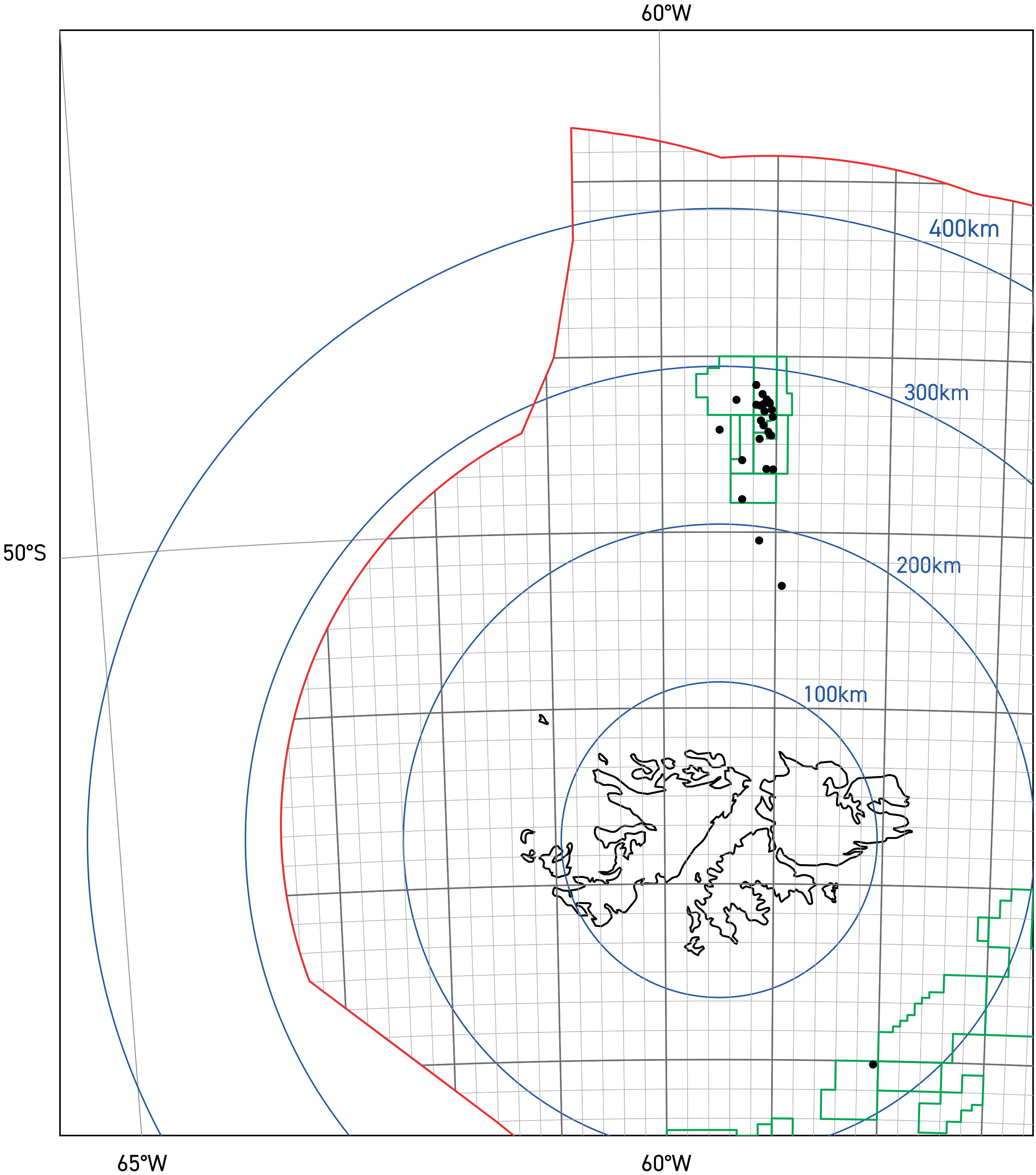
ROCKHOPPER
EXPLORATION PLC



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 for all our stakeholders through building a well-funded, full-cycle, exploration-led E&P company.

Contents

2022 HIGHLIGHTS

Sea Lion and the North Falkland Basin

> Completion of transaction to bring Navitas Petroleum LP ("Navitas") into the North Falkland Basin licenses (the "Transaction")

> Licence interests fully aligned — **Navitas** 65% and Operator / **Rockhopper** 35%

> Rockhopper benefits from two loans from Navitas:

- Pre-Final Investment Decision ("FID") loan: covers all Rockhopper's Phase 1 Sea Lion project costs pre-FID via 8% loan
- Post FID loan: covers two-thirds of Rockhopper's Phase 1 Sea Lion project costs from FID to the earlier of 12 months post-first oil or project completion (for any costs not met by third party debt financing) via 0% loan
- Loans repaid from 85% of Rockhopper's working interest share of Sea Lion Phase 1 project cash flows

> Sea Lion project re-defined:

- Total barrels developed: 269mmbbls
- Phased drilling
  - First campaign: 18 wells (11 pre first oil)
  - Further campaign: 5 wells
- Production plateau: 80,000 bbls/d
- Redeployed FPSO
- Gross JV NPV10 US$4.3 billion
- Pre first oil capex US$1.3 billion

Ombrina Mare

> Successful arbitration outcome announced in August 2022

> Awarded compensation c. €190 million plus interest (the "Award")

> Rockhopper sent letter to Italy in September 2022 requesting payment of €247 million

> Italy seeking to annul; Rockhopper contesting annulment; confident in merits of legal case

> Interest accruing at c. €1.25 million per month

> Rockhopper and Italy directed to find an outcome that allows Rockhopper to enforce whilst protecting Italy from risk of non-recoupment should it succeed in annulment

Corporate and Financial

> Capital raise of $10.4 million pre-expenses in placing and open offer (completed July 2022)

> Warrants outstanding at 9 pence per share

> Administrative expenses remain low

SEA LION – UPDATE FROM NAVITAS PETROLEUM

Extensively appraised

- Navitas, Operator of Sea Lion, published an independent review of the Rockhopper and Navitas asset base
- All numbers assume a leased FPSO and a 100% working interest
- Source: Netherland Sewell & Associates independent research report ("NSAI Independent Report").

Gross Field NPV10 US$4.3 billion

Based on the NSAI Independent Report* data, the joint venture NPV10 of the development of 269 mmbbls is US$4.3 billion on a post royalty and pre-tax basis, at US$77 Brent.

*The NSAI Independent Report contains analysis of cash flows and NPV on the phase 1 and 2 development net to Navitas

	1C (mmbbls)	2C (mmbbls)	3C (mmbbls)
Development pending	204	269	368
Development unclarified	247	443	761
Total	**451**	**712**	**1,129**

SEA LION – CAPITAL EFFICIENT DEVELOPMENT

Capital efficient development

2C Contingent Resources (Development Pending) Phase 1 and 2 development concept

- Phased development
- 2 drilling campaigns
  - First campaign of 18 wells, 11 of which to be drilled pre-first oil
  - Second campaign of 5 wells to be drilled c. 42 months post first oil
- Total recoverable resources 269 mmbbls (2C)
- Peak production c. 100,000 bbls/d
- Plateau production rate of c. 80,000 bbls/d
- Redeployed leased FPSO.

PRE FIRST OIL CAPEX $1.3Bn

TOTAL CAPEX $2.2Bn

Life of field costs	per bbls
Capex	US$7.50
OPEX	US$20.10
Total	**US$27.60**

SEA LION – KEY COMMERCIAL TERMS

> Rockhopper retains material working interest

> Rockhopper has two loans from Navitas

> Acreage held

65%
Navitas (Operator)

35%
Rockhopper

Loan 1 – available from deal completion (September 2022) to FID

> Covers all Rockhopper net working interest project costs, excluding licence costs, fees to FIG and taxes

> Repayable from Rockhopper's net Sea Lion project cash flows

> 8% interest

Loan 2 – available from FID to the earlier of project completion or 12 months post first oil

> Covers two thirds of Rockhopper net working interest project costs not covered by project financing, excluding licence costs and Rockhopper taxes

> Repayable from Rockhopper's net Sea Lion project cash flows

> 0% interest

OMBRINA MARE ARBITRATION UPDATE

> Rockhopper awarded c. €190 million plus interest in compensation in August 2022 pursuant to an ICSID arbitration against the Italian Republic, following a unanimous decision by the arbitral Tribunal that the Italian Republic had breached its obligations under the Energy Charter Treaty

> Rockhopper wrote to Italy in September 2022 requesting payment of €247 million

> Italy sought to have the Award annulled in October 2022

> Rockhopper is contesting the Annulment – a process likely to take some 18-24 months from October 2022

> Interest accrues at EURIBOR +4% which Rockhopper estimates to be in the region of €1.25 million per calendar month

> A final hearing in relation to Italy's request to annul the Award is scheduled to take place in Q1 2024.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

2022 and the first months of 2023 saw the most material and positive developments at Rockhopper for some time. A combination of conflict in Europe with the terrible events in Ukraine, structural long-term underinvestment in global oil and gas projects, and a post-pandemic recovery in demand saw oil prices remain above US$70 for the year.

Against this background, we made real progress, completing the Navitas transaction, extending our licences by two years, strengthening our balance sheet and benefiting from a unanimous Award in our favour from the ICSID Tribunal with compensation of approximately €190 million plus interest. Taken together, these developments put us in our strongest position for many years.

We continue to believe that oil and gas, responsibly produced, will play a hugely important role in the security of global energy supply for many decades to come as the energy transition continues. Indeed, the IEA forecasts global oil demand will grow to over 104 million barrels per day by 2026. Countries such as the United Kingdom continue to import energy from parts of the world with lower environmental standards than are applied in the Falklands, meaning that switching the source of that supply to Sea Lion would result in a reduction in that country's overall greenhouse gas emissions.

Sea Lion has the potential to play an important role not only in securing the financial future and thereby political independence of the Falklands against continued Argentine economic aggression, but also providing the UK with a secure and responsibly produced source of energy.

NAVITAS TRANSACTION COMPLETES; LICENCES EXTENDED

Having announced the exit of Harbour Energy ("Harbour") and the formation of the new Rockhopper-Navitas JV in April 2022, we completed what was a complex transaction with numerous moving parts in September of that year. We are delighted to welcome Navitas to the North Falkland Basin.

The transaction sees full alignment of all our North Falkland Basin (NFB) acreage with Navitas taking a 65% interest and becoming Operator of licences PL003, PL004, PL005, PL032, and PL033 which we consider to be the most prospective areas in the basin. Importantly, this removes the risk of future unitisation negotiations within the partnership as the Sea Lion development straddles a block boundary.

As a result of the transaction, Rockhopper benefits from two attractive loans from Navitas. The first loan, which we are currently drawing on, covers all of our net Sea Lion Phase 1 working interest costs (other than licence fees and taxes) at an interest rate of 8% and is available from transaction completion to FID. The second 0% interest loan covers two-thirds of our net working interest Sea Lion Phase 1 costs (other than licence fees and taxes) for project costs not covered by third party debt financing. Both loans are repaid from 85% of Rockhopper's net Sea Lion Phase 1 cash flows.

As part of closing the transaction, the new JV agreed to buy out the remaining unsatisfied exploration well commitment on licences PL032 and PL033 for US$1.8 million, with Rockhopper paying its 35% net working interest amount directly, due to it being effectively a licence fee-related cost. We also extended our South Falkland Basin ("SFB") licences by two years, which we hold 100% as Operator, where all exploration commitments have already been satisfied. Whilst our focus is very much on getting Sea Lion up and running, we continue to work up prospectivity in the SFB where we have what we believe to be a direct analogue feature to the large Darwin discovery held by Borders & Southern Petroleum in adjacent acreage. Between what has been discovered and appraised and what can be inferred, the Company believes the Falkland basins represent a long-term, world-class resource, and the key to unlocking it is getting to FID on Sea Lion.

SEA LION PROJECT RE-DEFINED

In March 2023, only six months after the transaction completed, Rockhopper announced a material and hugely impressive improvement in the project costs and economics.

Building on previous work carried out by both Rockhopper and Premier Oil ("Premier'), the development team at Navitas re-defined the Sea Lion project such that, when compared to the previous project, production rates are maintained, total oil produced increases, pre-first-oil costs are down by some half a billion dollars and life-of-field

Keith Lough
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

cash costs have been reduced to less than US$30 per barrel. All of this has been achieved in an industry environment of rising costs. We are, perhaps not surprisingly, hugely impressed and absolutely delighted at these developments which materially improve the economics and therefore the ability to finance the project.

The new project develops 269 million barrels of oil via a leased, re-deployed FPSO with 23 wells in total spread over two separate drilling campaigns. The first campaign has 18 wells, of which 11 are drilled pre-first-oil with a second campaign of a further five wells to be drilled around 42 months post-first oil.

Navitas continues to refine these development plans and work on the financing with a view to reaching FID during 2024.

Navitas appointed Netherland Sewell & Associates ("NSAI") to review the quantities of oil and gas in the basin and produce a net present value calculation based on the new development plan. Whilst Rockhopper is not an addressee of the report, we endorse its conclusions. That report, which is available in Navitas' annual report which can be found on its website, contains the following estimates of contingent resources in the Rockhopper Navitas JV acreage:

	1C (MMbbls)	2C (MMbbls)	3C (MMbbls)
Development Pending	204	269	368
Development Unclarified	247	443	761
Total	**451**	**712**	**1,129**

Note: The last independent resource report commissioned directly by Rockhopper was the ERCE 2016 Report which had an estimated 2C value of 517 MMbbls. The Navitas commissioned NSAI Independent Report used an updated approach and assumptions to the ERCE 2016 report.

Rockhopper is not an addressee and has not been party to the production of the NSAI Independent Report. The NSAI Independent Report has been produced to PRMS standards. Rockhopper's technical team which includes Lucy Williams (BSc Geology, MSc Petroleum Geology, Chartered Geologist) had limited opportunity to review the NSAI Independent Report before its publication but endorses the work conducted and conclusions drawn.

The NSAI report contains net to Navitas economics. Using the outputs from the report, we have calculated the NPV10 at Brent US$77 flat (the oil price used in the report) gross to the JV on a post-Falkland Island Government ("FIG") royalty, pre-tax basis, to be US$4.3 billion for the first 269 million barrels development alone (2C).

OMBRINA MARE

Having started our Arbitration against the Republic of Italy in 2017 we were delighted when, in August 2022, we received a unanimous decision in our favour from the ICSID Tribunal. The Tribunal awarded us compensation of approximately €190 million plus interest at EURIBOR +4% backdated to January 2016 with a four month pause in that interest from the date of the Award.

In September 2022, having made the appropriate interest calculations, we wrote to Italy requesting payment of €247 million. Italy has not yet responded to that letter.

On 28 October 2022, Italy submitted an application to the ICSID seeking to annul the Award under Article 52 of the ICSID Convention. Italy also requested a provisional stay of the enforcement of the Award pursuant to Article 52(5) of the ICSID Convention. A hearing on whether or not to continue the stay took place on 6 March 2023 and on 24 March 2023 the Committee issued orders with regard to the provisional stay. Those orders were, as follows:

1: that Italy and Rockhopper shall confer – in good faith and using their best efforts to cooperate and find an effective arrangement – for the mitigation of the risk of non-recoupment using a first-class international bank outside the European Union (or as Italy and Rockhopper otherwise agree) to be put into place in anticipation of the termination of the provisional stay of enforcement of the Award. This is to mitigate the perceived risk that, in the event the Award is annulled, Italy may not be able to recover Italian assets seized or frozen by Rockhopper (before the ad hoc Committee issues its decision on annulment) in court enforcement proceedings.

2: that Rockhopper shall, within 30 days of the date of the decision, apprise the Committee of arrangements agreed with Italy for the mitigation of the risk of non-recoupment or that negotiations have failed and, in the latter event, propose concrete arrangements in accordance with the decision for the mitigation of the risk of non-recoupment. Italy may then briefly comment on Rockhopper's proposal within 10 days, constructively highlighting any areas of disagreement between the Parties.

Annulment

Annulment is an exceptional recourse to safeguard against the violation of fundamental legal principles relating to the process (**Article 52** of the ICSID Convention, Arbitration **Rules 50** and **52-55**). A party may apply for full or partial annulment of an award on the basis of one or more of the following five grounds:

> the Tribunal was not properly constituted;
> the Tribunal has manifestly exceeded its powers;
> there was corruption on the part of a member of the Tribunal;
> there has been a serious departure from a fundamental rule of procedure; or
> the award has failed to state the reasons on which it is based.

Source: ICSID

Italy has refused to comply with the Panels instructions. Rockhopper intends to continue to work in good faith to resolve the issues raised regarding non-recoupment and has submitted to the Panel its proposal to mitigate this risk.

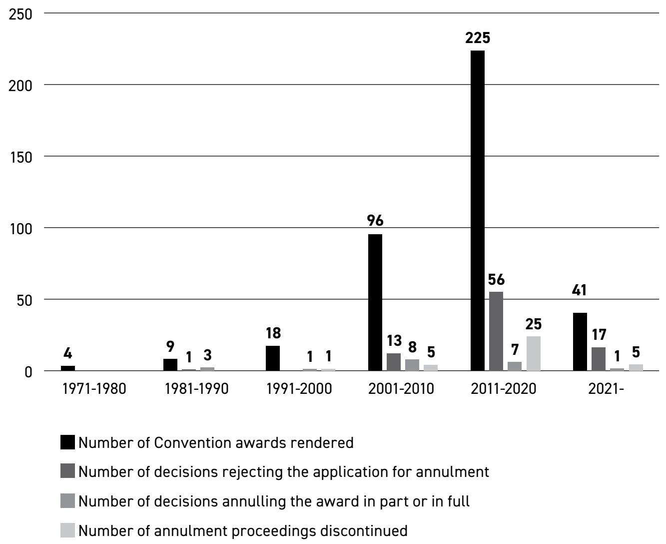
The provisional stay remains in force during this time, pending further orders from the Committee.

The decision to lift the provisional stay of enforcement is unrelated to the merits of Italy's annulment request. A final hearing in relation to Italy's request to annul the Award is scheduled to take place in Q1 2024. Guidance given by Rockhopper in the Company's 31 October 2022 announcement that the entire annulment process is likely to take 18-24 months from that date remains in place. Rockhopper is currently paying its own legal costs as the previous funding budget put in place to cover the original Arbitration has been discharged.

Whilst proceedings at ICSID are confidential between the parties, ICSID does publish the grounds on which it is possible to seek annulment and statistics on the success of such applications.

The funding budget covering the costs of the Arbitration was fully discharged at the point that we received the Award and that agreement does not cover any costs past that point in time. Rockhopper has paid all legal fees (approximately US$500,000) associated with contesting the provisional stay and is investigating options for covering the balance of costs required to contest the annulment application itself and pursue any potential enforcement actions. Remaining costs to contest annulment are likely to be in the region of £1 million to £1.5 million. Costs to undertake enforcement are more difficult to quantify given the potential requirement to enforce simultaneously in multiple legal jurisdictions. Previous guidance on timing given at the time Italy made their annulment application remains unchanged.

Annulment Proceedings under the ICSID Convention — Outcomes
Awards Rendered and Outcomes in Annulment Proceedings under the ICSID Convention



Source: ICSID

Whilst there can be no guarantees, given the published statistics on annulment and the strength of our legal case, we remain confident in the likelihood of prevailing and recovering material compensation from Italy in the fullness of time.

CORPORATE MATTERS

Having significantly cut costs, moved offices, and reduced our headcount in 2020, we maintain a keen focus on keeping our General and Administrative ("G&A") costs lean. Whilst managing costs, we have also proactively sought to retain our small team of people who understand the assets in great detail, and who have preserved material exposure to development success for our shareholders, through often very challenging circumstances.

That said, with no material production revenue coming into the business we undertook our first capital raise for over a decade in 2022. By combining a placing with an open offer we were able to offer all our shareholders the chance to participate in the raise on the same terms as larger institutional investors. By issuing 121,834,936 shares at 7 pence per share we raised approximately US$10.4 million before expenses, also issuing one warrant for every two shares taken up with those warrants giving holders the right to buy shares at 9 pence. Should the bulk of those warrants be taken up, even with the additional costs of extending the Falkland licences this would provide important additional working capital for the Company.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

ESG and Corporate Responsibility more generally continue to be a focus for Rockhopper. As an oil and gas exploration and production business our role is to ensure that we carry out our operations in a responsible manner. We have visited the Falklands twice during 2023 and pride ourselves on being a long-term partner to the people of the Islands. Once FID on Sea Lion has been achieved, we commit to defining measures to report transparently and mitigate our emissions as far as is practicable.

In recent years, we have retained a small and stable board to support the CEO and his team as we progressed important initiatives such as the ICSID tribunal and transaction with Navitas. Now is therefore an appropriate time for change as we move into a new phase for the Company, having passed through important milestones on both those fronts. In light of this we plan to phase in a new board led by a new chair. Their focus will be on recovering our tribunal Award and working with the Falkland Islands and UK governments, as well as Navitas, to move towards approval of the Sea Lion development. Work to identify a new chair is underway and we hope to have made the appointment by Q4 of this year. In addition Non-Executive Director, John Summers will also be standing down by Q4 2023 and a replacement is also being sought. We would like to thank the whole team for their continuing efforts during challenging times. Given our recent progress, we are absolutely convinced that an exciting period lies ahead of the Company.

Keith Lough
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

26 May 2023

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.

2022

KPIs – Definition	Performance
> Facilitate the Sea Lion Project handover to Navitas and proactively assist them in building a project team **> Actively support Navitas in formulating a technical and financing plan that delivers the Sea Lion project at a lower cost and expedited basis** **> Strengthen the Company balance sheet and preserve cash** **> Implement plans to secure any Ombrina Mare award**	*The committee had agreed that there had been good progress made on all targets and that it was appropriate to recognise the significance of the Ombrina Mare arbitration outcome. The committee concluded that the conditions for payment of deferred bonuses already announced in 2021 and 2022 and deferred salaries announced in 2021 had been met. A bonus of 1% of monies received in relation to the Award, capped at 200% of salary, was deemed an appropriate reward to the CEO. The committee concluded this had the benefit of aligning the CEO's incentive with shareholder interests. A bonus of 29% of base salary was awarded in relation to the achievements made during the period with this amount to be deducted from the Ombrina Mare bonus as and when it falls due.*

2023

Definition

KPIs

- **Progress all elements required to secure sanction of the Sea Lion Project**
- **Strengthen and protect the Company's balance sheet**
- **Work to secure the Ombrina Mare arbitration award**

FINANCIAL REVIEW

OVERVIEW

From a finance perspective, the most significant events in 2022 were:

> Detailed transaction terms agreed with Harbour and Navitas in relation to the Sea Lion project and the Transaction – completed in September 2022;
> Successful fundraising through Placing and Subscription raising net proceeds of US$6.3 million in June 2022;
> Additional US$2.8 million net proceeds raised through Open Offer in July 2022;
> Successful ICSID arbitration award in respect of Ombrina Mare:
  — Compensation of €190 million plus interest at EURIBOR + 4%, compounded annually from 29 January 2016 until time of payment; and
  — The Republic of Italy applied to have the Award annulled in October 2022.

With the Transaction completing the arrangements with Navitas ensure that Rockhopper is funded going forward for all pre-sanction costs related to the Sea Lion Phase 1 development (other than licence fees and taxes). This, combined with the fundraising, materially strengthens the Group's financial position in the short and medium term and significantly enhances the prospects for a successful project financing for Sea Lion.

The Award was made in September 2022 and Italy applied to have the Award annulled in October 2022. The Arbitration itself is discussed in detail in the Chairman and Chief Executive Officier's Review, but from a financial perspective has no impact on the results for the period to 31 December 2022 as the Award is still considered a contingent asset and as such not recognised in the financial statements. Assuming full recovery of the Award, after payments due to the arbitration funder and success fees due to the Group's legal representation, the Group expects to retain approximately 80% pre-tax. Further analysis has begun to establish the tax treatment on any payments received.

RESULTS FOR THE YEAR

For the year ended 31 December 2022, the Group reported revenues of US$0.7 million (2021: US$0.8 million) and profit after tax of US$35.5 million (2021: loss after tax US$7.8 million). The significant profit after tax was driven by a current year tax income of US$38.8 million (2021: US$0.2 million) This is discussed in more detail below.

REVENUE AND COST OF SALES

The Group's revenues of US$0.7 million (2021: US$0.8 million) during the year relate entirely to the sale of natural gas in the Greater Mediterranean (specifically Italy) region. The reduction in revenues from the comparable period reflects a reduction in production offset by increased realised gas prices. Gas was sold at a price linked to the Italian "PSV" (Virtual Exchange Point) gas marker price.

Cash operating costs, excluding movements on provisions and depreciation charges, amounted to US$0.9 million (2021: US$1.1 million). The reduction in operating costs reflects the reduced production during the year.

Following cessation of production in Italy no revenues are expected going forward.

OPERATING COSTS

Exploration and evaluation expenses are not material in the year. The impairment in the current year mainly due to the write off of costs relating to areas of the North Falkland Basin which will not be developed as part of the Sea Lion Phase 1 project. The reversal of impairment in the prior year relates to impairments against amounts over accrued in 2020.

The Group continues to manage corporate costs and has achieved significant reductions in recurring G&A costs over the last five years. In light of the sharp reduction in oil prices experienced in the first half of 2020, initiatives to further reduce corporate costs commenced in May 2020.

Administrative expenses have increased during the year to US$3.6 million (2021: US$3.3million). It should be noted that these costs include initial legal fees in relation to contesting the Annulment of the Award. Having anticipated Italy might attempt to annul the Award, Rockhopper had a non-binding offer in place to fund both fighting the annulment and enforcing the Award. The Group has instead chosen to use existing resources to fund all legal costs arising from contesting the request by Italy for annulment whilst it explores all acceptable funding possibilities.

The foreign exchange gain in the year is US$6.6 million (2021: US$0.8 million). As with last year, this is mainly movements in relation to the tax arising from the Group's farm-out to Premier in 2012, a GBP denominated balance. Finance expense in the year of US$4.2 million (2021: US$3.5million) also mainly relate to adjustments in relation to this tax balance. This balance is discussed further below.

CASH MOVEMENTS AND CAPITAL EXPENDITURE

At 31 December 2022, the Group had cash and term deposits of US$9.8 million (31 December 2021: US$4.8 million).

Cash and term deposit movements during the period:

	US$m
Opening cash balance (31 December 2021)	4.8
Revenues	0.7
Cost of sales	(0.9)
Falkland Islands	(1.8)
Administrative expenses	(3.4)
Net proceeds of fundraising	9.1
Miscellaneous	1.3
Closing cash balance (31 December 2022)	**9.8**

Miscellaneous includes foreign exchange and movements in working capital during the period.

The additions to intangible exploration and evaluation assets during the year of $2.7 million relate principally to the Sea Lion development. Management considered whether there were any indicators of impairment to the carrying value of the intangible and concluded there were none. This is discussed in more detail in note 14 to the financial statements.

FUNDRAISING

During the year Rockhopper raised US$9.1 million, post expenses, by way of a Placing and Subscription in June 2022 and an Open Offer in July 2022. In each case at an issue price of 7 pence per Unit (the "Issue Price"). Each Unit offered comprises one New Ordinary Share and, for every two New Ordinary Shares subscribed for, one Warrant.

Each Warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 9 pence per Ordinary Share (the "Strike Price") at any time from the issue of the Warrants up to (and including) 5.00 p.m. on 31 December 2023 (the "Warrant Exercise Period").

The Placing utilised a cashbox structure and therefore the premium on the ordinary shares and associated costs have in accordance with section 621 of the Companies Act 2006 been recognised within the merger reserve.

The functional currency of Rockhopper is US$. Given the warrant exercise price is determined in GBP, a foreign currency, the Warrants issued under the Subscription do not meet the fixed amount of cash criteria to be treated as equity and therefore have been treated as a derivative financial liability. These were initially valued at US$1.3 million on grant and subsequently revalued to US$1.7 million as at the year end, with the difference being treated as a finance expense.

Accounting standards allows warrants to be treated as equity instruments where the Company offers them pro rata to all of its existing owners equally. Therefore, warrants issued as part of the Open Offer have been treated as equity.

The Placing and Subscription raised net US$6.3 million after associated costs of US$0.8 million. The Open Offer raised net US$2.8 million after associated costs of US$0.4 million.

MERGERS, ACQUISITIONS AND DISPOSALS

The Sea Lion development remains central to the Group's plans and we are excited at the prospect of bringing in a new industry partner, Navitas, especially given their experience in financing projects of a similar scale to Sea Lion.

From a financial perspective Navitas will provide loan funding to the Group to cover the majority of its share of Sea Lion phase one related costs from Transaction completion up to FID through a loan from Navitas with interest charged at 8% per annum (the "Pre-FID Loan"). Subject to a positive FID, Navitas will provide an interest free loan to fund two-thirds of the Group's share of Sea Lion phase one development costs (for any costs not met by third party debt financing).

Certain costs, such as licence costs, are excluded in both instances. Funds drawn under the loans will be repaid from 85% of Rockhopper's working interest share of free cash flow.

TAXATION

On the 8 April 2015, the Group agreed binding documentation ("Tax Settlement Deed") with 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.

The Tax Settlement Deed also states that the Group is entitled to make adjustments to the outstanding tax liability if and to the extent that the Commissioner is satisfied that any part of the Development Carry becomes irrecoverable. Under the Transaction the balance of Development Carry has become irrecoverable and in the Group's judgment no further amounts are due on the Group's 2012 farm-out to Premier.

Given the highly material nature of this judgment professional advice has been sought to confirm that it is probable that if challenged it would be concluded that the Group is entitled to adjust the outstanding tax liability for the irrecoverable Development Carry. As such the Group has derecognised the tax liability to measure it at the most likely amount that the liability will be settled for of US$nil. We are currently engaged with FIG formalising the tax implications of the termination of the 2012 Premier Oil farm down which resulted in irrecoverable carry of approximately US$670 million.

Should it be proven that there is no entitlement to adjustment under the Tax Settlement Deed then the outstanding tax liability would be £59.6 million and still payable on the earlier of: (i) the first royalty payment date on Sea Lion; (ii) the date of which Rockhopper disposes of all or a substantial part of the Group's remaining licence interests in the North Falkland Basin; or (iii) a change of control of Rockhopper Exploration plc.

In this unlikely instance Management believes the most likely timing of payment is in line with the first royalty payment. Based on previous correspondence with FIG, Management does not believe that the Transactions completion constitutes a substantial disposal and therefore would not have accelerated the liability should it be shown to be still payable.

The derecognition of the tax liability has led to a tax income of US$38.8 million.

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. At 31 December 2022, the Group had cash and cash equivalents and term deposits of US$9.8 million and US$7.3 million as at 30 April 2023.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. Following completion of Navitas coming into the North Falkland Basin (the "Transaction") the Group benefits from loan funding for its share of all Sea Lion pre-sanction costs (other than licence fees and taxes).

Normal working capital requirements and projected recurring expenditure is expected to be around US$4.0 million per year and in addition there are costs associated with maintaining the various licence and concessions in the Group's Italian portfolio.

In addition to the above requirements the third-party funding agreement in place to cover costs in relation to its ICSID arbitration with the Republic of Italy does not cover any costs arising past the date of the Award (23 August 2022). A separate success fee of approximately £3 million is due to the Company's legal representatives on establishing liability and an award requiring Italy to pay at least €25 million in damages. This amount is also not covered by the funding agreement.

Having anticipated Italy might attempt to annul the Award, Rockhopper has a non-binding offer in place to fund both fighting the annulment and enforcing the Award if required. The Group is using existing resources to fund all legal costs arising from contesting the request by Italy for annulment whilst it explores all funding possibilities.

At the year end the Group had 56.5 million unexercised 9 pence warrants in issue with an expiry date of 31 December 2023. Assuming the share price is in excess of 9 pence, which it is at time of writing, the Group expects the majority of these warrants to be exercised providing additional funds of up to £5million.

However, in the downside circumstances where these outstanding warrants are not fully exercised the Group would have to raise additional funds to meet both legal costs in relation to the arbitration and normal working capital requirements as we work towards project sanction of Sea Lion.

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 scenarios, 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/monetisation of arbitration award proceeds, deferral of expenditure or raising additional equity.

Accordingly, after making enquiries and considering the risks described above, the Directors have reviewed the Group's overall position and are of the opinion that the Group is able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements and believe the use of the going concern basis is appropriate.

Nonetheless, for the avoidance of doubt, in the downside scenarios in which the remaining warrants are not exercised and additional funding is not raised and in the absence of potential mitigating actions indicates the existence of a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and the Group may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Consolidated and Parent Company financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

PRINCIPAL RISK AND UNCERTAINTIES
A detailed review of the potential risks and uncertainties which could impact the Group are outlined elsewhere in this Strategic Report. The Group identified its key risks at the end of 2022 as being:

1. Oil price volatility;
2. Access to capital;
3. Joint venture partner alignment; and
4. Failure of joint venture partners to secure the requisite funding to allow a Sea Lion Final Investment Decision.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2022.

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 Audit & Risk 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.

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; and
> Revenue to receivables.

During the year the Audit & Risk Committee received an update from management on the findings and recommendations of the report on financial controls. In addition, given the reduced head count within the Group and the departure of the Chief Financial Officer, the Audit & Risk Committee reviewed and approved amendments to the existing control framework, in particular with respect to review and approval procedures. 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 any further 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.

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC RISKS	Description	Impact
	Delay in Sea Lion Final Investment Decision (due to oil price outlook, energy transition pressures, increased project costs or JV partners choosing to prioritise other projects) and potential loss of licence interests.	> Increased costs > Delay in future cash flow > Reduced value creation > Loss of investor confidence > Possible failure to achieve FID at Sea Lion > 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.

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.

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.	> Technical work ongoing by Rockhopper and Navitas jointly in relation to a lower-cost, alternative development for Sea Lion.
> 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 2023 Argentina unilaterally cancelled a joint co-operation pact regarding the Falkland Islands, known as the “Foradori-Duncan Pact” which was signed in 2016. The second air link from the Falkland Islands to South America has not been allowed to re-commence operations post the end of the COVID pandemic.
> Commitment to work with the Operator with the aim of developing Sea Lion on an environmentally responsible manner in accordance with all applicable regulations > Such a commitment will be led by the Operator and is dependent on the final development plan, but is currently expected to be achieved through a combination of reduced emissions from the use of best-in-class technologies and the offsetting of emissions through investment in nature-based and other carbon-offsetting projects	> In January 2021, FIG established an independent environment trust to receive and administer future off-setting payments from the Sea Lion project and distribute those funds for activities aimed at ensuring a positive environmental legacy in the Islands.

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.

FINANCIAL RISKS	Description	Impact
	Insufficient liquidity and funding capacity including inability to raise sufficient funds.	> Uncertain financial outcome > Insufficient funds to meet financial obligations leading to insolvency > Restricted work programs due to lack of capital > Possible failure to achieve FID at Sea Lion > Possible reduction in working interest in licences.
	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 > Possible failure to achieve FID at Sea Lion.

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
> Short-term and long-term cash forecasts are reported to the Board on a regular basis > The Company has no debt > The Company has completed a transation bring Navitas onto all of its North Falkland Basin licences as a 65% working intrest holder and Operator, 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.	> Navitas farm-in completed, terms continue to materially satisfy Rockhopper's proportion of both pre-FID and post-FID costs for Sea Lion > Cash resources of US$9.8 million as at 31 December 2022 > Successful capital raise completed to strengthen balance sheet with a number of warrants outstanding > Management seeking additional funding for working capital and to achieve Sea Lion FID expected to complete by the end of the current licence period. > Successful Arbitration against the Republic of Italy, annulment application by Italy being contested.
> 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.	> Positive oil price environment improves Sea Lion economics > Lower cost Sea Lion development being worked on by Navitas and Rockhopper.
> 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.	> Ongoing progress 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 > Navitas transaction completed.

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 tested as required given the operational status of the Company > 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 authorization processes > In 2018/19, the Company successfully completed the two well plug and abandonment program at the 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 period of between 6 and 12 months to ensure sufficient time to handover responsibilities in the event of a departure > Succession planning considered regularly at Board level > The Remuneration Committee regularly evaluates compensation and incentivisation schemes to ensure they remain competitive.	> A short-term succession plan is in place for executive directors and key staff members > Despite a recent reduction in staff levels, all senior managers have been retained on a part-time basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STATEMENT

Rockhopper's strategy is to explore, appraise, develop and produce its operated and non-operated assets both safely and sustainably. As an oil and gas exploration and production business our role is to produce hydrocarbons in an environmentally responsible manner.

The key elements of this strategy include:
> Maintaining the highest standards of Health, Safety and Environmental protection;
> Committing to long-term partnerships with our host governments and communities; and
> Operating to the highest regulatory and governance standards.

The Company fully recognises that the oil and gas industry, alongside other stakeholders such as governments, regulators and consumers, must contribute to reduce the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net-zero.

Navitas has become Operator of all of the Companys North Falkland Basin licences, including the Sea Lion development. Rockhopper intends to work with Navitas to develop Sea Lion in an environmentally reasponsible manner in accordance with all applicable regulations. This work will continue as the new Sea Lion project development is refined by the Operator.

An extensive Environmental Impact Statement for the Sea Lion project was completed in 2020 and is available on the Company's website. A new or updated EIS may be required as the new development at Sea Lion is finalised.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

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.

LONG-TERM PARTNERSHIPS WITH HOST GOVERNMENTS AND COMMUNITIES

Rockhopper has been operating offshore the Falkland Islands since 2004. We are a long-term partner of the Falklands and our aim has always been to support the rights of the Falkland Islanders to develop their natural resources for their own economic benefit.

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.

HIGHEST REGULATORY AND GOVERNANCE STANDARDS

The Board fully recognises that good governance supports the execution of the Company's strategy and delivery of shareholder value. Rockhopper's Board is committed to maintaining high standards of corporate governance and to ensuring that the Company's values are promoted and its strategy clearly communicated.

The Company has put in place a number of policies and procedures which are designed to promote a healthy corporate culture and ensure that ethical and transparent behaviour is followed.

These include the:
> HSE Policy;
> Code of Business Conduct and Social Responsibility;
> Anti-Bribery and Corruption Policy and Procedures; and
> Share Dealing Code.

In addition, in 2018, the Board adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which is designed for small to mid-sized companies and which has been adopted by many AIM companies.

DIRECTORS' STATEMENT UNDER SECTION 172 (1) OF THE COMPANIES ACT 2006

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:
a) The likely consequences of any decision in the long term;
b) The interests of the Company's employees;
c) The need to foster the Company's business relationship with suppliers, customers and others;
d) The impact of the Company's operations on the community and environment;
e) The desirability of the Company maintaining a reputation for high standards of business conduct, and
f) The need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Company and the way in which the strategic, operational and risk management decisions have been implemented throughout the business is detailed in this Strategic Report.

Employees
Our employees are one of the primary assets of our business and the Board recognises that our employees are the key resource which enables the delivery of the Company's vision and goals.

We ensure that:
> Health, Safety and the Environment are considered paramount throughout the organisation;
> There is competitive pay and employee benefits;
> There is ongoing training provided and development and career prospects are available;
> There are freely available company policies and procedures;
> Employees are informed of the results and important business decisions and are encouraged to feel engaged and to improve their potential; and
> Working conditions are favourable.

The Company has worked to ensure that employees are safe and well, both physically and mentally. The majority of staff work in the office on a hybrid basis.

The Remuneration Committee oversees and makes recommendations on executive remuneration and any long-term share awards. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business.

Suppliers, customers, JV partners and regulatory authorities
The Board acknowledges that a strong business relationship with suppliers, customers and JV partners is a vital part of growth. The Board upholds ethical business behaviour across all of the Company's activities and encourages management to seek comparable business practices from all suppliers, customers and JV partners doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered.

Community and environment
The Company fully recognises that the oil and gas industry, alongside other stakeholders such as governments, regulators and consumers, must contribute to reduce the impact of carbon-related emissions on climate change, and is committed to contributing positively towards the drive to net-zero.

Maintaining high standards of business conduct
The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the QCA Code and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded. The Board has directed that ethical behaviour and business practices should be implemented across the business. Anti-corruption and anti-bribery training are compulsory for all staff and contractors and the anti-bribery statement and policy is provided on the Company's website. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone representing the Company.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing Policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented. The Board regularly considers the key business risks and a risk matrix is discussed by the Board on a regular basis.

Shareholders
The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders.

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major shareholder information and QCA Code disclosure updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of the Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders.

The Interim Report and other investor presentations are also available on our website.

The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. Investor events are also arranged with shareholders throughout the year which present an opportunity for shareholders to speak with the Executive Directors in a formal environment and in more informal one to one meetings. By providing a variety of ways to communicate with investors the Company feels that it reaches out to engage with a wide range of its stakeholders. The Company has endeavoured to maintain communication with investors and believes that engagement has been carried out efficiently.

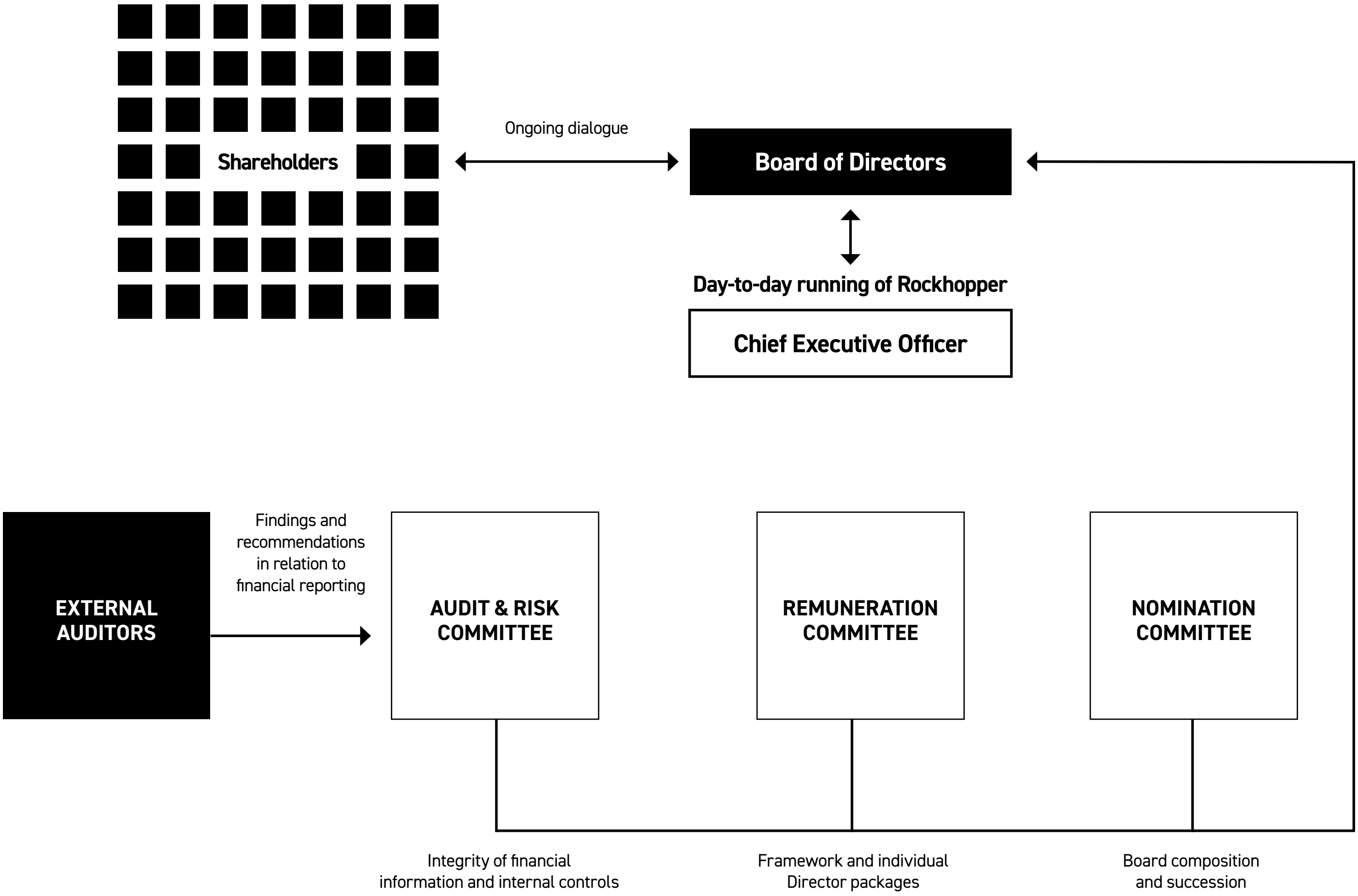
Approval of Strategic Report

This Strategic Report was approved by the directors and signed on their behalf on 26 May 2023 by:

Samuel Moody
Chief Executive Officer

ROCKHOPPER BOARD

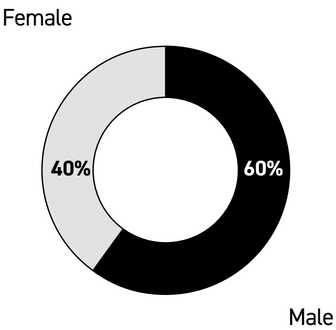
How your Board works



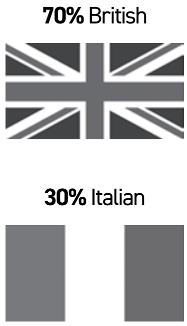
Corporate diversity

Company composition – employees
10 employees including CEO

GENDER



NATIONALITY



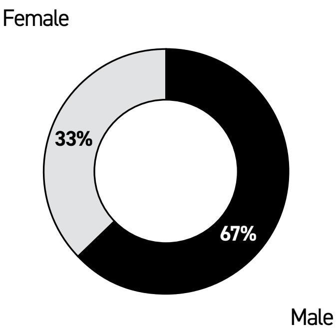
Non-executive director composition

TENURE

33%
3-6 years

67%
Over 9 years

GENDER



BOARD OF DIRECTORS

Keith Lough
Non-Executive Chairman 64

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:
> Hunting PLC

Samuel Moody
Chief Executive Officer 53

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:
—

Alison Baker
Senior Independent Director 52

Skills and experience
Alison has 25 years' experience in provision of audit, capital markets and advisory services. She previously led the 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:
> Helios Towers plc
> Endeavour Mining Plc
> Capstone Copper Corp

John Summers
Non-Executive Director 67

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:
> Remuneration (Chairman)
> Audit & Risk
> Nomination

External appointments:
—

GOVERNANCE REPORT

Introduction from the Chairman on the Governance Report
Rockhopper is listed on the AIM Market of the London Stock Exchange (AIM) and as such is required to apply a recognised corporate governance code. The Board has adopted the Quoted Companies Alliance Corporate Governance Code (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 (www.rockhopperexploration.co.uk) 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, one Executive Director and two Non-Executive Directors including the Senior Independent Director. Stewart MacDonald, former Chief Financial Officer, stepped down from the Board at the end of January 2022. Further changes to the Board are expected by Q4 2023. These are discussed further in the Nomination Committee Chairman's Report.

The Board considers that the Chairman and the Non-Executive Directors are all independent. Other than their 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. Full details of Directors' shareholdings and fees received are disclosed in the Remuneration Report of these financial statements.

GOVERNANCE REPORT CONTINUED

Board composition during the year

Name	Role	Independent	Length of service as at 26 May 2023	Date of appointment	Date of resignation
Non-Executives					
Keith Lough	Chairman	Yes	9 yrs 4 mths	14 January 2014	–
Alison Baker	Senior Independent Director	Yes	4 yrs 8 mths	18 September 2018	–
John Summers	Non-Executive Director	Yes	9yrs 3 mths	1 February 2014	–
Executives					
Sam Moody	Chief Executive Officer	No	18yrs 3 mths	21 February 2005	–
Former Director					
Stewart MacDonald	Chief Financial Officer	No		10 March 2014	31 January 2022

All 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. All Directors will be standing for re-election at the 2023 Annual General Meeting.

Senior Independent Director
Alison Baker is the Senior Independent Director.

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. The Chairman and 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 around six scheduled meetings each year with other meetings held as required. Informal meetings also take place between the Chairman and the Non-Executive Directors without management present.

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

The appointment letters of the Non-Executive Directors detail the expected time commitment which is around 20 days a year.

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.

2022 Board meeting attendance

Director	Number of meetings attended
Keith Lough – Chairman	8/8
Sam Moody	8/8
Stewart MacDonald*	1/8
Alison Baker	8/8
John Summers	8/8
Total meetings during year	**8**

*resigned 31 January 2022

Board performance evaluation

During 2022, no performance evaluation of the Board was undertaken in light of the plans for Board succession. In previous years, an internal performance evaluation of the Board has been carried out 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.
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.

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 which is coordinated by the Company Secretary. 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.

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.

GOVERNANCE REPORT CONTINUED

Company Secretary
The Board has a qualified Company Secretary and all Directors have access to her for advice and services. The Company Secretary is responsible for ensuring that there is a good information flow within the Board and committees and between the Executive and Non-Executive Directors. The Company Secretary advises the Board on corporate governance matters and provides support as required to ensure that members of the Board and committees can discharge their duties properly and effectively.

Political and charitable donations
The Group made no charitable or political donations during the year (2021: £nil).

Communication with shareholders
The Company engages with shareholders in a variety of ways:

Meetings The Chief Executive Officer has regular discussions 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 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 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

26 May 2023

AUDIT & RISK COMMITTEE CHAIRMAN'S REPORT

Introduction by the Audit & Risk Committee Chairman, Alison Baker
I am pleased to present the report of the Audit & Risk Committee for the year ended 31 December 2022. 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 and John Summers. As disclosed in the Governance Report the Board considers both 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 five times during the year and informal discussions were also held both with and without management present. The external auditors 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 Director, members of senior management including the Interim CFO 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:

2022 Audit & Risk Committee meeting attendance

Director	Number of meetings attended
Alison Baker – Chairman	5/5
John Summers	5/5
Keith Lough	4†
Sam Moody	3†
Stewart MacDonald (resigned 31st January 2022)	1†
Total meetings during year	**5**

† 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.

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 of intangible assets, going concern, taxation, intercompany balances, arbitration award and decommissioning;
> 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;
> interim and full year financial statements;
> external auditors' fees and auditor performance;
> process for the review of the Group's systems of internal controls and risk management and effectiveness of the systems and processes pertaining to risk identification, classification and mitigation;
> emerging accounting issues including audit reform; and
> whistleblowing procedures and shareholder concerns.

Since the year end, the committee has reviewed its performance and effectiveness in respect of the 2022 financial year.

AUDIT & RISK COMMITTEE CHAIRMAN'S REPORT CONTINUED

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.

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 2021, BDO LLP were appointed as external auditors in place of PricewaterhouseCoopers LLP following a tender process overseen by the Audit & Risk Committee.

The committee is responsible for the approval of the provision of all audit services and permitted non-audit services undertaken by the external auditors. The policy on auditor independence and objectivity is available on the Company's website.

The committee considers the effectiveness and quality of the external auditors after the conclusion of the annual audit and recommended to the Board the proposed re-appointment of the auditor at the forthcoming AGM.

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 had been agreed and actioned as a result of the prior year performance review including:

- introduction of an additional committee meeting to allow consideration of emerging issues, annual review on risk and internal controls and ad hoc matters;
- introduction of a range of KPIs to allow the committee to undertake an annual high-level review of auditor performance to include quality of the audit, delivery against original audit proposal and fees/value for money;
- expansion of the scope of annual internal controls review to include control issues raised by the auditors during the course of the audit, actions taken/required in respect of staff changes and cyber security review.

In respect of the committee performance review undertaken for the 2022 financial year, the committee noted the key observations, proposed changes to the performance ratings and the update on actions agreed from the prior year review specifically:

- the KPIs which would be used to assess whether the audit was delivered within budget and with sufficient input from audit partner and how management had supported auditor;
- the requirement for the evolution of the internal controls review process to reflect the changes in the risk profile as the Company moves into the next stage of its development.

The committee also concluded that its constitution was appropriate for the size of the business and that the Chairman of the Board, who also attended committee meetings, brought significant industry and financial experience to discussions.

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 and the external communications are received directly by the Audit Chairman.

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

Alison Baker
Audit & Risk Committee Chairman

26 May 2023

NOMINATION COMMITTEE CHAIRMAN'S REPORT

Introduction by the Nomination Committee Chairman, Keith Lough
I am pleased to present the report of the Nomination Committee for the year ended 31 December 2022 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 both Non-Executive Directors as its members. The Board considers all members of the committee to be independent.

The Company Secretary acts as secretary of the committee.

Meetings
The committee met once during the year. Only members of the committee have the right to attend the meetings but the committee can request the attendance of the Chief Executive Officer.

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

2022 Nomination Committee meeting attendance

Director	Number of meetings attended
Keith Lough – Chairman	1/1
Alison Baker	1/1
John Summers	1/1
Total meetings during year	**1**

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:

- the tenure of the Chairman and Non-Executive Directors;
- requirements of the QCA Code in relation to Board composition; and
- succession planning.

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 will evaluate the balance of skills and experience on the Board and make 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 recognises the need for progressive refreshing of the Board. In recent years, we have retained a small and stable board to support the CEO and his team as we progressed important initiatives such as the ICSID tribunal and transaction with Navitas. Now is therefore an appropriate time for change as we move into a new phase for the Company, having passed through important milestones on both those fronts. Non-Executive Director, John Summers and Non-Executive Chairman, Keith Lough, will therefore both be standing down by Q4 2023 as a new Board is phased in to focus on recovering our tribunal Award and working with the Falkland Islands and UK governments, and Navitas, to move towards approval of the Sea Lion development. Work to identify a new chair is underway and we hope to have a new chair in place by Q4 of this year. When considering new Board appointments, the committee recognises the benefits of diversity and will be 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 Director 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

26 May 2023

REMUNERATION REPORT

Annual Statement

Introduction by the Remuneration Committee Chairman, John Summers

On behalf of the Board, I am pleased to present the Directors' Remuneration Report ('Report') for the year ended 31 December 2022. 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 2022. It also sets out details of the implementation of the Remuneration Policy for Executive and Non-Executive Directors for the year ending 31 December 2023.

During 2020, a comprehensive review of the Group remuneration policy was undertaken which resulted in rebalancing of remuneration packages from cash to equity, a reduction in employee headcount and senior staff roles transitioning from full-time to part-time. The revised remuneration structure has remained in place since and the committee does not plan any further changes to Remuneration Policy for the foreseeable future. The Chief Financial Officer left the Company on 31 January 2022 and Rockhopper's Financial Controller, who has been with the Company since 2011, assumed the position of Interim CFO.

The committee is satisfied that the outcomes, in respect of the incentives and remuneration during the financial year under review, are appropriate. The committee will continue to 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 management team.

John Summers
Chairman of the Remuneration Committee

26 May 2023

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 awards to Executive Directors and senior employees under the Company's Share Option Plan.

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 Executive Directors is set out below. Full details of the remuneration package of the Chief Executive Officer who is currently the sole Executive Director is given in the Report on Remuneration on page 34.

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, the 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 > 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 from time to time to ensure that the level of rates and cover remains competitive
Opportunity	> The benefits package is set at a level that the committee considers is appropriate for the Company's size > The value of benefits will vary each year according to the cost of provision
Performance metrics	> Not applicable for benefits package

PENSION

Purpose and link to strategy	> To provide an appropriate level of pension contribution for Executive Directors whilst minimising the administrative burden for the Company
Operation	> Since August 2020, pension contributions have been paid by way of a pension cash allowance due to the annual allowance limits. The pension cash allowance 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 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 > 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 Executive Directors comprise the corporate, strategic and financial objectives agreed by the Board > The committee uses its judgement to decide the extent to which the objectives have been achieved and will have regard to overall Company performance when agreeing the bonus payments > The committee considers whether any operations have been completed to acceptable HSE standards and considers whether there were any HSE incidents when considering the level of bonus

SHARE OPTION PLAN (OPTION PLAN)

Purpose and link to strategy	> To support alignment with shareholders through the link to the creation of shareholder value
Operation	> The Option Plan was introduced in 2020 and is designed to cover a five year period > The Company has an employee benefit trust which can purchase shares in the market and/or subscribe for shares to satisfy the exercise of options and awards under the Company's Long Term Incentive Plan (LTIP). The LTIP has been discontinued but has vested awards which have not yet been exercised
Opportunity	> Options granted in 2020 represent a one off award to cover a five year period during which time it is anticipated that no further equity incentivisation will be offered other than in exceptional circumstances
Performance metrics	> None

Further details on the policy

Performance measurement

Annual bonus – the annual bonus is based on a range of corporate 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.

Option Plan – the Option Plan ensures alignment with shareholders being focussed on share price growth over the medium to long term. Vesting of equity awards is phased with options vesting in equal tranches in years 3, 4 and 5 after the date of grant.

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. The maximum level of bonus is currently 50% of salary although in exceptional circumstances a higher bonus award may be made.

Senior employees have been granted options under the Option Plan on the same terms as Executive Directors but proportionate to their employment contracts and their ability to contribute to achievement of the Company's strategic objectives. 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.

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 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
Option Plan	> The Option Plan would operate as outlined in the Policy for Executive Directors. An award of options may be granted on joining subject to the Company being in an open dealing period	Committee discretion

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 Chief Executive Officer (CEO) has a rolling term service agreement with the Company. Details of his service contract and appointment date are as follows:

Executive Directors	Appointment date	Original contract	Revised contract
SJ Moody	21 February 2005	8 August 2005	8 March 2011
			5 October 2020

The CEO's service contract is 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 CEO 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 any 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 the 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

a) Annual bonus and Option Plan

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 Option Plan, 1p options, which were granted in lieu of contractual notice periods for the reductions in base salaries in May 2020, will be retained regardless of leaver status. For market price options, all unvested and vested but unexercised options will lapse for those with 'bad leaver' status (defined as anyone dismissed for gross misconduct or who resigns unless the committee determines that a resigning employee should be treated as a good leaver). In 'good leaver' circumstances (defined as all other circumstances except where an employee has bad leaver status), all options will be retained and will vest and become exercisable on the normal vesting dates. All options will vest automatically on a change of control.

b) Closed share incentive schemes

In relation to awards granted under the LTIP, awards which have vested but which have not been exercised may be exercised for a period of six months from the vesting date or such other period that the committee shall decide. In the case of a participant who has died, any vested and unexercised LTIPs can be exercised for a period of 12 months from the date of death.

Since the year end all share appreciation rights (SARs) granted under the Company's Employee Share Option Scheme have lapsed.

In the event of termination of employment or a change of control, shares still held under the Share Incentive plan (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 Director 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
			14 September 2022
John Summers	1 February 2014	3 February 2014	1 February 2017
			1 February 2020
			1 February 2023
Alison Baker	18 September 2018	18 September 2018	15 May 2019
			24 September 2021

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 2022, the committee comprised the John Summers, the committee Chairman, and Alison Baker, an independent Non-Executive Director. The committee met three times during the financial period.

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

Director	Remuneration Committee meetings attended
John Summers – Chairman	3/3
Alison Baker	3/3
Keith Lough	2†
Sam Moody	1†
Total meetings during year	**3**

† Invitee

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

- Considering staff salary adjustments for 2022
- Considering bonus awards for the year ended 31 December 2021
- Approving Directors' Remuneration Report for the year ended 31 December 2021
- Considering corporate targets for the 2022 financial year for recommendation to the Board and undertaking an interim review to ensure that the targets remained relevant and appropriate
- Considering vesting of 2019 LTIP awards
- Approving payment of the deferred salaries, fees and bonuses
- Considering bonus potential in relation to the Ombrina Mare arbitration award
- Considering level of employer pension contributions for staff
- Considering operation of the EBT
- Considering whether any adjustment was required to long-term incentive awards following the capital raise

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 was 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 the operation of the share schemes.

The committee considers that the advice it received during the financial period was objective and independent.

Total remuneration

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

	Salary £'000		Taxable benefits £'000		Annual bonus £'000		Long-term Incentives £'000 (iii)		Pension/pension cash allowance £'000		Total £'000	
	Year ended 31 Dec 2022(i)	Year ended 31 Dec 2021	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	**Year ended 31 Dec 2022(ii)**	Year ended 31 Decc 2021	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021
S J Moody	**338.3**	283.0	**4.1**	3.8	**174.3**	–	**–**	–	**46.6**	46.6	**563.3**	333.4
Former Director												
S MacDonald (resigned 31 January 2022)	**35.0**	241.3	**0.2**	2.3	**69.4**	–	**–**	–	**3.2**	38.3	**107.8**	281.9

(i) The Executive Directors had agreed to defer the amount of annual base salary above £200,000 with effect from 1 October 2021 until the earlier of a) a positive Ombrina Mare award and b) the execution of the Sea Lion farm-out transaction. The total salaries for 2022 include an amount of £82,988 for SJ Moody in respect of deferred salary for the period from 1 October 2021 to 30 June 2022 and £18,375 for S MacDonald in respect of deferred salary for the period from 1 October 2021 to 31 January 2022. These amounts were paid in July 2022 following execution of the Sea Lion farmout transaction with Navitas Petroleum LP

(ii) The bonus payments include amounts paid in respect of previous financial years: £46,320 (SJ Moody) and £38,040 (S MacDonald) in respect of the 2020 financial year paid upon completion of the farmout to Navitas Petroleum LP which included approval by the Falkland Islands Government and £38,000 (SJ Moody) and £31,333 (S MacDonald) in respect of the 2019 financial year paid following execution of the Sea Lion farmout agreement and related documentation. S MacDonald's bonus payments, which had accrued during the time he was a Director of the Company, were paid after he left the Company

(iii) A number of LTIPs and options vested during the year ended 31 December 2022. The value of the vested LTIPs and options, calculated with reference to the mid-market price on the various vesting dates less the cost of exercise was £83,064 for S Moody (2021:£138,159) and £83,064 for SMacDonald (2021:£113,462) The LTIPSs and options had not been exercised as at the date of this report in the case of SJ Moody or the date of leaving in the case of S MacDonald.

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 2022	Year ended 31 December 2021	**Year ended 31 December 2022**	Year ended 31 December 2021	**Year ended 31 December 2022**	Year ended 31 December 2021
K G Lough	**118.8**(i)	93.8(i)	**—**	—	**118.8**	93.8
A C Baker	**40.0**	40.0	**12.5**	12.5	**52.5**	52.5
A J Summers	40.0	40.0	**10.0**	10.0	**50.0**	50.0

(i) The Chairman had agreed to defer 25% of his annual fees with effect from 1 October 2021 until the earlier of: a) a positive Ombrina Mare award; and b) the execution of the Sea Lion farm-out transaction. The total fee for 2022 includes an amount of £18,750 in respect of deferred fees for the period from 1 October 2021 to 30 June 2022 paid in July 2022 following execution of the Sea Lion farmout transaction with Navitas Petroleum LP

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 (2021: £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 2022

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 other than in circumstances of exceptional strategic progress. The following objectives were agreed for the 2022 financial year:

> **Facilitate the Sea Lion Project handover to Navitas and proactively assist them in building a project team**
> **Actively support Navitas in formulating a technical and financing plan that delivers the Sea Lion project at a lower cost and expedited basis**
> **Strengthen the Company balance sheet and preserve cash**
> **Implement plans to secure any Ombrina Mare award**

The committee had agreed that there had been good progress made on all targets and that it was appropriate to recognise the significance of the Ombrina Mare arbitration outcome. The committee concluded the conditions for payment of the deferred bonuses already announced in 2021 and 2022 and deferred salaries announced in 2021 had been achieved. The committee also concluded that it was appropriate to reward the CEO and team members involved in the Ombrina Mare arbitration. The committee recognised the need contest the annulment and potentially engage in a complex and possibly lengthy enforcement process. A bonus of 1% of monies received in relation to the award, capped at 200% of salary, was deemed an appropriate reward to the CEO. The committee concluded this has the benefit of aligning the CEO's incentive with shareholder interests. A bonus of 29% of base salary was awarded in relation to the achievements made during the period with this amount to be deducted from the Ombrina Mare bonus as and when it falls due. The committee also re-affirmed its commitment to pay a bonus at FID equal to 100% to 200% of salary.

Awards of options during the financial year

There were no options granted to Executive Directors during the financial year.

Long Term Incentive Plan (LTIP)

The committee had considered the analysis of the peer group performance for the 2019 LTIPs after the conclusion of the performance period on 31 March 2022. The committee was provided with data from Canaccord Genuity in respect of the performance of the Company against its peer group over the relevant performance period in terms of Total Shareholder Return. The committee concluded that, based on Canaccord's analysis, the Company had ranked 6th out of the peer group of 13 companies and accordingly 45.83% of the 2019 LTIP awards had vested which resulted in the vesting of a total of 3,300,001 of the 2019 LTIPs , with the balance having lapsed.

Implementation of Executive Director remuneration policy for 2023

Base salaries

As part of the annual remuneration review, the Committee considered general economic conditions in the UK. The Committee agreed that, in order to preserve the Company's cash position, the CEO's salary would not be increased on 1 January 2023.

Annual bonus

For 2023, the CEO's annual bonus will be determined as a percentage of base salary based on performance against pre-agreed corporate 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 2023:

- **Progress all elements required to secure sanction of the Sea Lion Project**
- **Strengthen and protect the Company's balance sheet**
- **Work to secure the Ombrina Mare arbitration award**

Option Plan

The committee had previously agreed that no further awards of options would be made to Executive Directors for a five year period following the awards in May 2020 other than in exceptional circumstances.

Long Term Incentive Plan

The committee had previously agreed that the LTIP would be discontinued for a five year period from May 2020.

Benefits and pension contributions

The CEO will receive the range of Company benefits and pension cash allowance in line with the policy.

Implementation of Non-Executive Director remuneration policy for 2023

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 Share Incentive Plan) of the Directors in office at the year end:

	At 31 December 2022 Ordinary 1p shares	At 31 December 2021 Ordinary 1p shares
S J Moody	**3,999,299**	2,570,729
K G Lough	**657,085**	228,515
A C Baker	**212,856**	70,000
A J Summers	**461,185**	318,329

The Committee has agreed that the CEO should be encouraged to build up a stake of Rockhopper shares equivalent to two times annual base salary over a five year period. It is intended that this should be achieved through the retention of any vested incentive awards.

Outstanding awards under the Option Plan, Long Term Incentive Plan (LTIP) and Employee Share Option Scheme

The following option and LTIP awards and share appreciation rights outstanding as at 31 December 2022 and held by individuals who were Directors during the year ended 31 December 2022 were:

(a) Option Plan

(i) Unvested Option Awards

Director	Date of grant	Options held at 31 December 2021	Granted	Lapsed during year	Awards held at 31 December 2022	Exercise price	Earliest vesting date
SJ Moody	19.05.20	3,166,666	—	—	3,166,666	£0.0625	19.05.23
	19.05.20	3,166,667	—	—	3,166,667	£0.0625	19.05.24
	19.05.20	3,166,667	—	—	3,166,667	£0.0625	19.05.25
Former director							
S MacDonald	19.05.20	2,833,333	—	2,833,333	—	£0.0625	n/a
	19.05.20	2,833,333	—	2,833,333	—	£0.0625	n/a
	19.05.20	2,833,334	—	2,833,334	—	£0.0625	n/a

(ii) Vested Option Awards

Director	Date of grant	Vested awards held at 31 December 2021	Exercised during year	Exercise price	Vested awards held at 31 December 2022
SJ Moody	19.05.20	1,691,048	—	£0.01	1,691,048
Former Director					
S MacDonald	19.05.20	1,388,762	—	£0.01	1,388,762

(b) LTIP (suspended)

(i) Vested LTIP Awards

Director	Date of grant	Awards held at 31 Dec 2021	Granted	Lapsed during year	Vested during year	Exercised during year	Awards held at 31 Dec 2022	Performance period
SJ Moody	08.10.13	177,802	—	—	—	—	177,802*	n/a
	16.06.17	912,000	—	—	—	—	912,000	n/a
	31.07.19	2,100,000	—	1,137,500	962,500	—	962,500	01.04.19-31.03.22
Former Director								
S MacDonald	10.03.14	70,391	—	—	—	—	70,391*	n/a
	16.06.17	864,000	—	—	—	864,000	—	n/a
	31.07.19	2,100,000	—	1,137,500	962,500	962,500	—	01.04.19-31.03.22

*Since the year end the 2013 LTIP awards have lapsed in full.

(c) Employee Share Option Plan (discontinued)

Director	Date of grant	Awards held at 31 December 2021	Exercised during year	Lapsed during year	Awards held at 31 December 2022	Exercise price Pence
SJ Moody	17.01.12	77,777	—	77,777	—	303.75
	30.01.13	91,077	—	—	91,077*	159.00
		168,854	**—**	**77,777**	**91,077**	

*Since the year end the 2013 SARs have lapsed in full.

Share price movements during year ended 31 December 2022

The mid-market closing price of the Company's shares as at 31 December 2022 was 9 pence (31 December 2021: 8.45 pence). The range of the trading price of the Company's shares during the year was between 6.3 pence and 20.35 pence.

Executive Director external appointments

Since the year end, SJ Moody has resigned as a Non-Executive Director of Greenland Gas & Oil Limited.

By order of the Board

AJ Summers
Chairman of the Remuneration Committee

26 May 2023

DIRECTORS' REPORT

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 2021: £nil). A review on the operations of the Group and an indication of likely future developments of the business are included in the Strategic Report.

Key performance indicators "KPIs"

See page 7 for more details.

Substantial shareholders

At 30 April 2023 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
Aedos Advisers	38,096,106	6.49
RAB Capital/William Phillip Seymour Richards	22,000,000	3.75

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

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

Principal risks and uncertainties

Information relating to the principal risks and uncertainties facing the Group is set out in the Strategic Report and note 28.

Related party transactions

Related party transactions are disclosed in note 27.

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 28.

Political and charitable contributions

The Group made no charitable donations (year ended 31 December 2021: £nil) and no political donations (year ended 31 December 2021: £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 78 days (year ended 31 December 2021: 46 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 11 employees at the year end, one of whom is an Executive Director. 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 UK adopted international accounting standards 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 UK adopted international accounting standards;
- 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 laws 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

26 May 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCKHOPPER EXPLORATION PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Rockhopper Exploration plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1.5 to the financial statements concerning the Group's and the Parent Company's ability to continue as a going concern which indicates that in downside scenarios whereby an insufficient number of warrants were exercised, the Group would have to raise additional funds to meet both legal costs in relation to the Ombrina Mare arbitration and normal capital requirements as it moves towards project sanction of its Sea Lion Project.

As stated in note 1.5, these events or conditions, along with the other matters set out in note 1.5 indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We considered the ability of the Group and the Parent Company to continue as a going concern to be a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We obtained the Directors' Group cash flow forecast to 31 December 2024. We assessed the reasonableness of underlying assumptions such as forecast levels of operating and capital expenditure used in preparing these forecasts by reference to Directors' budgeted activity and actual expenditure in 2022.
- We performed sensitivities, incorporating reasonable downside scenarios to inputs such as cost estimates and the percentage of warrants exercised. We also modelled a reverse stress test, determining what combination of downside scenarios would result in the Group not being able to fulfil its obligations and discharge its liabilities.
- We compared previous forecasts to actual results, as well as forecasts used in the current year assessment to latest management accounts to support the accuracy of Directors' forecasting.

- We agreed forecast cash balances to actuals as at the latest available date prior to sign off of these financial statements to further assess the accuracy of the Directors' forecasting.
- We challenged the assumptions which were flexed in the Directors' stress testing forecasts to the extent of reasonable worst-case scenarios, which in particular include downsides in relation to the number of warrants to be exercised.
- We assessed the reasonableness of the Directors' mitigating actions, should additional funds be required as a result of an insufficient number of warrants being exercised.
- We considered the going concern disclosures included in the financial statements against the requirements of the relevant accounting standards, and our knowledge and understanding of the underlying business.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	97% of Group net profit (2021: 100% of Group net loss) 98% of Group total assets (2021: 92%)		
		2022	2021
Key audit matters	Going concern	✓	✓
	Derecognition of deferred Capital Gains Tax (CGT) liability	✓	✗
	Recoverability of the Exploration and Evaluation assets – Sea Lion Development	✗	✓
	Recoverability of the Parent Company's receivables due from Group companies	✗	✓
	Valuation of deferred CGT liability	✗	✓

The recoverability of the Exploration an Evaluation Assets - Sea Lion development is no longer considered to be a key audit matter due to the increased certainty around the project linked to the Navitas farm-in arrangement transacted in the period.

The recoverability of the Parent Company's receivables due from Group companies is no longer deemed to be a key audit matter due to the increased certainty around key events which would enable repayment, including the Ombrina Mare arbitration award and the Navitas transaction.

The valuation of the deferred CGT liability is no longer considered to be a key audit matter as the full balance has been derecognized in the current year.

Materiality	Group financial statements as a whole $2,662,000 (2021: $2,580,000) based on 1% (2021:1%) of total assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's significant components, being Rockhopper Exploration (Hydrocarbons) Limited which together with the Parent Company, were subject to full scope audits performed by the Group audit team.

In addition, Rockhopper Exploration (Oil) Limited, Falkland Oil and Gas Limited, Rockhopper Civita Limited, Rockhopper Italia SpA Desire Petroleum Limited, Rockhopper Resources Limited, Rockhopper Exploration (Petrochemicals) Limited and Rockhopper Mediterranean Limited, which were considered to be non-significant components, were subject to specific audit procedures on the significant risk areas and analytical procedures performed by the Group audit team.

The financial information of the remaining non-significant components were principally subject to analytical review procedures which were performed by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Derecognition of Deferred Capital Gains Tax (CGT) liability See notes 1.6 (j) and 20 to the financial statements.	On 8 April 2015, the Group agreed a Tax Settlement Deed with the Falklands Island Government (FIG) in relation to the tax arising from the Group's farm-out to Premier. The Tax Settlement Deed confirmed the quantum and deferment of the outstanding tax liability is subject to downward revisions if the Falkland Islands' Commissioner of Taxation is satisfied that any element of the Development Carry from Premier becomes "irrecoverable". As part of the Navitas transaction that concluded in 2022, the farm in as part of the 2012 disposal was terminated, including the outstanding Development Carry due from Premier. As a result of this, the Deferred Tax Liability has reduced from £59.6 million to £nil. This is a material reduction in the carrying amount of the deferred tax liability, and requires significant judgment. There is the risk that this judgment may be incorrect, and thus that the reversal could be materially misstated, we therefore consider this as a key audit matter.	Our audit procedures related to the deferred CGT liability are set our below. • We obtained an understanding of the Tax Settlement Deed entered into by the Group with FIG, including agreeing to the Tax Settlement Deed that the outstanding liability amount could be revised downward at the point that the Development Carry was foregone. • We reviewed a legal note of advice received from management's independent legal expert which indicated that it is considered more likely than not that the Development Carry has become irrecoverable, and as a result Rockhopper should succeed in obtaining the adjustment under the Tax Settlement Deed. • We assessed the independence, competence and experience of management's expert who opined on the likelihood of successfully modifying the Tax Settlement Deed. • We critically assessed and challenged managements judgment around the derecognition of the deferred CGT liability in the context of IFRIC 23 – uncertain tax positions. This challenge included consulting with our internal accounting technical team as to the appropriateness of the application of the standard. **Key observations:** Based on the procedures performed, managements judgements in relation to the derecognition of the deferred CGT liabilty were considered appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2022 $	2021 $	2022 $	2021 $
Materiality	2,662,000	2,580,000	550,000	2,332,000
Basis for determining materiality	1.0% of total assets		20% of Group materiality	90% of Group materiality
Rationale for the benchmark applied	We considered total assets to be the most significant determinant of the Group's financial performance for users of the financial statements, given the Group's exploration focus.		Calculated as a percentage of Group materiality for Group reporting purposes taking into consideration component aggregation risk.	
Performance materiality	1,730,000	1,670,000	357,500	1,500,000
Basis for determining performance materiality	65% of materiality			
Rationale for the percentage applied for performance materiality	Performance materiality was set considering factors including the nature of activities and expected total value of known and likely misstatements, based on past experience.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for the remaining significant component of the Group based on a percentage of 80% (2021: 5% to 80%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality was set at $2,129,600 for this component (2021: $129,000 to $2,064,000). In the audit of this component, we further applied performance materiality level of 65% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $53,000 (2021: $52,000) We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds

Other information

The directors are responsible for the other information. The other information comprises the information included in the 2022 Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the of the strategic report, the Directors' report and the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Non-compliance with laws and regulations

Based on:

> Our understanding of the Group and the industry in which it operates;
> Discussion with management and those charged with governance and the Audit Committee; and
> Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, UK and Falkland Islands tax legislation, the UK Companies Act 2006, employment laws and data protection regulations and AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

> Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
> Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations; and
> Review of financial statement disclosures and agreeing to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

> Enquiry with management and those charged with governance and the audit committee regarding any known or suspected instances of fraud;
> Obtaining an understanding of the Group's policies and procedures relating to:
  – Detecting and responding to the risks of fraud; and
  – Internal controls established to mitigate risks related to fraud.
> Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
> Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
> Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the risk of fraud in revenue recognition, and the risk of fraud in management override of controls, in particular in relation to key judgments and estimates.

Our procedures in addressing these risks at a Group, Parent Company and component level included:

- Performing unpredictability testing on accounts balances which were considered to be at a greater risk of susceptibility to fraud;
- Recalculating and vouching 100% of revenue recognized in the year by validating price and quantity to third party supporting statements;
- Testing the appropriateness of journal entries made throughout the period which met a specific risk-based criteria through agreement to corroborative supporting evidence;
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount by agreeing to underlying support and calculations;
- Assessing the judgements made by Management when making key accounting estimates and judgements, and challenging Management on the appropriateness of these judgments, specifically around key audit matters as discussed above;
- Reviewing minutes from board meetings of those charged with governance and RNS announcements to identify any instances of non-compliance with laws and regulations; and
- Performing a detailed review of the Group's consolidation entries, and investigating any that appear unusual with regards to nature or amount to corroborative evidence.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Peter Acloque
(Senior Statutory Auditor)
for and on behalf of BDO LLP
Statutory Auditor
London
United Kingdom

26 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022

	Notes	**Year ended 31 December 2022 $'000**	Year ended 31 December 2021 $'000
Revenue	3	**652**	839
Other cost of sales		**(1,965)**	(1,141))
Depreciation and impairment of oil and gas assets		**—**	(667)
Total cost of sales	4	**(1,965)**	(1,808)
Gross loss		**(1,313)**	(969)
Other exploration and evaluation expenses		**(24)**	(398)
Write off/write back of exploration costs		**(307)**	273)
Total exploration and evaluation expenses	5	**(331)**	(125)
Administrative expenses	6	**(3,625)**	(3,263)
Charge for share based payments	9	**(393)**	(824)
Foreign exchange movement	10	**6,596**	789
Results from operating activities		**934**	(4,392)
Finance income	11	**23**	4
Finance expense	11	**(4,175)**	(3,522)
Loss before tax		**(3,218)**	(7,910)
Tax income	12	**38,763**	151
Profit/(loss) for the year attributable to the equity shareholders of the parent company		**35,545**	(7,759)
Profit/(loss) per share attributable to the equity shareholders of the parent company: cents			
Basic	13	**6.77**	(1.70)
Diluted	13	**6.68**	(1.70)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Profit/(loss) for the year	**35,545**	(7,759)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1,683**	889
Total comprehensive profit/(loss) for the year	**37,228**	(6,870)

The notes on pages 51 to 71 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Non current assets			
Exploration and evaluation assets	14	**251,970**	249,583
Property, plant and equipment	15	**68**	201
Finance lease receivable		**444**	730
Current assets			
Other receivables	16	**1,406**	2,074
Finance lease receivable		**259**	288
Restricted cash		**519**	579
Term deposits	17	**8,736**	—
Cash and cash equivalents		**1,059**	4,822
Total assets		**264,461**	258,277
Current liabilities			
Other payables	18	**3,383**	2,000
Derivative financial liabilities	19	**1,744**	—
Lease liability		**209**	286
Non-current liabilities			
Lease liability		**344**	842
Tax payable	20	**—**	43,204
Provisions	21	**19,177**	18,287
Deferred tax liability	22	**39,137**	39,137
Total liabilities		**63,994**	103,756
Equity			
Share capital	23	**8,771**	7,218
Share premium	24	**6,518**	3,622
Share based remuneration	24	**1,492**	4,327
Own shares held in trust	24	**(1,494)**	(3,342)
Merger reserve	24	**78,208**	74,332
Foreign currency translation reserve	24	**(7,999)**	(9,682)
Special reserve	24	**175,281**	175,281
Retained losses	24	**(60,310)**	(97,235)
Attributable to the equity shareholders of the company		**200,467**	154,521
Total liabilities and equity		**264,461**	258,277

These financial statements on pages 47 to 71 were approved by the directors and authorised for issue on 26 May 2023 and are signed on their behalf by:

Samuel Moody
Chief Executive Officer
Rockhopper Exploration plc Registered Company Number: 05250250

The notes on pages 51 to 71 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Shares held in trust $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Special reserve $'000	Retained losses $'000	Total equity $'000
Balance at 31 December 2020	7,218	3,622	5,973	(3,342)	74,332	(10,571)	188,028	(104,693)	160,567
Loss for the year	—	—	—	—	—	—	—	(7,759)	(7,759)
Other comprehensive profit for the year	—	—	—	—	—	889	—	—	889
Total comprehensive loss for the year	—	—	—	—	—	889	—	(7,759)	(6,870)
Share based payments (see note 9)	—	—	824	—	—	—	—	—	824
Other transfers	—	—	(2,470)	—	—	—	(12,747)	15,217	—
Balance at 31 December 2021	**7,218**	**3,622**	**4,327**	**(3,342)**	**74,332**	**(9,682)**	**175,281**	**(97,235)**	**154,521**
Profit for the year	—	—	—	—	—	—	—	35,545	35,545
Other comprehensive profit for the year	—	—	—	—	—	1,683	—	—	1,683
Total comprehensive profit for the year	—	—	—	—	—	1,683	—	35,545	37,228
Share based payments (see note 9)	—	—	393	—	—	—	—	—	393
Share issues (net of expenses)	1,553	2,896	—	—	3,876	—	—	—	8,325
Other transfers	—	—	(3,228)	1,848	—	—	—	1,380	—
Balance at 31 December 2022	**8,771**	**6,518**	**1,492**	**(1,494)**	**78,208**	**(7,999)**	**175,281**	**(60,310)**	**200,467**

See note 24 for a description of each of the reserves of the Group.

Other transfers relate to amounts transferred from the Share based remuneration reserve to either Retained losses for options that have either not vested or expired or Shares held in trust where they have been used to satisfy exercised options.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Cash flows from operating activities			
Loss before tax		**(3,218)**	(7,910)
Adjustments to reconcile net losses to cash:			
Depreciation	15	**122**	1,082
Share based payment charge	9	**393**	824
Written off/(back) exploration costs	14	**307**	(273)
Profit/(loss) on disposal of property, plant and equipment		**8**	(156)
Finance expense		**4,167**	3,601
Foreign exchange		**(7,764)**	(640)
Operating cash flows before movements in working capital		**(5,985)**	(3,472)
Changes in:			
Inventories		**—**	287
Other receivables		**1,564**	176
Payables		**837**	420
Movement on provisions		**1,030**	6
Cash utilised by operating activities		**(2,554)**	(2,583)
Cash flows from investing activities			
Capitalised expenditure on exploration and evaluation assets		**(1,797)**	(3,248)
Purchase of property, plant and equipment		**—**	(228)
Disposal of assets held for sale		**—**	—
Investing cash flows before movements in capital balances		**(1,797)**	(3,476)
Changes in:			
Restricted cash		**—**	(100)
Term deposits		**(8,697)**	—
Cash flow from investing activities		**(10,494)**	(3,576)
Cash flows from financing activities			
Issue of ordinary shares		**9,038**	—
Expenses associated with issue of ordinary shares		**(1,194)**	—
Issue of warrants classified as derivative financial liabilities		**1,250**	—
Exercise of warrants and share options		**481**	—
Lease liability payments		**(257)**	(587)
Cash flow from financing activities		**9,318**	(587)
Currency translation differences relating to cash and cash equivalents		**(33)**	(112)
Net cash flow		**(3,730)**	(6,746)
Cash and cash equivalents brought forward		**4,822**	11,680
Cash and cash equivalents carried forward		**1,059**	4,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

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 addition, it has operations in the Greater Mediterranean based in Italy. The registered office of the Company is Warner House, 123 Castle Street, Salisbury, Wiltshire, SP1 3TB.

1.2 Statement of compliance

The consolidated financial statements of the Group have been prepared on a going concern basis in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements were approved for issue by the board of directors on 26 May 2023 and are subject to approval at the Annual General Meeting of shareholders on 29 June 2023.

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 with the exception of Share Based Payments which are at fair value.

Items included in the results of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in US Dollars ($), which is Rockhopper Exploration plc's functional currency.

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

1.4 Change in accounting policy

Changes in accounting standards

In the current year the following new and revised Standards and Interpretations have been adopted. None of these have a material impact on the Group's annual results.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and References to Conceptual Framework (Amendments to IFRS 3).

New accounting pronouncements

At 31 December 2022, the following Standards, Amendments and Interpretations were in issue but not yet effective:

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Directors do not expect that the adoption of the above Standards, Amendments and Interpretations will have a material impact on the Financial Statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

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. At 31 December 2022, the Group had cash and cash equivalents and term deposits of US$9.8 million.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. Following completion of Navitas coming into the North Falkland Basin (the "Transaction") the Group benefits from loan funding for its share of all Sea Lion pre-sanction costs (other than licence fees and taxes).

Normal working capital requirements and projected recurring expenditure is expected to be around US$4.0 million per year and in addition there are costs associated with maintaining the various licence and concessions in the Group's Italian portfolio.

In addition to the above requirements the third-party funding agreement in place to cover costs in relation to its ICSID arbitration with the Republic of Italy does not cover any costs arising past the date of the Award (23 August 2022). A separate success fee of approximately £3 million is due to the Company's legal representatives on establishing liability and an award requiring Italy to pay at least €25 million in damages. This amount is also not covered by the funding agreement.

Having anticipated Italy might attempt to annul the Award, Rockhopper had a non-binding offer in place to fund both fighting the annulment and enforcing the Award. The Group has instead chosen to use existing resources to fund all legal costs arising from contesting the request by Italy for annulment whilst it explores all funding possibilities.

At the year end the Group had 56.5 million unexercised 9 pence warrants in issue with an expiry date of 31 December 2023. Assuming the share price is in excess of 9 pence, which it is at time of writing, the Group expects the majority of these warrants to be exercised providing additional funds of up to £5million.

However, in the downside circumstances where these outstanding warrants are not fully exercised the Group would have to raise additional funds to meet both legal costs in relation to the arbitration and normal working capital requirements as we work towards project sanction of Sea Lion.

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 scenarios, 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/monetisation of arbitration award proceeds, deferral of expenditure or raising additional equity.

Accordingly, after making enquiries and considering the risks described above, the Directors have reviewed the Group's overall position and are of the opinion that the Group is able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements and believe the use of the going concern basis is appropriate.

Nonetheless, for the avoidance of doubt, in the downside scenarios in which the remaining warrants are not exercised and additional funding is not raised and in the absence of potential mitigating actions indicates the existence of a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and the Group may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Consolidated and Parent Company financial statements do not include adjustments that would result if the Group was unable to continue as 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 judgement based on information and data that may change in future periods.

Since these policies involve the use of assumptions and subjective judgements 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.

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

(B) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2022. Subsidiaries are those entities over which the Group has control. Control is achieved where the Group has the power over the subsidiary, is exposed, or has rights to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent owned by the Group and there are no non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries acquired to bring the accounting policies used into line with those used by other members of the Group.

All intercompany balances have been eliminated on consolidation.

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1.6 Significant accounting policies (continued)

(D) Oil and gas assets (continued)

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) Leases

The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Lease payments included in the measurement of the lease liability comprise fixed lease payments. The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group has not had to remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the notes to the financial statements.

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.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some sublets on its rented offices. Leases for which the Group is a lessor are classified as a finance lease as the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(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 through the Statement of Comprehensive Income 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 expensed 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 were:

	31 December 2022	31 December 2021
£ : US$	**1.21**	1.35
€ : US$	**1.07**	1.13

(H) Revenue and income

(i) Revenue from contracts with customers

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 initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. 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. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

(ii) 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. All amounts relate to balances held as security in relation to property leases.

(iii) Term deposits

Term deposits are disclosed separately on the face of the balance sheet when their term is equal or greater than one month and they are unbreakable.

(iv) Cash and cash equivalents

They are stated at carrying value which is deemed to be fair value. Cash and cash equivalents comprise instant access bank balances as well as a small amount of cash in hand.

(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) Derivative financial liabilities

Derivative financial liabilities are initially recognised and carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

(viii) Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1.6 Significant accounting policies (continued)

(J) Income taxes and deferred taxation

The current tax amount is based on the taxable profits or losses of 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.

(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 9.

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

2. Use of estimates, assumptions and judgements

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in the relevant note as is sensitivity analysis as required. The key areas identified and the relevant note are as follows:

Going concern (note 1.5) - judgements

Carrying value of intangible exploration and evaluation assets (note 14) – judgements

Tax payable (note 20) – judgements

Decommissioning costs (note 21) – judgements and estimates

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 2022	**Falkland Islands $'000**	**Greater Mediterranean $'000**	**Corporate $'000**	**Total $'000**
Revenue	**—**	**652**	**—**	**652**
Cost of sales	**—**	**(1,965)**	**—**	**(1,965)**
Gross profit	**—**	**(1,313)**	**—**	**(1,313)**
Exploration and evaluation reverse/(expense)	**(307)**	**(1)**	**(23)**	**(331)**
Administrative expenses	**—**	**(1,109)**	**(2,516)**	**(3,625)**
Charge for share based payments	**—**	**—**	**(393)**	**(393)**
Foreign exchange gain	**7,756**	**—**	**(1,160)**	**6,596**
Results from operating activities and other income	**7,449**	**(2,423)**	**(4,092)**	**934**
Finance income	**—**	**—**	**23**	**23**
Finance expense	**(3,394)**	**(272)**	**(509)**	**(4,175)**
Loss before tax	**4,055**	**(2,695)**	**(4,578)**	**(3,218)**
Tax	**38,763**	**—**	**—**	**38,763**
Loss for year	**42,818**	**(2,695)**	**(4,578)**	**35,545**
Reporting segments assets	**251,589**	**1,785**	**11,087**	**264,461**
Reporting segments liabilities	**43,995**	**16,287**	**3,712**	**63,994**
Depreciation and impairments	**307**	**50**	**72**	**429**

Year ended 31 December 2021	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
Revenue	—	839	—	839
Cost of sales	—	(1,808)	—	(1,808)
Gross profit	—	(969)	—	(969)
Exploration and evaluation reverse/(expense)	608	(589)	(144)	(125)
Restructuring costs	—	—	—	—
Recurring administrative costs	—	(823)	(2,440)	(3,263)
Total administrative expenses	—	(823)	(2,440)	(3,263)
Charge for share based payments	—	—	(824)	(824)
Foreign exchange gain	680	—	109	789
Results from operating activities and other income	1,288	(2,381)	(3,299)	(4,392)
Finance income	—	1	3	4
Finance expense	(3,180)	(285)	(57)	(3,522)
Loss before tax	(1,892)	(2,665)	(3,353)	(7,910)
Tax	—	151	—	151
Loss for year	(1,892)	(2,514)	(3,353)	(7,759)
Reporting segments assets	249,211	2,440	6,626	258,277
Reporting segments liabilities	86,341	15,337	2,078	103,756
Depreciation and impairments	(608)	1,117	300	809

All of the Group's worldwide sales revenues of oil and gas US$652 thousand (2021: US$839 thousand) arose from contracts to customers. Total revenue relates to revenue from one customer (2021: one customer).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. Cost of sales

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Other cost of sales	**927**	1,141
Increase in decommissioning provisions (see note 21)	**1,038**	—
Depreciation of oil and gas assets (see note 15)	**—**	667
	1,965	1,808

5. Exploration and evaluation expenses

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Allocated from administrative expenses (see note 6)	**22**	143
Exploration costs written off/(back) (see note 14)	**307**	(273)
Other exploration and evaluation expenses	**2**	255
	331	125

6. Administrative expenses

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Directors' remuneration excluding benefits (see note 7)	**1,066**	1,114
Other employees' salaries	**1,175**	930
National insurance costs	**383**	453
Pension costs	**91**	89
Employee benefit costs	**53**	45
Total staff costs	**2,768**	2,631
Amounts reallocated	**(648)**	(751)
Total staff costs charged to administrative expenses	**2,120**	1,880
Auditors' remuneration (see note 8)	**156**	161
Other professional fees	**674**	554
Other	**857**	867
Depreciation	**117**	149
Amounts reallocated	**(299)**	(348)
	3,625	3,263

The average number of full time equivalent staff employed during the year was 8 (2021: 9). As at the year end the Group employed (including part time) 11 staff, 7 of which were 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.

7. Directors' remuneration

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Executive salaries[1]	**746**	725
Company pension contributions to money purchase schemes & pension cash allowance	**62**	117
Benefits	**7**	8
Non-executive fees	**258**	272
	1,073	1,122

The total remuneration of the highest paid director in GBP, was:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Annual salary[1]	**513**	283
Money purchase pension schemes	**47**	47
Benefits	**4**	4
	564	334

[1] In prior years directors agreed to the deferment of salary and bonuses contingent on the outcome of certain future events. These events occurred during the year and so these amounts have been included in the current year. Full details are provided in the directors' remuneration report.

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

8. Auditors' remuneration

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**130**	135
Fees payable to the Company's auditors and its associates for other services:		
Audit of the accounts of subsidiaries	**26**	26
Assurance related non-audit services	**8**	8
	164	169

9. Share based payments

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

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Charge for option scheme	**156**	257
Charge for the long term incentive plan options	**237**	567
	393	824

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

Option scheme

A one-off equity option package was implemented during the prior year (the "Option Scheme") to replace the existing long term incentive plan. In place of the LTIP scheme, executive directors and senior staff received options to subscribe for Ordinary Shares, exercisable at a price of 6.25 pence per new Ordinary Share (the "Market Price Options). The Market Price Options will vest in equal tranches after three, four and five years' further continuous employment.

Executive directors and staff in lieu of their contractual notice periods also received options to subscribe for an aggregate new ordinary shares in the capital of the Company ("Ordinary Shares"), exercisable at a price of 1 pence per new Ordinary Share (the "1p Options").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

9. Share based payments (continued)

Option scheme (continued)

The options have been valued using a binomial model the key inputs of which are summarised below:

Grant date:	19 May 2020	19 May 2020	19 May 2020	19 May 2020
Vesting date	19 May 2021	19 May 2023	19 May 2024	19 May 2025
Closing share price (pence)	6.25	6.25	6.25	6.25
Number granted	6,357,616	7,949,997	7,950,000	7,950,003
Weighted average volatility	50.0%	50.0%	50.0%	50.0%
Weighted average risk free rate	0.07%	0.10%	0.12%	0.14%
Exercise price (pence)	1.00	6.25	6.25	6.25
Dividend yield	0%	0%	0%	0%

Weighted average volatility has been selected with reference to historic volatility but taking into account exceptionally high volatility in the year preceding the grant of the options.

The following movements occurred during the year:

Issue date	Vesting date	Expiry date	At 31 December 2021	Lapsed	**At 31 December 2022**
19 May 2020	19 Nov 2020	18 Nov 2030	1,986,972	—	**1,986,972**
19 May 2020	19 May 2021	18 Nov 2030	6,357,616	—	**6,357,616**
19 May 2020	19 May 2023	18 Nov 2030	7,949,997	(2,833,333)	**5,116,664**
19 May 2020	19 May 2024	18 Nov 2030	7,950,000	(2,833,333)	**5,116,667**
19 May 2020	19 May 2025	18 Nov 2030	7,950,003	(2,833,334)	**5,116,669**
			32,194,588	(8,500,000)	**23,694,588**

Long term incentive plan

LTIP awards 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 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 vest on a sliding scale from 35% to 100% for performance in the top two quartiles of the Peer Group. No awards 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
Closing share price	20.75	25.7p
Number granted	7,200,000	7,000,000
Weighted average volatility	50.0%	44.4%
Weighted average volatility of index	70.0%	64.0%
Weighted average risk free rate	0.35%	0.90%
Correlation in share price movement with comparator group	5%	13.0%
Exercise price	0p	0p
Dividend yield	0%	0%

The following movements occurred during the year:

Issue date	Expiry date	At 31 December 2021	Expired/Exercised	**At 31 December 2022**
8 October 2013	8 October 2023	546,145	—	**546,145**
10 March 2014	10 March 2024	70,391	—	**70,391**
16 June 2017	16 June 2027	3,216,000	—	**3,216,000**
31 July 2019	31 July 2029	7,200,000	(3,899,999)	**3,300,001**
		11,032,536	(3,899,999)	**7,132,537**

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. All SARs lapsed post year end.

The following movements occurred during the year:

Issue date	Expiry date	Exercise price (pence)	At 31 December 2021	Expired	**At 31 December 2022**
30 January 2013	30 January 2023	159.00	277,162	—	**277,162**
			277,162	—	**277,162**

10. Foreign exchange

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Foreign exchange gain on Falkland Islands tax liability (see note 20)	**7,756**	679
Other foreign exchange movements	**(1,160)**	110
Total net foreign exchange gain	**6,596**	789

11. Finance income and expense

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Bank and other interest receivable	**23**	4
Total finance income	**23**	4
Warrants (see note 19)	**494**	—
Unwinding of discount on Falkland Islands Tax Liability (see note 20)	**3,354**	3,180
Unwinding of discount on decommissioning provisions (see note 21)	**304**	274
Other	**23**	68
Total finance expense	**4,175**	3,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

12. Taxation

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Current tax:		
Overseas tax	–	–
Adjustment in respect of prior years (see Note 20)	38,763	–
Total current tax	38,763	–
Deferred tax:		
Overseas tax	–	(151)
Total deferred tax credit – note 22	–	(151)
Tax on profit on ordinary activities	38,763	(151)
Loss on ordinary activities before tax	(3,218)	(7,910)
Loss on ordinary activities multiplied at 26% weighted average rate (31 December 2021: 26%)	(837)	(2,057)
Effects of:		
Income and gains not subject to taxation	(2,017)	(248)
Expenditure not deductible for taxation	872	827
Depreciation in excess of capital allowances	32	281
IFRS2 Share based remuneration cost	102	214
Losses carried forward	1,848	983
Adjustments in respect of prior years (see Note 20)	38,763	–
Current tax credit for the year	38,763	–

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

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
UK	81,124	77,393
Falkland Islands	621,765	619,400
Italy	66,808	65,202

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

13. Basic and diluted loss per share

	31 December 2022 Number	31 December 2021 Number
Weighted average number of Ordinary Shares	527,767,197	458,482,117
Weighted average of shares held in Employee Benefit Trust	(2,539,227)	(3,131,000)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	525,227,970	455,351,117
Effects of		
Share options and warrants	8,731,904	–
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	531,968,624	455,351,117

	$'000	$'000
Net profit/(loss) after tax for purposes of basic and diluted earnings per share	**35,545**	(7,759)
Profit/(loss) per share – cents		
Basic	**6.77**	(1.70)
Diluted	**6.68**	(1.70)

The weighted average number of Ordinary Shares takes into account those shares which are treated as own shares held in trust. As at the year end the Group had 1,304,500 Ordinary shares held in an Employee Benefit Trust (2021: 3,131,000) which have been purchased to settle future exercises of options. As the Group is reported a loss in the prior 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.

14. Intangible exploration and evaluation assets

	Falkland Islands $'000	Greater Mediterranean $'000	Total $'000
At 31 December 2020	243,647	702	244,349
Additions	4,956	54	5,010
Written back/(off) exploration costs	608	(335)	273
Foreign exchange movement	—	(49)	(49)
At 31 December 2021	249,211	372	249,583
Additions	2,685	31	2,716
Written off exploration costs	(307)	—	(307)
Foreign exchange movement	—	(22)	(22)
At 31 December 2022	**251,589**	**381**	**251,970**

Falkland Islands Licences

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects. The additions during the year of US$2.7 million relate principally to the Sea Lion development.

Given the quantum of intangible exploration and evaluation assets potential impairment could have a material impact on the financial statements. As such whether there are indicators of impairment is a key judgement. Management looked at a number of factors in making a judgement as to whether there are any indicators of impairment during the year. In particular with regard to the carrying value of the Falkland Islands assets, which relates to the Sea Lion Phase one development these include, but are not limited to;

- The Transaction, which completed in September 2022, brought on board a new partner with a track record of funding large offshore developments
- A two year license extension was granted
- Rockhopper and Navitas have used the extensive engineering work already carried out to create a lower cost development with the target to reach FID early 2024.
- Current market conditions, including oil price and security of supply, provide stronger prospects for ultimate sanction of Sea Lion

Management concluded that for these reasons, currently for Phase 1 of the Sea Lion development, there were no indicators of impairment.

Management made the judgement that the limited near term capital being invested outside of the Phase 1 project is still an indicator of impairment in the subsequent phases of the project. Accordingly the decision continues to be to write off historic exploration costs associated with the resources which will not be developed as part of the Sea Lion Phase 1 project. This impairment has no impact on the Group's long-term strategy for multiple phases of development in the North Falkland Basin. This will be re-evaluated when the Phase 1 project has been sanctioned, currently anticipated in 2024, and investment resumes on the Phase 2 project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

15. Property, plant and equipment

	Oil and gas assets $'000	Right of use assets $'000	Other assets $'000	Total $'000
Cost				
At 31 December 2020	26,281	1,693	913	28,887
Additions	228	—	—	228
Foreign exchange	(2,006)	(22)	(11)	(2,039)
Disposals	—	—	(497)	(497)
Derecognition	—	(1,264)	—	(1,264)
At 31 December 2021	24,503	407	405	25,315
Foreign exchange	(1,441)	(14)	(4)	(1,459)
Disposals	—	—	(244)	(244)
At 31 December 2022	**23,062**	**393**	**157**	**23,612**
Depreciation and impairment				
At 31 December 2020	25,871	828	768	27,467
Charge for the year	667	353	62	1,082
Foreign exchange	(2,035)	(15)	(4)	(2,054)
Disposals	—	—	(501)	(501)
At 31 December 2021	24,503	286	325	25,114
Charge for the year	—	96	26	122
Foreign exchange	(1,441)	(16)	(3)	(1,460)
Disposals	—	—	(232)	(232)
At 31 December 2022	**23,062**	**366**	**116**	**23,544**
Net book value at 31 December 2021	—	121	80	201
Net book value at 31 December 2022	**—**	**27**	**41**	**68**

All oil and gas assets relate to the Greater Mediterranean region, specifically former producing assets in Italy. Right of use assets relate to rented offices.

16. Other receivables

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Current		
Receivables	**294**	478
Other	**1,112**	1,596
	1,406	2,074

The carrying value of receivables approximates to fair value.

17. Term deposits

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Maturing after the period end		
Within three months	**6,324**	—
Six to nine months	**1,206**	—
Nine months to one year	**1,206**	—
	8,736	—

Term deposits relate to amounts placed on fixed term deposit with various A rated deposit banks.

18. Other payables and accruals

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Accounts payable	**1,428**	608
Accruals	**1,692**	1,129
Other creditors	**263**	263
	3,383	2,000

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.

19. Derivative financial liabilities

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Warrant liabilities – initial value on grant	**1,250**	–
Changes in fair value taken to finance expense (see note 11)	**494**	–
	1,744	–

Warrants issued as part of the Placing and Subscription were treated as derivative financial liabilities and as such carried at fair value on the balance sheet with changes in fair value recognised in finance expenses in the income statement. They are not designated as hedging instruments.

Fair value has been determined using a black scholes model the key inputs of which on recognition and as at year end are summarised below.

	Grant	31 December 2022
Time to maturity	1.5 year	1.0 year
Closing share price (pence)	8.00	9.00
Number	41,091,388	41,091,388
Weighted average volatility	80.0%	98.4%
Weighted average risk free rate	1.90%	3.22%
Exercise price (pence)	9.00	9.00

20. Tax payable

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Non current tax payable	**–**	43,204
	–	43,204

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.

The Tax Settlement Deed also states that the Group is entitled to make adjustment to the outstanding tax liability if and to the extent that the Commissioner is satisfied that any part of the Development Carry becomes irrecoverable. Under the Transaction the balance of Development Carry has become irrecoverable and in the Group's judgment no further amounts are due on the Group's 2012 farm-out to Premier.

Given the highly material nature of this judgment professional advice has been sought to confirm that it is probable that if challenged it would be concluded that the Group is entitled to adjust the outstanding tax liability for the Development Carry that has become irrecoverable. As such the Group has derecognised the tax liability to measure it at the most likely amount that the liability will be settled for US$nil. We are currently engaged with FIG in relation to formalising the tax implications of the termination of the 2012 Premier Oil farm down which resulted in an irrecoverable carry amount of approximately US$670 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

20. Tax payable (continued)

Should it be proven that there is no entitlement to adjustment under the Tax Settlement Deed then the outstanding tax liability would be £59.6 million and still payable on the earlier of: (i) the first royalty payment date on Sea Lion; (ii) the date of which Rockhopper disposes of all or a substantial part of the Group's remaining licence interests in the North Falkland Basin; or (iii) a change of control of Rockhopper Exploration plc.

In this unlikely instance Management believes the most likely timing of payment is in line with the first royalty payment. Based on previous correspondence with FIG, Management does not believe that the Transactions completion constitutes a substantial disposal and therefore would not have accelerated the liability should it be shown to be still payable.

The derecognition of the tax liability has led to a tax income of US$38.8 million. The tax liability had been treated as long term and hence discounted. The unwinding of discounts on the previously recognised liability, prior to derecognition, was US$3.4 million (2021: US$3.2 million) and treated as a finance expense. This was offset by a foreign exchange gain of US$7.8 million (2021: US$0.7 million gain) in the year.

21. Provisions

	Decommissioning provision $'000	Other provisions $'000	**Year ended 31 December 2022 $'000**	Year ended 31 December 2021 $'000
Brought forward	18,197	90	**18,287**	15,158
Amounts utilized	—	(17)	**(17)**	—
Amounts arising in the year	1,358	9	**1,367**	4,006
Unwinding of discount	304	—	**304**	274
Foreign exchange	(760)	(4)	**(764)**	(1,151)
Carried forward at year end	19,099	78	**19,177**	18,287

The decommissioning provision relates to the Group's licences in the Greater Mediterranean region as well as facilities in the Falkland Islands. The provision covers both the plug and abandonment of wells drilled as well as removal of facilities and any requisite site restoration. Of amounts arising in the year $320 thousand (2021: $4,000 thousand) has been capitalised in intangible exploration and evaluation assets and $1,038 thousand (2021: $nil) taken to cost of sales.

Judgements are made based on the long term economic environment around appropriate inflation and discount rates to be applied as well as the timing of any future decommissioning. In the Falkland Islands costs are most likely to be in $US or GB£ so management consider the UK economic environment when informing these judgements. In the Greater Mediterranean all assets are in Italy and so costs are likely to be in Euros and as such management consider the Italian as well as the broader Eurozone region to inform these judgements.

Whilst recognising short term inflationary pressures, the Group believe it appropriate to use an inflation rate of 2.5 per cent (2021: 2 per cent) and a discount rate of 2.5 per cent (2021: 2 per cent).

Decommissioning costs are uncertain and management's 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 costs associated with the provision for decommissioning. The estimated decommissioning costs are reviewed annually, 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. 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.

The estimated costs associated with the decommissioning works are those that are likely to have a material impact on the provision. A 10 per cent increase in these estimates would increase both the provision and the loss in the year by US$1,470 thousand. Similarly, a 10 per cent reduction in these estimated costs would decrease both the provision and the loss in the year by US$1,470 thousand.

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.

22. Deferred tax liability

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
At beginning of period	**39,137**	39,300
Foreign exchange	**–**	(12)
Movement in period	**–**	(151)
At end of period	**39,137**	39,137

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 2022 are disclosed in note 12 Taxation. No deferred tax asset has been recognised in relation to these losses due to uncertainty that future suitable taxable profits will be available against which these losses can be utilised.

23. Share capital

	Year ended 31 December 2022		Year ended 31 December 2021	
	$'000	Number	$'000	Number
Authorised, called up, issued and fully paid: Ordinary shares of £0.01 each	**8,771**	**586,485,319**	7,218	458,482,117

	31 December 2022 Number	31 December 2021 Number
Shares in issue brought forward	**458,482,117**	458,482,117
Shares issued		
– Issued as part of Placing and Subscription	**82,182,776**	–
– Issued as part of Open offer	**39,652,160**	–
– Issued on exercise of warrants and share options	**6,168,266**	–
Shares in issue carried forward	**586,485,319**	458,482,117

During the year Rockhopper raised funds by way of a Placing and Subscription, in each case at an issue price of 7 pence per Unit (the "Issue Price"). Each Unit offered comprises one New Ordinary Share and, for every two New Ordinary Shares subscribed for, one Warrant. Each Warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 9 pence per Ordinary Share (the "Strike Price") at any time from the issue of the Warrants up to (and including) 5.00 p.m. on 31 December 2023 (the "Warrant Exercise Period").

In accordance with IAS 32:16(b)(ii), for a derivative over own equity to qualify as equity, the instrument may only be settled by exchanging a fixed amount of cash (or another financial instrument) for a fixed number of its own equity instruments. The functional currency of Rockhopper is US$. Given the warrant exercise price is determined in GBP, a foreign currency, the Warrants do not meet the fixed amount of cash criteria as it will depend on the exchange rate at time of exercise. The Warrants therefore have been treated as a derivative financial liability as disclosed in note 19 with the balance of proceeds treated as Equity.

The Placing utilised a cashbox structure and therefore the premium on the ordinary shares and associated costs have in accordance with section 621 of the Companies Act 2006 been recognised within the merger reserve. The Placing and Subscription raised net $6,252 thousand with $1,250 thousand classified as a derivative financial liability and $5,002 thousand classified as Equity after associated costs of $784 thousand.

Rockhopper raised additional funds through an Open Offer (together with the Placing and Subscription, the "Capital Raising") pursuant to which Units were offered to all existing Shareholders at the Issue Price. IAS32:16 (b)(ii) states "For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.". Therefore warrants issued as part of the Open Offer have been treated as equity. The Open Offer raised net $2,842 thousand after associated costs of $410 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

24. 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 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.

25. Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is US$0.7million (2021: US$0.4 million) relating to the Group's intangible exploration and evaluation assets.

26. Contingent assets

In August 2022, pursuant to an ICSID arbitration which commenced in 2017, Rockhopper was awarded approximately €190 million plus interest and costs following a unanimous decision by the ICSID appointed arbitral Tribunal that Italy had breached its obligations under the Energy Charter Treaty (the "Award").

Rockhopper submitted a letter to the Italian Republic in September 2022 formally requesting payment of €247 million, representing the Award amount plus accrued interest from 29 January 2016 to 23 August 2022 and costs. Interest was paused for four months following the date of the Award (being 23 August 2022) and is now accruing at EURIBOR + 4% which Rockhopper estimates at between €1.25 million and €1.5 million per calendar month. Interest compounds annually.

As announced, Italy requested that this Award be annulled in October 2022. When Italy applied for the Award to be annulled, a provisional Stay of Enforcement was automatically put in place by ICSID pursuant to the ICSID Convention and Arbitration Rules.

Following Italy's request to seek annulment of the Award, an ad hoc Committee was constituted to hear relevant arguments and make a ruling on Italy's application for a continuation of the provisional Stay of Enforcement pending the determination of Italy's request to annul the Award. A hearing on whether the ad hoc Committee will continue or lift the provisional Stay of Enforcement was held on 6 March 2023. On the 24 April 2023 the Committee issued the following orders,

1: that Italy and Rockhopper shall confer - in good faith and using their best efforts to cooperate and find an effective arrangement - for the mitigation of the risk of non-recoupment using a first-class international bank outside the European Union (or as Italy and Rockhopper otherwise agree) to be put into place in anticipation of the termination of the provisional stay of enforcement of the Award. This is to mitigate the perceived risk that, in the event the Award is annulled, Italy may not be able to recover Italian assets seized or frozen by Rockhopper (before the ad hoc Committee issues its decision on annulment) in court enforcement proceedings.

2: that Rockhopper shall, within 30 days of the date of the decision, apprise the Committee of arrangements agreed with Italy for the mitigation of the risk of non-recoupment or that negotiations have failed and, in the latter event, propose concrete arrangements in accordance with the decision for the mitigation of the risk of non-recoupment. Italy may then briefly comment on Rockhopper's proposal within 10 days, constructively highlighting any areas of disagreement between the Parties.

26. Contingent assets (continued)

Italy has refused to comply with the Panels instructions. Rockhopper intends to continue to work in good faith to resolve the issues raised regarding non-recoupment and has submitted to the Panel its proposal to mitigate this risk.

The decision on whether to continue or lift the provisional Stay of Enforcement is unrelated to the merits of Italy's annulment request. A final hearing in relation to Italy's request to annul the Award is scheduled to take place in Q1 2024. Guidance given by Rockhopper in the Company's 31 October 2022 announcement that the entire annulment process is likely to take 18-24 months from that date remains in place.

Rockhopper is extremely confident in the strength of its case, as was reflected in the unanimous decision underpinning the Award in August. Given the annulment request the virtual certainty required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which would allow recognition of an asset on the Balance Sheet has not been met. The receivable under the Award therefore remains classified as a contingent asset at this time.

27. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed. Subsidiaries are listed in notes of the Company financial statements.

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, including deferred salary and bonus amounts, is provided in the Directors' Remuneration Report on pages 28 to 37.

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Short term employee benefits	**1,076**	1,005
Pension contributions	**—**	117
Share based payments	**235**	447
	1,311	1,569

During the year the Company announced a successful Placing and Subscription. This involved the Placing of, and Subscription for 82,182,776 Units in each case at the Issue Price of 7 pence per Unit. Each Unit comprises one New Ordinary Share and, for every two New Ordinary Shares subscribed for, one Warrant.

Pursuant to the Subscription, the following Directors agreed to subscribe for the following Units comprising Subscription Shares and Warrants.

	Number of subscription shares	Number of subscription Warrants)
Sam Moody	1,428,570	714,285
Keith Lough	428,570	214,285
Alison Baker	142,856	71,428
John Summers	142,856	71,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

28. 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.

Risk review (continued)

The Group has cash and cash equivalents, term deposits and restricted cash of US$10.3 million of which US$1.7 million was held in US$ denominations. The Group has expenditure in GB£ and Euro and accepts that to the extent current cash balances in those currencies are not sufficient to meet those expenditures they will need to acquire them. The following table summarises the split of the Group's assets and liabilities by currency:

Currency denomination of balance	$ $'000	£ $'000	€ $'000
Assets			
31 December 2022	253,415	8,482	1,787
31 December 2021	253,975	1,859	2,443
Liabilities			
31 December 2022	43,452	3,475	15,220
31 December 2021	43,352	45,067	15,337

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 2022	**501**	**(501)**	**501**	**(501)**
31 December 2021	(4,321)	4,321	(4,321)	4,321
US$ against euro				
31 December 2022	**(1,450)**	**1,450**	**(1,450)**	**1,450**
31 December 2021	(1,289)	1,289	(1,289)	1,289

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. Further information can be found in the going concern assessment contained in Note 1.5.

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 2022 were $2,109,000 (31 December 2021: $2,306,000). 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.

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 monitors the liquidity position by preparing cash flow forecasts to ensure sufficient funds are available. Further information can be found in the going concern assessment contained in Note 1.5.

28. Risk management policies (continued)

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 2022	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Other payables	3,383	—	—	3,383	3,383
Lease liability	574	286	—	860	553
Tax payable	—	—	—	—	—
	3,957	**286**	**—**	**4,243**	**3,936**

At 31 December 2021	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Other payables	2,000	—	—	2,000	2,000
Lease liability	574	860	—	1,434	1,128
Tax payable	—	—	79,413	79,413	43,204
	2,574	860	79,413	82,847	46,332

Tax payable amounts in the current and prior year relate to amounts as disclosed in note 20.

PARENT COMPANY FINANCIAL STATEMENTS – COMPANY BALANCE SHEET

As at 31 December 2022

	Notes	**Year ended 31 December 2022 $'000**	Year ended 31 December 2021 $'000
Non current assets			
Property, plant and equipment	2	**68**	140
Investments	3	**—**	—
Finance lease receivable		**444**	730
Group undertakings	4	**291,545**	267,519
Current assets			
Other receivables	5	**495**	781
Finance lease receivable		**259**	288
Restricted cash		**467**	522
Term deposits		**8,736**	—
Cash and cash equivalents		**619**	4,098
Total assets		**302,633**	274,078
Current liabilities			
Other payables	6	**11,323**	11,320
Derivative financial liabilities	7	**1,744**	—
Lease liability		**209**	235
Non-current liabilities			
Lease liability		**344**	842
Total liabilities		**13,620**	12,397
Equity			
Share capital	11	**8,771**	7,218
Share premium	12	**6,518**	3,622
Share based remuneration	12	**1,492**	4,327
Own shares held in trust	12	**(1,494)**	(3,342)
Merger reserve	12	**78,451**	74,575
Special reserve	12	**175,281**	175,281
Retained earnings	12	**19,994**	—
Attributable to the equity shareholders of the company		**289,013**	261,681
Total liabilities and equity		**302,633**	274,078

These financial statements on pages 72 to 77 were approved by the directors and authorised for issue on 26 May 2023 and are signed on their behalf by:

Sam Moody
Chief Executive Officer

Rockhopper Exploration plc Registered Company number: 05250250

The notes on pages 74 to 77 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	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 2020	7,218	3,622	5,973	(3,342)	74,575	188,028	—	276,074
Loss and total comprehensive loss for the year	—	—	—	—	—	—	(15,217)	(15,217)
Share based payments	—	—	824	—	—	—	—	824
Other transfers	—	—	(2,470)	—	—	(12,747)	15,217	—
Balance at 31 December 2021	7,218	3,622	4,327	(3,342)	74,575	175,281	—	261,681
Loss and total comprehensive loss for the year	—	—	—	—	—	—	18,614	18,614
Share based payments	—	—	393	—	—	—	—	393
Share issues (net of expenses)	1,553	2,896	—	—	3,876	—	—	8,325
Other transfers	—	—	(3,228)	1,848	—	—	1,380	—
Balance at 31 December 2022	**8,771**	**6,518**	**1,492**	**(1,494)**	**78,451**	**175,281**	**19,994**	**289,013**

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

Other transfers relate to amounts transferred from share based remuneration reserve to retained losses due to share based payments in relation to options that have either not vested or expired and amounts transferred from special reserve utilised to reduce the amount of losses incurred by the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2022

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 addition it has operations in the Greater Mediterranean based in Italy. The registered office of the Company is Warner House, 123 Castle Street, Salisbury, Wiltshire, SP1 3TB.

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

The financial statements of Rockhopper Exploration plc. for the year ended 31 December 2022 were approved and signed by the Group Chief Executive Officer on 26 May 2023 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.

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. Where required equivalent disclosures are given in the consolidated financial statements.

Basis of accounting

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

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

Where required, the equivalent disclosures are given in the consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the Accounting Policies and in relevant notes to the consolidated financial statements as applicable.

Going concern

The financial statements have been prepared on a going concern basis. Further information relating to the going concern assumption is provided in note 1.5 of the consolidated financial statements and includes details of a material uncertainty that exists that may cast significant doubt on the ability of the Company to continue as a going concern.

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.

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

USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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 in the relevant note as is sensitivity analysis as required. The key areas identified and the relevant note are as follows:

Carrying value of investments and group undertakings (note 3 and 4) – judgements

2. Property, plant and equipment

	Right of use assets $'000	Other assets $'000	Total $'000
Cost			
At 31 December 2020	1,402	802	2,204
Disposals	(1,264)	(497)	(1,761)
At 31 December 2021	138	305	443
Disposals	—	(148)	(148)
At 31 December 2022	**138**	**157**	**295**
Depreciation and impairment			
At 31 December 2020	679	705	1,384
Charge for the year	266	34	300
Disposals	(880)	(501)	(1,381)
At 31 December 2021	65	238	303
Charge for the year	46	26	72
Disposals	—	(148)	(148)
At 31 December 2022	**111**	**116**	**227**
Net book value at 31 December 2021	73	67	140
Net book value at 31 December 2022	**27**	**41**	**68**

3. Investments

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Cost brought forward	**113,099**	113,099
Cost carried forward	**113,099**	113,099
Amounts provided brought forward	**(113,099)**	(113,099)
Amounts provided carried forward	**(113,099)**	(113,099)
Net book value brought forward	**—**	—
Net book value carried forward	**—**	—

All amounts relate to subsidiary undertakings.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. Investments (continued)

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

All companies incorporated in England & Wales have their registered address at Warner House, 123 Castle Street, Salisbury, SP1 3TB, United Kingdom.

All companies 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 Venti Settembre 1 Roma, 00187 Rome, Italy.

4. Group undertakings

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Group undertakings	**476,675**	475,838
Provisions	**(185,130)**	(208,319)
	291,545	267,519

The Company is required to recognise expected credit losses for all financial assets held at amortised costs, which includes intercompany loans. Given that the quantum of intercompany loan balances changes in relation to expected credit losses this could have a material impact on the financial statements. As such judgements in relation to expected credit losses are key.

The intercompany loans are repayable on demand, however as at the year end the group undertakings would not have sufficient liquid resources with which to repay outstanding amounts. In Management's judgement it is most likely that the Company would pursue the repayment of loan balances over time as this would most likely maximise returns.

Secondly Management has made judgements around the probability of these loan balances being repaid. Whilst clearly a subjective judgement if Management had concluded that the probability of each loan balance being repaid had been 10 per cent lower then both the provision and loss for the year would have increased by US$47.4 million (2021: US$47.3 million).

5. Other receivables

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Receivables	**434**	752
Other	**61**	29
	495	781

6. Other payables

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Trade creditors	**54**	102
Other creditors	**199**	223
Accruals	**1,161**	608
Group undertakings	**9,909**	10,387
	11,323	11,320

Amounts with Group undertakings are subject to loan agreements, repayable on demand and interest free.

7. Derivative financial liabilities

For information on derivative financial liabilities see note 19 of the Group financial statements.

8. Salaries and directors' remuneration

	Year ended 31 December 2022 $'000	Year ended 31 December 2021 $'000
Salaries and fees	**1,959**	1,663
National insurance costs	**306**	362
Pension costs	**129**	184
Employee benefit costs	**46**	37
Average number of employees	**7**	8

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 Salaries and directors' remuneration

Note 8 of the Group financial statements provides details of the remuneration of the Company's auditors on a Group basis.

10. Share based payments

Note 9 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. Share capital

Note 23 of the Group financial statements provides details share capital of the Company.

12. Capital and reserves

For description of each of the reserves of the Company please see Note 24 of the Group financial statements.

13. Related parties

Note 27 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 26 MAY 2023

Falkland Islands
North Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL003a	Navitas	35.00	—	01/11/2024
PL003b	Navitas	35.00	—	01/11/2024
PL004a	Navitas	35.00	Isobel Deep	01/11/2024
PL004b	Navitas	35.00	Beverley Casper South Zebedee	01/11/2024
PL004c	Navitas	35.00	—	01/11/2024
PL005	Navitas	35.00	—	01/11/2024
PL032 – Sea Lion Discovery Area	Navitas	35.00	Casper North Sea Lion	01/11/2024 01/11/2024
PL033	Navitas	35.00	—	01/11/2024

South Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL011	Rockhopper	100.00	—	03/12/2024
PL012	Rockhopper	100.00	—	03/12/2024
PL014	Rockhopper	100.00	—	03/12/2024

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
Chrysaor	Chrysaor Holdings Limited
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
Harbour	Harbour Energy plc
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
NSAI	Netherland, Sewell & Associates Inc.
P&A	plug and abandon
PIM	Project Information Memorandum
POEPL	Premier Oil Exploration and Production Limited
Premier	Premier Oil plc
PSV	virtual exchange point
QCA code	Quoted Companies Alliance Corporate Governance Code
RNS	Regulatory News Service
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
TDF	Temporary Dock Facility
TSR	Total shareholder return
tvdss	True vertical depth subsea

SHAREHOLDER INFORMATION

KEY CONTACTS

Registered address and head office:
Warner House
123 Castle Street
Salisbury
Wiltshire
SP1 3TB

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

Joint broker
Peel Hunt LLP
100 Liverpool Street
London
EC2M 2AT

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
BDO LLP
55 Baker Street
London
W1U 7EU

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

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

Designed and produced by JacksonBone Limited.
Printed in United Kingdom by Synergy Group.

ROCKHOPPER EXPLORATION PLC

Warner House
123 Castle Street
Salisbury
Wiltshire
SP1 3TB

Telephone +44 (0)1722 414 419
info@rockhopperexploration.co.uk
www.rockhopperexploration.co.uk
Twitter @RockhopperExplo

Company Reg. No. 05250250