

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



Contents

Strategic Report

- 2 2017 highlights
- 3 Rockhopper – the story so far
- 4 Rockhopper at a glance
- 6 Vision, strategy and business model
- 7 Chairman and Chief Executive Officer's review
- 9 Industry overview
- 10 Sea Lion Phase 1 development overview
- 12 Operations review
- 17 Key Performance Indicators (KPIs)
- 18 Financial review
- 21 Internal controls and risk management
- 22 Principal risks and uncertainties
- 26 Health, safety, environmental and social management

Governance Report

- 27 Chairman's governance report
- 28 Senior management team
- 29 Rockhopper Board
- 30 Board of directors
- 32 Corporate governance statement
- 35 Remuneration report
- 46 Statutory information
- 48 Independent auditor's report to the members of Rockhopper Exploration plc

Financial Statements

Group company financial statements

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

Parent company financial statements

- 75 Company balance sheet
- 76 Company statement of changes in equity
- 77 Notes to the company financial statements

- 82 Key licence interests as at 1 April 2018

Supplementary Information

- 83 Glossary
- 84 Shareholder information

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.



2017 highlights

Funding package for the Sea Lion Phase 1 development progressing; working towards final investment decision by year end 2018¹

- > Estimated capex to first oil reduced from US\$1.8 billion to US\$1.5 billion
- > Life of field costs down to less than US\$35 per barrel
- > Letters of Intent signed with contractors for a range of services and vendor financing
- > Discussions progressing with senior debt providers including commercial banks and export credit agencies
- > Field Development Plan substantially agreed with the Falkland Islands Government
- > Environmental Impact Statement public consultation process completed.

Building a material production base in the Greater Mediterranean to maintain balance sheet strength and fund future growth

- > Material increase in production – net working interest production averaged 1.2 kboepd in 2017 (2016: 0.8 kboepd)
- > Revenue up 40% to US\$10.4 million (2016: US\$7.4 million)
- > Cash operating costs of US\$9.5 per boe – maintaining a low cost base
- > Continued management of G&A costs – US\$5.3 million – down over 50% in 3 years
- > G&A costs covered by operating cash flows
- > Sale of non-core interests in Italy – US\$9.5 million of future decommissioning costs removed from balance sheet upon completion
- > Initiated international arbitration against Republic of Italy to seek significant monetary damages in relation to Ombrina Mare
- > Balance sheet strength maintained with cash resources of US\$51 million at 31 December 2017 and no debt.

Outlook

- > Progress Sea Lion towards final investment decision by year end 2018¹
- > Four well drilling campaign in Egypt to commence in Q2 2018
- > Ombrina Mare arbitration hearing date set for early February 2019
- > Continued pursuit of new venture opportunities to add production and cash flow.

¹ Operator estimate

Rockhopper – the story so far

2017



Ombrina Mare arbitration commences

Rockhopper commences international arbitration proceedings, seeking very significant monetary damages, as a result of the Republic of Italy's breaches of the Energy Charter Treaty in relation to the Ombrina Mare project.

In late 2017 and early 2018, Letters of Intent were signed with a number of key contractors for the provision of services and vendor financing for the Sea Lion project.

2016



Sea Lion enters FEED

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

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

Rockhopper acquires non-operated production and exploration assets in Egypt.

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 portfolio of production, development, appraisal and exploration interests in Italy, Malta and France.

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

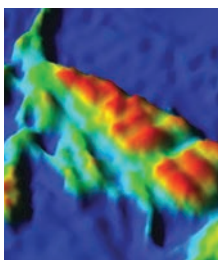


Farm-Out

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.

Rockhopper at a glance

Falkland Islands

North Falkland Basin

Sea Lion Phase 1 (PL032)

- > 40% working interest
- > 220 mmbbls gross*
88 mmbbls net to Rockhopper*
- > Targeting FID year-end 2018,
subject to securing funding*

Sea Lion Phase 2 (PL032/PL004)

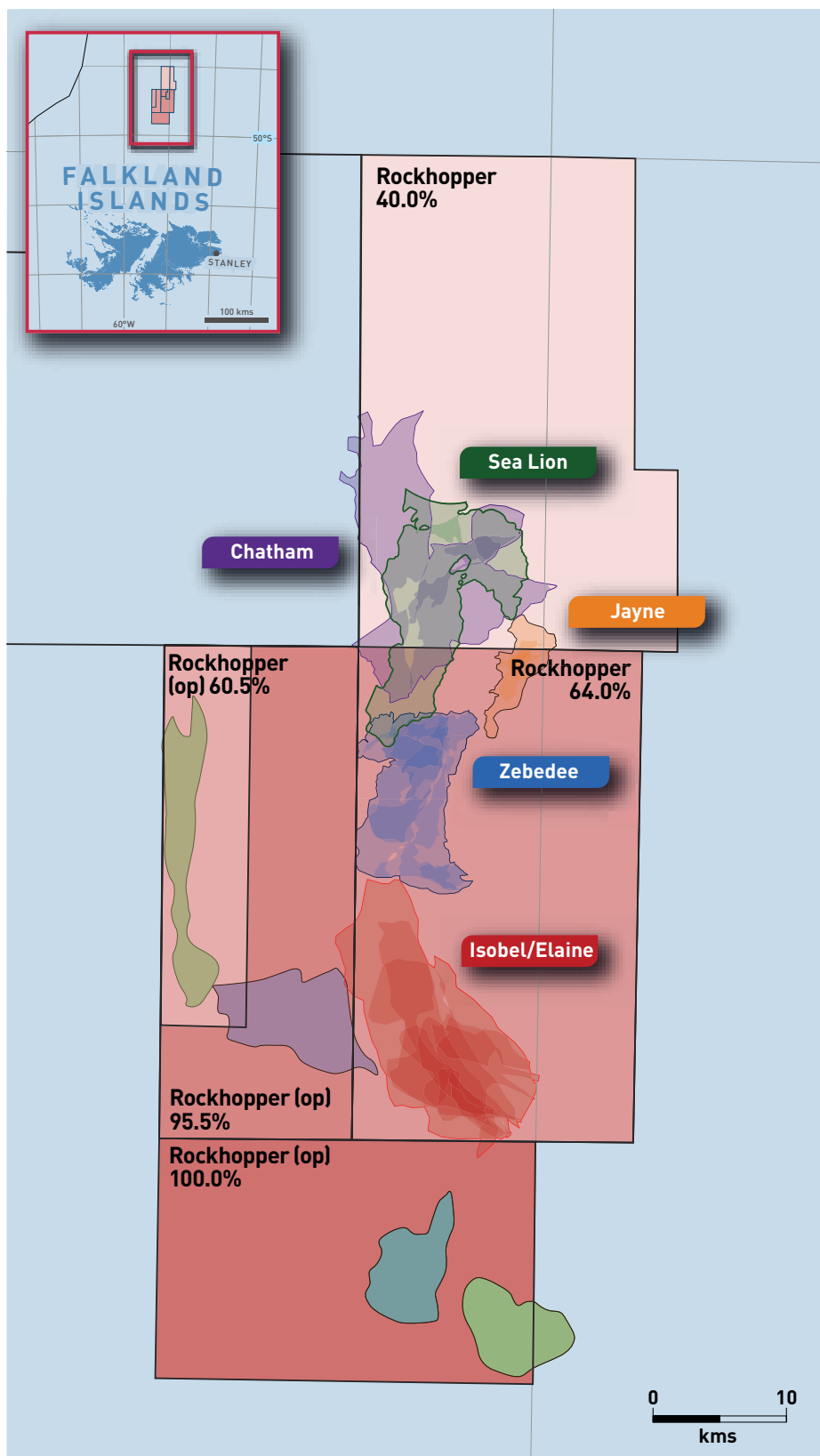
- > 40-64% working interest†
- > 300 mmbbls gross*
120-192 mmbbls net
to Rockhopper*

Phase 3 – Isobel-Elaine (PL004)

- > 64% working interest
- > Isobel-Elaine complex significantly
de-risked during 2015/16 NFB
exploration campaign

* Operator estimate

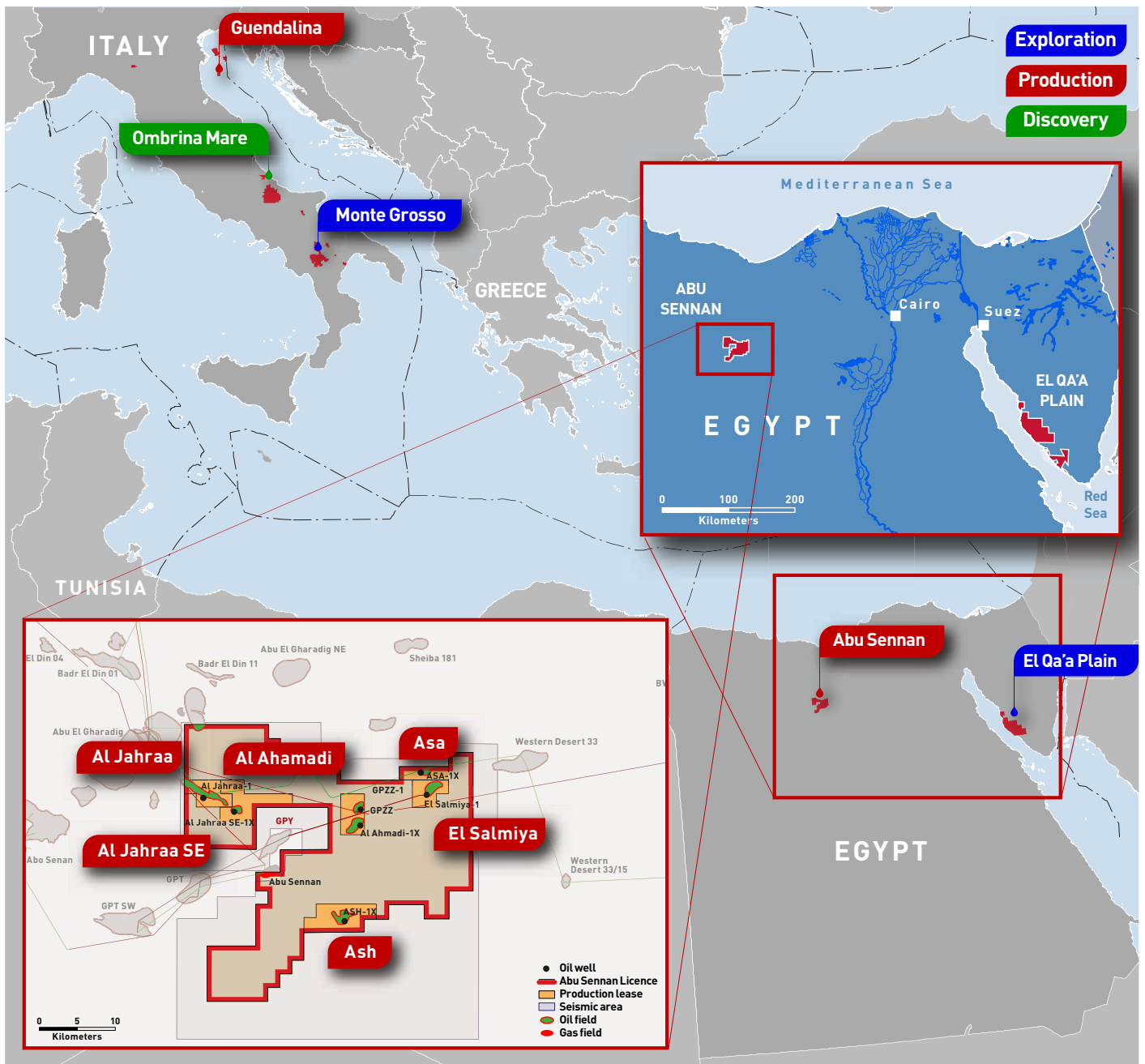
† Sea Lion Phase 2 straddles licences PL032 in which Rockhopper holds a 40% interest and PL004 in which Rockhopper holds a 64% interest.



Head Office
London, UK

Regional Offices
Rome, Italy
Cairo, Egypt

Greater Mediterranean



Italy

Guendalina

- > 20% working interest
- > Northern Adriatic gas production

Civita

- > 100% working interest
- > Onshore gas production

Monte Grosso

- > 23% working interest
- > Exploration stage – seeking regulatory permits to drill

Ombrina Mare

- > 100% working interest
- > International arbitration commenced – hearing date set February 2019

Egypt

Abu Sennan

- > 22% working interest
- > Western Desert oil and gas production

El Qa'a Plain

- > 25% working interest
- > Exploration commitment well to spud April/May 2018

Vision, strategy and business model

Vision

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

Strategy

> Building a balanced portfolio in core areas

- > Focus on North Falkland Basin and Greater Mediterranean
- > Across the full asset life cycle
- > Production base to enable growth through exploration

> Maintaining balance sheet strength

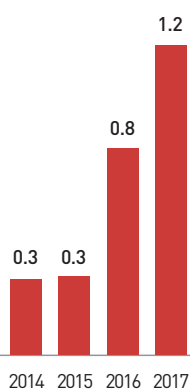
- > Prudent balance sheet management
- > Partial monetisation of assets to fund development
- > Disciplined approach to cost management

> Value accretive exploration

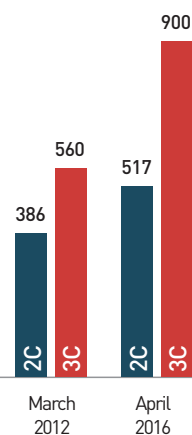
- > Leveraging technical skillset
- > Focus on proven hydrocarbon basins
- > Managed exposure to high-impact opportunities

Delivering on strategy

Production (kboepd)

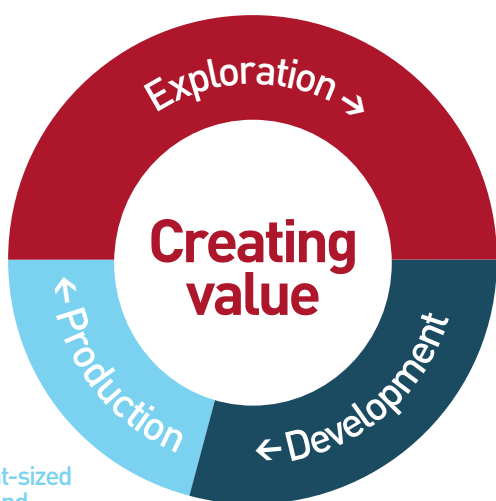


Gross Sea Lion Complex resources (mmbbl)



Business model

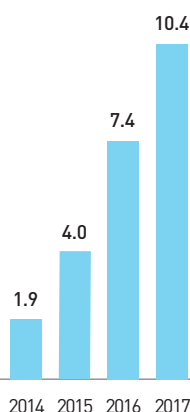
- Proven basins
- High impact
- Managed exposure



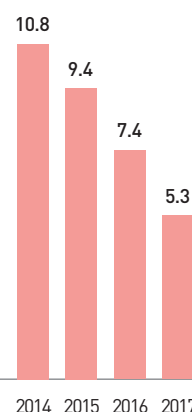
→ Right-sized to fund exploration

→ Self-funded through operating cash flows or partial monetisation

Revenue (US\$m)



Recurring G&A costs (US\$m)



2016 production and revenue reflects contribution from Egypt from August 2016

Chairman and Chief Executive Officer's review

Rockhopper has made good progress across its portfolio in 2017, against a backdrop of challenging markets in the upstream oil and gas exploration and production sector, largely attributable to continued volatility in commodity prices.

Over the course of 2017, Rockhopper has continued to balance the progression of its world-class Sea Lion project in the North Falkland Basin with an ongoing focus on cost control.

Material progress has been made on Sea Lion Phase 1 – in which Rockhopper has a 40% working interest – on a range of commercial, fiscal and financing matters with the operator, Premier Oil, recently confirming that it is working towards a final investment decision by the end of 2018 with financial close expected in H1 2019.

Our Greater Mediterranean portfolio continues to meet its primary objective, namely to provide a production and cash flow base to fund our corporate and operating costs and protect our balance sheet. Balance sheet cash is preserved for capital investment, primarily in the Falkland Islands.

We maintain ambitions to further expand our Greater Mediterranean production base thereby generating additional free cash flow to invest in future exploration and value-accretive growth opportunities both in the Falklands and elsewhere.

Funding package for the Sea Lion development progressing; operator working towards final investment decision by year end 2018

Front End Engineering and Design (“FEED”) for the Sea Lion Phase 1 project was largely completed in 2016.

Following a comprehensive tendering exercise, across a range of supply chain contractors, conducted through 2017, estimated gross capex to first oil reduced from US\$1.8 billion to US\$1.5 billion with life-of-field costs (capex, opex and Floating Production Storage and Offloading (“FPSO”) vessel lease) now estimated at less than US\$35 per barrel.

Principal commercial terms for the provision of services and vendor financing have been agreed with selected preferred contractors and Letters of Intent (“LOIs”) signed. Under the terms of the LOIs, an exclusivity period has been granted to each contractor during which the joint venture will negotiate binding documentation based on principles for the provision of both services and vendor financing. The joint venture is seeking approximately US\$400 million of vendor financing from the preferred contractors.

In 2017, Portland Advisers, a specialist project finance adviser was appointed by the Sea Lion joint venture to support the financing process for the project. Discussions are advancing with a range of potential senior debt providers including export credit and commercial bank lenders.

Following a comprehensive commercial bank engagement process, a number of banks have indicated their desire to support the project and the appointment of a lead bank is expected shortly. In order to support the lender due diligence process, technical advisers for subsurface and environmental matters have been selected.

Engagement continues with the Falkland Islands Government (“FIG”) on a range of environmental, fiscal and regulatory matters with a view to obtaining the consents and agreements necessary to be in a position to reach a final investment decision by the end of 2018. Following submission of a revised Field Development Plan (“FDP”) to FIG in March 2018, the FDP is now considered substantially agreed. The Environmental Impact Statement (“EIS”) public consultation process concluded in March 2018 with no material objections received. A number of constructive comments identified through the public consultation process will now be incorporated into the final EIS document for FIG’s consideration and approval.

Building a material production base in the Greater Mediterranean to protect balance sheet and fund future growth

In our Greater Mediterranean portfolio, we have benefited from a material increase in production following the acquisition of a portfolio of interests in Egypt during the second half of 2016. Production during 2017 averaged 1.2 kboepd net to Rockhopper, a 50% increase over the prior period (2016: 0.8 kboepd). As a result of increasing production and revenue, and the measures taken to reduce costs (outlined below), operating cash flows more than covered the Group’s general and administration (“G&A”) costs during 2017.

In April 2017, the Company announced the commencement of a two-well drilling campaign on the Abu Sennan concession in Egypt, in which Rockhopper has a 22% working interest. While it is disappointing that the Al Jahraa-9 well was water-wet, the deep oil shows were an encouraging indication of the additional potential at these deeper levels in other areas of the concession. The initial exploration target of the Al Jahraa SE-2X well was dry but the side-track confirmed oil pay and was put onto production at a tubular and pump constrained rate of approximately 250 boepd gross. A full review of the prospect and lead inventory for the Abu Sennan concession was completed in November 2017 which has high graded a number of targets for future exploratory drilling.



David McManus
Chairman



Samuel Moody
Chief Executive Officer

Additionally, through 2017 and the beginning of 2018, the Company has seen a material improvement in the payment situation in Egypt and a significant decline in outstanding receivables owed by Egyptian General Petroleum Corporation (“EGPC”).

Rockhopper commenced international arbitration proceedings against the Republic of Italy in relation to the Ombrina Mare field in March 2017. A Request for Arbitration was formally lodged with the International Centre for Settlement of Investment Disputes (“ICSID”) in April 2017 and the Procedural Hearing took place in November 2017. The Company submitted its memorial (our representations and evidence), witness statements and expert reports in December 2017 and the hearing has been scheduled for early February 2019. Rockhopper believes it has strong prospects of recovering very significant monetary damages – on the basis of lost profits – as a result of the Republic of Italy’s breaches of the Energy Charter Treaty. All costs associated with the arbitration are funded on a non-recourse (“no win – no fee”) basis from a specialist arbitration funder.

Portfolio management and corporate cost reduction initiatives

Over the last three years, a corporate cost reduction programme has been implemented across the Group which has resulted in a decline of more than 50% in the Group’s net G&A cost. In 2017, G&A costs were reduced to US\$5.3 million compared with US\$7.4 million in 2016, US\$9.4 million in 2015 and US\$10.8 million in 2014.

In June 2017, the Company announced the disposal of a portfolio of non-core interests onshore Italy to Cabot Energy plc. The rationale for the transaction was to streamline the Group’s Italian interests, focus on material assets, remove future decommissioning liabilities and further right-size our cost base. The transaction is now expected to complete during 2018.

Board changes

In July 2017, Fiona MacAulay, Chief Operating Officer, stepped down from the Board to take up the role of Chief Executive Officer of an AIM-listed exploration company. The Board thanks Fiona for her significant contribution to the Company and we wish her well in her new role. Fiona’s day-to-day responsibilities have been assumed by senior members of the Company’s technical team, namely, Alun Griffiths (Petroleum Engineering Manager and Falkland Asset Manager), Lucy Williams (Geoscience Manager) and Paul Culpin (Development Manager). Alun has worked with Rockhopper since 2010, while Lucy and Paul have worked with Rockhopper since 2011; and each has over 25 years of oil and gas industry experience in their respective fields.

John Martin previously Chairman of FOGL, has elected to step down at the forthcoming AGM, in order to pursue his other business interests. Given our focus on corporate costs, we are content with the size of the reduced board and there is no current intention to replace either John or Fiona. We thank John for his significant contributions to the Company over the last two years.

Outlook

2018 has the potential to be transformational for Rockhopper with all efforts focused on securing the funding required to sanction the Sea Lion project and move into the development phase.

With Brent oil prices currently above US\$70 per barrel, combined with the cost efficiencies secured through FEED and engagement with the contractors, the economics for the project are highly attractive.

Our Greater Mediterranean portfolio, which can be characterised as low-cost and short-cycle, provides more than the necessary operating cash flow to fund corporate costs while providing low-risk exploration upside opportunities. The Board believes that this production and cash flow, when combined with our continued focus on costs, helps secure the long-term sustainability of the Company. On a highly selective basis, we seek to further expand our Greater Mediterranean production base with the aim of generating additional free cash flow to invest in future exploration and value-accretive growth opportunities both in the Falklands and elsewhere.

David McManus

Non-Executive Chairman

Samuel Moody

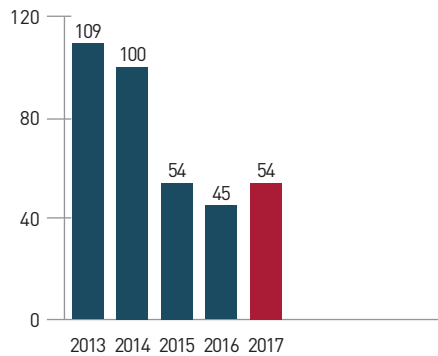
Chief Executive Officer

18 April 2018

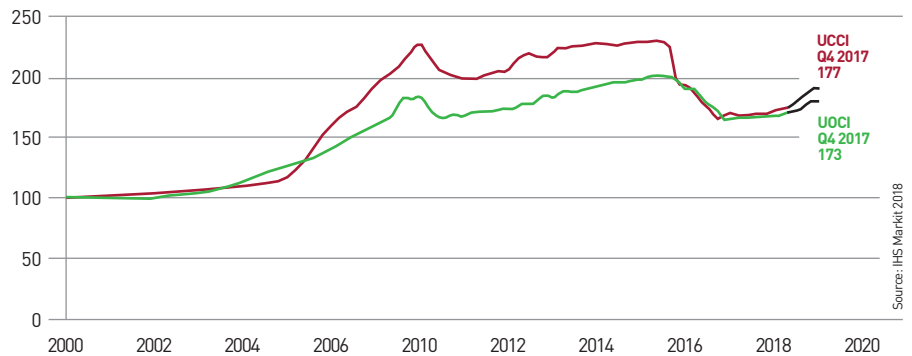
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Senior management
team – biographies
on page 28

Industry overview

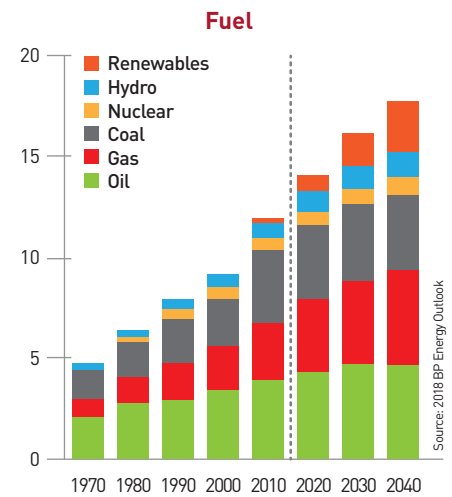
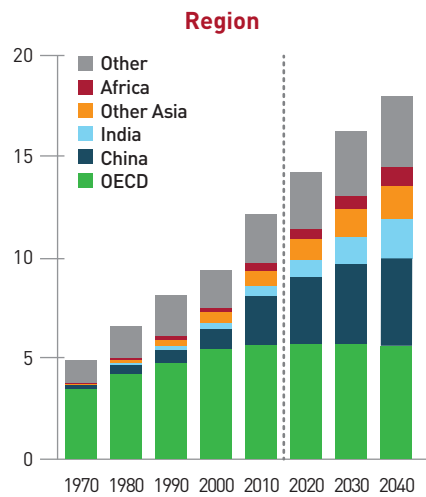
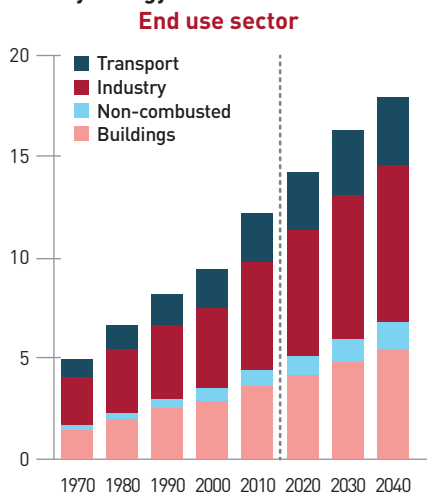
Average Brent Crude price
US\$/bbl



Upstream Capital Costs Index (UCCI) / Upstream Operating Costs Index (UOCI)
Cost Index (Year 2000=100)



Primary energy demand



* Industry excludes non-combusted use of fuels

Economic and political

- > Continued political and economic uncertainty with major elections in the UK, Germany and France as well as ongoing Brexit negotiations and the Catalonia independence referendum
- > US relations with North Korea and Russia add further tension to the geopolitical backdrop – already impacted by a series of terrorist incidents in various major international cities as well as rising tensions in the Middle East
- > Global growth considered robust overall, although long-standing impact of central bank policies sees stubbornly low inflation continue globally (with the exception of the UK given ongoing Sterling weakness).

Commodity prices

- > Continued volatility through 2017
- > Low of US\$45 per bbl in mid June with a high of US\$67 per bbl at year end
- > 2018 year to date price dynamics appears encouraging, supported by continued political uncertainty in the Middle East and continued reductions in global inventory levels
- > Despite resurgence of shale oil production in the US, which may have short-term dampening effect on prices, long-term fundamentals appear strong.

Climate change and the impact on the energy outlook

- > Whilst global energy consumption is expected to grow strongly out to 2040 and beyond, increasing pressure to reduce greenhouse gas emissions will impact on the future energy mix
- > With oil demand in absolute terms expected to remain robust, it will nonetheless likely make a smaller percentage contribution to the future energy mix with renewables making an increasing contribution from a relatively low level today.

Industry investment, activity levels and costs

- > Through 2017, the industry continued to take a conservative approach to capital investment with a focus on smaller, brownfield or expansion projects
- > Industry costs remain low compared with those three to five years ago, reflecting the sectors continued focus on cost reductions, project deferrals, capturing efficiencies, industry standardisation and co-operation around shared infrastructure
- > With an improved oil price outlook, and an attractive cost environment, investments in new greenfield projects, such as Sea Lion, are expected to increase.

Sea Lion Phase 1 development overview

Key facts

World scale resource

- > 1.7 billion barrels oil in place
- > Well understood reservoir
- > Highly marketable crude

Proven development concept

- > Technically straightforward FPSO development
- > Extensive project development and engineering complete
- > Supply chain and logistics proven through multiple drilling campaigns

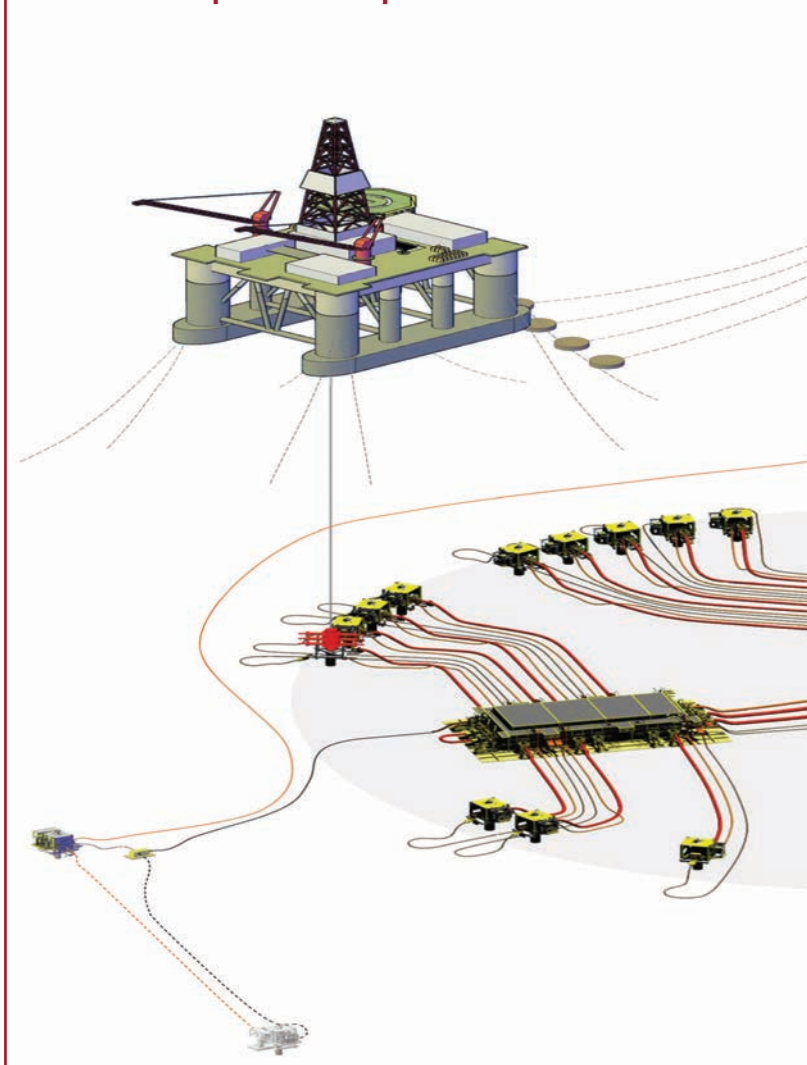
Regulatory interface well-advanced

- > Environmental Impact Statement public consultation process completed
- > FDP substantially agreed; final update at sanction
- > Alignment with FIG on key fiscal, commercial and regulatory items

World class contractor team

- > Experienced in comparable projects
- > Opportunity to lock in supply chain at competitive rates
- > Alignment via provision of vendor financing

Proven development concept



Gross CAPEX to first oil

US\$1.5 bn

Gross annual production (at plateau)

80,000 bopd

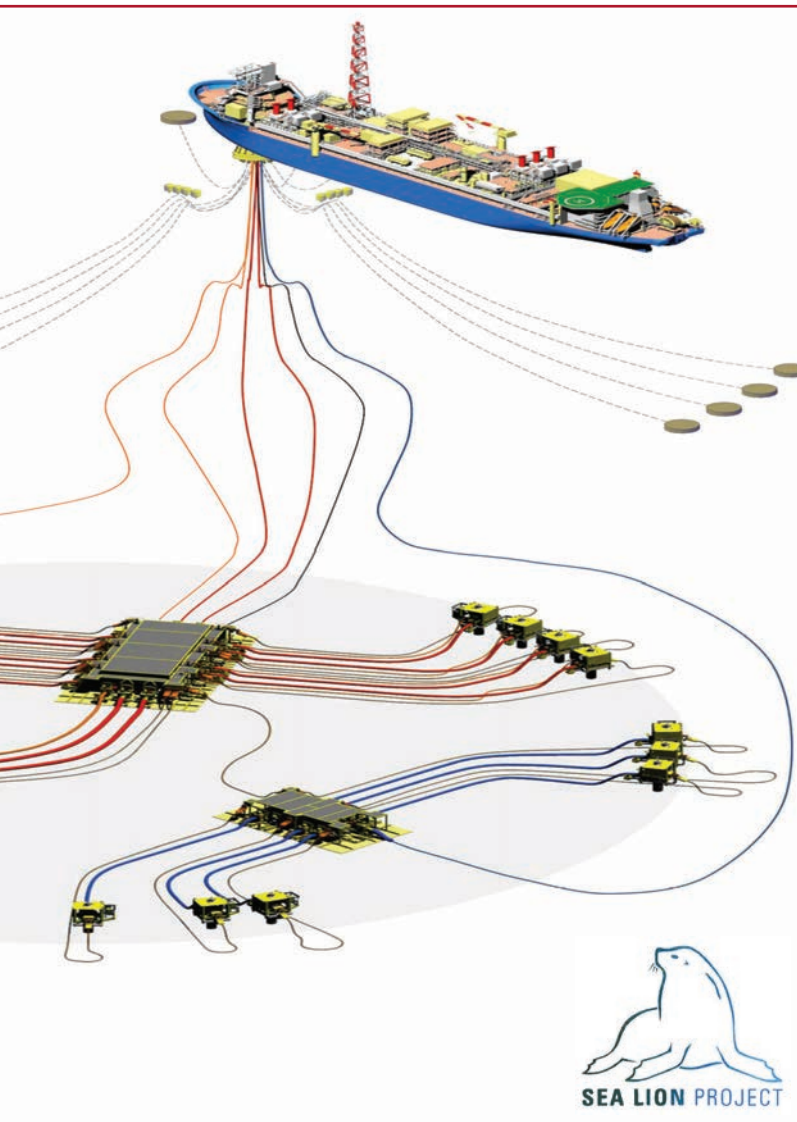
Resource to be monetised

220 mmbbl

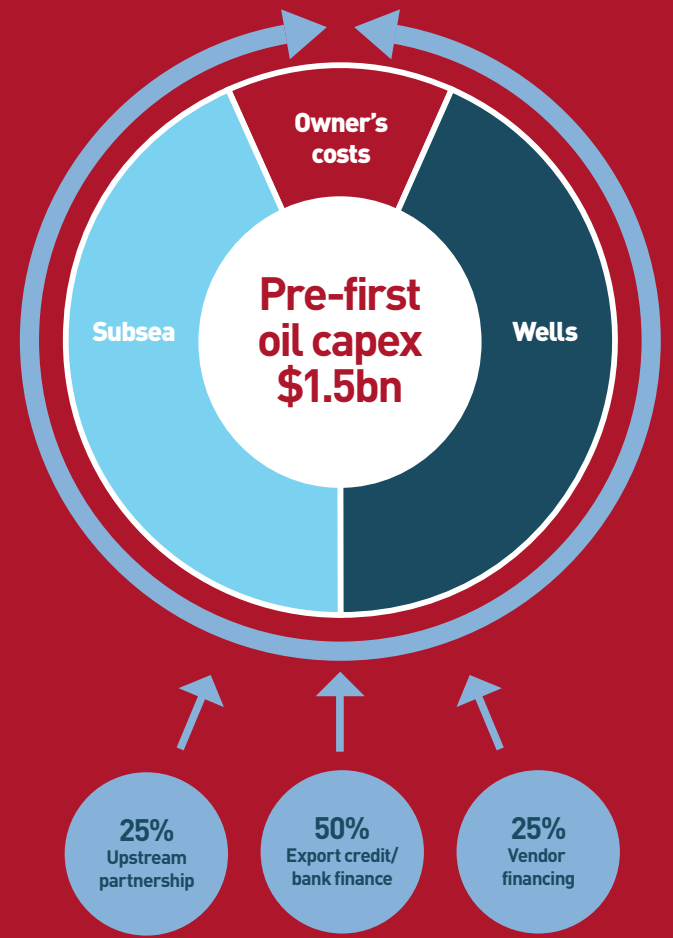
(Phase 1 only)

FPSO liquid capacity

120,000 bpd



Indicative financing plan



Gross project revenue per annum

US\$1.8 bn

(at plateau, assuming US\$65/bbl)

Wells to be drilled

23

of which 16 oil producers

Estimated opex per barrel

US\$25/bbl

(Life of field, including field opex and FPSO lease)

Targets for 2018

- Select preferred contractors and secure vendor financing
- Secure senior debt funding
- Working towards year-end final investment decision

Operations review

Sea Lion, North Falkland Basin

Following the Company's acquisition of FOGL in early 2016, Rockhopper became the leading acreage holder in the North Falkland Basin with a material working interest in all key licences.

The overall strategy to develop the North Falkland Basin remains a phased development solution, starting with Sea Lion Phase 1, which will develop 220 mmbbls in PL032 (in which Rockhopper has a 40% working interest). A subsequent Phase 2 development will recover a further 300 mmbbls from the remaining resources in PL032 and the satellite accumulations in the north of PL004 (in which Rockhopper has a 64% working interest). In addition, there is a further 200 mmbbls of low risk, near field exploration potential which could be included in either the Phase 1 or Phase 2 developments. Phase 3 will entail the development of the Isobel/Elaine fan complex in the south of PL004, subject to further appraisal drilling.

The resources in Sea Lion Phase 1 will be commercialised utilising a conventional FPSO development scheme with approximately 23 wells. Through the FEED process, which commenced in January 2016 and which is substantially complete, the joint venture team of Premier Oil ("Premier") and Rockhopper have worked collaboratively to support and challenge the design specifications and installation methodology leading to significant savings to both capital and operating costs. Significant reductions in estimates of field support services, including supply boats, helicopters and shuttle tankers have been seen and, as a result, estimates for field operating costs were reduced to less than US\$15 per bbl, down from over US\$20 per bbl. Estimated gross capex to first oil is US\$1.5 billion.

Through 2017, work focused on securing agreement with key supply chain contractors and, as a result, Letters of Intent have been signed with a number of contractors for the provision of a range of services and vendor financing.

In parallel, discussions continued with FIG on a range of fiscal, environmental and regulatory matters. Following the submission of a revised draft FDP to FIG in early March 2018, the FDP is now considered substantially agreed with a final FDP submission expected in the lead-up to sanction. With the FDP and EIS substantially complete, a 42-day public consultation on the EIS commenced in January 2018. No material objections were raised through the consultation process and various comments identified through the process will be addressed in the final EIS. Engagement with FIG continues with a view to obtaining the consents and agreements necessary to be in a position to reach FID on the project in 2018.

In addition, conceptual studies have commenced to examine potential development schemes for the remaining resources in PL032 and the satellite accumulations in the north of PL004 (Phase 2) and for the Isobel/Elaine fan complex in the south of PL004 (Phase 3). In this regard, Phase 2 static and dynamic modelling is progressing, and current subsurface studies will explore locations for future appraisal wells aimed at both further characterising existing discoveries whilst also targeting exploration objectives.

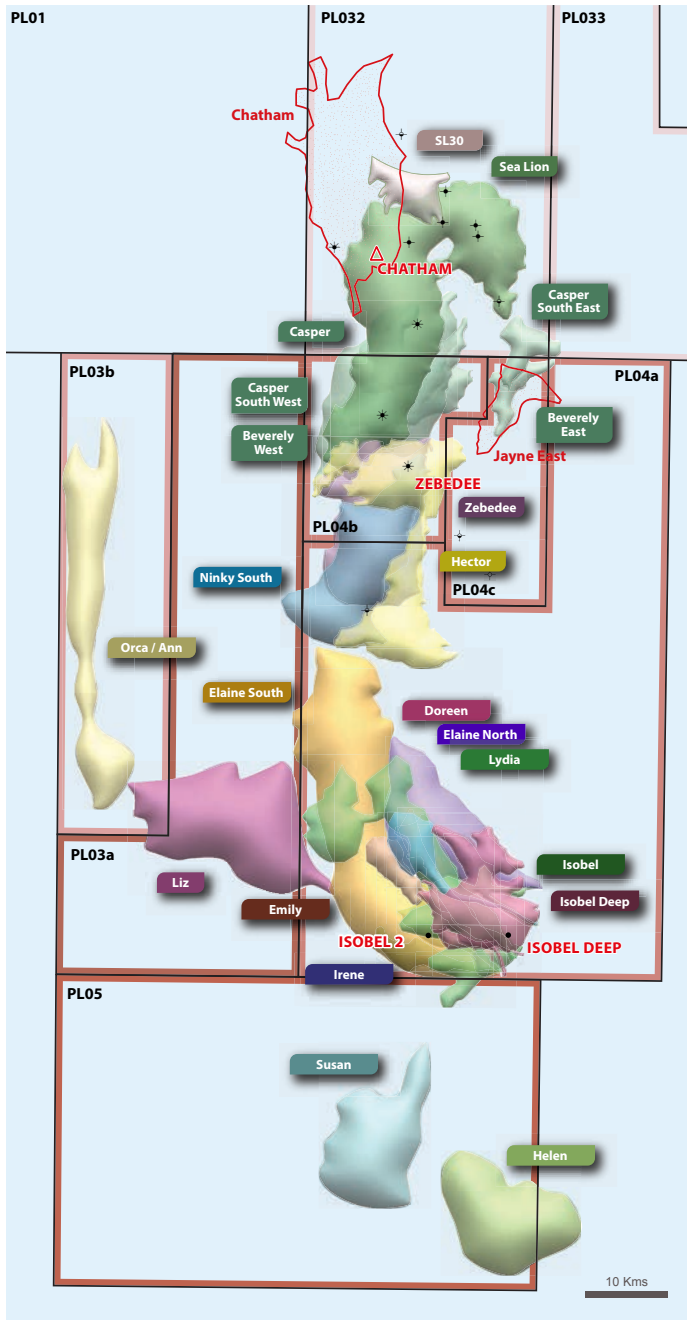
South and East Falkland Basin (100% working interest)

Through the acquisition of FOGL, Rockhopper acquired a 52% interest in Noble Energy operated acreage to the South and East of the Falkland Islands. Following the results of the Humpback well, Noble and Edison gave notice to withdraw from this acreage (although retain an interest in PL001 in the North Falkland Basin). As a result, during 2017 Rockhopper became operator of the South and East Falkland Basin acreage with a 100% working interest. No outstanding financial or operational commitments exist in relation to the Company's South and East Falkland Basin interests.

Stanley Harbour



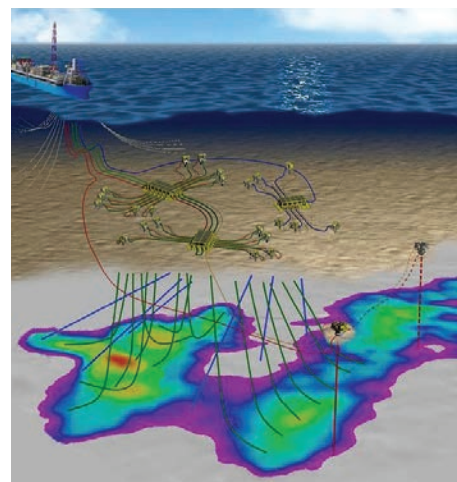
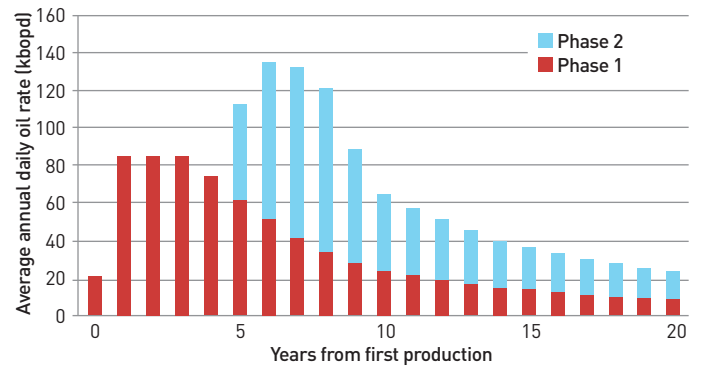
North Falkland Basin snapshot



Leading acreage position

	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

Projected production profile



Riser equipment, supply base, Stanley

Sea Lion development schematic



Abu Sennan, Egypt (22% working interest)

Operated by Kuwait Energy, the Abu Sennan concession is located in the Abu Gharadig basin in the Western Desert. The concession was signed in June 2007 with first commercial production achieved during 2012. In August 2016, Rockhopper completed the acquisition of Beach Petroleum (Egypt) Pty Limited (“Beach Egypt”), as a result acquiring a 22% interest in the Abu Sennan concession and a 25% interest in the El Qa’a Plain concession.

Production from the six development leases within the Abu Sennan concession increased during 2017 with production during the period averaging approximately 3,460 boepd gross (760 boepd net to Rockhopper). Production levels were enhanced in the second half of the year as a result of numerous work over and production optimisation operations primarily at the El Salmiya field.

The 2017 drilling campaign on the Abu Sennan concession commenced in April.

Al Jahraa SE-2X

Exploration well Al Jahraa SE-2X, situated on the Abu Sennan-5 (Al Jahraa South East) Development Lease, was spudded on 25 April 2017.

The primary target of the well was the Cretaceous Abu Roash-C (“AR-C”) reservoir in the fault block immediately to the south of the Al Jahraa South East field. The target reservoir was dry, but the well was successfully side-tracked northwards into the Al Jahraa SE field and oil pay confirmed from wireline logging in both the AR-C and Abu Roash-E (“AR-E”) reservoirs. The well was subsequently completed in the deeper AR-E and put onto production, at a tubular and pump constrained rate, of approximately 250 boepd gross. Following depletion of the AR-E reservoir the well will be re-completed in the AR-C.

Al Jahraa-9

Development well Al Jahraa-9 was spudded on 10 June 2017. The well penetrated five metres of reservoir sand in the primary AR-C reservoir. Wireline logging

and a well test across the interval confirmed that, while the sand is water wet, the reservoir pressure is in line with the producing AR-C reservoir in the Al Jahraa and Al Jahraa SE fields, indicating a common aquifer. The well also encountered the deepest known oil shows in the Abu Roash-D and AR-E reservoirs, demonstrating further potential at these levels elsewhere in the concession. During 2018, it is planned that the Al Jahraa-9 well will be converted to a water injection well.

2018 outlook

A full review of the prospect and lead inventory for the Abu Sennan concession was completed in November 2017 and through that review a number of exploration targets have been high graded for exploratory drilling.

Post period end, an active programme has been agreed for 2018. An exploration well is to be drilled on “Prospect S” – located in the adjacent fault block to the Al Jahraa field. Prospect S has a similar tilted fault block trap and is targeting the same Abu Roash reservoirs that produce at Al Jahraa.

The development programme at Al Jahraa includes the drilling of two infill development wells and the initiation of a water injection programme designed to increase reserves and field production rates.

Subject to securing a suitable rig, drilling is expected to commence in mid 2018.

Guendalina, Italy (20% working interest)

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

Guendalina continued to produce to forecast during 2017 and production over the period averaged 47,000 standard cubic metres (“scm”) per day net to Rockhopper (approximately 290 boe per day). Plant availability over the period continued to be strong with production from the side-track well drilled in 2015 continuing to make a material contribution to field production.

Production facility at Abu Sennan



Ombrina Mare tripod removal



Greater Mediterranean snapshot

Italy



- Guendalina**
- > 20% working interest
 - > Northern Adriatic
 - > 2017 production 290 boepd



- Civita**
- > 100% working interest
 - > Onshore gas production
 - > 2017 production 130 boepd



- Monte Grosso**
- > 23% working interest
 - > ~250 mmbbl oil prospect
 - > 23% chance of success

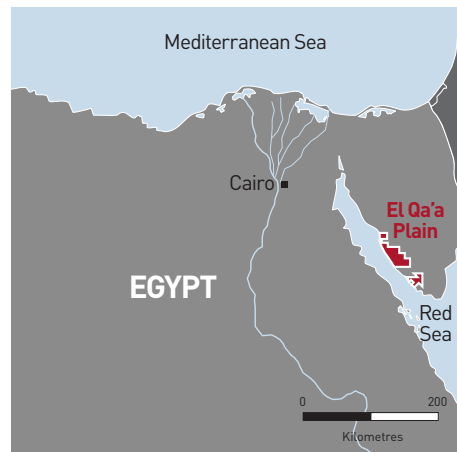


- Ombrina Mare**
- > 100% working interest
 - > International arbitration commenced
 - > Hearing date set February 2019

Egypt



- Abu Sennan**
- > 22% working interest
 - > Western Desert
 - > 2017 production 760 boepd



- El Qa'a Plain**
- > 25% working interest
 - > Exploration commitment well to spud Q2 2018

New static and dynamic models for the Guendalina field that incorporate new well data suggest the gas initially in place is larger than previous estimates with studies supporting a small increase in the estimate of ultimately recoverable volumes.

In addition, Rockhopper has worked closely with the operator throughout 2017 to reduce operating costs at the field primarily through optimisation of water disposal.

Civita, Italy (100% working interest)

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

During 2017, production from the field averaged approximately 21,000 scm per day (approximately 130 boe per day). Gas compression was successfully commissioned at the site in December 2016.

However, in early February 2018, a depressurisation event occurred at the Civita pipeline and as a result production is temporarily suspended. Work has commenced to remedy the issue and with production estimated to resume mid year.

As described later in the Financial Review, the Company agreed in June 2017 the terms for the disposal of a package of non-core interests in Italy, including the Civita field, to Cabot Energy plc. Rockhopper and Cabot Energy remain focused on the completion of the previously announced transaction which is now expected during H2 2018.

Ombrina Mare, Italy (100% working interest)

Following the decision in February 2016 by the Italian Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field, a decision was made to plug and abandon (“P&A”) the existing OM-2 well and remove the tripod structure which had been constructed in 2008 with the intention of forming part of the future production facilities on the field.

The P&A operation was completed without incident in August 2016 using the Attwood Beacon rig. The safe and successful decommissioning and removal of the tripod structure took place in October 2017 – Rockhopper will seek to recover both the costs of the P&A operation and the tripod removal through the international arbitration process, details of which are included in the Financial Review.

Monte Grosso, Italy (23% working interest)

Operated by Eni, the Serra San Bernado permit which contains 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 transferred the operatorship of the Serra San Bernado permit to Eni during 2016. Eni is exploring options for the design of a well on the Monte Grosso prospect, whilst working in parallel to secure the necessary regulatory and permitting approvals to drill.

El Qa’a Plain, Egypt (25% working interest)

Operated by Dana Petroleum, the El Qa’a Plain concession is located on the eastern shore of the Gulf of Suez. The concession was signed in January 2014. In 2015/16, the first 3D seismic in the El Qa’a Plain concession was acquired and processed, in addition to a number of new 2D lines. Horizon mapping on the new data has been integrated with vintage data, and a basin modelling study has been completed across the concession.

As a result, and following joint venture approval, commitment well Raya-1X is expected to be spudded in April or early May 2018. This well will target the Nukhul Formation reservoir, known from the Gulf of Suez, in a tilted fault block structure, close to where oil has been tested from the same formation.

Supply base,
Falkland Islands



Key Performance Indicators (KPIs)




The Board monitors the Company's progress against its Key Performance Indicators to assess performance and delivery against pre-defined strategic objectives.

KPIs have been set based on short-term targets designed to ensure the Company achieves its long-term strategy.

The Company measures a number of operational and financial metrics to ascertain performance.

In 2017, Rockhopper continued to deliver on a number of its key metrics.

2017

	Definition	Performance	Attainment
KPI #1	Bringing an additional paying partner into the Sea Lion Development project and/or working closely with the operator to deliver a financing solution to enable the joint venture to advance to project sanction.	<ul style="list-style-type: none"> > Letters of Intent signed with contractors for provision of vendor finance > Discussions ongoing with senior debt providers. 	 Partially achieved
KPI #2	Addition of a material new venture that adds substantial production and meets the Company's corporate investment criteria.	<ul style="list-style-type: none"> > Significant number of opportunities reviewed and evaluated > However Company continues to adopt a conservative and highly selective approach to new ventures > None of the opportunities reviewed in 2017 met the Company's investment criteria. 	 Not achieved
KPI #3	Preservation of the Company's cash position.	<ul style="list-style-type: none"> > Cash at 31 December 2017 \$51 million and no debt > Further significant reduction in G&A achieved in 2017. 	 Fully achieved

2018

	Definition		
KPI #1	Bringing an additional paying partner into the Sea Lion Development project and/or working closely with the operator to deliver a financing solution to enable the joint venture to advance to project sanction.		
KPI #2	Making a commercial discovery in Egypt.		
KPI #3	Preservation of the Company's cash position / strengthen the Company's balance sheet which could be by way of a new venture.		

Financial review



Stewart MacDonald
Chief Financial Officer

Overview

During 2017, significant progress was made to advance and execute the contracting strategy and financing plan for the Sea Lion Phase 1 development.

Our Greater Mediterranean portfolio provides a low-cost, short-cycle production base which has delivered record revenues and operating cash flows for the Group which have more than covered the Group's substantially reduced G&A costs.

Efforts have continued to streamline the Group's portfolio to focus on material assets, remove future decommissioning liabilities and streamline the organisation with a resultant reduction in corporate costs.

In addition, significant time continues to be dedicated to new venture activity with a view, on a highly selective basis, to growing our production base whilst maintaining a strong balance sheet.

Results summary

US\$m (unless otherwise specified)	2017	2016
Production (kboepd)	1.2	0.8
Revenue	10.4	7.4
Cash operating costs	(4.1)	(4.4)
Recurring administrative expenses ("G&A")	(5.3)	(7.4)
(Loss)/profit after tax	(6.1)	98.1
Cash in flow/(out flow) from operating activities	1.6	(21.2)
Cash and term deposits	50.7	81.0
Net assets	420.6	427.0

Results for the year

For the year ended 31 December 2017, the Group reported revenues of US\$10.4 million and a loss after tax of US\$6.1 million.

Revenue

The Group's revenues of US\$10.4 million (2016: US\$7.4 million) during the year relate entirely to the sale of oil and natural gas in the Greater Mediterranean (Egypt and Italy). The increase in revenues from the comparable period reflects (i) the acquisition of production assets in Egypt, which completed in August 2016; and (ii) the increase in realised oil and gas prices.

Working interest production averaged approximately 1,184 boepd during 2017, a material increase over the comparable period (2016: 838 boepd) reflecting the full year benefit of the acquisition of production assets in Egypt.

During the period, the Group's gas production in Italy was sold under short-term contract with an average realised price of €0.19 per standard cubic meter ("scm") (2016: €0.15 per scm), equivalent to US\$6.0 per thousand standard cubic feet ("mscf"). Gas is sold at a price linked to the Italian "PSV" (Virtual Exchange Point) gas marker price.

In Egypt, all of the Group's oil and gas production is sold to EGPC. The average realised price for oil was US\$52.3 per barrel, a small discount to the average Brent price over the same period. Gas is sold at a fixed price of US\$2.65 per million British thermal units ("mmbtu").

Operating costs

Cash operating costs, excluding depreciation and impairment charges, amounted to US\$4.1 million (2016: US\$4.4 million). Cash operating costs on a per barrel of oil equivalent basis reduced from US\$14.4 per boe in 2016 to US\$9.5 per boe in 2017, reflecting the full year impact of our low-cost Egyptian operations.

The Group continues to manage corporate costs having achieved an approximate 50% reduction in G&A cost, excluding non-recurring expenses related to restructuring and acquisitions, during the three years to end 2017. G&A costs in 2017 amounted to US\$5.3 million, a further reduction compared to the comparable period (2016: US\$7.4 million).

Following the decision in February 2016 by the Ministry of Economic Development not to award the Group a Production Concession covering the Ombrina Mare field, in March 2017 the Group commenced international arbitration proceedings against the Republic of Italy. All costs associated with the arbitration are funded on a non-recourse ("no win – no fee") basis from a specialist arbitration funder.

Cash movements and capital expenditure

At 31 December 2017, the Group had cash and term deposits of US\$50.7 million (31 December 2016: US\$81.0 million) and no debt.

Cash and term deposit movements during the period:	US\$m
Opening cash balance (31 December 2016)	81
Revenues	10
Cost of sales	(4)
Falkland Islands	(22)
Greater Mediterranean	(5)
Administrative expenses	(5)
Other	(4)
Closing cash balance (31 December 2017)	51

Falkland Islands spend of US\$22 million relates primarily to the close-out costs associated with the 2015/16 drilling campaign (US\$15 million), as well as spend relating to the pre-development activities on Sea Lion (US\$7 million). Drilling campaign close out costs going forward are expected to be minimal.

Spend in the Greater Mediterranean largely relates to the Abu Sennan drilling campaign and the decommissioning of the Ombrina Mare tripod (the costs of which the Group will seek to recover through the international arbitration against the Republic of Italy).

Other cash outflows include foreign exchange, movements in working capital balances as well as payments due to Beach Energy related to the Company's acquisition of Beach Egypt in 2016.

Impairment of oil and gas assets

Rockhopper has tested the carrying value of its assets for impairment. Carrying values are compared to the value in use 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 2018 to 2020, with a long-term price of US\$70/bbl (in "real" terms) thereafter. A post-tax nominal discount rate of 12.5% was used for the Group's Falkland Islands assets.

With no cash flow generation expected from Sea Lion until 2021 at the earliest, the impact of the Brent forward curve during the period 2018 to 2020 on the fair value 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 of a US\$20 per barrel reduction in the Group's long-term oil price assumption, no impairment on Sea Lion arises. Equally, no impairment would arise even if the Group assumed project sanction was delayed by seven years.

Mergers, acquisitions and disposals

On 8 June 2017, Rockhopper announced the disposal of a portfolio of non-core interests onshore Italy to Northern Petroleum Plc ("Northern"). Northern has subsequently undertaken a corporate name change to Cabot Energy plc ("Cabot").

The transaction is structured as the sale of Rockhopper Civita Limited ("Rockhopper Civita"), a subsidiary company which at completion will hold the following Petroleum Licences:

- > Scanzano Concession (100% interest)
- > Monte Verdesse Concession (60% interest)
- > Torrente Celone Concession (50% interest)
- > Aglavizza Concession (100% interest)
- > Civita Permit (100% interest)
- > San Basile Concession (85% interest).

Under the terms of the transaction, Cabot will acquire all the assets of the Petroleum Licences (31 December 2017: US\$3.8 million) and assume all future abandonment and decommissioning liabilities (31 December 2017: US\$9.5 million). In consideration, Rockhopper will make a cash payment to Cabot at completion of US\$1.6 million plus the usual working capital adjustments.

The effective date for the transaction is 1 January 2017 and, under the terms of the transaction, Rockhopper retains the benefit of a €1.2 million Italian VAT refund which was received during Q1 2018. The transaction is expected to complete before the end of 2018.

In August 2016, Rockhopper completed the acquisition of Beach Egypt. Under the terms of the transaction, a proportion of any payments received by Rockhopper from EGPC were payable to Beach Energy until their historic receivable position (US\$8.6 million as at 31 December 2015) was satisfied. Following payments received from EGPC in February 2018, no further payments are due to Beach Energy.

Taxation

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

The Tax Settlement Deed confirms the quantum and deferral 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 is payable on the earlier of: (i) the first royalty payment date on Sea Lion; (ii) the date of which Rockhopper disposes of all or a substantial part of the Group's remaining licence interests in the North Falkland Basin; or (iii) a change of control of Rockhopper Exploration plc.

During the first half of 2017, as a result of the Group receiving the full Exploration Carry from Premier during the 2015/16 drilling campaign, the Falkland Islands Commissioner of Taxation agreed to reduce the tax liability in line with the terms of the Tax Settlement Deed. As such, the tax liability has been revised downwards to £59.6 million with a tax credit being recognised in the period of US\$2.8 million.

In spite of the aforementioned reduction in the tax liability, due to the movement in the Sterling:US dollar exchange rate, the outstanding tax liability in US dollar terms has increased to US\$80.6 million (31 December 2016: US\$78.7 million).

The outstanding tax liability is classified as non-current and is discounted to a period-end value of US\$40.1 million.

Full details of the provisions and undertakings of the Tax Settlement Deed were disclosed in the Group's 2014 Annual Report and these include "creditor protection" provisions including undertakings not to declare dividends or make distributions while the tax liability remains outstanding (in whole or in part).

Liquidity, counterparty risk and going concern

The Group 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.

Following the Group's acquisition of production and exploration assets in Egypt, the Group is exposed to potential payment delay from EGPC, which is an issue common to many upstream companies operating in the country. As at 31 March 2018, Rockhopper's EGPC receivable balance was US\$4.6 million (unaudited). The Group maintains an active dialogue with EGPC and has seen a material increase in monthly payments, having received in aggregate US\$8.6 million gross during 2017. Throughout 2017, payments from EGPC were received in US dollars directly to bank accounts held in the UK.

The Directors have assessed that the cash balance held provides the Group with adequate headroom over forecasted 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 risk and uncertainties

A detailed review of the potential risks and uncertainties which could impact the Group are outlined elsewhere in this Strategic Report. The Group identified its principal risks at the end of 2017 as being:

- > sustained low oil price;
- > joint venture partner alignment and funding issues, both of which could ultimately create a delay to the Sea Lion Final Investment Decision; and
- > insufficient liquidity and funding capacity in the event of a protracted delay to the Sea Lion Final Investment Decision.

Stewart MacDonald
Chief Financial Officer

18 April 2018

Internal controls and risk management

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2017.

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. However, an initial internal audit review was conducted during 2016 using an independent third party audit firm.

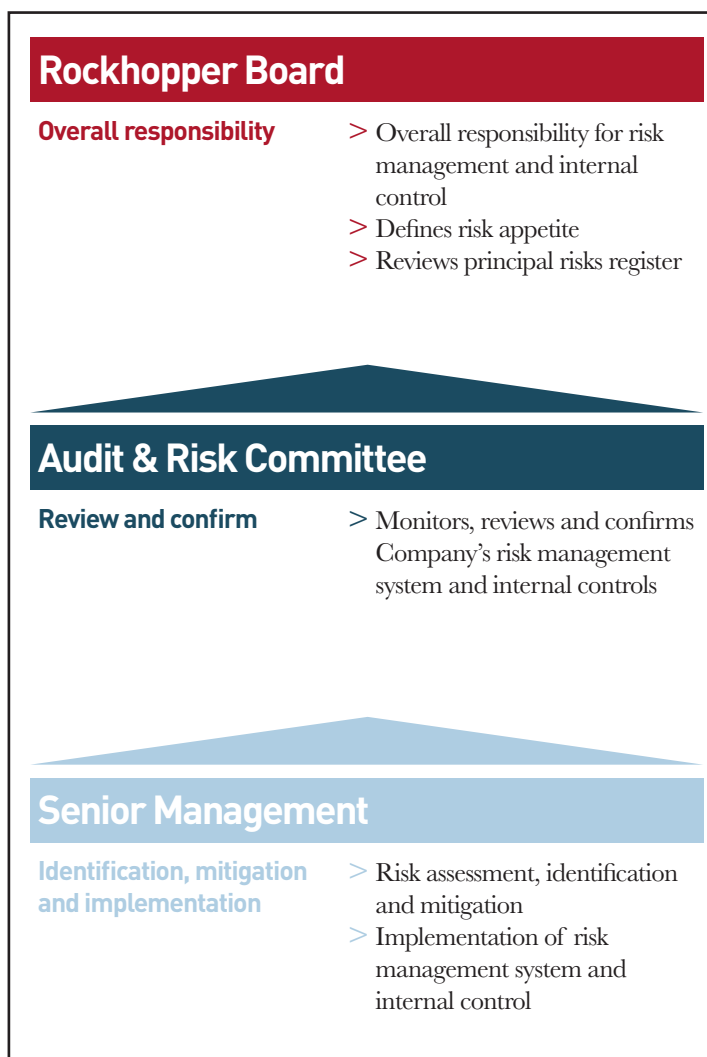
That review focused on the Group's financial controls and encompassed the key financial transaction cycles including:

- > capital projects
- > monthly financial reporting
- > bank and treasury
- > revenue to receivables.

During 2017 an independent assessment of the Group's progress against those items identified during the 2016 initial assessment was conducted – the conclusion of such review was that material progress had been made while some areas remain open to improvement.

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

Strategic risks

Description	Impact
Delay in Sea Lion Final Investment Decision (due to low oil price outlook, increased project costs or partner funding issues) and potential loss of licence interests	<ul style="list-style-type: none"> > Increased costs > Delay in future cash flow > Reduced value creation > Loss of investor confidence > In extremis, potential loss of licence interests
The sovereignty of the Falkland Islands is disputed	<ul style="list-style-type: none"> > Open 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

Financial risks

Description	Impact
Insufficient liquidity and funding capacity	<ul style="list-style-type: none"> > Uncertain financial outcome > Inability to meet financial obligations > Restricted work programmes due to lack of capital
Uncertainty and volatility of commodity prices	<ul style="list-style-type: none"> > Impact on expected future revenues, margins, cash flows and returns > Impact on future debt capacity
Uncertainty of fiscal regime and regulatory requirements; Sea Lion remains the only commercial oil discovery declared in the Falkland Islands	<ul style="list-style-type: none"> > Schedule risk > Loss of value > Uncertain financial outcome
Failure by JV partners to fund their financial obligations	<ul style="list-style-type: none"> > Increased costs > Potential failure to meet financial and operational obligations > In extremis, potential loss of licence interests
Recoverability of receivables and exposure to foreign exchange	<ul style="list-style-type: none"> > Uncertainty on timing of receipt and currency of payments

Mitigants

- > 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 securing funding for the project

- > The British Government has issued strong rebuttals to the Argentine claims
- > The Company is in regular contact with the Foreign & Commonwealth Office

Recent changes and ongoing initiatives

- > Field Development Plan substantially agreed with Falkland Islands Government. Environmental Impact Statement public consultation process completed
- > Letters of Intent for provision of services and financing signed with set of world class contractors
- > Ongoing engagement with providers of senior debt including project finance banks and export credit agencies

- > In September 2016, the British Government and the Government of Argentina agreed a joint statement on areas of cooperation, including working towards removing restrictive measures affecting the oil & gas industry in the Falkland Islands
- > Further to the September 2016 joint statement, a second commercial air link between South America and the Falklands is expected to commence operations in October 2018

Mitigants

- > 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 \$337m Development Carry for the initial phase of development of Sea Lion, a \$337m Development Carry for the subsequent phase of development of Sea Lion and a \$750m Standby Loan facility from Premier Oil
- > Agreement reached to defer tax liability associated with 2012 farm-out

- > Contingency built into planning and budgeting process to allow for downside movements in commodity prices
- > Sustained low oil prices typically lead to a reduction in activity levels with a resultant reduction in industry development and exploration 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

- > Maintain positive relationships with host governments and key stakeholders through regular dialogue and engagement
- > Legal agreements in place to protect interests
- > Seek appropriate legal and tax advice if required

- > 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

- > Active engagement with EGPC and joint venture partners to manage payments and the Company's foreign currency liquidity
- > Monitor macro-economic environment and lobby through established relationships if required
- > Active treasury management to minimise funds held in foreign currencies and match with creditor balances

Recent changes and ongoing initiatives

- > The Company's balance sheet remains strong with cash at 31 December 2017 of \$51 million and no debt
- > Corporate and operating costs funded by revenues from the Company's Greater Mediterranean portfolio in 2017

- > As a result of the low oil price environment experienced over the last few years, industry and service costs have reduced and, through the Sea Lion FEED process, significant cost reductions have been achieved

- > Ongoing dialogue with the Falkland Island Government in relation to a range of commercial, fiscal and regulatory matters to be in a position to reach a FID at year end

- > 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

- > Significant payments received from EGPC during mid 2017 and early 2018
- > During 2017, EGPC payments received in US dollars, direct to bank accounts held in the UK

Operational risks

Description

Impact

Reliance on JV operators for asset performance

- > Cost and schedule overruns
- > Poor performance of assets
- > HSE performance

The assumptions used to estimate hydrocarbon resources may prove incorrect or inaccurate

- > Exploration and appraisal efforts may target ultimately uncommercial volumes of hydrocarbons

HSE and security risks

Description

Impact

Health, safety, environment and security incidents

- > Serious injury or death
- > Environmental impacts
- > Loss of reputation
- > Regulatory penalties

Organisational risks

Description

Impact

Staff recruitment, development and retention

- > Disruption to business
- > Loss of key knowledge and experience

Mitigants

- > 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

Recent changes and ongoing initiatives

- > Active involvement by the Company in the evaluation and selection of contractors for the Sea Lion project
- > Active involvement by the Company in the identification, evaluation and ultimate selection of well locations for the Company's forthcoming drilling campaign in Egypt

- > 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
- > Analysis of commerciality thresholds is inherent in exploration planning and licence acquisition analysis

- > In May 2016 the Company announced completion of an independent audit of the contingent and prospective resources in licences PL032 and PL004 in the North Falklands Basin
- > Company estimates of recoverable oil & gas resources are generally consistent with those held by the operator and other independent assessments or audits

Mitigants

- > 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
- > Emergency and oil spill response procedures regularly tested
- > Third party specialists in place to assist with security arrangements and travel risks where appropriate

Recent changes and ongoing initiatives

- > The Company recently successfully completed the removal of the Ombrina Mare tripod structure – understood to be one of the first decommissioning exercises completed in Italian waters and fulfilling all required regulatory and authorisation processes

Mitigants

- > 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

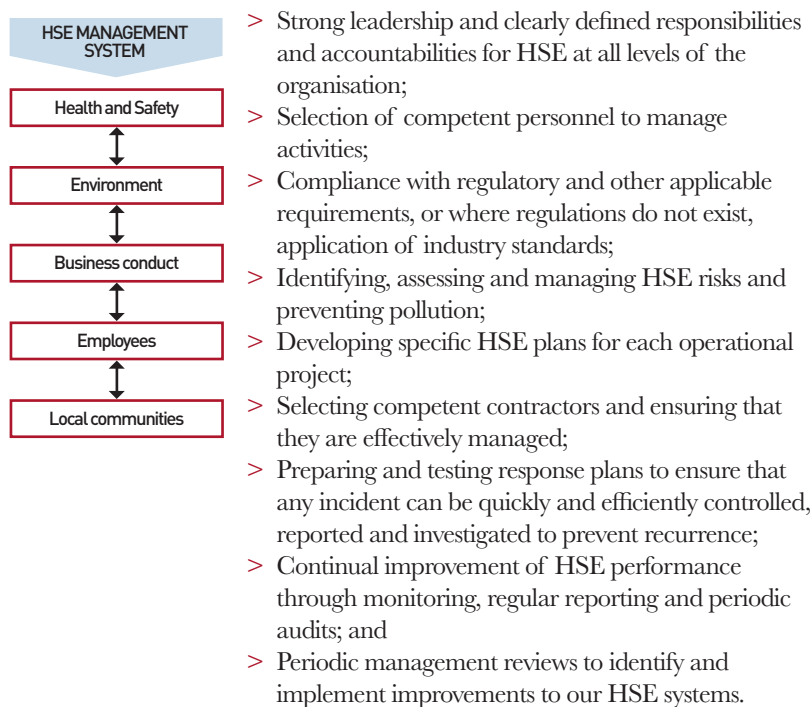
Recent changes and ongoing initiatives

- > A short-term succession plan is in place for executive directors and key staff members

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 is achieved through:



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 EIS 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.

In the Greater Mediterranean region we maintain regular dialogue with various operators, regulators, local communities and other stakeholders to build constructive relationships and support.

Approval of Strategic Report

This Strategic Report was approved by the directors and signed on their behalf on 18 April 2018 by:

Samuel Moody
Chief Executive Officer

Chairman's governance report

The Company is an AIM listed company and is not required to comply with the provisions of the 2016 UK Corporate Governance Code (the "Code") applicable to FTSE 350 companies as long as it remains on AIM. The Company has not voluntarily adopted the Code but the board's corporate governance policy is to observe the Code provisions as far as practicable given the size of the Company. The Audit & Risk Committee undertakes an annual review of the Code provisions and reviews and reports on the Company's corporate governance practices in this context.

The Board

The Board's structure and composition complies with the provisions of the Code. The Board currently consists of two Executive and five Non-Executive Directors including the Chairman, four of whom are independent under the Code definition. F M MacAulay was an Executive Director and Chief Operating Officer until her resignation on 4th July 2017. J E Martin has announced his intention to resign as a Non-Executive Director and will not be seeking re-election at the 2018 Annual General Meeting.

K G Lough was the Senior Independent Director throughout 2017. The Group's website contains an email contact for K G Lough, who is also 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 has a qualified company secretary and all Directors have access to her for advice and services. The Company Secretary ensures that 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.

The Board meets regularly throughout each financial year and there is a schedule of matters reserved for its approval to ensure that it exercises control over the Group's strategy, key financial and compliance issues and significant operational and management matters. These include capital structure, risk management, communication with shareholders, Board appointments and major contracts and commitments. Executive management is responsible for the day-to-day operation of the business and has a number of financial and operational responsibilities delegated to it. From time to time sub-committees of the Board are established

to approve the detail of matters tabled at full Board meetings. The Chairman meets regularly with the Non-Executive Directors without management present and also in the forum of the Nomination Committee.

A clearly defined organisational structure exists, with lines of responsibility and delegation of authority to executive management. The division of responsibilities between the Chairman and Chief Executive Officer was approved by the Board following the appointment of the new Chairman in 2016.

The Board supports Directors who wish to receive ongoing training and education relating to their duties. Independent legal advice is available at the Group's expense if necessary.

An external performance evaluation of the Board was undertaken in 2016 with a specific focus on the skills set and structure of the Board. Since the end of the year, an internal performance evaluation of the Board and its committees and an appraisal of the Chairman's performance has been undertaken. The Board performance appraisal is in the form of a questionnaire which is designed to flag up any issues of concern or areas for improvement which are then discussed at a board meeting. The Chairman's performance appraisal is coordinated by the Senior Independent Director.

The Board's Chairman, D McManus, was independent upon appointment. Three of the other Non-Executive Directors, K G Lough, J E Martin and A J Summers are independent. T P Bushell does not satisfy the independence criteria in the Code due to his previous executive position at FOGL and his short-term consultancy arrangement with the Company in respect of the integration of the business of FOGL which came to an end in July 2016. However, the Board considers T P Bushell to be independent as he has demonstrated independence of character and judgement since joining the Board and the Board considers that there are no circumstances which are likely to affect, or could appear to affect his judgement. Other than any shareholdings in the Company and fees, the Non-Executive Directors have no financial interests in the Company or business relationships that would interfere with their independent judgement. The appointment of Directors is a formal process involving all members of the Board which considers the recommendations of the Nomination Committee.

All Directors except J E Martin will stand for re-election at the annual general meeting.



David McManus
Chairman

Senior management team

In addition to the Executive Directors, biographies of which are included on pages 30, Rockhopper has an experienced and highly capable senior management team.



Paul Culpin
Development Manager

- > Over 40 years experience of oil and gas field development and operations
- > Worked with Rockhopper since 2010 initially as a consultant before joining full time in 2011
- > Previous roles with Exxon, Mobil, Enterprise Oil, Burlington Resources and Newfield Petroleum
- > Worked in many areas of the world and has been a part of the senior management team for three international green field oil and gas development projects including Bijupira-Salema FPSO offshore Brazil.



Jan Davies
Company Secretary

- > Qualified Company Secretary with law degree
- > Joined Rockhopper as a consultant in 2010 and became an employee in 2011
- > Over 20 years experience in the independent oil and gas sector
- > Previous roles with Monument Oil and Gas, Indago Petroleum and Serica Energy.



Alun Griffiths
Reservoir Engineer and
Sea Lion Asset Manager

- > Chartered Engineer
- > Over 35 years Petroleum Engineering experience
- > Worked with Rockhopper since 2010, initially as a consultant and joined full time in 2015
- > Previous roles with Shell, Intera-ECL and Schlumberger, then spent 16 years working as a freelance reservoir engineer for a wide variety of international clients.



Will Perry
Group Financial Controller

- > Fellow of the Institute of Chartered Accountants England and Wales
- > Worked with Rockhopper since 2010 before joining full time in 2011
- > Joined from Smith & Williamson where he was a senior manager with a portfolio of clients from a range of industries including those in the oil and gas sector.

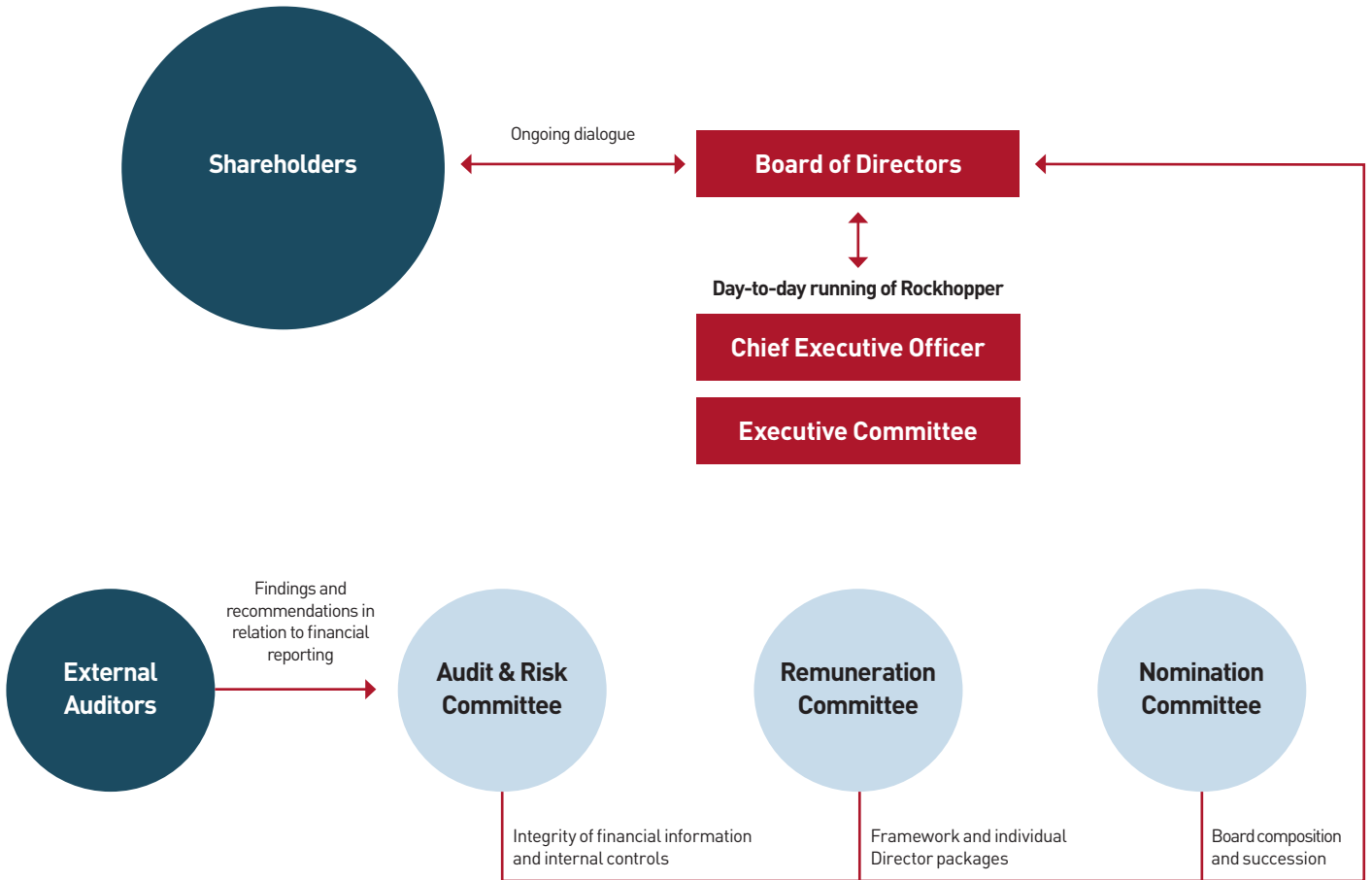


Lucy Williams
Geoscience Manager

- > Chartered geologist and currently Chairman of the Petroleum Group of the Geological society
- > Geoscientist with 25 years exploration and development experience
- > 11 years with Chevron during which time she was Lead Development Geologist on the 4.5Tcf Britannia gas condensate field in the North Sea
- > Subsurface Manager of the Songo Songo gas field; at the time Tanzania's only producing field
- > Worked on a variety of geologic basins across the world
- > Joined Rockhopper in June 2011, initially to assist with construction of first Sea Lion geomodels.

Rockhopper Board

How your Board works



Corporate diversity

Company composition – 21 employees as at 31 December 2017



Non-executive director tenure



Board of Directors



David McManus
Chairman

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, BG Group and Pioneer.



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

Stewart has 16 years of energy and corporate finance experience.

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.

Age:	64	48	37
Appointed to board:	September 2010	February 2005	March 2014
Meetings attended:	6/6	6/6	6/6
Committee membership:	> Nomination (Chairman)	—	—
External appointments:	Chairman: > FLEX LNG Director: > Hess Corporation > Costain plc	Director: > Greenland Gas & Oil Limited	—



Keith Lough
Senior Independent 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. Keith was previously Chairman of Gulf Keystone Petroleum.



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 Bowleven and Chairman of Falkland Oil and Gas Limited.

59	62	58	68
January 2014	February 2014	January 2016	January 2016
6/6	6/6	6/6	6/6
<ul style="list-style-type: none"> > Audit & Risk (Chairman) > Remuneration > Nomination 	<ul style="list-style-type: none"> > Audit & Risk > Remuneration > Nomination 	<ul style="list-style-type: none"> > Audit & Risk > Remuneration (Chairman) > Nomination 	<ul style="list-style-type: none"> > Audit & Risk > Remuneration > Nomination
Director: <ul style="list-style-type: none"> > Cairn Energy plc > UK Gas and Electricity Markets Authority 	—	Director: <ul style="list-style-type: none"> > Point Resources AS > Petro Matad Limited > Genel Energy plc 	Senior Vice President: <ul style="list-style-type: none"> > 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, T P Bushell and D McManus 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 the Chairman and all the Non-Executive Directors with the Chief Executive Officer attending by invitation from time to time. The make up of the Committee complies with the Code.

The Audit & Risk Committee comprises all the Non-Executive Directors and the Chairman, Chief Financial Officer, Group Financial Controller attend as invitees. The make up of the Committee complies with the Code.

The Remuneration Committee comprises all the Non-Executive Directors and the Chairman attends as an invitee. The make up of the Committee complies with the Code.

Remuneration Committee

The principal role of the Remuneration Committee is to consider, on behalf of the Board, the remuneration packages of the Executive Directors and the Chairman's fees which are 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 details of the responsibilities of the Remuneration Committee is given in the Directors' Remuneration Report.

The members of the Remuneration Committee are T P Bushell as Chairman, K G Lough, J E Martin and A J Summers. J E Martin and A J Summers were appointed to the Remuneration Committee in January 2017. The Board considers all members of the Remuneration Committee to be independent and the Committee constitution is therefore compliant with the Code.

The Committee met four times during the financial year. Details of the matters discussed are given in the Directors' Remuneration Report.

Director	Remuneration committee meetings attended
T P Bushell – Chairman	4
KG Lough	4
J E Martin	4 ¹
A J Summers	4 ¹
D McManus	4 ²
Total meetings during year	4

¹ One meeting attended as Invitee. Thereafter as Committee Member.
² Invitee.

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 changes 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 with all the Non-Executive Directors as its members. The Board considers all the Non-Executive Directors to be independent and the Committee constitution is therefore compliant with the Code.

The Nomination Committee met once during the financial year to consider the appointment of K G Lough as Senior Independent Director in place of R J Peters who left at the end of 2016, the constitution of the Committees and the extension of the appointments of K G Lough and A J Summers for a further three year term.

Audit & Risk Committee

The members of the Audit & Risk Committee are K G Lough as Chairman, T P Bushell, J E Martin and A J Summers. T P Bushell was appointed to the Audit & Risk Committee in January 2017. The Board considers all the members of the 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 Committee constitution is therefore compliant with the Code.

The external auditor, the Chief Financial Officer and Group Financial Controller 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 financial reporting and internal controls;
- > the Group's overall framework for risk management;
- > 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 is responsible for the approval of the provision of all audit services and permitted non-audit services undertaken by the external auditor.

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 provided by the external auditor are monitored and the Audit and Risk Committee 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 or 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 the Audit & Risk Committee meetings, the Chairman of the Audit & Risk Committee reports 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;
- > review of the key assumptions used by management in assessing carrying values of assets for potential impairment at the half year and year end;
- > assumptions and estimates around the fair value accounting for the acquisition of FOGL;
- > 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 risk management and the systems and processes that management has developed pertaining to risk identification, classification and mitigation including disaster recovery;
- > scope of the external financial controls review;
- > corporate governance practice with reference to the Code;
- > whistleblowing procedures and shareholder concerns;
- > external auditor's audit and non-audit fees.

Details of the meetings attended during the financial year were as follows:

Director	Audit & risk committee meetings attended
K G Lough – Chairman	3
J E Martin	2
A J Summers	3
T P Bushell	1
S MacDonald	3 ¹
D McManus	3 ¹
Total meetings during year	3

¹ Invited.

Since the year end, the Audit & Risk Committee has reviewed its 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.

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 2017, the Group had available cash and term deposits of \$51 million. In addition the first phase of the Group's main development, Sea Lion, is fully funded from sanction 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 have 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.

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 2017. 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 except where deemed inappropriate given the size and structure of the Group.

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 2017. It also sets out details of the implementation of the Executive Director Policy for the year ending 31 December 2018.

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 2018 financial year, the Committee has reduced the maximum bonus potential for the 2018 cash bonus from 100% of salary to 50%. This is to reflect the Committee's decision to remove progress towards the Final Investment Decision on the Sea Lion Development from the 2018 bonus targets and to make a one off special bonus payable at project sanction. The Committee does not propose any other substantial 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

Tim Bushell

Chairman of the Remuneration Committee

18 April 2018

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 below. 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	> Base salaries are reviewed annually on 1 January with regard to average industry increases, each Executive Director's role and responsibilities and salary adjustments across the Company.
Opportunity	<ul style="list-style-type: none"> > Salary increases will be awarded taking into account the outcome of the 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	<ul style="list-style-type: none"> > 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 > Executive Directors also receive a travel allowance.
Opportunity	<ul style="list-style-type: none"> > 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 Executive Directors whilst minimising the administrative burden for the Company.
Operation	> Contributions are made to a private or group personal pension plan. Since April 2017, contributions have been made up to the maximum Annual Allowance of £10,000 with the excess contribution paid by way of a pension cash allowance which is subject to deductions for tax and national insurance.
Opportunity	> An annual contribution equal to 15% 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	<ul style="list-style-type: none"> > 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	<ul style="list-style-type: none"> > The maximum annual bonus award is 100% of salary although this has been reduced to 50% in respect of the year ending 31 December 2018. In exceptional circumstances a higher bonus award may be made > The bonus is non-contractual and is discretionary.
Performance metrics	<ul style="list-style-type: none"> > 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 have been 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	<ul style="list-style-type: none"> > The LTIP was approved by shareholders in 2013 > The Committee makes annual awards of nil cost options which vest after three years subject to the extent that the performance targets attached to the awards have been achieved > 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 > The LTIP performance period will be three years and the commencement date of the performance period is at the discretion of the Committee > 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 > 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 > 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.
Opportunity	> The maximum annual award is 200% of salary.
Performance metrics	<ul style="list-style-type: none"> > 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 > The percentage of awards that can vest is determined by the Committee at the time that the awards are made. Awards currently vest on a sliding scale from 35% up to 100% for performance between the median and highest performing stock. No awards will vest for performance below the median > 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.

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 taxable 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 each '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.

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. The size of the peer group has been increased 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 currently 50% of salary although in exceptional circumstances a higher bonus award may be made.

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 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 15% 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	50% of base salary in respect of the current financial year except in circumstances deemed by the Committee to be exceptional
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	—

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 share appreciation rights (SARs) granted under the Company's Employee Share Option Scheme, SARs will 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, SARs shall be exercisable immediately for a period of one year from the date of death. In other good leaver circumstances, SARs 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 SAR award that may be exercised and the period during which the SARs can be 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

- > 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
- > The Board has regard to the level of fees paid to the non-executive directors of other similar sized companies and the time commitment and responsibilities of the role
- > Neither the Chairman nor the Non-Executive Directors participate in any of the Company's share schemes

Opportunity

- > The current annual fees are:
 - > Chairman: £115,000
 - > Non-executive director basic fee: £40,000
 - > Committee Chairmanship: £10,000
 - > Senior Independent Director: £2,500
- > 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

No benefits or other remuneration are provided

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. The appointment can be terminated at any time by either party giving one month's notice to the other. Details of the appointments are set out below:

Director	Appointment date	Original engagement letter	Revised engagement letter
D McManus	30 September 2010	30 November 2010	29 October 2013
			8th July 2016
K G Lough	14 January 2014	14 January 2014	1st February 2017
A J Summers	1 February 2014	3 February 2014	1st February 2017
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 2016 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 2017, the Committee comprised the Committee Chairman and three independent Non-Executive Directors. The Committee met four 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
T P Bushell (Committee Chairman)	4/4
K G Lough	4/4
J E Martin (appointed on 17 January 2017)	4/4 ¹
A J Summers (appointed on 17 January 2017)	4/4 ¹

1 One meeting attended as invitee.

During the financial year, the Committee's main areas of activity included:

- > Confirming the staff salary adjustments for 2017 and bonus awards for the period ended 31 December 2016
- > 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 2016
- > Approving the 2017 LTIP awards and reviewing the constitution of the peer group
- > Approving the annual implementation of the SIP
- > Approving the revised pension arrangements for Executive Directors following the reduction in the annual allowance
- > Agreeing the terms of F MacAulay's departure

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 2016 UK Corporate Governance Code. No individual is involved in determining his or her own remuneration.

External advice

The Committee received external legal advice in relation to employment matters and the operation of the share schemes. The Committee considers that the advice it received during the financial year 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 ³ £'000		SIP awards £'000		Total £'000	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
S J Moody	362.1	362.1	10.9	14.4	108.6	153.5	—	—	36.9	44.6	6.6	6.6	525.1	581.8
F M MacAulay ¹	201.3	317.8	6.2	13.4	—	166.2 ²	—	—	12.2	39.7	4.8	6.6	224.5	543.7
S MacDonald	297.0	297.0	9.6	2.0	89.1	146.3 ²	—	—	29.7	37.1	6.6	6.6	432.0	489.0

(1) F MacAulay left the Company on 4th July 2017

(2) Includes proceeds of vesting of awards under Cash Incentive Plan held by F MacAulay and interim bonus paid to S MacDonald. Net proceeds were reinvested in Company shares.

(3) Represents pension contributions paid in 2016 for the period from 1 January 2016 to 31 March 2017 and pension contributions/pension cash allowance paid in 2017 for the period from 1 April 2017 to 31 December 2017

The table below reports a single figure for total remuneration for each Non-Executive Director:

	Base fee £'000		Additional fees £'000		Total £'000	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2015
	D McManus	115.0	92.8	—	—	115.0
K G Lough	52.5	50.0	—	—	52.5	50.0
AJ Summers	40.0	40.0	—	—	40.0	40.0
T P Bushell	50.0	22.6	—	150.0 ¹	50.0	172.6
J E Martin	40.0	38.2	—	—	40.0	38.2
P J Jungels (retired 17 May 2016)	—	65.3	—	—	—	65.3
R J Peters (retired 31 December 2016)	—	45.0	—	—	—	45.0

(1) Represents fees for provision of consultancy services in respect of merger with Falkland Oil and Gas Limited. No fees were paid to TP Bushell in respect of his position as a Non-Executive Director during the period of the consultancy agreement which terminated in July 2016.

D McManus was appointed as Chairman of the Company on 17 May 2016 and was Chairman of the Remuneration Committee until July 2016.

KG Lough is Chairman of the Audit & Risk Committee and was appointed as Senior Independent Director in January 2017.

T P Bushell and J E Martin were appointed to the Board on 18 January 2016.

T P Bushell was appointed as Chairman of the Remuneration Committee in July 2016.

No fees were paid to Non-Executive Directors for membership of a committee or for attending committee meetings. Additional fees were payable of £2,500 (2016: £5,000) for acting as Senior Independent Director and £10,000 as Chairman of the Audit & 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 the year ended 31 December 2017

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:

- (i) **Bringing an additional paying partner into the Sea Lion Development project and/or working closely with the operator to deliver a financing solution to enable the joint venture to advance project sanction**
There had been some progress towards project sanction during 2017 specifically in relation to the development financing plan, senior debt negotiations and contractor finance arrangements. The Committee agreed that this target had been partially achieved.
- (ii) **Addition of a material new venture that adds substantial production and meets corporate investment criteria**
There had been no material new ventures in 2017. The Committee agreed that this target had not been achieved.
- (iii) **Preservation of the Company's cash position.**
The year end target cash position had been exceeded. The Committee agreed that this target had been achieved in full.

The Committee agreed that the following bonuses should be paid to each of the Executive Directors in recognition of the extent to which the 2017 corporate targets had been achieved.

Bonuses were paid in cash and were as follows:

Director	2017 Bonus as % of salary	Cash £
S J Moody	30	108,630
S MacDonald	30	89,100

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. The percentage of awards which will vest will be dependent on the total shareholder return ("TSR") measured against a peer group of 15 companies over a three year period.

Director	Date of grant	Share price at date of grant	Exercise price	Number of options subject to TSR performance condition — see 1 below	Maximum number of shares that may vest	Face value of maximum award*
S.J. Moody	16 June 2017	£0.2025	—	1,900,000	1,900,000	£384,750
S. MacDonald	16 June 2017	£0.2025	—	1,800,000	1,800,000	£364,000

*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 2017 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 May 2020
- > Performance measurement is based on the average price over the 90 day dealing period to 31 May 2017 measured against the 90 day dealing period up to 31 May 2020
- > Performance is based on Total Shareholder Return ("TSR") measured against an original peer group of 15 other oil and gas companies comprising both FTSE 250, larger AIM oil and gas companies and Falkland Islands focussed companies being EnQuest PLC, Amerisur Resources plc, Providence Resources Plc, Faroe Petroleum plc, BowLeven plc, Borders & Southern Petroleum plc, Premier Oil plc, Hurricane Energy plc, Sound Energy plc, The Parkmead Group plc, IGas Energy plc, Gulf Keystone Petroleum Limited, Chariot Oil & Gas Limited, Ophir Energy plc and SDX Energy Inc. The Committee has discretion to amend the size and constitution of the peer group to ensure that it remains appropriate and to reflect corporate changes.
- > 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 2018

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. The Executive Directors' base salaries were increased by 3% with effect from 1 January 2018. Prior to this there had been no salary increase since 1 January 2015.

Annual bonus

For 2018, the Executive Director annual bonus opportunity is up to 50% of base salary, reduced from 100% in previous years, although the Committee has discretion to make a higher award in exceptional circumstances. 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 2018:

- > Preservation of the Company's cash position/strengthening the balance sheet
- > Making a commercial discovery in Egypt

Given the strong progress made during 2017 towards project sanction, continued progress towards the Final Investment Decision on the Sea Lion Development has been removed from the 2018 bonus targets and replaced with a one off special bonus payable at project sanction. The exact quantum of this bonus is at the Committee's discretion but is set at a maximum of 200% of salary.

Long Term Incentive Plan

The Committee intends to grant LTIP awards in 2018 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.

Benefits, pension contributions and share plans

The Executive Directors will receive the range of Company benefits, pension contribution and cash allowance and participation in the SIP in line with the policy.

Implementation of Non-Executive remuneration policy for 2018

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

Role	Type of fee	From 2014
Chairman	Total fee	£115,000
Other non-executive directors	Basic fee	£40,000
	Chairman of Remuneration and Audit & Risk Committees	£10,000
	Senior Independent Director	£2,500

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 2017 Ordinary 1p shares	At 31 December 2016 Ordinary 1p shares
SJ Moody	2,333,749	2,051,456
S MacDonald	255,419	97,971
D McManus	498,952	132,803
T P Bushell	103,606	103,606
K G Lough	—	—
J E Martin	341,600	91,600
A J Summers	244,100	—

The Committee has agreed that the Executive Directors should be encouraged to build up a stake of Rockhopper shares equivalent to one times base salary in the case of S MacDonald and two times base salary in the case of SJ 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. During 2018, the Executive Directors, the Chairman and a number of Non-Executive Directors purchased additional shares on the open market out of their own resources.

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

(a) LTIP

(i) Unvested LTIP Awards

Director	Date of grant	Awards held at 31 Dec 2016	Granted	Lapsed/relinquished during Year	Vested	Awards held at 31 Dec 2017	Market price at date of award	Performance period	Earliest vesting date
SJ Moody	13.10.14	665,625	—	665,625	—	—	—	—	—
	13.04.15	855,354	—	—	—	855,354 ¹	£0.6350	01.04.15-31.03.18	31.03.18
	22.04.16	2,317,440	—	579,360	—	1,738,080	£0.3125	01.04.16-31.03.19	31.03.19
	16.06.17	—	1,900,000	—	—	1,900,000	£0.2025	01.06.17-31.05.20	16.06.20
S MacDonald	13.10.14	506,250	—	506,250	—	—	—	—	—
	13.04.15	701,575	—	—	—	701,575 ¹	£0.6350	01.04.15-31.03.18	31.03.18
	22.04.16	1,900,800	—	475,200	—	1,425,600	£0.3125	01.04.16-31.03.19	31.03.19
	16.06.17	—	1,800,000	—	—	1,800,000	£0.2025	01.06.17-31.05.20	16.06.20
F MacAulay	13.10.14	775,000	—	775,000	—	—	—	—	—
	13.04.15	750,591	—	750,591	—	—	—	—	—
	22.04.16	2,033,600	—	2,033,600	—	—	—	—	—

¹ Lapsed in full since year end.

ii) Vested LTIP Awards

Director	Date of grant	Vested Awards held at 31 Dec 2016	Exercised during the year	Vested Awards held at 31 Dec 2017
SJ Moody	08.10.13	177,802	—	177,802 ¹
S MacDonald	10.03.14	70,931	—	70,931 ¹
F MacAulay	08.10.13	109,497	—	109,497 ¹

¹ Exercise of the vested 2013 LTIP awards is subject to Rockhopper's share price exceeding £1.80 averaged over any 90 dealing period ending no later than 31 March 2023.

(b) Share options

As at 31 December 2016 and 31 December 2017, there were no share options held by individuals who were directors during the year ended 31 December 2017.

(c) Share appreciation rights

The share appreciation rights outstanding as at 31 December 2017 and held by individuals who were Directors during the year ended 31 December 2017 are:

Director	Date of grant	Awards held at 31 December 2016	Exercised during the year	Lapsed during the year	Awards held at 31 December 2017	Exercise price Pence
SJ 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	—	87,250	244,910	

Share price movements during year ended 31 December 2017

The mid-market closing price of the Company's shares as at 31 December 2017 was 21.25 pence (31 December 2016: 22.75 pence).

The range of the trading price of the Company's shares during the year was between 18.50 pence and 29.25 pence.

Executive director external appointments

SJ Moody is a Non-Executive Director of Greenland Gas & Oil Limited for which he receives a fee.

S MacDonald does not have any external directorships for which he is paid a fee.

By order of the Board

T P Bushell

Chairman of the Remuneration Committee

18 April 2018

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 year, 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 (year ended 31 December 2016: £nil).

Key performance indicators "KPIs"

See page 17 for more details.

Substantial shareholders

At 31 March 2018 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	% of issued share capital
Majedie Asset Management	23,152,016	5.06
Carlson Capital	22,630,467	4.95
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 year 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

There are no important events affecting the Group since the financial year end.

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 30.

Related party transactions

Related party transactions are disclosed in note 29.

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 30.

Political and charitable contributions

The Group made no charitable donations (year ended 31 December 2016: £nil) and no political donations (year ended 31 December 2016: £nil) during the year.

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 year were 43 days (year ended 31 December 2016: 20 days), on the basis of accounts payable as a percentage of amounts invoiced during the year.

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 21 employees at the year end, two of whom are Directors. 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 FRS 101 *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

18 April 2018

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

1. Our opinion is unmodified

We have audited the financial statements of Rockhopper Exploration plc ("the Company") for the year ended 31 December 2017 which comprise the Group Income statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity, and the related notes, including the accounting policies in note 1.

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 2017 and of the Group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- > the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

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

	The risk	Our response
<p>Recoverability of exploration and evaluation assets/Recoverability of Parent company's investment in subsidiaries and receivables due from group companies</p> <p>Exploration and evaluation assets: \$432.1m (2016: \$426.4m)</p> <p>Refer to page 56 (accounting policy) and page 68 (financial disclosures)</p> <p>Investment in subsidiaries: \$93.6m (2016: \$93.6m)</p> <p>Loans due from group companies: \$412.2m (2016: \$404.4m)</p> <p>Refer to page 78 (accounting policy) and page 80 (financial disclosures)</p>	<p>Forecast-based valuation</p> <p>Uncertainty related to development prospects of the fields in the Falkland Islands area could have a significant impact on the recoverable amount of Group's exploration and evaluation assets. Forecasting the recoverable amount of the group's CGUs is a highly subjective area due to the inherent uncertainty involved in forecasting and discounting future cash flows, specifically around oil and gas prices, reserve estimates and future cost estimates. Moreover, certain licenses in this area expire in 2021. Extension of these licenses is subject to ability of the Company to secure financing for further development and successful negotiations with local government.</p> <p>Recoverability of Parent company's investment in subsidiaries and receivables due from group companies depend solely on the development prospects of the fields in the Falkland Islands area.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> > Impairment triggers analysis: We assessed the directors' judgments in considering if any impairment indicators were present by considering whether the appropriate business developments during the year were incorporated in that analysis; > Evaluating assumptions: With the assistance of our valuation specialists, we challenged the Group's key assumptions and estimates by comparing them to externally derived, as well to our own assessments based on industry knowledge; > Sensitivity analysis: We performed sensitivity analysis on the key assumptions to assess whether a reasonably possible change in these assumptions could trigger an impairment charge; > Methodology choice: We assessed reasonableness of the model used, challenged whether all appropriate cash flows are included as well as reviewed mathematical accuracy of the model; > Assessing transparency: We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of tangible and intangible assets; > Assessing license extension prospects: We assessed whether it is likely that extension will be granted for licenses in the Falkland Islands area. We inquired about the stages of negotiations with UK Export Finance and other creditors to determine expected timeline of securing financing necessary for development of the oilfields in the area and read available correspondence with these parties.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at \$5.3m (2016: \$4.0m), determined with reference to a benchmark of total assets, of which it represents 1% (2016: 1%).

Materiality for the parent company financial statements as a whole was set at \$5.3m (2016: \$4.0m), determined with reference to a benchmark of net assets and chosen not to exceed materiality for the group financial statements as a whole. It represents 1% (2016: 1%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$275k (2016: \$200k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

For both the current and prior year, the Group audit team performed the audit of the Group (including the Parent Company financial information) as if it was a single aggregated set of financial information.

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- > we have not identified material misstatements in the strategic report and the directors' report;
- > in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- > in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Lynton Richmond (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered accountants
15 Canada Square
London E14 5GL

19 April 2018

Group income statement

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Revenue		10,401	7,417
Other cost of sales		(4,100)	(4,373)
Depreciation and impairment of oil and gas assets		(5,473)	(3,294)
Total cost of sales	4	(9,573)	(7,667)
Gross profit/(loss)		828	(250)
Exploration and evaluation expenses	5	(3,422)	(8,237)
Costs in relation to acquisition and group restructuring		—	(2,529)
Recurring administrative costs		(5,282)	(7,441)
Total administrative expenses	6	(5,282)	(9,970)
Excess of fair value over cost		—	111,842
Charge for share based payments	9	(864)	(994)
Foreign exchange movement	10	(966)	5,679
Results from operating activities and other income		(9,706)	98,070
Finance income	11	783	307
Finance expense	11	(39)	(333)
(Loss)/profit before tax		(8,962)	98,044
Tax	12	2,823	—
(Loss)/profit for the year attributable to the equity shareholders of the parent company		(6,139)	98,044
(Loss)/profit per share: cents			
Basic	13	(1.34)	21.98
Diluted	13	(1.34)	21.98

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

Group statement of comprehensive income

for the year ended 31 December 2017

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Profit for the year	(6,139)	98,044
Exchange differences on translation of foreign operations	(1,151)	192
Total comprehensive (loss)/profit for the year	(7,290)	98,236

Group balance sheet

as at 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Non-current assets			
Exploration and evaluation assets	14	432,147	426,419
Property, plant and equipment	15	11,585	18,025
Goodwill	16	10,789	9,439
Current assets			
Inventories		1,621	1,608
Other receivables	17	16,840	17,184
Restricted cash	18	540	495
Term deposits	19	30,000	30,000
Cash and cash equivalents		20,729	51,019
Assets held for sale	20	3,814	—
Total assets		528,065	554,189
Current liabilities			
Other payables	21	12,772	34,012
Tax payable	22	—	9
Non-current liabilities			
Tax payable	22	40,057	39,115
Provisions	23	5,986	14,914
Deferred tax liability	24	39,202	39,145
Liabilities directly associated with assets held for sale	20	9,450	—
Total liabilities		107,467	127,195
Equity			
Share capital	25	7,200	7,194
Share premium	26	3,282	3,149
Share based remuneration	26	5,609	6,251
Own shares held in trust	26	(3,383)	(3,407)
Merger reserve	26	74,332	74,332
Foreign currency translation reserve	26	(10,119)	(8,968)
Special reserve	26	460,077	462,549
Retained losses	26	(116,400)	(114,106)
Attributable to the equity shareholders of the company		420,598	426,994
Total liabilities and equity		528,065	554,189

These financial statements were approved by the directors and authorised for issue on 18 April 2018 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

Group statement of changes in equity

for the year ended 31 December 2017

	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 December 2015	4,910	2,995	5,491	(3,513)	11,112	(9,160)	472,967	(222,568)	262,234
Total comprehensive income for the year	—	—	—	—	—	192	—	98,044	98,236
Share based payments	—	—	884	—	—	—	—	—	884
Issue of shares	2,278	—	—	—	63,220	—	—	—	65,498
Share issues in relation to SIP	6	154	110	(128)	—	—	—	—	142
Exercise of share options	—	—	(234)	234	—	—	—	—	—
Other transfers	—	—	—	—	—	—	(10,418)	10,418	—
Balance at 31 December 2016	7,194	3,149	6,251	(3,407)	74,332	(8,968)	462,549	(114,106)	426,994
Total comprehensive income for the year	—	—	—	—	—	(1,151)	—	(6,139)	(7,290)
Share based payments	—	—	864	—	—	—	—	—	864
Share issues in relation to SIP	6	133	—	(109)	—	—	—	—	30
Other transfers	—	—	(1,506)	133	—	—	(2,472)	3,845	—
Balance at 31 December 2017	7,200	3,282	5,609	(3,383)	74,332	(10,119)	460,077	(116,400)	420,598

Group cash flow statement

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Cash flows from operating activities			
Net (loss)/profit before tax		(8,962)	98,044
Adjustments to reconcile net losses to cash:			
Depreciation	15	5,687	4,725
Other non-cash movements	4	—	(1,205)
Share based payment charge	9	864	994
Excess fair value over cost		—	(111,842)
Exploration impairment expenses	14	2,321	3,549
Loss on disposal of property, plant and equipment		—	139
Finance expense		40	333
Finance income		(783)	(317)
Foreign exchange	10	3,331	(6,187)
Operating cash flows before movements in working capital		2,498	(11,767)
Changes in:			
Other receivables		(964)	277
Payables		110	(7,962)
Movement on other provisions		(14)	(1,748)
Cash utilised by operating activities		1,630	(21,200)
Cash flows from investing activities			
Cash proceeds received on North Falkland Basin exploration insurance claim		—	45,507
Capitalised expenditure on exploration and evaluation assets		(25,366)	(38,985)
Purchase of property, plant and equipment		(1,451)	(1,218)
Acquisition of FOGL		—	5,312
Acquisition of Beach Egypt		(6,266)	(18,839)
Interest		566	559
Investing cash flows before movements in capital balances		(32,517)	(7,664)
Changes in:			
Restricted cash		(45)	1,689
Term deposits		—	30,000
Cash flow from investing activities		(32,562)	24,025
Cash flows from financing activities			
Share incentive plan		30	31
Finance expense		(43)	(33)
Cash flow from financing activities		(13)	(2)
Currency translation differences relating to cash and cash equivalents		655	(2,238)
Net cash flow		(30,945)	2,823
Cash and cash equivalents brought forward		51,019	50,434
Cash and cash equivalents carried forward		20,729	51,019

Notes to the group financial statements

for the year ended 31 December 2017

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 for the exploration and exploitation of oil and gas in the Falkland Islands. In 2014, it diversified its portfolio into the Greater Mediterranean through the acquisition of an exploration and production company with operations principally based in Italy and during 2016 augmented this through the acquisition of exploration and production assets in Egypt. The registered office of the Company is 4th Floor, 5 Welbeck Street, London, W1G 9YQ.

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 18 April 2018 and are subject to approval at the Annual General Meeting of shareholders on 18 May 2018.

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").

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.

- IFRS9 Financial Instruments (effective date for annual periods beginning on or after 1 January 2018);
- IFRS15 Revenue from Contracts with customers (effective date for annual periods beginning on or after 1 January 2018);
- IFRS16 Leases (effective date for annual periods beginning on or after 1 January 2019);

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 2017, the Group had available cash and term deposits of \$51 million. In addition the first phase of the Group's main development, Sea Lion, is fully funded from sanction 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.

Notes to the group financial statements *continued*

for the year ended 31 December 2017

1. Accounting policies (continued)

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.

(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 and production 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.

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.

Notes to the group financial statements *continued*

for the year ended 31 December 2017

1. Accounting policies *continued*

1.6 Significant accounting policies *continued*

(F) Foreign currency translation *continued*

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.

The period end rates of exchange actually used were:

	31 December 2017	31 December 2016
£ : US\$	1.35	1.22
€ : US\$	1.20	1.05

(G) Revenue and income

(i) Revenue

Revenue arising from the sale of goods is recognised 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.

(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.

Notes to the group financial statements *continued*

for the year ended 31 December 2017

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 IFRS 3- Business Combinations. Management performs annual impairment tests on the carrying value of goodwill and the Greater Mediterranean CGU that the goodwill is attributed to. 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 23)

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.

3. Revenue and segmental information

	Falkland Islands \$'000	Greater Mediterranean \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2017				
Revenue	—	10,401	—	10,401
Cost of sales	—	(9,573)	—	(9,573)
Gross profit	—	828	—	828
Exploration and evaluation expenses	—	(2,369)	(1,053)	(3,422)
Other administrative costs	(7)	(1,487)	(3,788)	(5,282)
Total administrative expenses	(7)	(1,487)	(3,788)	(5,282)
Excess of fair value over cost	—	—	—	—
Charge for share based payments	—	—	(864)	(864)
Foreign exchange movement	(3,791)	366	2,459	(966)
Results from operating activities and other income	(3,798)	(2,662)	(3,246)	(9,706)
Finance income	—	—	783	783
Finance expense	—	(30)	(9)	(39)
Loss before tax	(3,798)	(2,692)	(2,472)	(8,962)
Tax	2,866	(43)	—	2,823
Loss for year	(932)	(2,735)	(2,472)	(6,139)
Reporting segments assets	425,971	51,647	50,447	528,065
Reporting segments liabilities	80,462	19,551	7,454	107,467
Depreciation	—	5,498	189	5,687
	Falkland Islands \$'000	Greater Mediterranean \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2016				
Revenue	—	7,417	—	7,417
Cost of sales	—	(7,667)	—	(7,667)
Gross loss	—	(250)	—	(250)
Exploration and evaluation expenses	(35)	(7,427)	(775)	(8,237)
Costs in relation to acquisition and group restructuring	—	(1,350)	(1,179)	(2,529)
Other administrative costs	—	(2,557)	(4,884)	(7,441)
Total administrative expenses	—	(3,907)	(6,063)	(9,970)
Excess of fair value over cost	111,842	—	—	111,842
Charge for share based payments	—	—	(994)	(994)
Foreign exchange movement	8,292	27	(2,640)	5,679
Results from operating activities and other income	120,099	(11,557)	(10,472)	98,070
Finance income	—	—	307	307
Finance expense	—	(325)	(8)	(333)
Profit/(loss) before tax	120,099	(11,882)	(10,173)	98,044
Tax	—	—	—	—
Profit/(loss) for year	120,099	(11,882)	(10,173)	98,044
Reporting segments assets	424,867	36,369	92,953	554,189
Reporting segments liabilities	77,952	18,968	30,275	127,195
Depreciation	—	4,529	196	4,725

Notes to the group financial statements continued

for the year ended 31 December 2017

4. Cost of sales

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Cost of sales	4,100	4,373
Depreciation of oil and gas assets	5,473	4,499
Other non-cash movements	—	(1,205)
	9,573	7,667

5. Exploration and evaluation expenses

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Allocated from administrative expenses (see note 6)	597	754
Capitalised exploration costs impaired (see note 14)	2,321	3,549
Other exploration and evaluation expenses	504	3,957
Amounts recharged to partners	—	(23)
	3,422	8,237

6. Administrative expenses

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Directors' salaries and fees, including bonuses (see note 7)	1,934	2,469
Other employees' salaries	2,604	3,157
National insurance costs	651	1,098
Pension costs	260	1,337
Employee benefit costs	92	333
Total staff costs (including group restructuring costs)	5,541	8,394
Amounts reallocated	(2,200)	(3,375)
Total staff costs charged to administrative expenses	3,341	5,019
Costs in relation to acquisition	—	1,179
Auditor's remuneration (see note 8)	244	278
Other professional fees	992	1,832
Other	1,481	2,905
Depreciation	214	283
Amounts reallocated	(990)	(1,526)
	5,282	9,970

The average number of staff employed during the year was 24 (31 December 2016: 31). The relative decrease between years reflects the continued restructuring of the Greater Mediterranean operation. As at 31 December 2017 the number of staff employed had reduced to 21.

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.

7. Directors' remuneration

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Executive salaries	1,141	1,283
Executive bonuses	267	508
Company pension contributions to money purchase schemes	104	139
Benefits	37	52
Non-executive fees	385	487
	1,934	2,469

The total remuneration of the highest paid Director was:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Annual salary	362,100	362,100
Bonuses	108,600	153,900
Money purchase pension schemes	36,900	44,600
Benefits	10,904	14,361
Gain on exercise of share options	—	—
	518,504	574,961

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 2017 \$'000	Year ended 31 December 2016 \$'000
KPMG LLP		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	117	148
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	63	79
Half year review	45	41
Tax compliance services	19	10
	244	278

Notes to the group financial statements *continued*

for the year ended 31 December 2017

9. Share based payments

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

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000E
Charge for the long term incentive plan options	768	934
Charge for shares issued under the SIP throughout the year	96	60
	864	994

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 can 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 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.

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

Grant date:	16 June 2017	22 Apr 2016	13 Apr 2015	13 Oct 14	13 Oct 14
Closing share price	21.25p	31.5p	64.0p	76.0p	76.0p
Minimum exercise/base price	N/A	N/A	N/A	N/A	N/A
Escalation applied for being best of peer group	N/A	N/A	N/A	N/A	33%
Escalation applied for being second of peer group	N/A	N/A	N/A	N/A	29%
Number granted	6,700,000	10,047,885	4,111,838	1,063,750	2,382,581
Weighted average volatility	53.3%	60.4%	44.5%	36.5%	36.5%
Weighted average volatility of index	71.4%	71.2%	55.8%	42.2%	42.2%
Weighted average risk free rate	0.18%	0.58%	0.70%	1.27%	1.27%
Correlation in share price movement with comparator group	15.3%	27.5%	33.5%	32.0%	32.0%
Exercise price	0p	0p	0p	0p	0p
Dividend yield	0%	0%	0%	0%	0%

The following movements occurred during the year:

Issue date	Expiry date	At 31 December 2015	Issued	Lapsed	At 31 December 2017
8 October 2013	8 October 2023	546,145	—	—	546,145
10 March 2014	10 March 2024	70,391	—	—	70,391
13 October 2014	13 October 2024	3,042,188	—	(3,042,188)	—
13 April 2015	13 April 2025	3,728,535	—	(750,591)	2,977,944
22 April 2016	22 April 2026	10,047,885	—	(4,030,035)	6,017,850
16 June 2017	16 June 2027	—	6,700,000	—	6,700,000
		17,435,144	6,700,000	(7,822,814)	16,312,330

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 year the Group issued two Matching Shares for every Partnership Share purchased.

In the year the Group made a free award of £41,997 (year ended 31 December 2016 £50,997) worth of Free Shares to eligible employees.

This resulted in 154,826 (year ended 31 December 2016: 177,772) Free Shares and under the SIP scheme matching and partnership shares issued were 302,622 (year ended 31 December 2016: 216,778) in the period.

	31 December 2017	31 December 2016
The average fair value of the shares awarded (pence)	23	29
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.

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 2016	Exercised	Lapsed	At 31 December 2017
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	—	(15,929)	196,712
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	—	(22,505)	269,026
30 January 2013	30 January 2023	159.00	366,931	—	(49,086)	317,845
			1,420,531	—	(87,520)	1,333,011

Notes to the group financial statements continued

for the year ended 31 December 2017

10. Foreign exchange

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Foreign exchange (loss)/gain on Falkland Islands tax liability	(3,791)	8,290
Foreign exchange gain/(loss) on term deposits, cash and restricted cash	460	(2,103)
	(3,331)	6,187
Foreign exchange on operating activities	2,365	(508)
Total net foreign exchange (loss)/gain	(966)	5,679

11. Finance income and expense

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Bank and other interest receivable	783	307
Total finance income	783	307
Unwinding of discount on provisions	(4)	300
Other	43	33
Total finance expense	39	333

12. Taxation

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Current tax:		
Overseas tax	(14)	—
Adjustment in respect of prior years	(2,866)	—
Total current tax	(2,880)	—
Deferred tax:		
Overseas tax	57	—
Total deferred tax – note 24	57	—
Tax on profit on ordinary activities	(2,823)	—
(Loss)/Profit on ordinary activities before tax	(8,962)	98,044
(Loss)/Profit on ordinary activities multiplied at 26% weighted average rate (31 December 2016: 26%)	(2,330)	25,491
Effects of:		
Income and gains not subject to taxation	(1,884)	(32,055)
Expenditure not deductible for taxation	3,005	253
Depreciation in excess of capital allowances	(722)	(349)
IFRS2 Share based remuneration cost	189	216
Losses carried forward	1,656	6,894
Effect of tax rates in foreign jurisdictions	134	(436)
Adjustments in respect of prior years	(2,866)	—
Other	(5)	(14)
Tax (credit)/charge for the year	(2,823)	—

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 is classified as non-current and discounted. Additional information is given in Note 22 Tax payable.

The total carried forward losses and carried forward pre trading expenditures potentially available for relief are as follows:

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
UK	62,033	59,529
Falkland Islands	576,121	123,732
Italy	61,961	54,051

In Egypt under the terms of the PSC any taxes arising are settled by EGPC on behalf of the Group. Consequently, any carried forward losses would have no impact on the reported profits of the Group.

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. Losses carried forward in the Falkland Islands includes amounts held within entities where utilisation of the losses in the future may not be possible.

13. Basic and diluted loss per share

	31 December 2017 Number	31 December 2016 Number
Shares in issue brought forward	456,659,052	296,579,834
Shares issued		
– Issued in relation to acquisitions	—	159,684,668
– Issued under the SIP	457,448	394,550
Shares in issue carried forward	457,116,500	456,659,052
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	456,945,871	446,106,108
Effects of dilutive potential Ordinary shares		
Contingently issuable shares	—	—
	456,945,871	446,106,108
	\$'000	\$'000
Net (loss)/profit after tax for purposes of basic and diluted earnings per share	(6,139)	98,044
(Loss)/Earnings per share – cents		
Basic	(1.34)	21.98
Diluted	(1.34)	21.98

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. The calculation of loss per share is based upon the loss for the year and the weighted average shares in issue. As the Group is reporting a loss in the year then in accordance with IAS33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

Notes to the group financial statements *continued*

for the year ended 31 December 2017

14. Intangible exploration and evaluation assets

	Falkland Islands \$'000	Greater Mediterranean \$'000	Total \$'000
As at 31 December 2015	251,424	5,234	256,658
Acquisitions through business combinations	170,000	—	170,000
Asset additions	—	5,772	5,772
Additions	(2,840)	587	(2,253)
Written off to exploration costs	—	(3,549)	(3,549)
Foreign exchange movement	—	(209)	(209)
As at 31 December 2016	418,584	7,835	426,419
Additions	7,387	1,317	8,704
Written off to exploration costs	—	(2,321)	(2,321)
Transfer to assets held for sale	—	(824)	(824)
Foreign exchange movement	—	169	169
As at 31 December 2017	425,971	6,176	432,147

Falkland Islands licences

The additions during the period of \$7.4 million relate principally to the Sea Lion development.

The Acquisition during the prior period of \$170 million reflects the fair value of the licences held by Falkland Oil & Gas Limited and its subsidiary, principally being its 40% interest in the PL004 licences.

The carrying value of phase 1 of the Sea Lion Development, 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 2018 real terms oil price of \$70/bbl, a post-tax discount rate of 12.5% and utilising the operator's current estimates of capital and operating costs and production profiles. The project is targeting project sanction decision at the end of 2018 (with such decision dependent on funding) and is expected to take three and half years from sanction to first oil.

The remaining barrels in Sea Lion are expected to be recovered along with those in near field discoveries in a second phase of development. This second phase has been checked for impairment in a similar manner.

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

Costs associated with Isobel/Elaine discoveries and a potential phase 3 development are carried at cost and no indication of impairment currently exist although the assets require further appraisal.

Greater Mediterranean licences

The \$1.3 million additions during the period predominantly relate to work on the Egyptian license interests. An impairment of \$2.3 million was recognised during the year against the Abu Sennan concession in Egypt following confirmation of the Al Jahraa-9 well being water wet.

The asset additions in the prior period (\$5.8 million) relate to the Egyptian exploration assets acquired as part of the acquisition of Beach Petroleum (Egypt) Pty Limited.

At the end of the prior year, following a review of the operator's technical evaluation of the Maltese assets, the decision was made to relinquish the licence. This was the main component of the \$3.5 million written off to exploration costs in the Greater Mediterranean region as all costs associated with the licence were written off.

15. Property, plant and equipment

	Oil and gas assets \$'000	Other assets \$'000	31 December 2017 \$'000	Oil and gas assets \$'000	Other assets \$'000	31 December 2016 \$'000
Cost brought forward	32,378	1,096	33,474	23,245	1,645	24,890
Acquisitions	—	—	—	—	58	58
Asset additions	—	—	—	9,696	33	9,729
Additions	970	17	987	1,615	96	1,711
Foreign exchange	2,524	21	2,545	(787)	(7)	(794)
Disposals	—	—	—	(1,391)	(729)	(2,120)
Transfer to assets held for sale	(4,829)	—	(4,829)	—	—	—
Cost carried forward	31,043	1,134	32,177	32,378	1,096	33,474
Accumulated depreciation and impairment						
loss brought forward	(14,831)	(618)	(15,449)	(11,208)	(1,045)	(12,253)
Current year depreciation charge	(5,473)	(214)	(5,687)	(4,499)	(226)	(4,725)
Foreign exchange	(1,790)	(9)	(1,799)	566	3	569
Disposals	—	—	—	310	650	960
Transfer to assets held for sale	2,343	—	2,343	—	—	—
Accumulated depreciation and impairment						
loss carried forward	(19,751)	(841)	(20,592)	(14,831)	(618)	(15,449)
Net book value brought forward	17,547	478	18,025	12,037	600	12,637
Net book value carried forward	11,292	293	11,585	17,547	478	18,025

All oil and gas assets relate to the Greater Mediterranean region, specifically producing assets in Italy and Egypt.

Prior year asset additions relate almost entirely to the addition of the Abu Sennan production asset in Egypt which was acquired as part of the acquisition of Beach Petroleum (Egypt) Pty Limited.

Impairment testing was performed across the Group's oil and gas assets and 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 oil and gas price assumption equal to existing contracts in place and relevant forward curve in 2018 and 2019, and an oil price of \$70/bbl and a gas price of €0.25/sm³ in 2018 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. No impairment was recognised in the period (2016: \$nil).

16. Goodwill

	Greater Mediterranean \$'000
As at 31 December 2016	9,439
Foreign exchange movement	1,350
As at 31 December 2017	10,789

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 Italian CGU and more specifically to Monte Grosso and Ombrina Mare, which 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 increase in the period of \$1,350,000 (2016: \$364,000 reduction) 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 a value in use calculation. Future cashflows are estimated using long term realised gas price of €0.25/sm³ and a long-term realised oil price of \$70/bbl in 2018 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 2017

17. Other receivables

	31 December 2017 \$'000	31 December 2016 \$'000
Current		
Receivables	9,826	12,633
Prepayments	473	374
Accrued interest	323	106
Income tax	85	74
Other	6,133	3,997
	16,840	17,184

The carrying value of receivables approximates to fair value. The decrease in receivables in the year is due to the reduction of the receivable due from EGPC. At 31 December 2017, the receivable balance due from EGPC was \$7.6 million of which net \$6.9 million was due to Rockhopper after offsetting the amount payable to the former parent company, Beach Energy Limited. This reduction has been in part offset by an increase in the IVA tax receivable balance due from the Italian tax authorities.

18. Restricted cash

	31 December 2017 \$'000	31 December 2016 \$'000
Charged accounts	540	495
	540	495

19. Term deposits

	31 December 2017 \$'000	31 December 2016 \$'000
Maturing after the period end:		
Within three months	10,000	—
Six to nine month	10,000	10,000
Nine months to one year	10,000	20,000
	30,000	30,000

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. Disposal group held for sale

On 8 June 2017, the Group announced the disposal of a portfolio of non-core interests in onshore Italy. As at 31 December 2017, the disposal group comprised assets of \$3.8 million less liabilities of \$9.5 million, detailed as follows.

	\$'000
Intangible exploration and evaluation assets	972
Property, plant and equipment	2,625
Inventories	217
Provisions	(9,450)
	(5,636)

21. Other payables and accruals

	31 December 2017 \$'000	31 December 2016 \$'000
Accounts payable	2,551	687
Accruals	8,654	25,202
Other creditors	1,567	8,123
	12,772	34,012

Accruals have decreased due to the prior year including costs associated with the close out of the 2015/16 North Falkland Basin drilling campaign. The decrease in other creditors in the year is due to the reduction of a payable balance due to the former parent company Beach Energy Limited related to the associated receivable from EGPC (see note 17). The balance outstanding as at 31 December 2017 was \$0.7 million.

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.

22. Tax payable

	31 December 2017 \$'000	31 December 2016 \$'000
Current tax payable	—	9
Non current tax payable	40,057	39,115
	40,057	39,124

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 deferral 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 is anticipated to occur within six months of first oil production which itself is estimated to occur approximately three and a half years after project sanction. As such the tax liability has been reclassified as non-current and discounted at 15%. The tax liability has been revised downwards in the year ended 31 December 2017 to £59.6 million, due to the full benefit of the exploration carry being received from Premier on the 2015/16 drilling campaign and the Falkland Islands Commissioner of Taxation agreeing to reduce the liability on that basis in line with the terms of the Tax settlement Deed. A foreign exchange loss of US\$3.8 million (2016: US\$8.3 million gain) has also been recognised in the year.

23. Provisions

	Abandonment provision \$'000	Other provisions \$'000	31 December 2017 \$'000	31 December 2016 \$'000
Brought forward	14,812	102	14,914	20,343
Amounts utilised	(1,669)	(35)	(1,704)	(4,245)
Amounts arising in the period	—	11	11	66
Change in estimate	—	—	—	(849)
Unwinding of discount	—	—	—	300
Transfer to liabilities associated with assets held for sale	(8,772)	—	(8,772)	—
Foreign exchange	1,524	13	1,537	(701)
Carried forward at period end	5,895	91	5,986	14,914

The abandonment provision relates to the Group’s licences 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 leaving indemnity for staff in Italy, that will become payable when they cease employment.

Notes to the group financial statements *continued*

for the year ended 31 December 2017

24. Deferred tax liability

	31 December 2017 \$'000	31 December 2016 \$'000
At beginning of period	39,145	39,145
Movement in period	57	—
At end of period	39,202	39,145

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 2017 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 utilised. The potential deferred tax asset at the 31 December 2017 would be \$176 million (31 December 2016: \$59 million).

25. Share capital

	31 December 2017		31 December 2016	
	\$'000	Number	\$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	7,200	457,116,500	7,194	456,659,552

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

26. 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.

27. Lease commitments

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

	31 December 2017 \$'000	31 December 2016 \$'000
Total committed within 1 year	569	902
Total committed between 1 and 5 years	1,285	1,117
	1,854	2,109

28. 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.

As at the date of these accounts the Group had committed to fund its share of the approved work programs and budgets for our licence interests in the calendar year ending 31 December 2018 of US\$10 million.

29. 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 35 to 45.

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Short term employee benefits	1,875	2,538
Pension contributions	59	139
Share based payments	120	508
	2,054	3,185

Notes to the group financial statements *continued*

for the year ended 31 December 2017

30. 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 tax 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.

Asset balances include cash and cash equivalents, restricted cash and term deposits of \$51.3 million of which \$46.3 million was held in US\$ denominations. The following table summarises the split of the Group's assets and liabilities by currency:

Currency denomination of balance	\$ \$'000	£ \$'000	€ \$'000	EGP £ \$'000
Assets				
31 December 2017	495,535	2,989	29,519	22
31 December 2016	520,607	7,811	27,064	7
Liabilities				
31 December 2017	47,087	42,031	18,349	—
31 December 2016	72,908	41,852	12,735	—

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 2017	(3,904)	3,904	(3,904)	3,904
31 December 2016	(2,519)	2,519	(2,519)	2,519
US\$ against euro				
31 December 2017	1,117	(1,117)	1,117	(1,117)
31 December 2016	(1,060)	1,060	(1,060)	1,060

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 and for the sale of Oil and Gas. Should the companies 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 2017 were \$9,826,000 (31 December 2016: \$12,633,000). Credit risk relating to the Group's other financial assets which comprise principally cash and cash equivalents, term deposits and restricted cash arises from the potential default of counterparties. Investments of cash and deposits are made within credit limits assigned to each counterparty. The risk of loss through counterparty failure is therefore mitigated by the Group splitting its funds across a number of banks, two of which are part owned by the British government

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 2017 were \$30,000,000 (31 December 2016: \$30,000,000).

Parent company financial statements – company balance sheet

As at 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Non current assets			
Property, plant and equipment	2	169	317
Investments	3	93,617	93,617
Current assets			
Other receivables	4	413,069	404,998
Restricted cash		540	495
Term deposits		30,000	30,000
Cash and cash equivalents		18,792	49,653
Total assets		556,187	579,080
Current liabilities			
Other payables	5	7,454	28,769
Total liabilities		7,454	28,769
Equity			
Share capital	6	7,200	7,194
Share premium	10	3,282	3,149
Share based remuneration	10	5,610	6,251
Own shares held in trust	10	(3,383)	(3,407)
Merger reserve	10	74,575	74,575
Special reserve	10	461,449	462,549
Retained earnings	10	—	—
Attributable to the equity shareholders of the company		548,733	550,311
Total liabilities and equity		556,187	579,080

These financial statements were approved by the directors and authorised for issue on 18 April 2018 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 2017

	Share capital \$'000	Share premium \$'000	Share based remuneration \$'000	Shares held in trust \$'000	Merger reserve \$'000	Special reserve \$'000	Retained losses \$'000	Total Equity \$'000
At 31 December 2015	4,910	2,995	5,491	(3,513)	11,355	472,967	—	494,205
Total comprehensive loss for the year	—	—	—	—	—	—	(10,418)	(10,418)
Share based payments	—	—	884	—	—	—	—	884
Share issues in relation to acquisition	2,278	—	—	—	63,220	—	—	65,498
Share issues in relation to SIP	6	154	110	(128)	—	—	—	142
Exercise of share options	—	—	(234)	234	—	—	—	—
Other transfers	—	—	—	—	—	(10,418)	10,418	—
Balance at 31 December 2016	7,194	3,149	6,251	(3,407)	74,575	462,549	—	550,311
Total comprehensive loss for the year	—	—	—	—	—	—	(2,472)	(2,472)
Share based payments	—	—	864	—	—	—	—	864
Share issues in relation to SIP	6	133	—	(109)	—	—	—	30
Other transfers	—	—	(1,505)	133	—	(1,100)	2,472	—
Balance at 31 December 2017	7,200	3,282	5,610	(3,383)	74,575	461,449	—	548,733

Notes to the company financial statements

for the year ended 31 December 2017

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 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 and during 2016 augmented this through the acquisition of exploration and production assets in Egypt. The registered office of the Company is 4th Floor, 5 Welbeck Street, London, W1G 9YQ.

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 2017 were approved and signed by the Group Chief Financial Officer on 18 April 2018 having been duly authorised to do so by the board of directors. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the provisions of the Companies Act 2006. The amendment to FRS101 (2014/15 cycle) issued in July 2015 and effective immediately have been applied.

In these financial statements, the Company as permitted by FRS101 has taken advantage of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

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.

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 are applicable to the financial statements of the Company.

– 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 2017, the Group had available resources of \$51 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.

Notes to the company financial statements continued

for the year ended 31 December 2017

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.

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 2017	31 December 2016
£ : US\$	1.35	1.22
€ : US\$	1.20	1.05

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 three years
Leasehold improvements	Over five 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.

(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 2017 \$'000	31 December 2016 \$'000
Cost brought forward	1,010	1,448
Additions	16	275
Disposals	—	(713)
Cost carried forward	1,026	1,010
Accumulated depreciation brought forward	(693)	(1,015)
Depreciation charge	(164)	(167)
Disposals	—	489
Accumulated depreciation carried forward	(857)	(693)
Net book value brought forward	317	433
Net book value carried forward	169	317

Notes to the company financial statements continued

for the year ended 31 December 2017

3. Investments

	31 December 2017 \$'000	31 December 2016 \$'000
Cost brought forward	139,117	47,600
Additions	—	91,517
Cost carried forward	139,117	139,117
Amounts provided brought and carried forward	(45,500)	(45,500)
Net book value brought forward	93,617	2,100
Net book value carried forward	93,617	93,617

All amounts relate to subsidiary undertakings. Additions during the prior period relate to the acquisition of 100% of the ordinary issued share capital of Falkland Oil and Gas Limited and Beach Petroleum Egypt Pty Limited (now Rockhopper Egypt Pty Limited).

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
Falkland Oil and Gas Limited	Falkland Islands	Ordinary	100
Desire Petroleum Ltd	England & Wales	Ordinary	100
Rockhopper Egypt Pty Ltd	Australia	Ordinary	100

4. Other receivables

	31 December 2017 \$'000	31 December 2016 \$'000
Receivables	9	70
Prepayments	442	302
Accrued interest	323	106
Other	131	127
Group undertakings	412,164	404,393
	413,069	404,998

Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free. Amounts with Group undertakings are net of provisions of \$12,346,000 (31 December 2016: \$12,408,000).

5. Other payables

	31 December 2017 \$'000	31 December 2016 \$'000
Trade creditors	1,350	310
Other creditors	658	7,392
Accruals	5,446	21,067
	7,454	28,769

6. Share capital

	31 December 2017 Number	31 December 2016 Number
Shares in issue brought forward	456,659,052	296,579,834
Shares issued		
– Issued in relation to acquisitions	—	159,684,668
– Issued under the SIP	456,948	394,550
Shares in issue carried forward	457,116,500	456,659,052

	31 December 2017		31 December 2016	
	\$'000	Number	\$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	7,200	457,116,500	7,194	456,659,052

7. Salaries and directors' remuneration

	Year ended 31 December 2017 \$'000		Year ended 31 December 2016 \$'000	
Salaries and fees	3,806		4,436	
National insurance costs	481		563	
Pension costs	181		293	
Employee benefit costs	77		126	
Average number of employees	15		15	

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

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 26 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 2017 \$'000	31 December 2016 \$'000
Total committed within 1 year	498	452
Total committed between 1 and 5 years	382	798
	880	1,250

12. Related parties

Note 29 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.

Key licence interests as at 1 April 2018

Falkland Islands

North Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL003a	Rockhopper	95.50	—	01/05/2021
PL003b	Rockhopper	60.50	—	01/05/2021
PL004a	Premier Oil	64.00	Isobel Deep	01/05/2021
PL004b	Premier Oil	64.00	Beverley Casper South Zebedee	01/05/2021
PL004c	Premier Oil	64.00	—	01/05/2021
PL005	Rockhopper	100.00	—	01/05/2021
PL032	Premier Oil	40.00	Casper North	01/05/2021
– Sea Lion Discovery Area			Sea Lion	15/04/2020
PL033	Premier Oil	40.00	—	01/05/2021

South Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL010–PL016	Rockhopper	100.00	—	03/12/2020
PL025–PL029	Rockhopper	100.00	—	15/12/2018
PL031	Rockhopper	100.00	—	15/12/2018

Greater Mediterranean

Egypt

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
Abu Sennan	Kuwait Energy	22.00	Various	01/02/2032 to 03/07/2036
El Qa'a Plain	Dana Petroleum	25.00	—	29/07/18

Italy

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
A.C35.AG	Eni	20.00	Guendalina	25/11/2022
Serra San Bernardo (Monte Grosso)	Eni	22.89	—	13/07/2013*
Aglavizza [#]	Rockhopper	100.00	Civita	17/12/2032

[#] Aglavizza is included within the announced disposal of a portfolio of interests in Italy.

* Licence currently suspended. Revised expiry date will be known once regulatory approval received to drill.

Glossary

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

Shareholder information

Key contacts

Registered address and head office:

4th Floor
5 Welbeck Street
London
W1G 9YQ

NOMAD and joint broker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Joint broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

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

Head office:
4th Floor
5 Welbeck Street
London
W1G 9YQ

Telephone +44 (0)207 486 1677
info@rockhopperexploration.co.uk
www.rockhopperexploration.co.uk
 [@RockhopperExplo](https://twitter.com/RockhopperExplo)

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