Despite the increase in scope, the estimate of pre-first oil capex requirement remains at US\$1.8 billion, equivalent to approximately US\$8 per barrel – a 30% reduction in pre-first oil capex per barrel. Further cost reductions are expected given the current market environment.
- Significant improvement in project economics for both partners resulting in a materially lower break-even oil price for the project.

On the basis of the improved project, a Floating Production Storage and Offloading (“FPSO”) FEED contract was entered into with SBM Offshore, with work anticipated to take between 15 and 18 months to complete. Subsequently, the FEED contract for SURF Transport and Installation was entered into with Subsea7, for Flexibles with National Oilwell Varco and for the Subsea Production System with One Subsea.

An application has also been made to the Falkland Islands Government (“FIG”) to extend the licence for the Sea Lion Discovery Area in PL032.

A draft Field Development Plan (“FDP”) has been prepared and submitted to FIG.

A project sanction decision point is now targeted for mid-2017, which if achieved would result in a target first oil date during 2020. The extensive pre-FEED project optimisation has enabled the FEED contracts to be fully matured with a significant impact on future costs.

North Falkland Basin exploration campaign successfully completed

The North Falkland Basin exploration campaign commenced in February 2015 using the Eirik Raude rig.

On 2 April 2015, Rockhopper announced the results of the Zebedee well in PL004b (Rockhopper 64% working interest following completion of merger with FOGL). The well discovered 27.9 metres of net oil-bearing reservoir and 18.5 metres of net gas-bearing reservoir. The well penetrated multiple targets in the Cretaceous F2 and F3 formations and has added approximately 50 mmbbls of recoverable resource from the main Zebedee sand alone with additional significant pay sections in the Hector and Ninky South fans. Following plug and abandonment operations at Zebedee, the rig moved to the Isobel Deep location.

North Falkland Basin snapshot

Key highlights

Over 2,600km² acreage in North Falkland Basin

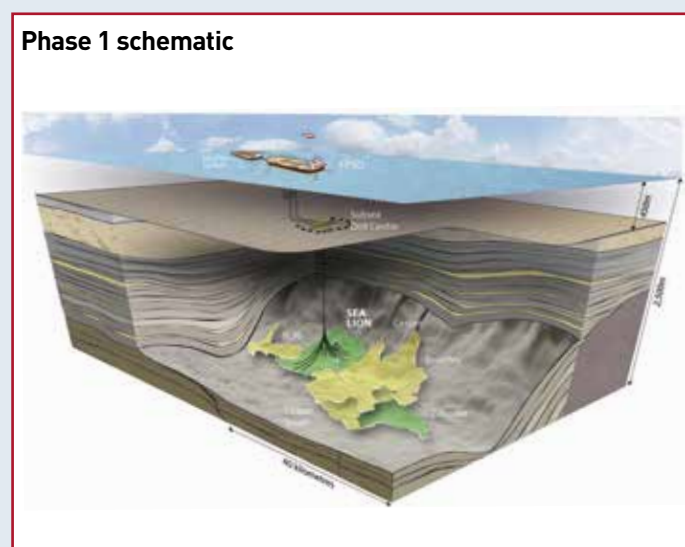
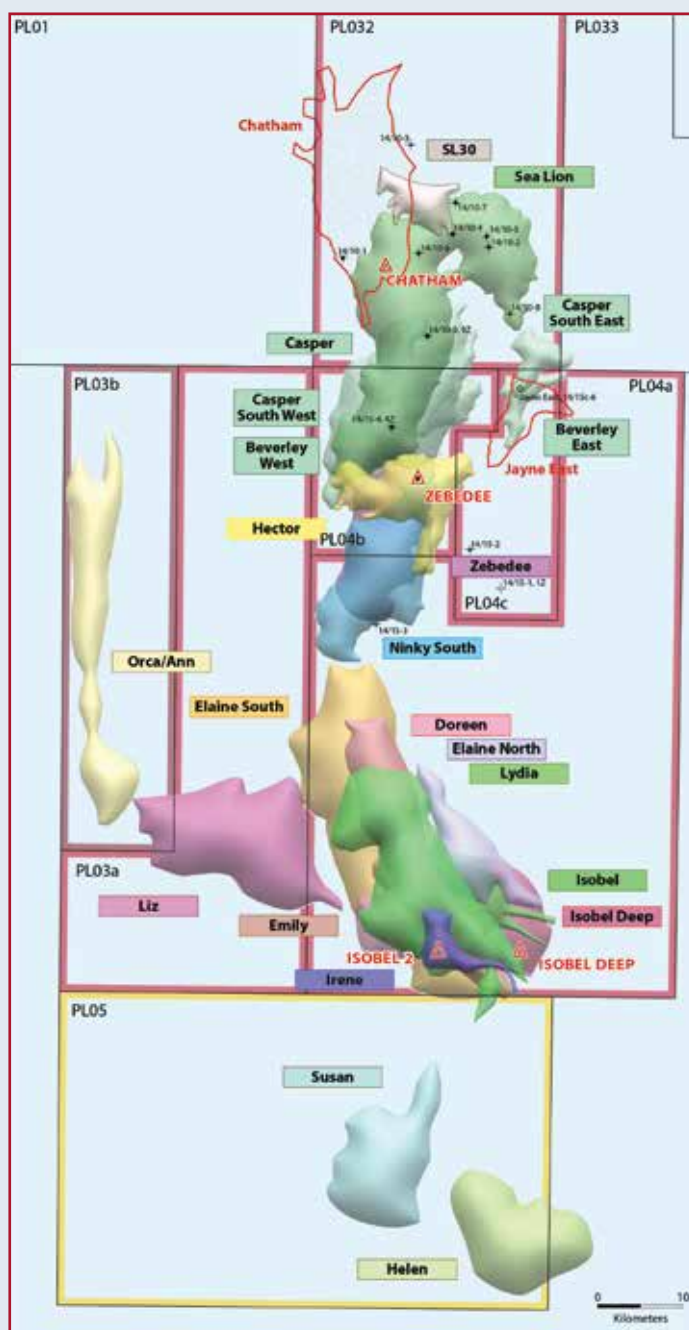
Operatorship of PL003a, PL003b and PL005 licences

40% interest in PL032 which contains Phase 1 of Sea Lion Field

64% interest in PL004 which contains the southern extension of the Sea Lion Field, various satellite discoveries as well as the Isobel/Elaine complex

Consolidated acreage position post-merger with FOGL

	Rockhopper	FOGL	Combined Group	Operator
PL032	40%	n/a	40%	Premier
PL003a	3%	92.5%	95.5%	Rockhopper
PL003b	3%	57.5%	60.5%	Rockhopper
PL004a	24%	40%	64%	Premier
PL004b	24%	40%	64%	Premier
PL004c	24%	40%	64%	Premier
PL005	n/a	100%	100%	Rockhopper



Collaborative partnerships with collective cost incentives

Subsea Installation	FPSO	Subsea Production System	Risers



NFB drilling platform

On 28 May 2015, Rockhopper announced an oil discovery at the Isobel Deep well, located approximately 40km south of the Sea Lion field in PL004a (Rockhopper 64% working interest following completion of merger with FOGL). The Isobel Deep exploration well was drilled to a depth of 2,527 metres reaching top reservoir on prognosis. The deepest 24 metres of the well consisted of oil bearing F3 sands. These sands were at a higher than expected reservoir pressure and this resulted in an influx into the well.

As a result, whilst it was not possible to acquire wireline logs over the Isobel Deep reservoir, the presence of oil bearing sands is considered very positive and these initial results opened up a new oil play in the southern part of PL004a.

Following suspension of the Isobel Deep well, the Eirik Raude rig was transferred to another operator in the South Falkland Basin. The rig returned to the North Falkland Basin in November 2015. Agreement was reached between the joint venture partners and FIG to replace drilling the Jayne East prospect in PL004c with a redrill of the Isobel prospect.

On 11 January 2016, Rockhopper announced the results of the Isobel-Elaine redrill well in PL004a. The well reached a total depth of 3,014 metres and encountered a total of five oil bearing fan packages of the F3 system, with net pay of 27 metres recorded within the Isobel Deep, Isobel and Emily reservoirs. The well did not encounter any gas nor did it penetrate an Oil Water Contact within any of the sands in this location, where the Isobel Deep reservoir is 350 metres downdip from the discovery well. The results indicate that the total oil column established by this well is likely to be in excess of 480 metres.

Unfortunately, due to material operational issues experienced with the drilling rig, the rig contract was terminated in February 2016. As a result, the drilling of the Chatham well – the final well in campaign – has been deferred until the Sea Lion pre-development drilling campaign.

The postponement of the Chatham well has no impact on the planning or timetable for the Field Development Plan for the Sea Lion initial phase development.

As sub-surface lead for exploration, Rockhopper is immensely proud of the results of the exploration campaign and we look forward to incorporating the results of these wells into our regional data set.

The Company has commissioned a Competent Person's Report ("CPR") following the conclusion of the North Falkland Basin exploration campaign. The Company expects to release the results of the CPR during Q2 2016.

In addition, work has progressed on a broader development strategy for the entire North Falkland Basin. A Phase 2 development (targeting the remaining resources in PL032 and the satellite discoveries in the north of PL004) is now expected to commercialise approximately 300 million barrels (operator's estimate). Phase 3 will develop the Isobel/Elaine fan complex in the south of PL004.

South Falkland Basin

As a result of the merger with FOGL, Rockhopper now has material interests in licences to the South and East of the Falkland Islands. A full technical review of this acreage will be undertaken during the course of 2016.

Greater Mediterranean snapshot

Italy Guendalina

- 20% working interest
- Northern Adriatic
- Currently producing ~580 boepd
- Estimated 2016 revenue ~\$7.0m



Italy Civita

- 100% working interest
- Onshore gas production
- Currently producing ~145 boepd
- Estimated 2016 revenue ~\$2.0m



Italy Ombrina Mare

- 100% working interest
- Central Adriatic appraisal
- Regulatory process going forward unclear



Italy Monte Grosso

- 23% working interest
- ~250 mmbbl oil prospect
- 23% chance of success



Malta Area 3

- 40% working interest
- Exploration Study Agreement extended to end of 2016



Croatia Block 9

- 40% working interest
- Signature of PSA expected during 2016



Staff in London, Guendalina production platform (Italy) and NFB drilling platform



Greater Mediterranean

Through the Company's acquisition of Mediterranean Oil & Gas plc in 2014, Rockhopper is focused on building a second core area in the Greater Mediterranean region which encompasses Southern Europe and certain countries of North Africa.

Guendalina, Italy (Rockhopper 20%)

Operated by Eni, the Guendalina gas field located in the Northern Adriatic, has been in production since October 2011.

On 1 September 2015, the Company announced that operations to undertake a side track well at Guendalina had begun. The well, which was drilled on time and on budget, reached a planned total depth of 3,276 metres. All target horizons within the Pliocene were gas-bearing and penetrated in an up-dip position with anticipated reservoir characteristics. Additionally, two deeper gas levels were encountered and perforated as part of the dual string completion.

The rig moved off location on 4 November 2015 and production from the field stabilised at approximately 88,000 scm per day net to Rockhopper (580 boe per day), representing an increase of 190% from the last reported rates of approximately 200 boe per day net. At the end of December 2015, the field was producing approximately 590 boe per day net to Rockhopper.

Civita, Italy (Rockhopper 100%)

Operated by Rockhopper, the Civita gas field located onshore Abruzzo, came into production in November 2015.

The field was commissioned at a rate of 12,500 scm per day before increasing to a stabilised flow rate of approximately 25,000 scm per day (approximately 160 boe per day) at the end of November 2015.

At the end of December 2015, the field was producing approximately 145 boe per day net to Rockhopper.

Ombrina Mare, Italy (Rockhopper 100%)

Operated by Rockhopper, the Ombrina Mare oil and gas discovery is an appraisal/development project located in the Central Adriatic, approximately six miles from the Abruzzo coastline.

In August 2015, the Italian Government announced that the Environmental Impact Assessment ("EIA") of the Ombrina Mare Field Development Plan (including the 'Autorizzazione Integrata Ambientale' (Integrated Environmental Authorisation) ("AIA")) had been approved by both the Minister for the Environment and by the Ministry of Cultural Heritage. The EIA decree had been formally gazetted and was awaiting the approval of the Ministry of Economic Development as the next step in the process to award the Ombrina Mare Production Concession.



However, in early January 2016, the Italian Parliament approved the 2016 Budget Law which reintroduced restrictions on offshore oil and gas activity including the general ban on exploration and production activity within 12 nautical miles of the coast of Italy. This restriction was originally introduced in 2010 and repealed in 2012.

Also in January 2016, the Company was granted a 12 month extension to the suspension of the Ombrina Mare exploration permit to 31 December 2016.

On 3 February 2016, the Company announced that it had been informed by the Ministry of Economic Development that, following the re-introduction of the ban on exploration and production activity within 12 nautical miles of the coast of Italy, the Production Concession covering the Ombrina Mare Field Area would not be awarded.

The Company is now considering its options which include both a claim for damages and compensation against the Republic of Italy under international treaties for the protection of foreign investments, and in particular the arbitration process provided for under the Energy Charter Treaty.

Monte Grosso, Italy (Rockhopper 23%)

Operated by Rockhopper, the Monte Grosso oil prospect is located in the Southern Apennine thrust-fold belt on trend with Val D'Agri and Tempa Rossa, in the largest onshore oil production and development area in Western Europe. Monte Grosso remains one of the largest undrilled prospects onshore Western Europe. Rockhopper is in the process of transferring operatorship of the licence to Eni which is hoped will accelerate the regulatory and permitting process to enable drilling.

Area 3, Malta (Rockhopper 40%)

A 2D seismic survey was completed in April 2014 and the processing of such seismic was completed in mid-2015. The seismic has identified a number of leads of sufficient size to potentially be of interest. Further technical analysis is currently being conducted to determine the most appropriate way forward. The joint venture has received an extension of the Exploration Study Agreement to December 2016, at which time a decision will be made on entering a Production Sharing Contract.

Block 9, Croatia (Rockhopper 40%)

In January 2015, Rockhopper was awarded a 40% interest in offshore Block 9 in Croatia in partnership with Eni (60% interest and operator). The block is located in the relatively shallow water of the prolific Northern Adriatic gas province and contains the previously discovered Ksenija accumulation along with the Klaudivja prospect. The anticipated work programme consists of seismic acquisition, processing and reprocessing during the first exploration phase (three years) with the drilling of a well in the second exploration phase (if Rockhopper elects to proceed to the second phase).

Given the general election in Croatia in November 2015, the signature of a Production Sharing Agreement ("PSA") with the Croatian Hydrocarbon Authority has been delayed. A PSA is now expected to be signed during 2016.

Fiona MacAulay
Chief Operating Officer

12 April 2016

Chief Financial Officer's Review



Stewart MacDonald

“Rockhopper entered 2016 with a strong balance sheet and limited financial commitments.

Capital and operating costs in the industry continue to fall as a result of the oil price and these should benefit pre-sanction projects, such as Sea Lion, as we progress through FEED”

Overview

During the year, and despite a challenging macro environment, Rockhopper continued to invest in its high impact exploration and pre-development activities in the North Falkland Basin. In addition, Rockhopper completed an active development programme that will see the Company benefit from materially higher production in 2016.

Our balance sheet remains strong with year-end cash resources of \$110 million.

Results summary

\$m (unless otherwise specified)	2015	2014
Production (boepd)	322	272
Revenue	4	2
Profit/(loss) after tax	11	(8)
Cash flow from operating activities	(7)	(11)
Cash	110	200
Net assets	262	255

Comparability between the reporting periods is made difficult due to two factors. Firstly, in 2014 the Group changed its accounting year end to 31 December to bring it in line with the majority of its peers. This resulted in a nine month reporting period in 2014. Secondly, the acquisition of Mediterranean Oil & Gas plc was completed in August 2014 and so the revenues and expenditures associated with the Mediterranean region in 2014 only reflect the five month period from August to December. It should also be noted that the Company's merger with FOGL completed after the year end and so the impact of that transaction is not reflected in the 2015 financials.

Results for the period

For the year ended 31 December 2015, the Company reported revenue of US\$4 million (2014: US\$2 million) and a profit after tax of US\$11 million (2014: US\$8 million loss). The profit after tax in the year arose primarily due to the one-off accounting treatment associated with the discounting of the CGT liability arising from the Company's 2012 farm-out.

Revenue

The Group's revenues of US\$4 million (2014: US\$2 million) during the period are related entirely to the sale of natural gas and condensate in Italy. The increase in revenues from the comparable period reflect the increased production volumes achieved at Guendalina and the commencement of production from Civita despite lower realised commodity prices.

Working interest production averaged 322 barrels of oil equivalent per day (boepd) in 2015, an increase of 18% over the prior year (2014: 272 boepd). Working interest production at the end of December 2015 was in excess of 700 boepd.

During the year, the Group's gas was sold under short-term contract with an average realised price of €0.20 per standard cubic metre (scm) (2014: €0.27 per scm), equivalent to approximately US\$38 per boe.

Operating costs

Cash operating costs, excluding depreciation and impairment charges, amounted to US\$3 million (2014: US\$1 million). The increase in underlying cash operating costs is principally due to measures undertaken to increase production and a number of one-off costs at Guendalina.

General and administrative costs, excluding non-recurring expenses related to acquisitions, amounted to US\$9 million (2014: US\$8 million).

Impairment of oil and gas assets

Given the continued decline in oil and gas prices, Rockhopper has tested the carrying value of our assets for impairment. Carrying values are compared to the fair value of the assets based on discounted cash flow models. Future cash flows were estimated using an oil price assumption equal to the Brent forward curve during the period 2016 to 2018, with a long-term price of US\$75/bbl (in "real" terms) thereafter. A post-tax nominal discount rate of 12.5% was used for the Group's Falkland Island assets.

With no cash flow generation expected from Sea Lion until 2020, the impact of the current low oil price environment on the value in use calculation is limited. As such, no impairment arises on the Sea Lion project. A range of sensitivities have been considered as part of the impairment testing process. Even in the event that the Company reduced its long-term oil price assumption by US\$10/bbl or assumed a one year delay to project sanction, no impairment on Sea Lion would arise.

The Group recognised write downs of intangible and tangible oil and gas assets of US\$28 million (2014: US\$2 million) primarily related to the Ombrina Mare project in Italy following a decision by the Ministry of Economic Development not to award the Production Concession. The write-down in relation to Ombrina Mare has been taken without prejudice to the legal remedies which may be obtained through potential future legal proceedings against the Republic of Italy and organs of the Italian State.

Taxation

On the 8 April 2015 the Group agreed binding documentation ("Tax Settlement Deed") with the Falkland Island Government in relation to the tax arising from the Group's farm out to Premier.

The Tax Settlement Deed confirms the quantum and deferment of the outstanding tax liability and is made under Extra Statutory Concession 16.

As a result of the Tax Settlement Deed the outstanding tax liability was confirmed at £64.4 million (US\$95 million as at 31 December 2015) and payable on the first royalty payment date on Sea Lion. Currently the first royalty payment date is anticipated to occur within six months of first oil production which itself is estimated to occur in 2020 (assuming Sea Lion project sanction in mid-2017).

As such the tax liability has been reclassified as non-current and discounted to a year end value of US\$47 million. The effect of this discounting is a tax credit in the period of US\$55 million. The unwinding of this discount is non-cash and has led to a finance expense in the period of US\$4 million.

The tax liability may be revised downward if the Falkland Islands' Commissioner of Taxation is satisfied that either: (i) the Exploration Carry from Premier is utilised to fund exploration activities in the Falklands; or (ii) any element of the Development Carry from Premier becomes "irrecoverable". Whilst the Company is entitled to benefit from the full Exploration Carry from Premier during the 2015/16 campaign, no adjustment in the tax liability has yet been recorded as this is subject to agreement with the Falkland Islands' Commissioner of Taxation.

Cash movements and capital expenditure

At 31 December 2015, the Company had cash resources of US\$110 million (2014: US\$200 million) and no debt.

Cash and term deposit movements during the period:

	\$m
Opening cash resources	200
North Falkland Basin	(68)
Greater Mediterranean	(12)
Admin and miscellaneous	(10)
Closing cash resources (31 December 2015)	110

North Falkland Basin spend of US\$68 million relates primarily to the 2015 drilling campaign, as well as spend relating to the pre-development activities on Sea Lion.

For a variety of reasons, including the material operational issues experienced with the drilling rig, the costs of drilling the Zebedee, Isobel Deep and Isobel-Elaine wells were above that which was originally anticipated. Certain costs incurred are the subject of an ongoing insurance claim the outcome of which is expected to be known during 2016.

Under the revised commercial terms agreed with Premier, the Company is entitled to utilise the full US\$48 million of Exploration Carry from Premier during the 2015/16 exploration campaign, which will result in a cash saving of approximately US\$25 million.

Spend in the Greater Mediterranean largely relates to the drilling of the side-track well at the Guendalina field and the development activities at the Group's onshore gas project Civita.

Acquisitions

The Company announced the US\$22 million acquisition of a portfolio of production and exploration interests in Egypt from Beach Energy Limited ("Beach Energy") in August 2015. Subsequently, the Company was informed that one of the Abu Sennan joint venture parties has exercised its right of pre-emption. Discussions continue with Beach Energy and the joint venture parties to establish if an amended transaction can be agreed.

In November 2015, the Company announced the terms of an all share merger with Falkland Oil & Gas Limited ("FOGL"). The merger completed in January 2016 following approval of both the Rockhopper and FOGL shareholders.

Under the terms of the merger, shareholders of FOGL received 0.2993 new Rockhopper shares for each FOGL share held.

Liquidity, counterparty risk and going concern

The Company monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management with surplus cash held on term deposits with a number of major financial institutions.

The directors have assessed that the cash balance held provides the Company with adequate headroom over forecast expenditure for the following 12 months – as a result, the directors have adopted the going concern basis of accounting in preparing the annual financial statements.

Principal risks and uncertainties

A detailed review of the potential risks and uncertainties which could impact the Company are outlined elsewhere in this Strategic Report. The Company has identified its principal risks at the end of 2015 as being:

- sustained low oil price; and
- joint venture partner alignment and funding issues.

Both of which could ultimately create a delay to the Sea Lion Final Investment Decision.

Outlook

Rockhopper entered 2016 with a strong balance sheet and limited financial commitments.

Capital and operating costs in the industry continue to fall as a result of the oil price and these should benefit pre-sanction projects, such as Sea Lion, as we progress through FEED. Our revised commercial arrangements with Premier ensure both Rockhopper and Premier enjoy attractive project economics at oil prices significantly lower than before.

Through the combination of Development Carry and Standby Loan, Rockhopper remains fully funded through the initial phase development of Sea Lion. Initial engagement with the commercial bank market has been encouraging as an alternative source of funding to the Standby Loan from Premier.

Revenues from our Italian assets are estimated to be in the order of US\$8-10 million in 2016 (based on current gas price, foreign exchange rate and production projections), with minimal capital investment expected in the year within the Greater Mediterranean portfolio.

Taking into account the expected residual costs of the North Falkland Basin exploration campaign and the Company's continued investment in Sea Lion FEED activities, preliminary estimates of the Company's cash balance at 31 December 2016 are in the range of US\$70-80 million. The year-end 2016 preliminary cash estimate is subject to the outcome of a number of material items including exploration drilling cost audits, disputes and insurance claims – the outcomes of which should be known during 2016.

Stewart MacDonald
Chief Financial Officer

12 April 2016

Internal controls and risk management

Internal Controls

→ The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2015.



The directors are responsible for the group's system of internal control and for reviewing its effectiveness. The group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the group's business objectives and therefore provides reasonable, rather than absolute, assurance against material misstatement or loss.

The group operates a series of controls to meet its needs. The group receives reports from the external auditor concerning the system of internal control and any material control weaknesses. The board considers that there is no necessity at the present time to establish an independent internal audit function given the current size and complexity of the business.

The process of monitoring and updating internal controls and procedures continues throughout the year and a risk management process is in place. Existing processes and practices are reviewed to ensure that risks are effectively managed around a sound internal control structure.

A fundamental element of the internal control structure involves the identification and documentation of significant risks, the likelihood of those risks occurring, their potential impact and the plans for managing and mitigating each of those risks. These assessments are reviewed by the board. The plans are discussed, updated and reviewed at each board meeting, and any matters arising from internal reviews or external audit are also considered.

Principal risks and uncertainties

Description	Impact	Mitigants	Recent changes and ongoing initiatives
Strategic risks			
Sea Lion Final Investment Decision delayed due to low oil price outlook, project costs or partner funding issues	<ul style="list-style-type: none"> Increased costs Delay in future cash flow Reduced value creation Loss of investor confidence 	<ul style="list-style-type: none"> Active engagement with the operator and regulators to establish constructive and trusted working relationships Active participation in technical meetings to challenge, influence and/or support partners to establish a cohesive JV view and decision making Active support to operator in its objective of introducing another partner into the JV 	<ul style="list-style-type: none"> Project entered FEED with set of world class contractors in January 2016 Commercial arrangements between the Company and the operator revised to ensure greater alignment Company to support operator during its farm-out process
Concentration risk through focus on the North Falkland Basin	<ul style="list-style-type: none"> Over-reliance on a single operating region Changes in operating, sovereign, political or fiscal matters could have a material impact on the Company's operations 	<ul style="list-style-type: none"> Diversify portfolio through asset additions outside of the North Falkland Basin Continued pursuit of low-cost, low-commitment, value-accretive acquisitions in the Greater Mediterranean region to add production and cash flow 	<ul style="list-style-type: none"> Acquisition of Mediterranean Oil & Gas plc in August 2014 The proposed acquisition of a portfolio of production and exploration assets in Egypt from Beach Energy was announced in August 2015. The transaction was subsequently pre-empted by an existing JV partner. Discussions with Beach continue
Poor execution of M&A activity	<ul style="list-style-type: none"> Reduced liquidity and balance sheet strength Value loss 	<ul style="list-style-type: none"> Experienced Board oversees and approves all M&A decisions Established processes in place to ensure that an appropriate level of technical, commercial, financial, tax and legal due diligence is performed on every opportunity assessed 	<ul style="list-style-type: none"> Merger with Falkland Oil & Gas Limited ("FOGL") completed in January 2016 Continued pursuit of selective and value accretive M&A opportunities
The sovereignty of the Falkland Islands is disputed	<ul style="list-style-type: none"> Physical aggression is not expected Certain service providers and financial institutions may choose not to provide services for fear of the impact an association may have on their business in Argentina 	<ul style="list-style-type: none"> The British Government has issued strong rebuttals to the Argentine claims The Company is in regular contact with the Foreign & Commonwealth Office 	<ul style="list-style-type: none"> Recent change of government in Argentina is expected to mitigate impact given apparent desire to build open international relations
Operational risks			
The Company no longer operates its significant interests and is therefore reliant on JV operators for asset performance	<ul style="list-style-type: none"> Cost and schedule overruns Poor performance of assets HSE performance 	<ul style="list-style-type: none"> Actively engage with all JV partners to establish trusted working relationships Active participation in technical meetings to challenge, apply influence and/or support partners to establish a cohesive JV view and decision making 	<ul style="list-style-type: none"> Following award of FEED on the Sea Lion project, a Management Board comprising key project managers from each of the JV partners and contractors has been established to oversee the FEED process. Rockhopper's General Manager for the Falkland Islands will attend Additionally a higher level Project Board comprising Executive Director level personnel from the JV partners and key contractors will meet regularly
The North Falkland Basin is remote and at the end of a long supply chain	<ul style="list-style-type: none"> Cost and schedule overruns Ability to secure certain contractors 	<ul style="list-style-type: none"> Active co-operation with operators in the South Falkland Basin to achieve operational and cost synergies through rig and infrastructure sharing Supply chain well understood given history of operations in the basin 	<ul style="list-style-type: none"> Rig and other sharing arrangements used in the 2015/16 exploration campaign to share equipment and services between operators in the North and South Falkland Basins
The assumptions used to estimate hydrocarbon resources may prove incorrect or inaccurate	<ul style="list-style-type: none"> Exploration and appraisal efforts may target ultimately uncommercial volumes of hydrocarbons 	<ul style="list-style-type: none"> The Company employs qualified and experienced technical personnel External consultants are regularly commissioned to support technical evaluations or provide independent assessments A prudent range of possible outcomes are considered within the planning and budgeting process – current development scenario planning for Sea Lion conservatively assumes the presence of a gas cap Analysis of commerciality thresholds is inherent in exploration planning and licence acquisition analysis 	<ul style="list-style-type: none"> The Company has commissioned a Competent Persons Report ("CPR") to undertake an independent assessment of the Company's reserves and resources The CPR is expected to be published in Q2 2016

Description	Impact	Mitigants	Recent changes and ongoing initiatives
-------------	--------	-----------	--

Financial risks

Insufficient liquidity and funding capacity	<ul style="list-style-type: none"> Uncertain financial outcome Inability to meet financial obligations 	<ul style="list-style-type: none"> Short-term and long-term cash forecasts are reported to the Board on a regular basis The Company has no debt Through the 2012 farm-out and subsequent revisions, Rockhopper secured a \$337 million Development Carry for the initial phase of development of Sea Lion, a \$337 million Development Carry for the subsequent phase of development of Sea Lion, \$48 million Exploration Carry and a \$750 million Standby Loan facility from Premier Oil Agreement reached to defer tax liability associated with 2012 farm-out 	<ul style="list-style-type: none"> Under the revised commercial arrangements with Premier, Rockhopper now entitled to access the full \$48 million Exploration Carry for the 2015/16 campaign Active engagement with commercial bank market to secure funding for the uncarried portion of Sea Lion development costs on more attractive (cost and flexibility) terms compared with the Standby Loan available from Premier Agreement reached with FIG as to quantum and timing of tax payment – tax deferred until the first royalty payment date on Sea Lion – currently anticipated in 2020
Uncertainty of fiscal regime and regulatory requirements	<ul style="list-style-type: none"> Schedule risk Loss of value Uncertain financial outcome 	<ul style="list-style-type: none"> Regular engagement with regulators Legal agreements in place to protect interests Seek appropriate legal and tax advice 	<ul style="list-style-type: none"> Participation, in conjunction with other operators in the Falkland Islands, in recent FIG Tax consultation exercise Continued participation in consultation with FIG in relation to optimal approach to oil export
Joint venture partner misalignment or failure by joint venture partners to fund their financial obligations	<ul style="list-style-type: none"> Increased costs, inefficiencies or delays Potential failure to meet financial and operational obligations In extreme, potential loss of licence interests 	<ul style="list-style-type: none"> Partner selection is a critical component of any investment decision Joint Operating Agreements and other commercial arrangements provide legal protections in the event joint venture partners fail to meet their obligations 	<ul style="list-style-type: none"> Active engagement with joint venture partners to ensure alignment Ongoing monitoring and regular review of the Company's financial exposure to joint venture partner credit risk
Uncertainty and volatility of commodity prices	<ul style="list-style-type: none"> Impact on expected future revenues and cash flow Impact on capital and operating costs Impact on future debt capacity 	<ul style="list-style-type: none"> Contingency built into planning and budgeting process to allow for downside movements in commodity prices (and expected impact on costs) The Company may consider it appropriate in the future to hedge a proportion of its production, particularly if the Company is reliant on such production to service debt 	<ul style="list-style-type: none"> Oil prices decline significantly in 2015 As a result, industry and service costs have reduced and, through the Sea Lion FEED process, it is anticipated that further costs reductions can be achieved

Health, safety and environmental risks

Health, safety and environmental incidents	<ul style="list-style-type: none"> Serious injury or death Environmental impacts Loss of reputation Regulatory penalties 	<ul style="list-style-type: none"> Regular review of HSE policies and procedures to ensure full compliance with industry "best practice" as well as all appropriate international and local rules and regulations Ongoing initiatives to ensure partner and contractor compliance with Rockhopper HSE Policy 	<ul style="list-style-type: none"> New EU drilling and operational directives were introduced in January 2016 The Company has incorporated these new requirements, including proposed ISO 16530 compliance for all well integrity life cycle phases In addition, the Company has recently updated its risk assessment procedure The Company operated Civita gas project is the first oil & gas development in Italy to implement these revised requirements and fulfil the enhanced risk assessment authorisation process
--	--	--	---

Organisational risks

Staff recruitment, development and retention	<ul style="list-style-type: none"> Disruption to business Loss of key knowledge and experience 	<ul style="list-style-type: none"> Training and development opportunities are considered for all staff Executive directors and senior staff have notice period of between 6 and 12 months to ensure sufficient time to handover responsibilities in the event of a departure Succession planning considered regularly at Board level The Remuneration Committee regularly evaluates compensation and incentivisation schemes to ensure they remain competitive 	<ul style="list-style-type: none"> A short-term succession plan is in place for executive directors and key staff members Consideration is being given to implement an all employee share scheme
--	--	--	--

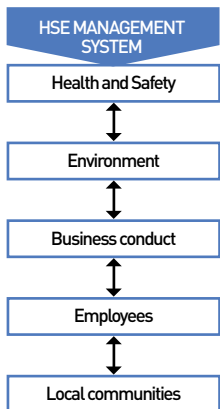
Health, Safety, Environmental and Social Management

Rockhopper's strategy is to explore, appraise and develop its operated and non operated acreage both safely and responsibly. The two key elements of this strategy involve maintaining high standards of Health, Safety and Environmental (HSE) protection throughout its operations and communicating clearly with its stakeholders, both operational and within the local community.

Maintaining high standards of Health, Safety and Environmental (HSE) protection. This is achieved through:

- Strong leadership and clearly defined responsibilities and accountabilities for HSE at all levels of the organisation;
- Selection of competent personnel to manage activities;
- Compliance with regulatory and other applicable requirements, or where regulations do not exist, application of industry standards;
- Identifying, assessing and managing HSE risks and preventing pollution;
- Developing specific HSE plans for each operational project;
- Selecting competent contractors and ensuring that they are effectively managed;
- Preparing and testing response plans to ensure that any incident can be quickly and efficiently controlled, reported and investigated to prevent recurrence;
- Continual improvement of HSE performance through monitoring, regular reporting and periodic audits; and
- Periodic management reviews to identify and implement improvements to our HSE systems.

Local community school, Stanley, Falkland Islands



This policy is implemented through our HSE Management System, which has been prepared to be consistent with international standards for HSE management including ISO14001 and ISO18001.

Our HSE Management System is used to guide all our activities and will not be compromised by other business priorities.

Application of the HSE Management System will include preparation of detailed Environmental Impact Statements ("EISs") for all of the Group's activities. The preparation of the EIA includes consultation with interested parties and the local Government as well as public meetings to present findings and obtain feedback from the local community.



For our non operated ventures one of our key roles is to seek to ensure (wherever possible) that the operator maintains high standards of HSE protection in line with our management systems.

Operational stakeholders

Where we have operating responsibility all contractors are selected taking into account their skills, experience and HSE performance. There is a contractor selection and management section in the HSE management system and we are closely involved in day-to-day operations and closely monitor contractor performance.

Local community stakeholders

The Falkland Islands has a population of approximately 3,000 people and each member is considered a stakeholder in the Group's strategy. We recognise that a key element in maintaining stakeholder support is regular communication at all levels. Our primary point of contact is the Falkland Islands Government Department for Mineral Resources and since inception we have had good communication with all of the team there. Since the start of operations, we have increasingly liaised with other government departments, such as the Secretariat and the Tax Office as well as the Governor.

Approval of Strategic Report

This Strategic Report was approved by the directors and signed on their behalf on 12 April 2016 by:

Samuel Moody
Chief Executive Officer

Governance



Chairman's Governance Report



Pierre Jungels CBE

The board's corporate governance policy is to apply best practice and to adhere to the 2014 UK Corporate Governance Code (the "Code") applicable to FTSE 350 companies as far as practicable given the size of the Company. However, the Company is an AIM listed company and is not therefore required to comply with any provision in the Code for so long as it remains on AIM. Further details are given below of how the Company addresses the principles set out in the Code. The audit and risk committee undertakes an annual review of the Company's compliance with the Code and identifies areas where compliance could be strengthened and agrees appropriate courses of action.

The Board

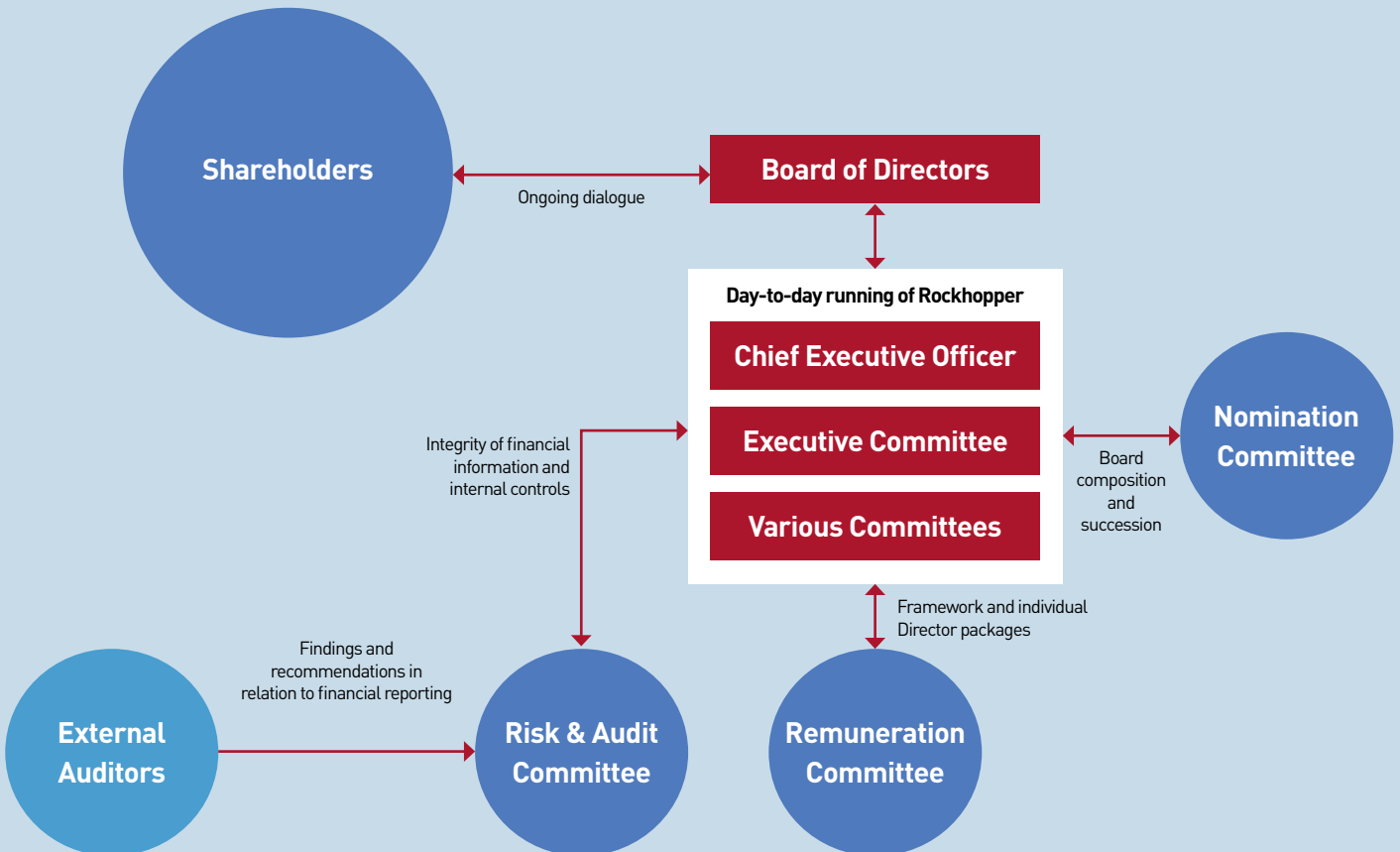
The board's structure and composition complies with the provisions of the Code. The board currently consists of three executive and seven non-executive directors including the chairman, six of whom are independent. T P Bushell and J E Martin were appointed as non-executive directors on 18 January 2016 following the merger with Falkland Oil and Gas Limited. The chairman will retire at the 2016 annual general meeting and will be replaced by David McManus an independent non-executive director.

The board has a qualified company secretary and all directors have access to her for advice and services.

R J Peters was the senior independent director for the financial period under review. The Company's website contains an email contact for K G Lough, chairman of the audit & risk committee, should shareholders have concerns which have not been adequately addressed by the chairman or chief executive officer. The email address is also disclosed at the back of these accounts.

The board meets regularly throughout each financial year and there is a schedule of matters reserved for its approval ensuring that it exercises control over the Group's strategy, key financial and compliance issues and significant operational and management matters. These include capital structure, communication with shareholders, board and senior management appointments and major contracts. Executive management has a number of financial and operational responsibilities delegated to it. These include day-to-day operation of the business, implementation of health & safety measures, contract negotiation and liaison with the regulator and shareholders. From time to time sub-committees of the board are established to approve the detail of matters tabled at full board meetings. The company secretary ensures that

How your Board works



the board and its committees are supplied with papers of sufficient quality to enable them to consider matters in good time for meetings and to discharge their duties properly. A clearly defined organisational structure exists, with lines of responsibility and delegation of authority to executive management and board approved defined roles for the chairman and chief executive officer.

The board supports directors who wish to receive ongoing training and education relating to their duties. It makes available independent legal advice, at the Group's expense, when necessary.

Each year an internal performance evaluation of the board and its committees is undertaken. The performance appraisal consists of a questionnaire. Comments are tabled at a board meeting and actions agreed. The appraisal of the chairman's performance is coordinated by the senior independent director with the assistance of the company secretary. An external board performance evaluation is to be undertaken during the course of 2016.

The board's chairman, P J Jungels, was independent upon appointment. For an initial period, P J Jungels was executive chairman and during that time he was awarded share options. Effective 30 September 2010 he became non-

executive chairman and his share options have since been exercised in full. The board considers five of the other non-executive directors, D McManus, R J Peters, K G Lough, J E Martin and A J Summers to be independent. T P Bushell does not meet the independence criteria in the Code due to his previous executive position at Falkland Oil and Gas Limited and his short-term consultancy arrangement with the Company in respect of the integration of the business of Falkland Oil and Gas Limited. Other than any shareholdings in the Company and fees, the non-executives have no financial interests in the Company or business relationships that would interfere with their independent judgement.

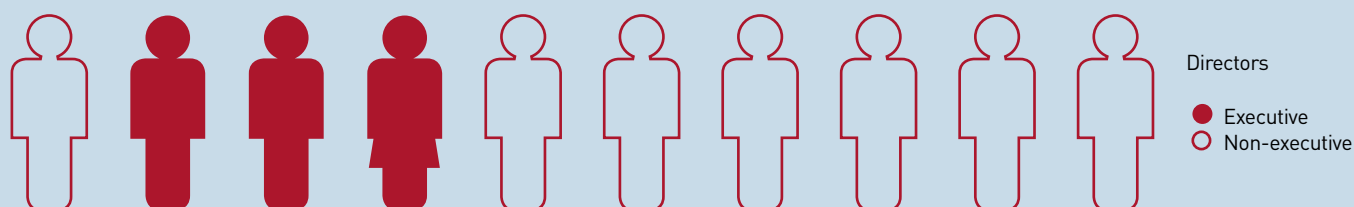
The chairman meets regularly with the non-executive directors without management present and in the forum of the nomination committee.

The appointment of directors is a formal process involving all members of the board which considers the recommendations of the nomination committee.

The notice period for all executive directors is 12 months. The board believes that this is reasonable and appropriate for the size of the Group and is in line with market practice. All directors stand for re-election at the annual general meeting.

Board diversity

Board composition



International experience



Non-executive director tenure



“ The Group is committed to maintaining high standards of corporate governance to ensure that it is managed with openness, honesty and transparency.”

Board of Directors



Dr Pierre Jungels CBE
Chairman

Dr Jungels, a certified engineer with a PhD from CALTECH, was CEO of Enterprise Oil Plc, from 1996 to 2001 and prior to that was MD of Exploration and Production for BG Plc in 1995 and worked for 23 years with Petrofina SA including eight years on the main board. He was twice President of the Institute of Petroleum, from 1987 to 1989 and 2002 to 2003.



Samuel Moody
Chief Executive Officer

Sam is a co-founder of Rockhopper and has been responsible for building and managing the group from its formation in early 2004. He previously worked in several roles within the financial sector, including positions at AXA Equity & Law Investment Management and St Paul's Investment Management.



Stewart MacDonald
Chief Financial Officer

Prior to joining Rockhopper, Stewart was a Director in Rothschild's global oil and gas group and spent 12 years advising clients in the sector on a range of M&A transactions as well as debt and equity financings.



Fiona MacAulay
Chief Operating Officer

Fiona is a geologist with over 25 years of experience in the oil and gas industry including time at Mobil, Amerada Hess and BG. She joined Rockhopper in 2010 immediately following the Sea Lion discovery and was an integral member of the senior team which managed the appraisal of the Sea Lion field and discovered the Casper, Casper South and Beverley fields.



Robert Peters
Senior Independent Director

Bob is a solicitor with a long career in industry and legal practice. He joined Imperial Chemical Industry PLC's group legal department in 1975 and became Deputy Group General Counsel in 1993 until 2000 when he joined Mayer Brown as Corporate Partner. During the 1980s he was a director and counsel of ICI's E&P business.

Age:	72	46	35	52	68
Appointed to board:	February 2005	February 2005	March 2014	March 2013	September 2010
Meetings attended:	12/12	12/12	12/12	12/12	11/12
Committee membership:	—	—	—	—	Audit & Risk Remuneration Nomination
External appointments:	—	—	—	President Elect: American Association of Petroleum Geologists Europe	—
Director:	Baker Hughes Inc.				
Chairman:	Velocys plc				



David McManus
Non-Executive
Director

David is a petroleum engineer with a degree from Heriott Watt University with over 35 years experience in the Oil and Gas industry, with Shell, Ultramar, ARCO and BG group.



Keith Lough
Non-Executive
Director

Keith has over 30 years experience in the natural resources sector in both senior finance and general management roles with LASMO, Petrokazakhstan, British Energy and Hutton Energy. He was also a founder shareholder and CEO of unconventional gas explorer Composite Energy Limited.



John Summers
Non-Executive
Director

Dr John Summers is a geologist with degrees from the University of Liverpool. He worked for British Gas/ BG Group plc for 29 years holding a variety of roles from Exploration Manager, Vice President Exploration, Chief Geologist, General Manager Technology and Performance and VP New Ventures.



Tim Bushell
Non-Executive
Director

Tim is a qualified geologist with more than 30 years' experience in the oil and gas industry. He worked at Ultramar, British Gas and Schlumberger and was with Lasmo for 10 years where his roles included General Manager of its South Atlantic business unit which participated in the drilling campaign in the North Falkland Basin in 1998. Tim was Managing Director, Norway at Paladin Resources plc from 2001 until joining Falkland and Gas Limited in 2006 where he was Chief Executive Officer.



John Martin
Non-Executive
Director

John has more than 30 years' experience in international banking in the oil and gas industry. He worked at ABN Amro for 26 years specialising in the oil and gas sector after which he joined Standard Chartered Bank where he was a Senior Managing Director in the Oil & Gas group. He was previously a Non-Executive Director of Total Upstream UK Limited and Chairman of Falkland Oil and Gas Limited.

62	57	60	58	66
September 2010	January 2014	February 2014	January 2016	January 2016
12/12	11/12	11/12	—	—
Remuneration Nomination	Audit & Risk Remuneration Nomination	Audit & Risk Nomination	Nomination	Audit & Risk Nomination
Director: Hess Corporation Costain plc Chairman: FLEX LNG	Director: Cairn Energy plc Gulf Keystone Petroleum Ltd UK Gas and Electricity Markets Authority	—	Director: Core Energy AS	Director: Bowleven plc Senior Vice President: World Petroleum Council

Corporate Governance Statement

Audit & Risk, Remuneration and Nomination Committees

Audit & risk, remuneration and nomination committees, with formally delegated duties and responsibilities, operate under the chairmanship of K G Lough, D McManus and P J Jungels respectively. The terms of reference of the committees reflect the provisions of the Code where relevant and can be found on the Company's website.

The nomination committee comprises all the non-executive directors with the chief executive officer attending by invitation. The make up of the committee complies with the Code.

The audit & risk committee comprises K G Lough, J E Martin, R J Peters and A J Summers, with other directors attending from time to time by invitation as observers. The make up of the committee complies with the Code.

The remuneration committee comprises D McManus, K G Lough and R J Peters, with other directors attending from time to time by invitation as observers. The make up of the committee complies with the Code.



Keith Lough
Audit and Risk Committee
Chairman

Audit & Risk Committee

The members of the audit & risk committee are K G Lough as chairman, J E Martin, R J Peters and A J Summers. The board considers the members of the audit & risk committee to be independent and is satisfied that at least one member of the audit & risk committee, K G Lough, has recent and relevant financial experience.

The external auditor, the Chief Financial Officer and Chief Accountant are invited to meetings with observer status.

The core terms of reference of the audit & risk committee include reviewing and reporting to the board on matters relating to:

- the audit plans of the external auditor;
- the Group's overall framework for internal control over financial reporting and for other internal controls;
- the Group's overall framework for risk management; and
- the accounting policies and practices of the Group; and
- the annual and periodic financial reporting carried out by the Group.

The audit & risk committee is responsible for notifying the board of any significant concerns that the external auditor may have arising from their audit work; any matters that may materially affect or impair the independence of the external auditor; any significant deficiencies or material weaknesses in the design or operation of the Group's internal controls; and any serious issues of non-compliance. No such concerns were identified during the financial period.

The audit & risk committee recommends to the board the appointment of the external auditor, subject to the approval of the Company's shareholders at a general meeting. Shareholders in a general meeting authorise the directors to fix the remuneration of the external auditor.

The audit & risk committee has established procedures for receiving and handling complaints concerning accounting or audit matters. The audit & risk committee maintains policies and procedures for the approval of all audit services and permitted non-audit services undertaken by the external auditor, the principal purpose of which is to ensure that the independence of the external auditor is not impaired.

In general, the external auditor will only be used for audit, audit related and tax compliance services. Other services need specific authorisation from the audit & risk committee. The only non-audit services provided during the period were in relation to tax compliance and review of the half-yearly report. The status of all services being provided by the external auditor are monitored and the Company is satisfied that there were no conflicts during the financial period.

The audit & risk committee was satisfied throughout the financial period that the objectivity and independence of the external auditor were not in any way impaired by the nature of the non-audit work undertaken, the level of non-audit fees charged for such work nor any other factors.

The audit & risk committee's terms of reference are available on the Company's website and on request from the company secretary. The audit & risk committee held three formal meetings during the period and informal discussions were also held both with, and without, management present. The committee met with the external auditors without management present.

Following each audit & risk committee meeting, the chairman of the audit & risk committee reported to the board on the principal matters covered at the meeting.

During the year, the issues considered by the audit & risk committee included:

- Group financial disclosures and accounting matters;
- reports of the external auditor concerning its audit and review of the financial statements of the Group and the status of follow-up actions with management;
- effectiveness of the Group's system of internal controls and its risk monitoring and management;
- Group corporate structure;
- systems and processes that management has developed pertaining to risk identification, classification and mitigation including disaster recovery;
- compliance with the Code;
- implications of a move to the Main Market;
- whistleblowing procedures and shareholder concerns;
- Falkland Islands fiscal regime including capital gains tax; and
- external auditor's audit and non-audit fees.

During the period, the committee reviewed its own performance and the appropriateness of its terms of reference. It concluded that, having considered the size and complexity of the business, the terms of reference were appropriate and that performance was satisfactory.

Director	Audit & risk committee meetings attended
KG Lough – Chairman	3
R J Peters	3
A J Summers	3
S MacDonald	3
P J Jungels	1
Total meetings during year	3

[†] Invitee.



David McManus
Remuneration Committee
Chairman

Remuneration Committee

The principal role of the remuneration committee is to consider, on behalf of the board, the remuneration (including compensation payments when they apply) of executive directors and the chairman, the fees of the chairman being subject to board approval. In addition the remuneration committee sets the broad framework and reviews the recommendations of the chief executive officer for salary adjustments and bonus payments for all other members of staff including the company secretary. It also administers and makes awards under the Long Term Incentive Plan (LTIP) and Share Incentive Plan (SIP). Further detail of the responsibilities of the remuneration committee is given in the directors' remuneration report.

The board considers the members of the remuneration committee to be independent. The members are D McManus as chairman and R J Peters and K G Lough. The chairman and T P Bushell attend meetings as invitees.

The committee met five times during the financial period. Details of the matters discussed are given in the directors' remuneration report.

Director	Remuneration committee meetings attended
D McManus – Chairman	5
KG Lough	5
R J Peters	4
P J Jungels	1
Total meetings during year	5

[†] Invitee.



Pierre Jungels
Nomination Committee
Chairman

Nomination Committee

The nomination committee's role is to consider Board member succession, review the structure and composition of the Board and its committees and identify and make recommendations for any new appointments of directors to the board. Any decisions relating to the appointment of directors are made by the entire board based on the merits of the candidates and the relevance of their background and experience, measured against objective criteria, with care taken to ensure that appointees have enough time to devote to the job. Rockhopper is committed to appointing, retaining and developing an experienced team which can effectively manage the Company's objectives and deliver its strategy. The board recognises the benefits of diversity and the nomination committee has regard to this when considering succession planning.

The committee is chaired by the chairman of the board, P J Jungels, with all the non-executive directors as its members. The board considers K G Lough, D McManus, J E Martin, R J Peters and A J Summers to be independent, hence a majority of the committee is considered to be independent.

The nomination committee met twice during the financial year and the matters which were considered included:

- board performance evaluation process and results;
- succession planning for the executive directors and senior management team; and
- board committee constitution.

Shareholder relationships

During the year the executive directors met with shareholders and the investment community. This included formal road shows and presentations, one-to-one meetings, analyst briefings and press interviews. The chief executive officer regularly briefs the board on these contacts and relays the views expressed. In addition, copies of analyst research reports, press reports and industry articles are circulated to all directors. The Company's website is updated regularly with external presentations and corporate updates.

Going concern

At 31 December 2015 the Group had available resources of \$110 million. In addition the Group's main development, Sea Lion, is fully funded through a combination of Development Carries and a loan facility from the operator.

It is for these reasons that the board is of the opinion, at the time of approving the financial statements, that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements. Therefore the board has adopted the going concern basis in preparation of the financial statements.

Remuneration Report

Annual statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report ('Report') for the year ended 31 December 2015. The Report has been prepared largely in compliance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Group Regulations 2013 where deemed appropriate given the size and structure of the Company. In the event that the Company had pursued a move to the Main Market of the London Stock Exchange, the Report would have been put forward for a shareholder vote. In the light of the Board's decision to defer a move to the Main Market of the London Stock Exchange (as explained in the Chairman and Chief Executive Officer's Review). The Committee does not propose that the Report should be subject to shareholder vote. The Committee has however considered feedback from shareholders in relation to the Report and has expanded the disclosures.

The Report is divided into two sections:

- The Policy report which sets out the current Remuneration Policy.
- The Annual Report on Remuneration which sets out details of the operation of the Remuneration Committee and details of the directors' remuneration packages for the year ended 31 December 2015. It also sets out details of the implementation of the Executive Director Policy for the year ending 31 December 2016.

The Committee aims to ensure that remuneration is linked to the performance of the Company and believes that the Long Term Incentive Plan, which is based on total shareholder return measured against an appropriate peer group of companies, ensures that management is aligned with shareholders in respect of the share incentive element of their remuneration packages. The Committee is satisfied that the outcomes in respect of the incentives and remuneration during the financial year under review are appropriate.

In respect of the current financial period, the Committee does not propose any changes to the Remuneration Policy which is laid out on the following pages. The Committee will ensure that the Company's remuneration policy and practices are kept under review to ensure that they remain appropriate for the Company at its stage of development and that they do not encourage any unnecessary risk taking by the executive team.

On behalf of the Board I would like to thank shareholders for their continuing support.

Yours sincerely

David McManus

Remuneration Committee Chairman

12 April 2016

Remuneration policy

This part of the Report sets out the remuneration policy for the Company. The policy for the executive directors is determined by the Committee and the Committee approves any adjustments to salary and bonus awards. The Committee also sets the parameters for the remuneration packages of senior and support staff including the company secretary. Authority is delegated to the chief executive officer to implement salary adjustments and make bonus awards for staff within the agreed parameters. The proposals of the chief executive officer in this regard are reviewed by the Chairman of the Committee to ensure that they are in line with the parameters set down by the Committee. The Committee decides on all awards under the Company's Long Term Incentive Plan ('LTIP') and approves the operation of the Company's Share Incentive Plan ('SIP').

The aim of the Committee is to ensure that the remuneration packages are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the objectives of the Group and thereby enhance shareholder value. The Committee also aims to ensure that all employees receive rewards that fairly reflect their seniority, level of work and contribution to the Company.

Executive Director Policy

The summary of the remuneration policy for the executive directors is set out later in this report. Full details of the remuneration packages are given in the Report on Remuneration.

Salary

Purpose and link to strategy	To provide an appropriate salary level to support retention and recruitment of executive directors and ensure that executive directors are appropriately rewarded in relation to their role and responsibilities.
Operation	This is reviewed annually on 1 January with regard to average industry increases, each executive's role and responsibilities and salary adjustments across the Company.
Opportunity	Salary increases will be awarded taking into account the outcome of the performance review and relative salary differentials across the executive team. Salary increases will usually be in line with increases awarded to other employees but the Committee may make additional adjustments where there has been a change in role or responsibilities or to reflect a gap in market positioning.
Performance metrics	Not applicable for base salaries.

Benefits

Purpose and link to strategy	To provide a competitive and comprehensive range of benefits to assist in the attracting and retaining the calibre of executive directors required for delivery of corporate and strategic objectives.
Operation	The benefits package for executive directors includes private medical insurance, critical illness, income protection and life assurance cover. Benefits are administered internally and a review of providers and prices is conducted every two years to ensure that the level of rates and cover remains competitive.
Opportunity	The benefits package is set at a level that the Committee considers is appropriate for the Company's size. The value of benefits will vary each year according to the cost of provision.
Performance metrics	Not applicable for benefits package.

Pension

Purpose and link to strategy	To provide an appropriate level of pension contribution for directors whilst minimising the administrative burden for the Company.
Operation	Contributions are made to a private or group personal pension plan.
Opportunity	An annual contribution equal to 10 per cent of salary.
Performance metrics	Not applicable for pension contributions.

Annual bonus

Purpose and link to strategy	To reward the achievement of annual corporate and individual targets.
Operation	Objectives are set as early as possible in the financial year. The executive directors are treated as a team in respect of target setting. This policy is reviewed annually to ensure that it remains appropriate. The bonuses are paid in cash after the end of the financial year to which they relate.
Opportunity	The maximum annual bonus award is 100% of salary. The bonus is non-contractual and is discretionary.
Performance metrics	The targets for the executive directors comprise the corporate, strategic and financial objectives agreed by the Board. The Committee uses its judgement to decide the extent to which the objectives have been achieved and will have regard to overall Company performance when agreeing the bonus payments. The Committee considers whether operations were completed to acceptable HSE standards and considers whether there were any HSE incidents when considering the level of bonus payments.

Long Term Incentive Plan (LTIP)

Purpose and link to strategy	To support alignment with shareholders through the use of Total Shareholder Return ('TSR') measured against a peer group as the performance target for awards under the LTIP.
Operation	<p>The LTIP was approved by shareholders in 2013. Since its introduction, no further awards of share appreciation rights have been made under the Company's Employee Share Option Scheme ('Scheme').</p> <p>The Committee makes annual awards of free shares in the form of nil cost options or a conditional right to acquire shares which vest after three years subject to the extent that the performance targets attached to the awards have been achieved.</p> <p>Awards will usually be granted within a period of 42 days from the release of the annual financial results and will be calculated using the market value of the shares at the date of grant.</p> <p>The LTIP performance period will be three years and the commencement date of the performance period is at the discretion of the Committee.</p> <p>Malus provisions exist so that the awards may be reduced or further conditions imposed in the case of financial misstatement, the misleading of shareholders or management/the Board regarding technical or financial performance, serious misconduct or conduct that results in a serious loss to the Company.</p> <p>The Committee has discretion to amend the size and constitution of the peer group to ensure that it remains an appropriate comparator group and to reflect any corporate deals.</p> <p>The Company has an employee benefit trust which can purchase shares in the market and/or subscribe for shares to satisfy the exercise/vesting of awards under the LTIP.</p>
Opportunity	The maximum annual award is 200% of salary.
Performance metrics	<p>Performance measurement will be TSR measured against a peer group based on an average price over a 90 day dealing period to be agreed by the Committee measured against the average 90 day dealing period up to the end of the three year performance period.</p> <p>Awards vest on a sliding scale from 35% up to 100% for performance between the median and highest performing stock. In respect of the LTIP awards made to S J Moody and S MacDonald in 2014, 133% and 116% of awards will vest for first and second peer group ranking respectively. Having regard to industry conditions, the Committee exercised its discretion to vary the additional performance condition attached to the LTIP awards granted in October 2013 and March 2014 so that the period for achievement of the £1.80 hurdle rate required for the awards to vest is extended to 31 March 2023. At the same time the Committee has varied the vesting conditions for existing LTIP awards so that no awards will vest for performance in the bottom two quartiles.</p> <p>The Committee has discretion to scale back the percentage of awards that will vest if it considers that this is appropriate having regard to underlying Company performance.</p>

Share Incentive Plan (SIP)

Purpose and link to strategy	To encourage share ownership in Rockhopper.
Operation	A tax-advantaged scheme under which employees (including executive directors) can elect to make contributions from gross salary for the purchase of Rockhopper shares which are then matched by the Company at a ratio agreed by the Committee at the beginning of each tax year. The Committee can also decide to make an award of 'free' shares up to legislative limits in any one tax year. The shares need to be held for a term of five years to obtain the full tax benefit of the SIP. There is a qualification period of three months from joining before employees are eligible to participate.
Opportunity	Since the implementation of the SIP the Committee has approved its operation up to the maximum permissible limits so that employees receive two 'matching' shares for every one 'partnership' share purchased and an annual award of free shares at or below HMRC limits. Directors and senior employees have on occasion been precluded from participating where the Company has been in a close period at the time of the awards.
Performance metrics	Not applicable for the SIP.

Cash Incentive Plan (CIP) for Chief Operating Officer ('COO')

Purpose and link to strategy	To act as a retention incentive to the COO whom the Board have identified as a key contributor to delivery of the Company's objectives. To reflect the additional responsibilities on her promotion to the role of COO.
Operation	An exceptional one-off award of 312,849 shares was made to the COO on 23 December 2013. The award was made on the same basis as the 2013 LTIP awards (see the Directors' Remuneration Report for the year ended 31 March 2014).
Opportunity	The award is a one-off award based on 200% of salary.
Performance metrics	As for the 2013 LTIP awards with the exception of the £1.80 hurdle rate (as described in the LTIP section of the Executive Director Policy section of the Report) which has been removed since the end of the financial period. The hurdle rate has been removed on condition that the proceeds from the vesting of the CIP award, after deductions for income tax and national insurance contributions, are re-invested in Rockhopper shares to be held for a minimum of three years.

Further details on the policy

Performance measurement

Annual bonus – the annual bonus is based on a range of objectives that the Board have agreed are key to progressing and delivering the Company's strategy. These can be operational, strategic and financial. Performance targets are designed to be stretching but achievable having regard to the Company's strategic priorities and external factors such as the activities of joint venture partners and the economic environment.

LTIP – the LTIP ensures alignment with shareholders being based on relative Total Shareholder Return measured against a peer group of other oil and gas companies comprising FTSE 250, larger AIM oil and gas and Falkland Island oil and gas companies. The Committee has determined that the minimum number of companies in the peer group will be nine but intends to increase the size of the peer group for future LTIP awards to reduce the impact of corporate activity on the size and structure of the peer group. The Committee will also have regard to the underlying performance of the Company when confirming the vesting of LTIP awards to ensure that the impact of external factors is taken into consideration where appropriate.

Remuneration policy for other employees and consultation

The Company's policy for all employees is to provide remuneration packages that reward them fairly for their contribution and role within the Company.

All employees are entitled to receive the full range of Company benefits but with different qualifying periods and levels of cover depending on seniority. All employees are eligible to receive an annual bonus based on performance against individual targets which are cascaded down from the corporate targets. The maximum level of bonus is 100% of salary but this will only be awarded in exceptional circumstances and where underlying Company performance is strong.

All employees are eligible to participate in the SIP. The Committee has stated that the LTIP will be used for executive directors and senior staff. This ensures that an element of remuneration is deliverable through a scheme that aligns participants with shareholders.

The Company does not consult with employees on the effectiveness and appropriateness of the policy but, in considering individual salary increases, the Committee does have regard to an employee's location and to salary increases across the Company.

Recruitment

In the case of recruiting a new executive director, the Committee can use all the existing components of remuneration as set out in the policy table.

The salary of a new appointee will be determined by reference to the experience and skills of the individual, market data, internal relativities and the candidate's current remuneration. New appointees may be entitled to receive the full range of Company benefits on joining and, if the Committee considers it appropriate, a relocation allowance and an annual contribution of up to 10% of base salary to the group personal pension plan. The new appointee will also be eligible to participate in the Company's SIP after a qualifying period.

In relation to any elements of variable pay, the Committee will take the following approach:

Component	Approach	Maximum annual opportunity
Annual Bonus	The annual bonus would operate as outlined in the Policy for existing executive directors. The relevant maximum will be pro-rated to reflect the period of employment over the year. Consideration will be given to the appropriate performance targets at the time of joining.	100% of base salary in any financial year
LTIP	The LTIP would operate as outlined in the policy for existing directors. An award may be granted on joining subject to the Company being in an open dealing period. The Committee would retain discretion to decide on the scale, performance period and performance targets attaching to any award.	200% of base salary in any financial year

In the case of an external hire, the Committee may deem it appropriate to 'buy-out' incentive or benefit arrangements which the new appointee would have to forfeit on leaving their previous employer. The Committee would consider the potential value of the arrangement being forfeited and wherever possible would use the existing components of the Company's remuneration structure to compensate the incoming director. The value of any buy-out arrangements would be capped at no higher, on recruitment, than the awards or benefits which the individual forfeited on leaving their previous employer. In the case of an internal hire, the new appointee may retain awards made to him/her under arrangements entered into prior to appointment to the Board even if such awards are not within the directors' remuneration policy as outlined in the policy table.

Service contracts, exit payments and change of control provisions

The executive directors have rolling term service agreements with the Company. Details of the directors' service contracts and appointment dates are as follows:

Executive Directors	Appointment date	Original contract	Revised contract
S J Moody	21 February 2005	8 August 2005	8 March 2011
S MacDonald	10 March 2014	27 March 2014	—
F M MacAulay	15 March 2013	10 January 2011	—

The directors' service contracts are available to view at the Company's registered office and prior to each Annual General Meeting at the venue for the meeting.

The notice period for the executive directors is 12 months' notice in writing by either party. The Company has the right to make a payment in lieu of notice of 12 months' salary and the fair value of any benefits. There is no entitlement to payment for any accrued holiday where a payment in lieu of notice is made. The Committee will consider termination payments on a case-by-case basis. It will consider the terms of the director's contract and the circumstances of the termination and might consider making an ex gratia payment where the circumstances and/or a director's contribution to the Company justifies this. If an ex gratia payment is to be made, the Committee will ensure that it is satisfied that it is in the best interests of the Company to make such a payment and that there is no "reward for failure".

The Committee also has discretion to settle any other amounts which it considers are reasonably due to the director such as where the parties agree to enter into a settlement agreement and the individual is required to seek independent legal advice. The Committee can approve new contractual arrangements with a departing director covering matters such as confidentiality or restrictive covenants and/or consultancy arrangements where it believes this is in the best interests of the Company.

Treatment of incentives for leavers

In relation to annual bonuses, a bonus payment will not usually be made if the director is under notice at the bonus payment date or has already left. In the event of a change of control, the Committee retains the right to declare a bonus in respect of the part of the year worked prior to the change of control becoming effective.

In relation to awards granted under the LTIP, awards will generally lapse on the date of cessation of employment except in certain 'good leaver' circumstances which are generally defined as retirement, ill-health, disability, death, redundancy, transfer or sale of the employing company or any other circumstances at the discretion of the Committee. In these circumstances any unvested award will usually continue and vest on the normal vesting date. The Committee will decide the extent to which the unvested award will vest taking into account (i) the period of time that has elapsed since the start of the performance period and (ii) the extent to which any performance target is satisfied at the date the director ceases to be employed by the Company. Final treatment is subject to the Committee's discretion.

In relation to options and share appreciation rights (SARs) granted under the Company's Employee Share Option Scheme, both options and SARs will generally lapse on the date of cessation of employment except in certain 'good leaver' circumstances which are generally defined as retirement, ill-health, disability, death, redundancy, transfer or sale of the employing company or any other circumstances at the discretion of the Committee. In the case of death, the option shall be exercisable immediately for a period of one year from the date of death. In other good leaver circumstances any option or SAR will be exercisable for a period of six months from the date of cessation, subject to: (i) the period of time that has elapsed since the start of the performance period; and (ii) the extent to which any performance target is satisfied at the date the director ceases to be employed by the Company. Where the Committee exercises its discretion to allow a leaver to be a good leaver, the Committee may also determine both the proportion of the option that may be exercised and the period during which the option is exercised.

In the event of termination of employment or a change of control, shares held under the SIP will be dealt with in accordance with the SIP rules. The Committee does not have any discretion in relation to the operation of the SIP.

External appointments

Executive directors are permitted to engage in other activities and businesses outside the Group provided that there is no risk of conflict with their executive duties and subject to full Board disclosure.

Non-Executive Director Policy

The Company's Articles of Association provide that the Board can determine the level of fees to be paid to the non-executive directors within limits set by the shareholders. This is currently set at an aggregate of £500,000 per annum. The Policy for the Chairman and non-executive directors is as follows:

Fees

Purpose and link to strategy	To provide a competitive level of fee which will attract and retain high calibre directors with the range of skills and experience required to support the executive directors and assist the Company in delivering its objectives.
Operation	<p>The fees for the Chairman and non-executive directors are determined by the Board as a whole with directors absenting from discussions regarding their own remuneration.</p> <p>The Board has regard to level of fees paid to the non-executive directors of other similar sized companies and the time commitment and responsibilities of the role.</p> <p>Neither the Chairman nor the non-executive directors participate in any of the Company's share schemes.</p>
Opportunity	<p>The current annual fees are:</p> <p>Chairman: £140,000</p> <p>Non-executive director basic fee: £40,000</p> <p>Committee Chairmanship: £10,000</p> <p>Senior Independent Director: £5,000</p> <p>The fee levels will be reviewed on a periodic basis with reference to the time commitment of the role and fee levels in comparative companies.</p> <p>No benefits or other remuneration are provided.</p>
Performance metrics	Not applicable to non-executive directors.

Recruitment

The Committee will follow the non-executive director remuneration policy as set out above in relation to the appointment of a new non-executive director.

Terms of appointment

The non-executive directors do not have service contracts but have been appointed for terms of three years from 30 September 2013 or their date of appointment if later. The appointment can be terminated at any time by either party giving one month's notice to the other. Details of appointment are set out below:

Director	Appointment date	Original engagement letter	Revised engagement letter
P J Jungels (Chairman)	21 February 2005	8 August 2005	29 October 2013
D McManus	30 September 2010	30 November 2010	29 October 2013
R J Peters	30 September 2010	30 November 2010	29 October 2013
K G Lough	14 January 2014	14 January 2014	—
A J Summers	1 February 2014	3 February 2014	—
T P Bushell	18 January 2016	18 January 2016	—
J E Martin	18 January 2016	18 January 2016	—

Directors are subject to annual re-election by shareholders at the Annual General Meeting in accordance with the 2014 UK Corporate Governance Code and each director is subject to election by shareholders at the first Annual General Meeting following their appointment. The directors' letters of appointment are available to view at the Company's registered office and prior to each Annual General Meeting at the venue for the meeting.

Report on Remuneration

Remuneration Committee membership and meetings

As at 31 December 2015, the Committee comprised three independent non-executive directors. The Committee met five times during the financial period. The members of the Committee during the year and as at the year end and their attendance are summarised below:

Committee member	Meeting attendance
D McManus – Committee Chairman	5/5
K G Lough	5/5
R J Peters	4/5

During the financial period, the Committee’s main areas of activity included:

- Confirming the salary adjustments for 2015 and bonus awards for the period ended 31 December 2014.
- Setting the targets for the bonus awards for the bonus scheme for the forthcoming financial year.
- Approving the Directors’ Remuneration Report for the period ended 31 December 2014.
- Approving the 2015 LTIP awards and reviewing the constitution of the peer group.
- Overseeing the operation of the Employee Benefit Trust including the use of the EBT to purchase exercised share options.
- Approving the annual implementation of the SIP.
- Considering the Company’s recruitment plans.
- Considering the implementation of a minimum shareholding requirement for executive directors.

The company secretary acted as secretary to the Committee and provided advice in relation to the operation and implementation of incentive schemes and remuneration packages. The Chairman of the Board attended Committee meetings as appropriate.

The Board considers that the membership of the Committee is compliant with the 2014 UK Corporate Governance Code. No individual is involved in determining their own remuneration.

External advice

The Committee received advice from Addleshaw Goddard in relation to the operation of the share schemes and the operation of the EBT. The Committee considers that the advice it received during the financial period was objective and independent.

Total Remuneration

The table below reports a single figure for total remuneration for each executive director:

	Salary £'000		Taxable benefits £'000		Annual bonus £'000		Long-term Incentives £'000		Pension £'000		SIP awards £'000		Total £'000	
	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014	Year ended 31 Dec 2015	Nine months ended 31 Dec 2014
S J Moody	362.1	266.3	2.9	2.2	253.5	221.9	318.8⁽¹⁾	213.6	36.2	26.6	6.6	2.7	980.1	733.3
F M MacAulay	317.8	232.5	3.0	2.9	222.4	193.8	—	—	31.8	23.3	6.6	2.7	581.6	455.2
S MacDonald	297.0	202.5	2.0	1.4	207.9	168.8	—	—	29.7	20.3	6.6	2.5	543.2	395.5

(1) This amount represents the gross proceeds on the exercise of share options in April 2015. S J Moody and P J Jungels elected to sell sufficient shares from the exercise of options to discharge the cost of exercise and tax and national insurance obligations where due. The balance of the shares were retained by S J Moody and P J Jungels. The share option held by P J Jungels had been granted to him when he was Executive Chairman.

The table below reports a single figure for total remuneration for each non-executive director:

	Base fee €'000		Additional fees €'000		Long term incentives €'000		Total €'000	
	Year ended ended 31 December 2015	Nine months ended 31 December 2014	Year ended ended 31 December 2015	Nine months ended 31 December 2014	Year ended ended 31 December 2015	Nine months ended 31 December 2014	Year ended ended 31 December 2015	Nine months ended 31 December 2014
	P J Jungels	140.0	105.0	—	—	318.8 ⁽¹⁾	—	458.8
R J Peters	40.0	30.0	5.0	3.8	—	—	45.0	33.8
D McManus	40.0	30.0	10.0	7.5	—	—	50.0	37.5
K G Lough	40.0	30.0	10.0	7.5	—	—	50.0	37.5
A J Summers	40.0	30.0	—	—	—	—	40.0	30.0

(1) This amount represents the gross proceeds on the exercise of share options in April 2015. S J Moody and P J Jungels elected to sell sufficient shares from the exercise of options to discharge the cost of exercise and tax and national insurance obligations where due. The balance of the shares were retained by S J Moody and P J Jungels. The share option held by P J Jungels had been granted to him when he was Executive Chairman.

R J Peters is Senior Independent Director.

D McManus is Chairman of the Remuneration Committee.

K G Lough is Chairman of the Audit & Risk Committee.

No fees were paid to non-executive directors for membership of a committee or for attending committee meetings. Additional fees were payable of £5,000 for acting as Senior Independent Director and £10,000 as Chairman of the Audit and Risk Committee and Remuneration Committee. The Chairman of the Company does not receive any additional fees for chairing the Nomination Committee.

Additional information in respect of single figure table of remuneration for nine months ended 31 December 2015

Annual bonus

In respect of the financial period, the Committee agreed that the executive director annual bonus opportunity would be up to 100 per cent of base salary and that the executive directors would be treated as a team for the purpose of objective setting. The following objectives were agreed for the financial year, each of which had an equal weighting:

- Completion of a safe and successful exploration campaign in the North Falkland Basin.
- Achievement of specific milestones for the Final Investment Decision for the Sea Lion Development.
- New venture activity to enhance the Company's portfolio of assets in its strategic areas of interest.
- Progressing funding alternatives for the uncarried Sea Lion Development costs.

The Committee agreed the extent to which the targets had been achieved in respect of the year ended 31 December 2015:

- Completion of a safe and successful exploration campaign in the North Falkland Basin: Contingent resources in excess of 75mmbbls had been discovered with no HSE issues arising. The Committee agreed that this target had been achieved in full.
- Achievement of specific milestones for the Final Investment Decision on the Sea Lion Development: The FEED contract for the FPSO provider had been awarded on 12th January 2016 and the SURF FEED contract was awarded in February 2016. The Field Development Plan had been submitted to FIG. The Committee agreed that this target had been achieved in full.
- New venture activity to enhance the Company's portfolio of assets in its strategic areas of interest: The merger with Falkland Oil and Gas Limited had completed in January 2016. The acquisition of Beach Petroleum (Egypt) Pty Limited had not completed due to the exercise of pre-emption rights by one of Beach's partners. The Committee agreed that this target had been partially achieved.
- Progressing funding alternatives for the uncarried Sea Lion development costs – indicative support for reserve based lending had been received from various banks. Considerable work had been done on the CPR but it had not yet been completed due to delays in the drilling programme. Further work to complete the CPR would be required in 2016. The Committee agreed that this target had been partially achieved.

The Committee recognised the considerable progress that had been achieved against the 2015 corporate targets and agreed that it was appropriate to award a bonus of 70% of basic salary to each of the executive directors. The Committee also agreed that the executive directors should continue to be treated as a team for the purpose of bonus awards and that each of them should receive the same percentage bonus.

Annual bonuses were paid in cash and were as follows:

Director	Bonus as % of salary	Cash £
S J Moody	70.0	253,470
F M MacAulay	70.0	222,425
S MacDonald	70.0	207,900

LTIP awards granted during the financial year

The table below summarises the LTIP awards granted to executive directors during the financial year in accordance with the policy.

Director	Basis of award (% of base salary)	Date of grant	Share price at date of grant	Exercise price	Number of shares over which LTIP option awarded	Maximum number of shares that may vest	Face value of award ⁽¹⁾
S J Moody	150	13 April 2015	£0.635	—	855,354	855,354	£543,150
F MacAulay	150	13 April 2015	£0.635	—	750,591	750,591	£476,625
S MacDonald	150	13 April 2015	£0.635	—	701,575	701,575	£445,500

(1) The face value of the awards is calculated using the share price at the date of grant. The actual value of the awards to participants will be dependent on the percentage of the award that vests and the share price at the date of exercise.

The key features of the 2015 LTIP awards are as follows:

- Awards are in the form of nil cost options.
- Performance will be measured over the three year period to 31 March 2018.
- Performance measurement is based on the average price over the 90 day dealing period to 31 March 2018 measured against the 90 day dealing period up to 31 March 2015.
- Performance is based on Total Shareholder Return ('TSR') measured against an original peer group of 10 other oil and gas companies comprising EnQuest, Salamander Energy, Amerisur Resources, Providence Resources, Ithaca Energy, Petroceltic International, Faoe Petroleum, Bowleven, Borders & Southern and Falkland Oil and Gas. The Committee has discretion to amend the size and constitution of the peer group to ensure that it remains appropriate and has agreed to introduce Premier Oil and Hurricane Energy as replacements for Falkland Oil and Gas Limited which merged with the Company in January 2016 and Salamander Energy plc which was acquired by Ophir Energy Plc in March 2015.
- Awards will vest on a sliding scale from 35% up to a maximum of 100% for performance in the top two quartiles with no awards vesting for performance in the bottom two quartiles.

Implementation of executive director remuneration policy for 2016

Base salaries

As part of the annual remuneration review, the Committee considered industry and general economic conditions in the UK and had regard to current market practice in relation to salary adjustments. In the light of this review, the Committee agreed that no salary increases should be awarded for 2016.

Annual bonus

For 2016, the executive director annual bonus opportunity is up to 100 per cent of base salary. The Committee has agreed that the executive directors will be treated as a team for the purpose of objective setting and has agreed the following objectives for the financial year ending 31 December 2016:

- Bringing an additional paying partner into the Sea Lion Development Project.
- Completion of a Competent Person's Report that meets specific objectives set by the Board.
- Achievement of production related targets.
- Achievement of specific milestones for the Final Investment Decision for the Sea Lion Development.

Long Term Incentive Plan

The Committee intends to grant LTIP awards in 2016 in line with the Policy. The Committee will consider the appropriate performance period and quantum at the time of the awards. It is intended that the performance condition will remain as TSR measured against a peer group. The Committee intends to increase the size and structure of the peer group for the 2016 LTIP awards.

Benefits, pension contributions and share plans

The executive directors will receive the range of Company benefits, pension contributions and participation in the SIP in line with the policy.

Implementation of non-executive remuneration Policy for 2016

Non-executive director fees (excluding the Chairman) were last increased in 2014 and no further review is scheduled. The Chairman and non-executive director fees are set out in the table below:

Role	Type of fee	From 1 April 2014
Chairman	Total fee	£140,000
Other non-executive directors	Basic fee	£40,000
	Chairman of Remuneration and Audit & Risk Committees	£10,000
	Senior Independent Director	£5,000

Statement of directors' shareholdings

The table below summarises the interests in shares including those held in the SIP of the directors in office at the year end:

	At 31 December 2015 Ordinary 1p shares	At 31 December 2014 Ordinary 1p shares
P J Jungels	1,394,817	1,117,644
S J Moody	2,022,556	1,742,260
F M MacAulay	50,853	34,085
S MacDonald	23,846	6,643
R J Peters	14,287	14,287
D McManus	132,803	132,803
K G Lough	—	—
A J Summers	—	—

The Committee has agreed that the executive directors should be encouraged to build up a stake of Rockhopper shares equivalent to one times salary in the case of FM MacAulay and S MacDonald and two times salary in the case of S J Moody over a five year period. It is intended that this should be achieved through the retention of any vested LTIP awards and Share Appreciation Rights awarded under the Employee Share Option Scheme and that there should be no requirement for directors to purchase shares on the open market.

Outstanding awards under the LTIP, Employee Share Option Scheme and Cash Incentive Plan

(a) LTIP

Director	Date of grant	Awards held at 31 Dec 2014	Granted	Lapsed	Vested	Awards held at 31 Dec 2015	Market price at date of award	Performance period	Earliest vesting date
S J Moody	08.10.13	508,007	—	—	—	508,007	£1.3425	01.04.13-31.03.16	31.03.16
	13.10.14	665,625	—	—	—	665,625	£0.7600	01.10.14-30.09.17	30.09.17
	13.04.15	—	855,354	—	—	855,534	£0.6350	01.04.15-31.03.18	31.03.18
F MacAulay	08.10.13	312,849	—	—	—	312,849	£1.3425	01.04.13-31.03.16	31.03.16
	13.10.14	775,000	—	—	—	775,000	£0.7600	01.10.14-30.09.17	30.09.17
	13.04.15	—	750,591	—	—	750,591	£0.6350	01.04.15-31.03.18	31.03.18
S MacDonald	10.03.14	201,117	—	—	—	201,117	£1.1525	01.04.13-31.03.16	31.03.16
	13.10.14	506,250	—	—	—	506,250	£0.7600	01.10.14-30.09.17	30.09.17
	13.04.15	—	701,575	—	—	701,575	£0.6350	01.04.15-31.03.18	31.03.18

(b) Share options

The share options outstanding as at 31 December 2015 and held by individuals who were directors during the year are:

Director	Date of grant	Awards held at 31 December 2014	Exercised during the year	Awards held at 31 December 2015	Exercise price £
P J Jungels	08.08.05	1,500,000	1,500,000	—	0.42
S J Moody	08.08.05	1,500,000	1,500,000	—	0.42
		3,000,000	3,000,000	—	

(c) Share appreciation rights

The share appreciation rights outstanding as at 31 December 2015 and held by individuals who were directors during the year ended 31 December 2015 are:

Director	Date of grant	Awards held at 31 December 2014	Exercised during the period	Lapsed during the period	Awards held at 31 December 2015	Exercise price Pence
S J Moody	11.01.11	76,056	—	—	76,056	372.75
	17.01.12	77,777	—	—	77,777	303.75
	30.01.13	91,077	—	—	91,077	159.00
F M MacAulay	11.01.11	15,929	—	—	15,929	372.75
	17.01.12	22,505	—	—	22,505	303.75
	30.01.13	49,086	—	—	49,086	159.00
		332,430	—	—	332,430	

(d) Cash Incentive Plan

The award was made on the same basis as the 2013 LTIP awards in relation to performance measurement and conditions. Since the end of the year the Committee has agreed to remove the £1.80 hurdle rate on condition that the net proceeds from the vesting of the CIP award are re-invested in Rockhopper shares to be held for a minimum of three years. Details of the award are as follows:

Director	Date of grant	Number of notional shares awarded	Market price at date of award	Performance period	Earliest vesting date
F M MacAulay	23.12.13	312,849	£1.3425	01.04.13-31.03.16	31.03.16

Share price movements during year ended 31 December 2015

The mid market closing price of the Company's shares as at 31 December 2015 was 27.75 pence (31 December 2014: 65.75 pence). The range of the trading price of the Company's shares during the year was between 83.00 pence and 24.00 pence.

Executive director external appointments

None of the executive directors have any external directorships for which they are paid a fee.

By order of the Board

D McManus

Chairman of the Remuneration Committee

12 April 2016

Statutory information

Principal activity

The principal activity of the Group is the exploration and exploitation of its oil and gas acreage. Group strategy is to explore, appraise, develop and manage production from its acreage both safely and responsibly.

Results and dividends

The trading results for the period, and the Group's financial position at the end of the period are shown in the attached financial statements. The directors have not recommended a dividend for the year (period ended 31 December 2014: £nil).

Key performance indicators "KPIs"

See page 10 for more details.

Substantial shareholders

At 23 March 2016 the Company had been notified of the following interests of three percent or more of the Company's voting rights.

Shareholder/Fund manager	Number of shares	Percentage of issued share capital
UBS Investment Bank	33,227,447	7.28%
Carlson Capital	24,911,045	5.46%
FMR LLC & FIL Ltd (Fidelity)	23,840,431	5.22%
Majedie Asset Management	20,044,687	4.39%
Royal London Asset Management	17,758,583	3.89%
Odey Asset Management	14,808,732	3.25%
Credit Suisse	14,292,898	3.13%

Directors

The present members of the board are as listed in the board of directors section. The interests of the directors in office at the period end in the share capital of the Company are shown in the directors' remuneration report along with details of their service contracts and terms of appointment.

Post balance sheet events

Particulars of important events affecting the Group since the financial year end are set out in note 30.

Principal risks and uncertainties

Information relating to the principal risks and uncertainties facing the Group is set out in the Risk Management report section of the Strategic report and note 31.

Related party transactions

Related party transactions are disclosed in note 28.

Financial instruments

For the period under review the Group held no financial instruments, outside of cash and receivables. Financial risk management policies are disclosed in note 31.

Political and charitable contributions

The Group made no charitable donations (period ended 31 December 2014: £nil) and no political donations (period ended 31 December 2014: £nil) during the period.

Creditor payment policy

The Group does not follow any specific code or standard on payment practice. However, it is the policy of the Group to ensure that all of its suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations. Average creditor days for the period were 10 days (period ended 31 December 2014: 46 days), on the basis of accounts payable as a percentage of amounts invoiced during the period.

Qualifying indemnity provisions

The Company has entered into separate indemnity deeds with each director containing qualifying indemnity provisions, as defined at section 236 of the Companies Act 2006, under which the Company has agreed to indemnify them in respect of certain liabilities which may attach to them as a director or as a former director of the Company. At the date of this directors' report indemnity deeds containing qualifying indemnity provisions are in force for all of the Company's directors. The Company has also issued an indemnity to directors and the company secretary in respect of any personal liability to Falkland Islands tax by the Company or its subsidiaries.

Directors' and Officers' insurance

The Group maintained directors' and officers' liability insurance cover throughout the period. The directors are also able to obtain independent legal advice at the expense of the Group, as necessary, in their capacity as directors.

Employees

The Group had 39 employees at the year end, three of whom are directors. As at 31 March 2016 the number of staff had reduced to 33 following a review of staffing levels. The Group seeks to employ people on the basis of merit and ability to perform the required roles. The Group does not discriminate on any grounds including race, gender, religion, age, nationality or sexual orientation.

Environment

The Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to the Group) in the jurisdiction in which it operates. Although the Group intends to be in compliance with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, that could subject the Group to extensive liability. Further, the Group may fail to obtain the required approval from the relevant authorities necessary for it to undertake activities which are likely to impact the environment. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

Under company law the directors must not approve the 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 their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Jan Davies
Company Secretary

12 April 2016

Independent auditor's report to the members of Rockhopper Exploration plc

We have audited the financial statements of Rockhopper Exploration Plc for the year ended 31 December 2015 set out on pages 49 to 87. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- 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 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 April 2016

Group income statement

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Revenue		3,966	1,910
Other cost of sales		(2,951)	(554)
Depreciation and impairment of oil and gas assets		(8,098)	(3,416)
Total cost of sales	4	(11,049)	(3,970)
Gross loss		(7,083)	(2,060)
Exploration and evaluation expenses	5	(22,934)	(1,782)
Costs in relation to acquisition		(1,544)	(1,899)
Other administrative costs		(9,351)	(8,134)
Total administrative expenses	6	(10,895)	(10,033)
Charge for share based payments	9	(1,937)	(672)
Foreign exchange movement	10	1,927	6,516
Results from operating activities		(40,922)	(8,031)
Finance income	11	975	657
Finance expense	11	(4,750)	(209)
Loss before tax		(44,697)	(7,583)
Tax	12	55,395	(5)
Profit/(loss) for the year attributable to the equity shareholders of the parent company		10,698	(7,588)
Profit/(loss) per share: cents			
Basic	13	3.65	(2.63)
Diluted	13	3.64	(2.63)

All operating income and operating gains and losses relate to continuing activities.

Group statement of comprehensive income

for the year ended 31 December 2015

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Profit/(loss) for the period	10,698	(7,588)
Exchange differences on translation of foreign operations	(4,943)	(4,217)
Total comprehensive profit/(loss) for the period	5,755	(11,805)

Group balance sheet

as at 31 December 2015

	Notes	31 December 2015 \$'000	31 December 2014 \$'000
Non-current assets			
Exploration and evaluation assets	14	256,658	204,164
Property, plant and equipment	15	12,637	12,146
Goodwill	16	9,803	10,940
Other receivables	17	—	566
Current assets			
Inventories		1,670	2,188
Other receivables	17	6,199	4,681
Restricted cash	18	2,192	1,384
Term deposits	19	60,000	100,000
Cash and cash equivalents		50,434	99,726
Total assets		399,593	435,795
Current liabilities			
Other payables	20	30,457	19,358
Tax payable	21	9	100,439
Non-current liabilities			
Tax payable	21	47,405	—
Provisions	22	20,343	21,816
Deferred tax liability	23	39,145	39,144
Total liabilities		137,359	180,757
Equity			
Share capital	24	4,910	4,854
Share premium	25	2,995	662
Share based remuneration	25	5,491	4,960
Own shares held in trust	25	(3,513)	(628)
Merger reserve	25	11,112	11,112
Foreign currency translation reserve	25	(9,160)	(4,217)
Special reserve	25	472,967	536,976
Retained losses	25	(222,568)	(298,681)
Attributable to the equity shareholders of the company		262,234	255,038
Total liabilities and equity		399,593	435,795

These financial statements were approved by the directors and authorised for issue on 12 April 2016 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

Group statement of changes in equity

for the year ended 31 December 2015

	Share capital \$'000	Share premium \$'000	Share based remuneration \$'000	Shares held in trust \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Special reserve \$'000	Retained losses \$'000	Total equity \$'000
Balance at 31 March 2014	4,711	170	4,597	(354)	(243)	4,123	541,964	(300,513)	254,455
Total comprehensive loss for the period	—	—	—	—	—	(4,217)	—	(7,588)	(11,805)
Acquisition of subsidiary	127	—	—	—	11,355	—	—	—	11,482
Share based payments	—	—	672	—	—	—	—	—	672
Share issues in relation to SIP	1	77	—	(49)	—	—	—	—	29
Exercise of share options	15	415	(309)	—	—	—	—	309	430
Purchase of own shares	—	—	—	(225)	—	—	—	—	(225)
Other transfers	—	—	—	—	—	(4,123)	(4,988)	9,111	—
Balance at 31 December 2014	4,854	662	4,960	(628)	11,112	(4,217)	536,976	(298,681)	255,038
Total comprehensive income for the year	—	—	—	—	—	(4,943)	—	10,698	5,755
Share based payments	—	—	1,937	—	—	—	—	—	1,937
Share issues in relation to SIP	3	186	—	(152)	—	—	—	—	37
Exercise of share options	53	2,147	(1,406)	—	—	—	—	1,406	2,200
Purchase of own shares	—	—	—	(2,733)	—	—	—	—	(2,733)
Other transfers	—	—	—	—	—	—	(64,009)	64,009	—
Balance at 31 December 2015	4,910	2,995	5,491	(3,513)	11,112	(9,160)	472,967	(222,568)	262,234

Group cash flow statement

for the year ended 31 December 2015

Notes	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Cash flows from operating activities		
Net loss before tax	(44,697)	(7,583)
Adjustments to reconcile net losses to cash:		
Depreciation	15 2,744	2,186
Impairment on property, plant and equipment	15 5,649	1,465
Share based payment charge	9 1,937	672
Exploration impairment expenses	14 22,335	258
Loss on disposal of property, plant and equipment	12	3
Finance expense	4,742	208
Finance income	(800)	(470)
Foreign exchange	10 (1,921)	(6,349)
Operating cash flows before movements in working capital	(9,999)	(9,610)
Changes in:		
Inventories	291	495
Other receivables	(981)	1,682
Payables	3,765	(3,812)
Movement on other provisions	68	8
Cash utilised by operating activities	(6,856)	(11,237)
Cash flows from investing activities		
Capitalised expenditure on exploration and evaluation assets	(70,661)	(10,150)
Purchase of property, plant and equipment	(10,258)	(1,111)
Acquisition of subsidiary	29 —	(24,037)
Interest	617	673
Investing cash flows before movements in capital balances	(80,302)	(34,625)
Changes in:		
Restricted cash	(826)	(953)
Term deposits	40,000	85,000
Cash flow by investing activities	(41,128)	49,422
Cash flows from financing activities		
Share options exercised	2,200	430
Share incentive plan	37	29
Purchase of own shares	(2,733)	(225)
Finance expense	(18)	(20)
Cash flow from financing activities	(514)	214
Currency translation differences relating to cash and cash equivalents	(794)	(1,155)
Net cash flow	(48,498)	38,399
Cash and cash equivalents brought forward	99,726	62,482
Cash and cash equivalents carried forward	50,434	99,726

Notes to the group financial statements

for the year ended 31 December 2015

1. Accounting policies

1.1 Group and its operations

Rockhopper Exploration plc, 'the Company', a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom ('UK'), together with its subsidiaries collectively, the 'Group' holds certain exploration licences granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the Falkland Islands. In 2014, it diversified its portfolio through the acquisition of an exploration and production company with operations principally based in Italy. The registered office of the Company is Hilltop Park, Devizes Road, Salisbury, SP3 4UF.

1.2 Statement of compliance

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with UK company law. The consolidated financial statements were approved for issue by the board of directors on 12 April 2016 and are subject to approval at the Annual General Meeting of shareholders on 17 May 2016.

1.3 Basis of preparation

The results upon which these financial statements have been based were prepared using the accounting policies set out below. These policies have been consistently applied unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention except, as set out in the accounting policies below, where certain items are included at fair value.

Items included in the results of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the Mediterranean business unit is euros. All other members of the Group have a functional currency of US\$.

All values are rounded to the nearest thousand dollars (\$'000) or thousand pounds (£'000), except when otherwise indicated.

1.4 Change in accounting policy

Changes in accounting standards

In the current year new and revised standards, amendments and interpretations were effective and are applicable to the consolidated financial statements of the Group but did not affect amounts reported in these financial statements.

At the date of authorisation of this report the following standards and interpretations, which have not been applied in this report, were in issue but not yet effective:

- Annual improvements to IFRSs 2012-2014 cycle;
- IFRS9 Financial Instruments;
- Amendments to IFRS11 Accounting for Acquisitions of Interests in Joint Operations;
- IFRS15 Revenue from Contracts with customers;
- IFRS16 Leases; and
- Amendments to IAS16 and IAS38 Clarification of Acceptable Methods of Depreciation and Amortisation.

Management does not believe that the application of these standards will have a material impact on the financial statements.

1.5 Going concern

At 31 December 2015, the Group had available cash and term deposits of \$110 million. In addition the first phase of the Group's main development, Sea Lion, is fully funded through a combination of Development Carries and a loan facility from the operator.

It is for these reasons that the board is of the opinion, at the time of approving the financial statements, that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements. For this reason, the board has adopted the going concern basis in preparation of the financial statements.

1.6 Significant accounting policies

(A) Basis of Accounting

The Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to the capitalisation of exploration expenditure. The determination of this is fundamental to the financial results and position and requires management to make a complex judgment based on information and data that may change in future periods.

Since these policies involve the use of assumptions and subjective judgments as to future events and are subject to change, the use of different assumptions or data could produce materially different results. The measurement basis that has been applied in preparing the results is historical cost with the exception of financial assets, which are held at fair value.

The significant accounting policies adopted in the preparation of the results are set out below.

Notes to the group financial statements continued

for the year ended 31 December 2015

1. Accounting policies continued

1.6 Significant accounting policies continued

(B) Basis of consolidation

The consolidated financial statements include the results of Rockhopper Exploration plc and its subsidiary undertakings to the Balance Sheet date. Where subsidiaries follow differing accounting policies from those of the Group, those accounting policies have been adjusted to align with those of the Group. Inter-company balances and transactions between Group companies are eliminated on consolidation, though foreign exchange differences arising on inter-company balances between subsidiaries with differing functional currencies are not offset.

(C) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker as required by IFRS8 Operating Segments. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

The Group's operations are made up of three segments, the oil and gas exploration activities in the geographical regions of the Falkland Islands and the Greater Mediterranean region as well as its corporate activities centered in the UK.

(D) Oil and Gas Assets

The Group applies the successful efforts method of accounting for exploration and evaluation ("E&E") costs, having regard to the requirements of IFRS6 – 'Exploration for and evaluation of mineral resources'.

Exploration and evaluation ("E&E") expenditure

Expensed exploration & evaluation costs

Expenditure on costs incurred prior to obtaining the legal rights to explore an area, geological and geophysical costs are expensed immediately to the income statement.

Capitalised intangible exploration and evaluation assets

All directly attributable E&E costs are initially capitalised in well, field, prospect, or other specific, cost pools as appropriate, pending determination.

Treatment of intangible E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each cost pool are carried forward until the existence, or otherwise, of commercial reserves have been determined, subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets, are then reclassified as development and production assets within property plant and equipment. However, if commercial reserves have not been found, the capitalised costs are charged to expense.

The Group's definition of commercial reserves for such purpose is proved and probable reserves on an entitlement basis. Proved and probable reserves are 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 (see below) to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90%.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected hydrocarbon production;
- evidence that the necessary production, transmission and transportation facilities are available or can be made available; and
- the making of a final investment decision.

1. Accounting policies continued

1.6 Significant accounting policies continued

Furthermore:

- (i) Reserves may only be considered proved and probable if producibility is supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successful testing by a pilot project, the operation of an installed programme in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or programme was based.

Development and production assets

Development and production assets, classified within property, plant and equipment, are accumulated generally on a field-by-field basis and represent the costs of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

Depreciation of producing assets

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial reserves of the field, taking into account the future development expenditure necessary to bring those reserves into production.

Disposals

Net cash proceeds from any disposal of an intangible E&E asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement.

Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The amount recognised is the present value of the estimated future expenditure. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is dealt with prospectively as an adjustment to the provision and the oil and gas property. The unwinding of the discount is included in finance cost.

(E) Capital commitments

Capital commitments include all projects for which specific board approval has been obtained up to the reporting date. Projects still under investigation for which specific board approvals have not yet been obtained are excluded.

(F) Foreign currency translation

Functional and presentation currency

Items included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the functional currency. The consolidated financial statements are presented in US\$ as this best reflects the economic environment of the oil exploration sector in which the Group operates. The Group maintains the accounts of the parent and subsidiary undertakings in their functional currency. Where applicable, the Group translates subsidiary accounts into the presentation currency, US\$, using the closing rate method for assets and liabilities which are translated at the rate of exchange prevailing at the balance sheet date and rates at the date of transactions for income statement accounts. Differences are taken directly to reserves.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are capitalised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Notes to the group financial statements continued

for the year ended 31 December 2015

1. Accounting policies continued

1.6 Significant accounting policies continued

(F) Foreign currency translation continued

The period end rates of exchange actually used were:

	31 December 2015	31 December 2014
£ : US\$	1.48	1.56
€ : US\$	1.09	1.22

(G) Revenue and income

(i) Revenue

Revenue arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

(ii) Investment income

Investment income consists of interest receivable for the period. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

(H) Non-derivative financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) Other receivables

Other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

(ii) Term deposits

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

(iii) Restricted cash

Restricted cash is disclosed separately on the face of the balance sheet and denoted as restricted when it is not under the exclusive control of the Group.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group including breakable and unbreakable deposits with terms of less than three months and breakable term deposits of greater terms than three months where amounts can be accessed within three months without material loss. They are stated at carrying value which is deemed to be fair value.

(v) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(vi) Account and other payables

Account payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

(vii) Equity instruments

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

1. Accounting policies continued

1.6 Significant accounting policies continued

(I) Income taxes and deferred taxation

The current tax expense is based on the taxable profits for the period, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to reserves as appropriate.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date where a transaction or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(J) Share based remuneration

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for non market based vesting conditions.

Fair value is measured by use of either Binomial or Monte-Carlo simulation. The main assumptions are disclosed in note 9.

Cash settled share based payment transactions result in a liability. Services received and liability incurred are measured initially at fair value of the liability at grant date, and the liability is remeasured each reporting period until settlement. The liability is recognised on a straight line basis over the period that services are rendered.

2. Use of estimates, assumptions and judgements

The Group makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of intangible exploration and evaluation assets (note 14) and property, plant and equipment (note 15)

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are indications of impairment in accordance with the Group's accounting policy.

In addition for assets under evaluation where discoveries have been made, such as Sea Lion, and property plant and equipment assets their carrying value is checked by reference to the net present value of future cashflows which requires key assumptions and estimates in relation to: commodity prices that are based on forward curves for a number of years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, the quantum of commercial reserves and the associated production and cost profiles. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Carrying value of goodwill (note 16)

Following the acquisition of Mediterranean Oil & Gas plc during 2014, Rockhopper recognised goodwill in line with the requirements of IFRS3- Business Combinations. Management performs annual impairment tests on the carrying value of goodwill. The calculation of the recoverable amount is based on the likely future economic benefits of the exploration and evaluation assets in the acquired portfolio and is based on estimated value of the potential and actual discoveries as noted above.

Decommissioning costs (note 22)

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope and amount of expenditure may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning. The estimated decommissioning costs are reviewed annually by an external expert and the results of the most recent available review used as a basis for the amounts in the Financial Statements. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

Notes to the group financial statements continued

for the year ended 31 December 2015

3. Revenue and segmental information

	Falkland Islands \$'000	Greater Mediterranean \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2015				
Revenue	—	3,966	—	3,966
Cost of sales	—	(11,049)	—	(11,049)
Gross loss	—	(7,083)	—	(7,083)
Exploration and evaluation expenses	(52)	(22,382)	(500)	(22,934)
Costs in relation to acquisition	—	—	(1,544)	(1,544)
Other administrative costs	—	(1,943)	(7,408)	(9,351)
Total administrative expenses	—	(1,943)	(8,952)	(10,895)
Charge for share based payments	—	—	(1,937)	(1,937)
Foreign exchange movement	1,990	196	(259)	1,927
Results from operating activities	1,938	(31,212)	(11,648)	(40,922)
Finance income	—	—	975	975
Finance expense	(4,354)	(396)	—	(4,750)
Loss before tax	(2,416)	(31,608)	(10,673)	(44,697)
Tax	55,391	4	—	55,395
Gain/(loss) for period	52,975	(31,604)	(10,673)	10,698
Reporting segments assets	251,424	37,687	110,482	399,593
Reporting segments liabilities	86,542	25,978	24,839	137,359
Depreciation	—	2,468	276	2,744
Nine months ended 31 December 2014				
Revenue	—	1,910	—	1,910
Cost of sales	—	(3,970)	—	(3,970)
Gross loss	—	(2,060)	—	(2,060)
Exploration and evaluation expenses	(295)	(885)	(602)	(1,782)
Costs in relation to acquisition	—	—	(1,899)	(1,899)
Other administrative costs	(128)	(1,511)	(6,495)	(8,134)
Total administrative expenses	(128)	(1,511)	(8,394)	(10,033)
Charge for share based payments	—	—	(672)	(672)
Foreign exchange movement	6,617	153	(254)	6,516
Results from operating activities	6,194	(4,303)	(9,922)	(8,031)
Finance income	—	1	656	657
Finance expense	—	(209)	—	(209)
Gain/(Loss) before tax	6,194	(4,511)	(9,266)	(7,583)
Tax	—	(5)	—	(5)
Gain/(loss) for period	6,194	(4,516)	(9,266)	(7,588)
Reporting segments assets	175,504	62,589	197,702	435,795
Reporting segments liabilities	139,576	24,836	16,345	180,757
Depreciation	—	1,968	218	2,186

4. Cost of sales

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Cost of sales	2,951	554
Depreciation of oil and gas assets	2,449	1,951
Impairment of oil and gas assets	5,649	1,465
	11,049	3,970

5. Exploration and evaluation expenses

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Allocated from administrative expenses (see note 6)	310	1,060
Capitalised exploration costs impaired (see note 14)	22,335	258
Other exploration and evaluation expenses	318	967
Amounts recharged to partners	(29)	(503)
	22,934	1,782

6. Administrative expenses

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Directors' salaries and fees, including bonuses (see note 7)	3,008	2,473
Other employees' salaries	3,975	3,078
National insurance costs	1,377	925
Pension costs	455	283
Employee benefit costs	180	219
Total staff costs	8,995	6,978
Amounts reallocated	(4,438)	(2,057)
Total staff costs charged to administrative expenses	4,557	4,921
Auditor's remuneration (see note 8)	293	256
Other professional fees	3,506	3,268
Other	3,185	1,975
Depreciation	352	235
Amounts reallocated	(998)	(622)
	10,895	10,033

The average number of staff employed during the period was 39 (nine months ended 31 December 2014: 29). The relative increase between periods reflecting the fact that the Mediterranean Oil & Gas plc acquisition was completed half way through the previous period. As at 31 March 2016 the number of staff employed has reduced to 33 following a review of staffing levels.

Amounts reallocated relate to the costs of staff and associated overhead in relation to non administrative tasks. These costs are allocated to exploration and evaluation expenses or capitalised as part of the intangible exploration and evaluation assets as appropriate.

Notes to the group financial statements continued

for the year ended 31 December 2015

7. Directors' remuneration

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Executive salaries	1,497	1,158
Executive bonuses	1,013	912
Company pension contributions to money purchase schemes	150	116
Benefits	33	22
Non-executive fees	498	403
Gain on exercise of share options	946	336
	4,137	2,947

Gain on exercise of share options during the period relates to the exercise by two Directors of the Company of 3,000,000 shares in the Company at an exercise price of 42 pence per share. In the prior period it related to the exercise by a Director of the Company of 425,000 shares in the Company at an exercise price of 10 pence per share. The options were due to expire during the year.

The total remuneration of the highest paid director was:

	Year ended 31 December 2015 £	Nine months ended 31 December 2014 £
Annual salary	362,100	266,250
Bonuses	253,470	221,875
Money purchase pension schemes	36,210	26,625
Benefits	7,069	2,172
Gain on exercise of share options	318,750	213,563
	977,599	730,485

Interest in outstanding share options and SARs, by director, are separately disclosed in the directors' remuneration report.

8. Auditor's remuneration

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
KPMG LLP		
Fees payable to the company's auditor for the audit of the company's annual financial statements	152	153
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	82	62
Other services pursuant to legislation	48	35
Tax compliance services	11	6
	293	256

9. Share based payments

The charge for share based payments relate to options granted to employees of the Group.

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Charge for the long term incentive plan options granted on 8 October 2013	504	366
Charge for the long term incentive plan options granted on 10 March 2014	58	46
Charge for the long term incentive plan options granted on 13 October 2014	740	164
Charge for the long term incentive plan options granted on 13 April 2015	494	—
Charge for shares issued under the SIP throughout the period	141	96
	1,937	672

The models and key assumptions used to value each of the grants and hence calculate the above charges are set out below:

Long term incentive plan

During 2013 a long term incentive plan ("LTIP") was approved by shareholders. The LTIP is operated and administered by the Remuneration Committee. During the year a number of LTIP awards ("Awards"), structured as nil cost options, were granted to executive directors and senior staff.

LTIP awards will generally only vest or become exercisable subject to the satisfaction of a performance condition measured over a three year period ("Performance Period") determined by the Remuneration Committee at the time of grant. The performance conditions must contain objective conditions, which must be related to the underlying financial performance of the Company. The current performance condition used is based on Total Shareholder Return ("TSR") measured over a three-year period against the TSR of a peer group of at least 9 other oil and gas companies comprising both FTSE 250, larger AIM oil and gas companies and Falkland Islands focused companies ("Peer Group"). The Peer Group for the Awards may be amended by the Remuneration Committee at their sole discretion as appropriate.

Performance measurement for the Awards are based on the average price over the relevant 90 day dealing period measured against the 90 dealing day period three years later. Awards will typically vest on a sliding scale from 35% to 100% for performance in the top two quartiles of the Peer Group. Certain awards have an escalator applied which means that they vest in excess of 100% if the Company is the top or second highest performer in the Peer Group. No awards will vest for performance in the bottom two quartiles.

The Awards granted on 8 October 2013 and 10 March 2014 had an additional performance condition so that no awards would vest if the Company's share price did not exceed £1.80 based on the average price over the 90 day dealing period up to 31 March 2016. The Remuneration Committee has exercised its discretion to vary the performance condition so that the period for achievement of the £1.80 hurdle rate is extended to 31 March 2023. As a result, any LTIP awards that would have vested on 31 March 2016 will not vest and be exercisable unless the Company's share price exceeds £1.80 based on an average price over any 90 day dealing period up to 31 March 2023. At the same time, the Remuneration Committee agreed to remove its discretion to allow vesting for performance in the third quartile for all existing and future LTIP awards.

Notes to the group financial statements continued

for the year ended 31 December 2015

9. Share based payments continued

The LTIP has been valued using a Monte Carlo model the key inputs of which are summarised below

Grant date:	13 Apr 2015	13 Oct 14	13 Oct 14	10 Mar 14	8 Oct 13
Closing share price	64p	76p	76p	115p	131p
Minimum exercise/base price	N/A	N/A	N/A	180p	180p
Escalation applied for being best of peer group	N/A	N/A	33%	N/A	N/A
Escalation applied for being second of peer group	N/A	N/A	29%	N/A	N/A
Number granted	4,111,838	1,063,750	2,382,581	201,117	1,757,786
Weighted average volatility	44.5%	36.5%	36.5%	60.1%	60.1%
Weighted average volatility of index	55.8%	42.2%	42.2%	62.0%	62.0%
Weighted average risk free rate	0.70%	1.27%	1.27%	0.30%	0.30%
Correlation in share price movement with comparator group	33.5%	32.0%	32.0%	49.0%	49.0%
Exercise price	0p	0p	0p	0p	0p
Dividend yield	0%	0%	0%	0%	0%

The following movements occurred during the period:

Issue date	Expiry date	At 31 December 2014	Issued	Lapsed	At 31 December 2015
8 October 2013	8 October 2023	1,757,786	—	(197,368)	1,560,418
10 March 2014	10 March 2024	201,117	—	—	201,117
13 October 2014	13 October 2024	3,446,331	—	—	3,446,331
13 April 2015	13 April 2025	—	4,111,838	—	4,111,838
		5,405,234	4,111,838	(197,368)	9,319,704

Share incentive plan

The Group has in place an HMRC approved Share Incentive Plan ("SIP"). The SIP allows the Group to award Free Shares to UK employees (including directors) and to award shares to match Partnership Shares purchased by employees, subject to HMRC limits.

Throughout this and the prior period the Group issued two Matching Shares for every Partnership Share purchased.

In the year the Group made a free award of £3,000 worth of Free Shares to eligible employees. Due to the change in period end in the prior period the Group did not make a Free Share award in that period.

This resulted in 92,277 (Period ended 31 December 2014: nil) Free Shares and 99,456 (Period ended 31 December 2014: 35,861) Matching Shares being issued under the SIP in the period.

	31 December 2015	31 December 2014
The average fair value of the shares awarded (pence)	52	118
Vesting	100%	100%
Dividend yield	Nil	Nil
Lapse due to withdrawals	Nil	Nil

The fair value of the shares awarded will be spread over the expected vesting period.

9. Share based payments continued

Share appreciation rights

A share appreciation right ("SAR") is effectively a share option that is structured from the outset to deliver, on exercise, only the net gain in the form of new ordinary shares that would have been made on the exercise of a market value share option.

No consideration is payable on the grant of a SAR. On exercise, an option price of 1 pence per ordinary share, being the nominal value of the Company's ordinary shares, is paid and the relevant awardee will be issued with ordinary shares with a market value at the date of exercise equivalent to the notional gain that the awardee would have made, being the amount by which the aggregate market value of the number of ordinary shares in respect of which the SAR is exercised, exceeds a notional exercise price, equal to the market value of the shares at the time of grant (the "base price"). The remuneration committee has discretion to settle the exercise of SARs in cash.

The following movements occurred during the period on SARs:

Issue date	Expiry date	Exercise price (pence)	At 31 December 2014	Lapsed	Exercised	At 31 December 2015
22 November 2008	22 November 2018	19.25	355,844	—	—	355,844
3 July 2009	3 July 2019	30.87	103,368	—	—	103,368
11 January 2011	11 January 2021	372.75	212,641	—	—	212,641
14 July 2011	14 July 2021	239.75	43,587	—	—	43,587
16 August 2011	16 August 2021	237.00	17,035	—	—	17,035
13 December 2011	13 December 2021	240.75	29,594	—	—	29,594
17 January 2012	17 January 2022	303.75	291,531	—	—	291,531
30 January 2013	30 January 2023	159.00	366,931	—	—	366,931
			1,420,531	—	—	1,420,531

Options

The following movements occurred during the period on options:

Issue date	Expiry date	Exercise price (pence)	At 31 December 2014	Exercised	Lapsed	At 31 December 2015
10 May 2005	9 May 2015	10.00	15,840	(7,920)	(7,920)	—
8 August 2005	7 August 2015	42.00	3,525,000	(3,525,000)	—	—
			3,540,840	(3,532,920)	(7,920)	—

The weighted average price of the options exercised was 41.9 pence.

10. Foreign exchange

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Foreign exchange gain on Falkland Islands tax liability	1,990	6,617
Foreign exchange loss on term deposits, cash and restricted cash	(69)	(268)
	1,921	6,349
Foreign exchange on operating activities	6	167
Total foreign exchange gain	1,927	6,516

Notes to the group financial statements continued

for the year ended 31 December 2015

11. Finance income and expense

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Bank and other interest receivable	975	657
Total finance income	975	657
Unwinding of discount on provisions	378	188
Unwinding of discount on long term tax liability	4,347	—
Other	25	21
Total finance expense	4,750	209

12. Taxation

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Current tax:		
Overseas tax	9	17
Adjustment in respect of prior years	(55,405)	(19)
Total current tax	(55,396)	(2)
Deferred tax:		
Overseas tax	1	7
Total deferred tax – note 23	1	7
Tax on profit on ordinary activities	(55,395)	5
Loss on ordinary activities before tax	(44,697)	(7,583)
Loss on ordinary activities multiplied at 26.0% weighted average rate (31 December 2014: 26%)	(11,621)	(1,972)
Effects of:		
Income and gains not subject to taxation	—	(928)
Expenditure not deductible for taxation	10,365	—
Depreciation in excess of capital allowances	(597)	(217)
IFRS2 Share based remuneration cost	174	70
Losses carried forward	2,537	3,278
Effect of tax rates in foreign jurisdictions	(539)	—
Adjustments in respect of prior years	(55,405)	(19)
Other	(309)	(207)
Tax (credit)/charge for the year	(55,395)	5

12. Taxation continued

On the 8 April 2015 the Group agreed binding documentation ("Tax Settlement Deed") with the Falkland Island Government ("FIG") in relation to the tax arising from the Group's farm out to Premier Oil plc ("Premier"). As such the Group is able to defer this tax liability under Extra Statutory Concession 16. As it is deferred, the liability has been reclassified as non-current and discounted. The adjustment in respect of prior years is mainly due to the impact of this discounting. Additional information is given in Note 21 Tax payable.

The total carried forward losses and carried forward pre trading expenditures available for relief on commencement of trade are as follows:

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
UK	53,161	45,929
Falkland Island	127,388	53,415
Italy	19,917	7,313

No deferred tax asset has been recognised in respect of temporary differences arising on losses carried forward, outstanding share options or depreciation in excess of capital allowances due to the uncertainty in the timing of profits and hence future utilisation.

13. Basic and diluted loss per share

	31 December 2015 Number	31 December 2014 Number
Shares in issue brought forward	292,805,453	284,316,698
Shares issued		
– Issued in relation to acquisitions	—	7,481,816
– Issued in relation to share options	3,532,920	950,000
– Issued under the SIP	241,461	56,939
Shares in issue carried forward	296,579,834	292,805,453
Weighted average number of Ordinary Shares for the purposes of basic earnings/(loss) per share	293,442,707	288,646,881
Effects of dilutive potential Ordinary shares		
Contingently issuable shares – prior periods anti-dilutive	321,330	—
	293,764,037	288,646,881
	\$'000	\$'000
Net profit/(loss) after tax for purposes of basic and diluted earnings per share	10,698	(7,588)
Earnings/(loss) per share – cents		
Basic	3.65	(2.63)
Diluted	3.64	(2.63)

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was on quoted market prices for the year during which the options were outstanding.

Notes to the group financial statements continued

for the year ended 31 December 2015

14. Intangible exploration and evaluation assets

	Falkland Islands \$'000	Greater Mediterranean \$'000	Total \$'000
As at 31 March 2014	153,656	—	153,656
Acquisitions	—	30,288	30,288
Additions	21,848	1,542	23,390
Written off to exploration costs	—	(258)	(258)
Foreign exchange movement	—	(2,912)	(2,912)
As at 31 December 2014	175,504	28,660	204,164
Additions	75,920	2,577	78,497
Written off to exploration costs	—	(22,335)	(22,335)
Foreign exchange movement	—	(3,668)	(3,668)
As at 31 December 2015	251,424	5,234	256,658

Falkland Islands licences

The additions during the period relate to \$60.9 million of costs for the exploration campaign in the North Falkland Basin including the exploration successes at Zebedee and Isobel Deep. \$15.0 million relates to the Sea Lion development.

The carrying value of Sea Lion, a discovered asset still under evaluation was checked for impairment by reference to a discounted cashflow model. The key inputs to this model were a 2016 real terms oil price of \$75/bbl, a post-tax discount rate of 12.5% and utilising the operator's current estimates of capital and operating costs and production profiles.

Sensitivity analysis was performed by, in turn, reducing oil price by \$10/bbl, reducing production by 10%, introducing a one year delay, increasing capital expenditure by 10% and increasing operating expenditure by 10%. None of these sensitivities would have led to an impairment charge in the year.

Greater Mediterranean licences

The additions during the period predominantly relate to work on the Italian and Maltese licence interests.

Amounts written off to exploration costs relate almost entirely to the impairment of the carrying value of costs in relation to the exploration permit which covers the Ombrina Mare Field Area. The Italian Parliament approved the 2016 Budget Law which reintroduces restrictions on offshore oil and gas activity including the general ban on exploration and production activity within 12 nautical miles of the coast of Italy. The Budget Law came into force on 1 January 2016 and directly affects the Ombrina Mare Field Area.

The Group was also informed by the Ministry of Economic Development that, following the re-introduction of the ban, the Production Concession covering the Ombrina Mare Field Area will not be awarded. This is despite the Ombrina Mare project having completed all the required technical and environmental authorisations.

The Group retains its interest in the exploration permit covering the Ombrina Mare Field Area. An extension to the suspension of the Ombrina Mare exploration permit was recently granted to 31 December 2016.

The Group is now considering its options which include both a claim for damages and compensation against the Republic of Italy under International Treaties for the protection of foreign investments, and in particular the arbitration process provided for under the Energy Charter Treaty but given the legal position a decision to impair the asset has been made.

The write-off in relation to Ombrina Mare has been taken without prejudice to the legal remedies that may be obtained through potential future legal proceedings against the Republic of Italy and organs of the Italian State.

15. Property, plant and equipment

	Oil and gas assets \$'000	Other assets \$'000	31 December 2015 \$'000	Oil and gas assets \$'000	Other assets \$'000	31 December 2014 \$'000
Cost brought forward	14,413	1,990	16,403	—	1,139	1,139
Acquisitions	—	—	—	15,324	339	15,663
Additions	10,513	60	10,573	558	554	1,112
Foreign exchange	(1,681)	(22)	(1,703)	(1,469)	(32)	(1,501)
Disposals	—	(383)	(383)	—	(10)	(10)
Cost carried forward	23,245	1,645	24,890	14,413	1,990	16,403
Accumulated depreciation brought forward	(3,245)	(1,012)	(4,257)	—	(786)	(786)
Current year depreciation charge	(2,449)	(295)	(2,744)	(1,951)	(235)	(2,186)
Impairment	(5,649)	—	(5,649)	(1,465)	—	(1,465)
Foreign exchange	135	2	137	171	1	172
Disposals	—	260	260	—	8	8
Depreciation carried forward	(11,208)	(1,045)	(12,253)	(3,245)	(1,012)	(4,257)
Net book value brought forward	11,168	978	12,146	—	353	353
Net book value carried forward	12,037	600	12,637	11,168	978	12,146

All oil and gas property plant and equipment assets relate to the Greater Mediterranean region.

Additions in the period relate to the cost of side track operations on the Guendalina production asset and the Civita development asset which commenced production in November 2015.

The impairment charge in the current period relates to production assets in the Greater Mediterranean. The impairment charge of US\$5.6 million (2014: \$1.5 million) was calculated by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) against the carrying value of the asset. The future cash flows were estimated using a realised gas price assumption equal to existing contracts in place and relevant forward curve in 2016 and 2017, and €0.25/sm³ in 2016 real terms thereafter and were discounted using a post-tax rate of 10%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain. The cause of the impairment charge being recognised in the period is mainly driven by a reduction in the short term realised gas price assumption.

16. Goodwill

	Greater Mediterranean \$'000	Total \$'000
As at 31 December 2014	10,940	10,940
Foreign exchange movement	(1,137)	(1,137)
As at 31 December 2015	9,803	9,803

Goodwill relates to the corporate acquisition of Mediterranean Oil & Gas plc ("MOG") during the period ended 31 December 2014. This goodwill is fully allocated to the Greater Mediterranean operating segment and arises due to the difference between the fair value of the net assets and the consideration transferred and relates to the portfolio of intangible exploration and appraisal assets, which together have the optionality and potential to provide value in excess of this fair value as well as the strategic premium associated with a significant presence in a new region. The functional currency of MOG is euros. As such the goodwill is also expressed in the same functional currency and subject to retranslation at each reporting period end. The reduction in the period of \$1,137,000 (nine months ended 31 December 2014: \$1,134,000) is entirely due to this foreign currency difference. None of the goodwill recognised is expected to be deductible for tax purposes.

The Group tests goodwill annually for impairment or more frequently if there are indicators goodwill might be impaired. The recoverable amounts are determined by reference to value in use calculations. Future cashflows are estimated using long term realised gas price of €0.25/sm³ and realised oil price of \$75/bbl in 2016 real terms and were discounted using a post-tax rate of 10%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain.

Notes to the group financial statements continued

for the year ended 31 December 2015

17. Other receivables

	31 December 2015 \$'000	31 December 2014 \$'000
Non-current		
Other	—	566
	—	566
Current		
Receivables	1,104	2,194
Prepayments	391	291
Accrued interest	349	166
Income tax	77	256
Other	4,278	1,774
	6,199	4,681

The carrying value of receivables approximates to fair value.

The accrued interest relates to unexpired fixed term deposits held at the year end.

18. Restricted cash

	31 December 2015 \$'000	31 December 2014 \$'000
Charged accounts	874	898
Other amounts including in relation to exploration license applications	1,318	486
	2,192	1,384

The charged accounts relate to a collateral account at Royal Bank of Scotland plc, to support the credit risk to the bank stemming from any forward currency purchases by the Group, and the rent deposit for the offices leased by the Group.

19. Term deposits

	31 December 2015 \$'000	31 December 2014 \$'000
Maturing after the period end:		
Within three months	30,000	25,000
Three to six months	10,000	20,000
Six to nine month	10,000	25,000
Nine months to one year	10,000	30,000
	60,000	100,000

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

20. Other payables and accruals

	31 December 2015 \$'000	31 December 2014 \$'000
Accounts payable	2,377	2,318
Accruals	25,390	15,869
Other creditors	2,690	1,171
	30,457	19,358

All amounts are expected to be settled within twelve months of the balance sheet date and so the book values and fair values are considered to be the same.

21. Tax payable

	31 December 2015 \$'000	31 December 2014 \$'000
Current tax payable	9	100,439
Non current tax payable	47,405	—
	47,414	100,439

On the 8 April 2015, the Group agreed binding documentation ("Tax Settlement Deed") with the Falkland Island Government ("FIG") in relation to the tax arising from the Group's farm out to Premier Oil plc ("Premier").

The Tax Settlement Deed confirms the quantum and deferment of the outstanding tax liability and is made under Extra Statutory Concession 16.

As a result of the Tax Settlement Deed the outstanding tax liability was confirmed at £64.4 million and payable on the first royalty payment date on Sea Lion. Currently the first royalty payment date anticipated to occur within six months of first oil production which itself is estimated to occur in late 2020 (assuming Sea Lion project sanction in mid-2017). As such the tax liability has been reclassified as non-current and discounted at 15%. The effect of this discounting is a tax credit in the period of \$55.4 million. The remaining movements in the tax liability since the 31 December 2014 are the unwinding of the aforementioned discount of \$4.3 million and a \$2.0 million foreign exchange gain. Management are considering strategies to migrate currency risk in relation to this balance.

The tax liability may be revised downward if the Falkland Islands' Commissioner of Taxation is satisfied that either (i) the Exploration Carry from Premier is utilised to fund exploration activities or (ii) any element of the Development Carry from Premier becomes "irrecoverable". Whilst the benefit of some of the Exploration Carry has been received from Premier during the current campaign and under the revised commercial arrangements, documented in January 2016, means that the full \$48.0 million will be accessed, no adjustment in the tax liability has been made as this is still subject to agreement with the Falkland Islands' Commissioner of Taxation.

Notes to the group financial statements continued

for the year ended 31 December 2015

22. Provisions

	Abandonment provision \$'000	Other provisions \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Brought forward	21,520	296	21,816	—
Acquisitions	—	—	—	23,872
Amounts utilized	—	(45)	(45)	(38)
Amounts arising in the period	—	64	64	46
Change in estimate	382	—	382	—
Unwinding of discount	393	—	393	179
Foreign exchange	(2,236)	(31)	(2,267)	(2,243)
Carried forward at period end	20,059	284	20,343	21,816

The abandonment provision relates to the Group's licences acquired during the prior period in the Greater Mediterranean region. The provision covers both the plug and abandonment of wells drilled as well as any requisite site restoration. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Other provisions include amounts due to employees for accrued holiday and for staff in Italy, leaving indemnity, that will become payable when they cease employment.

23. Deferred tax liability

	31 December 2015 \$'000	31 December 2014 \$'000
At beginning of period	39,144	39,137
Movement in period	1	7
At end of period	39,145	39,144

The deferred tax liability arises due to temporary differences associated with the intangible exploration and evaluation expenditure. The majority of the balance relates to historic expenditure on licences in the Falklands, where the tax rate is 26%, being utilised to minimise the corporation tax due on the consideration received as part of the farm out disposal during 2012.

Total carried forward losses and carried forward pre-trading expenditures available for relief on commencement of trade at 31 December 2015 are disclosed in note 12 Taxation. No deferred tax asset has been recognised in relation to these losses due to uncertainty that future suitable taxable profits will be available against which these losses can be utilized. The potential deferred tax asset at the 31 December 2015 would be \$49 million (31 December 2014: \$25 million).

24. Share capital

	31 December 2015		31 December 2014	
	\$'000	Number	\$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	4,910	296,579,834	4,854	292,805,453

For details of all movements during the year, see note 13.

25. Reserves

Set out below is a description of each of the reserves of the Group:

Share premium	Amount subscribed for share capital in excess of its nominal value.
Share based remuneration	The share incentive plan reserve captures the equity related element of the expenses recognised for the issue of options, comprising the cumulative charge to the income statement for IFRS2 charges for share based payments less amounts released to retained earnings upon the exercise of options.
Own shares held in trust	Shares held in trust represent the issue value of shares held on behalf of participants in the SIP by Capita IRG Trustees Limited, the trustee of the SIP as well as shares held by the Employee Benefit Trust which have been purchased to settle future exercises of options.
Merger reserve	The difference between the nominal value and the fair value of shares issued on acquisition of subsidiaries.
Foreign currency translation reserve	Exchange differences arising on consolidating the assets and liabilities of the Group's subsidiaries are classified as equity and transferred to the Group's translation reserve.
Special reserve	The reserve is non distributable and was created following cancellation of the share premium account on 4 July 2013. It can be used to reduce the amount of losses incurred by the parent company or distributed or used to acquire the share capital of the Company subject to settling all contingent and actual liabilities as at 4 July 2013. Should not all of the contingent and actual liabilities be settled, prior to distribution the parent company must either gain permission from the actual or contingent creditors for distribution or set aside in escrow an amount equal to the unsettled actual or contingent liability.
Retained losses	Cumulative net gains and losses recognised in the financial statements.

26. Lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings were as follows:

	31 December 2015 \$'000	31 December 2014 \$'000
Total committed within 1 year	1,258	979
Total committed between 1 and 5 years	2,951	2,461
	4,209	3,440

27. Capital commitments

Capital commitments represent the Group's share of expected costs in relation to its interests in joint ventures net of any carry arrangements that are in force.

During the prior period the Group committed to a multi-year work plan and budget in relation to the four well Falkland Island exploration campaign. Expected costs for the completion of the campaign in 2016 are forecast to be \$31 million and are expected to be fully satisfied by the balance of the exploration carry and insurance proceeds.

The Group also committed to fund its share of pre sanction costs on Sea Lion. The Group's share of the gross approved development budget for the calendar year ending 31 December 2016 is \$20 million.

In addition, the Group has approved a capital work plan and budget commitments of less than €1 million in relation to its portfolio of assets in the Greater Mediterranean region.

Notes to the group financial statements continued

for the year ended 31 December 2015

28. Related party transactions

The remuneration of directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 33 to 45.

	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Short term employee benefits	3,041	2,495
Pension contributions	150	116
Other long term employee benefits	946	336
Share based payments	1,013	346
	5,150	3,293

Other long term employee benefits relate to the gain on exercise of share options during the current and previous period. Additional details are disclosed in note 7 Directors' remuneration.

The Company was notified that directors of the Company exercised options over shares in the Company during the year. In addition a former director of the Company also exercised options. The options were due to expire during the year and were exercised during one of the few remaining open periods prior to their expiry. The directors and former director elected to sell shares to discharge the cost of exercise and their tax and national insurance obligations (where applicable). These shares were purchased by the Rockhopper Employee Benefit Trust (the "EBT") which was established in 2013 for the purpose of holding shares to satisfy future exercises of options and vesting of awards under the Company's Long Term Incentive Plan. The shares were acquired by the EBT by way of an off market purchase at the closing share price on the date prior to exercise. The remaining shares were retained.

Year ended 31 December 15	Number of shares subject to option	Exercise price	Shares sold to EBT	EBT share purchase price	Shares retained
Sam Moody	1,500,000	42 pence	1,236,472	63.25 pence	263,528
Pierre Jungels	1,500,000	42 pence	1,222,827	63.25 pence	277,173
Former director	525,000	42 pence	434,565	63.25 pence	90,435

Nine months ended 31 December 14	Number of shares subject to option	Exercise price	Shares sold to EBT	EBT share purchase price	Shares retained
Sam Moody	425,000	10 pence	237,136	60.25 pence	187,864

29. Acquisition of subsidiaries

In August 2014, Rockhopper completed the acquisition of the entire issued share capital of Mediterranean Oil & Gas Plc ("MOG").

The transaction has been accounted for by the purchase method of accounting with an effective date of 11 August 2014 being the date on which the Group gained control of MOG. Information in respect of the assets and liabilities acquired and the fair value allocation to the MOG assets in accordance with the provisions of "IFRS3 – Business Combinations" has been determined and is as follows:

	Recognised values on acquisition \$'000
Intangible exploration and appraisal assets	30,288
Property, plant and equipment	15,663
Long term other receivables	625
Inventories	2,683
Trade and other receivables	4,634
Restricted cash	268
Trade and other payables	(6,845)
Long-term provisions	(23,872)
Net identifiable assets and liabilities	23,444
Goodwill	12,074
Satisfied by:	
Cash (\$35,700,000 less \$11,663,000 of cash acquired)	24,037
Equity instruments (7,481,816 ordinary shares)	11,481
Total consideration	35,518

The fair value of equity instruments has been determined by reference to the closing share price on the trading day immediately prior to the completion of the acquisition.

30. Post balance sheet events

Acquisition of Falkland Oil and Gas Limited

In January 2016 Rockhopper completed the acquisition of the entire issued share capital Falkland Oil and Gas Limited ("FOGL").

The boards of Rockhopper and FOGL believe that a combination of the Rockhopper and FOGL Groups (together, the "Combined Group") represents a significant value opportunity arising from the combination of their highly complementary portfolios. Specifically, the Combined Group is expected to:

- be the largest North Falkland Basin licence and discovered resource holder with a material working interest in all key licences;
- have enhanced prospects of progressing the Sea Lion project through final investment decision;
- have greater exposure to exploration and appraisal upside potential; and
- benefit from enhanced scale and capabilities creating value in the current market environment.

Under the terms of the agreement announced on 24 November 2015, shareholders of FOGL received 0.2993 shares of the Company per FOGL share. The fair value of consideration is summarised below, with equity instruments being determined by reference to the closing share price on the trading day immediately prior to the completion of the acquisition.

	\$'000
Equity instruments (159,684,668 ordinary shares)	65,499
Less cash acquired	(5,312)
Net consideration	60,187

Notes to the group financial statements continued

for the year ended 31 December 2015

30. Post balance sheet events continued

The transaction will be accounted for by the purchase method of accounting once the initial accounting for the business combination has been completed. Work is ongoing to confirm the values to be reflected in respect of assets and liabilities including internal and external review of technical information in relation to the exploration licences, the outcome of insurance claims and external audit of liabilities arising from the Humpback well. As such information in respect of the assets and liabilities acquired and the fair value allocation to the Falkland Oil and Gas Limited assets in accordance with the provisions of "IFRS3 – Business Combinations" has not been determined. The outcomes of these work streams will be progressed by the time the half year results to 30 June 2016 are published.

Ombrina Mare Project

On the 6 January 2016 the Group announced that the Italian Parliament approved the 2016 Budget Law which reintroduces restrictions on offshore oil and gas activity including the general ban on exploration and production activity within 12 nautical miles of the coast of Italy. The Budget Law came into force on 1 January 2016 and directly affects the Ombrina Mare Field Area.

On 3 February 2016 the Group announced that it had also been informed by the Ministry of Economic Development that, following the re-introduction of the ban, the Production Concession covering the Ombrina Mare Field Area will not be awarded. This is despite the Ombrina Mare project having completed all the required technical and environmental authorisations.

The Company retains its interest in the exploration permit covering the Ombrina Mare Field Area. An extension to the suspension of the Ombrina Mare exploration permit was recently granted to 31 December 2016.

The Company is now considering its options which include both a claim for damages and compensation against the Republic of Italy under International Treaties for the protection of foreign investments, and in particular the arbitration process provided for under the Energy Charter Treaty.

Rig contract cancellation

On 12 February 2016 the Group announced that Premier Oil, on behalf of the Joint Venture, has served a notice to terminate the rig contract with Ocean Rig UDW ("Ocean Rig") with immediate effect. The notice to terminate follows a number of operational issues with the Eirik Raude rig. As a result, the drilling of the Chatham well – the final well in current campaign – will now be deferred until the Sea Lion pre-development drilling campaign.

The postponement of the Chatham well has no impact on the planning or timetable for the Field Development Plan for the Sea Lion initial phase development.

31. Risk management policies

Risk review

The risks and uncertainties facing the Group are set out in the risk management report. Risks which require further quantification are set out below.

Foreign exchange risks: The Group's functional currency is US\$ and as such the Group is exposed to foreign exchange movements on monetary assets and liabilities denominated in other currencies, in particular the CGT liability with the Falkland Island Government which is a GB£ denominated balance. In addition a number of the Group's subsidiaries have a functional currency other than US\$, where this is the case the Group has an exposure to foreign exchange differences with differences being taken to reserves.

The following table summarises the split of the Group's assets and liabilities by currency:

Currency denomination of balance	\$ \$'000	€ \$'000	€ \$'000
Assets			
31 December 2015	346,295	15,546	37,752
31 December 2014	364,475	9,087	62,233
Liabilities			
31 December 2015	60,585	52,262	24,512
31 December 2014	52,368	104,361	24,028

31. Risk management policies continued

The following table summarises the impact on the Group's pre-tax profit and equity of a reasonably possible change in the US\$ to GB£ exchange rate and the US\$ to euro exchange:

	Pre tax profit		Total equity	
	+10% US\$ rate increase \$'000	-10% US\$ rate decrease \$'000	+10% US\$ rate increase \$'000	-10% US\$ rate decrease \$'000
US\$ against GB£				
31 December 2015	(3,672)	3,672	(3,672)	3,672
31 December 2014	(9,504)	9,504	(9,504)	9,504
US\$ against euro				
31 December 2015	(126)	126	1,198	(1,198)
31 December 2014	(32)	32	3,828	(3,828)

Capital risk management: the Group manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The capital structure consists of cash and cash equivalents and equity. The board regularly monitors the future capital requirements of the Group, particularly in respect of its ongoing development programme.

Credit risk: the Group recharges partners and third parties for the provision of services. Should the company holding these accounts become insolvent then these funds may be lost or delayed in their release. The amounts classified as receivables as at the 31 December 2015 were \$1,104,000 (31 December 2014: \$2,194,000). These amounts were fully settled after the period end.

Interest rate risks: the Group has no debt and so its exposure to interest rates is limited to finance income it receives on cash and term deposits. The Group is not dependent on its finance income and given the current interest rates the risk is not considered to be material.

Liquidity risks: the Group makes limited use of term deposits where the amounts placed on deposit cannot be accessed prior to their maturity date. The amounts applicable at the 31 December 2015 were \$60,000,000 (31 December 2014: \$100,000,000) and are disclosed in the counter-party risk table below.

Counter-party risk: rather than keep all its funds with one bank, the Group splits its funds across a number of banks, two of which are part owned by the British government.

	31 December 2015 \$'000	31 December 2014 \$'000
Barclays plc	40,000	—
Lloyds	10,000	20,000
Standard Chartered plc	—	30,000
Investec	10,000	50,000
Total term deposits	60,000	100,000
RBS plc	32,246	89,235
Barclays plc	61	15
Lloyds TSB plc	13,784	5,088
Deutsche Bank	1,539	2,805
Intesa San Paolo	1,789	1,233
Others	15	1,350
Total cash and cash equivalents	50,434	99,726
Total term deposits and cash and cash equivalents	110,434	199,726

Parent company financial statements – company balance sheet

As at 31 December 2015

	Notes	31 December 2015 \$'000	31 December 2014 \$'000	31 March 2014 \$'000
Non current assets				
Property, plant and equipment	2	433	674	353
Investments	3	2,100	47,180	—
Current assets				
Other receivables	4	405,431	332,213	310,151
Restricted cash		1,974	898	309
Term deposits		60,000	100,000	185,000
Cash and cash equivalents		47,106	94,406	62,482
Total assets		517,044	575,371	558,295
Current liabilities				
Other payables	5	22,839	17,192	3,084
Total liabilities		22,839	17,192	3,084
Equity				
Share capital	6	4,910	4,854	4,711
Share premium	11	2,995	662	170
Share based remuneration	11	5,491	4,960	4,597
Own shares held in trust	11	(3,513)	(628)	(354)
Merger reserve	11	11,355	11,355	—
Foreign currency translation reserve	11	—	—	4,123
Special reserve	11	472,967	536,976	541,964
Retained losses	11	—	—	—
Attributable to the equity shareholders of the company		494,205	558,179	555,211
Total liabilities and equity		517,044	575,371	558,295

These financial statements were approved by the directors and authorised for issue on 12 April 2016 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

Registered Company number: 05250250

Company statement of changes in equity

for the year ended 31 December 2015

	Share capital \$'000	Share premium \$'000	Share based remuneration \$'000	Shares held in trust \$'000	Merger reserve \$'000	Currency translation reserve \$'000	Special reserve \$'000	Retained losses \$'000	Total Equity \$'000
Balance at 31 March 2014	4,711	170	4,597	(354)	—	4,123	541,964	—	555,211
Total comprehensive loss for the period	—	—	—	—	—	—	—	(9,420)	(9,420)
Acquisition of subsidiary	126	—	—	—	11,355	—	—	—	11,481
Share based payments	—	—	672	—	—	—	—	—	672
Share issues in relation to SIP	2	77	—	(49)	—	—	—	—	30
Exercise of share options	15	415	(309)	—	—	—	—	309	430
Purchase of own shares	—	—	—	(225)	—	—	—	—	(225)
Other transfers	—	—	—	—	—	(4,123)	(4,988)	9,111	—
At 31 December 2014	4,854	662	4,960	(628)	11,355	—	536,976	—	558,179
Total comprehensive loss for the year	—	—	—	—	—	—	—	(65,415)	(65,415)
Share based payments	—	—	1,937	—	—	—	—	—	1,937
Share issues in relation to SIP	3	186	—	(152)	—	—	—	—	37
Exercise of share options	53	2,147	(1,406)	—	—	—	—	1,406	2,200
Purchase of own shares	—	—	—	(2,733)	—	—	—	—	(2,733)
Other transfers	—	—	—	—	—	—	(64,009)	64,009	—
Balance at 31 December 2015	4,910	2,995	5,491	(3,513)	11,355	—	472,967	—	494,205

Company cash flow statement

for the year ended 31 December 2015

Notes	Year ended 31 December 2015 \$'000	Nine months ended 31 December 2014 \$'000
Cash flows from operating activities		
Net loss before tax	(65,415)	(9,420)
Adjustments to reconcile net losses to cash:		
Depreciation	276	218
Impairment of investments and provisions against group balances	54,736	—
Share based payment charge	1,937	672
Loss on disposal of property, plant and equipment	12	—
Interest	(800)	(470)
Foreign exchange	209	203
Operating cash flows before movements in working capital	(9,045)	(8,797)
Changes in:		
Other receivables	938	5
Payables	990	868
Cash utilised by operating activities	(7,117)	(7,924)
Cash flows from investing activities		
Purchase of equipment	(47)	(539)
Acquisition of subsidiary	—	(35,700)
Interest	617	673
Investing cash flows before movements in capital balances	570	(35,566)
Changes in:		
Subsidiary loan balances	(78,972)	(9,030)
Restricted cash	(1,044)	(735)
Term deposits	40,000	85,000
Cash flow from investing activities	(39,446)	39,669
Cash flows from financing activities		
Share options exercised	2,200	430
Share incentive plan	37	29
Purchase of own shares	(2,733)	(225)
Cash flow from financing activities	(496)	234
Currency translation differences relating to cash and cash equivalents	(241)	(55)
Net cash flow	(47,059)	31,979
Cash and cash equivalents brought forward	94,406	62,482
Cash and cash equivalents carried forward	47,106	94,406

Notes to the company financial statements

for the year ended 31 December 2015

1. Accounting policies

Company and its operations

Rockhopper Exploration plc, 'the Company', a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom ('UK'), holds, through its subsidiaries, certain exploration licences granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the Falkland Islands. In 2014, it diversified its portfolio through the acquisition of an exploration and production company with operations principally based in Italy. The registered office of the Company is Hilltop Park, Devizes Road, Salisbury, SP3 4UF.

Authorisation of financial statements and statement of compliance with financial reporting standard 101 reduced disclosure framework (FRS101)

The financial statements of Rockhopper Exploration plc. for the year ended 31 December 2015 were approved and signed by the group chief financial officer on 12 April 2016 having been duly authorized to do so by the board of directors. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with the provisions of the Companies Act 2006. The amendments to FRS101 (2014/15 cycle) issued in July 2015 and effective immediately have been applied. The material measurement or recognition adjustments on the adoption of FRS101 are disclosed along with further information in Note 14.

In these financial statements, the Company has not applied for the exemptions available under FRS101.

Basis of accounting

These financial statements are prepared on a going concern basis. The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS101 balance sheet at 31 March 2014 for the purposes of the transition to FRS101.

All values are rounded to the nearest thousand dollars (\$'000), except where otherwise indicated.

At the date of authorisation of this report the following standards and interpretations, which have not been applied in this report, were in issue but not yet effective.

- Annual improvements to IFRS, 2012-2014 cycle,
- IFRS9 Financial Instruments

Management does not believe that the application of these standards will have a material impact on the financial statements.

Going concern

At 31 December 2015, the Group had available resources of \$110 million. In addition the Group's main development, Sea Lion, is fully funded through a combination of Development Carries and a loan facility from the operator.

It is for these reasons that the board is of the opinion, at the time of approving the financial statements, that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements. For this reason, the board has adopted the going concern basis in preparation of the financial statements.

Share based payment

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for non market based vesting conditions.

Fair value is measured by use of either Binomial or Monte-Carlo simulation.

Cash settled share based payment transactions result in a liability. Services received and liability incurred are measured initially at fair value of the liability at grant date, and the liability is remeasured each reporting period until settlement. The liability is recognised on a straight line basis over the period that services are rendered.

Investments

The investments in the subsidiary undertakings are included in the Company financial statements at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Notes to the company financial statements continued

for the year ended 31 December 2015

1. Accounting policies continued

Income taxes and deferred taxation

The current tax expense is based on the taxable profits for the period, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to reserves as appropriate.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date where a transaction or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

The functional and presentation currency of the Company is US\$.

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the exchange rates ruling at the balance sheet date and any differences thereon are included in the income statement.

The period end rates of exchange actually used were:

	31 December 2015	31 December 2014	31 March 2014
£ : US\$	1.48	1.56	1.66
€ : US\$	1.09	1.2	1.38

Property, plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Office equipment	Over 3 years
Leasehold improvements	Over 5 years

Non-derivative financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

(i) Other receivables

Other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

(ii) Term deposits

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

(iii) Restricted cash

Restricted cash is disclosed separately on the face of the balance sheet and denoted as restricted when it is not under the exclusive control of the Group.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group including breakable and unbreakable deposits with terms of less than three months and breakable term deposits of greater terms than three months where amounts can be accessed within three months without material loss. They are stated at carrying value which is deemed to be fair value.

1. Accounting policies continued**(v) Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(vi) Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

(vii) Equity instruments

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

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2. Property, plant and equipment

	31 December 2015 \$'000	31 December 2014 \$'000
Cost brought forward	1,673	1,139
Additions	47	539
Disposals	(272)	(5)
Cost carried forward	1,448	1,673
Accumulated depreciation brought forward	(999)	(786)
Depreciation charge	(276)	(218)
Disposals	260	5
Accumulated depreciation carried forward	(1,015)	(999)
Net book value brought forward	674	353
Net book value carried forward	433	674

Notes to the company financial statements continued

for the year ended 31 December 2015

3. Investments

	31 December 2015 \$'000	31 December 2014 \$'000
Cost brought forward	47,600	420
Additions	—	47,180
Cost carried forward	47,600	47,600
Amounts provided brought forward	(420)	(420)
Impairments	(45,080)	—
Amounts provided brought forward	(45,500)	(420)
Net book value brought forward	47,180	—
Net book value carried forward	2,100	47,180

All amounts relate to subsidiary undertakings. Additions during the prior period relate to the acquisition of 100% of the ordinary issued share capital of Mediterranean Oil & Gas Plc. See note 29 of the Group accounts for full details of the acquisition. Impairment during the year reflects the impairments of intangible and tangible assets held by subsidiaries. Additional disclosure on these impairments are included in note 14 and note 15 of the Group accounts.

Details of the investments at the period end were as follows:

Company	Incorporated	Class of share	Percentage held %
Rockhopper Resources Limited	England & Wales	Ordinary	100
Rockhopper Exploration (Oil) Limited	England & Wales	Ordinary	100
Rockhopper Exploration (Hydrocarbons) Limited	England & Wales	Ordinary	100
Rockhopper Exploration (Petrochemicals) Limited	England & Wales	Ordinary	100
Rockhopper Exploration (Oil) Limited	Falkland Islands	Ordinary	100
Rockhopper Mediterranean Limited	England & Wales	Ordinary	100
Rockhopper Civita Limited	England & Wales	Ordinary	100
Rockhopper Italia SpA	Italy	Ordinary	100
Melita Exploration Company Limited	Malta	Ordinary	100
Malta Oil Pty. Limited	Australia	Ordinary	100

4. Other receivables

	31 December 2015 \$'000	31 December 2014 \$'000	31 March 2014 \$'000
Receivables	—	1,130	819
Prepayments	293	198	416
Accrued interest	349	166	369
Other	327	230	328
Group undertakings	404,462	330,489	308,219
	405,431	332,213	310,151

Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free. Amounts with Group undertakings are net of provisions of \$12,408,000 (31 December 2014: \$2,752,000).

5. Other payables

	31 December 2015 \$'000	31 December 2014 \$'000	31 March 2014 \$'000
Trade creditors	1,090	1,462	1,363
Group undertakings	—	847	—
Other creditors	264	264	—
Accruals	21,485	14,619	1,721
	22,839	17,192	3,084

6. Share capital

	31 December 2015 Number	31 December 2014 Number
Shares in issue brought forward	292,805,453	284,316,698
Shares issued		
– Issued in relation to acquisitions	—	7,481,816
– Issued in relation to share options	3,532,920	950,000
– Issued under the SIP	241,461	56,939
Shares in issue carried forward	296,579,834	292,805,453

	31 December 2015		31 December 2014	
	\$'000	Number	\$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	4,910	296,579,834	4,854	292,805,453

7. Salaries and directors' remuneration

	Year ended 31 December 2015 \$'000	Period ended 31 December 2014 \$'000
Salaries and fees	5,441	4,360
National insurance costs	843	663
Pension costs	285	222
Employee benefit costs	108	92
Average number of employees	18	17

Disclosures in relation to directors' remuneration are given on a consolidated basis in the directors' report and note 7 of the Group accounts.

Notes to the company financial statements continued

for the year ended 31 December 2015

8. Auditor's remuneration

Note 8 of the Group accounts provides details of the remuneration of the Company's auditor on a Group basis.

9. Share based payments

Note 9 of the Group accounts provides details of share based payments of the Group. The amounts disclosed are the same as those of the Company.

10. Capital and reserves

For description of each of the reserves of the Company please see Note 25 of the Group accounts.

11. Financial Commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings were as follows:

	31 December 2015 \$'000	31 December 2014 \$'000
Total committed within 1 year	604	687
Total committed between 1 and 5 years	1,678	2,168
	2,282	2,855

12. Post balance sheet events

See note 30 within the Group accounts.

13. Related parties

During the year the Company provided funding and services to its subsidiaries totalling \$78,972,000 (Nine months ended 31 December 2014: \$9,030,000). Balances owed by and to subsidiaries are disclosed in aggregate in note 4 and note 5.

Note 28 of the Group accounts provides details on remuneration of key management personnel of the Group. The amounts disclosed are the same as those of the Company.

14. Explanation of transition to FRS101

For all periods up to and including the period ended 31 December 2014, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS101.

Comparative information included in these financial statements has also been prepared in accordance with FRS101 and the significant accounting policies described in Note 1.

On transition to FRS101, the Company has applied the requirements of paragraphs 6-33 of IFRS1 'First-time adoption of International Financial Reporting Standards' (IFRS1).

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS101.

14. Explanation of transition to FRS101 continued

	31 March 2014 UK GAAP and FRS101 \$'000	UK GAAP \$'000	31 December 2014 Effect of transition To FRS101 \$'000	FRS101 \$'000
Non current assets				
Property, plant and equipment	353	674	—	674
Investments	—	35,825	11,355	47,180
Current assets				
Other receivables	310,151	332,213	—	332,213
Restricted cash	309	898	—	898
Term deposits	185,000	100,000	—	100,000
Cash and cash equivalents	62,482	94,406	—	94,406
Total assets	558,295	564,116	11,355	575,371
Current liabilities				
Other payables	3,084	17,192	—	17,192
Total liabilities	3,084	17,192	—	17,192
Equity				
Share capital	4,711	4,854	—	4,854
Share premium	170	662	—	662
Share based remuneration	4,597	4,960	—	4,960
Own shares held in trust	(354)	(628)	—	(628)
Merger reserve	—	—	11,355	11,355
Foreign currency translation reserve	4,123	—	—	—
Special reserve	541,964	536,976	—	536,976
Retained losses	—	—	—	—
Attributable to the equity shareholders of the company	555,211	546,824	11,355	558,179
Total liabilities and equity	558,295	564,116	11,355	575,371

Effect of transition to FRS101

The addition to investments in the period to 31 December 2014 related to the acquisition of the entire issued share capital of Mediterranean Oil & Gas Plc. The consideration paid was a combination of cash and newly issued shares in the Company. Under previous UK GAAP, merger relief was applied and the shares issued were accounted for at nominal value. Under FRS101 merger relief can no longer be taken and the investment in Mediterranean Oil & Gas Plc have to be recorded at fair value and as such the investment additions in the prior period are \$11,355,000 higher than had been recognised under previous UK GAAP leading to the creation of a Merger Reserve. See note 29 of the Group accounts for full details of the acquisition of Mediterranean Oil & Gas Plc.

There have been no other affects from the transition to FRS101 on the reported financial position and financial performance.

Notes to the company financial statements continued

for the year ended 31 December 2015

15. Risk Management Policies

Risk Review

The risks and uncertainties facing the Company are set out in the risk management report. Risks which require further quantification are set out below.

Foreign exchange risks: The Company's functional currency is US\$ and as such the Company is exposed to foreign exchange movements on monetary assets and liabilities denominated in other currencies. In addition a number of the Company's subsidiaries have a functional currency other than US\$, where this is the case the Company has an exposure to foreign exchange differences potentially impacting the carrying value of investments with differences being taken to reserves.

The following table summarises the split of the Company's assets and liabilities by currency:

Currency denomination of balance	\$ \$'000	£ \$'000	€ \$'000
Assets			
31 December 2015	501,422	15,546	76
31 December 2014	566,640	8,173	558
Liabilities			
31 December 2015	18,790	4,049	—
31 December 2014	13,270	3,922	—

The following table summarises the impact on the Company's pre-tax profit and equity of a reasonably possible change in the US\$ to GB£ exchange rate and the US\$ to euro exchange:

	Pre tax profit		Total equity	
	+10% US\$ rate increase \$'000	-10% US\$ rate decrease \$'000	+10% US\$ rate increase \$'000	-10% US\$ rate decrease \$'000
US\$ against GB£				
31 December 2015	1,150	(1,150)	1,150	(1,150)
31 December 2014	425	(425)	425	(425)
US\$ against euro				
31 December 2015	8	(8)	8	(8)
31 December 2014	56	(56)	56	(56)

15. Risk Management Policies continued

Capital risk management; the Company manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The capital structure consists of cash and cash equivalents and equity. The board regularly monitors the future capital requirements of the Company and Group, particularly in respect of its ongoing development programme.

Credit risk; the Company recharges partners and third parties for the provision of services. Should the company holding these accounts become insolvent then these funds may be lost or delayed in their release. The amounts classified as receivables as at the 31 December 2015 were \$nil (31 December 2014: \$1,130,000). In addition the Company provides funding and services to subsidiary companies. These receivables are supported by the assets held by the various subsidiary companies and the expected cashflows from these assets. Should these assets not be monetised as expected then some or all of these funds may be lost or delayed in their release. The amounts classified as receivables, net of provisions, as at the 31 December 2015 were \$404,462,000 (31 December 2014: \$330,489,000).

Interest rate risks; the Company has no debt and so its exposure to interest rates is limited to finance income it receives on cash and term deposits. The Company is not dependent on its finance income and given the current interest rates the risk is not considered to be material.

Liquidity risks; the Company makes limited use of term deposits where the amounts placed on deposit cannot be accessed prior to their maturity date. The amounts applicable at the 31 December 2015 were \$60.0 million (31 December 2014: \$100.0million) and are disclosed in the counter-party risk table below.

Counter-party risk; rather than keep all its funds with one bank, the Company splits its funds across a number of banks, two of which are part owned by the British government.

	31 Dec 15 \$'000	31 Dec 14 \$'000
Barclays plc	40,000	—
Lloyds	10,000	20,000
Standard Chartered plc	—	30,000
Investec	10,000	50,000
Total term deposits	60,000	100,000
RBS plc	33,246	89,235
Barclays plc	61	15
Lloyds TSB plc	13,784	5,088
Others	15	1,350
Total cash and cash equivalents	47,106	99,726
Total term deposits and cash and cash equivalents	107,106	199,726

Key licence interests as at 1 April 2016

Falkland Islands

North Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery
PL003a	Rockhopper	95.50	—
PL003b	Rockhopper	60.50	—
PL004a	Premier Oil	64.00	Isobel Deep
PL004b	Premier Oil	64.00	Beverley Casper South Zebedee
PL004c	Premier Oil	64.00	—
PL005	Rockhopper	100.00	—
PL032	Premier Oil	40.00	Casper North Sea Lion
PL033	Premier Oil	40.00	—

South Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery
PL010–PL016	Noble Energy	52.50*	—
PL025–PL029	Noble Energy	40.00	—
PL031	Noble Energy	40.00	—

* Rockhopper's interest in licences PL010 – PL012 and PL016 is 20% below the APX-150 sands (which were located approximately 4,750 metres depth in the Humpback well).

Greater Mediterranean Italy

Licence	Operator	Rockhopper working interest %	Field/Discovery
A.C35.AG	Eni	20.00	Guendalina
A.C19.PI	Eni	15.00	—
A.R81.FR	Eni	15.00	—
B.R269.GC	Rockhopper	100.00	Ombrina Mare
Serra San Bernardo (Monte Gross)	Rockhopper [#]	22.89	—
Aglavizza	Rockhopper	100.00	Civita

[#] Operatorship of the Serra San Bernardo licence is in the process of being transferred to Eni.

Malta

Licence	Operator	Rockhopper working interest %	Field/Discovery
Area 3	Cairn Energy	40.00	—

Croatia

Licence	Operator	Rockhopper working interest %	Field/Discovery
Block 9 [†]	Eni	40.00	—

[†] Subject to signature of PSA expected during 2016.

Shareholder information

Glossary

AGM	Annual General Meeting
bbl	barrel
bcf	billion cubic feet
Board	the Board of Directors of Rockhopper Exploration plc
boe	barrel(s) of oil equivalent
boepd	barrel(s) of oil equivalent per day
BOP	blow out preventer
bopd	barrel(s) of oil per day
Capex	capital expenditure
Company	Rockhopper Exploration PLC
E&P	exploration and production
EIS	Environmental Impact Statement
ESA	Exploration Study Agreement
ExCo	Executive Committee
Farm-in	to acquire an interest in a licence from another party
Farm-out	to assign an interest in a licence to another party
FDP	field development plan
FEED	front end engineering and design
FID	Final Investment Decision
FIG	Falkland Islands Government
FOGL	Falkland Oil & Gas Limited
FPSO	floating production, storage and offtake vessel
G&A	General & Administration expenses
Group	The Company and its subsidiaries
GSA	Gas Sales Agreement
HoA	Heads of Agreement
HSE	health, safety and environment
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
JV	Joint Venture
kboepd	thousand barrels of oil equivalent per day
kbopd	thousand barrels of oil per day
KPI	key performance indicator
Lol	Letter of Intent
LTI	Lost Time Incident
LTIP	Long Term Incentive Plan
MOG	Mediterranean Oil & Gas plc
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet per day
mscf	thousand standard cubic feet
mt	metric tonne
NAV	net asset value
Premier	Premier Oil plc
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
scm	standard cubic metre
SIP	Share Incentive Plan
spud	to commence drilling a well
STOIIIP	stock-tank oil initially in place
TSR	total shareholder return
2C	best estimate of contingent resources
2P	proven plus probable
\$/US\$	United States dollar
WI	working interest

Key contacts

Registered address
and head office:
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Mediterranean office:
Via Cornelia, 498
00166 Roma
Italia

Nomad and joint broker
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Joint broker
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Joint broker
Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ

Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2DA

Principal Bankers
Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Registrar
Computershare Investor
Services plc
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Concerns and procedures

General emails
info@rockhopperexploration.co.uk

Audit committee emails
rkh@rockhopperexploration.co.uk

Website
www.rockhopperexploration.co.uk

Shareholder concerns:
Should shareholders have concerns which have not been adequately addressed by the chairman or chief executive, please contact the chairman of the audit committee at:
rkh@rockhopperexploration.co.uk

Whistle-blowing procedures:
Should employees, consultants, contractors or other interested parties have concerns which have not been adequately addressed by the chairman or chief executive, please contact the chairman of the audit committee at:
rkh@rockhopperexploration.co.uk

Rockhopper Exploration plc

Hilltop Park
Devizes Road
Salisbury
SP3 4UF
Telephone +44 (0)1722 414 419

Mediterranean office:
Via Cornelia, 498
00166 Roma
Italia
Telephone +39 06 62290270

info@rockhopperexploration.co.uk
www.rockhopperexploration.co.uk
[@RockhopperExplo](https://twitter.com/RockhopperExplo)

Company Reg. No. 05250250