ROCKHOPPER EXPLORATION PLC

Creating value through building a well-funded, full-cycle, exploration-led E&P company

CONTENTS

Cover: Eudyptes moseleyi

ROCKHOPPER – WHO WE ARE

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

The Company has been operating offshore the Falkland Islands since 2004 and discovered the world-class Sea Lion oil field in 2010.

OUR STRATEGIC AMBITION

Create value through building a well-funded, full-cycle, exploration-led E&P company.

2019 HIGHLIGHTS

Sea Lion Phase 1 development

Project validated and de-risked through introduction of Navitas as joint venture partner.

30%

- Detailed Heads of Terms signed with Navitas to farm-in for a 30 per cent interest in the Sea Lion project.
- Under the Heads of Terms, Rockhopper's costs for the Phase 1 development (not met by external debt) are to be funded by Premier and Navitas from 1 January 2020 to Phase 1 Project Completion (estimated to occur 9-12 months after first oil).*

- Through the FEED and optimisation processes, the project has been substantially de-risked from a technical and cost perspective.
- Public commitment that Sea Lion will be developed on a net zero emissions basis.
- Resources to be developed in Phase 1 increased from 220 to 250 mmbbls (gross) with associated capex to first oil estimated at approximately US$1.8 billion (gross).

* Excluding licence fees, taxes and project wind down costs.

Financial

Revenue
US$10.3m

- Revenue of US$10.3 million and operating costs US$4.6 million.

Operating costs
US$9.9 per boe

- Cash operating costs of US$9.9 per boe – maintaining a low cost base.

G&A
US$5.3m

- Continued management of G&A costs – US$5.3 million – reduced by circa 30% in the last three years.

Cash
US$21.9m

- Cash resources of US$21.9 million as at 1 April 2020 (unaudited).

Corporate

→ Appointment of Keith Lough as Non-Executive Chairman following the retirement of David McManus at the Company's AGM in May 2019.

→ Ombrina Mare arbitration – in June 2019 the Tribunal rejected Italy's request for suspension and related intra-EU jurisdictional objections.

→ Disposal of Rockhopper Egypt Pty Limited for US$16 million completed in February 2020.

→ Initiatives identified to further materially reduce corporate G&A costs in response to current market conditions.

Outlook

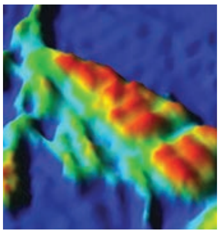
→ Despite the current oil price weakness, all parties remain committed to the finalisation of the Navitas farm-out agreement with completion subject to agreed consents and approvals.

→ In response to recent external events, cost reduction process initiated to scale-back headcount and activity at Sea Lion pending an improvement in the external macro environment.

→ Outcome in relation to Ombrina Mare arbitration expected in the coming months – seeking significant monetary damages.

ROCKHOPPER – TIMELINE

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.

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.

2016

Sea Lion enters FEED

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

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

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

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.

2017

ROCKHOPPER EXPLORATION PLC

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%.

2014

Acquisition of MOG

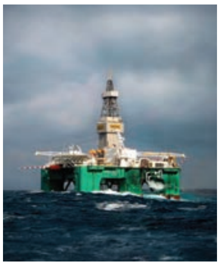
In May, Rockhopper announced a recommended cash and share offer to acquire AIM listed Mediterranean Oil & Gas plc. The transaction completed in August. Through the acquisition Rockhopper acquired a portfolio of production, development, appraisal and exploration interests in Italy, Malta and France.

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.



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.

2018

2019/Q1 2020

Farm-out

Project substantially de-risked through the FEED and optimisation processes.

Resources to be developed in Phase 1 increased from 220 to 250 mmbbls (gross).

Preliminary Information Memorandum and comprehensive set of independent expert reports, which formed the basis of a financing guarantee application package for the senior debt component of the project financing, were submitted to potential senior lenders including export credit agencies in July 2019.

Heads of Terms agreement with Navitas Petroleum "Navitas" to farm-in to Sea Lion project.

2019/Q1 2020

ROCKHOPPER AT A GLANCE

Falkland Islands

North Falkland Basin

Sea Lion Phase 1 (PL032)
- 250 mmbbls gross*
- 75 mmbbls net to Rockhopper†

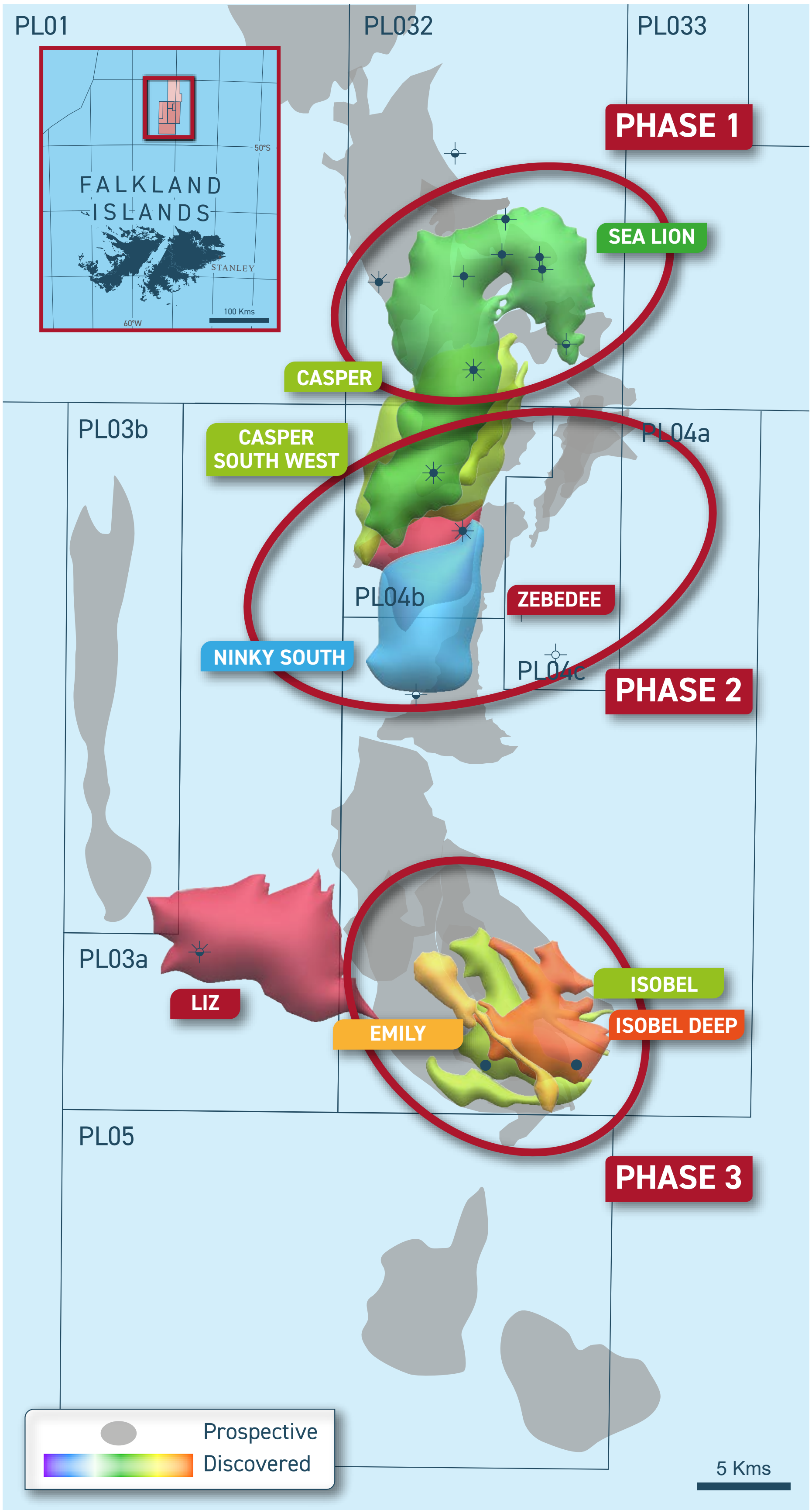
Sea Lion Phase 2 (PL032/PL004)
- 280 mmbbls gross*
- 84 mmbbls net to Rockhopper†

Phase 3 Isobel-Elaine (PL004)
- Isobel-Elaine complex significantly de-risked during 2015/16 exploration campaign

Acreage position†

	Rockhopper	Premier	Navitas	Operator
PL032	30%	40%	30%	Premier
PL003a	95.5%	4.5%	—	Rockhopper
PL003b	60.5%	4.5%	—	Rockhopper
PL004a‡	64%	36%	—	Premier
PL004b	30%	40%	30%	Premier
PL004c	30%	40%	30%	Premier
PL005	100%	—	—	Rockhopper

* Operator estimate.
† Post farm-out to Navitas.
‡ Under farm-out additional option to further align PL004a acreage (30%/40%/30%).



VISION, STRATEGY AND BUSINESS MODEL

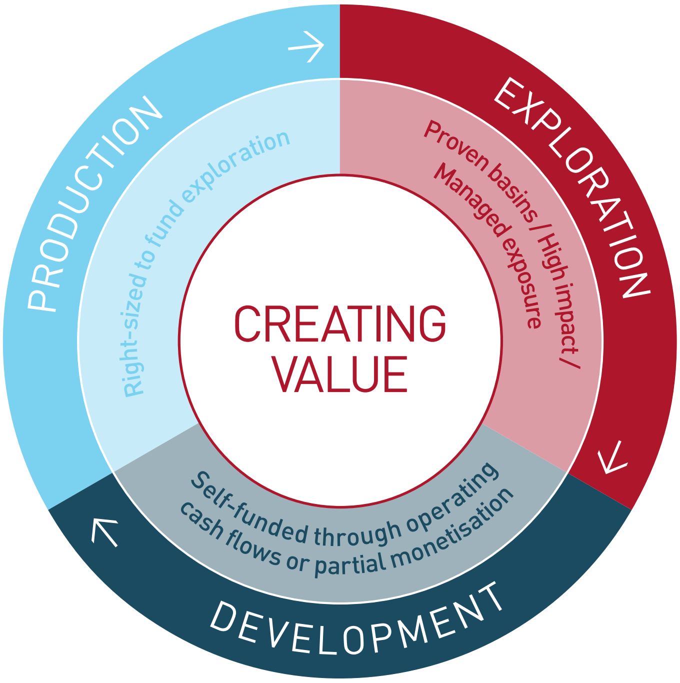
Vision

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

Strategy

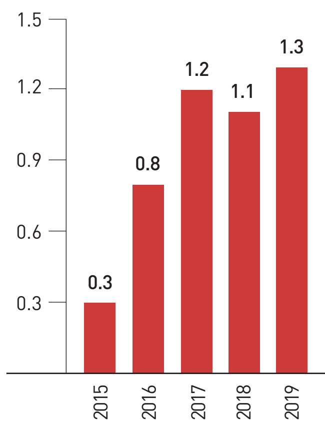
- → **Building a balanced portfolio**
  - → Across the full asset life cycle
  - → Production base to enable growth through exploration
  - → Active portfolio management.
- → **Maintaining balance sheet strength**
  - → Prudent balance sheet management
  - → Partial monetisation of assets to fund development
  - → Disciplined approach to cost management.
- → **Value accretive exploration**
  - → Leveraging technical skillset
  - → Focus on proven hydrocarbon basins
  - → Managed exposure to high-impact opportunities
- → **Commitment to socially and environmentally responsible operations**

Business model

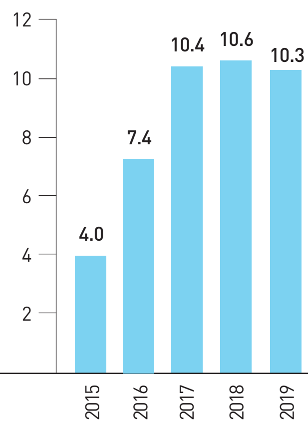


Delivering on strategy

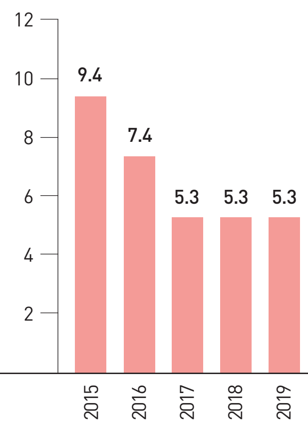
Production
(kboepd)



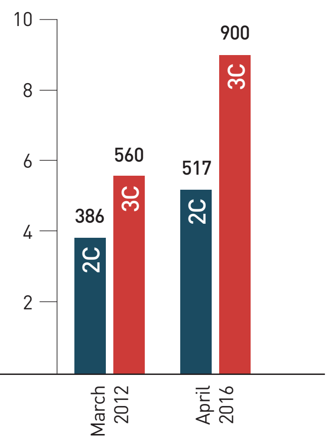
Revenue
(US$m)



Recurring G&A costs
(US$m)



Gross Sea Lion Complex resources (mmbbl)



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

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

In the first quarter of 2020, equity markets and oil prices have fallen significantly due to a combination of fears over the spread of COVID-19 and the impact this will have on the global balance of supply and demand for oil coupled with the recent inability of OPEC and Russia to agree on supply cuts. Recent initiatives by the Company, including the sale of Rockhopper Egypt together with the legally binding Heads of Terms signed with Premier Oil plc ("Premier") place the Company in a relatively stable financial position to weather this current period of uncertainty.

The Company was delighted to announce the signing of a Heads of Terms with Navitas Petroleum LP ("Navitas") in January 2020 as the Board believes the introduction of Navitas into the Sea Lion joint venture validates the attractive nature of the asset, enhances the prospects of securing the requisite senior debt to allow sanction (once oil prices and capital markets recover) and, at the same time, through the revised commercial arrangements ensures that Rockhopper is fully funded for all Sea Lion development costs (excluding licence fees, taxes and project wind down costs) from 1 January 2020 to project completion (estimated 9-12 months after first oil).

Our interest in Abu Sennan has performed very well for us both operationally and financially. However, despite our efforts to acquire and grow a more material position in Egypt, we were unable to do so on attractive terms given the competitive market dynamics and significant buyer interest for assets. As a result, we took the opportunity to instead divest, crystallise an attractive return on investment and at the same time strengthen the Company's balance sheet.

Keith Lough
Non-Executive Chairman

Sea Lion Phase 1 development – project validated and de-risked through introduction of Navitas as joint venture partner

The introduction of Navitas represents an important milestone both for the Sea Lion project and Rockhopper itself. Highlights of the proposed transaction include:

- Working interests aligned across the Sea Lion licences PL032, PL004b and PL004c: Premier 40% (Operator); Rockhopper 30%; Navitas 30%
- Adds additional strength to the Sea Lion joint venture which Rockhopper believes will increase the likelihood of a successful senior debt project financing for the Sea Lion Phase 1 development once markets recover
- Brings additional sources of senior debt financing to the project
- Rockhopper's costs for the Phase 1 development (not met by external debt and save for licence fees, taxes and project wind down costs) to be met by a combination of carry and loans from Premier and Navitas from 1 January 2020 to Phase 1 Project Completion (estimated to occur 9-12 months after first oil)
- Greater alignment and simplified commercial arrangements across the joint venture
- Rockhopper maintains material share of Phase 1 project NPV, a significant 30% interest in Phase 2 Sea Lion development, and additional upside from the Isobel-Elaine area (PL004a)
- Contingent consideration payable to Rockhopper by Premier and Navitas of up to US$48 million related to future phases of development in the North Falkland Basin.

Good progress has been made during the first quarter of 2020 to convert the Heads of Terms into fully documented agreements. Despite the current oil price weakness, all parties remain committed to the finalisation of the Navitas farm-out agreement with completion subject to agreed consents and approvals.

Following the FEED and optimisation processes which concluded during 2019, the resources to be developed in Phase 1 have increased from 220 to 250 mmbbls (gross) with associated capex to first oil estimated at approximately US$1.8 billion (gross). A total of 29 wells are now expected to be drilled in the Phase 1 project with 12 wells drilled pre-first oil, supporting ramp-up to plateau production rates of approximately 85,000 bopd. This optimisation and value engineering has resulted in a substantially de-risked project with robust economics, which is critical as we progress the process to secure senior debt funding for the project.

From an operational standpoint, the overall strategy to develop the North Falkland Basin remains a phased development solution, starting with Sea Lion Phase 1, which will commercialise through a conventional FPSO development scheme 250 mmbbls (gross) of oil resources in the northern part of PL032 (in which Rockhopper has a 30% working interest post farm-out to Navitas). A subsequent

Phase 2 development will commercialise the remaining approximately 280 mmbbls (gross) resources in both PL032 and the satellite accumulations in the north of PL004 (in which Rockhopper has a 30% working interest post farm-out to Navitas). In addition, there is a further 200 mmbbls (gross) 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 Sea Lion financing plan comprises funding elements including senior project finance debt (likely involving a combination of export credit guarantees and loans as well as commercial debt), vendor financing from contractors and equity from the joint venture.

During 2019, the joint venture engaged with a wide range of stakeholders to obtain the support required to secure senior debt, which represents the core of the project's funding strategy. In this regard, a Preliminary Information Memorandum and comprehensive set of independent expert reports, which formed the basis of a financing application for the senior debt component of the project financing, were submitted to potential senior lenders including export credit agencies in July 2019. It is clear that the UK General Election in December 2019 and the subsequent Cabinet reshuffle in February 2020 have had the impact of delaying the decision-making process. While engagement with senior debt providers has been constructive, feedback received highlights the need for Premier to complete its announced corporate actions and extension of its credit facilities to provide certainty over its medium- to long-term funding position before financial guarantees for the project can be secured. Recovery of the oil price is clearly also critical to securing such funding.

On the vendor financing side, the project contractors have undertaken an extensive due diligence and assurance process and remain supportive of the project and its financing plan.

Rockhopper's share of the joint venture equity is to be funded through an interest free loan from Premier and Navitas.

Constructive and supportive engagement with the Falkland Islands Government ("FIG") continues on a range of environmental, fiscal and regulatory matters with a view to obtaining the consents and agreements necessary to reach a final investment decision. Formal approval of the Environmental Impact Statement ("EIS") and Field Development Plan ("FDP") are expected at sanction. As part of this engagement, the Sea Lion Discovery Area licence, which was due to expire on 15 April 2020, has been extended to 1 May 2021 with no additional licence commitments.

Greater Mediterranean – opportunistic disposal of Abu Sennan to generate attractive return on investment and strengthen the balance sheet

Our Greater Mediterranean portfolio continued to perform well in 2019 with production averaging 1.3 kboepd net to Rockhopper.

In March 2019, Rockhopper announced the commencement of a four well drilling campaign on the Abu Sennan concession with activity focused on the continued development of the Al Jahraa field as well as an exploration / appraisal well at ASH.

In July 2019, Rockhopper announced the disposal of Rockhopper Egypt Pty Limited to United Oil & Gas plc ("United") for consideration of US$16.0 million. The key asset of Rockhopper Egypt Pty Limited is a 22% working interest in the Abu Sennan concession. Having acquired the interest in Abu Sennan for US$11.9 million in August 2016 and agreeing to sell for US$16.0 million, plus benefitting from free cash flow during our period of ownership, the Board concluded that it was a suitable time to dispose.

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. In June 2019, the Tribunal rejected Italy's request for the suspension of the arbitration and Italy's related intra-EU jurisdictional objections. Post-hearing briefings were submitted in October and November 2019 with a final outcome anticipated in the coming months.

Samuel Moody
Chief Executive Officer

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 retired as a Director at the Company's AGM in May 2019. Keith Lough, previously Senior Independent Director, succeeded David as Non-Executive Chairman. In addition, and as previously announced, Tim Bushell will step down from the Board effective 30 April 2020. We thank David and Tim for their significant contribution and wish them every success in the future.

The Company continues to actively manage its corporate costs and has reduced G&A by circa 50% over the last 5 years. In these particularly difficult times, a further review of corporate overheads has been initiated with additional cost savings of circa 30% of G&A identified. Implementation of such cost reduction initiatives has already commenced.

Environmental, Social and Governance ("ESG")

ESG continues to be a key focus for Rockhopper and we are committed to acting as a socially responsible contributor to the global energy mix. For the Sea Lion development, Rockhopper is committed to net zero in respect of scope 1 and 2 emissions from the project. Such a commitment is expected to be achieved through a combination of reduced emissions from the use of best-in-class technologies and investment in carbon-offsetting projects both in the Falklands and the UK.

In June 2019, FIG approved the establishment of an environment fund to receive and administer future off-setting payments from the Sea Lion joint venture and distribute those funds for activities aimed at ensuring a positive environmental legacy.

Impact on the Company of COVID-19

The immediate human and economic impact of COVID-19 has been very significant. At this point, the longer-term implications are unclear and will depend on a number of factors which will develop in the coming months.

In part related to COVID-19, the Brent oil price has fallen dramatically during Q1 2020 hitting a low of c.$25 per barrel in late March. This has resulted in a material fall in global equities (including the Company's share price) and will bring balance sheet strength, liquidity and cost reduction measures to the fore. In the upstream oil & gas sector, companies have announced very material and widespread cost reductions through deferment or eliminations of non-essential capital and operating costs. Premier, the operator of the Sea Lion project has made similar public statements. As a consequence, a process to reduce headcount levels and activity on the Sea Lion project has commenced with a smaller team continuing to progress mainly regulatory, fiscal and financial matters, pending a recovery in the external macro environment. A delay to the Final Investment Decision on the Sea Lion project is inevitable until the oil price and capital markets recover.

With the Company's modest presence in Italy already having been substantially scaled back, the Company's day to day operations remain unaffected by the spread of COVID-19 with necessary contingency measures in place.

In these unprecedented times, our priority remains the health and wellbeing of our employees and wider stakeholders. At the time of writing, we are glad to report all our employees and their families are safe and well.

Outlook

Notwithstanding the current market volatility, Sea Lion remains a world-class oil resource with the potential to be transformational for Rockhopper and the Falklands as a whole.

We look forward to the finalisation and ultimate completion of the proposed farm-out to Navitas which we believe validates the world-class nature of the asset, enhances the prospects of securing the requisite senior debt to allow sanction and at the same time, through the revised commercial arrangements, ensures that Rockhopper is fully funded for all Sea Lion development costs (excluding licence fees, taxes and project wind down costs) from 1 January 2020 to project completion (estimated 9-12 months after first oil).

With a supportive interim ruling on jurisdiction, we remain positive on the prospects of recovering significant monetary damages through our international arbitration against the Republic of Italy in respect of Ombrina Mare and look forward to an outcome in the coming months.

The Company continues to believe that the creation of shareholder value will be maximised through a strategy to build a well-funded, full-cycle, exploration led-E&P company. As such, we maintain ambitions to materially 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.

K G Lough

Keith Lough
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

8 April 2020

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.

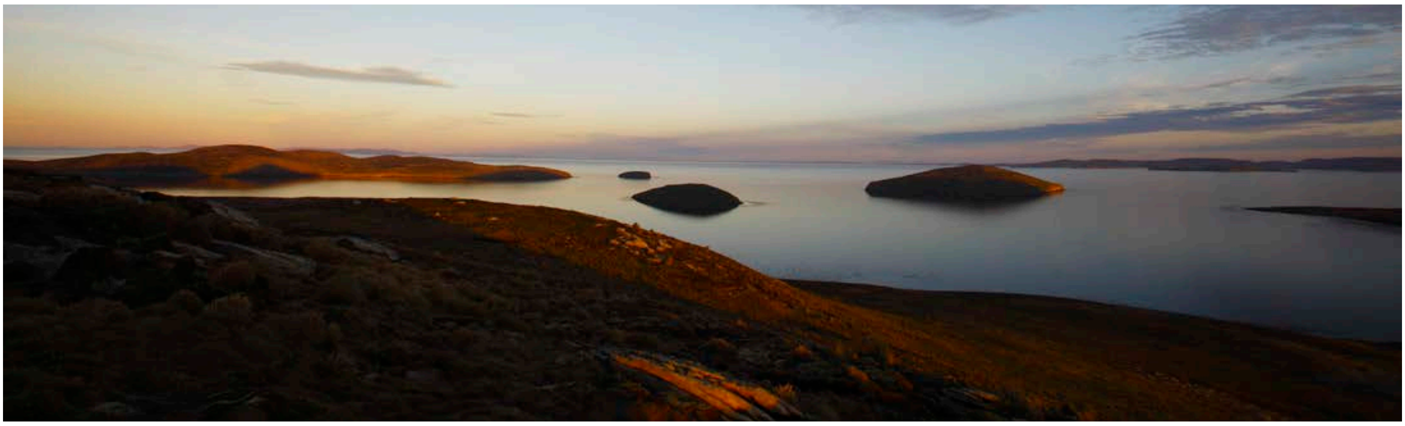
KPIs have been set based on short-term targets designed to ensure the Company achieves its long-term strategy.

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

In 2019, Rockhopper has continued to deliver on a number of its key metrics.

2019	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.**	→ Heads of Terms signed with Navitas to farm-out 30% interest in Sea Lion project.	Partially achieved
KPI #2	**Preservation of the Company's cash position/strengthen the Company's balance sheet.**	→ Disposal of Rockhopper Egypt Pty Limited for $16 million. → Legally binding Heads of Terms signed with Premier which provides funding support for future Sea Lion project costs.	Partially achieved

2020	Definition
KPI #1	**Protection of the Company's balance sheet.**
KPI #2	**Completion of the Navitas farm-out.**
KPI #3	**Progression of senior debt financing for the Sea Lion project.**



INDUSTRY OVERVIEW

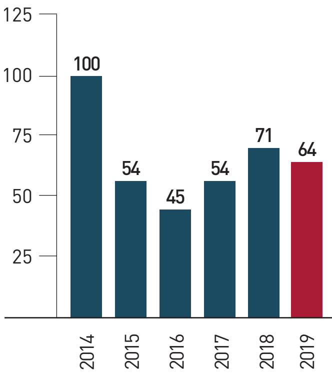
Economic and political

- Widespread economic and geopolitical uncertainty meant the global business environment remained challenging in 2019
- Global economic growth for 2019 is estimated to have fallen to 2.9% from 3.6% in 2018 (source: IMF World Economic Outlook)
- Driven by weak business confidence in part as a result of growing trade tensions between the USA and China
- In Q1 2020, increasing concerns as a result of COVID-19 spread and its wider implications become clearer
- Despite unprecedented support from governments and central banks, global GDP growth is expected to fall sharply in 2020 driven by recessions in many major economies.

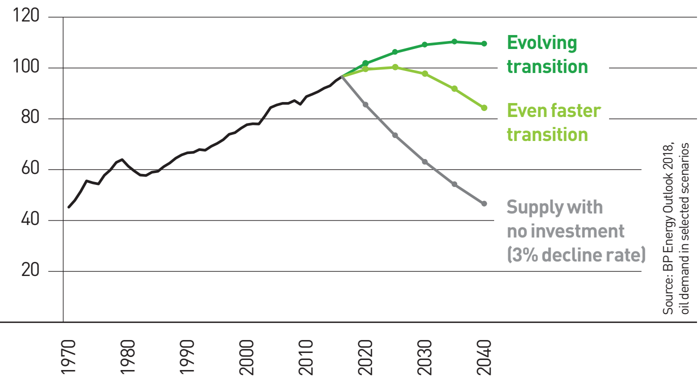
Crude oil

- High volatility throughout 2019 and Q1 2020
- Brent traded between $53 and 75/bbl in 2019, ending the year at $67/bbl
- Between mid February and late March 2020, Brent fell from just below $60/bbl to around $25/bbl, with a decline of over 25% experienced in a single day
- Key oil market dynamics in 2019 impacted by lower than expected demand due to weakening economic environment and non-OPEC supply growth, mostly from US shale, being balanced by lower OPEC production
- The sharp fall in oil prices seen in Q1 2020 reflects the combination of fears over the spread of COVID-19 and the impact this will have on global demand coupled with an inability of OPEC and Russia to agree on supply cuts.

Average Brent Crude price
US$/bbl

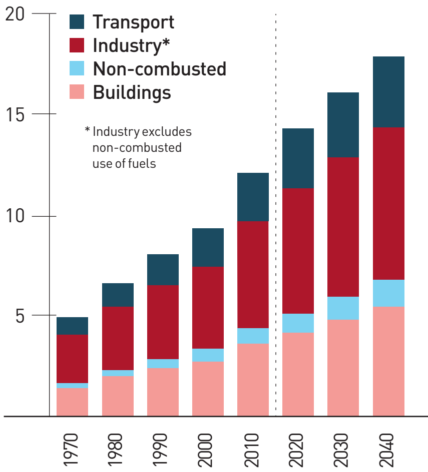


Projected oil demand
mmbd

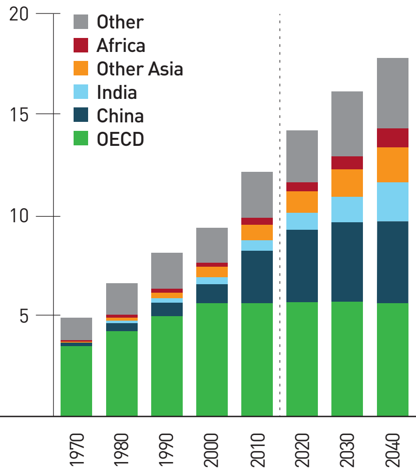


Primary energy demand
Billion toe

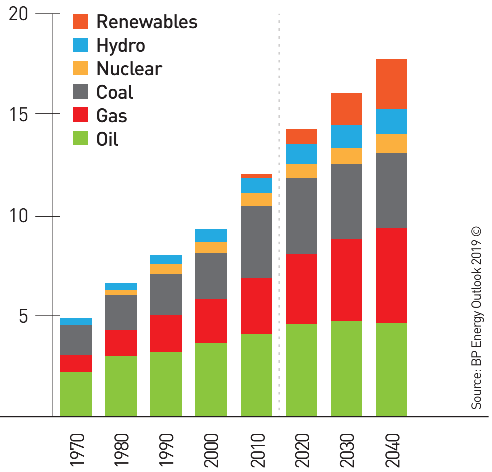
End use sector



Region



Fuel



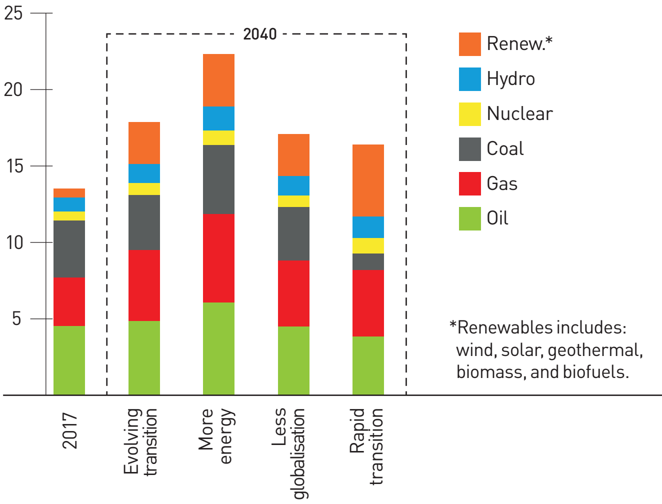
Climate change and the impact on the energy outlook

- 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.

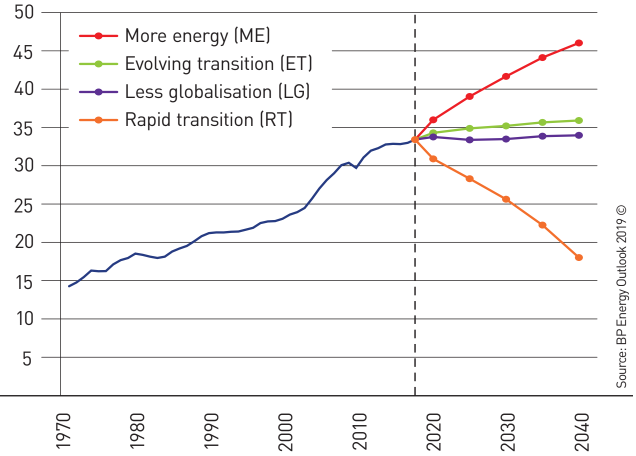
Industry investment, activity levels and costs

- Through 2019, the industry continued to take a relatively 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 the dramatic collapse in oil prices experienced in Q1 2020, industry focus is likely to return to managing liquidity and debt with a resultant sharp reduction in expenditure, deferral of new projects and significantly reduced service costs.

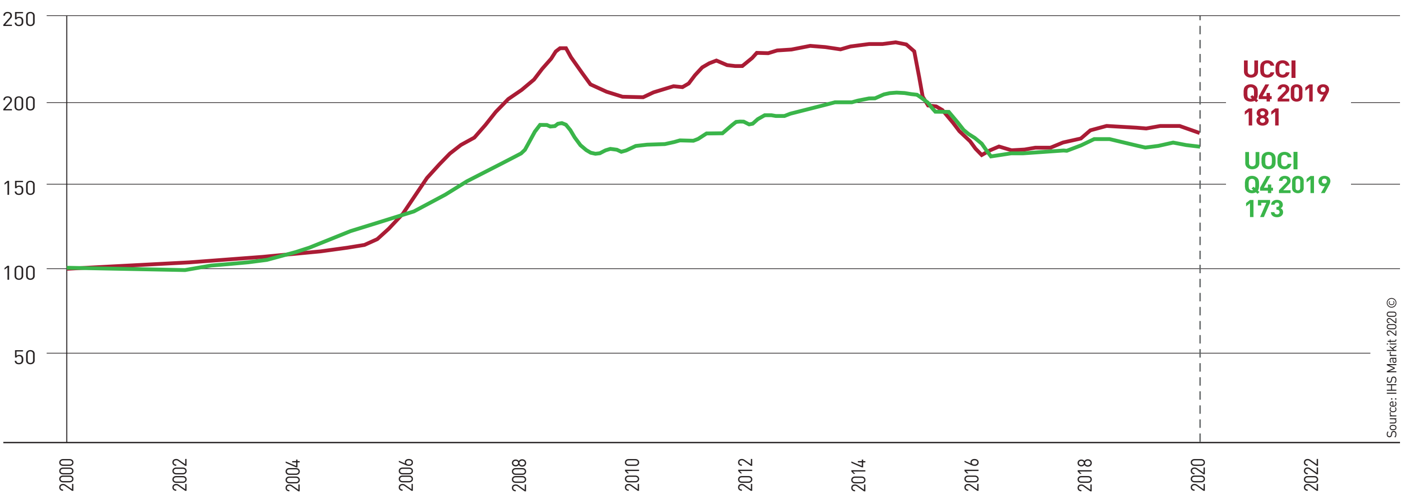
Primary energy consumption by fuel
Billion toe



CO_2 emissions
Gt of CO_2



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



SEA LION PHASE 1 DEVELOPMENT OVERVIEW

Headline facts and figures

US$1.8 bn
Gross CAPEX to first oil

~85,000 bopd
Gross annual production (at plateau)

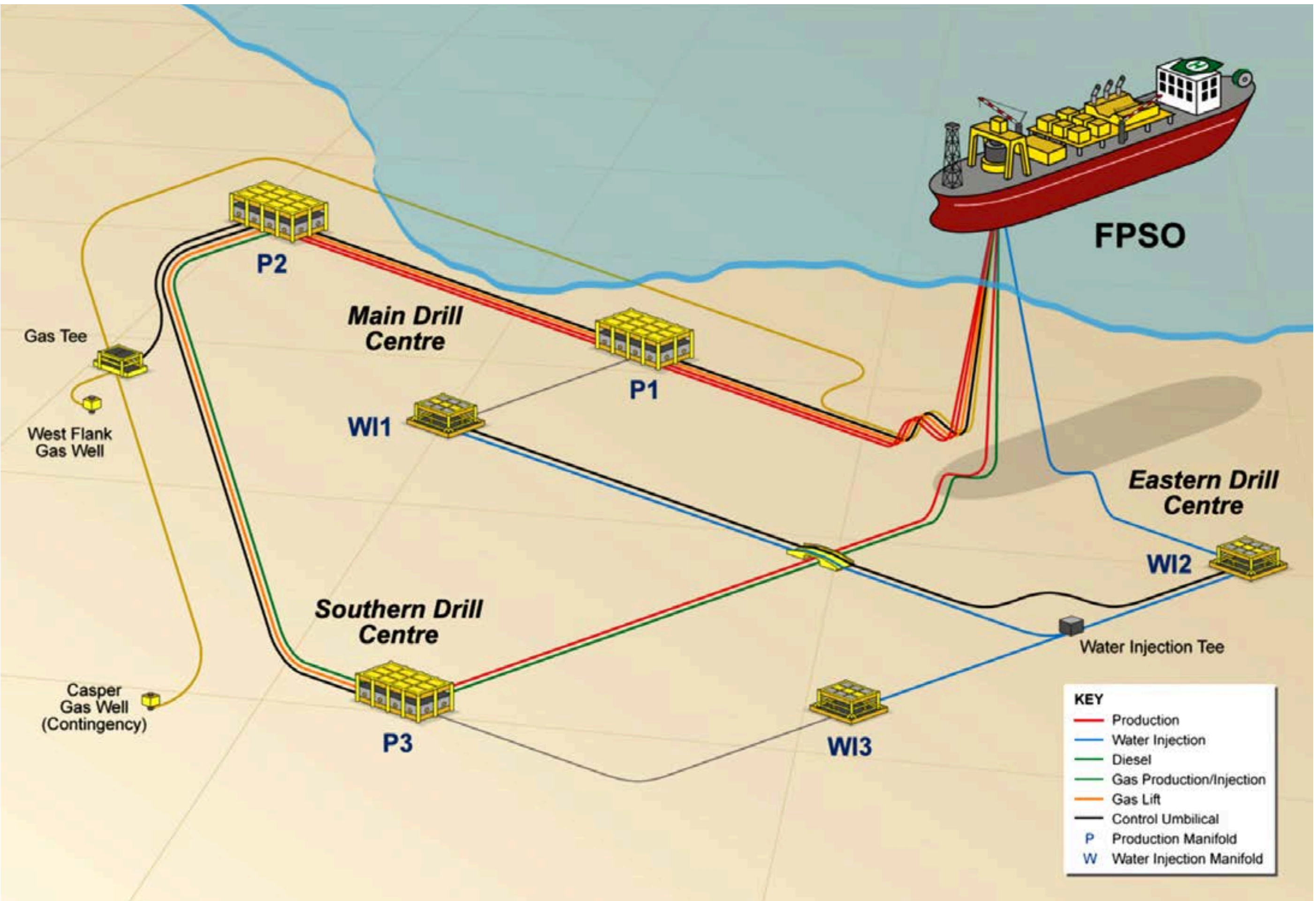
US$1.8 bn
Gross project revenue per annum (at plateau, assuming US$65/bbl)

250 mmbbls
Resource to be monitised (Phase 1 only)

120,000 bpd
FPSO liquid capacity

29 wells
to be drilled of which 20 oil producers

Proven development concept



World scale resource

- 1.8 billion barrels oil in place
- Well understood reservoir
- Highly marketable crude.

Proven development concept

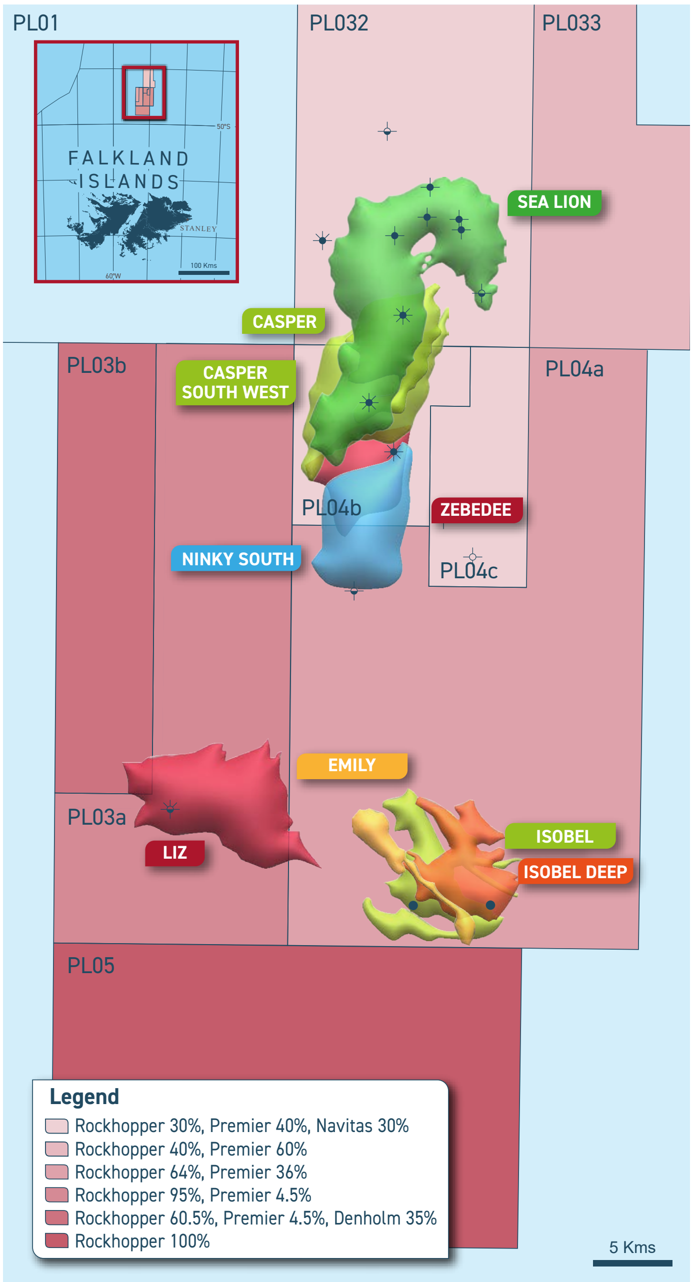
- Technically straightforward FPSO development
- Extensive project development and engineering complete
- Supply chain and logistics proven through multiple drilling campaigns.

Regulatory interface well-advanced

- EIS and FDP substantially agreed; final approval at sanction
- Alignment with FIG on key fiscal, commercial and regulatory items.

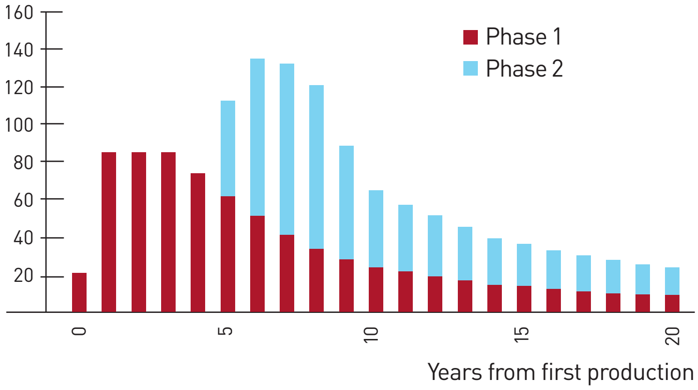
World class contractor team

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



Projected production profile

Average annual daily oil rate (kbopd)



FINANCIAL REVIEW

Overview

From a finance perspective, the most significant events in the year include:

- Heads of Terms signed with Navitas to farm-in for a 30 per cent interest in the Sea Lion project (signed January 2020)
- Progression of the Sea Lion project financing with the submission of a Preliminary Information Memorandum to potential senior lenders
- Disposal of Rockhopper Egypt Pty Limited to United for consideration of US$16.0 million (completed February 2020).

Following the disposal of Rockhopper Egypt Pty Limited, the Company has cash and term deposits of US$21.9 million as at 1 April 2020 (unaudited).

The revised funding arrangements ensure that Rockhopper is funded for all pre-sanction costs related to Sea Lion (other than licence fees, taxes and project wind down costs). As such, the Company believes the above events materially strengthen the Company's financial position in the short and medium term and significantly enhance the prospects for a successful project financing for the Sea Lion project, once markets recover.

Stewart MacDonald
Chief Financial Officer

Results summary

US$m (unless otherwise specified)	2019	2018
Working interest production (kboepd)	**1.3**	1.1
Realised oil price (US$/bbl)	**60.8**	68.4
Revenue	**10.3**	10.6
Cash operating costs	**4.6**	4.6
Recurring administrative costs ("G&A")	**5.3**	5.3
Loss after tax	**(20.6)**	(7.1)
Cash (out)/in flow from operating activities	**(0.2)**	5.4
Capital expenditure	**23.9**	15.8
Cash and term deposits	**17.2**	40.4

Results for the year

For the period ended 31 December 2019, the Group reported revenues of US$10.3 million and loss after tax of US$20.6 million. The loss after tax primarily arose as a result of non-recurring non-cash impairments associated with the Group's Greater Mediterranean portfolio.

Revenue

The Group's revenues of US$10.3 million (2018: $10.6 million) during the period relate entirely to the sale of oil and natural gas in the Greater Mediterranean (Egypt and Italy). The reduction in revenues from the comparable period reflects a decrease in realised oil and gas prices, partially offset by an increase in production.

Working interest production averaged approximately 1,284 boepd during 2019, an increase over the comparable period (2018: 1,064 boepd) primarily relating to the ASH-2 well within the Abu Sennan concession in Egypt.

During the period, the Group's gas production in Italy was sold under short-term contract with an average realised price of €0.17 per scm (2018: €0.25 per scm), equivalent to US$5.3 per 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 was sold to Egypt General Petroleum Company ("EGPC"). The average realised price for oil was US$60.8 per barrel (2018: $68.4 per barrel), a small discount to the average Brent price over the same period. Gas was sold at a fixed price of US$2.65 per mmbtu.

Operating costs

Cash operating costs, excluding depreciation and impairment charges, amounted to US$4.6 million (2018: US$4.6 million). Underlying cash operating costs were flat on 2018 levels despite increased production in the period. Cash operating costs on a per barrel of oil equivalent basis improved on the comparative period and remain attractive at US$9.9 per boe.

The Group continues to manage corporate costs having achieved an approximate 30% reduction in general and administrative ("G&A") costs, excluding non-recurring expenses related to restructuring and acquisitions, over the last three years. G&A costs remained flat in 2019 amounting to US$5.3 million, compared to the corresponding period last year (2018: US$5.3 million). In light of the sharp reduction in oil prices experienced in Q1 2020, initiatives to further reduce corporate costs have been explored and are in the process of being implemented.

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 2019, the Company had cash and term deposits of US$17.2 million (31 December 2018: US$40.4 million) and no debt. Following the disposal of Rockhopper Egypt Pty Limited, the Company has cash and term deposits of US$21.9 million as at 1 April 2020 (unaudited).

Cash and term deposit movements during the period:

	US$m
Opening cash balance (31 December 2018)	**40.4**
Revenues	**10.3**
Cost of sales	**(4.6)**
Falkland Islands	**(19.3)**
Greater Mediterranean	**(4.6)**
Admin and miscellaneous	**(5.0)**
Closing cash balance (31 December 2019)	**17.2**

Falkland Islands spend of US$19.3 million relates primarily to pre-development activities on Sea Lion. Following signature of a Heads of Terms in January 2020, Rockhopper's share of pre-sanction costs from 1 January 2020 (other than licence fees, taxes and project wind down costs) are funded by Premier and/or Navitas. During the first quarter of 2020, the Company paid US$3.9 million of Sea Lion costs related to the period prior to 1 January 2020. Whilst timing remains unclear, further such costs, estimated at up to US$10 million and included in the balance sheet under current liabilities, could become payable in the next 12 months.

Spend in the Greater Mediterranean largely relates to the Egyptian drilling campaign at Abu Sennan. Following completion of the disposal of Rockhopper Egypt Pty Limited, annual capital expenditure in the Greater Mediterranean is expected to be limited.

Admin and miscellaneous includes G&A, foreign exchange and movements in working capital during the period.

Mergers, acquisitions and disposals

On 23 July 2019, Rockhopper announced the disposal of Rockhopper Egypt Pty Limited which holds a 22% working interest in the Abu Sennan concession to United for consideration of US$16.0 million.

The consideration payable to Rockhopper under the transaction comprised:

- → cash of $11.5 million; and
- → the issue of 114,503,817 Consideration Shares (at an issue price of 3 pence) representing approximately 18.5% of United's enlarged ordinary share capital.

Consideration Shares held by Rockhopper in United are subject to certain lock-up and orderly market disposal provisions for a period of up to 12 months from completion.

The transaction was subject to satisfaction of customary conditions precedent including United shareholder approval, completion of the readmission of United to trading on AIM and receipt of Egyptian government approvals. The transaction completed on 28 February 2020.

Following impairments of US$2.0 million to reflect the value of consideration received, assets and liabilities associated with the transaction, as at 31 December 2019, were US$17.9 million and US$2.0 million respectively.

Taxation

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

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 on 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. The outstanding tax liability is classified as non-current and is discounted to a period-end value of US$39.2 million.

Full details of the provisions and undertakings of the Tax Settlement Deed are disclosed in note 23 of these consolidated financial statements and these include "creditor protection" provisions including undertakings not to declare dividends or make distributions while the tax liability remains outstanding (in whole or in part).

Liquidity, counterparty risk and going concern

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

Following the completion of the disposal of Rockhopper Egypt Pty Limited, the Group has cash resources of US$21.9 million (as at 1 April 2020 unaudited) and generates limited revenue and cash flow from the sale of oil or gas but continues to fund the Group's reduced G&A costs.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. However, following signature of a legally binding Heads of Terms in January 2020, Rockhopper's share of all Sea Lion pre-sanction costs from 1 January 2020 (other than licence fees, taxes and project wind down costs) are funded by Premier and/or Navitas.

Management's base case forecast assumes a final investment decision on the Sea Lion development during 2021, subject to securing requisite financing. With the Group's costs funded by Premier and/or Navitas during this period.

Management has also considered a downside scenario in which the project does not achieve sanction which could be due to a number of factors including funding not being achieved, or Premier deciding to withdraw from the Sea Lion Development which could also ultimately result in relinquishment of the acreage. In this scenario the Sea Lion project would need to be wound down including the decommissioning of the assets in the Falklands and the Group is liable for its share of these project wind down costs with no funding support from Premier and/or Navitas.

Under the base case forecast, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these consolidated financial statements. However, in the downside scenario, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigating actions, some of which are outside the Group's control, could include 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 these consolidated financial statements. Nonetheless, for the avoidance of doubt, in the downside scenario run and in the absence of potential mitigating actions, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that may be necessary if the Group were not a going concern.

Principal risk and uncertainties

A detailed review of the potential risks and uncertainties which could impact the Company are outlined elsewhere in this Strategic Report. The Company identified its principal risks at the end of 2019 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
- failure of the joint venture partners to secure the requisite funding to allow a Sea Lion Final Investment Decision.

During 2019, the environmental impact of oil and gas extraction (eg. Climate Change) has been added to the risk register, reflecting the increased focus on ESG issues which could have an adverse impact on investor and lender sentiment towards the Company and the Sea Lion project.

S. MacDonald

Stewart MacDonald
Chief Financial Officer

8 April 2020

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2019.

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. Audit Committee considers annually whether there is requirement for an independent internal audit function. It has agreed there is no necessity at present 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.

During 2017 an independent audit firm was commissioned to undertake a review focused on the Group's financial controls which encompassed the key financial transaction cycles including:

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

Since the year end the Audit Committee has received an update on the findings and recommendations of the report on financial controls. It concluded the existing control environment continued to be fit for purpose.

A further review of the Group's financial controls will be conducted in the event of a change of personnel and/or the business model.

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, 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.
	Environmental impact (eg. Climate Change) of oil and gas extraction.	→ Adverse investor and lender sentiment towards the oil and gas sector → Disruption to projects and operations as a result of more frequent weather events → Longer term reduction in demand for oil and gas, resulting in lower oil and gas prices.

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.

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.	→ Ongoing engagement with providers of senior debt including project finance banks and export credit agencies. PIM submission in Q2 2019 → Heads of Terms signed with Navitas to farm-in to Sea Lion project → Sea Lion Discovery Area Licence extended to 1 May 2021.
→ 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 commenced operations in 2019.
→ Commitment that Sea Lion development should be net zero from scope 1 and scope 2 emissions through a combination of best in class technology and offsetting projects in the Falklands and UK.	→ In June 2019, FIG approved the establishment of an environment fund ensuring a positive environmental legacy from the Sea Lion project.

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 → The Company has entered a Heads of Terms with Premier and Navitas through which Rockhopper's share of Sea Lion development costs are funded through to project completion (estimated 9-12 months after first oil) → Agreement reached to defer tax liability associated with 2012 farm-out.	→ Disposal of Rockhopper Egypt Pty Limited for US$16 million completed February 2020 → Legally binding Heads of Terms signed with Premier in January 2020.
→ 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 oil price collapse experienced in Q1 2020, industry and service costs are expected to reduce significantly.
→ 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 2019, 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.

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.
→ 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 → In 2018/19, the Company successfully completed a two well plug and abandonment programme at Monte Verdese concession in Italy.

Mitigants	Recent changes and ongoing initiatives
→ Training and development opportunities are considered for all staff → Executive directors and senior staff have notice periods 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.

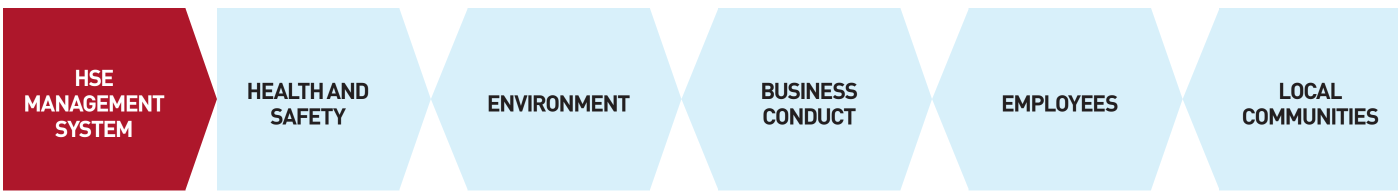
In the Greater Mediterranean region we maintain regular dialogue with various operators, regulators, local communities and other stakeholders to build constructive relationships and support.

Approval of Strategic Report

This Strategic Report was approved by the directors and signed on their behalf on 8 April 2020 by:

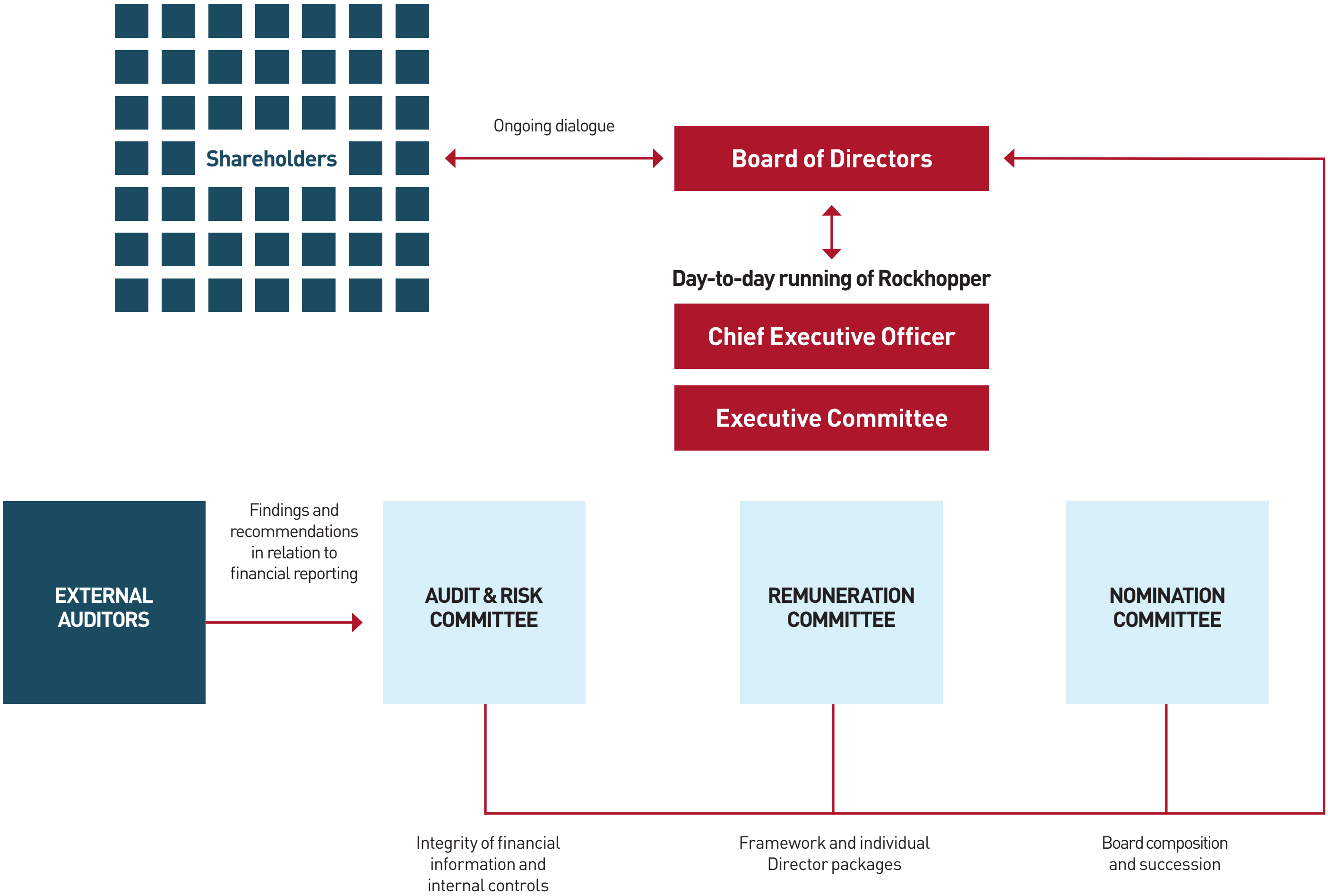
Samuel Moody
Chief Executive Officer

HSE Management System



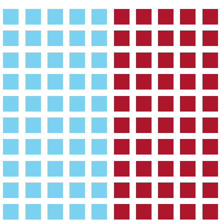
ROCKHOPPER BOARD

How your Board works



Corporate diversity

Company composition – 18 employees as at 31 December 2019



50% Male 50% Female

61% British
11% Egyptian
22% Italian
6% Other EU nationals

Non-executive director tenure

25%
<3 years

25%
3-6 years

50%
6-9 years

BOARD OF DIRECTORS

Keith Lough
Non-Executive Chairman 61

Skills and experience
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 and Director of UK Gas and Electricity Markets Authority.

Appointed to board: January 2014

Committee membership:
→ Nomination (Chairman)

External appointments:
Chairman:
→ Southern Water
Director:
→ Cairn Energy plc
→ Hunting PLC

Samuel Moody
Chief Executive Officer 50

Skills and experience
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.

Appointed to board: February 2005

Committee membership:
—

External appointments:
Director:
→ Greenland Gas & Oil Limited

Stewart MacDonald
Chief Financial Officer 39

Skills and experience
Stewart has 18 years of energy industry and investment banking 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.

Appointed to board: March 2014

Committee membership:
—

External appointments:
Director:
→ United Oil & Gas PLC

Alison Baker

Senior Independent Director 49

Skills and experience

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.

Appointed to board: September 2018

Committee membership:
- Audit & Risk (Chairman)
- Remuneration
- Nomination

External appointments:

Director:
- KAZ Minerals PLC
- Helios Towers plc
- Endeavour Mining Corporation

Tim Bushell

Non-Executive Director 60

Skills and experience

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.

Appointed to board: January 2016

Committee membership:
- Audit & Risk
- Remuneration (Chairman)
- Nomination

External appointments:

Deputy Chairman:
- Wentworth Resources plc

Director:
- Petro Matad Limited
- Genel Energy plc

John Summers

Non-Executive Director 64

Skills and experience

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.

Appointed to board: February 2014

Committee membership:
- Audit & Risk
- Remuneration
- Nomination

External appointments:

—

GOVERNANCE REPORT

Introduction from the Chairman on the Governance Report

Rockhopper is listed on the Alternative Investment Market of the London Stock Exchange (AIM) and as such is required to apply a recognised corporate governance code. In 2018, following a review of the provisions of both the UK Corporate Governance Code and the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), the Board decide to adopt the QCA Code which is designed for small to mid-sized companies and which has been adopted by many AIM companies.

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

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, two Executive Directors and three Non-Executive Directors including the Senior Independent Director. During 2019, Keith Lough replaced David McManus as Chairman. Tim Bushell, Non-Executive Director, will be stepping down from the Board at the end of April 2020.

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.

Board composition during the year

Name	Role	Independent	Length of service as at 8 April 2020	Date of appointment	Date of resignation
Non-Executives					
Keith Lough	Chairman	Yes	6 years 3 months	14 January 2014	—
Alison Baker	Senior Independent Director	Yes	1 year 7 months	18 September 2018	—
Tim Bushell	Non-Executive Director	Yes*	4 years 3 months	18 January 2016	—
John Summers	Non-Executive Director	Yes	6 years 2 months	1 February 2014	—
Executives					
Sam Moody	Chief Executive Officer	No	15 years 2 months	21 February 2005	—
Stewart MacDonald	Chief Financial Officer	No	6 years 1 month	10 March 2014	—
Former Director					
David McManus	Chairman	Yes	8 years 7 months	30 September 2010	15 May 2019

* 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 of the Directors stand for re-election by shareholders at each 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 Tim Bushell, all Directors will be standing for re-election at the 2020 Annual General Meeting.

Senior Independent Director

Keith Lough was the Senior Independent Director until his appointment as Chairman in May 2019 when he was replaced by Alison Baker.

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

- to provide a sounding board for the Chairman and to 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; and
- to coordinate the Chairman's appraisal.

The Group's website contains an email contact for the Senior Independent Director should shareholders have concerns which have not been adequately addressed by the Chairman or Chief Executive Officer. The email address is also disclosed at the back of these accounts.

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.

Board meetings and processes

The Board has between six and seven scheduled 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 Chief Executive Officer on key current activities and issues together with Operations and Finance Reports and any papers relative 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
Keith Lough	6/6	2/2
Sam Moody	6/6	2/2
Stewart MacDonald	6/6	2/2
Tim Bushell	6/6	0/2
John Summers	6/6	2/2
Alison Baker	6/6	1/2
Former Director		
David McManus (resigned 15 May 2019)	2/2	n/a

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 Each Board member is requested to consider 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 tabled and discussed at a Board meeting and follow up action is agreed if necessary.

An external performance evaluation of the Board has been previously undertaken with specific focus on the skillset and structure of the Board. This 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. This usually includes 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. Details are circulated to other Board members who are invited to advise the Chairman or Company Secretary if they have any concerns about the proposed appointment.

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. If requested by the Chairman, a Director will absent themselves from any Board discussions and decisions on matters where there is an actual or perceived 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.

Political and charitable donations

The Group made no charitable or political donations during the year (2018: £nil).

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.

Keith Lough
Non-Executive Chairman

8 April 2020

AUDIT & RISK COMMITTEE CHAIRMAN'S REPORT

Introduction by the Audit & Risk Committee Chairman, Alison Baker

I replaced Keith Lough as Chairman of the Audit & Risk Committee in May 2019 following his appointment as Chairman of the Company and I am pleased to present the report of the Audit & Risk Committee for the year ended 31 December 2019. The report includes details of the committee's activities during the financial year and since the year end.

Committee composition

The members of the Audit & Risk Committee are Alison Baker as Chairman, Tim Bushell and John Summers. The Board considers all the members of the Committee to be independent and is satisfied that at least one member of the Audit & Risk Committee, Alison Baker, has recent and relevant financial experience.

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. Both the previous and current external auditors met and had discussions with the Chairman of the committee during the course of the year. The external auditors also met the committee members without management present.

Only members of the committee have the right to attend the meetings of the committee but the committee can invite the Chairman of the Board, Executive Directors, members of senior management and representatives of 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
Alison Baker – Chairman (appointed 15 May 2019)	2/2
Tim Bushell	2/2
John Summers	2/2
Keith Lough (Committee Chairman until 15 May 2019)	2/2*
S MacDonald	2†
S Moody	2†
Former Director	
David McManus (resigned 15 May 2019)	1†
Total meetings during year	**2**

† Invitee
* Keith Lough ceased to be a committee member on 15 May 2019. He attended one meeting after that date as an invitee.

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 auditors;
- 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 auditors may have arising from their audit work, any matters which may materially affect or impair the independence of the external auditors, 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.

Since the year end, the Audit & Risk Committee's terms of reference have been updated with reference to the guidance and model terms of reference issued by the Institute of Chartered Secretaries and Administrators and to reflect current practice. 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;
- audit plan of the external auditors for the 2019 financial year;
- reports of the external auditors concerning its audit and review of the financial statements of the Group and the status of follow-up actions with management;
- external auditors' fees;
- process and outcomes of the committee performance review;
- process for the review by the committee and the Board of the Group's systems of internal controls and risk management;
- effectiveness of the systems and processes that management has developed pertaining to risk identification, classification and mitigation; and
- 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 1.5 of the Group financial statements on page 60.

External auditors

The committee recommends to the Board the appointment of the external auditors, 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 auditors.

During the year PricewaterhouseCoopers (PwC) were appointed as the Company's auditors in place of KPMG following a competitive tender process. Given the Chairperson of the Audit & Risk Committee was previously a partner in two audit firms she recused herself from the tender process decision making which was co-ordinated by the Chairman in conjunction with the Chief Financial Officer.

The committee is responsible for the approval of the provision of all audit services and permitted non-audit services undertaken by the external auditors.

Since the year end, the committee has approved a revised policy on auditor independence and objectivity in the light of the Financial Reporting Council's Ethical Standard issued in December 2019. The Committee actively considers the effectiveness and quality of the external auditors. This included consideration of the FRC external report on PwC published on 1 July 2019.

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.

A number of actions were agreed as a result of the performance review undertaken in 2019 including:

- updating the terms of reference of the Audit & Risk Committee;
- scheduling an additional committee meeting prior to the commencement of the annual audit to consider emerging accounting and corporate governance issues and the annual review on risks and internal controls;
- producing an updated policy on the objectivity and independence of the external auditors; and
- agreeing a revised process for the review of principal risks and internal controls.

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 Rockhopper's Code in their day to day business behaviour. The Company also has in place an Anti-Bribery and Corruption Policy and Procedures which are kept under review and communicated to staff who have joined since the initial training session.

Alison Baker
Audit & Risk Committee Chairman

8 April 2020

NOMINATION COMMITTEE CHAIRMAN'S REPORT

Introduction by the Nomination Committee Chairman, Keith Lough

I replaced David McManus as Chairman of the Nomination Committee following my appointment as Chairman of the Company in May 2019 and I am pleased to present the report of the Nomination Committee for the year ended 31 December 2019 which includes details of the committee's activities during the financial year.

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
Keith Lough – Chairman (appointed 15 May 2019)	2/2
Alison Baker	2/2
Tim Bushell	2/2
John Summers	2/2
Former Director	
David McManus (resigned 15 May 2019)	2/2
Total meetings during year	**2**

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 performance evaluation process and link to Company strategy;
- Board succession planning with regard to length of tenure and good corporate governance practice;
- Board changes including appointment of a new Chairman and Senior Independent Director;
- Chairmanship of the Audit & Risk Committee;
- Extension of the tenure of Tim Bushell for a further three year term;
- Emergency succession plan; and
- Status of disclosures relating to compliance with the Quoted Companies Alliance Corporate Governance Code.

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 Nomination Committee evaluates the balance of skills and experience on the Board and makes recommendations to the Board on the basis of what it considers that the Company needs in order 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 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.

Keith Lough
Nomination Committee Chairman

8 April 2020

REMUNERATION REPORT

Introduction by the Remuneration Committee Chairman, Tim Bushell

On behalf of the Board, I am pleased to present the Directors' Remuneration Report ('Report') for the year ended 31 December 2019. The Report has been prepared largely in compliance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Group Regulations 2013 except where deemed inappropriate given the size and structure of the Company.

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 2019. It also sets out details of the implementation of the Remuneration Policy for Executive and Non-Executive Directors for the year ending 31 December 2020.

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

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

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 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 on page 41.

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 corporate and individual 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 → Exceptional bonus payments may be in the form of shares and/or cash at the Committee's discretion
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. In these circumstances the Committee has discretion to decide the form of payment which may be in shares or cash. → A one-off bonus of between 100% and 200% of base 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 three years subject to the extent that the performance targets attached to the awards have been achieved → Awards will usually be granted within a period of 42 days from the release of the annual financial results and will be calculated using the market value of the shares at the date of grant → The LTIP performance period 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 three year performance period → The percentage of awards that can vest is determined by the Committee at the time that the awards are made. Awards currently vest on a sliding scale from 35% up to 100% for performance between the median and highest performing stock. No awards will vest for performance below the median → The Committee has discretion to scale back the percentage of awards that will vest if it considers that this is appropriate having regard to underlying Company performance

Share Incentive Plan (SIP)

Purpose and link to strategy	→ To encourage share ownership in Rockhopper
Operation	→ A tax-advantaged scheme under which employees (including Executive Directors) can elect to make contributions from gross salary for the purchase of Rockhopper shares which are then matched by the Company at a ratio agreed by the Committee at the beginning of each tax year. The Committee can also decide to make an annual award of 'free' shares up to legislative limits. The shares need to be held for a term of five years to obtain the full tax benefits 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 on an equal basis. 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 with any amount over the maximum Annual Allowance payable as a pension cash allowance. 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
SJ 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, unvested 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 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: £100,000 → 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 appointments are set out below:

Director	Appointment date	Original appointment letter	Revised appointment letter
Keith Lough	14 January 2014	14 January 2014	1 February 2017
			15 May 2019
John Summers	1 February 2014	3 February 2014	1 February 2017
			1 February 2020
Tim Bushell	18 January 2016	18 January 2016	18 January 2019
Alison Baker	18 September 2018	18 September 2018	15 May 2019

Directors are subject to annual re-election by shareholders at each Annual General Meeting and each Director is subject to election by shareholders at the first Annual General Meeting following their appointment. The Directors' letters of appointment are available to view at the Company's registered office and prior to each Annual General Meeting at the venue for the meeting.

Report on Remuneration

Remuneration Committee membership and meetings

As at 31 December 2019, the Committee comprised the Committee Chairman and two independent Non-Executive Directors. The Committee met three times during the financial period and the 2019 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 as Committee member
TP Bushell (Committee Chairman)	3/3
AC Baker	3/3
AJ Summers	3/3
Former Committee member	
KG Lough (ceased to be Committee member on appointment as Chairman on 15 May 2019)	2 plus 1 as invitee after ceasing to be Committee member

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

- Confirming the staff salary adjustments for 2019 and bonus awards for the year ended 31 December 2018
- Setting the targets and potential 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 2018
- Approving the 2019 LTIP awards and reviewing the constitution of the peer group
- Approving the annual implementation of the SIP
- Considering the conclusions of the executive remuneration benchmarking exercise undertaken by Aon.

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.

During the financial period, the Committee commissioned Aon to provide input on current practice in relation to executive remuneration across the sector and to produce an executive director remuneration benchmarking report.

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 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018	**Year ended 31 Dec 2019[i]**	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
S J Moody	**380.4**	373.0	**11.4**	11.2	**76.0**	93.0	**—**	—	**57.1**	55.9	**6.6**	6.6	**531.5**	539.7
S MacDonald	**312.0**	305.9	**9.8**	9.7	**62.7**	93.0	**—**	—	**46.8**	45.9	**6.6**	6.6	**437.9**	461.1

(i) Represents amounts paid in January 2020 in respect of the 2019 financial year. Further bonus payments in respect of the 2019 financial year of £38,000 (SJ Moody) and £31,333 (S MacDonald) will become payable upon execution of the Sea Lion farm-out agreement and related documentation with Navitas Petroleum and Premier Oil.

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 2019	Year ended 31 December 2018	**Year ended 31 December 2019**	Year ended 31 December 2018	**Year ended 31 December 2019**	Year ended 31 December 2018
K G Lough (appointed as Chairman 15 May 2019)	**78.2**	40.0	**4.6**	12.5	**82.8**	52.5
T P Bushell	**40.0**	40.0	**10.0**	10.0	**50.0**	50.0
A C Baker (appointed as Senior Independent Director and Audit Committee Chair 15 May 2019)	**40.0**	11.4	**8.1**	—	**48.1**	11.4
A J Summers	**40.0**	40.0	**—**	—	**40.0**	40.0
D McManus (resigned 15 May 2019)	**43.2**	115.0	**—**	—	**43.2**	115.0

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 (2018: £2,500) for acting as Senior Independent Director and £10,000 for acting 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 2019

Annual bonus

In respect of the financial period, the Committee agreed that the Executive Director annual bonus opportunity would be up to 50 per cent of base salary. The following objectives were agreed for the 2019 financial year:

- **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 agreed the following outcomes in respect of the executive directors' performance in 2019 in relation to the corporate and individual objectives:

i. Pre-FID farm-out of Sea Lion: heads of terms had been signed with Navitas to farm-in for a 30% interest in the Sea Lion project. It was agreed that this was a significant milestone which could unlock the project and enhance the prospects for a successful project financing.

ii. Commercial arrangements with Premier: the existing funding arrangements between Rockhopper and Premier would be replaced so that Rockhopper would be funded for all pre- and post-sanction costs not met by external debt by Premier and/or Navitas through a combination of carry and loans. It was agreed that this was a good outcome as the Company maintains a material stake in the project, the commercial arrangements between the joint venture partners have been simplified and balance sheet/liquidity pressures have reduced.

iii. Sale of Abu Sennan: proceeds from the sale of Rockhopper Egypt Pty Limited had been in excess of the original purchase price and the minimum consideration which had been specified by the Board.

The Committee had recognised the contribution of the executive directors to achievement of the 2019 corporate objectives and had approved the following bonuses for the Executive Directors in recognition of the extent to which the 2019 corporate targets had been achieved and to reflect 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	20%	76,000
S MacDonald	20%	62,667

The Committee agreed that further bonus payments in respect of the 2019 financial year of £38,000 (SJ Moody) and £31,333 (S MacDonald) will become payable upon execution of the Sea Lion farm-out agreement and related documentation with Navitas and Premier.

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 14 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	Maximum number of shares that may vest	Face value of maximum award*
SJ Moody	31 July 2019	£0.2075	—	2,100,000	2,100,000	£435,750
S MacDonald	31 July 2019	£0.2075	—	2,100,000	2,100,000	£435,750

* 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 2019 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 2022.
- Performance measurement is based on the average price over the 90 day dealing period to 31 March 2019 measured against the 90 day dealing period up to 31 March 2022.
- Performance is based on Total Shareholder Return ('TSR') measured against an original peer group of 13 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, 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 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 2020

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 1.5% with effect from 1 January 2020.

Annual bonus

For 2020, 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 2020:

- Protection of the Company's balance sheet
- Completion of the Navitas farm-out
- Progression of senior debt financing for the Sea Lion project.

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 2020 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 2020

Non-Executive Director fees (excluding the Chairman) were last increased in 2014 and no further review is scheduled. On the appointment of KG Lough as Chairman, the fees for acting as Chairman were reduced from £115,000 to £100,000 per annum. The current fees are set out in the table below:

Role	Type of fee	
Chairman	Total fee	£100,000
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 2019 Ordinary 1p shares	At 31 December 2018 Ordinary 1p shares
Samuel Moody	**2,403,865**	2,363,640
Stewart MacDonald	**325,532**	285,310
Tim Bushell	**103,606**	103,606
John Summers	**244,100**	244,100
Alison Baker	**—**	—
Keith Lough	**—**	—

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 2018	Granted	Lapsed/ relinquished during Year	Vested	Awards held at 31 Dec 2019	Market price at date of award	Performance period	Earliest vesting date
S J Moody	22.04.16	1,738,080	—	1,738,080	—	—	—	—	—
	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
	31.07.19	—	2,100,000	—	—	2,100,000	£0.2075	01.04.19-31.03.22	01.04.22
S MacDonald	22.04.16	1,425,600	—	1,425,600	—	—	—	—	—
	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
	31.07.19	—	2,100,000	—	—	2,100,000	£0.2075	01.04.19-31.03.22	01.04.22

(ii) Vested LTIP Awards

Director	Date of grant	Vested Awards held at 31 Dec 2018	Exercised during the year	Vested Awards held at 31 Dec 2019
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 2018 and 31 December 2019 there were no share options held by individuals who were directors during the year ended 31 December 2019.

(c) Share appreciation rights

The share appreciation rights outstanding as at 31 December 2019 and held by individuals who were Directors during the year ended 31 December 2019 are:

Director	Date of grant	Awards held at 31 December 2018	Exercised during the year	Lapsed during the year	Awards held at 31 December 2019	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 2019

The mid-market closing price of the Company's shares as at 31 December 2019 was 15 pence (31 December 2018: 21.10 pence). The range of the trading price of the Company's shares during the year was between 28 pence and 14 pence.

Executive Director external appointments

S J Moody is a Non-Executive Director of Greenland Gas & Oil Limited for which he receives a fee. Since the year end S MacDonald has been appointed as a Non-Executive Director of United Oil & Gas PLC for which he receives a fee.

By order of the Board

Tim Bushell
Chairman of the Remuneration Committee

8 April 2020

STATUTORY INFORMATION

Principal activity
The principal activity of the Group is the exploration, appraisal and development 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 2018: £nil).

Key performance indicators "KPIs"
See page 11 for more details.

Substantial shareholders
At 31 March 2020 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	21,861,583	4.77
RAB Capital/William Phillip Seymour Richards	19,000,220	4.15
Hosking Partners	17,781,329	3.88
Aedos Advisers	17,545,290	3.83

Directors
The present members of the Board are as listed in the Board composition section of the Governance Report. 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
Particulars of important events affecting the Group since the financial year end are set out in note 30.

Principal risks and uncertainties
Information relating to the principal risks and uncertainties facing the Group is set out in the Strategic Report and note 31.

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 31.

Political and charitable contributions
The Group made no charitable donations (year ended 31 December 2018: £nil) and no political donations (year ended 31 December 2018: £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 23 days (year ended 31 December 2018: 35 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 18 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

8 April 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKHOPPER EXPLORATION PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

- In our opinion Rockhopper Exploration plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the group and company Balance Sheets as at 31 December 2019; the group consolidated Income Statement, the group consolidated Statement of Comprehensive Income, the group consolidated Statement of Cash Flows, and the group consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.5 to the financial statements concerning the group's and company's ability to continue as a going concern. We draw attention to note 1.5 in the financial statements, which indicates that in the downside forecast scenario which adjusts for matters outside of the group's control, and in the absence of sufficient mitigating actions being able to be taken by management on a timely basis, the group may have insufficient funds to meet its forecast cash flow requirements during the next 12 months from the date of signing the financial statements.

These events or conditions, together with the other matters stated in note 1.5, indicate the existence of a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Explanation of material uncertainty

We focused on this area due to the downside scenario which, in the absence of any mitigating actions, indicates that the group may have insufficient funds to meet its forecasted cash requirements giving rise to a material uncertainty around the going concern of the group and company.

Management's downside scenario considers a scenario in which the project does not achieve sanction which could be due to a number of factors including funding not being achieved, or Premier Oil plc deciding to withdraw from the Sea Lion Development which could also ultimately result in relinquishment of the acreage. In this scenario the Sea Lion project would need to be wound down including the decommissioning of the assets in the Falklands and the Group is liable for its share of these project wind down costs with no funding support from Premier Oil plc and/or Navitas Petroleum LP.

Management's assessment of going concern is based on cash flow projections and business plans, each of which is dependent on management's judgement and can be influenced by management bias.

Audit procedures performed

In concluding that there was a material uncertainty, we:

- Checked the mathematical accuracy of management's cash flow forecast and validated the opening cash position;
- Validated management's underlying cash flow projections for the group and company to other external and internal sources where appropriate;
- Assessed management's downside scenario for appropriateness to assess the impact of the unwinding of the Sea Lion Development on the group and company cash flow forecasts and the group's and company's ability to take mitigating actions, if required; and
- Reviewed the completeness and appropriateness of management's going concern disclosures in the financial statements.

Our audit approach

Overview

- Overall group materiality: $5.1 million, based on 1% of total assets.
- Overall company materiality: $4.6 million, based on 1 % of total assets and capped at 90% of group materiality.

- We identified 4 full scope entities out of the group's 13 statutory entities thereof, which were selected due to their size and risk characteristics. Specific audit procedures were performed on certain balances and transactions at a further 3 units.
- This enabled us to obtain coverage over 100% of group consolidated revenue and 94% of group consolidated total assets.

- Going concern (group and company) – see material uncertainty related to going concern above.
- Recoverability of the exploration and evaluation assets – Sea Lion Development (group).
- Recoverability of the company's investment in subsidiaries and receivables due from group companies (company).
- Potential impact of COVID 19 (group and company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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 addition to going concern, described in the material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the exploration and evaluation assets – Sea Lion Development (Group) See pages 61 and 62 Significant accounting policies and note 15 Intangible Exploration and Evaluation assets. The carrying value of the group's Exploration and Evaluation assets totalled $465.8 million. These represent 91% of the group's total assets. We focused on this area due to the material nature of the balance, the judgement involved in assessing for impairment and the estimates required to calculate the value in the current economic climate. Management sensitised the model to consider the current oil price subsequent to year end and concluded that if the oil price were to remain at the current level for the next year and then steadily increase, no impairment would be recognised for the phase 1 development. However, the phase 2 development would potentially be impaired.	→ We considered management's impairment trigger analysis, in accordance with IFRS 6, and agreed that an impairment indicator does not exist. → We evaluated the discounted cash flow model prepared by management which supports the carrying value of the Sea Lion Development. → We agreed the forecast oil price to third party consensus forecasts. We concluded management's price forecast was reasonable. → We reconciled management's production forecasts, to the independent reserves report provided by the operator. → We have performed our own independent calculation of the discount rate used in the calculation and consider it to be reasonable. → Finally, we considered the adequacy of management's disclosure of the key judgements and sensitivities in relation to the impairment assessment in note 15. These were deemed to be appropriate.
Recoverability of the company's investments in subsidiaries and receivables due from group companies (Company) See page 84 note 1 Accounting policies of the company financial statements and note 3 Investments and note 4 Group Undertakings. The company's investments in its subsidiaries totalled $85.7 million and other group receivables totalled $452.5 million. The Sea Lion Development forms the majority of the Falkland Island subsidiaries' assets and an impairment in these would materially impact the value of the Company's investments.	→ We have obtained management's assessment over whether the carrying value of the investments in and receivables due from group companies is supportable. This included comparing the fair value of each entity with the carrying value of the parent company investments and receivables. → Fair values for the Falkland Island subsidiaries were based on the net present value of the exploration and evaluation assets based on the Group's value in use model for the Sea Lion Development. → Based on the procedures performed we concur with management that, after impairment of $18m in relation to the Mediterranean and Egypt investment, the investment is supportable.
Potential impact of COVID 19 (Group and Company) See page 77 note 30 Subsequent Events of the group financial statements. The Brent oil price has reduced significantly with the impact of COVID–19 and other geopolitical interference. The company has considered the impact of both these areas on its operations and forecasts. The key potential impact being on the development of the Sea Lion project, in particular should either of the group's joint venture partners choose to delay or withdraw from the project.	→ We concur with management that the COVID-19 outbreak and geopolitical factors which together have led to a decrease in oil price are a result of conditions that arose after the balance sheet date and as a result are non-adjusting post balance events. → We have reviewed the disclosures included in the Annual Report in respect of this risk, including the chairman's letter and post balance sheet events and consider them reasonable. → The impact of COVID-19 on the group's and company's ability to continue as a going concern has also been considered within our analysis of going concern above.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's major assets are its E&E assets which is the Sea Lion development project in the Falkland Islands. The Group financial statements are a consolidation of 13 separate statutory entities, comprising the Group's operating businesses and centralised functions within these segments.

The group has two operating businesses which are within Italy and Egypt which are controlled and managed in the UK and therefore our audit work was all conducted solely in the UK.

Accordingly, of the group's 13 reporting entities, we identified 4 which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. This included the entities with the majority of E&E assets, as well as the parent company. Specific audit procedures on certain balances and transactions were performed at a further 3 reporting entities. Because the group includes a number of relatively small reporting entities, this gave us coverage over 100% of consolidated revenue and 94% coverage over total assets. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$5.1 million	$4.6 million
How we determined it	1% of total assets	1% of total of assets and capped at 90% of group materiality
Rationale for benchmark applied	Based on our understanding of the group and the users of the financial statements we believe that the focus of the users of the financial statements will be on the exploration and evaluation activities of the licences held by the group which form the majority of the total assets.	Based on our understanding of the company financial statements we believe that the focus of the users of the financial statements will be on the investments and group undertakings which form the majority of the total assets of the company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was $0.8m to $4.6m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $255k (group audit) and $230k (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern (Parent and Group)

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the material uncertainty we have described in the material uncertainty related to going concern section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements set out on page 47, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Richard Spilsbury
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 April 2020

FINANCIAL STATEMENTS CONTENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Revenue		**10,328**	10,580
Other cost of sales		**(4,647)**	(4,563)
Depreciation and impairment of oil and gas assets		**(5,738)**	(3,968)
Total cost of sales	4	**(10,385)**	(8,531)
Gross (loss)/profit		**(57)**	2,049
Exploration and evaluation expenses	5	**(1,974)**	(5,014)
Impairment of goodwill		**(10,057)**	—
Costs in relation to acquisition and disposals		**(649)**	(58)
Recurring administrative costs		**(5,293)**	(5,328)
Total administrative expenses	7	**(5,942)**	(5,386)
Charge for share based payments	10	**(1,307)**	(1,478)
Other income		**—**	943
Foreign exchange movement	11	**(1,627)**	1,208
Results from operating activities and other income		**(20,964)**	(7,678)
Finance income	12	**624**	825
Finance expense	12	**(291)**	(253)
Loss before tax		**(20,631)**	(7,106)
Tax	13	**—**	(25)
Loss for the year attributable to the equity shareholders of the parent company		**(20,631)**	(7,131)
Loss per share: cents			
Basic	14	**(4.54)**	(1.57)
Diluted	14	**(4.54)**	(1.57)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Loss for the year	**(20,631)**	(7,131)
Exchange differences on translation of foreign operations	**70**	371
Total comprehensive loss for the year	**(20,561)**	(6,760)

The notes on pages 59 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
Non current assets			
Exploration and evaluation assets	15	**465,820**	447,035
Property, plant and equipment	16	**1,814**	11,836
Right-of-use assets	1.4	**1,255**	—
Finance lease receivable	1.4	**628**	—
Goodwill	17	**—**	10,308
Current assets			
Inventories		**1,463**	1,779
Other receivables	18	**3,501**	9,510
Finance lease receivable	1.4	**146**	—
Restricted cash	19	**467**	568
Term deposits	20	**—**	30,000
Cash and cash equivalents		**17,223**	10,426
Assets held for sale	21	**17,925**	—
Total assets		**510,242**	521,462
Current liabilities			
Other payables	22	**17,943**	15,148
Lease liability	1.4	**426**	—
Liabilities directly associated with assets held for sale	21	**2,000**	—
Non-current liabilities			
Lease liability	1.4	**1,735**	—
Tax payable	23	**39,167**	37,860
Provisions	24	**13,636**	13,888
Deferred tax liability	25	**39,221**	39,223
Total liabilities		**114,128**	106,119
Equity			
Share capital	26	**7,212**	7,205
Share premium	27	**3,547**	3,422
Share based remuneration	27	**4,871**	5,103
Own shares held in trust	27	**(3,371)**	(3,369)
Merger reserve	27	**74,332**	74,332
Foreign currency translation reserve	27	**(9,678)**	(9,748)
Special reserve	27	**433,766**	456,680
Retained losses	27	**(114,565)**	(118,282)
Attributable to the equity shareholders of the company		**396,114**	415,343
Total liabilities and equity		**510,242**	521,462

These financial statements were approved by the directors and authorised for issue on 8 April 2020 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

The notes on pages 59 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Own 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 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	—	—	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**
Total comprehensive loss for the year	—	—	—	—	—	70	—	(20,631)	(20,561)
Share based payments (see note 10)	—	—	1,307	—	—	—	—	—	1,307
Share issues in relation to SIP	7	125	(105)	(2)	—	—	—	—	25
Other transfers	—	—	(1,434)	—	—	—	(22,914)	24,348	—
Balance at 31 December 2019	**7,212**	**3,547**	**4,871**	**(3,371)**	**74,332**	**(9,678)**	**433,766**	**(114,565)**	**396,114**

See note 27 for a description of each of the reserves of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Cash flows from operating activities			
Net loss before tax		(20,631)	(7,106)
Adjustments to reconcile net losses to cash:			
Depreciation	1.4 & 16	4,544	4,111
Share based payment charge	10	1,307	1,478
Impairment of oil and gas assets	16	1,600	—
Impairment of exploration and evaluation assets	15	350	3,884
Impairment of goodwill	17	10,057	—
Finance expense		291	253
Finance income		(624)	(825)
Foreign exchange	11	1,221	(2,256)
Operating cash flows before movements in working capital		(1,885)	(461)
Changes in:			
Inventories		214	(23)
Other receivables		3,259	7,029
Payables		(1,623)	(103)
Movement on other provisions		(189)	(1,012)
Cash (utilised by)/from operating activities		(224)	5,430
Cash flows from investing activities			
Capitalised expenditure on exploration and evaluation assets		(20,152)	(13,940)
Purchase of property, plant and equipment		(3,743)	(1,844)
Acquisition of Beach Egypt		—	(658)
Interest		1,020	750
Investing cash flows before movements in capital balances		(22,875)	(15,692)
Changes in:			
Restricted cash		101	(28)
Term deposits		30,000	—
Cash flow from investing activities		7,226	(15,720)
Cash flows from financing activities			
Share incentive plan		25	27
Lease liability payments		(259)	—
Finance expense		(13)	(9)
Cash flow from financing activities		(247)	18
Currency translation differences relating to cash and cash equivalents		42	(31)
Net cash flow		6,755	(10,272)
Cash and cash equivalents brought forward		10,426	20,729
Cash and cash equivalents carried forward		**17,223**	10,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

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. During 2016 the Group augmented this through the acquisition of exploration and production assets in Egypt which were subsequently divested in 2020. 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 the provisions of the Companies Act 2006. The consolidated financial statements were approved for issue by the board of directors on 8 April 2020 and are subject to approval at the Annual General Meeting of shareholders which will take place in June 2020.

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 as set out in the accounting policies below.

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

Adoption of IFRS 16

In the current year new and revised standards, amendments and interpretations were effective and are applicable to the consolidated financial statements of the Group. Furthermore, IFRIC 23 'Uncertainty over Income Tax Treatments' was adopted on 1 January 2019. These did not affect amounts reported in these consolidated financial statements other than the adoption of IFRS16 with effect from 1 January 2019. The Group applied the modified retrospective approach to adoption, measuring right-of-use assets at an amount based on their respective lease liability on adoption, with the cumulative effect of adopting the standard recognised in the balance sheet on 1 January 2019.

Adjustments on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities and receivables in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These leases were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate representing the rate of interest Rockhopper would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to the leases as of 1 January 2019 was 6%. The resulting lease liability and receivable as of 1 January 2019 was determined as follows:

	1 January 2019 $'000
Operating lease commitments disclosed at 31 December 2018	855
Add: finance lease liabilities recognised at 31 December 2018	2,117
Less: effects of discounting	(522)
Lease liability recognised at 1 January 2019	2,450

The associated right-of-use assets were measured at the amount equal to the lease, therefore there was no adjustment to retained earnings on adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

1.4 Change in accounting policy (continued)

Changes in accounting standards (continued)

Adjustments on adoption of IFRS 16 (continued)

The effect of adoption of IFRS 16 is as follows:

	Right-of-use assets $'000	Lease receivable $'000	Lease liabilities $'000
As at 1 January 2019	**1,555**	**912**	**(2,450)**
Depreciation expense	(300)	—	—
Interest income/(expense)	—	55	(147)
(Receipts)/payments	—	(193)	436
Balance as at 31 December 2019	**1,255**	**774**	**(2,161)**
Of which are:			
Current	—	146	(426)
Non-current	1,255	628	(1,735)
	1,255	**774**	**(2,161)**

Practical expedients applied

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of the initial application, and;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group's leasing activities and how these are accounted for

The Group lets and sub-lets various offices typically for periods of 5 years but may have extension options. Until the 2018 financial year, leases of property were classified as operating leases. Payments and receipts made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability and receivable at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost, while the corresponding receipt associated with the sub-lease are allocated between the receivable and finance income. The finance cost and income are charged to profit and loss over the lease period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Payment associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

1.5 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 completion of the disposal of Rockhopper Egypt Pty Limited, the Group has cash resources of US$21.9 million (as at 1 April 2020 unaudited) and generates limited revenue and cash flow from the sale of oil or gas but continues to fund the Group's reduced G&A costs.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. However, following signature of a legally binding Heads of Terms in January 2020, Rockhopper's share of all Sea Lion pre-sanction costs from 1 January 2020 (other than licence fees, taxes and project wind down costs) are funded by Premier and/or Navitas.

Management's base case forecast assumes a final investment decision on the Sea Lion development during 2021, subject to securing requisite financing. With the Group's costs funded by Premier and/or Navitas during this period.

Management has also considered a downside scenario in which the project does not achieve sanction which could be due to a number of factors including funding not being achieved, or Premier deciding to withdraw from the Sea Lion Development which could also ultimately result in relinquishment of the acreage. In this scenario the Sea Lion project would need to be wound down including the decommissioning of the assets in the Falklands and the Group is liable for its share of these project wind down costs with no funding support from Premier and/or Navitas.

Under the base case forecast, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these consolidated financial statements. However, in the downside scenario, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigating actions, some of which are outside the Group's control, could include 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 these consolidated financial statements. Nonetheless, for the avoidance of doubt, in the downside scenario run and in the absence of potential mitigating actions, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that may be necessary if the Group were not a going concern.

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 centred 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

1. Accounting policies (continued)

1.6 Significant accounting policies (continued)

(D) Oil and gas assets (continued)

Treatment of intangible E&E assets at conclusion of appraisal activities (continued)

The Group's definition of commercial reserves for such purpose is proved and probable reserves on an entitlement basis. Proved and probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty (see below) to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90%.

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

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

Furthermore:

(i) Reserves may only be considered proved and probable if producibility is supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successful testing by a pilot project, the operation of an installed programme in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or programme was based.

Development and production assets

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

Depreciation of producing assets

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

Disposals

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

Decommissioning

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

(E) Right of Use assets

The Group's accounting policy for Right of Use assets is explained in note 1.4.

(F) 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.

(G) 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 financial statements of the parent and subsidiary undertakings in their functional currency. Where applicable, the Group translates subsidiary financial statements 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 year end rates of exchange actually used were:

	31 December 2019	31 December 2018
£ : US$	**1.32**	1.28
€ : US$	**1.12**	1.15

(H) Revenue and income

(i) Revenue

Revenue arising from the sale of goods is recognised when a performance obligation is satisfied by transferring control over a product or service 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.

(I) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

1. Accounting policies (continued)

1.6 Significant accounting policies (continued)

(v) Financial liabilities and equity

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

(vi) 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.

(J) 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.

(K) 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 10.

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

2. Use of estimates, assumptions and judgements

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

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

Carrying value of intangible exploration and evaluation assets (note 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, 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.

Decommissioning costs (note 24)

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 consolidated 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

The Group's operations are located and managed in three geographically distinct business units; namely the Falkland Islands, the Greater Mediterranean, and Corporate (or UK). Some of the business units currently do not generate any revenue or have any material operating income. The business is only engaged in one business of upstream oil and gas exploration and production.

Year ended 31 December 2019	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
Revenue	—	10,328	—	10,328
Cost of sales	—	(10,385)	—	(10,385)
Gross loss	—	(57)	—	(57)
Exploration and evaluation expenses	(315)	(560)	(1,099)	(1,974)
Impairment of goodwill	—	(10,057)	—	(10,057)
Costs in relation to acquisition and disposals	—	(649)	—	(649)
Recurring administrative costs	—	(1,603)	(3,690)	(5,293)
Total administrative expenses	—	(2,252)	(3,690)	(5,942)
Charge for share based payments	—	—	(1,307)	(1,307)
Other income	—	—	—	—
Foreign exchange gain/(loss)	(1,307)	(142)	(178)	(1,627)
Results from operating activities and other income	(1,622)	(13,068)	(6,274)	(20,964)
Finance income	—	29	595	624
Finance expense	—	(214)	(77)	(291)
Loss before tax	(1,622)	(13,253)	(5,756)	(20,631)
Tax	—	—	—	—
Loss for year	(1,622)	(13,253)	(5,756)	(20,631)
Reporting segments assets	464,638	27,230	18,374	510,242
Reporting segments liabilities	78,304	16,621	19,203	114,128
Depreciation	—	4,249	295	4,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

3. Revenue and segmental information (continued)

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 disposals	—	(58)	—	(58)
Recurring administration 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 movement	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)
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

All of the Group's worldwide sales revenues of oil and gas $10,328 thousand (2018: 10,580 thousand) arose from contracts to customers. Total revenue relates to revenue from two customers (2018: two customers) each exceeding 10 per cent of the Group's consolidated revenue.

4. Cost of sales

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Cost of sales	**4,647**	4,563
Impairment of oil and gas assets	**1,600**	—
Depreciation of oil and gas assets (see note 16)	**4,138**	3,968
	10,385	8,531

5. Exploration and evaluation expenses

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Allocated from administrative expenses (see note 7)	**790**	891
Capitalised exploration costs impaired (see note 15)	**350**	3,884
Other exploration and evaluation expenses	**834**	239
	1,974	5,014

6. Impairment of goodwill

As a result of the acquisition of Mediterranean Oil & Gas plc in 2014, goodwill of €9 million arose relating to the portfolio of intangible exploration and appraisal assets and the strategic premium associated with a significant presence in a new region. However, following the decision to dispose of Rockhopper Egypt Pty Limited and with Italian portfolio now deemed largely non-core, a decision was made to impair the goodwill associated with that acquisition.

7. Administrative expenses

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Directors' salaries and fees, including bonuses (see note 8)	1,563	1,727
Other employees' salaries	2,475	2,638
National insurance costs	541	637
Pension costs	148	164
Employee benefit costs	96	88
Total staff costs (including group restructuring costs)	4,823	5,254
Amounts reallocated	(1,518)	(2,105)
Total staff costs charged to administrative expenses	3,305	3,149
Auditors' remuneration (see note 9)	232	251
Other professional fees	1,444	1,058
Other	1,527	1,648
Depreciation	106	143
Amounts reallocated	(672)	(863)
	5,942	5,386

The average number of staff employed during the year was 18 (31 December 2018: 20). The relative decrease between years reflects the continued restructuring of the Greater Mediterranean operation. Following the sale of Rockhopper Egypt Pty Ltd the number of staff further reduced to 16, comprising 12 in the UK and 4 in Italy.

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.

8. Directors' remuneration

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Executive salaries	887	912
Executive bonuses	178	250
Company pension contributions to money purchase schemes & pension cash allowance	133	137
Benefits	27	28
Non-executive fees	338	400
	1,563	1,727

The total remuneration of the highest paid director was:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Annual salary	380,400	373,000
Bonuses	76,000	93,000
Money purchase pension schemes	57,100	55,900
Benefits	11,400	11,200
	524,900	533,100

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

9. Auditors' remuneration

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**119**	128
Fees payable to the Company's auditors and its associates for other services:		
Audit of the accounts of subsidiaries	**81**	72
Half year review	**32**	38
Tax compliance services	**—**	13
	232	251

In May 2019, after a competitive tender process, PricewaterhouseCoopers LLP was appointed as the Group's auditors replacing KPMG LLP.

10. Share based payments

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

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Charge for the long term incentive plan options	**1,202**	1,360
Charge for shares issued under the SIP throughout the year	**105**	118
	1,307	1,478

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 have an additional performance condition so that no awards will 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.

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

Grant date:	31 July 2019	23 April 2018	16 June 2017	22 Apr 2016
Closing share price	20.75	25.7p	21.25p	31.5p
Number granted	7,200,000	7,000,000	6,700,000	10,047,885
Weighted average volatility	50.0%	44.4%	53.3%	60.4%
Weighted average volatility of index	70.0%	64.0%	71.4%	71.2%
Weighted average risk free rate	0.35%	0.90%	0.18%	0.58%
Correlation in share price movement with comparator group	5%	13.0%	15.3%	27.5%
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 2018	Issued	Lapsed	At 31 December 2019
8 October 2013	8 October 2023	546,145	—	—	**546,145**
10 March 2014	10 March 2024	70,391	—	—	**70,391**
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**
31 July 2019	31 July 2029	—	7,200,000	—	**7,200,000**
		20,334,386	7,200,000	(6,017,850)	**21,516,536**

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 £38,999 (year ended 31 December 2018 £41,997) worth of Free Shares to eligible employees.

This resulted in 173,329 (year ended 31 December 2018: 156,268) Free Shares and under the SIP scheme matching and partnership shares issued were 310,527 (year ended 31 December 2018: 223,131) in the year.

	31 December 2019	31 December 2018
The average fair value of the shares awarded (pence)	**21**	28
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 year on SARs:

Issue date	Expiry date	Exercise price (pence)	At 31 December 2018	Exercised	Lapsed	At 31 December 2019
3 July 2009	3 July 2019	30.87	103,368	—	(103,368)	**—**
11 January 2011	11 January 2021	372.75	175,048	—	—	**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	244,541	—	—	**244,541**
30 January 2013	30 January 2023	159.00	277,162	—	—	**277,162**
			890,335	—	(103,368)	**786,967**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

11. Foreign exchange

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Foreign exchange (loss)/gain on Falkland Islands tax liability (see note 23)	(1,307)	2,197
Foreign exchange gain on term deposits, cash and restricted cash	86	59
	(1,221)	2,256
Foreign exchange on operating activities	(406)	(1,048)
Total net foreign exchange (loss) /gain	(1,627)	1,208

12. Finance income and expense

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Bank and other interest receivable	624	825
Total finance income	624	825
Unwinding of discount on decommissioning provisions (see note 24)	204	244
Other	87	9
Total finance expense	291	253

13. Taxation

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Current tax:		
Overseas tax	—	—
Adjustment in respect of prior years	—	—
Total current tax	—	—
Deferred tax:		
Overseas tax	—	25
Total deferred tax – note 25	—	25
Tax on profit on ordinary activities	—	25
Loss on ordinary activities before tax	(20,631)	(7,106)
Loss on ordinary activities multiplied at 26% weighted average rate (31 December 2018: 26%)	(5,364)	(1,848)
Effects of:		
Income and gains not subject to taxation	(1,646)	(2,528)
Impairment of goodwill	1,911	—
Expenditure not deductible for taxation	1,631	1,688
Depreciation in excess of capital allowances	1,060	1,050
IFRS2 Share based remuneration cost	313	384
Losses carried forward	1,326	1,275
Effect of tax rates in foreign jurisdictions	769	(21)
Adjustments in respect of prior years	—	25
Tax charge/(credit) for the year	—	25

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. 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 23 Tax payable.

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

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
UK	**70,429**	66,740
Falkland Islands	**631,203**	592,483
Italy	**56,156**	75,278

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

No deferred tax asset has been recognised in respect of temporary differences arising on losses carried forward, outstanding share options or depreciation in excess of capital allowances due to the uncertainty in the timing of profits and hence future utilisation. Losses carried forward in the Falkland Islands includes amounts held within entities where utilisation of the losses in the future may not be possible.

14. Basic and diluted loss per share

	31 December 2019 Number	31 December 2018 Number
Shares in issue brought forward	**457,495,899**	457,116,500
Shares issued		
– Issued under the SIP	**483,856**	379,399
Shares in issue carried forward	**457,979,755**	457,495,899
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**454,659,998**	457,369,112
	454,659,998	457,369,112
	$'000	$'000
Net loss after tax for purposes of basic and diluted earnings per share	**(20,631)**	(7,131)
Loss per share – cents		
Basic	**(4.54)**	(1.57)
Diluted	**(4.54)**	(1.57)

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.

The weighted average number of Ordinary Shares takes into account those shares which are treated as own shares held in trust (see note 27).

15. Intangible exploration and evaluation assets

	Falkland Islands $'000	Greater Mediterranean $'000	Total $'000
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 to assets held for sale (see note 21)	—	834	834
Foreign exchange movement	—	(21)	(21)
As at 31 December 2018	440,314	6,721	447,035
Additions	24,325	1,745	26,070
Written off to exploration costs	—	(350)	(350)
Transfer to oil and gas assets (see note 16)	—	(3,901)	(3,901)
Transfer to assets held for sale (see note 21)	—	(3,012)	(3,012)
Foreign exchange movement	—	(22)	(22)
As at 31 December 2019	**464,639**	**1,181**	**465,820**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

15. Intangible exploration and evaluation assets (continued)

Falkland Islands licences

The additions during the year of $24.3 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. In response to current market conditions, the cash flow model now assumes a project sanction decision at the end of 2021 (with such decision dependent on securing funding) and is expected to take three and half years from sanction to first oil.

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 related to the remaining barrels in Sea Lion and associated near yield discoveries as well as the Isobel/Elaine discoveries are carried at cost and no indication of impairment currently exists. The assets are still pending determination but are expected to be monetised in a second and third phase of development respectively.

Greater Mediterranean licences

The $1.7 million additions during the year predominantly relate to work on the Egyptian license interests. A $3.9 million transfer of costs to oil and gas assets was made following the award of a development lease concerning the oil discovery in the Abu Roash C-Reservoir (see note 16). A further $3 million reallocation was made concerning all costs associated with the disposal of the Group's interest in Egypt.

16. Property, plant and equipment

	Oil and gas assets $'000	Other assets $'000	31 December 2019 $'000	Oil and gas assets $'000	Other assets $'000	31 December 2018 $'000
Cost brought forward	37,168	878	38,046	31,043	1,134	32,177
Additions	3,757	40	3,797	1,996	25	2,021
Transfer from intangible exploration and evaluation assets	3,901	—	3,901	—	—	—
Foreign exchange	(430)	(4)	(434)	(762)	(10)	(772)
Disposals	—	—	—	—	(271)	(271)
Transfer from/(to) assets held for sale	(20,121)	—	(20,121)	4,891	—	4,891
Cost carried forward	24,275	914	25,189	37,168	878	38,046
Accumulated depreciation and impairment loss brought forward	(25,504)	(706)	(26,210)	(19,751)	(841)	(20,592)
Current year depreciation charge	(4,138)	(106)	(4,244)	(3,968)	(143)	(4,111)
Impairment	(1,600)	—	(1,600)	—	—	—
Foreign exchange	317	2	319	611	7	618
Disposals	—	—	—	—	271	271
Transfer (from)/to assets held for sale	8,360	—	8,360	(2,396)	—	(2,396)
Accumulated depreciation and impairment loss carried forward	(22,565)	(810)	(23,375)	(25,504)	(706)	(26,210)
Net book value brought forward	11,664	172	11,836	11,292	293	11,585
Net book value carried forward	1,710	104	1,814	11,664	172	11,836

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

Asset additions, transfers from intangible exploration and evaluation assets and impairment relate almost entirely to the Abu Sennan production asset in Egypt.

The value of the Abu Sennan production asset was written down in the year to the value of net consideration receivable and was subsequently transferred to asset held for sale.

17. Goodwill

	Greater Mediterranean $'000
As at 31 December 2018	10,308
Impairment	(10,057)
Foreign exchange movement	(251)
As at 31 December 2019	**—**

As a result of the acquisition of Mediterranean Oil & Gas plc in 2014, goodwill of €9 million arose relating to the portfolio of intangible exploration and appraisal assets and the strategic premium associated with a significant presence in a new region. However, following the decision to dispose of Rockhopper Egypt Pty Limited and with Italian portfolio now deemed largely non-core, a decision was made to impair the goodwill associated with that acquisition.

18. Other receivables

	31 December 2019 $'000	31 December 2018 $'000
Current		
Receivables	**1,059**	3,811
Accrued interest	**—**	396
Other	**2,442**	5,303
	3,501	9,510

The carrying value of receivables approximates to fair value. The decrease in receivables in the year is due to transfer of receivable balances associated with the Group's interest in Egypt and the reclaim of prior period IVA balances from the Italian tax authorities.

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

19. Restricted cash

	31 December 2019 $'000	31 December 2018 $'000
Charged accounts	**467**	568
	467	568

Restricted cash amounts mainly relate to sums on deposit in relation to offices leased by the Group.

20. Term deposits

	31 December 2019 $'000	31 December 2018 $'000
Maturing after the period end:		
Within three months	**—**	10,000
Six to nine months	**—**	10,000
Nine months to one year	**—**	10,000
	—	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

21. Disposal group held for sale

On 23 July 2019, the Group announced the sale of Rockhopper Egypt Pty Limited. The key asset of Rockhopper Egypt Pty Limited is a 22% working interest in the Abu Sennan concession. The transaction completed on the 28 February 2020 and accordingly the assets and associated liabilities are presented as a disposal group.

As at 31 December 2019, following impairments to intangible exploration and evaluation assets ($0.3 million) and property, plant and equipment ($1.6 million) the disposal group comprised net assets of $15.9 million, detailed as follows.

	$'000
Intangible exploration and evaluation assets	3,012
Property, plant and equipment	11,764
Inventories	67
Other receivables	3,082
Other payables	(2,000)
	15,925

22. Other payables and accruals

	31 December 2019 $'000	31 December 2018 $'000
Accounts payable	**2,248**	2,462
Accruals	**15,272**	12,246
Other creditors	**423**	440
	17,943	15,148

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.

23. Tax payable

	31 December 2019 $'000	31 December 2018 $'000
Non current tax payable	**39,167**	37,860
	39,167	37,860

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.

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 is confirmed at £59.6 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%. A foreign exchange loss of US$1.3 million (2018: US$2.2 million gain) has been recognised in the year.

24. Provisions

	Decommissioning provision $'000	Other provisions $'000	**31 December 2019 $'000**	31 December 2018 $'000
Brought forward	13,815	73	**13,888**	5,986
Amounts utilized	(193)	(5)	**(198)**	(881)
Amounts arising in the year	—	8	**8**	10
Unwinding of discount	204	—	**204**	247
Transfer from liabilities associated with assets held for sale	—	—	**—**	8,750
Foreign exchange	(265)	(1)	**(266)**	(224)
Carried forward at year end	13,561	75	**13,636**	13,888

The Decommissioning 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 being an inflation rate of 2 per cent and a discount rate of 2 per cent, 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.

25. Deferred tax liability

	31 December 2019 $'000	31 December 2018 $'000
At beginning of year	**39,223**	39,202
Movement in year	**(2)**	21
At end of year	**39,221**	39,223

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 2019 are disclosed in note 13 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 2019 would be $197 million (31 December 2018: $185 million).

26. Share capital

	31 December 2019		31 December 2018	
	$'000	**Number**	$'000	Number
Authorised called up, issued and fully paid: Ordinary shares of £0.01 each	**7,212**	**457,979,755**	7,205	457,495,899

For details of all movements during the year, see note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

27. 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.

28. Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is US$0.6 million (2018: US18 million) relating to the Group's intangible exploration and evaluation assets.

29. Related party transactions

The remuneration of directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 35 to 45.

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Short term employee benefits	**1,430**	1,636
Pension contributions	**133**	137
Share based payments	**679**	742
	2,242	2,515

30. Post balance sheet events

Impact of COVID-19

The immediate human and economic impact of COVID-19 has been very significant. At this point, the longer-term implications are unclear and will depend on a number of factors which will develop in the coming months.

In part related to COVID-19, the Brent oil price has fallen dramatically during Q1 2020 hitting a low of c.$25 per barrel in late March. This has resulted in a material fall in global equities (including Group's share price) and will bring balance sheet strength, liquidity and cost reduction measures to the fore. In the upstream oil and gas sector, companies have announced very material and widespread cost reductions through deferment or eliminations of non-essential capital and operating costs. Premier, the operator of the Sea Lion project has made similar public statements. As a consequence, headcount levels and activity on the Sea Lion project are expected to reduce in the coming months. A delay to the Final Investment Decision on the Sea Lion project is inevitable until the oil price and capital markets recover.

With the Company's modest presence in Italy already having been substantially scaled back, the Group's day to day operations remain unaffected by the spread of COVID-19 with necessary contingency measures in place.

Heads of Terms for farm-in to Sea Lion signed

On 7 January 2020 the Group announced that itself and Premier had signed a detailed Heads of Terms with Navitas to farm-in for a 30 per cent interest in the Sea Lion project (the "Transaction"). In addition, Rockhopper and Premier agreed certain amendments to their existing commercial arrangements.

Under the Heads of Terms working interest in Sea Lion licences PL032, PL004b and Pl004c to be aligned: Premier 40% (Operator); Rockhopper 30%; Navitas 30%. The joint venture will continue to pursue a senior debt project finance (or similar) to fund the Phase 1 development of Sea Lion.

Existing funding arrangements between Rockhopper and Premier are to be replaced such that Rockhopper is funded for all pre- and post-sanction costs not met by senior debt by Premier and/or Navitas through a combination of carry and loans.

Premier will carry all of Rockhopper's costs from 1 January 2020 to 1 March 2020 (being the effective date for the Transaction) and on a bridging basis pending completion of the Transaction (the "Carry").

Premier and Navitas will fund all of Rockhopper's project development costs (excluding production area licence fees, taxes and project wind down costs) from 1 March 2020 to Phase 1 Project Completion (estimated to occur 9-12 months after first oil) through an interest free loan ("Loan"). Funds drawn under the Loan will be repaid from 85% of Rockhopper's working interest share of free cash flow.

An additional standby loan ("Standby Loan") will be available from Premier to cover Rockhopper's share of production area licence fees and any Capital Gains Tax liability. The new Standby Loan will attract interest at a rate of 15% per annum and will be repaid from Rockhopper's residual share of Phase 1 free cash flow.

Existing funding arrangements between Rockhopper and Premier will be replaced such that, subject to certain conditions, Rockhopper will receive contingent payments of up to US$36 million from Premier and Navitas' share of Phase 2 cash flows, linked to the achievement of certain production and oil price milestones.

Rockhopper has granted Navitas and Premier an option to acquire working interests in PL004a (30% and 4% respectively) to align working interests across PL032 and PL004. The option must be exercised by Navitas within 8 years of completion of the Transaction, or the date of Phase 2 FID ("Financial Investment Decision"). In the event the option is exercised and subject to certain conditions, Rockhopper will receive contingent payments of up to US$12 million from Navitas' and Premier's share of Phase 3 cash flows, linked to the achievement of certain production and oil price milestones.

Good progress has been made during the first quarter of 2020 to convert the Heads of Terms into fully documented agreements. Despite the current oil price weakness, all parties remain committed to the finalisation of the Navitas farm-out agreement with completion subject to agreed consents and approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

30. Post balance sheet events (continued)

Completion of disposal of Rockhopper Egypt Pty Limited

On the 28 February 2020, the Group announced that following satisfaction of the requisite conditions precedent, the disposal of Rockhopper Egypt Pty Limited to United was completed.

The US$16.0 million consideration payable to Rockhopper under the transaction comprises:

— cash of $11.5 million; and
— the issue of 114,503,817 Consideration Shares (at an issue price of 3 pence) representing approximately 18.5% of United's enlarged ordinary share capital.

Consideration Shares held by Rockhopper in United are subject to certain lock-up and orderly market disposal provisions for a period of up to 12 months from completion.

31. Risk management policies

Risk review

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

Foreign exchange risks: The Group 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 $17.7 million of which $13.0 million was held in US$ 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 2019	494,570	3,454	10,688	1,530	—
31 December 2018	491,148	2,440	27,234	640	—
Liabilities					
31 December 2019	57,857	41,451	14,820	—	—
31 December 2018	51,200	38,346	16,518	—	55

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 2019	**(3,800)**	**3,800**	**(3,800)**	**3,800**
31 December 2018	(3,591)	3,591	(3,591)	3,591
US$ against euro				
31 December 2019	**(413)**	**413**	**(413)**	**413**
31 December 2018	1,072	(1,072)	1,072	(1,072)

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 2019 were $2,168,000 (31 December 2018: $3,948,000). 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 2019 were $nil (31 December 2018: $30,000,000).

(i) Maturity of financial liabilities

The table below analyses the Group's financial liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Other payables	17,943	—	—	17,943	17,943
Lease liability	539	1,975	—	2,514	2,161
Tax payable	—	—	78,780	78,780	39,167
	18,482	1,975	78,780	99,237	59,271

At 31 December 2018	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Other payables	15,148	—	—	15,148	15,148
Lease liability	458	2,149	365	2,972	2,450
Tax payable	—	—	76,150	76,150	37,860
	15,606	2,149	76,515	94,270	55,458

PARENT COMPANY FINANCIAL STATEMENTS – COMPANY BALANCE SHEET

As at 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
Non current assets			
Property, plant and equipment	2	51	88
Right of use assets		1,044	—
Investments	3	85,728	93,617
Finance lease receivable		628	—
Group undertakings	4	452,575	438,652
Current assets			
Other receivables	5	219	917
Finance lease receivable		146	—
Restricted cash		411	511
Term deposits		—	30,000
Cash and cash equivalents		14,346	6,999
Total assets		555,148	570,784
Current liabilities			
Other payables	6	32,603	27,167
Lease liability		348	—
Non-current liabilities			
Lease liability		1,596	—
Total liabilities		34,547	27,167
Equity			
Share capital	7	7,212	7,205
Share premium	11	3,547	3,422
Share based remuneration	11	4,872	5,104
Own shares held in trust	11	(3,371)	(3,369)
Merger reserve	11	74,575	74,575
Special reserve	11	433,766	456,680
Retained earnings	11	—	—
Attributable to the equity shareholders of the company		520,601	543,617
Total liabilities and equity		555,148	570,784

Loss for the year ending 31 December 2019 was US$24,348,000 (2018: US$ 6,621,000).

These financial statements were approved by the directors and authorised for issue on 8 April 2020 and are signed on their behalf by:

Stewart MacDonald
Chief Financial Officer

Registered Company number: 05250250

The notes on pages 82 to 88 form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	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 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
Total comprehensive loss for the year	—	—	—	—	—	—	(24,348)	(24,348)
Share based payments	—	—	1,307	—	—	—	—	1,307
Share issues in relation to SIP	7	125	(105)	(2)	—	—	—	25
Other transfers	—	—	(1,434)	—	—	(22,914)	24,348	—
Balance at 31 December 2019	**7,212**	**3,547**	**4,872**	**(3,371)**	**74,575**	**433,766**	**—**	**520,601**

See note 11 for a description of each of the reserves of the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

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'), 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. During 2016 the Group augmented this through the acquisition of exploration and production assets in Egypt which were subsequently divested in 2020. 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 2019 were approved and signed by the Group Chief Financial Officer on 8 April 2020 having been duly authorised to do so by the board of directors. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the provisions of the Companies Act 2006. The amendment to FRS101 (2014/15 cycle) issued in July 2015 and effective immediately have been applied.

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

Basis of accounting

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

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

Changes in accounting standards

Adoption of IFRS 16

In the current year new and revised standards, amendments and interpretations were effective and are applicable to the consolidated financial statements of the Company. Furthermore, IFRIC23 'Uncertainty of Income Tas Treatments' was adopted on 1 January 2019. These did not affect amounts reported in these financial statements other than the adoption of IFRS16 with effect from 1 January 2019. The Company applied the modified retrospective approach to adoption, measuring right-of-use assets at an amount based on their respective lease liability on adoption, with the cumulative effect of adopting the standard recognised in the balance sheet on 1 January 2019.

Adjustments on adoption of IFRS 16

On adoption of IFRS 16, the Company recognised lease liabilities and receivables in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These leases were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate representing the rate of interest Rockhopper plc would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to the leases as of 1 January 2019 was 6%. The resulting lease liability and receivable as of 1 January 2019 was determined as follows:

	1 January 2019 $'000
Operating lease commitments disclosed at 31 December 2018	392
Add: finance lease liabilities recognised at 31 December 2018	2,246
Less: effects of discounting	(463)
Lease liability recognised at 1 January 2019	**2,175**

The associated right-of-use assets were measured at the amount equal to the lease, therefore there was no adjustment to retained earnings on adoption.

The effect of adoption of IFRS 16 is as follows:

	Right-of-use assets $'000	Lease receivable $'000	Lease liabilities $'000
As at 1 January 2019	**1,264**	**912**	**(2,175)**
Depreciation expense	(220)	—	—
Interest income/(expense)	—	55	(131)
(Receipts)/payments	—	(193)	362
Balance as at 31 December 2019	**1,044**	**774**	**(1,944)**
Of which are:			
Current	—	146	(348)
Non-current	1,044	628	(1,596)
	1,044	**774**	**(1,944)**

Practical expedients applied

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of the initial application, and;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Company's leasing activities and how these are accounted for

The Company lets and sub-lets various offices typically for periods of 5 years but may have extension options. Until the 2018 financial year, leases of property were classified as operating leases. Payments and receipts made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability and receivable at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost, while the corresponding receipt associated with the sub-lease are allocated between the receivable and finance income. The finance cost and income are charged to profit and loss over the lease period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Payment associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Going concern

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

Following the completion of the disposal of Rockhopper Egypt Pty Limited, the Company has cash resources of US$21.9 million (as at 1 April 2020, unaudited) and generates limited revenue and cash flow from the sale of oil or gas but continues to fund the Company's reduced G&A costs.

Historically, the Company's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. However, following signature of a legally binding Heads of Terms in January 2020, Rockhopper's share of all Sea Lion pre-sanction costs from 1 January 2020 (other than licence fees, taxes and project wind down costs) are funded by Premier and/or Navitas.

Management's base case forecast assumes a final investment decision on the Sea Lion development during 2021, subject to securing requisite financing. With the Company's costs funded by Premier and/or Navitas during this period.

Management has also considered a downside scenario in which the project does not achieve sanction which could be due to a number of factors including funding not being achieved, or Premier deciding to withdraw from the Sea Lion Development which could also ultimately result in relinquishment of the acreage. In this scenario the Sea Lion project would need to be wound down including the decommissioning of the assets in the Falklands and the Group is liable for its share of these project wind down costs with no funding support from Premier and/or Navitas.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

1. Accounting policies (continued)

Going concern (continued)

Under the base case forecast, the Company will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these consolidated financial statements. However, in the downside scenario, in the absence of any mitigating actions, the Company may have insufficient funds to meet its forecast cash requirements. Potential mitigating actions, some of which are outside the Company's control, could include 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 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 these consolidated financial statements. Nonetheless, for the avoidance of doubt, in the downside scenario run and in the absence of potential mitigating actions, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that may be necessary if the Company were not a going concern.

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 year, 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 year end rates of exchange actually used were:

	31 December 2019	31 December 2018
£ : US$	**1.32**	1.28
€ : US$	**1.12**	1.15

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 3 years
Leasehold improvements	Over 5 years

Right of Use assets

The Company's accounting policy for Right of Use assets is explained in note 1 "The Company's leasing activities and how they are accounted for".

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

2. Property, plant and equipment

	31 December 2019 $'000	31 December 2018 $'000
Cost brought forward	**779**	1,026
Additions	**40**	25
Disposals	**(2)**	(272)
Cost carried forward	**817**	779
Accumulated depreciation brought forward	**(691)**	(857)
Depreciation charge	**(76)**	(106)
Disposals	**1**	272
Accumulated depreciation carried forward	**(766)**	(691)
Net book value brought forward	**88**	169
Net book value carried forward	**51**	88

3. Investments

	31 December 2019 $'000	31 December 2018 $'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)
Impairment	**(7,889)**	—
Amounts provided carried forward	**(53,389)**	(45,500)
Net book value brought forward	**93,617**	93,617
Net book value carried forward	**85,728**	93,617

All amounts relate to subsidiary undertakings. Following the decision to dispose of Rockhopper Egypt Pty Limited and with the Italian portfolio now deemed largely non-core, a decision was made to impair the investments associated with that region by $7.9 million (2018: $nil).

Details of the investments at the year 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
Falkland Oil and Gas Limited	Falkland Islands	Ordinary	100
Desire Petroleum Limited	England & Wales	Ordinary	100
Rockhopper Egypt Pty Limited	Australia	Ordinary	100

The companies listed above incorporated in England & Wales have their registered address at 4th Floor, 5 Welbeck Street, London W1G 9YQ, United Kingdom.

The companies listed above incorporated in the Falkland Islands have their registered address at 45 John Street, Stanley, Falkland Islands, FIQQ 1ZZ.

Rockhopper Italia SpA has its registered address at Via Abruzzi 3, 00187 Rome, Italy.

Rockhopper Egypt Pty Limited has its registered address at Level 15 Exchange Tower, 2 The Esplannade, Perth, WA6000, Australia.
The disposal of this company completed on the 28 February 2020.

4. Group undertakings

	31 December 2019 $'000	31 December 2018 $'000
Group undertakings	**473,343**	450,998
Provisions	**(20,768)**	(12,346)
	452,575	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.

Following the decision to dispose of Rockhopper Egypt Pty Limited and with the Italian portfolio now deemed largely non-core, a decision was made to impair the receivables associated with that region by $10 million (2018: $nil).

5. Other receivables

	31 December 2019 $'000	31 December 2018 $'000
Receivables	**99**	181
Prepayments	**96**	241
Accrued interest	**—**	396
Other	**24**	99
	219	917

6. Other payables

	31 December 2019 $'000	31 December 2018 $'000
Trade creditors	**2,008**	1,641
Other creditors	**419**	228
Accruals	**14,616**	9,073
Group undertakings	**15,560**	16,225
	32,603	27,167

Accruals have increased due to costs associated with the Sea Lion development. Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free.

7. Share capital

	31 December 2019 Number	31 December 2018 Number
Shares in issue brought forward	**457,495,899**	457,116,500
Shares issued		
– Issued under the SIP	**483,856**	379,399
Shares in issue carried forward	**457,979,755**	457,495,899

	31 December 2019		31 December 2018	
	$'000	Number	$'000	Number
Authorised, called up, issued and fully paid: Ordinary shares of £0.01 each	**7,212**	**457,979,755**	7,205	457,495,899

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

8. Salaries and directors' remuneration

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Salaries and fees	**3,401**	3,728
National insurance costs	**433**	465
Pension costs	**125**	140
Employee benefit costs	**66**	81
Average number of employees	**12**	14

Disclosures in relation to directors' remuneration are given on a consolidated basis in the directors' report and note 8 of the Group financial statements.

9. Auditors' remuneration

Note 9 of the Group financial statements provides details of the remuneration of the Company's auditors on a Group basis.

10. Share based payments

Note 10 of the Group financial statements 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 27 of the Group financial statements.

12. Related parties

Note 29 of the Group financial statements 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 2020

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 01/05/2021
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

GLOSSARY

2C	best estimate of contingent resources
2P	proven plus probable reserves
3C	a high estimate category of contingent resources
AGM	Annual General Meeting
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&E	Exploration and evaluation
E&P	exploration and production
EGPC	Egyptian General Petroleum Company
EIS	Environmental Impact Statement
ERCE	ERC Equipoise Limited
ESG	Environmental, Social and Governance
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
Navitas	Navitas Petroleum LP
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
SAR	Share appreciation right
Scm	standard cubic metre
SIP	Share incentive plan
STOIIP	stock-tank oil initially in place
SURF	Subsea, Umbilicals, Risers and Flowlines
TSR	Total shareholder return
tvdss	True vertical depth subsea
United	United Oil & Gas plc

SHAREHOLDER INFORMATION

KEY CONTACTS

Registered address and head office:
4th Floor
5 Welbeck Street
London
W1G 9YQ

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

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

Solicitors
Ashurst LLP
Fruit & Wool Exchange
1 Duval Square
London
E1 6PW

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

Auditor
PricewaterhouseCoopers LLP
1 Embankment
London
WC2N 6RH

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

CONCERNS AND PROCEDURES

General emails
info@rockhopperexploration.co.uk

Audit committee emails
rkh@rockhopperexploration.co.uk

Website
www.rockhopperexploration.co.uk

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

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

MIX
Paper from responsible sources
FSC™ C014531

The pulp is bleached using an Elemental Chlorine Free process.

This report is printed in the UK using environmental printing technology and vegetable based inks. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® chain-of-custody certified.

Designed and produced by JacksonBone Limited.

ROCKHOPPER EXPLORATION PLC

4th Floor
5 Welbeck Street
London
W1G 9YQ

Telephone +44 (0)207 486 1677
info@rockhopperexploration.co.uk
www.rockhopperexploration.co.uk
Twitter @RockhopperExplo

Company Reg. No. 05250250