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

Report and Accounts
for the year ended 31 December 2018

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

Strategic Report

Governance Report

Financial Statements

Group company financial statements

Parent company financial statements

Supplementary Information

Cover: Stanley Harbour

Highlights

Sea Lion Phase 1 development – securing senior debt funding represents last major milestone to achievement of FID

- → Front End Engineering and Design completed in Q1 2019
- → Process to progress contractor LOIs to full agreements well advanced
- → Field Development Plan and Environmental Impact Statement substantially agreed with the Falkland Islands Government – final approval expected at sanction
- → Good progress made with the Falkland Islands Government on Sea Lion royalty and fiscal terms
- → Financing structure progressed – extensive due diligence and assurance process underway
- → Vendor financing – contractors have agreed to provide up to US$400 million of funding for the project
- → Project momentum building with budget approved in Q3 2018 to increase activity and expand the Operator's project development team

Greater Mediterranean portfolio continues to deliver stable production with exploration upside

- → Net working interest production averaged 1.1 kboepd in 2018
- → Multiple oil and gas discoveries as a result of the 2018 drilling campaign at Abu Sennan, Egypt
  - – Successful infill drilling and implementation of a water injection programme at the Al Jahraa field to enhance production and maximise recoverability
  - – Oil discovery in the Bahariya de-risks future exploration at this level across the concession

Strong financial performance with continued focus on managing costs

- → Revenue of US$10.6 million; operating costs US$4.6 million; cash flow from operations US$5.4 million
- → Cash operating costs of US$11.7 per boe – maintaining a low cost base
- → Continued management of G&A costs – US$5.3 million – down over 50% since 2014
- → G&A costs covered by operating cash flows
- → Cash resources of US$40.4 million at 31 December 2018 and no debt

Corporate

- → International arbitration hearing in relation to Ombrina Mare took place in February 2019
- → Alison Baker appointed as Independent Non-Executive Director in September 2018

Outlook

- → Joint venture to submit formal senior debt funding application on Sea Lion Phase 1 in Q2 2019
- → Outcome in relation to Ombrina Mare arbitration expected in late Q3 or early Q4 2019 – seeking significant monetary damages
- → Active drilling campaign at Abu Sennan, Egypt with four wells planned during 2019
- → Appointment of Keith Lough as Non-Executive Chairman following the retirement of David McManus at Company’s forthcoming AGM
- → Continued pursuit of new venture opportunities to supplement production, enhance cash flow and strengthen balance sheet

Rockhopper – the story so far

2018/Q1 2019

Completion of FEED

FEED completion Q1 2019.

Letters of Intent signed with a number of key contractors for the provision of services and vendor financing for the Sea Lion project.

Field Development Plan and Environmental Impact Statement for Sea Lion substantially agreed with the Falkland Island Government – final approval expected at sanction.

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.

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%.

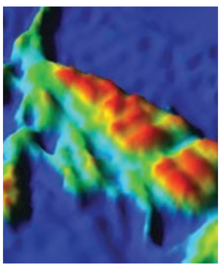
2012

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.

2010/11



Sea Lion discovery and appraisal

In February 2010, 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.

During late 2010/11 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.

Rockhopper at a glance

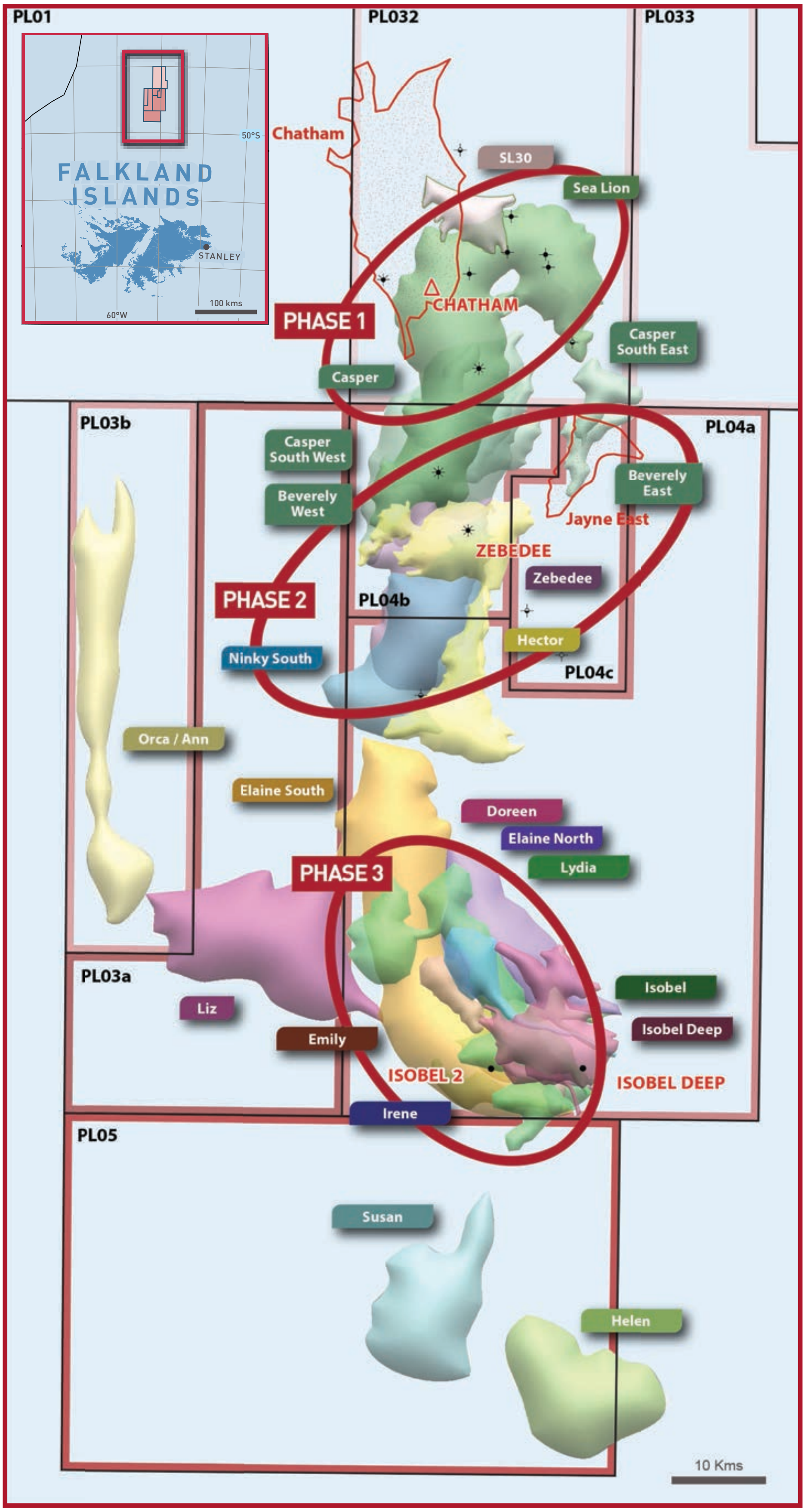
Falkland Islands

North Falkland Basin

Sea Lion Phase 1 (PL032)
- 40% working interest
- 220 mmbbls gross*
  88 mmbbls net to Rockhopper*

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 exploration campaign



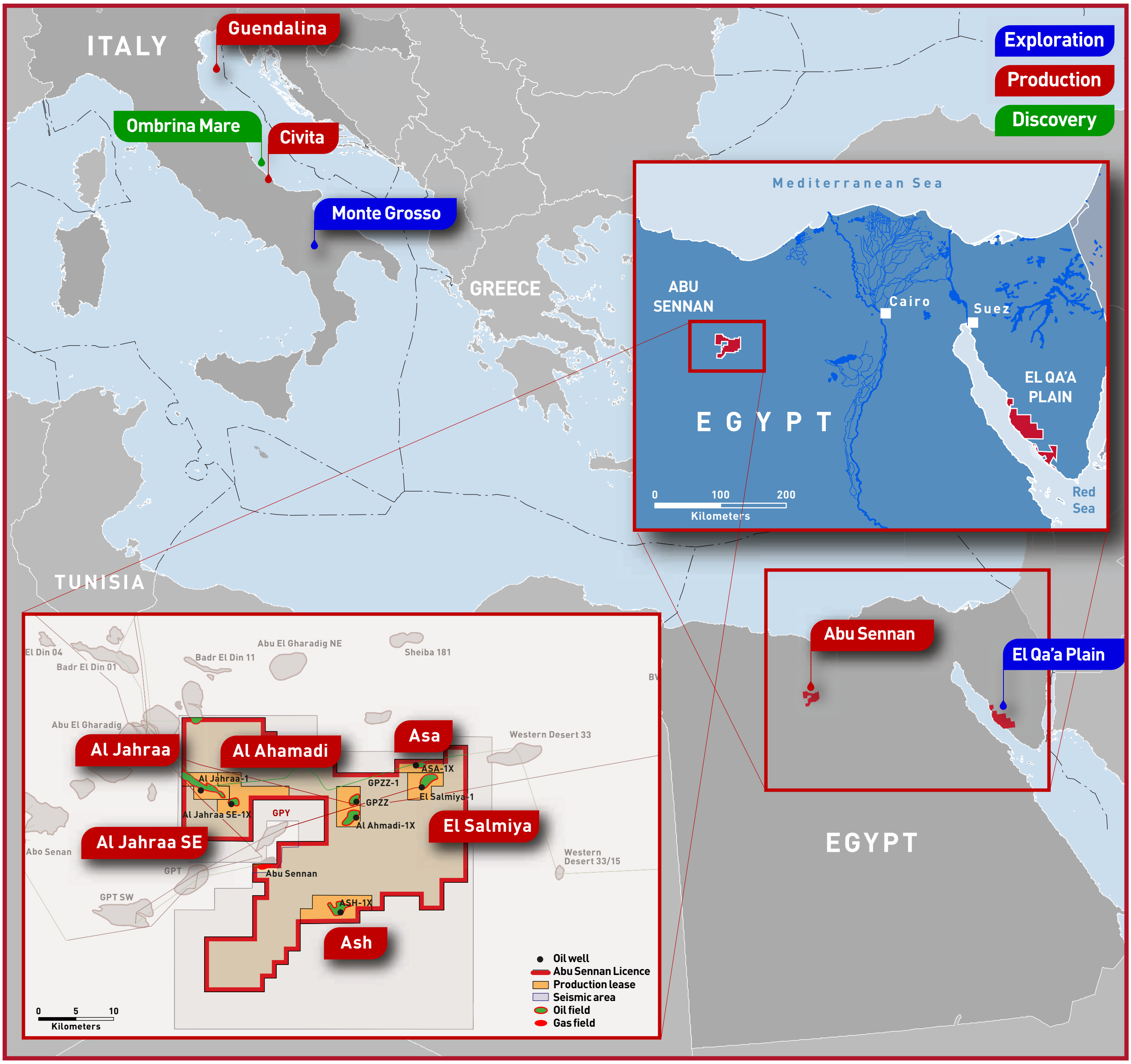
* Operator estimate

† 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 – outcome expected late Q3/early Q4 2019

Egypt

Abu Sennan
- 22% working interest
- Western Desert oil and gas production

El Qa'a Plain
- 25% working interest
- Exploration commitment well drilled 2018

Vision, strategy and business model

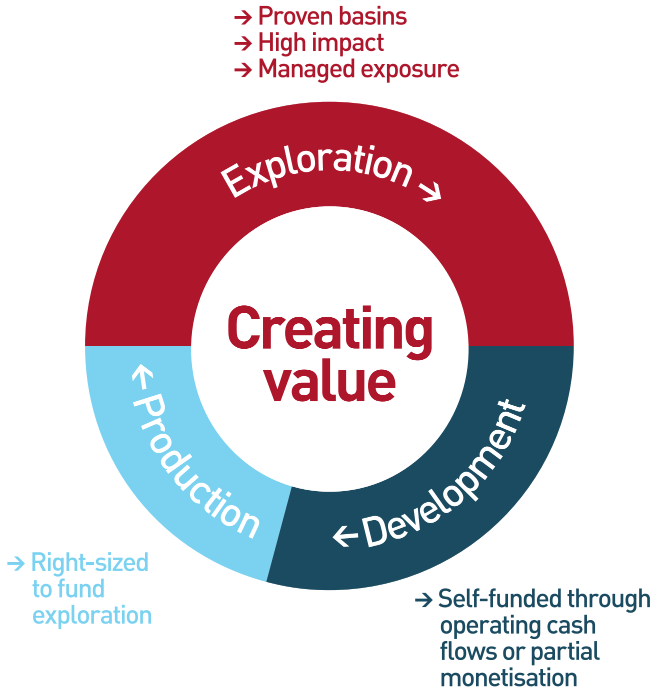
Vision

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

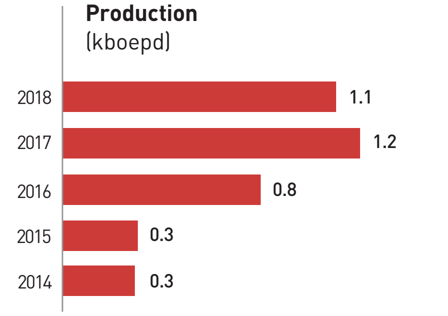
Strategy

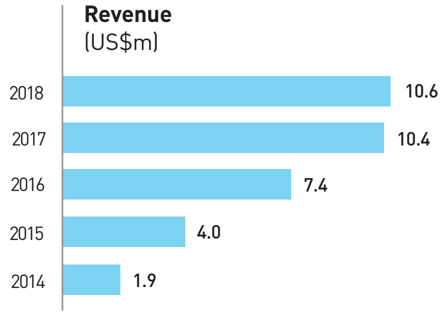
- → **Building a balanced portfolio in core areas**
  - → Focus on North Falkland Basin and Greater Mediterranean
  - → Across the full asset life cycle
  - → Production base to enable growth through exploration
- → **Maintaining balance sheet strength**
  - → Prudent balance sheet management
  - → Partial 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

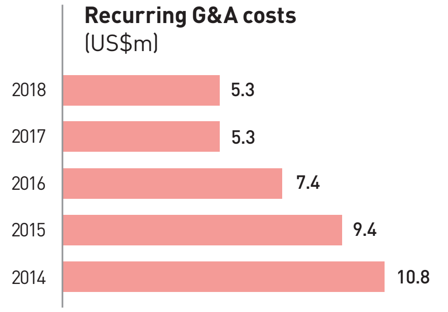
Business model

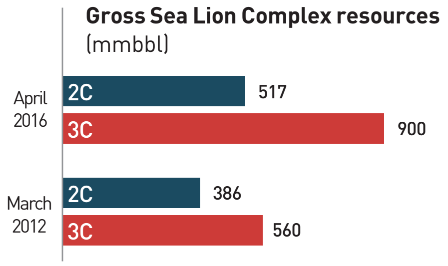


Delivering on strategy









Chairman and Chief Executive Officer's review

David McManus
Chairman

Samuel Moody
Chief Executive Officer

Rockhopper's strategy is to build a well-funded, full-cycle, exploration led E&P company.

Against a backdrop of volatile commodity prices, 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.

Sea Lion has the potential to be transformational for Rockhopper and the Falkland Islands as a whole. Securing funding is the last remaining major milestone before Sea Lion can reach FID and all efforts are focused on securing such financing to allow the project to move into the development phase.

In the Greater Mediterranean, our portfolio continues to meet its primary objective, namely to provide a production and cash flow base to fund our corporate and operating costs and support our balance sheet.

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

Sea Lion Phase 1 – FEED completed; formal funding application to be submitted Q2 2019

Material progress continues to be made across a range of commercial, fiscal and funding matters as we work towards a final investment decision on the Phase 1 development of the Sea Lion field.

During 2018, FEED contracts were awarded for all the outstanding elements of the project scope with a corresponding increase in activity, expenditure and expansion of the Operator's project development team. Although FEED concluded in March 2019, increased activity levels are expected to be maintained throughout 2019 in the lead up to project sanction. The process to agree fully termed documentation for the provision of contractor services and vendor finance is well advanced and letters of award will be issued as we go through the sanction gate.

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. Following submission of a revised Field Development Plan ("FDP") to FIG in March 2018, the FDP is considered substantially agreed. The Environmental Impact Statement ("EIS") public consultation process concluded in March 2018 with no material objections received. The final EIS document has been submitted to FIG. Formal approval of the EIS and FDP are expected at sanction.

Good progress has been made with FIG on the royalty and fiscal terms which will apply to the first phase of development of the Sea Lion field. A public consultation on a number of technical tax matters associated with oil field development in the Falklands was concluded in the third quarter of 2018 with a number of technical amendments and clarifications being implemented. These amendments and clarifications provided definition on a number of important regulatory and tax matters which were critical to enabling the project to progress.

The Sea Lion financing plan comprises funding elements including senior project finance debt (likely involving a combination of export credit financing and project bank funding), vendor financing from contractors and equity from the joint venture. Rockhopper's share of the joint venture equity is to be funded through the carry arrangements with Premier. The joint venture continues to lead engagement with a wide range of stakeholders to obtain the support required to secure senior project finance debt, which represents the core of the project's funding strategy. With initial debt feasibility and structuring now progressed, the joint venture expects to submit the Project Information Memorandum ("PIM") and formal funding application during Q2 2019. On the vendor financing side, the project contractors have undertaken an extensive due diligence and assurance process and, subject to the finalisation of documentation, have agreed to provide up to US$400 million of funding for the project.

Greater Mediterranean portfolio continues to deliver stable production with exploration upside

Our Greater Mediterranean portfolio continued to perform well with production growth in Egypt broadly offsetting declining production in Italy. Production during 2018 averaged 1.1 kboepd net to Rockhopper, with operating cash flows again covering the Group's G&A costs.

In June 2018, the Company announced the commencement of a four-well drilling campaign across its Egyptian portfolio, including three wells at Abu Sennan and one at El Qa'a Plain. Whilst the Raya commitment well on the El Qa'a Plain concession encountered good quality sands, no hydrocarbons were encountered.

Within the Abu Sennan concession, successful infill oil producers were drilled at Al Jahraa-6 and Al Jahraa-10 as well as a successful exploration well at

ASZ-1X. At Al Jahraa-6, success occurred in both the primary objective, being the Abu Roash-C reservoir, and with a new oil discovery in the deeper Bahariya section. The Bahariya formation was subsequently put into production and continues to make a meaningful contribution to overall volumes from the concession.

During 2018 the Company continued to see a material improvement in the payment situation in Egypt with a significant decline in outstanding receivables owed by Egyptian General Petroleum Corporation ("EGPC").

Corporate matters

Rockhopper commenced international arbitration proceedings against the Republic of Italy in relation to the Ombrina Mare field in March 2017. The hearing took place in early February 2019 in Paris. Rockhopper continues to believe 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.

As part of the Board's long-term succession planning, and having served on the Board for nearly nine years, the past three as Non-Executive Chairman, David McManus will be retiring as a Director with effect from the Company's 2019 Annual General Meeting ("AGM"). David will be succeeded as Non-Executive Chairman by Keith Lough, currently the Senior Independent Director and a Non-Executive Director of the Company since January 2014.

In September 2018, Alison Baker was appointed as an Independent Non-Executive Director. Alison has nearly 25 years' experience in the provision of audit, capital markets and advisory services, having led the UK and EMEA Oil and Gas practice at PricewaterhouseCoopers and prior to that the Energy, Utilities and Mining Assurance practice at Ernst & Young. Alison is currently an Independent Non-Executive Director of KAZ Minerals PLC and Centamin plc. Alison will replace Keith as Chairman of the Audit and Risk Committee, also with effect from the 2019 AGM.

→ Senior management team – biographies on page 30

Accordingly, following the Company's 2019 AGM, the Board will comprise six Directors – two Executive Directors and four Non-Executive Directors, including the Chairman. However, as part of the Board's long-term succession planning and given our continued focus on corporate costs, the aim remains to further reduce the size of the Board over time. In this regard, and as previously announced, it is anticipated that Tim Bushell will step down from the Board at or before the Company's AGM in 2020.

From 28 September 2018, all AIM companies are required to state which recognised corporate governance code the Board has decided to apply and to explain how the Company complies with that code. Following a review of the alternative codes available, the Board decided to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") and suitable disclosures will be made going forward.

Following the conclusion of a formal tender process, the Board has approved the proposed appointment of PricewaterhouseCoopers as the Company's auditor for the financial year commencing 1 January 2019. This appointment is subject to approval by shareholders of the Company at the 2019 AGM.

Outlook

Sea Lion has the potential to be transformational for Rockhopper and all efforts remain focused on securing the requisite stakeholder support and funding to allow sanction to occur.

With Brent oil prices currently above US$65 per barrel, the economics for the Sea Lion project remain robust. It is in this context that the Board remains confident that the requisite stakeholder support and funding will be secured. Whilst PIM and formal funding application submission represent a significant milestone in the financing process, the timetable and process to secure such funding remains outside our control.

The outcome of the international arbitration against the Republic of Italy is expected later this year and following the hearing in February we remain confident that we have strong prospects of recovering very significant monetary damages.

Our Greater Mediterranean portfolio continues to provide the necessary operating cash flow to fund corporate costs while providing low-risk exploration upside opportunities. On a highly selective basis, the Company will seek to further expand the 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.

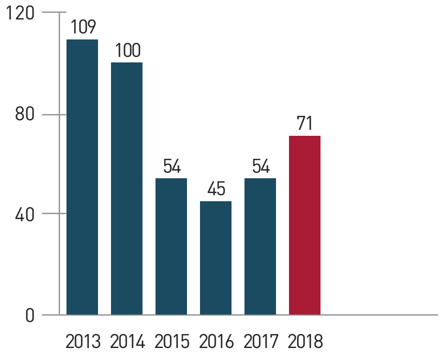
David McManus
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

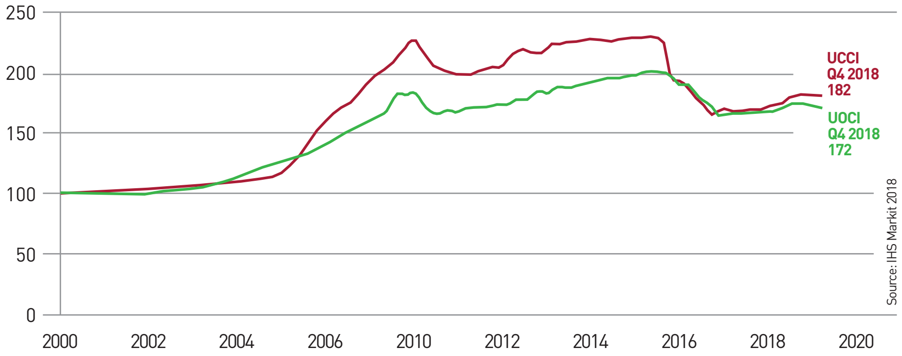
1 April 2019

Industry overview

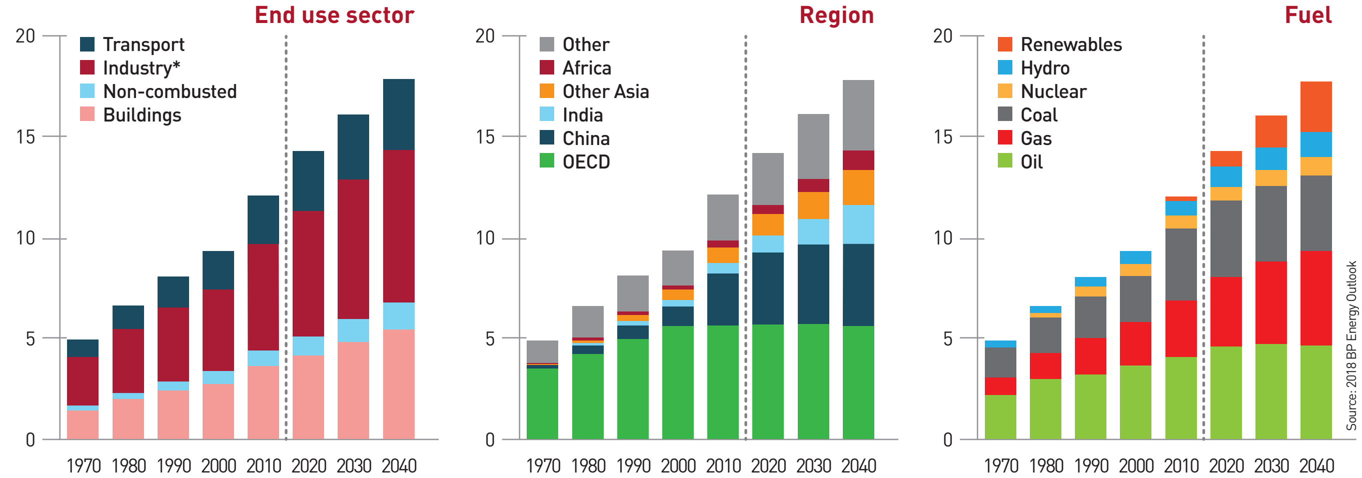
Average Brent Crude price
US$/bbl



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



Primary energy demand
Billion ton



* Industry excludes non-combusted use of fuels

Economic and political

- Continued global political and economic uncertainty
- Iranian sanctions and US-China trade outlook provided volatile backdrop
- Ongoing Eurozone uncertainty associated with Brexit
- Global growth outlook considered robust overall although increasing risk of US recession from 2020 onwards.

Commodity prices

- Volatility continued through 2018
- Brent price increased during the first three-quarters of 2018, peaking at $84/bbl in October
- Sharp fall in Q4 with Brent ending the year at $50/bbl
- Key supply/demand dynamics in the year impacted by supply disruptions in Nigeria and Venezuela, continued strong output and increasing efficiencies from US shale, and OPEC response to changing market dynamics
- Outlook for 2019 remains volatile given limited spare production capacity, uncertain growth outlook and scope for further political interventions.

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 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 2018, 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

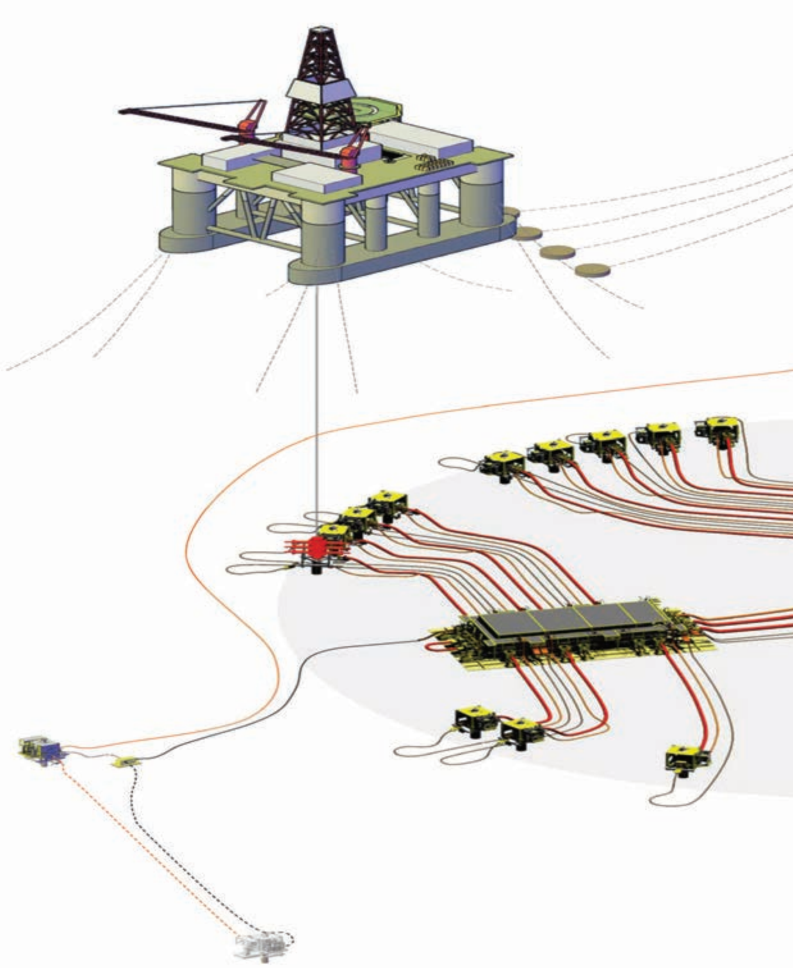
World scale resource
- 1.7 billion barrels oil in place
- Well understood reservoir
- Highly marketable crude

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
- EIS and FDP substantially agreed; final approval 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

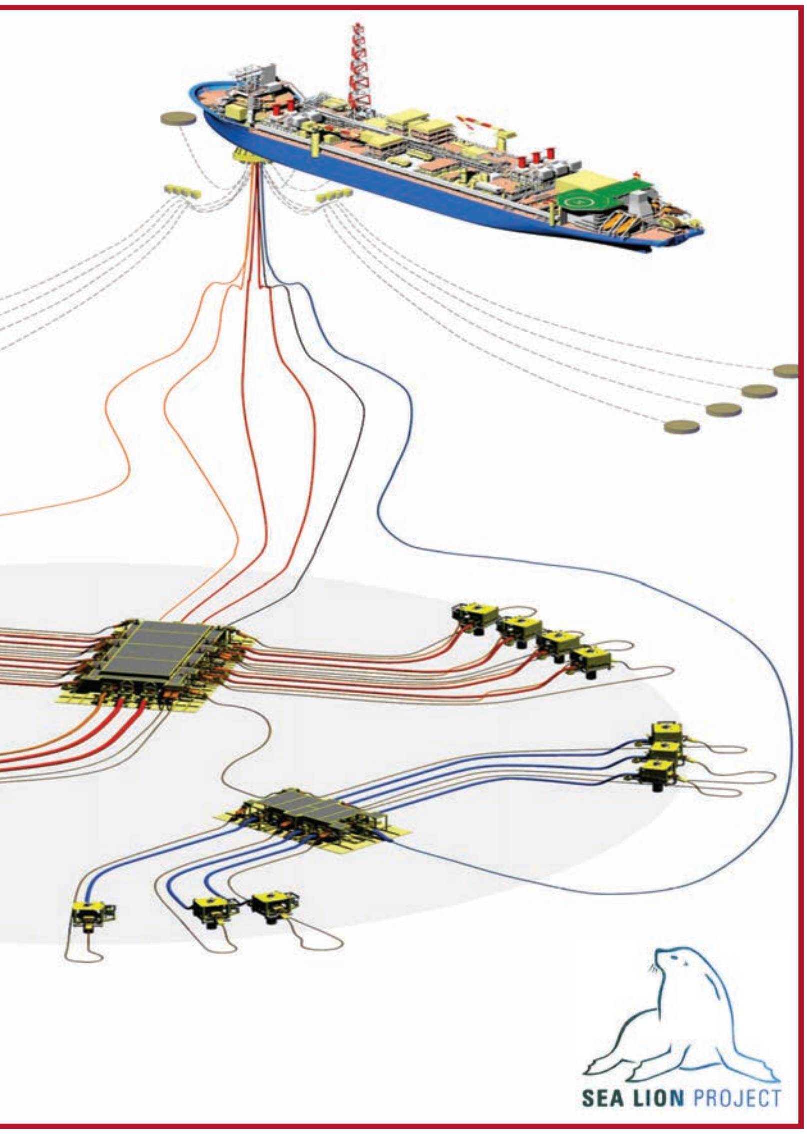
Resource to be monitised

220 mmbbls

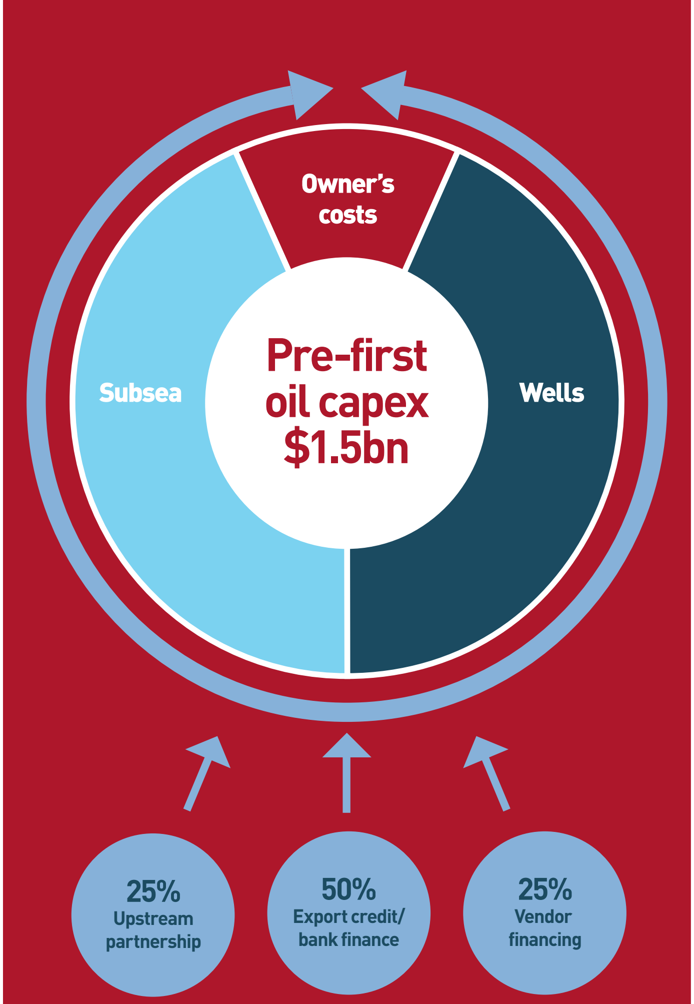
(Phase 1 only)

FPSO liquid capacity

120,000 bpd



Indicative financing plan



Gross project revenue per annum

US$1.8 bn

(at plateau, assuming US$65/bbl)

Estimated opex per barrel

US$25/bbl

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

Wells to be drilled

23

of which 16 oil producers

Operations review

Sea Lion, North Falkland Basin

Rockhopper is 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 approximately 220 mmbbls in PL032 (in which Rockhopper has a 40% working interest). A subsequent Phase 2 development will develop 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 subsea wells. Estimated gross capex to first oil remains US$1.5 billion. The Sea Lion financing plan comprises funding elements including senior project finance debt, vendor financing from contractors and equity from the joint venture. Rockhopper's share of the joint venture equity is to be funded through the carry arrangements with Premier.

Through 2017 and 2018, work focused on securing agreements with key supply chain contractors and, as a result, LOIs have been signed for the provision of key services, including the FPSO, the drilling rig, well services, subsea production systems and helicopter services, as well as vendor funding. The process to convert the LOIs into fully termed executed contracts is well advanced and letters of award will be issued as we go through the sanction process.

Through 2018, 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 largely 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 have been addressed in the final EIS submission. Engagement with FIG continues with a view to obtaining the consents and agreements necessary to be in a position to reach a final investment decision.

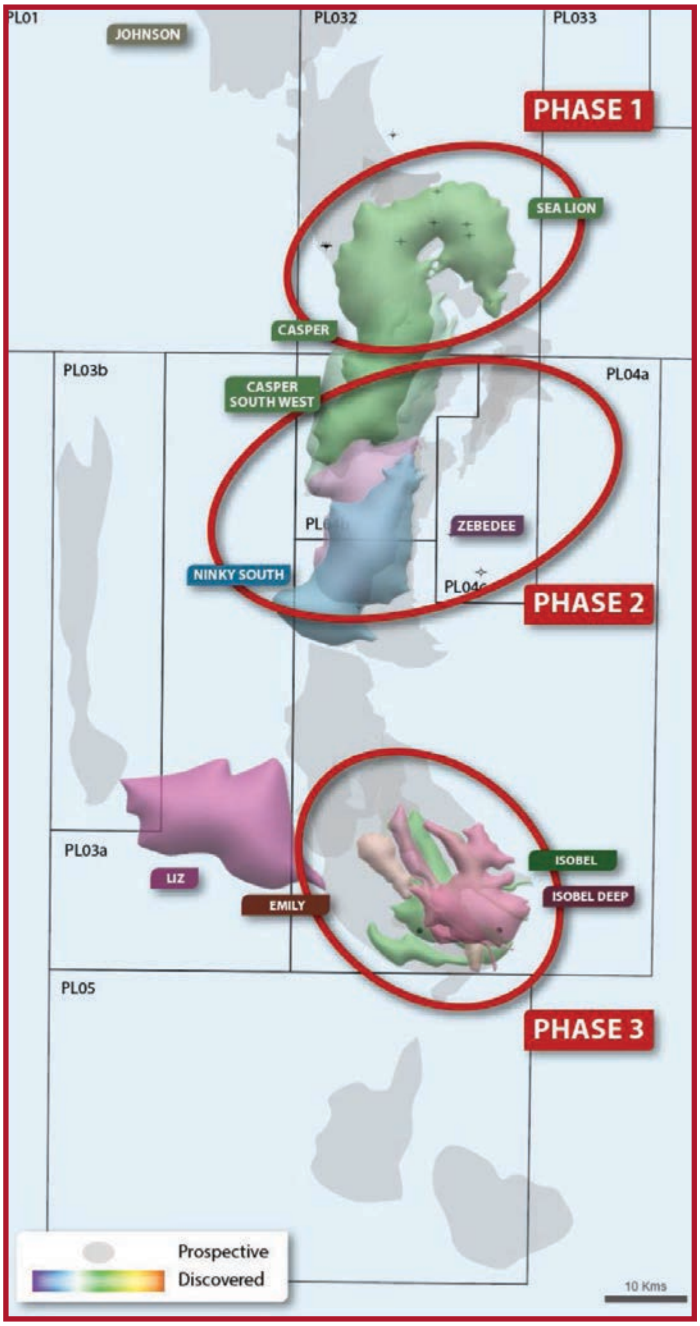
The Sea Lion Discovery Area is due to expire on 15 April 2020. The submission of the final Field Development Plan for FIG approval is expected before that date and therefore no further license extension is currently thought to be required from FIG.

South and East Falkland Basin
(100% working interest)

Through the acquisition of Falkland Oil and Gas ("FOGL") in 2016, 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 and, 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 Basins' interests.

Stanley Heliport

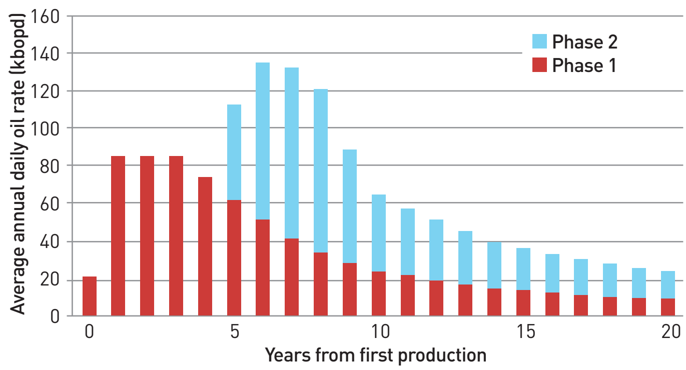
North Falkland Basin snapshot



Leading acreage position

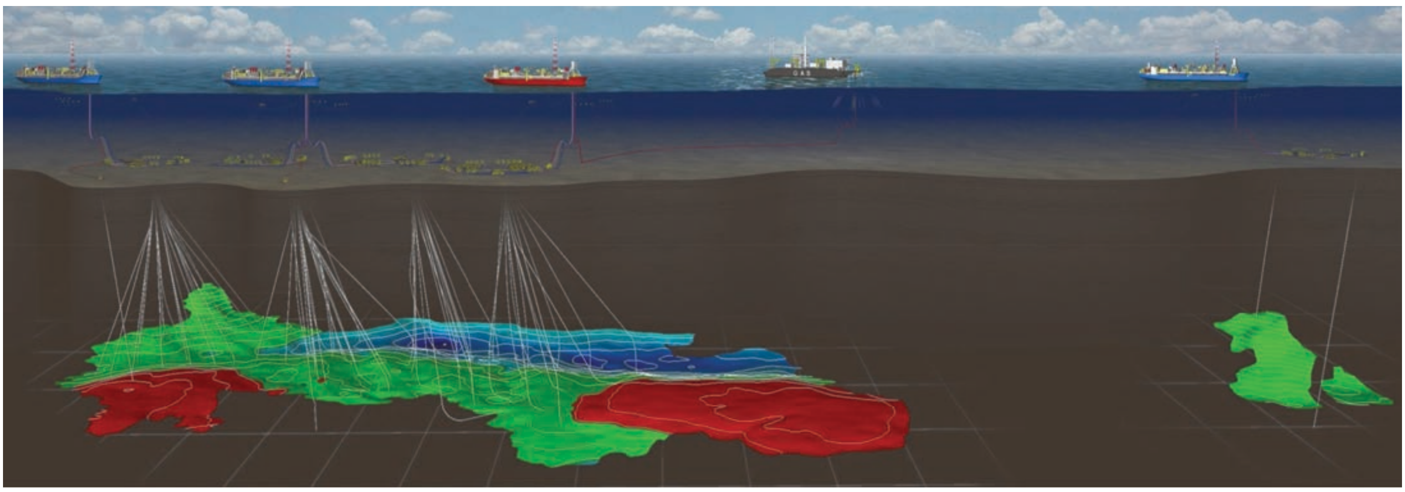
	Rockhopper	Premier	Other	Operator
PL032	40%	60%	—	Premier
PL003a	95.5%	4.5%	—	Rockhopper
PL003b	60.5%	4.5%	35%	Rockhopper
PL004a	64%	36%	—	Premier
PL004b	64%	36%	—	Premier
PL004c	64%	36%	—	Premier
PL005	100%	—	—	Rockhopper

Projected production profile



SEA LION PROJECT

Sea Lion development schematic



Abu Sennan, Egypt (22% working interest)
Production from the six development leases within the Abu Sennan concession increased during 2018 with production during the period averaging approximately 813 boepd net to Rockhopper (2017: 760 boepd).

In July 2018, Rockhopper was pleased to announce the commencement of the 2018 drilling campaign on the Abu Sennan concession which included the drilling of two development wells ("Al Jahraa-6" and "Al Jahraa-10"), one exploration well ("ASZ-1X"), and a water injection programme targeting the Al Jahraa field.

Al Jahraa-6
The Al Jahraa-6 development well spudded on 4 July 2018 and reached total depth of 3,935m MD (-3,623m tvdss) in the Kharita Formation on 19 August 2018. Mudlogs indicated the presence of oil in the Abu Roash C, D, E and G levels and the deeper exploration target in the Bahariya Formation. The Bahariya formation was put on test on 22 September 2018 and, after clean-up, is producing in excess of 550 barrels of oil per day ("bopd") with a stable water cut of 22%. This represents the first commercial oil production from the Bahariya formation within the Abu Sennan concession. The well has been completed to allow potential future production from Abu Roash G and C levels. The Company believes that the Bahariya discovery de-risks additional exploration targets at the same level elsewhere in the concession.

Al Jahraa-10
The Al Jahraa-10 development well reached total depth on 16 October 2018 in the Abu Roash-F Formation. Oil pay was calculated in the Abu Roash-C and Abu Roash-D levels. Following testing operations, the well was brought into production from Abu Roash-C at a rate of 130 bopd gross, and subject to further increase. Upside potential exists in Abu Roash-D which is being evaluated for possible acid stimulation.

ASZ-1X
Exploration well ASZ-1X located on Prospect S was spudded on 8 November 2018 and was the first of two commitment wells to be drilled in the first phase of the new concession. An oil discovery was made in the Abu Roash-C level. The award of a development lease over the discovery has recently been approved by EGPC and production has commenced.

Water injection
The water injection programme in Al Jahraa began on 14 July 2018. Injection rates have increased steadily over time, with an accompanying reduction in wellhead pressure, indicating that reservoir injectivity has become established. Injection rates into the Al Jahraa-9 well are currently averaging approximately 2,000 barrels of water per day, which is sufficient to re-pressurise the reservoir.

2019 drilling campaign
Following joint venture approval, an active drilling programme has been agreed for 2019 including the drilling of one exploration well (SW-ASH-1X), two in-fill oil producer wells (Al Jahraa-11 and Al Jahraa-7) and a second water injection well on the Al Jahraa field. Activity in 2019 continues the planned development programme in the Al Jahraa field, as well as further exploration on the concession.

The Al Jahraa-11 development well, the first in the 2019 programme, was spudded on 13 March 2019 and is targeting the AR-C and Bahariya reservoirs. The well is expected to take approximately two months to complete.

Greater Mediterranean snapshot

Italy

Guendalina

- 20% working interest
- Northern Adriatic
- 2018 production 180 boepd

Civita

- 100% working interest
- Onshore gas production
- 2018 production 130 boepd (excluding pipeline disruption)

Monte Grosso

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

Ombrina Mare

- 100% working interest
- International arbitration commenced
- Outcome expected late Q3/early Q4 2019

Egypt

Abu Sennan

- 22% working interest
- Western Desert
- 2018 production 813 boepd

El Qa'a Plain

- 25% working interest
- Exploration commitment well drilled Q2 2018
- Relinquished end of 2018

Guendalina, Italy (20% working interest)
Production decline at Guendalina continued to be broadly in line with expectations during 2018 with production over the period averaging approximately 30,000 standard cubic metres ("scm") per day of gas net to Rockhopper (approximately 180 boe per day). Plant availability over the period continued to be strong with production from the side-track well in 2015 continuing to make a material contribution to field production. Efforts continue with the operator to manage declining production levels as well as reduce operating costs.

Civita, Italy (100% working interest)
In February 2018, a depressurisation event occurred at the Civita pipeline and, as a result, production was suspended. Following remedial works and reinstatement of the pipeline, production recommenced in July 2018 at pre-incident levels of approximately 20,000 scm per day of gas (approximately 130 boe per day).

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. However, following failure to satisfy all relevant conditions precedent, including receipt of requisite regulatory approvals in Italy, the Company and Cabot have mutually agreed not to proceed with the transaction.

Monte Grosso, Italy (23% working interest)
Rockhopper transferred the operatorship of the Serra San Bernado permit (which contains the Monte Grosso prospect) to Eni during 2016. Since that time, options for the design of a well on the Monte Grosso prospect have been explored and work undertaken to secure the permits and approvals required to drill a well.

However, on 12 February 2019, the Italian government introduced certain further changes to oil and gas law through the "Sustainable Energy Bill". These changes include, amongst other things, a temporary suspension on exploration activities including the drilling of exploration wells. Discussions are ongoing between the Serra San Bernado joint venture partners to agree a forward plan.

El Qa'a Plain, Egypt (25% working interest)
Exploration commitment well Raya-1X in the El Qa'a Plain concession was spudded on 17 June 2018 and reached TD approximately two weeks later. At the primary Nukhul Formation objective, wireline logging confirmed the presence of good porosity sands, although no hydrocarbons were encountered. The well has been plugged and abandoned and concession relinquished.

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 2018, Rockhopper continued to deliver on a number of its key metrics.

2018	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.**	→ Letters of Intent signed with contractors for provision of vendor finance → Discussions ongoing with senior debt providers → Preparation well advanced for PIM submission Q2 2019	Partially achieved
KPI #2	**Making a commercial discovery in Egypt.**	→ Al Jahraa-6: Successful oil discovery in Bahariya → ASZ-1X: Successful oil discovery in AR-C. Development lease recently approved	Fully achieved
KPI #3	**Preservation of the Company's cash position/strengthen the Company's balance sheet which could be by way of a new venture.**	→ Cash at 31 December 2018 $40 million and no debt → G&A maintained at 2017 levels → Significant number of new venture opportunities reviewed in 2018. However, none met the Company's investment criteria	Partially achieved

2019	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	**Preservation of the Company's cash position/strengthen the Company's balance sheet.**

Financial review

Stewart MacDonald
Chief Financial Officer

Overview

During 2018, significant progress was made to advance and execute the financing plan for the Sea Lion Phase 1 development. Submission of the PIM and formal funding application for senior project finance debt, expected in Q2 2019, represents a material milestone in the funding process.

Our Greater Mediterranean portfolio continues to provide a low-cost, short-cycle production base which has delivered strong revenues and operating cash flows for the Company which have more than covered the Group's G&A costs.

Results summary

US$m (unless otherwise specified)	2018	2017
Production (kboepd)	1.1	1.2
Revenue	10.6	10.4
Cash operating costs	4.6	4.1
Recurring administrative expenses ("G&A")	5.3	5.3
Loss after tax	(7.1)	(6.1)
Cash in flow from operating activities	5.4	1.6
Cash resources	40.4	50.7
Net assets	415.3	420.6

Results for the year

For the year ended 31 December 2018, the Group reported revenues of US$10.6 million and cash from operating activities of US$5.4 million.

Revenue

The Group's revenues of US$10.6 million (2017: $10.4 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 an increase in realised oil and gas prices, offset by a modest reduction in production (due to natural field decline at Guendalina and pipeline issues at Civita).

Working interest production averaged approximately 1,064 boepd during 2018, a small reduction over the comparable period (2017: 1,184 boepd).

During the year, the Group's gas production in Italy was sold under short-term contract with an average realised price of €0.25 per scm (2017: €0.19 per scm), equivalent to US$8.2 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$68.4 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$4.6 million (2017: US$4.1 million). The small increase in underlying cash operating costs is primarily due to the costs associated with the development wells and water injection programme being carried out at Abu Sennan as well as incremental operating costs at Guendalina. Cash operating costs on a per barrel of oil equivalent basis remain attractive at US$11.7 per boe.

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, since 2014. G&A costs in 2018 amounted to US$5.3 million, flat with the comparable year (2017: US$5.3 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 2018, the Group had cash resources of US$40.4 million (31 December 2017: US$50.7 million) and no debt.

Cash resources movements during the year:

	US$m
Opening cash balance (31 December 2017)	51
Revenues	11
Cost of sales	(5)
Falkland Islands	(11)
Greater Mediterranean	(4)
Admin and miscellaneous	(2)
Closing cash balance (31 December 2018)	**40**

Falkland Islands spend of US$11.0 million relates primarily to pre-development activities on Sea Lion (2017: US$6.7 million).

Spend in the Greater Mediterranean largely relates to the Egyptian drilling campaigns at Abu Sennan and El Qa'a Plain.

Admin and miscellaneous includes G&A, foreign exchange, movements in working capital balances as well as a non-recurring VAT credit received during the period.

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 2019 to 2020, with a long-term price of US$70/bbl (in "real" terms) thereafter. A post-tax nominal discount rate of 10% and 12.5% was used for the Group's Greater Mediterranean and Falkland Islands assets respectively.

With no cash flow generation expected from Sea Lion until 2022 at the earliest, the impact of the Brent forward curve during the period 2019 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 conditional 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").

Following failure to satisfy all relevant conditions precedent, including receipt of requisite regulatory approvals in Italy, the Company and Cabot have mutually agreed not to proceed with the transaction. As a result, Rockhopper retains the benefit of the positive cash flows generated from the Civita portfolio which, had the transaction proceeded, would have been paid to Cabot.

Taxation

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

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

As a result of the Tax Settlement Deed, the outstanding tax liability was confirmed at £64.4 million and 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.

Due to the movement in the Sterling:US dollar exchange rate, the outstanding tax liability in US dollar terms has reduced to US$76.1 million (31 December 2017: US$80.6 million). The outstanding tax liability is classified as non-current and is discounted to a year-end value of US$37.9 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).

Brexit

It is the view of the Board that, given the Group's focus on the North Falkland Basin and Greater Mediterranean region, Rockhopper's business, assets and operations will not be materially affected by Brexit. Rockhopper derives a significant proportion of its revenue from crude oil, a globally traded commodity priced in US dollars.

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 which has historically been common to many upstream companies operating in the country. As at 31 December 2018, Rockhopper's EGPC receivable balance was approximately US$1.3 million.

Cash forecasts are regularly produced based on, inter alia, the Group's production and expenditure forecasts and management's best estimates of future commodity prices. Sensitivities are run to reflect different scenarios including changes in production rates, possible reductions in commodity prices and increased costs. Management's base case forecast assumes an oil price of US$65/bbl in 2019 and 2020, production in line with prevailing rates and expenditures in line with approved budgets. The Group has run downside scenarios, where oil prices are reduced by a flat $10/bbl throughout the going concern period and where cost expenditures have increased by 5%.

Under the base case forecast and the downside scenarios run, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of the 2018 financial statements. However, beyond the 12 month going concern assessment depending on the timing of sanction for the Sea Lion development, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigating actions could include non-core asset disposals, collection of arbitration award proceeds, deferral of expenditure or raising additional equity.

Accordingly, after making enquiries and considering the risks described above, the Directors have assessed that the cash balance held provides the Group with adequate headroom over forecasted expenditure for at least 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 2018 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

1 April 2019

Internal controls and risk management

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2018.

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.

A further review of the Group's financial controls will be conducted in the event of a material change of the Group (which could include a material acquisition or project sanction of the Sea Lion project).

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.

Rockhopper Board

Overall responsibility

- Overall responsibility for risk management and internal control
- Defines risk appetite
- Reviews principal risks register

Audit & Risk Committee

Review and confirm

- Monitors, reviews and confirms Company's risk management system and internal controls

Senior Management

Identification, mitigation and implementation

- Risk assessment, identification and mitigation
- Implementation of risk management system and internal control

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.	→ 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.	→ 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.	→ Uncertain financial outcome → Inability to meet financial obligations → Restricted work programmes due to lack of capital.
Uncertainty and volatility of commodity prices.	→ 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.	→ Schedule risk → Loss of value → Uncertain financial outcome.
Failure by JV partners to fund their financial obligations.	→ 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.	→ Uncertainty on timing of receipt and currency of payments.

Mitigants	Recent changes and ongoing initiatives
→ 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.	→ Field Development Plan and EIS substantially agreed with Falkland Islands Government. Formal approval expected at sanction → 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. PIM submission in Q2 2019
→ The British Government has issued strong rebuttals to the Argentine claims → The Company is in regular contact with the Foreign & Commonwealth Office → In a referendum, conducted in 2013, the Falkland Islands voted unequivocally to remain as a British Overseas Territory.	→ 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 has been agreed and is expected to commence operations in 2019

Mitigants	Recent changes and ongoing initiatives
→ 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.	→ The Company's balance sheet remains strong with cash at 31 December 2018 of $40 million and no debt → Corporate and operating costs funded by revenues from the Company's Greater Mediteranean portfolio in 2018.
→ 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.	→ 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.
→ 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.	→ During 2018, good progress was made with the Falkland Island Government in relation to a range of commercial, fiscal and regulatory matters.
→ 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 joint venture partners to ensure alignment → Ongoing monitoring and regular review of the Company's financial exposure to joint venture partner credit risk.
→ 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.	→ Significant payments received from EGPC during 2018.

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

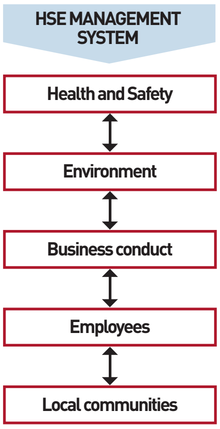
Description	Impact
Staff recruitment, development and retention.	→ Disruption to business → Loss of key knowledge and experience.

Mitigants	Recent changes and ongoing initiatives
→ 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.	→ 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	Recent changes and ongoing initiatives
→ 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.	→ In 2017, the Company 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	Recent changes and ongoing initiatives
→ 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.	→ 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:

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

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.

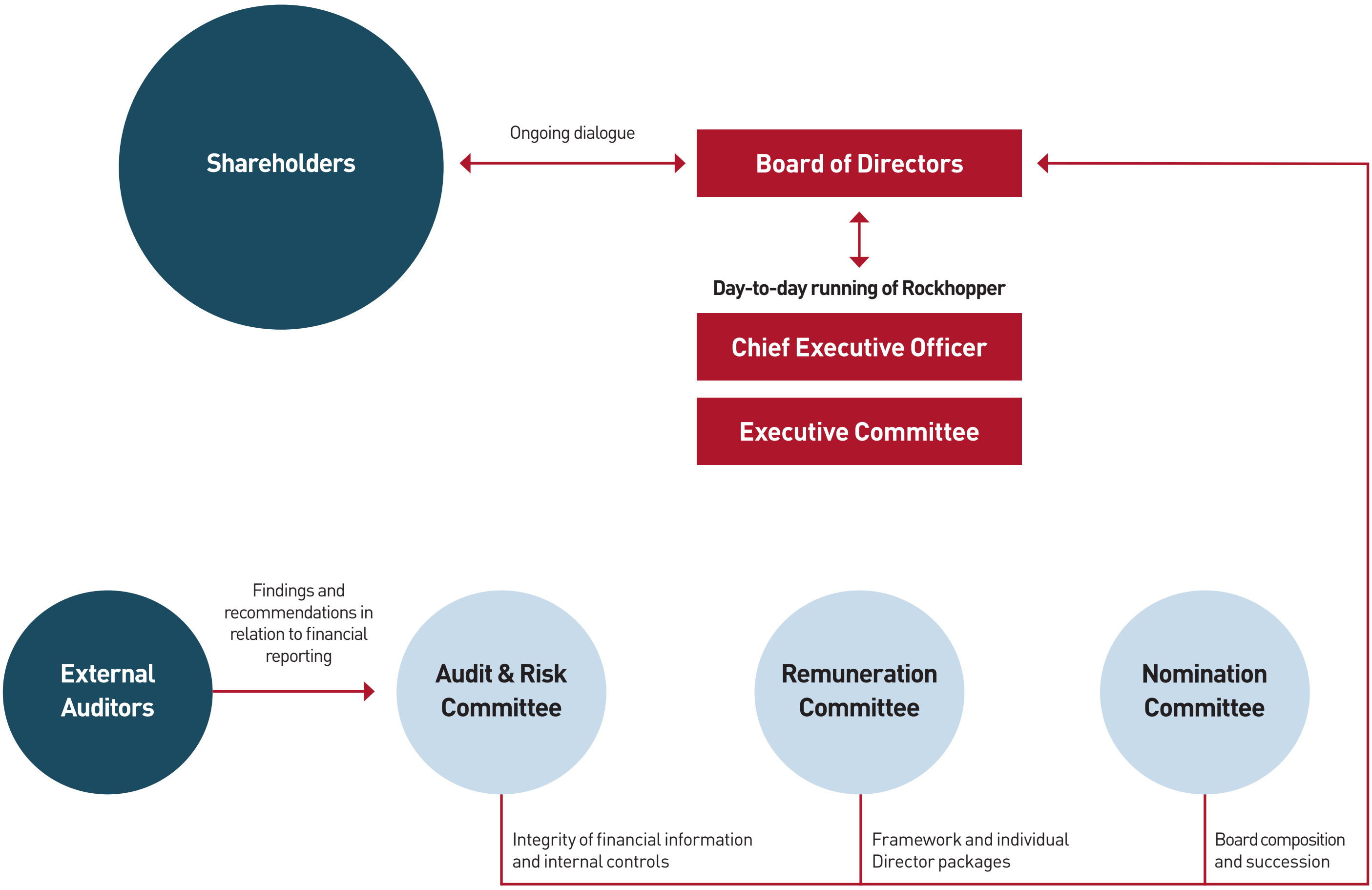
Approval of Strategic Report

This Strategic Report was approved by the directors and signed on their behalf on 1 April 2019 by:

Samuel Moody
Chief Executive Officer

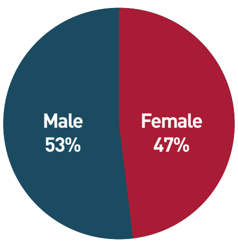
Rockhopper Board

How your Board works



Corporate diversity

Company composition – 19 employees as at 31 December 2018



63% British
21% Italian
11% Egyptian
5% Other EU nationals

Non-executive director tenure

< 3 years	3-6 years	6-9 years
25%	50%	25%

Board of Directors

			
Directors	**David McManus** **Chairman** 65	**Samuel Moody** **Chief Executive Officer** 49	**Stewart MacDonald** **Chief Financial Officer** 38
Skills and experience	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.	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 has 17 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.
Committee membership:	→ Nomination (Chairman)	—	—
External appointments:	Chairman: → FLEX LNG → Verus Petroleum UK Limited (private) Director: → Hess Corporation → Costain plc	Director: → Greenland Gas & Oil Limited	—

Keith Lough
Senior Independent Director 60

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.

→ Audit & Risk (Chairman)
→ Remuneration
→ Nomination

Director:
→ Cairn Energy plc
→ UK Gas and Electricity Markets Authority
→ Hunting PLC

Alison Baker
Non-Executive Director 48

Alison has 25 years' experience in provision of audit, capital markets and advisory services. She previously led UK and EMEA Oil & Gas practice at PricewaterhouseCoopers and prior to that the UK Energy, Utilities and Mining Assurance practice at Ernst & Young.

→ Audit & Risk
→ Remuneration
→ Nomination

Director:
→ KAZ Minerals PLC
→ Centamin plc

Tim Bushell
Non-Executive Director 59

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.

→ Audit & Risk
→ Remuneration (Chairman)
→ Nomination

Deputy Chairman:
→ Wentworth Resources plc

Director:
→ Petro Matad Limited
→ Genel Energy plc
→ Redrock Energy Limited (private)

John Summers
Non-Executive Director 63

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.

→ Audit & Risk
→ Remuneration
→ Nomination

—

Senior management team

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.

Corporate governance statement

Introduction from the Chairman on the Governance Report

The Company is an AIM listed company and is required to apply a recognised corporate governance code. Historically, the Board's corporate governance policy had been to observe the provisions of the 2016 UK Corporate Governance Code (the "UKCG Code") applicable to FTSE 350 companies as far as practicable given the size of the Company. During 2018, the Board undertook a review of the provisions of both the UKCG Code and the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") to assess which corporate governance code was appropriate for the Company at this stage in its development. The Board concluded that the QCA Code, which is designed for small to mid-sized companies and which has been adopted by many AIM companies, was the appropriate code to adopt.

The Board has considered how the Company applies the ten principles of the QCA Code and the Governance Report includes the required disclosures and explanations. Further details of the Company's corporate governance practices are provided on the Company's website under the corporate governance section of the AIM rule 26 disclosure.

Corporate Governance Statement

The Board recognises that good governance supports the execution of the Company's strategy and delivery of shareholder value. Rockhopper's Board, led by the Chairman, is committed to maintaining high standards of corporate governance and to ensuring that the Company's values are promoted and its strategy clearly communicated across the Group and to shareholders and stakeholders.

Corporate culture

Rockhopper has a small, experienced and diverse team of employees most of whom hold shares in the Company. The Board promotes a culture of openness and transparency and staff understand, and are fully committed to delivery of, the corporate objectives.

The Company is committed to ensuring that there is a healthy corporate culture and has put in place a number of policies and procedures which are designed to ensure that ethical and transparent behaviour is recognised and followed across the Group. These include the HSE Policy, Code of Business Conduct and Social Responsibility, Anti-Bribery and Corruption Policy and Procedures and Share Dealing Code.

Board composition

The Board currently consists of a Non-Executive Chairman and two Executive and four Non-Executive Directors including the Senior Independent Director. The Chairman will retire at the 2019 Annual General Meeting and will be replaced by Keith Lough. During 2018, John Martin retired as a Non-Executive Director and Alison Baker was appointed to the Board as a Non-Executive Director.

The Board considers that the Chairman and the Non-Executive Directors are all independent. Other than any shareholdings in the Company and the receipt of fees for acting as Directors, the Chairman and Non-Executive Directors have no financial interests in the Company or business relationships that would interfere with their independent judgement.

Keith Lough was the Senior Independent Director throughout 2018 and will be replaced by Alison Baker when he takes over as Chairman.

Board composition during the year

Name	Role	Independent	Length of service	Date of appointment	Date of resignation
Non-executives					
David McManus	Chairman	Yes	8 years, 6 months	30 September 2010	—
Keith Lough	Senior Independent Director	Yes	5 years, 3 months	14 January 2014	—
Tim Bushell	Non-Executive Director	Yes*	3 years, 3 months	18 January 2016	—
John Summers	Non-Executive Director	Yes	5 years, 2 months	1 February 2014	—
Alison Baker	Non-Executive Director	Yes	0 years, 7 months	18 September 2018	—
John Martin	Non-Executive Director	Yes	2 years, 4 months	18 January 2016	18 May 2018
Executives					
Sam Moody	Chief Executive Officer	No	14 years, 2 months	21 February 2005	—
Stewart MacDonald	Chief Financial Officer	No	5 years, 1 month	10 March 2014	—

* Tim Bushell was previously Chief Executive Officer at Falkland Oil and Gas Limited and had a 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. The Board considers him 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.

All the Directors are subject to annual re-election by shareholders at the Annual General Meeting and each Director is subject to election by shareholders at the first Annual General Meeting following their appointment. With the exception of David McManus, all Directors will be standing for election or re-election at the 2019 Annual General Meeting.

Role of the Board

The Board is collectively responsible for delivery of the strategy which is designed to promote the long-term success of the Company and to deliver shareholder value. The Board is responsible for monitoring progress against the agreed strategic objectives and ensuring that major business risks are actively monitored and mitigated where appropriate. There is a schedule of matters reserved for the Board to ensure that the Board exercises control over the key matters which could impact on delivery of the Company's strategy. Details are provided on the Company's website under the corporate governance section of the AIM rule 26 disclosure.

Board skills and responsibilities

The Directors have a wide range of experience and skills across the oil and gas industry including technical, operational, commercial and financial both in the UK and internationally. Each of the Non-Executive Directors have held senior management/board/advisory positions in the industry and bring relevant experience from their current and previous positions.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer which is set out in writing and has been approved by the Board. Details are given on the Company's website. A clearly defined organisational structure exists across the Group, with lines of responsibility and delegation of authority to executive management.

Senior Independent Director

The main responsibilities of the Senior Independent Director are as follows:

- to provide a sounding board for the Chairman and act as an intermediary for Board members;
- to act as a point of contact for shareholders who have concerns which have not been adequately addressed by the Chairman or Executive Directors; and
- to co-ordinate the Chairman's appraisal.

Board meetings and processes

The Board has between six and seven scheduled formal meetings each year with other meetings held as required. The Chairman facilitates an annual strategy review and meets regularly with the Non-Executive Directors without the Executive Directors present.

At the beginning of each Board meeting, the Board receives an update from the CEO on key current activities and issues together with Operations and Finance Reports and any papers relating to specific matters requiring consideration or approval. The Board considers any changes to the principal risks facing the Group at the start of the meeting and discussions take place in this context.

The appointment letters of the Non-Executive Directors detail the expected time commitment which is around 20 days a year. The Non-Executive Directors undertake on joining the Company that they are able to allocate sufficient time to discharge effectively their responsibilities and are required to keep the Board updated of any changes in respect of their other commitments.

Board meeting attendance

Name	Scheduled Board meetings	Additional short notice Board meetings
David McManus	7/7	1/1
Sam Moody	*6/7	1/1
Stewart MacDonald	7/7	1/1
Keith Lough	7/7	1/1
Tim Bushell	7/7	0/1
John Summers	7/7	1/1
Alison Baker (appointed 18 September 2018)	2/2 (1 as invitee)	1/1
Former Director		
John Martin (resigned 18 May 2018)	3/3	0
Total meetings during year	7	1

* Absent due to family bereavement.

Board performance evaluation

An internal performance evaluation of the Board and its committees and an appraisal of the Chairman's performance is undertaken each year according to the following processes:

Board Board members review a questionnaire which is focused on strategy, risks, performance against objectives, board processes, relationships and communication and Board structure and development. The key conclusions are discussed at a Board meeting and follow up action is agreed if necessary.

In addition to the internal performance evaluation, an external performance evaluation of the Board was undertaken in 2016 with specific focus on the skillset and structure of the Board which was used as the basis for discussions on succession planning.

Chairman The Senior Independent Director consults each individual Director for their view on the Chairman's performance and feeds back any issues to the Chairman/Board as appropriate.

Audit & Risk Committee The Chairman of the Audit & Risk Committee/Senior Independent Director and Company Secretary review the performance of the Audit & Risk Committee based on the Financial Reporting Council's guidance to listed companies on the composition, role and responsibilities of the audit committee. The key conclusions are discussed by the Audit & Risk Committee and follow up action is agreed if necessary.

Board induction, training and outside advice

There is no formal induction process in place but new Directors receive an appropriate induction according to their requirements. During the year Alison Baker received an induction which included the following:

Board Board papers and minutes for prior 12 months
Schedule of matters reserved for the Board
Delegated financial authorities

Committees Terms of reference for all Board Committees
Minutes of relevant Committee meetings for prior 12 months

Policies Copies of current policies and procedures including Anti-Bribery and Corruption, Code of Business Conduct, Share Dealing Code, Internal Control and Financial Procedures and Market Abuse Regulation

Organisation Group structure chart

Governance Briefing on AIM obligations from the NOMAD

Commercial Management summaries of key transactions

Insurance Details of Directors' and officers' liability cover

Shareholders Overview of the breakdown of the share register including details of major shareholders

New directors are also encouraged to meet with members of the senior management team to get a thorough understanding of the Group's assets and operations.

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.

External directorships and interests

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

Non-Executive Directors are required to advise the Chairman as soon as practicable of any proposed Board appointments which could give rise to a conflict with their position as a Director of the Company.

Conflicts of interest

The Board has in place a procedure for dealing with the consideration and authorisation of any actual or potential conflicts of interest. All Directors are aware of the requirement to advise the Chairman and Company Secretary of any situations which could give rise to a conflict or potential conflict of interest.

Company Secretary

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 Company Secretary also facilitates the induction of new directors and is responsible for providing advice to the Board, through the Chairman, on corporate governance matters.

Communication with shareholders

The Company engages with shareholders in a variety of ways:

Meetings Executive Directors meet regularly with major shareholders and the investment community which allows exposure to new investors. This process includes 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. Copies of analyst research reports, press reports and industry articles are circulated to all Directors and ensures that the Board is aware of the views of its major shareholders

Website The Company's website is updated regularly with external presentations and corporate updates which ensures that existing and potential investors have access to up to date and relevant information

Annual Report The Company's annual report gives a detailed overview of the Company's strategy, operations, financial position, risk profile, corporate governance practice and remuneration structure and is available in hard copy and on the website. This ensures that existing and potential investors are provided with the information that they need to make an assessment of the Company's performance and prospects

AGM The AGM is attended by all Directors. The Chairman gives an overview of the Company's performance in the period since the previous AGM and the Chief Executive Officer gives a detailed operational and financial update. The AGM is mainly attended by retail investors and gives them the opportunity to address questions to the Board.

David McManus
Chairman

1 April 2019

Audit & Risk Committee Chairman's report

Introduction by the Audit & Risk Committee Chairman, Keith Lough

I am pleased to present the report of the Audit & Risk Committee for the year ended 31 December 2018 which includes details of the committee's activities during the financial year and since the year end.

I will be stepping down as Chairman of the committee at the 2019 Annual General Meeting when I will take up the position of Chairman of the Company. I will be succeeded by Alison Baker who is a qualified chartered accountant. This will also be the last audit of the financial statements by KPMG LLP in line with best practice given their nine year tenure and the conclusion of the audit partner's five year term. After a tender process overseen by the committee, the Board has approved the appointment of PricewaterhouseCoopers LLP as the Company's auditor for the financial year commencing 1 January 2019 subject to approval by shareholders of the Company at the 2019 Annual General Meeting.

Committee composition

The members of the Audit & Risk Committee are Keith Lough as Chairman, Tim Bushell, Alison Baker and John Summers. Alison Baker was appointed to the Audit & Risk Committee in September 2018. The Board considers all the members of the Committee to be independent and is satisfied that the Committee membership has sufficient recent and relevant financial experience.

Alison Baker will replace Keith Lough as Chairman of the Audit & Risk Committee with effect from the date of the 2019 Annual General Meeting.

The Company Secretary acts as secretary of the committee.

Meetings

The Audit & Risk Committee met twice during the year and informal discussions were also held both with and without management present. The external auditor met and had discussions with the Chairman of the committee during the course of the year. The external auditors also met with the committee without management present.

Only members of the committee have the right to attend the meetings of the committee but the committee can request the Chairman of the Board, Executive Directors, members of senior management and the external auditors to attend its meetings.

Following each meeting, the Chairman of the committee reports formally to the Board on the main matters discussed by the committee.

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

Director	Audit & Risk Committee meetings attended
Keith Lough – Chairman	2/2
Tim Bushell	2/2
John Summers	2/2
Alison Baker (appointed 18 September 2018)	0*
S MacDonald	†2
D McManus	†2
Former Director	
John Martin (resigned 18 May 2018)	1*
Total meetings during year	2

† Invitee

* There were no committee meetings held after Alison Baker's appointment and John Martin resigned as a director prior to the September committee meeting

Role

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 committee is responsible for notifying the Board of any significant concerns that the external auditor may have arising from their audit work, any matters which 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's terms of reference are available on the Company's website and on request from the Company Secretary.

Key matters considered by the committee

During the year, the issues considered by the committee included:

- Group financial disclosures and accounting matters including impairment and going concern;
- 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;
- external auditor's audit fees;
- 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;
- outcome and recommendations of the external review of internal financial controls including the creation of a Financial and Accounting Procedures manual;
- corporate governance practice and disclosure;
- implementation of the General Data Protection Regulation 2016/679;
- tender process for the provision of audit services to the Group;
- whistleblowing procedures and shareholder concerns.

Going concern

As part of the year end reporting process, management prepares a detailed report including detailed cashflow forecasts with a number of potential scenarios and sensitivity assumptions. The committee reviews and challenges management's assumptions and conclusions in order that it can provide comfort to the Board that management's assessment has been challenged and is supported and that it is appropriate to prepare the financial statements on a going concern basis. Further details of the going concern assessment process are contained in Note 1 of the Group financial statements on page 59.

External auditors

The 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 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. The policy on the provision of non-audit services requires that the committee considers each piece of work on a case by case basis. 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 committee is satisfied that there were no conflicts during the financial period. The 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.

Audit & Risk Committee performance

The Chairman of the committee and Company Secretary undertake an annual review of the committee's performance and effectiveness with reference to the Financial Reporting Council's guidance to listed companies on the composition, role and responsibilities of the audit committee. The key conclusions are discussed by the committee and follow up action is agreed if necessary.

Since the year end, the performance review has been completed. The committee concluded that, having considered the size and complexity of the business, the terms of reference continued to be appropriate and that the committee was performancing effectively.

Whistleblowing and Anti-Bribery

The Company has in place a whistleblowing policy and procedure which encourages staff to raise in confidence any concerns about business practices.

The Company is committed to conducting all of its business dealings in a responsible, honest and ethical manner. All employees, directors and consultants are required to have regard to the Company's Code of Business Conduct and Corporate Social Responsibility in their day to day business behaviour. The Company also has in place Anti-Bribery and Corruption Policy and Procedures which are kept under review and communicated to staff who have joined since the initial training session.

The Chairman of the committee is the contact for shareholders, employees, consultants, contractors or anyone with concerns which they believe have not been adequately addressed by the Chairman or Chief Executive Officer and contact details are given on the Company's website.

Keith Lough
Audit & Risk Committee Chairman

1 April 2019

Nomination Committee Chairman's report

Introduction by the Nomination Committee Chairman, David McManus

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2018 which includes details of the committee's activities during the financial year.

I will be stepping down as Chairman of the Board at the 2019 Annual General Meeting having served nearly nine years on the Board, three of those as Chairman. I will be succeeded by Keith Lough who will also become Chairman of the Nomination Committee.

Committee composition

The committee is chaired by the Chairman of the Board with all the Non-Executive Directors as its members. The Board considers all the Non-Executive Directors to be independent.

The Company Secretary acts as secretary of the committee.

Meetings

The committee met twice during the year and informal discussions were also held. Only members of the committee have the right to attend the meetings of the committee but the committee can request the attendance of the Chief Executive Officer.

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

Director	Nomination Committee meetings attended
David McManus – Chairman	2/2
Keith Lough	2/2
Tim Bushell	2/2
John Summers	2/2
Alison Baker (appointed 18 September 2018)	0*
Former Director	
John Martin (resigned 18 May 2018)	1*
Total meetings during year	2

* There were no committee meetings held after Alison Baker's appointment and John Martin resigned as a director prior to the September committee meeting.

Role

The role of the committee 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.

Key matters considered by the committee

The issues considered by the committee during the financial year included:

- Board and Board Committees structure and composition
- proposed external directorships of the Non-Executive Directors
- confirmation of the extension of the tenure of Keith Lough and John Summers for a further three year term
- proposed appointment of Alison Baker as a Non-Executive Director
- Board succession with regard to length of tenure and good corporate governance practice.

Succession planning

The Company is committed to appointing, retaining and developing an experienced team which can effectively manage the Company's objectives and deliver its strategy. When considering succession planning, the committee evaluates the balance of skills and experience on the Board and makes recommendations to the Board on the basis of what the Company needs to support delivery of the agreed strategic objectives.

The committee also recognises the need for progressive refreshing of the Board and the benefits of diversity and the committee has regard to these factors when considering succession planning. The committee is committed to recruiting on merit measured against objective criteria.

There is an emergency succession plan in place to cover any unexpected unavailability or departure of the Executive Directors or members of senior management. The management of human resources across the Group is a matter for executive management but the Non-Executive Directors are advised in advance of recruitment plans in respect of senior appointments.

David McManus
Nomination Committee Chairman

1 April 2019

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 2018 which has been prepared largely in compliance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Group Regulations 2013.

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 2018. It also sets out details of the implementation of the Executive Director Remuneration Policy for the year ending 31 December 2019 .

During 2018, the Company agreed to adopt the QCA code as its corporate governance code. The Committee has reviewed the Company's Remuneration Policy and practices against the principles of the QCA Code and has concluded that they support the delivery of the Company's strategy but do not encourage any unnecessary risk taking by management. The Committee aims to ensure that remuneration is linked to the performance of the Company. The bonus scheme is based on the Company's KPIs and 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.

The Committee has agreed some changes to the executive directors' bonus scheme for 2019 so that individual targets will be introduced for the executive directors in addition to the corporate targets and the executive team will no longer be treated as a team in respect of objective setting and bonus awards. No other substantial changes are proposed 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 as it develops and will consider whether it would be appropriate to seek external advice on the Remuneration Policy and structure of remuneration packages.

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

Yours sincerely

Tim Bushell
Chairman of the Remuneration Committee

1 April 2019

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	→ 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	→ 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	→ 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 the 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 and individual corporate targets
Operation	→ Objectives are set as early as possible in the financial year → The bonuses are paid in cash after the end of the financial year to which they relate
Opportunity	→ The annual bonus award is determined as a percentage of base salary based on performance against pre agreed objectives. When deciding on the level of bonus awards, the Committee will have regard to the extent to which achievement of the objectives has contributed to progress against the Company's strategic drivers → The bonus is non-contractual and is discretionary. Bonus payments will only exceed 50% of base salary in circumstances of exceptional strategic progress. Exceptional bonus payments may be in the form of shares and/or cash at the Committee's discretion → A one-off bonus of between 100% and 200% of salary will be payable at the point of project sanction on the Sea Lion Development with the exact quantum at the Committee's discretion
Performance metrics	→ The targets for the Executive Directors comprise the corporate, strategic and financial objectives agreed by the Board. Individual objectives are also set for each Executive Director → 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	→ The LTIP was approved by shareholders in 2013 → The Committee makes annual awards of nil cost options which vest on a sliding scale after the end of the performance period 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 is currently set at 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	→ 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 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 corporate and individual 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 in recent years 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 of exceptional strategic progress
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 plus 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. 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.

Non-Executive Director Remuneration 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 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 are 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 appointment are set out below:

Director	Appointment date	Original engagement letter	Revised engagement letter
David McManus	30 September 2010	30 November 2010	29 October 2013
			8 July 2016
Keith Lough	14 January 2014	14 January 2014	1 February 2017
John Summers	1 February 2014	3 February 2014	1 February 2017
Tim Bushell	18 January 2016	18 January 2016	18 January 2019
Alison Baker	18 September 2018	18 September 2018	—

Directors are subject to annual re-election by shareholders at the Annual General Meeting and each Director is subject to election by shareholders at the first Annual General Meeting following their appointment. The Non-Executive 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 2018, the Committee comprised the Committee Chairman and three independent Non-Executive Directors. The Committee met three times during the financial period and the 2018 LTIP awards were dealt with by way of written resolutions of the Committee.

The members of the Committee during the year and as at the year end and their attendance are summarised below:

Committee member	Meeting attendance
TP Bushell (Committee Chairman)	3/3
KG Lough	3/3
JE Martin (resigned 18 May 2018)	3/3
AJ Summers	3/3
AC Baker (appointed 18 September 2018)	0*

* There were no committee meetings held after Alison Baker's appointment

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

- Confirming the staff salary adjustments for 2018 and bonus awards for the year ended 31 December 2017.
- Setting the targets for the bonus scheme for the forthcoming financial year.
- Reviewing the Company's remuneration policy.
- Approving the Directors' Remuneration Report for the year ended 31 December 2017.
- Approving the 2018 LTIP awards and reviewing the constitution of the peer group.
- Approving the annual implementation of the SIP.
- Reviewing the administration and governance of the Group personal pension plan.
- Approving the introduction of a staff appraisal system.

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 by invitation.

No individual is involved in determining his or her own remuneration.

External advice

The Company Secretary is the principal source of advice on employment matters, remuneration policy and practice and share scheme administration for the Committee. However, from time to time, the Committee obtains external legal advice from Osborne Clarke in relation to employment matters and the operation of the share schemes. The Committee considers that the advice it received during the financial period was objective and independent.

Total Remuneration

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

	Salary £'000		Taxable benefits £'000		Annual bonus £'000		Long-term Incentives £'000		Pension/pension cash allowance £'000		SIP awards £'000		Total £'000	
	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017 (ii)	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2018	Year ended 31 Dec 2017
S J Moody	373.0	362.1	11.2	10.9	93.0	108.6	—	—	55.9	36.5	6.6	6.6	539.7	524.7
S MacDonald	305.9	297.0	9.7	9.6	93.0	89.1	—	—	45.9	29.7	6.6	6.6	461.1	432.0
FM MacAulay (i)	—	201.3	—	6.2	—	—	—	—	—	12.2	—	4.8	—	224.5

(i) F MacAulay left the Company on 4 July 2017
(ii) Represents 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 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
D McManus	115.0	115.0	—	—	115.0	115.0
K G Lough	40.0	40.0	12.5	12.5	52.5	52.5
A J Summers	40.0	40.0	—	—	40.0	40.0
T P Bushell	40.0	40.0	10.0	10.0	50.0	50.0
J E Martin (resigned 18 May 2018)	20.0	40.0	—	—	20.0	40.0
A C Baker (appointed 18 September 2018)	11.4	—	—	—	11.4	—

J E Martin resigned from the Board on 18 May 2018.

A C Baker was appointed as a Director on 18 September 2018.

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 (2017: £2,500) for acting as Senior Independent Director and £10,000 as Chairman of the Audit and Risk Committee and Remuneration Committee. The Chairman of the Company does not receive any additional fees for chairing the Nomination Committee.

Additional information in respect of single figure table of remuneration for the year ended 31 December 2018

Annual bonus

In respect of the financial period, the Committee agreed that the Executive Director annual bonus opportunity would be up to 50% of base salary. The following objectives and outcomes were agreed for the 2018 financial year:

- Preservation of the Company's cash position/strengthening the balance sheet
  The year end target cash position had been exceeded and there had been a substantial reduction in the Group's EGPC receivables position. A significant number of new venture opportunities had been reviewed in 2018 but none met the Company's investment criteria. The Committee agreed that this objective had been partially achieved.
- Making a commercial discovery in Egypt
  Two commercial discoveries had been made in Egypt during the 2018 drilling campaign. The Committee agreed that this objective had been fully achieved.

The Committee recognised that the executive directors had performed well against the agreed objectives but, in the interests of alignment with shareholders, the Committee exercised its discretion to award lower bonus payments for 2018 than those calculated from the percentage achievement of the targets. The Committee therefore agreed that the following bonuses should be paid to each of the Executive Directors which reflected the relative contributions to achievement of the targets.

Bonuses were paid in cash and were as follows:

Director	Final Bonus as % of salary	Cash £
SJ Moody	25%	93,000
S MacDonald	30%	93,000

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 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*
SJ Moody	23 April 2018	£0.255	—	2,100,000	2,100,000	£535,500
S MacDonald	23 April 2018	£0.255	—	1,900,000	1,900,000	£484,500

* 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 2018 LTIP awards are as follows:

- Awards are in the form of nil cost options.
- Performance will be measured over the three year period to 31 March 2021.
- Performance measurement is based on the average price over the 90 day dealing period to 31 March 2018 measured against the 90 day dealing period up to 31 March 2021.
- 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 2019

Base salaries

As part of the annual remuneration review, the Committee considered general economic conditions in the UK and had regard to current industry market practice in relation to salary adjustments. The Executive Directors' base salaries were increased by 2% with effect from 1 January 2019.

Annual bonus

For 2019, the Executive Director annual bonus will be determined as a percentage of base salary based on performance against pre agreed corporate and personal objectives. When deciding on the level of bonus awards, the Committee will have regard to the extent to which achievement of the objectives has contributed to progress against the Company's strategic drivers. Bonus payments will only exceed 50% of base salary in circumstances of exceptional strategic progress. The Committee has the discretion to decide the form of any exceptional bonus payments which may be in shares and/or cash.

The Committee has agreed the following objectives for the financial year ending 31 December 2019:

- Preservation of the Company's cash position and strengthening of the Company's balance sheet
- Portfolio management including mergers, asset acquisitions and disposals to strengthen the Company's balance sheet

The Committee previously agreed to remove progress towards the Final Investment Decision on the Sea Lion Development from the Executive Directors' bonus targets. A one off special bonus of between 100% and 200% of salary will be payable at project sanction with the exact quantum of this bonus at the Committee's discretion.

Long Term Incentive Plan

The Committee intends to grant LTIP awards in 2019 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 Director remuneration policy for 2019

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	
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 2018 Ordinary 1p shares	At 31 December 2017 Ordinary 1p shares
Samuel Moody	2,363,640	2,333,749
Stewart MacDonald	285,310	255,419
David McManus	498,952	498,952
Tim Bushell	103,606	103,606
John Summers	244,100	244,100
Keith Lough	—	—
Alison Baker	—	—

The Committee has agreed that the Executive Directors should be encouraged to build up a stake of Rockhopper shares equivalent to annual base salary in the case of S MacDonald and two times annual base salary in the case of S J Moody over a five year period. It is intended that this should be achieved through the retention of any vested LTIP awards and Share Appreciation Rights awarded under the Employee Share Option Scheme.

Outstanding awards under the LTIP and Employee Share Option Scheme

(a) LTIP

(i) Unvested LTIP Awards

Director	Date of grant	Awards held at 31 Dec 2017	Granted	Lapsed/ relinquished during Year	Vested	Awards held at 31 Dec 2018	Market price at date of award	Performance period	Earliest vesting date
S J Moody	13.04.15	855,354	—	855,354	—	—	—	—	—
	22.04.16	1,738,080	—	—	—	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
	23.04.18	—	2,100,000	—	—	2,100,000	£0.2550	01.04.18-31.03.21	23.04.21
S MacDonald	13.04.15	701,575	—	701,575	—	—	—	—	—
	22.04.16	1,425,600	—	—	—	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
	23.04.18	—	1,900,000	—	—	1,900,000	£0.2550	01.04.18-31.03.21	23.04.21

ii) Vested LTIP Awards

Director	Date of grant	Vested Awards held at 31 Dec 2017	Exercised during the year	Vested Awards held at 31 Dec 2018
SJ Moody	08.10.13	177,802*	—	177,802*
S MacDonald	10.03.14	70,391*	—	70,391*

* 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 2017 and 31 December 2018 there were no share options held by individuals who were directors during the year ended 31 December 2018.

(c) Share appreciation rights

The share appreciation rights outstanding as at 31 December 2018 and held by individuals who were Directors during the year ended 31 December 2018 are:

Director	Date of grant	Awards held at 31 December 2017	Exercised during the year	Lapsed during the year	Awards held at 31 December 2018	Exercise price Pence
S J Moody	11.01.11	76,056	—	—	76,056	372.75
	17.01.12	77,777	—	—	77,777	303.75
	30.01.13	91,077	—	—	91,077	159.00
		244,910	—	—	244,910	

Share price movements during year ended 31 December 2018

The mid-market closing price of the Company's shares as at 31 December 2018 was 21.10 pence (31 December 2017: 21.25 pence). The range of the trading price of the Company's shares during the year was between 20.25 pence and 44.95 pence.

Executive director external appointments

S J 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

1 April 2019

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 2017: £nil).

Key performance indicators "KPIs"
See page 17 for more details.

Substantial shareholders
At 31 March 2019 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	34,723,166	7.59
Hosking Partners	17,781,329	3.89
Aedos Advisers	17,545,290	3.84

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 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 2017: £nil) and no political donations (year ended 31 December 2017: £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 35 days (year ended 31 December 2017: 43 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 19 employees at the year end, two of whom are Executive 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

1 April 2019

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 2018 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 2018 and of the Group's loss 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 (unchanged from 2017):

	The risk	Our response
Recoverability of exploration and evalution assets/ Recoverability of Parent company's investment in subsidiaries and receivables due from group companies Exploration and evaluation assets: $447.0m (2017: $432.1m) Refer to page 60 (accounting policy) and page 72 (financial disclosures) Investment in subsidiaries: $93.6m (2017: $93.6m) Loans due from group companies: $438.7m (2017: $412.2m) Refer to page 82 (accounting policy) and pages 84 and 85 (financial disclosures)	**Forecast-based valuation** 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 2020. The conversion of these to production licenses is subject to the ability of the Company to secure financing for further development and successful negotiations with local government. 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.	Our procedures included: → **Impairment triggers:** 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; → **Assessing license extension prospects:** We assessed whether it is likely that conversion 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. The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

4. 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 $5.1m (2017: $5.3m), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

Materiality for the parent company financial statements as a whole was set at $5.1m (2017: $5.3m), 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% (2017: 1%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $250k (2017: $275k), 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.

5. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures. Based on this work, 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 a year from the date of approval of the financial statements. We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

6. 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.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 51, 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.

9. 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

1 April 2019

Group income statement

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Revenue		**10,580**	10,401
Other cost of sales		**(4,563)**	(4,100)
Depreciation and impairment of oil and gas assets		**(3,968)**	(5,473)
Total cost of sales	4	**(8,531)**	(9,573)
Gross profit		**2,049**	828
Exploration and evaluation expenses	5	**(5,014)**	(3,422)
Costs in relation to acquisition and group restructuring		**(58)**	—
Recurring administrative costs		**(5,328)**	(5,282)
Total administrative expenses	6	**(5,386)**	(5,282)
Charge for share based payments	9	**(1,478)**	(864)
Other income		**943**	—
Foreign exchange movement	10	**1,208**	(966)
Results from operating activities and other income		**(7,678)**	(9,706)
Finance income	11	**825**	783
Finance expense	11	**(253)**	(39)
Loss before tax		**(7,106)**	(8,962)
Tax	12	**(25)**	2,823
Loss for the year attributable to the equity shareholders of the parent company		**(7,131)**	(6,139)
Loss per share: cents			
Basic	13	**(1.57)**	(1.34)
Diluted	13	**(1.57)**	(1.34)

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

Group statement of comprehensive income

for the year ended 31 December 2018

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Loss for the year	**(7,131)**	(6,139)
Exchange differences on translation of foreign operations	**371**	(1,151)
Total comprehensive loss for the year	**(6,760)**	(7,290)

Group balance sheet

as at 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Non current assets			
Exploration and evaluation assets	14	**447,035**	432,147
Property, plant and equipment	15	**11,836**	11,585
Goodwill	16	**10,308**	10,789
Current assets			
Inventories		**1,779**	1,621
Other receivables	17	**9,510**	16,840
Restricted cash	18	**568**	540
Term deposits	19	**30,000**	30,000
Cash and cash equivalents		**10,426**	20,729
Assets held for sale	20	**—**	3,814
Total assets		**521,462**	528,065
Current liabilities			
Other payables	21	**15,148**	12,772
Non-current liabilities			
Tax payable	22	**37,860**	40,057
Provisions	23	**13,888**	5,986
Deferred tax liability	24	**39,223**	39,202
Liabilities directly associated with assets held for sale	20	**—**	9,450
Total liabilities		**106,119**	107,467
Equity			
Share capital	25	**7,205**	7,200
Share premium	26	**3,422**	3,282
Share based remuneration	26	**5,103**	5,609
Own shares held in trust	26	**(3,369)**	(3,383)
Merger reserve	26	**74,332**	74,332
Foreign currency translation reserve	26	**(9,748)**	(10,119)
Special reserve	26	**456,680**	460,077
Retained losses	26	**(118,282)**	(116,400)
Attributable to the equity shareholders of the company		**415,343**	420,598
Total liabilities and equity		**521,462**	528,065

These financial statements were approved by the directors and authorised for issue on 1 April 2019 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

Group statement of changes in equity

for the year ended 31 December 2018

	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 2016	7,194	3,149	6,251	(3,407)	74,332	(8,968)	462,549	(114,106)	426,994
Total comprehensive loss for the year	—	—	—	—	—	(1,151)	—	(6,139)	(7,290)
Share based payments (see note 9)	—	—	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**
Total comprehensive loss for the year	—	—	—	—	—	371	—	(7,131)	(6,760)
Share based payments (see note 9)	—	—	1,478	—	—	—	—	—	1,478
Share issues in relation to SIP	5	140	—	(118)	—	—	—	—	27
Other transfers	—	—	(1,984)	132	—	—	(3,397)	5,249	—
Balance at 31 December 2018	**7,205**	**3,422**	**5,103**	**(3,369)**	**74,332**	**(9,748)**	**456,680**	**(118,282)**	**415,343**

Group cash flow statement

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Cash flows from operating activities			
Net loss before tax		**(7,106)**	(8,962)
Adjustments to reconcile net losses to cash:			
Depreciation	15	**4,111**	5,687
Share based payment charge	9	**1,478**	864
Exploration impairment expenses	14	**3,884**	2,321
Finance expense		**253**	40
Finance income		**(825)**	(783)
Foreign exchange	10	**(2,256)**	3,331
Operating cash flows before movements in working capital		**(461)**	2,498
Changes in:			
Inventories		**(23)**	—
Other receivables		**7,029**	(964)
Payables		**(103)**	110
Movement on other provisions		**(1,012)**	(14)
Cash from/(utilised by) operating activities		**5,430**	1,630
Cash flows from investing activities			
Capitalised expenditure on exploration and evaluation assets		**(13,940)**	(25,366)
Purchase of property, plant and equipment		**(1,844)**	(1,451)
Acquisition of Beach Egypt		**(658)**	(6,266)
Interest		**750**	566
Investing cash flows before movements in capital balances		**(15,692)**	(32,517)
Changes in:			
Restricted cash		**(28)**	(45)
Cash flow from investing activities		**(15,720)**	(32,562)
Cash flows from financing activities			
Share incentive plan		**27**	30
Finance expense		**(9)**	(43)
Cash flow from financing activities		**18**	(13)
Currency translation differences relating to cash and cash equivalents		**(31)**	655
Net cash flow		**(10,272)**	(30,945)
Cash and cash equivalents brought forward		**20,729**	51,019
Cash and cash equivalents carried forward		**10,426**	20,729

Notes to the group financial statements

for the year ended 31December 2018

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 1 April 2019 and are subject to approval at the Annual General Meeting of shareholders on 15 May 2019.

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.

- IFRS16 Leases (effective date for annual periods beginning on or after 1 January 2019);

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

1.5 Going concern

At 31 December 2018, the Group had available cash and term deposits of $40 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.

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 which has historically been common to many upstream companies operating in the country. As at 31 December 2018, Rockhopper's EGPC receivable balance was approximately US$1.3 million.

Cash forecasts are regularly produced based on, inter alia, the Group's production and expenditure forecasts and management's best estimates of future commodity prices. Sensitivities are run to reflect different scenarios including changes in production rates, possible reductions in commodity prices and increased costs. Management's base case forecast assumes an oil price of US$65/bbl in 2019 and 2020, production in line with prevailing rates and expenditures in line with approved budgets. The Group has run downside scenarios, where oil prices are reduced by a flat $10/bbl throughout the going concern period and where cost expenditures have increased by 5%.

Notes to the group financial statements continued

for the year ended 31December 2018

1. Accounting policies (continued)

1.5 Going concern (continued)

Under the base case forecast and the downside scenarios run, the Group will have sufficient financial headroom to meet forecast cash requirements for at least the 12 months from the date of approval of the 2018 financial statements. However, beyond the 12 month going concern assessment depending on the timing of sanction for the Sea Lion development, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements.

Potential mitigating actions could include non-core asset disposals, collection of arbitration award proceeds, deferral of expenditure or raising additional equity.

Accordingly, after making enquiries and considering the risks described above, 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.

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 indicators 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.

Notes to the group financial statements continued

for the year ended 31December 2018

1. Accounting policies continued

1.6 Significant accounting policies continued

(E) Capital commitments

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

(F) Foreign currency translation

Functional and presentation currency:

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

Transactions and balances:

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

The period end rates of exchange actually used were:

	31 December 2018	31 December 2017
£ : US$	1.28	1.35
€ : US$	1.15	1.20

(G) Revenue and income

(i) Revenue

Revenue arising from the sale of goods is recognised when control over a product or service is transferred to a customer, 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 31December 2018

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

Year ended 31 December 2018	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
Revenue	—	10,580	—	10,580
Cost of sales	—	(8,531)	—	(8,531)
Gross profit	—	2,049	—	2,049
Exploration and evaluation expenses	(253)	(3,682)	(1,079)	(5,014)
Costs in relation to acquisition and group restructuring	—	(58)	—	(58)
Recurring administrative costs	—	(1,406)	(3,922)	(5,328)
Total administrative expenses	—	(1,464)	(3,922)	(5,386)
Charge for share based payments	—	—	(1,478)	(1,478)
Other income	—	943	—	943
Foreign exchange gain/(loss)	2,197	(100)	(889)	1,208
Results from operating activities and other income	1,944	(2,254)	(7,368)	(7,678)
Finance income	—	8	817	825
Finance expense	—	(254)	1	(253)
Loss before tax	1,944	(2,500)	(6,550)	(7,106)
Tax	—	(25)	—	(25)
Profit/(loss) for year	1,944	(2,525)	(6,550)	(7,131)
Reporting segments assets	440,314	41,992	39,156	521,462
Reporting segments liabilities	76,996	18,183	10,940	106,119
Depreciation	—	3,991	120	4,111

Year ended 31 December 2017	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
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)
Costs in relation to acquisition and group restructuring	—	—	—	—
Other administrative costs	(7)	(1,487)	(3,788)	(5,282)
Total administrative expenses	(7)	(1,487)	(3,788)	(5,282)
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

Notes to the group financial statements continued

for the year ended 31December 2018

4. Cost of sales

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Cost of sales	4,563	4,100
Depreciation of oil and gas assets (see note 15)	3,968	5,473
	8,531	9,573

5. Exploration and evaluation expenses

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Allocated from administrative expenses (see note 6)	891	597
Capitalised exploration costs impaired (see note 14)	3,884	2,321
Other exploration and evaluation expenses	239	504
	5,014	3,422

6. Administrative expenses

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Directors' salaries and fees, including bonuses (see note 7)	1,727	1,934
Other employees' salaries	2,638	2,604
National insurance costs	637	651
Pension costs	164	260
Employee benefit costs	88	92
Total staff costs (including group restructuring costs)	5,254	5,541
Amounts reallocated	(2,105)	(2,200)
Total staff costs charged to administrative expenses	3,149	3,341
Auditor's remuneration (see note 8)	251	244
Other professional fees	1,058	992
Other	1,648	1,481
Depreciation (see note 15)	143	214
Amounts reallocated	(863)	(990)
	5,386	5,282

The average number of staff employed during the year was 20 (31 December 2017: 24). The relative decrease between years reflects the continued restructuring of the Greater Mediterranean operation. As at 31 December 2018 the number of staff employed had reduced to 19.

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 2018 $'000	Year ended 31 December 2017 $'000
Executive salaries	912	1,141
Executive bonuses	250	267
Company pension contributions to money purchase schemes & pension cash allowance	137	104
Benefits	28	37
Non-executive fees	400	385
	1,727	1,934

The total remuneration of the highest paid director was:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Annual salary	373,000	362,100
Bonuses	93,000	108,600
Money purchase pension schemes	55,900	36,900
Benefits	11,200	10,904
	533,100	518,504

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 2018 $'000	Year ended 31 December 2017 $'000
KPMG LLP		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	128	117
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	72	63
Half year review	38	45
Tax compliance services	13	19
	251	244

Notes to the group financial statements continued

for the year ended 31December 2018

9. Share based payments

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

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000£
Charge for the long term incentive plan options	1,360	768
Charge for shares issued under the SIP throughout the year	118	96
	1,478	864

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. 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:	23 April 2018	16 June 2017	22 Apr 2016	13 Apr 2015
Closing share price	25.7p	21.25p	31.5p	64.0p
Number granted	7,000,000	6,700,000	10,047,885	4,111,838
Weighted average volatility	44.4%	53.3%	60.4%	44.5%
Weighted average volatility of index	64.0%	71.4%	71.2%	55.8%
Weighted average risk free rate	0.90%	0.18%	0.58%	0.70%
Correlation in share price movement with comparator group	13.0%	15.3%	27.5%	33.5%
Exercise price	0p	0p	0p	0p
Dividend yield	0%	0%	0%	0%

The following movements occurred during the year:

Issue date	Expiry date	At 31 December 2017	Issued	Lapsed	At 31 December 2018
8 October 2013	8 October 2023	546,145	—	—	546,145
10 March 2014	10 March 2024	70,391	—	—	70,391
13 April 2015	13 April 2025	2,977,944	—	(2,977,944)	—
22 April 2016	22 April 2026	6,017,850	—	—	6,017,850
16 June 2017	16 June 2027	6,700,000	—	—	6,700,000
23 April 2018	23 April 2028	—	7,000,000	—	7,000,000
		16,312,330	7,000,000	(2,977,944)	20,334,386

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 2017 £41,997) worth of Free Shares to eligible employees.

This resulted in 156,268 (year ended 31 December 2017: 154,826) Free Shares and under the SIP scheme matching and partnership shares issued were 223,131 (year ended 31 December 2017: 302,622) in the period.

	31 December 2018	31 December 2017
The average fair value of the shares awarded (pence)	28	23
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 2017	Exercised	Lapsed	At 31 December 2018
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	196,712	—	(21,664)	175,048
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	269,026	—	(24,485)	244,541
30 January 2013	30 January 2023	159.00	317,845	—	(40,683)	277,162
			1,333,011	(355,844)	(86,832)	890,335

Notes to the group financial statements continued

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10. Foreign exchange

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Foreign exchange gain/(loss) on Falkland Islands tax liability (see note 22)	2,197	(3,791)
Foreign exchange gain on term deposits, cash and restricted cash	59	460
	2,256	(3,331)
Foreign exchange on operating activities	(1,048)	2,365
Total net foreign exchange gain/(loss)	1,208	(966)

11. Finance income and expense

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Bank and other interest receivable	825	783
Total finance income	825	783
Unwinding of discount on decommissioning provisions (see note 23)	244	(4)
Other	9	43
Total finance expense	253	39

12. Taxation

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Current tax:		
Overseas tax	—	(14)
Adjustment in respect of prior years	—	(2,866)
Total current tax	—	(2,880)
Deferred tax:		
Overseas tax	25	57
Total deferred tax – note 24	25	57
Tax on profit on ordinary activities	25	(2,823)
Loss on ordinary activities before tax	(7,106)	(8,962)
Loss on ordinary activities multiplied at 26% weighted average rate (31 December 2017: 26%)	(1,848)	(2,330)
Effects of:		
Income and gains not subject to taxation	(2,528)	(1,884)
Expenditure not deductible for taxation	1,688	3,005
Depreciation in excess of capital allowances	1,050	(722)
IFRS2 Share based remuneration cost	384	189
Losses carried forward	1,275	1,656
Effect of tax rates in foreign jurisdictions	(21)	134
Adjustments in respect of prior years	25	(2,866)
Other	—	(5)
Tax charge/(credit) for the year	25	(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 2018 $'000	Year ended 31 December 2017 $'000
UK	66,740	62,033
Falkland Islands	592,483	576,121
Italy	75,278	61,961

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 utlisation of the losses in the future may not be possible.

13. Basic and diluted loss per share

	31 December 2018 Number	31 December 2017 Number
Shares in issue brought forward	457,116,500	456,659,052
Shares issued		
– Issued under the SIP	379,399	457,448
Shares in issue carried forward	457,495,899	457,116,500
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	457,369,112	456,945,871
Effects of dilutive potential Ordinary shares		
Contingently issuable shares	—	—
	457,369,112	456,945,871

	$'000	$'000
Net loss after tax for purposes of basic and diluted earnings per share	(7,131)	(6,139)
Loss per share – cents		
Basic	(1.57)	(1.34)
Diluted	(1.57)	(1.34)

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.

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14. Intangible exploration and evaluation assets

	Falkland Islands $'000	Greater Mediterranean $'000	Total $'000
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 (see note 20)	—	(824)	(824)
Foreign exchange movement	—	169	169
As at 31 December 2017	425,971	6,176	432,147
Additions	14,595	3,364	17,959
Written off to exploration costs	(252)	(3,632)	(3,884)
Transfer from assets held for sale (see note 20)	—	834	834
Foreign exchange movement	—	(21)	(21)
As at 31 December 2018	440,314	6,721	447,035

Falkland Islands licences

The additions during the period of $14.6 million relate principally to the Sea Lion development.

In assessing whether it is necessary to undertake a detailed impairment test, management consider whether there are any triggers, e.g. a significant change in the view on long term oil pricing or project cost, that would suggest such a detailed test is necessary. Management do not consider there to be any such triggers.

Nevertheless, management, as a matter of good practice, run their cashflow model regularly. At the year end, the key inputs to this model were a 2019 real terms Brent 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 2019 (with such decision dependent on securing 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.

Sensitivity analysis is 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 exists although the assets require further appraisal.

Greater Mediterranean licences

The $3.4 million additions during the period predominantly relate to work on the Egyptian license interests. An impairment of $3.4 million was recognised during the year in respect of the Raya-1X exploration commitment well in the El Qa'a Plain concession which encountered no hydrocarbons.

15. Property, plant and equipment

	Oil and gas assets $'000	Other assets $'000	31 December 2018 $'000	Oil and gas assets $'000	Other assets $'000	31 December 2017 $'000
Cost brought forward	31,043	1,134	32,177	32,378	1,096	33,474
Additions	1,996	25	2,021	970	17	987
Foreign exchange	(762)	(10)	(772)	2,524	21	2,545
Disposals	—	(271)	(271)	—	—	—
Transfer from/(to) assets held for sale	4,891	—	4,891	(4,829)	—	(4,829)
Cost carried forward	37,168	878	38,046	31,043	1,134	32,177
Accumulated depreciation and impairment loss brought forward	(19,751)	(841)	(20,592)	(14,831)	(618)	(15,449)
Current year depreciation charge	(3,968)	(143)	(4,111)	(5,473)	(214)	(5,687)
Foreign exchange	611	7	618	(1,790)	(9)	(1,799)
Disposals	—	271	271	—	—	—
Transfer (from)/to assets held for sale	(2,396)	—	(2,396)	2,343	—	2,343
Accumulated depreciation and impairment loss carried forward	(25,504)	(706)	(26,210)	(19,751)	(841)	(20,592)
Net book value brought forward	11,292	293	11,585	17,547	478	18,025
Net book value carried forward	11,664	172	11,836	11,292	293	11,585

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

Asset additions relate almost entirely to the Abu Sennan production asset in Egypt.

Consistent with the approach taken to assess whether the Falkland Island licences should be subject to impairment testing, management did not identify any triggers that would require a formal impairment calculation to be undertaken. Therefore, no impairment was recognised in the period (2017: $nil).

Nonetheless, similar to the Falkland Islands licences future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) were compared 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 2019 and 2020, and a Brent oil price of $70/bbl and a gas price of €0.25/sm^3 in 2019 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 impairments were identified in this process.

16. Goodwill

	Greater Mediterranean $'000
As at 31 December 2017	10,789
Foreign exchange movement	(481)
As at 31 December 2018	10,308

Goodwill relates to the corporate acquisition of Mediterranean Oil & Gas plc ("MOG") during the period ended 31 December 2014. This goodwill is included in the Greater Mediterranean segment and allocated to the Italian CGU, which have the optionality and potential to provide value in excess of this fair value as well as representing the strategic premium associated with a significant presence in a new region. The functional currency of MOG is euros. As such the goodwill is also expressed in the same functional currency and subject to retranslation at each reporting period end. The reduction in the period of $481,000 (2017: $1,350,000 increase) 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 a long term realised gas price of €0.25/sm^3 and a realised long-term oil price of $70/bbl in 2019 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.

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17. Other receivables

	31 December 2018 $'000	31 December 2017 $'000
Current		
Receivables	3,811	9,826
Prepayments	332	473
Accrued interest	396	323
Income tax	81	85
Other	4,890	6,133
	9,510	16,840

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 2018, the receivable balance due from EGPC was $1.3 million which is due solely to Rockhopper following the settlement of the amount which was payable to the former parent company of Rockhopper Egypt Pty. Limited, Beach Energy Limited.

Other receivables predominantly relate to IVA balances due from the Italian tax authorities which are in the process of being reclaimed.

18. Restricted cash

	31 December 2018 $'000	31 December 2017 $'000
Charged accounts	568	540
	568	540

19. Term deposits

	31 December 2018 $'000	31 December 2017 $'000
Maturing after the period end:		
Within three months	10,000	10,000
Six to nine month	10,000	10,000
Nine months to one year	10,000	10,000
	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. Following failure to satisfy all relevant conditions precedent, including receipt of requisite regulatory approvals in Italy, the Group has decided not to proceed with the transaction.

21. Other payables and accruals

	31 December 2018 $'000	31 December 2017 $'000
Accounts payable	2,462	2,551
Accruals	12,246	8,654
Other creditors	440	1,567
	15,148	12,772

Accruals have increased due to costs associated with the Sea Lion development.

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 2018 $'000	31 December 2017 $'000
Current tax payable	—	—
Non current tax payable	37,860	40,057
	37,860	40,057

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

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

As a result of the Tax Settlement Deed the outstanding tax liability was confirmed at £64.4 million and payable on the first royalty payment date on Sea Lion. Currently the first royalty payment date 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 was 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 gain of US$2.2 million (2017: US$3.8 million loss) has been recognised in the year.

23. Provisions

	Abandonment provision $'000	Other provisions $'000	31 December 2018 $'000	31 December 2017 $'000
Brought forward	5,892	94	5,986	14,914
Amounts utilized	(854)	(27)	(881)	(1,704)
Amounts arising in the period	—	10	10	11
Unwinding of discount	247	—	247	—
Transfer from/(to) liabilities associated with assets held for sale	8,750	—	8,750	(8,772)
Foreign exchange	(220)	(4)	(224)	1,537
Carried forward at period end	13,815	73	13,888	5,986

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.

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24. Deferred tax liability

	31 December 2018 $'000	31 December 2017 $'000
At beginning of period	39,202	39,145
Movement in period	21	57
At end of period	39,223	39,202

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 2018 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 2018 would be $185 million (31 December 2017: $176 million).

25. Share capital

	31 December 2018		31 December 2017	
	$'000	Number	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	7,205	457,495,899	7,200	457,116,500

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 2018 $'000	31 December 2017 $'000
Total committed within 1 year	504	569
Total committed between 1 and 5 years	351	1,285
	855	1,854

28. Capital commitments

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

As at the date of these account the Group committed to fund its share of the approved work programs and budgets for our licence interests in the calendar year ending 31 December 2019 of US$18 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 39 to 49.

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Short term employee benefits	1,636	1,875
Pension contributions	137	59
Share based payments	742	120
	2,515	2,054

Notes to the group financial statements continued

for the year ended 31December 2018

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 is exposed to foreign exchange movements on monetary assets and liabilities denominated in currencies other than US$, in particular the tax liability with the Falkland Island Government which is a GB£ denominated balance. In addition a number of the Group's subsidiaries have a functional currency other than US$, 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 $41.0 million of which $35.3 million was held in US$ 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	CAD $ $'000
Assets					
31 December 2018	491,148	2,440	27,234	640	—
31 December 2017	495,535	2,989	29,496	22	—
Liabilities					
31 December 2018	51,200	38,346	16,518	—	55
31 December 2017	47,087	42,031	18,349	—	—

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 2018	(3,591)	3,591	(3,591)	3,591
31 December 2017	(3,904)	3,904	(3,904)	3,904
US$ against euro				
31 December 2018	1,072	(1,072)	1,072	(1,072)
31 December 2017	1,117	(1,117)	1,117	(1,117)

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 2018 were $3,948,000 (31 December 2017: $9,826,000). 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 2018 were $30,000,000 (31 December 2017: $30,000,000).

Parent company financial statements – company balance sheet

As at 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Non current assets			
Property, plant and equipment	2	88	169
Investments	3	93,617	93,617
Group undertakings	4	438,652	—
Current assets			
Other receivables	5	917	413,069
Restricted cash		511	540
Term deposits		30,000	30,000
Cash and cash equivalents		6,999	18,792
Total assets		570,784	556,187
Current liabilities			
Other payables	6	27,167	7,454
Total liabilities		27,167	7,454
Equity			
Share capital	7	7,205	7,200
Share premium	11	3,422	3,282
Share based remuneration	11	5,104	5,610
Own shares held in trust	11	(3,369)	(3,383)
Merger reserve	11	74,575	74,575
Special reserve	11	456,680	461,449
Retained earnings	11	—	—
Attributable to the equity shareholders of the company		543,617	548,733
Total liabilities and equity		570,784	556,187

These financial statements were approved by the directors and authorised for issue on 1 April 2019 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 31December 2018

	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
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
Total comprehensive loss for the year	—	—	—	—	—	—	(6,621)	(6,621)
Share based payments	—	—	1,478	—	—	—	—	1,478
Share issues in relation to SIP	5	140	—	(118)	—	—	—	27
Other transfers	—	—	(1,984)	132	—	(4,769)	6,621	—
Balance at 31 December 2018	7,205	3,422	5,104	(3,369)	74,575	456,680	—	543,617

Notes to the company financial statements

for the year ended 31 December 2018

1. Accounting policies

Company and its operations

Rockhopper Exploration plc, the 'Company', a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom ('UK'), holds, through its subsidiaries, certain exploration licences granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the Falkland Islands. In 2014, it diversified its portfolio through the acquisition of an exploration and production company with operations principally based in Italy 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 2018 were approved and signed by the Group Chief Financial Officer on 1 April 2019 having been duly authorized to do so by the board of directors. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (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.

- 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.

Going concern

At 31 December 2018, the Group had available cash and term deposits of $40 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.

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 which has historically been common to many upstream companies operating in the country. As at 31 December 2018, Rockhopper's EGPC receivable balance was approximately US$1.3 million.

Cash forecasts are regularly produced based on, inter alia, the Group's production and expenditure forecasts and management's best estimates of future commodity prices. Sensitivities are run to reflect different scenarios including changes in production rates, possible reductions in commodity prices and increased costs. Management's base case forecast assumes an oil price of US$65/bbl in 2019 and 2020, production in line with prevailing rates and expenditures in line with approved budgets. The Group has run downside scenarios, where oil prices are reduced by a flat $10/bbl throughout the going concern period and where cost expenditures have increased by 5%.

Notes to the company financial statements continued

for the year ended 31 December 2018

1. Accounting policies continued

Going concern continued

Under the base case forecast and the downside scenarios run, the Group will have sufficient financial headroom to meet forecast cash requirements for at least the 12 months from the date of approval of the 2018 financial statements. However, beyond the 12 month going concern assessment depending on the timing of sanction for the Sea Lion development, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements.

Potential mitigating actions could include non-core asset disposals, collection of arbitration award proceeds, deferral of expenditure or raising additional equity.

Accordingly, after making enquiries and considering the risks described above, the Directors have assessed that the cash balance held provides the Company and 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.

Share based payment

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

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

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

Investments

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

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 2018	31 December 2017
£ : US$	1.28	1.35
€: US$	1.15	1.20

Property, plant and equipment and depreciation
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.

Notes to the company financial statements continued

for the year ended 31 December 2018

2. Property, plant and equipment

	31 December 2018 $'000	31 December 2017 $'000
Cost brought forward	1,026	1,010
Additions	25	16
Disposals	(272)	—
Cost carried forward	779	1,026
Accumulated depreciation brought forward	(857)	(693)
Depreciation charge	(106)	(164)
Disposals	272	—
Accumulated depreciation carried forward	(691)	(857)
Net book value brought forward	169	317
Net book value carried forward	88	169

3. Investments

	31 December 2018 $'000	31 December 2017 $'000
Cost brought forward	139,117	139,117
Additions	—	—
Cost carried forward	139,117	139,117
Amounts provided brought and carried forward	(45,500)	(45,500)
Net book value brought forward	93,617	93,617
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. Group undertakings

	31 December 2018 $'000	31 December 2017 $'000
Group undertakings	438,652	—
	438,652	—

Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free. Disclosure reflects the Company's expectation that repayment is not likely to occur within the next twelve months. Amounts with Group undertakings are net of provisions of $12,346,000.

5. Other receivables

	31 December 2018 $'000	31 December 2017 $'000
Receivables	181	9
Prepayments	241	442
Accrued interest	396	323
Other	99	131
Group undertakings	—	412,164
	917	413,069

Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free. Amounts with Group undertakings in the prior year were net of provisions of $12,346,000.

6. Other payables

	31 December 2018 $'000	31 December 2017 $'000
Trade creditors	1,641	1,350
Other creditors	228	658
Accruals	9,073	5,446
Group undertakings	16,225	—
	27,167	7,454

7. Share capital

	31 December 2018 Number	31 December 2017 Number
Shares in issue brought forward	457,116,500	456,659,052
Shares issued		
– Issued under the SIP	379,399	457,448
Shares in issue carried forward	457,495,899	457,116,500

	31 December 2018		31 December 2017	
	$'000	Number	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	7,205	457,495,899	7,200	457,116,500

Notes to the company financial statements continued

for the year ended 31 December 2018

8. Salaries and directors' remuneration

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Salaries and fees	3,728	3,806
National insurance costs	465	481
Pension costs	140	181
Employee benefit costs	81	77
Average number of employees	14	15

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

9. Auditor's remuneration

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

10. 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.

11. Capital and reserves

For description of each of the reserves of the Company please see Note 26 of the Group accounts.

12. Financial Commitments

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

	31 December 2018 $'000	31 December 2017 $'000
Total committed within 1 year	392	498
Total committed between 1 and 5 years	—	382
	392	880

13. 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 2019

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 – Sea Lion Discovery Area	Premier Oil	40.00	Casper North Sea Lion	01/05/2021 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	—	15/12/2021
PL031	Rockhopper	100.00	—	15/12/2021

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

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

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

Glossary

2C	best estimate of contingent resources
2P	proven plus probable reserves
3C	a high estimate category of contingent resources
AGM	Annual General Meeting
Beach Energy	Beach Petroleum (Egypt) Pty Limited
Best	a best estimate category of Prospective Resources also used as a generic term to describe a best, or mid estimate
Board	the Board of Directors of Rockhopper Exploration plc
boe	barrels of oil equivalent
bopd	barrels of oil per day
boepd	barrels of oil equivalent per day
Capex	capital expenditure
Cash resources	Cash and term deposits
Company	Rockhopper Exploration plc
E&P	exploration and production
EGPC	Egyptian General Petroleum Company
EIS	Environmental Impact Statement
ERCE	ERC Equipoise Limited
Farm-down	to assign an interest in a licence to another party
FEED	Front End Engineering and Design
FDP	Field Development Plan
FID	Final Investment Decision
FIG	Falkland Islands Government
FOGL	Falkland Oil and Gas Limited
FPSO	Floating Production, Storage and Offtake vessel
G&A	General and administrative costs
Group	the Company and its subsidiaries
High	high estimate category of Prospective Resources also used as a generic term to describe a high or optimistic estimate
IFRS	International Financial Reporting Standard
kboepd	thousand barrels of oil equivalent per day
Low	a low estimate category of Prospective Resources also used as a generic term to describe a low or conservative estimate
LOI	Letter of Intent
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
MMstb	million stock barrels (of oil)
mscf	thousand standard cubic feet
net pay	the portion of reservoir containing hydrocarbons that through the placing of cut offs for certain properties such as porosity, water saturation and volume of shale determine the productive element of the reservoir
P&A	plug and abandon
PIM	Project Information Memorandum
Premier	Premier Oil plc
PSV	virtual exchange point
scm	standard cubic metre
STOIIP	stock-tank oil initially in place
SURF	Subsea, Umbilicals, Risers and Flowlines
tvdss	true vertical depth subsea

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Concerns and procedures

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Audit committee emails
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Website
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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:
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