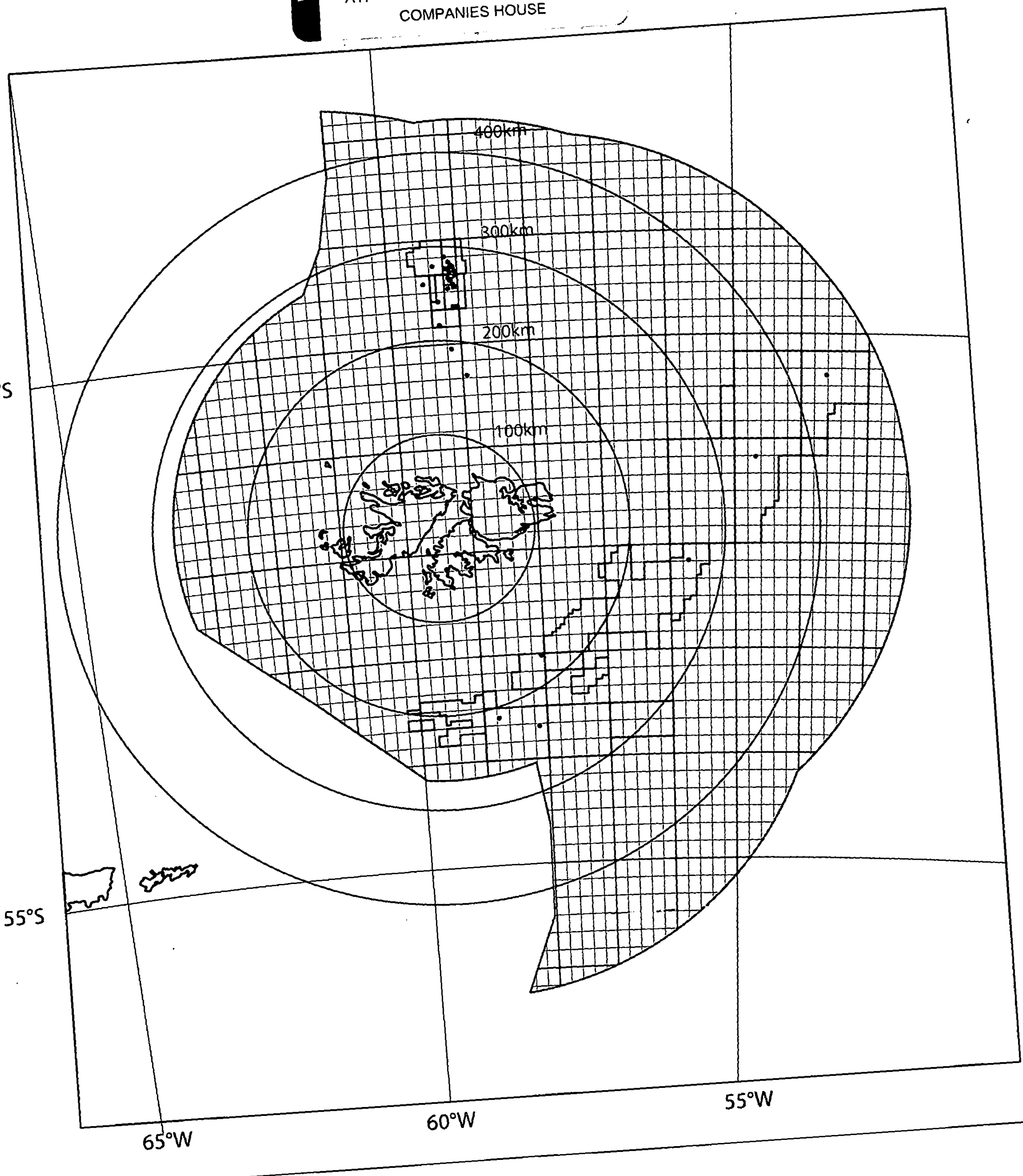
ROCKHOPPER
EXPLORATION PLC



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.

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2021 HIGHLIGHTS

SEA LION AND THE FALKLAND ISLANDS

- → Definitive legally binding documents announced and, post-period, signed with Navitas Petroleum LP ("Navitas") and Harbour Energy plc ("Harbour")
  - → Navitas to acquire 65% interest in, and become Operator of, Rockhopper's North Falkland Basin licences
  - → Harbour to exit the Falklands
- → Navitas to fund all of Rockhopper's Phase 1 Sea Lion project costs* pre FID via 8% loan
- → Navitas to fund two-thirds of Rockhopper's Sea Lion Phase 1 project costs* from FID to one year after first oil, or project completion if earlier, via interest free loan (for any costs not met by third party debt financing)
- → Loans repaid from 85% of Rockhopper's working interest share of Sea Lion Phase 1 project cash flows

*This excludes licence costs, taxes, abandonment and decommissioning costs (including Temporary Dock Facility) and contract termination costs incurred in connection with Harbour withdrawing.

CORPORATE AND FINANCIAL

- → Administrative expenses at lowest level since pre-Sea Lion discovery – G&A US$3.3 million
- → Cash resources of US$4.8 million as at 31 December 2021

OUTLOOK

- → Ombrina Mare Arbitration proceedings formally closed on 25 April 2022 – seeking significant monetary damages
  - → Tribunal has 120 days after closing to issue its Award, extendable by 60 days
- → Satisfaction of various conditions precedent to the Navitas and Harbour transaction required for deal completion, including various regulatory and other approvals required from the Falkland Islands Government
- → Navitas to assume operatorship of Sea Lion and strengthen operating capability
- → Lower upfront cost Sea Lion development to be worked up and financing sought
- → FID targeted 2023/24

NORTH FALKLAND BASIN OVERVIEW

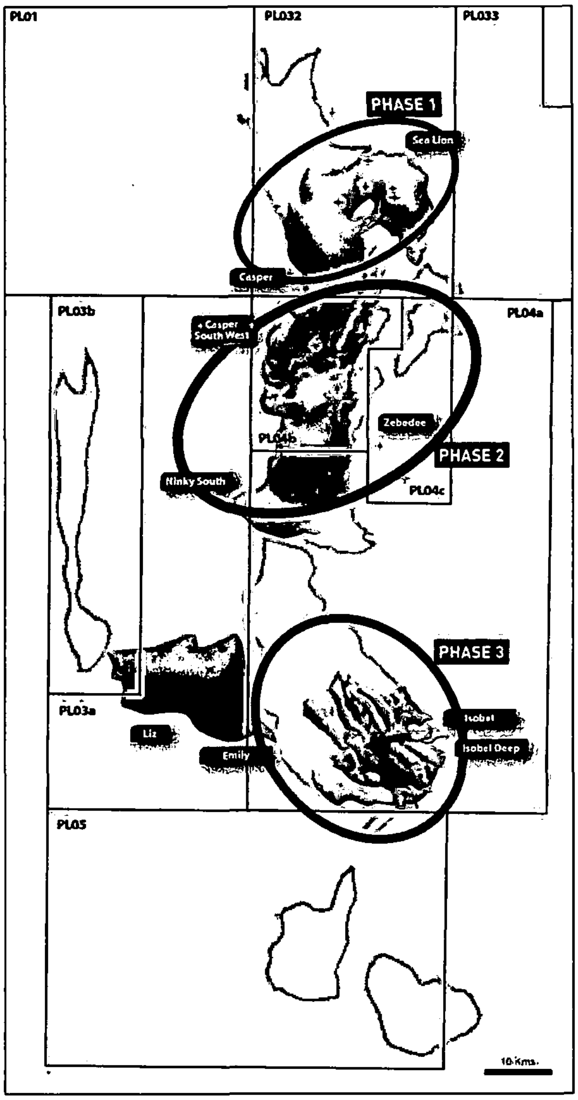
Benign met-ocean conditions in c.450 meters water depth

Extensively appraised
- → 3D seismic across entire field
- → 8 well penetrations, 2 production tests
- → Extensive suite of high quality well data
- → Discovered and independently audited oil resources of 517 mmbbls (2C) and 900 mmbbls (3C)
- → Substantial upside through additional low-risk, near-field exploration opportunities

Proven development concept
- → Conventional FPSO / subsea development
- → Extensive project development and engineering complete
- → Phased approach to reduce upfront cost

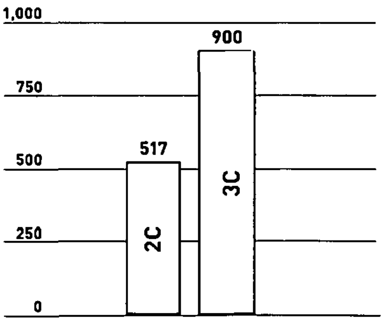
Regulatory interface well advanced
- → Comprehensive assurance process
- → Extensive environment work completed

Attractive fiscal regime
- → Positive commercial and fiscal engagement with FIG; 9% royalty; 26% CT



Material upside potential

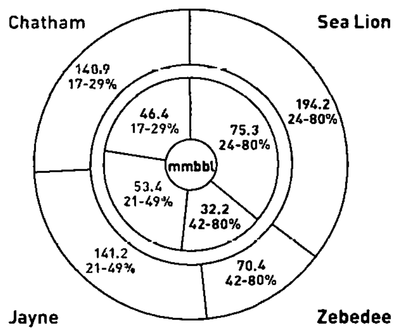
GROSS SEA LION COMPLEX RESERVES
(mmbl)



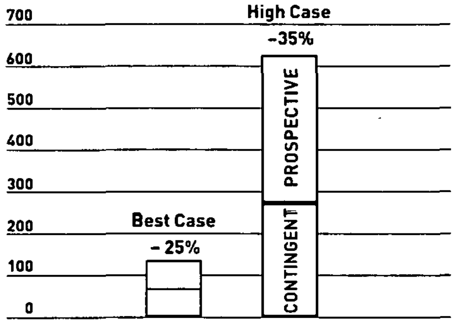
Source: ERCE May 2016

MID-CASE PROSPECTIVE RESOURCE
GCoS Range

Inner - 207 mmbbl
Outer - 547 mmbbl



CONTINGENT & PROSPECTIVE RESOURCES IN THE ISOBEL/ELAINE AREA



Management Recovery Factors utilised against some of the ERCE audited STOIIP values

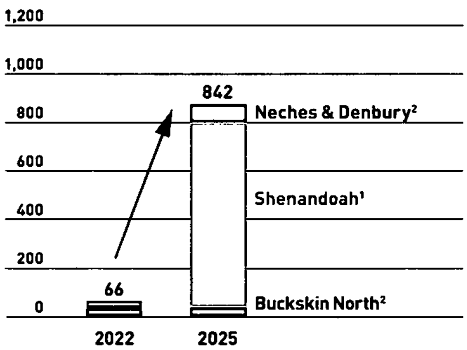
NAVITAS – A NEW AND COMMITTED PARTNER FOR SEA LION

- → Navitas Petroleum LP is a publicly traded company North American focussed E&P partnership (TASE:NVPT.L)
- → 2022 forecast production >5,000 boepd
- → Strong track record in equity and debt capital markets
- → Highly experienced team with track record of success in offshore developments
- → Recent Shenandoah FID transformational for Navitas

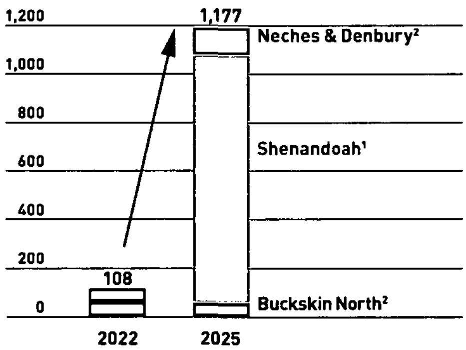
US$900m	>US$300m	~60 kboepd	~US$800m
Project financing facility secured in August 2021	Corporate debt and equity raised	2025 forecast production (net)	2025 forecast EBITDA

Navitas production and financial forecast

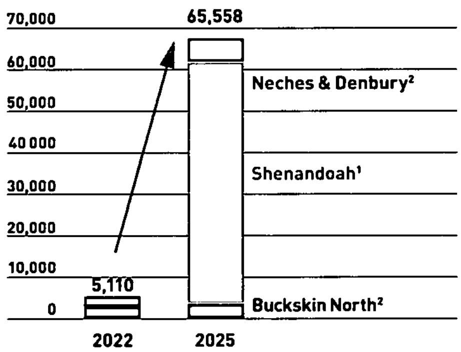
EBITDA Forecast
million US$



Income Forecast
million US$



Daily Production Forescast
BOE/D



Assumed oil prices:
1. Based on average analyst price forecast (September 2021); 2024 and forward – $61.03 per bbl.
Source: Navitas Petroleum and has not been independently verified.

2. Based on average analyst price forecast (June 2021)

2021	2022	2023	2024→
$59.90	$60.40	$58.26	$58.06

Rockhopper and Navitas to pursue a lower upfront cost development, utilising the existing extensive design and engineering work undertaken for the project in recent years.

Existing project development[3]

Up to 29 wells	~80kbopd	250m barrels	US$1.8bn
20 oil producers	Plateau production	Recoverable resource	Gross capex to first oil

~$42/bbl	US$1.8bn	US$4.3bn
Break-even price	NPV10 @ $65/bbl	Free cash flow @ $65/bbl

3. Developed by the operator for JV in 2019

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

2021 saw the build-up to the outbreak of a major conflict in Europe for the first time in decades, with Russia invading Ukraine early in 2022. The most significant impact of the invasion has been and continues to be on the people of Ukraine, for whom Rockhopper's Board express their support. A consequence of the invasion has been to place an increased focus on energy security of supply and the volume of oil and gas imported from Russia into Europe in particular. At the same time the COVID-19 pandemic continues to cause uncertainty around energy demand with China imposing new lockdowns as cases spike and economic uncertainty continues across the globe. Against this backdrop it is perhaps unsurprising that energy prices have seen material volatility. The price of a barrel of Brent Crude Oil is around $115 as at the time of writing, having risen from a low of $21 per barrel in April 2020.

While worldwide moves to reduce GHG emissions and reduce reliance on hydrocarbons continue as we journey through energy transition towards net zero, we believe that responsibly produced oil and gas will continue to form a meaningful part of global energy supply for many years to come.

With a best estimate of over 500 million barrels of recoverable oil, (ERCE 2016 report) Sea Lion represents a potentially secure, highly material source of supply for those countries seeking to reduce their dependence on Russian oil. Under Premier Oil plc's ("Premier") development concept, based on hundreds of millions of dollars and multiple years of engineering efforts, the series of development phases at Sea Lion were projected to produce in excess of 120,000 barrels per day. At that rate, Sea Lion alone could be capable of replacing a highly material proportion of the oil by volume imported into the UK from Russia, all from a politically stable UK Overseas Dependent Territory. Furthermore, significant UK content is possible within the project and the regulatory regime in the Falklands will ensure the development is undertaken with high regard to ESG issues.

NAVITAS BRINGS RENEWED ENERGY AND PROVEN FINANCING CAPABILITY TO THE PROJECT

The most significant news related to Sea Lion is the signing of definitive legally binding documentation relating to the entry of Navitas Petroleum LP ("Navitas") to the Falklands. Navitas brings a new, dynamic energy to Sea Lion which was significantly delayed following Chrysaor Holdings Limited's ("Chrysaor") merger with Premier and the creation of Harbour Energy plc ("Harbour"). Navitas' senior team's exceptional ability to raise finance for challenging projects was clearly demonstrated as recently as last year when they successfully secured a US$1bn project financing for the Shenandoah field in the Gulf of Mexico. In fact, Navitas has raised in excess of $1.4bn of equity and debt since 2017 and as we consider financing to be the main hurdle for Sea Lion's development, we are particularly pleased to be welcoming them to the basin. Sea Lion will represent Navitas' largest operated development opportunity, so is highly material to both partners.

SEA LION

From 2012-2022, we estimate that Premier and Rockhopper spent in excess of US$300m on engineering and other non-drilling work relating to the Sea Lion project. Navitas and Rockhopper plan to build on this very significant bank of knowledge to create a lower cost development, potentially based around a re-deployed FPSO with fewer wells being drilled pre first oil. Given the amount of engineering already done, the timing is likely to be driven largely by interaction with the vendor community, most notably in finding a suitable FPSO, and the time taken to progress the financing. Having said this, the target is to reach FID in 2023 or 2024 and to then have formal project sanction as early in 2024 as possible.

Rockhopper believes it is possible to materially reduce pre first oil capex from the previously estimated US$1.8bn (assuming a leased FPSO) and overall project capex by taking actions such as reducing the number of wells drilled pre first oil and reducing the number of drill centres.

As part of the transaction, Navitas commissioned Netherland, Sewell & Associates, Inc. ("NSAI") to produce a resource report which used a different approach to the ERCE 2016 report. NSAI concluded that the 2C for Sea Lion is significantly larger than the 517mmbbls contained in the ERCE report. As this report was not produced for Rockhopper we will continue to refer to the ERCE numbers, but are delighted at this additional third party validation of the potential of the North Falkland Basin and Sea Lion to produce significant quantities of oil.

As Navitas have not formally become Operator and licence holder, they are yet to be in position to have substantive conversations with the contractor community as part of the working up of the new development plan for Sea Lion. That said, Rockhopper's Board remain confident that the Sea Lion project will continue to benefit from robust economics, particularly at current oil prices. Based on the Premier Oil development from 2019-2020 at a real terms US$75 Brent, Sea Lion phase one only would have a pre-financing project NPV 10 of over

US$5bn at first oil. Whilst the lower cost development concept is likely to see a lower number, we believe this demonstrates the enormous potential value represented by Sea Lion for all stakeholders, including the Falkland Islands Government.

OMBRINA MARE ARBITRATION

Having commenced proceedings against the Republic of Italy in 2017 and completed the first and second hearings during the course of 2019, the Tribunal confirmed that proceedings had been formally closed on 25 April 2022. Under ICSID Arbitration Rules, the Tribunal has 120 days after closing to issue its Award, extendable by a further 60 days (Rule 46). The 120 days rule means that we should receive the final decision, including the quantum of any award should we be successful, by 22 August 2022, or 22 October 2022 should the extension be required. The Company continues to believe it has strong prospects of recovering significant monetary damages.

CORPORATE MATTERS

Following eight years at the Company, Stewart MacDonald stepped down from his role as Executive Director and Chief Financial Officer in January 2022. Stewart helped Rockhopper agree what we believe is a positive and exciting framework with Navitas that sees us fully aligned and committed to bringing Sea Lion to production, and the Board wishes him every success in his future career. William Perry, who has been working as Rockhopper's Financial Controller since 2011, has stepped up to become the Company's Interim Chief Financial Officer.

Following a series of material cost reduction initiatives, the Company's G&A is now at its lowest level for over a decade. Decisions have included relocating the office to Salisbury and sub-letting the London office, materially reducing headcount and moving a number of key technical staff to part-time working in order to balance a reduction in cash burn whilst retaining required expertise and specific Sea Lion and Falklands knowledge within the Company.

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG)

ESG and Corporate Responsibility more generally, continues to be a key focus for Rockhopper.

As an oil and gas exploration and production business our role is to produce hydrocarbons in an environmentally responsible manner.

As noted last year 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.

Once FID on Sea Lion has been achieved, the Company commits to define measures, report transparently, and mitigate our own emissions as far as practicable.

Keith Lough
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

OUTLOOK

With over 500 million barrels of recoverable oil, Sea Lion continues to represent a development with significant potential value for all stakeholders. Additionally, recent global developments have highlighted the importance of security of supply for energy, and hydrocarbons' vital role in that.

The Board believes that the addition of Navitas, a committed and aligned partner with recent proven ability to access capital for oil field developments, represents the start of a bright new chapter in the history of Sea Lion, bringing with it a renewed energy and enthusiasm for the project. This new joint venture, along with a strong oil price and changing supply background, provides us with the best possible chance of seeing the project sanctioned.

Finally, we thank the Government and people of the Falkland Islands for their continued support as they move towards commemorating the 40th anniversary of the end of the 1982 conflict.

KG Lough

Keith Lough
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

27 May 2022

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.

2021 KPIs

Definition	Performance	Attainment
→ **Resumption of sea lion project in preparation for future FID**	The project work has only been resumed informally by Rockhopper – the focus has been on signature and now completion of the Navitas transaction. Formal project work is dependent on this transaction closing.	Not achieved
→ **Demonstrate clear progress in relation to ESG**	This will not be possible until Navitas becomes Operator.	Not achieved
→ **Progress Ombrina Mare**	Proceedings were formally closed by the Panel in late April.	Achieved
→ **Preservation of cash balance**	Continued reduction in corporate G&A from prior years has been achieved but no new funds have been added to the balance sheet.	Partially achieved
→ **Continue to explore alternative development and financing options for the Sea Lion project**	Informal desktop work has been carried out by Rockhopper. Formal project work will begin once the Navitas transaction completes.	Partially achieved

2022 KPIs

Definition

- → **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**

FINANCIAL REVIEW

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

- → Announcement by Harbour in September 2021 that the Sea Lion project does not fit its corporate strategy and therefore that it will seek to exit the project and its North Falkland Basin licences
- → Detailed Heads of Terms signed with Navitas and Harbour for Harbour to exit the Falklands and for Navitas to farm-in to 65 per cent interest in the North Falkland Basin assuming operatorship
- → Detailed transaction terms agreed with Premier/Harbour and Navitas in relation to the Sea Lion project (the "Transaction")
- → Finalisation of the corporate cost reduction programmes previously implemented.

Assuming the Transaction completes the arrangements with Navitas ensure that Rockhopper is funded for all pre-sanction costs related to the Sea Lion Phase 1 development (other than licence fees, taxes and project wind down costs). As such, the Group believes the above events materially strengthen the Group's financial position in the short and medium term and significantly enhance the prospects for a successful project financing for Sea Lion.

RESULTS FOR THE YEAR
For the year ended 31 December 2021, the Group reported revenues of US$0.8 million (2020: US$2.8 million) and loss after tax of US$7.8 million (2020: US$236.5 million). The significant reduction in loss after tax was driven by last year's results including non-recurring non-cash impairments associated with previously incurred exploration costs in the North Falkland Basin. The decision was made, in line with the operator, to write off historic exploration costs associated with the resources which will not be developed as part of the Sea Lion Phase 1 project.

REVENUE AND COST OF SALES
The Group's revenues of US$0.8 million (2020: US$2.8 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 the completion of the disposal of the Group's Egypt portfolio in February 2020. The Egyptian portfolio made up $2.1 million of 2020 revenues. Gas was sold at a price linked to the Italian "PSV" (Virtual Exchange Point) gas marker price.

Cash operating costs, excluding depreciation and impairment charges, amounted to US$1.1 million (2020: US$2.1 million). Again, the reduction in operating costs reflects the disposal of the Group's Egypt portfolio during the prior period.

Revenue and cost of sales are not expected to be material going forward.

OPERATING COSTS
Exploration and evaluation expenses are not material in the year. The reversal of impairment in the year relates to impairments against amounts over accrued in the prior year. As previously mentioned, the prior year expenses was 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 Group continues to manage corporate costs and has achieved significant reductions in recurring general and administrative ("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. The full benefit of these cost reduction initiatives were realised in 2021 resulting in G&A costs of US$3.3 million in 2021 (2020: US$ 4.0 million), excluding non-recurring expenses related to restructuring and acquisitions and divestments.

The foreign exchange gain in the year is $US0.8 million (2020: loss of US$1.4 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 GB£ denominated balance. Finance expense in the year of US$3.5 million (2020: US$nil) also relate to adjustments in relation to this tax balance. This balance is discussed further below.

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

CASH MOVEMENTS AND CAPITAL EXPENDITURE
At 31 December 2021, the Group had cash and term deposits of US$4.8 million (31 December 2020: US$11.7 million).

Cash and term deposit movements during the period:

	US$m
Opening cash balance (31 December 2020)	11.7
Revenues	0.8
Cost of sales	(1.1)
Falkland Islands	(3.2)
Greater Mediterranean	(0.2)
Administrative expenses	(3.3)
Miscellaneous	0.1
Closing cash balance (31 December 2021)	**4.8**

During 2021, the Group paid US$3.2 million in relation to Sea Lion costs. This included the tax liability of US$1.4 million associated with the 2015/16 Falklands drilling campaign accrued for as at the prior year end.

Additions of $5.0 million to exploration and evaluation assets during the year mainly relate to the Sea Lion development, with the majority of this movement being non cash and relating to recognition of a provision for decommissioning Falkland Islands facilities.

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

IMPAIRMENT OF OIL AND GAS ASSETS

The Sea Lion development remains central to the Group's plans. Whilst Habour's decision to exit the North Falkland Basin was disappointing, the Group is excited at the prospect of bringing in a new industry partner, in Navitas, especially given their experience in financing projects of a similar scale to Sea Lion. As part of the Transaction to bring Navitas onto the licences we are seeking licence extensions from the Falkland Island Government. This should allow the newly formed joint venture to leverage the extensive engineering work carried out to date and pursue a lower upfront cost development. As such it was concluded that there were no current indicators of impairment for Phase 1 of the Sea Lion development.

In the prior year a decision was made, in line with the operator, 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 but instead reflects the limited capital which will be invested outside of the Phase 1 project in the near-term.

MERGERS, ACQUISITIONS AND DISPOSALS

Post year end the Group announced Harbour and Navitas have signed legally binding definitive documentation in relation to Harbour exiting and Navitas entering the North Falkland Basin.

Ultimately the Transaction will align working interests across all the North Falkland Basin petroleum licences – Rockhopper 35% / Navitas 65% - subject to all necessary consents. The Group and Navitas will jointly develop and agree a technical and financing plan to enable the development of the Sea Lion project to achieve first oil on a lower cost and expedited basis post sanction.

Navitas will provide loan funding to the Group to cover;

(i) the majority of its share of Sea Lion phase one related costs from Transaction completion up to Final Investment Decision ("FID") through a loan from Navitas with interest charged at 8% per annum (the "Pre-FID Loan").

(ii) 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.

Whilst Transaction completion is still subject to receipt of various agreements, consents and approvals by the Falkland Islands Government , the Group is optimistic that these will be forthcoming.

TAXATION

On 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.

As a result of the Tax Settlement Deed, the outstanding tax liability was confirmed at £64.4 million and is payable on the earlier of: (i) the first royalty payment date on Sea Lion; (ii) the date of which Rockhopper disposes of all or a substantial part of the Group's remaining licence interests in the North Falkland Basin; or (iii) a change of control of Rockhopper Exploration plc.

During the first half of 2017, as a result of the Group receiving the full Exploration Carry from Premier during the 2015/16 drilling campaign, the Falkland Islands Commissioner of Taxation agreed to reduce the tax liability in line with the terms of the Tax Settlement Deed. As such, the tax liability has been revised downwards to £59.6 million. The outstanding tax liability is classified as non-current and is discounted to a period-end value of US$43.2 million.

Full details of the provisions and undertakings of the Tax Settlement Deed are disclosed in note 18 of these consolidated financial statements and these include "creditor protection" provisions including undertakings not to declare dividends or make distributions while the tax liability remains outstanding (in whole or in part).

LIQUIDITY, COUNTERPARTY RISK AND GOING CONCERN

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management. At 31 December 2021, the Group had cash resources of US$4.8 million. As at the end of April 2022 the Group had cash resources of $US3.4 million and as well as normal working capital requirements expects a number of non-recurring costs in relation to the Transaction. Going forward projected recurring expenditure is around US$4.0 million per year.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. In April 2022, the Group signed definitive documentation to bring Navitas into the North Falkland Basin (the "Transaction"). The Transaction is subject to certain conditions precedent, the most important of which are certain consents from FIG which include, but are not limited to, a two year extension on the Licences being acquired, Navitas being approved as an Operator and certain tax clearances from FIG. Assuming completion, Navitas will provide loan funding to the Group for its share of all Sea Lion pre-sanction costs (other than licence fees, taxes and project wind down costs).

Management believe that the Transaction will complete before the end of the year. Based on previous correspondence with FIG, Management does not believe the Transaction completion would constitute a substantial disposal and therefore will not accelerate the deferred CGT liability related to the 2012 farm out.

Even in the case of Transaction completion Management has determined that the Group will require further funding for working capital and to achieve Sea Lion FID, with FID estimated to be in early 2024. The Group believes that a funding solution is achievable, with options including the issue of equity in addition to the potential award of significant monetary damages with respect to international arbitration proceedings against the Republic of Italy in relation to the Ombrina Mare field which declared closed on the 25 April 2022. At the time of writing, the final form and availability of funding is yet to be determined. Subject to market conditions we anticipate having raised sufficient funds by the end of Q3 2022.

In the event the Transaction does not complete then as well as working capital requirements it is possible that this could lead to the acceleration of Falkland Island infrastructure decommissioning costs currently estimated at US$4.0million (Group's net share), for which the Group is not funded.

Accordingly, after making enquiries and considering the risks described above, the Directors have reviewed the Group's overall position and given their belief, that raising funds will be possible, 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.

Given the Directors' confidence in their ability to complete a funding solution in the near term, the Directors believe that the Group will be sufficiently funded and believe the use of the going concern basis is appropriate. Nonetheless, for the avoidance of doubt, in the downside scenarios in which either the Transaction does not complete or a funding solution is not completed and in the absence of potential mitigating actions, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Consolidated 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 2021 as being:

→ oil price volatility;
→ access to capital;
→ joint venture partner alignment; and
→ failure of joint venture partners to secure the requisite funding to allow a Sea Lion Final Investment Decision.

In 2020, the environmental impact of oil and gas extraction (e.g. climate change) was added to the risk register, reflecting the increased focus on ESG issues which could have an adverse impact on investor and lender sentiment towards the Group and the Sea Lion project.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for establishing and maintaining the system of internal controls which has been in place throughout 2021.

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 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
→ revenue to receivables.

Since the year end the Audit Committee has 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 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 → In extremis, potential loss of licence interests.
	The sovereignty of the Falkland Islands is disputed.	→ Open aggression is not expected → Certain service providers and financial institutions may choose not to provide services for fear of the impact an association may have on their business in Argentina.
	Environmental impact (eg. Climate Change) of oil and gas extraction.	→ Adverse investor and lender sentiment towards the oil and gas sector → Disruption to projects and operations as a result of more frequent weather events → Longer-term reduction in demand for oil and gas, resulting in lower oil and gas prices.

FINANCIAL RISKS	Description	Impact
	Insufficient liquidity and funding capacity 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.
	Uncertainty and volatility of commodity prices.	→ Impact on expected future revenues, margins, cash flows and returns → Impact on future debt capacity.
	Uncertainty of fiscal regime and regulatory requirements; Sea Lion remains the only commercial oil discovery declared in the Falkland Islands.	→ Schedule risk → Loss of value → Uncertain financial outcome.
	Failure by JV partners to fund their financial obligations.	→ Increased costs → Potential failure to meet financial and operational obligations → In extremis, potential loss of licence interests.

Mitigants	Recent changes and ongoing initiatives
→ Active engagement with the operator and regulators to establish constructive and trusted working relationships → Active participation in technical meetings to challenge, influence and/or support partners to establish a cohesive JV view and decision making → Active support to operator in its objective of securing funding for the project.	→ Detailed transaction terms agreed with Navitas Petroleum LP to farm-in for a 65% interest in the Sea Lion project and assume operatorship → Extension to licences including the Sea Lion Discovery Area licence sought from FIG as part of the farm-in by Navitas. → Technical work to commence 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 September 2016, the British Government and the Government of Argentina agreed a joint statement on areas of cooperation, including working towards removing restrictive measures affecting the oil & gas industry in the Falkland Islands → Further to the September 2016 joint statement, a second commercial air link between South America and the Falklands commenced operations in Q4 2019.
→ Commitment to developing Sea Lion on an environmentally sensitive basis → Such a commitment is 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 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
→ Short-term and long-term cash forecasts are reported to the Board on a regular basis → The Company has no debt → The Company has entered a Heads of Terms with Premier and Navitas through which Rockhopper's share of Sea Lion development costs are funded through to project completion (estimated 9-12 months after first oil) → Agreement reached to defer tax liability associated with 2012 farm-out	→ Navitas farm-in terms continues to materially satisfy Rockhopper's proportion of both pre-FID and post-FID costs for Sea Lion → Cash resources of US$4.8 million as at 31 December 2021. → Management seeking additional funding for working capital and to achieve Sea Lion FID expected to compete by Q3 2022.
→ 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.
→ 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.

OPERATIONAL RISKS	Description	Impact
	Reliance on JV operators for asset performance.	→ Cost and schedule overruns → Poor performance of assets → HSE performance.
	The assumptions used to estimate hydrocarbon resources may prove incorrect or inaccurate.	→ Exploration and appraisal efforts may target ultimately uncommercial volumes of hydrocarbons.

HSE AND SECURITY RISKS	Description	Impact
	Health, safety, environment and security incidents.	→ Serious injury or death → Environmental impacts → Loss of reputation → Regulatory penalties.

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

Mitigants	***Recent changes and ongoing initiatives***
→ Actively engage with all JV partners to establish trusted working relationships → Active participation in technical meetings to challenge, apply influence and / or support partners to establish a cohesive JV view and decision making	→ Active involvement by the Company in the evaluation and selection of contractors for the Sea Lion project.
→ The Company employs qualified and experienced technical personnel → External consultants are regularly commissioned to support technical evaluations or provide independent assessments → A prudent range of possible outcomes are considered within the planning and budgeting process.	→ Analysis of commerciality thresholds is inherent in exploration planning and licence acquisition analysis → In May 2016 the Company announced completion of an independent audit of the contingent and prospective resources in licences PL032 and PL004 in the North Falklands Basin → Company estimates of recoverable oil & gas resources are generally consistent with those held by the operator and other independent assessments or audits.

Mitigants	**Recent changes and ongoing initiatives**
→ Regular review of HSE policies and procedures to ensure full compliance with industry "best practice" as well as all appropriate international and local rules and regulations → Emergency and oil spill response procedures regularly tested → Third party specialists in place to assist with security arrangements and travel risks where appropriate	→ In 2017, the Company successfully completed the removal of the Ombrina Mare tripod structure – understood to be one of the first decommissioning exercises completed in Italian waters and fulfilling all required regulatory and 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
→ 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.

In the Joint Venture with Premier Oil, Rockhopper was committed to developing Sea Lion on an environmentally sensitive basis. This commitment was expected to be achieved through reduced emissions from the use of best-in- class technologies and the offsetting of emissions through investment in nature-based carbon-offsetting projects both in the Falklands and elsewhere. Rockhopper intends to work closely with Navitas to achieve these goals under the new development plan.

An extensive Environmental Impact Statement for the Sea Lion project was completed in 2020 and is available on the Company's website.

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
→ Working conditions are favourable.

Engagement during 2021 was paramount due to the COVID-19 pandemic. The Company has worked to ensure that employees are safe and well, both physically and mentally. The majority of staff have continued to work remotely during the year and have now returned to 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.

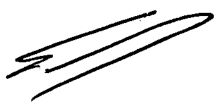
Shareholders
The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly 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 remotely and believes that engagement has been carried out efficiently during these challenging times. With the lifting of restrictions subsequent to the year end, face-to-face engagement with shareholders has been possible. It is currently intended that this year's AGM will be held in person.

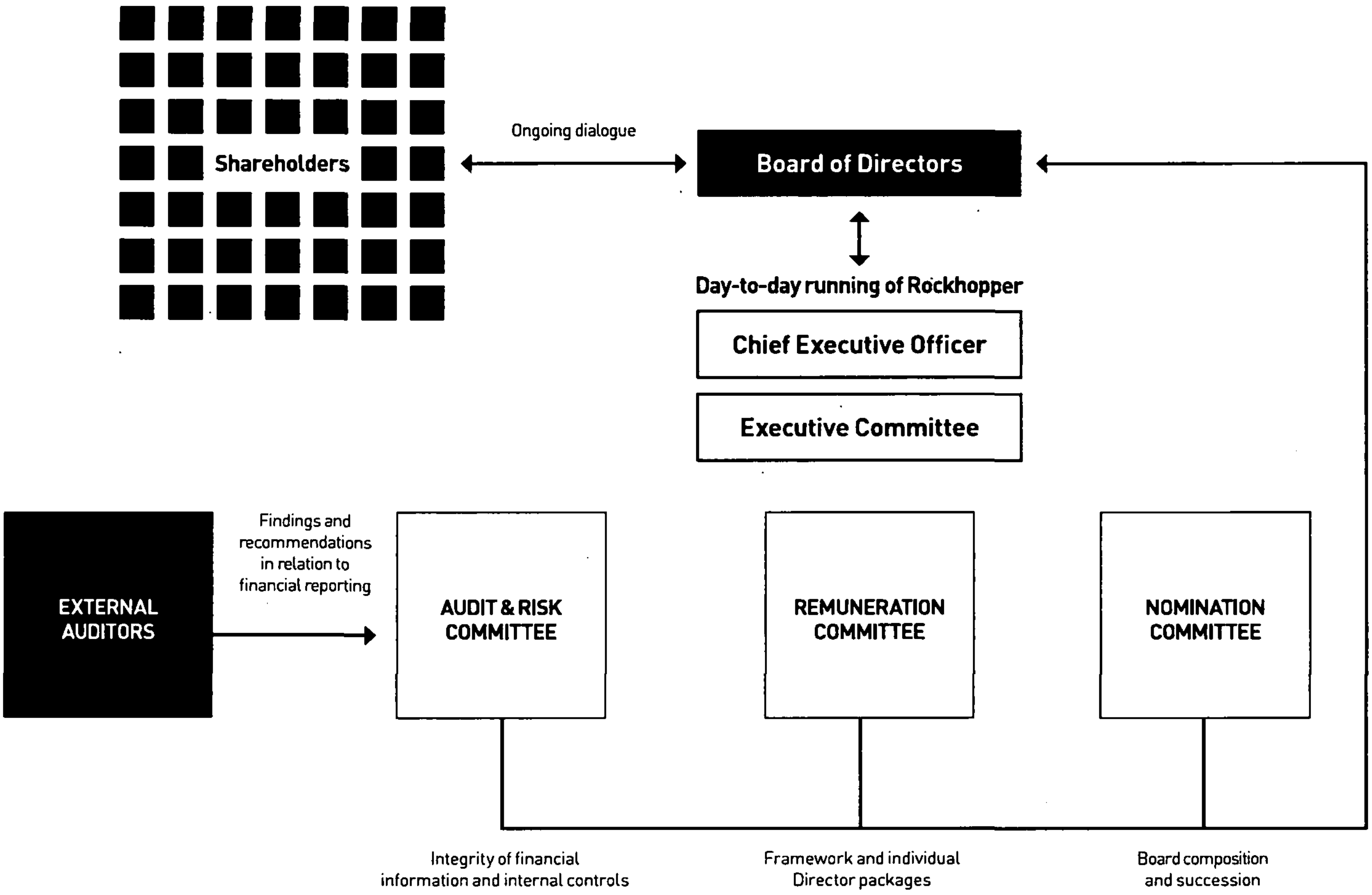
Approval of Strategic Report
This Strategic Report was approved by the directors and signed on their behalf on 27 May 2022 by:

Samuel Moody
Chief Executive Officer



ROCKHOPPER BOARD

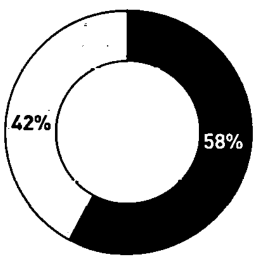
How your Board works



Corporate diversity

GENDER

Female



Male

NATIONALITY

67% British

33% Italian

TENURE

33%

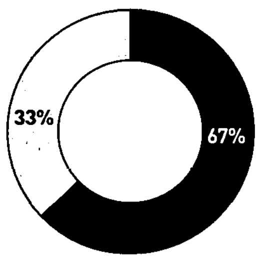
3-6 years

67%

6-9 years

GENDER

Female



Male

Company composition
12 employees as at 31 December 2021

Non-executive director composition

BOARD OF DIRECTORS

Keith Lough
Non-Executive Chairman 63

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:
→ Capricorn Energy PLC
→ Hunting PLC

Samuel Moody
Chief Executive Officer 52

Skills and experience
Sam is a co-founder of Rockhopper and has been responsible for building and managing the group from its formation in early 2004.

He previously worked in several roles within the financial sector, including positions at AXA Equity & Law Investment Management and St Paul's Investment Management.

Appointed to board: February 2005

Committee membership:
—

External appointments:
Director:
→ Greenland Gas & Oil Limited

Alison Baker
Senior Independent Director 51

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 66

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

Appointed to board: February 2014

Committee membership:
→ Audit & Risk
→ Remuneration
→ Nomination

External appointments:
—

GOVERNANCE REPORT

Introduction from the Chairman on the Governance Report

Rockhopper is listed on the 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.

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

GOVERNANCE REPORT CONTINUED

Board composition during the year

Name	Role	Independent	Length of service as at 27 May 2022	Date of appointment	Date of resignation
Non-Executives					
Keith Lough	Chairman	Yes	8 yrs 4 mths	14 January 2014	—
Alison Baker	Senior Independent Director	Yes	3 yrs 8 mths	18 September 2018	—
John Summers	Non-Executive Director	Yes	8 yrs 3 mths	1 February 2014	—
Executives					
Sam Moody	Chief Executive Officer	No	17 yrs 3 mths	21 February 2005	—
Former Director					
Stewart MacDonald	Chief Financial Officer	No	7 yrs 10 mths	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 2022 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. During 2021, some of the meetings were held by video conference call due to the COVID-19 pandemic. 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.

2021 Board meeting attendance

Director	Number of meetings attended
Keith Lough – Chairman	5/5
Sam Moody	5/5
Stewart MacDonald	5/5
Alison Baker	5/5
John Summers	5/5
Total meetings during year	**5**

Board performance evaluation

An internal performance evaluation of the Board is generally undertaken each year according to the following processes:

Board	Each Board member is requested to consider a questionnaire which is focused on strategy, risks, performance against objectives, board processes, relationships and communication and board structure and development. The key conclusions are tabled and discussed at a Board meeting and follow up action is agreed if necessary.
	An external performance evaluation of the Board has been previously undertaken with specific focus on the skillset and structure of the Board. This has been used as the basis for discussions on succession planning in recent years.
Chairman	The Senior Independent Director consults each individual Director for their view on the Chairman's performance and feeds back any issues to the Chairman/Board as appropriate.
Audit & Risk Committee	The Chairman of the Audit & Risk Committee/Senior Independent Director and Company Secretary review the performance of the Audit & Risk Committee based on the Financial Reporting Council's guidance to listed companies on the composition, role and responsibilities of the audit committee. The key conclusions are discussed by the Audit & Risk Committee and follow up action is agreed if thought necessary.

Board induction, training and outside advice

There is no formal induction process in place but new Directors receive an appropriate induction according to their requirements 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.

Independent legal advice is available at the Group's expense if necessary.

GOVERNANCE REPORT CONTINUED

External directorships and interests

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

Non-Executive Directors are required to advise the Chairman as soon as practicable of any proposed Board appointments which could give rise to a conflict with their position as a Director of the Company. Details are circulated to other Board members who are invited to advise the Chairman or Company Secretary if they have any concerns about the proposed appointment.

Conflicts of interest

The Board has in place a procedure for dealing with the consideration and authorisation of any actual or potential conflicts of interest. All Directors are aware of the requirement to advise the Chairman and Company Secretary of any situations which could give rise to a conflict or potential conflict of interest. If requested by the Chairman, a Director will absent themselves from any Board discussions and decisions on matters where there is an actual or perceived conflict of interest.

Company Secretary

The Board has a qualified Company Secretary and all Directors have access to her for advice and services. The Company Secretary 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 (2020: £nil).

Communication with shareholders

The Company engages with shareholders in a variety of ways:

Meetings Directors meet regularly with major shareholders and the investment community which allows exposure to new investors. This process includes presentations, one-to-one meetings, analyst briefings and press interviews. The Chief Executive Officer regularly briefs the Board on these contacts and relays the views expressed. Copies of analyst research reports, press reports and industry articles are circulated to all Directors and ensures that the Board is aware of the views of its major shareholders

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

Annual Report The Company's annual report gives a detailed overview of the Company's strategy, operations, financial position, risk profile 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. During 2021, it was not possible to hold a physical meeting due to Government restrictions in relation to the COVID-19 pandemic. A retail investor meeting was held in September 2021 at which the CEO gave a presentation and the Company's management team met with shareholders to answer their questions.

Keith Lough
Non-Executive Chairman

27 May 2022

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 2021. 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 four 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 Directors, members of senior management and representatives of the external auditors to attend its meetings.

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

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

2021 Audit & Risk Committee meeting attendance

Director	Number of meetings attended
Alison Baker – Chairman	4/4
John Summers	4/4
Keith Lough	4†
Stewart MacDonald	4†
Sam Moody	4†
Total meetings during year	**4**

† 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 and going concern;
- → 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;
- → change of external auditor;
- → 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 and corporate governance reform; and
- → whistleblowing procedures and shareholder concerns.

Since the year end, the committee reviewed the committee's performance and effectiveness during the 2021 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 on page 51.

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.

In order to manage the quality, cost and efficiency of the external audit process the Audit & Risk Committee ran a short tender process in 2021. After consideration of the submissions the Audit & Risk Committee determined that the Company and Shareholders would be best served by the appointment of BDO LLP.

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.

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:

→ undertaking a high level review of the external auditors' performance;
→ expanding the scope of the internal controls review; and
→ offering training to committee members where appropriate with the Chairman of the committee providing input on the FRC focus.

In respect of the committee performance review undertaken for the 2021 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:

→ introduction of an additional committee meeting to allow consideration of emerging issues, annual review on risk and internal controls and ad hoc matters;
→ proposal to introduce 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 auditor during the course of the audit, actions taken/required in respect of staff changes and cyber security review.

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 Chair.

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

Alison Baker
Audit & Risk Committee Chairman

27 May 2022

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 2021 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 both Non-Executive Directors 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 of the committee but the committee can request the attendance of the Chief Executive Officer.

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

2021 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:

- → Extension of the tenure of Alison Baker; and
- → Timing of the review of 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 has agreed that further discussions on Board composition and succession planning will take place in the light of the outcome of the international arbitration against the Republic of Italy in relation to the Ombrina Mare field and the proposed farm-in of Navitas Petroleum LP to the Falkland Island licences.

The committee recognises the need for progressive refreshing of the Board and the benefits of diversity and the committee has regard to these when considering succession planning. When considering new Board appointments, the committee 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 Directors or members of senior management. The management of human resources across the Group is a matter for executive management but the Non-Executive Directors are advised in advance of recruitment plans in respect of senior appointments.

Keith Lough
Nomination Committee Chairman

27 May 2022

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 2021. 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 2021. It also sets out details of the implementation of the Remuneration Policy for Executive and Non-Executive Directors for the year ending 31 December 2022.

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 during 2021 and the Committee does not plan any further changes to Remuneration Policy for the foreseeable future. Since the year end, the Chief Financial Officer has left the Company and Rockhopper's Financial Controller, who has been with the Company since 2011, has 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 executive team.

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

Yours sincerely

John Summers
Chairman of the Remuneration Committee

27 May 2022

Remuneration Policy

This part of the Report sets out the remuneration policy for the Company. The policy for 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 packages are given in the Report on Remuneration on page 32

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	→ Contributions are made to a private or the Group personal pension plan. Since August 2020, pension contributions have been paid by way of a pension cash allowance which is subject to deductions for tax and national insurance
Opportunity	→ An annual contribution equal to 15% of salary
Performance metrics	→ Not applicable for pension contributions

ANNUAL BONUS

Purpose and link to strategy	→ To reward the achievement of corporate 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 operations have been completed to acceptable HSE standards and considers whether there were any HSE incidents when considering the level of bonus payments

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/vesting of options and awards under the Company's Long Term Incentive Plan which has been discontinued but has unvested awards outstanding
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 based on performance against individual targets which are cascaded down from the corporate targets. The maximum level of bonus is currently 50% of salary although in exceptional circumstances a higher bonus award may be made.

Senior employees have been granted options under the Option Plan on the same terms as the 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 existing Executive Directors. The relevant maximum will be pro-rated to reflect the period of employment over the year. Consideration will be given to the appropriate performance targets at the time of joining	50% of base salary in respect of the current financial year except in circumstances of exceptional strategic progress
Option Plan	→ The Option Plan would operate as outlined in the policy for existing 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 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 Executive Directors is 12 months' notice in writing by either party. The Company has the right to make a payment in lieu of notice of 12 months' salary plus the fair value of any benefits. There is no entitlement to payment for any accrued holiday where a payment in lieu of notice is made. The Committee will consider termination payments on a case-by-case basis. It will consider the terms of the Director's contract and the circumstances of the termination and might consider making an ex-gratia payment where the circumstances and/or a Director's contribution to the Company justifies this. If an ex-gratia payment is to be made, the Committee will ensure that it is satisfied that it is in the best interests of the Company to make such a payment and that there is no "reward for failure".

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

Treatment of incentives for leavers

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 will be retained regardless of leaver status but cannot be exercised prior to the vesting date. 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. In the case of both 1p and market price options, all options will vest automatically on a change of control.

b) Closed share incentive schemes

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

In relation to share appreciation rights (SARs) granted under the Company's Employee Share Option Scheme, SARs will lapse on the date of cessation of employment except in certain 'good leaver' circumstances which are generally defined as retirement, ill-health, disability, death, redundancy, transfer or sale of the employing company or any other circumstances at the discretion of the Committee. In the case of death, SARs shall be exercisable immediately for a period of one year from the date of death. In other good leaver circumstances, SARs will be exercisable for a period of six months from the date of cessation. Where the Committee exercises its discretion to allow a leaver to be a good leaver, the Committee may also determine both the proportion of the SAR award that may be exercised and the period during which the SARs can be exercised.

In the event of termination of employment or a change of control, shares 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 Directors and assist the Company in delivering its objectives
Operation	→ The fees for the Chairman and Non-Executive Directors are determined by the Board as a whole with Directors absenting from discussions regarding their own remuneration → The Board has regard to level of fees paid to the Non-Executive Directors of other similar sized companies and the time commitment and responsibilities of the role → Neither the Chairman nor the Non-Executive Directors participate in any of the Company's share schemes
Opportunity	→ The current annual fees are: →Chairman: £100,000 → Non-Executive Director basic fee: £40,000 → Committee Chairmanship: £10,000 → Senior Independent Director: £2,500 → The fee levels will be reviewed on a periodic basis with reference to the time commitment of the role and fee levels in comparative companies → No benefits or other remuneration are provided
Performance metrics	→ Not applicable to Non-Executive Directors

Recruitment

The Committee will follow the Non-Executive Director remuneration policy as set out above in relation to the appointment of a new Non-Executive Director.

Terms of appointment

The Non-Executive Directors do not have service contracts but are appointed for terms of three years. The appointment can be terminated at any time by either party giving one month's notice to the other. Details of appointments are set out below:

Director	Appointment date	Original appointment letter	Revised appointment letter
Keith Lough	14 January 2014	14 January 2014	1 February 2017
			15 May 2019
John Summers	1 February 2014	3 February 2014	1 February 2020
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 2021, the Committee comprised 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	3[†]
Total meetings during year	**3**

† Invitee

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

- → Confirming the staff salary adjustments for 2021
- → Considering bonus awards for the year ended 31 December 2020 including the terms of the deferral of the bonus awards for the 2019 and 2020 financial years
- → Approving the Directors' Remuneration Report for the year ended 31 December 2020
- → Considering the corporate targets for the 2021 financial year for recommendation to the Board
- → Considering the vesting of the 2018 LTIP awards and constitution of the peer group for the 2019 LTIP awards
- → Approving the terms of the departure of the Chief Financial Officer in respect of share incentives, deferred bonuses and deferred salary.

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		Pension/pension cash allowance £'000		Share Incentive Plan SIP awards £'000		Total £'000	
	Year ended 31 Dec 2021[i]	Year ended 31 Dec 2020	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020[ii]	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020[iii]	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020[iv]	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020[v]	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020
S J Moody	**283.0**	341.0	**3.8**	7.2	**0**	0	**0**	77.6	**46.6**	51.1	**0**	4.5	**333.4**	481.4
S MacDonald	**241.3**	280.0	**2.3**	5.6	**0**	0	**0**	73.5	**38.3**	42.0	**0**	4.5	**281.9**	405.6

(i) The Executive Directors 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

(ii) Includes pro rata travel allowance of £7500 p.a. which was cancelled with effect from 1 June 2020

(iii) A bonus payment of £46,320 (SJ Moody) and £38,040 (S MacDonald) will become payable in respect of the 2020 financial year upon completion of the farmout to Navitas Petroleum which includes approval by the Falkland Islands Government (FIG). Further bonus payments in respect of the 2019 financial year of £38,000 (SJ Moody) and £31,333 (S MacDonald) are payable following execution of the Sea Lion farmout agreement and related documentation

(iv) Represents value of LTIPs which vested during the 2020 financial year based on the mid-market price on 16th June 2020 (date of vesting). The options had not been exercised as at the date of this report

(v) The SIP was suspended from the end of May 2020 and no further share awards have been made under the SIP since that date.

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 2021	Year ended 31 December 2020	**Year ended 31 December 2021**	Year ended 31 December 2020	**Year ended 31 December 2021**	Year ended 31 December 2020
K G Lough	**93.8**(i)	100.0	**—**	—	**93.8**	100.0
A C Baker	**40.0**	40.0	**12.5**	12.5	**52.5**	52.5
A J Summers (appointed as Remuneration Committee Chair wef 1 May 2020)	**40.00**	40.0	**10.0**	6.7	**50.0**	46.7
T P Bushell (resigned 30 April 2020)	**0**	13.3	**0**	3.3	**0**	16.7

(i) The Chairman 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

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 (2020: £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 2021

Annual bonus

In respect of the financial period, the Committee agreed that the Executive Director annual bonus opportunity would be up to 50 per cent of base salary. The objectives that had been agreed at the beginning of the 2021 financial year for were amended during the year in response to external events and were set as follows:

- **Resumption of Sea Lion project in preparation of future Final Investment Decision**
- **Demonstrate clear progress in relation to ESG objectives**
- **Progress the Ombrina Mare arbitration**
- **Preservation of the Company's cash position**
- **Continue to explore alternative development and financing solutions for the Sea Lion project.**

The Committee had recognised the efforts of the Executive Directors during 2021 but had agreed that no bonus payments would be paid in respect of the 2021 financial year in order to preserve cash resources.

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 2018 LTIPs at the conclusion of the performance period on 31 March 2021 and had concluded that no LTIPs had vested according to the terms of the performance condition attached to the LTIP. The Committee had also reviewed the constitution of the peer group for the 2019 LTIP awards following the merger during 2021 of Premier Oil and Chrysaor to form Harbour Energy plc and had concluded that it was appropriate to replace Premier Oil with Harbour Energy in the peer group for the 2019 LTIPs.

Implementation of Executive Director remuneration policy for 2022

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, salaries would not be increased on 1 January 2022 but that the position would be reviewed during the course of 2022 to determine whether any adjustment to base salaries should be made which could be backdated to the beginning of 2022.

Annual bonus

For 2022, the Executive Director'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 2022:

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

Option Plan

The Committee has agreed that no further awards of options will 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.

Since the year end, the performance period for the LTIP awards granted on 31 July 2019 (2019 LTIPs) has come to an end. The Committee was provided data by the LTIP's valuers of the performance of the Company against its peer group over the relevant performance period in terms of Total Shareholder Return. It concluded that 3,300,001 of the 2019 LTIP's had vested, with the balance lapsing.

Benefits and pension contributions

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

Implementation of Non-Executive Director remuneration policy for 2022

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

Role	Type of fee	
Chairman	Total fee	£100,000
Other Non-Executive Directors	Basic fee	£40,000
	Chairman of Remuneration and Audit & Risk Committees	£10,000
	Senior Independent Director	£2,500

Statement of directors' shareholdings

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

	At 31 December 2021 Ordinary 1p shares	At 31 December 2020 Ordinary 1p shares
Samuel Moody	**2,570,729**	2,570,729
Stewart MacDonald	**447,396**	447,396
Keith Lough	**228,515**	228,515
Alison Baker	**70,000**	70,000
John Summers	**318,329**	318,329

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

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

(a) Option Plan

(i) Unvested Option Awards

Director	Date of grant	Options held at 31 December 2020	Granted	Lapsed/ relinquished during Year	Awards held at 31 December 2021	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
S MacDonald	19.05.20	2,833,333	—	—	2,833,333*	£0.0625	19.05.23
	19.05.20	2,833,333	—	—	2,833,333*	£0.0625	19.05.24
	19.05.20	2,833,334	—	—	2,833,334*	£0.0625	19.05.25

* Following S MacDonald's departure from the Company post year end these options have been relinquished.

(ii) Vested Option Awards

Director	Date of grant	Vested awards held at 31 December 2020	Exercised during the year	Vested during Year	Exercised price	Vested awards held at 31 December 2021
SJ Moody	19.05.20	—	—	1,691,048	£0.01	1,691,048
S MacDonald	19.05.20	—	—	1,388,762	£0.01	1,388,762

(b) LTIP (suspended)

(i) Unvested LTIP Awards

Director	Date of grant	Awards held at 31 Dec 2020	Granted	Lapsed/ relinquished during Year	Vested	Awards held at 31 Dec 2021	Market price at date of award'	Performance period	Earliest vesting date
SJ Moody	23.04.18	2,100,000	—	2,100,000	—	—	£0.2550	01.04.18-31.03.21	—
	31.07.19	2,100,000	—	—	—	2,100,000	£0.2075	01.04.19-31.03.22	01.04.22
S MacDonald	23.04.18	1,900,000	—	1,900,000	—	—	£0.2550	01.04.18-31.03.21	—
	31.07.19	2,100,000	—	—	—	2,100,000	£0.2075	01.04.19-31.03.22	01.04.22

(ii) Vested LTIP Awards

Director	Date of grant	Vested awards held at 31 December 2020	Exercised during the year	Vested awards held at 31 December 2021
S J Moody	08.10.13	177,802	—	177,802*
	16.06.17	912,000	—	912,000
S MacDonald	10.03.14	70,391	—	70,391*
	16.06.17	864,000	—	864,000

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

(c) Employee Share Option Plan (discontinued)

The share appreciation rights outstanding as at 31 December 2021 and held by individuals who were Directors during the year ended 31 December 2021 are:

Director	Date of grant	Awards held at 31 December 2020	Exercised during the year	Lapsed during the year	Awards held at 31 December 2021	Exercise price Pence
S J Moody	11.01.11	76,056	—	76,056	—	372.75
	17.01.12	77,777	—	—	77,777	303.75
	30.01.13	91,077	—	—	91,077	159.00
		244,910	**—**	**76,056**	**168,854**	

Share price movements during year ended 31 December 2021

The mid-market closing price of the Company's shares as at 31 December 2021 was 8.45 pence (31 December 2020: 6.2 pence). The range of the trading price of the Company's shares during the year was between 4.50 pence and 12.50 pence.

Executive Director external appointments

S J Moody is a Non-Executive Director of Greenland Gas & Oil Limited for which he does not receive a fee.

By order of the Board

AJ Summers
Chairman of the Remuneration Committee

27 May 2022

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 2020: £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 6 for more details.

Substantial shareholders
At 30 April 2022 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
RAB Capital/William Phillip Seymour Richards	19,000,220	4.14
Aedos Advisers	17,545,290	3.83

Directors
The present members of the Board are as listed in the Board composition section of the Governance Report. The interests of the Directors in office at the year end in the share capital of the Company are shown in the Directors' Remuneration Report along with details of their service contracts and terms of appointment.

Post balance sheet events
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 25.

Related party transactions
Related party transactions are disclosed in note 24.

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 25.

Political and charitable contributions
The Group made no charitable donations (year ended 31 December 2020: £nil) and no political donations (year ended 31 December 2020: £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 46 days (year ended 31 December 2020: 26 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 12 employees at the year end, two of whom are Executive Directors. The Group seeks to employ people on the basis of merit and ability to perform the required roles. The Group does not discriminate on any grounds including race, gender, religion, age, nationality or sexual orientation.

Environment
The Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to the Group) in the jurisdiction in which it operates. Although the Group intends to be in compliance with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, that could subject the

Group to extensive liability. Further, the Group may fail to obtain the required approval from the relevant authorities necessary for it to undertake activities which are likely to impact the environment. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with 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

27 May 2022

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 2021 and of the Group's loss 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 2021 which comprise of 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, notes to the consolidated financial statements, the Company Balance Sheet, the Company Statement of Changes in Equity and the notes to the Company 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. As stated in note 1.5 the Group has forecasted that it will need additional funding for working capital and to achieve Sea Lion Final Investment Decision (FID). The raising of such funds requires conditions precedent to be complied with, some of which are beyond the Directors' control. 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 2023. We assessed the reasonableness of underlying assumptions such as forecast levels of revenue and expenditure used in preparing these forecasts by agreeing to production levels and historic costs. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the Directors' forecasts to budgets used as part of the Navitas transaction.
- 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 verified cash balances used in the forecast close to the date of sign off of these financial statements to further assess the accuracy of the Directors' forecasting.
- → We reviewed available documentation with regards to the progress made by the Directors on the raising of further equity finance. This was considered in the context of the success of past fund raising achieved by the Directors.
- → We reviewed the Directors' stress testing forecasts to the extent of reasonable worst-case scenarios, which included the impact cash flow forecast should further funding not be available, and should the transaction with Navitas not complete.
- → 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	100% of Group net loss 92% of Group total assets	
		2021
Key audit matters	Recoverability of the Exploration and Evaluation assets – Sea Lion Development	✓
	Recoverability of the Company's receivables due from Group companies	✓
	Going concern	✓
	Valuation of deferred CGT liability	✓
Materiality	Group financial statements as a whole $2,580,000 based on 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, Rockhopper Exploration (Oil) Limited, Falkland Oil and Gas Limited, Rockhopper Civita Limited and Rockhopper Italia SpA which were subject to a full scope audit together with the Parent Company. The Group audit team performed the audit of the Parent Company and all significant components.

In addition, Desire Petroleum Limited, Rockhopper Resources Limited, Rockhopper Exploration (Petrochemicals) Limited and Rockhopper Mediterranean Limited, which were treated as insignificant components, were subject to specific audit procedures on the significant risk areas and analytical procedures performed by the group team.

The remaining components of the Group were considered insignificant and these 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 of our report, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Recoverability of the Exploration and Evaluation assets – Sea Lion Development See notes 1.6 (d) and 14 to the financial statements.	A large portion of Rockhopper's E&E assets relate to the Phase 1 Sea Lion Development (SLD), representing >90% of the Group's total assets. During 2021, the former partner, Harbour Energy, has exited the project and a heads of terms farm-in agreement with Navitas was agreed, subject to regulatory approval. Navitas will provide long term funding and expertise for the SLD to create a lower cost development with the target to reach Final Investment Decision (FID) by early 2024. Reviewing indicators of impairment and assessment of carrying values require significant judgements and therefore we identified this as a key audit matter.	We have reviewed management's impairment assessments for the Sea Lion Development. Our procedures included the following: • We considered whether management's assessments of impairment had been carried out in accordance with the requirements of IFRS 6 and determined whether any impairment indicators existed as at 31 December 2021. This is deemed to be the key management judgment. • We held discussions with management to understand the recent progress with respect to the Sea Lion Development and reviewed sources of external evidence, for example, news releases, to identify any contradictory information. • We assessed the latest phase 1 plans, including assessing external factors and forecast oil prices by comparing to readily available market data to confirm the project's feasibility and consistency with management's representations. • We reviewed the validity of the licence related to the Sea Lion Development by agreeing to the underlying license terms and reviewing online cadastres for evidence that the license may not be valid. We also reviewed correspondence to confirm that plans for the licence renewal for an additional two years is in progress and is at an advanced stage. **Key observations:** Based on our work we concur with the judgements and estimates made by management in their impairment indicator assessment.

Key audit matter		How the scope of our audit addressed the key audit matter
Recoverability of the Company's receivables due from Group companies See notes 1.6 (i) to the Group financial statements and 4 to the Parent's financial statements.	The parent company has total receivables of US$ 268 million due from group companies (2020: $278 million). The receivables due from group companies are subject to loan agreements, repayable on demand and interest free. In line with with IFRS 9 'Financial instruments', these receivables should be tested for impairment by measuring the expected credit loss (ECL) of the financial assets held at amortised cost. The ECL impairment assessments involve a material balance and requires significant judgement. There is the risk that the valuation of the assets may be incorrect, and any potential impairment charge or reversal miscalculated. As such, this was identified this as a key audit matter.	Our procedures in relation to the recoverability of the Company's receivables due from Group companies are set out below. • We obtained management's calculation of the expected credit losses on recievables due from Group undertakings in the Company and: – challenged the probability of success used in determining the ECL for each tranche of the receivable. – recalculated management's expected credit loss to check the mathematical accuracy of the model. **Key observations:** Based on the procedures performed, management's estimates and judgements in relation to the recoverability of the receivables due from Group companies were appropriate.
Valuation of Deferred Capital Gains Tax (CGT) liability See notes 1.6 (j) and 18 to the financial statements.	On 8 April 2015, the Group agreed a Tax Settlement Deed with the Falkland Islands Government (FIG) in relation to the tax arising from the Group's farm-out to Premier. The Tax Settlement Deed (TSD) confirms the quantum and deferment of the outstanding tax liability. During 2017, as a result of the Group receiving the full Exploration carry back from Premier during the 2015/16 drilling campaign, the Falkland Islands Commissioner of Taxation agreed to reduce the tax liability in line with the terms of the TSD to £59.6 million. Management has recorded the outstanding tax liability at its fair value, taking into account the time value of money and when it will be paid. The timing and discount for the time value of money of any payment requires significant management judgement and the balance is highly material, thus we considered this as a key audit matter.	Our audit procedures related to the deferred CGT liability are set our below. • We obtained and documented our understanding of the Tax Settlement Deed entered into by the Group with FIG. • We obtained recent correspondence with FIG that indicated that the farm out to Navitas was not a triggering event; • We critically assessed and challenged management's judgement around the timing and discount rate used to calculate the fair value of the liability by agreeing to investor presentations and BFS timings and by comparing to corroborative externally available benchmarking data to ascertain a range of appropriate discount rates. **Key observations:** Based on the procedures performed, management's judgements in relation to the valuation of the deferred CGT liabilty were 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 **2021** **$**	**Parent company financial statements** **2021** **$**
Materiality	2,580,000	2,322,000
Basis for determining materiality	1.0% of total assets	90% of Group materiality
Rationale for the benchmark applied	We consider 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.
Performance materiality	1,670,000	1,500,000
Basis for determining performance materiality	65% of materiality based on it being our first year auditing the Group and Parent Company.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 5% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $129,000 to $2,064,000. In the audit of each component, we further applied performance materiality levels of 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 $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 2021 Annual Report 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. All procedures are applicable to both the Group and components, as the work over all components has been performed by the Group team:

- → We obtained an understanding of the Group's and component activities and considered the laws and regulations of the UK, Italy and the Falkland Islands to be of significance in the context of the Group audit. In doing so, we made inquiries of management and the Audit Committee, considered the Group's and components' control environment as it pertains to compliance with laws and regulations and considered the activities of the Group. We determined the most significant laws and regulations to be UK and Falkland Islands tax legislation, the UK Companies Act 2006, employment laws and data protection regulations.
- → We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- → We made inquiries of management and the Board and reviewed Board and Committee minutes to identify any instances of irregularities or non-compliance.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls, revenue recognition and the assessment of the carrying value of the Sea Lion development.

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

- → Agreeing the financial statement disclosures to underlying supporting documentation and performed unpredictability testing on account balances which were considered to be at a greater risk of susceptibility to fraud.
- → Testing the appropriateness of journal entries made throughout the period which met a specific risk-based criteria;
- → Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount;
- → 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;
- → 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; and
- → As part of our testing of management override of controls we performed procedures on accounts subject to greater management estimate including carrying value of exploration and evaluation assets and deferred capital gains tax, refer to key audit matters above.

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

27 May 2022

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 2021

	Notes	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Revenue	3	**839**	2,754
Other cost of sales		**(1,141)**	(2,109)
Depreciation and impairment of oil and gas assets		**(667)**	(2,692)
Total cost of sales	4	**(1,808)**	(4,801)
Gross loss		**(969)**	(2,047)
Other exploration and evaluation expenses		**(398)**	(2,431)
Impairment reversal/(loss)of exploration and evaluation assets		**273**	(223,280)
Total exploration and evaluation expenses	5	**(125)**	(225,711)
Non recurring restructuring costs		**—**	(614)
Recurring administrative costs		**(3,263)**	(4,010)
Total administrative expenses	6	**(3,263)**	(4,624)
Charge for share based payments	9	**(824)**	(1,840)
Foreign exchange movement	10	**789**	(1,438)
Results from operating activities		**(4,392)**	(235,660)
Finance income	11	**4**	44
Finance expense	11	**(3,522)**	(819)
Loss before tax		**(7,910)**	(236,435)
Tax charge/(expense)	12	**151**	(69)
Loss for the year attributable to the equity shareholders of the parent company		**(7,759)**	(236,504)
Loss per share attributable to the equity shareholders of the parent company: cents			
Basic	13	**(1.70)**	(51.73)
Diluted	13	**(1.70)**	(51.73)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Loss for the year	**(7,759)**	(236,504)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**889**	(893)
Total comprehensive loss for the year	**(6,870)**	(237,397)

The notes on pages 50 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

	Notes	31 December 2021 $'000	31 December 2020 $'000
Non current assets			
Exploration and evaluation assets	14	**249,583**	244,349
Property, plant and equipment	15	**201**	1,420
Finance lease receivable		**730**	462
Current assets			
Inventories		**—**	310
Other receivables	16	**2,074**	2,464
Finance lease receivable		**288**	187
Restricted cash		**579**	486
Cash and cash equivalents		**4,822**	11,680
Total assets		**258,277**	261,358
Current liabilities			
Other payables	17	**2,000**	3,790
Lease liability		**286**	567
Non-current liabilities			
Lease liability		**842**	1,273
Tax payable	18	**43,204**	40,703
Provisions	19	**18,287**	15,158
Deferred tax liability	20	**39,137**	39,300
Total liabilities		**103,756**	100,791
Equity			
Share capital	21	**7,218**	7,218
Share premium	22	**3,622**	3,622
Share based remuneration	22	**4,327**	5,973
Own shares held in trust	22	**(3,342)**	(3,342)
Merger reserve	22	**74,332**	74,332
Foreign currency translation reserve	22	**(9,682)**	(10,571)
Special reserve	22	**175,281**	188,028
Retained losses	22	**(97,235)**	(104,693)
Attributable to the equity shareholders of the company		**154,521**	160,567
Total liabilities and equity		**258,277**	261,358

These financial statements on pages 46 to 68 were approved by the directors and authorised for issue on 27 May 2022 and are signed on their behalf by:

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

The notes on pages 50 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 2019	7,212	3,547	4,871	(3,371)	74,332	(9,678)	433,766	(114,565)	396,114
Loss for the year	—	—	—	—	—	—	—	(236,504)	(236,504)
Other comprehensive loss for the year	—	—	—	—	—	(893)	—	—	(893)
Total comprehensive loss for the year	—	—	—	—	—	(893)	—	(236,504)	(237,397)
Share based payments (see note 9)	—	—	1,840	—	—	—	—	—	1,840
Share issues in relation to SIP	6	75	—	(71)	—	—	—	—	10
Other transfers	—	—	(738)	100	—	—	(245,738)	246,376	—
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**

See note 22 for a description of each of the reserves of the Group

Other transfers relate to amounts transferred from the Share based remuneration reserve to Retained losses 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 Parent Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Cash flows from operating activities			
Loss before tax		**(7,910)**	(236,435)
Adjustments to reconcile net losses to cash:			
Depreciation	15	**1,082**	808
Share based payment charge	9	**824**	1,840
Impairment of oil and gas assets	15	**—**	1,114
Impairment reversal of exploration and evaluation assets	14	**(273)**	223,280
(Loss)/profit on disposal of property, plant and equipment		**(156)**	4
Finance expense		**3,601**	816
Foreign exchange		**(640)**	1,315
Operating cash flows before movements in working capital		**(3,472)**	(7,258)
Changes in:			
Inventories		**287**	1,289
Other receivables		**176**	1,904
Payables		**420**	(1,320)
Movement on other provisions		**6**	(54)
Cash utilised by operating activities		**(2,583)**	(5,439)
Cash flows from investing activities			
Capitalised expenditure on exploration and evaluation assets		**(3,248)**	(14,570)
Purchase of property, plant and equipment		**(228)**	(85)
Disposal of assets held for sale		**—**	14,763
Investing cash flows before movements in capital balances		**(3,476)**	108
Changes in:			
Restricted cash		**(100)**	—
Cash flow from investing activities		**(3,576)**	108
Cash flows from financing activities			
Share incentive plan		**—**	10
Lease liability payments		**(587)**	(382)
Finance expense paid		**—**	(19)
Cash flow from financing activities		**(587)**	(391)
Currency translation differences relating to cash and cash equivalents		**(112)**	179
Net cash flow		**(6,746)**	(5,722)
Cash and cash equivalents brought forward		**11,680**	17,223
Cash and cash equivalents carried forward		**4,822**	11,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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 International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. The consolidated financial statements were approved for issue by the board of directors on 27 May 2022 and are subject to approval at the Annual General Meeting of shareholders on 28 June 2022.

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.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase2)

New accounting pronouncements

At 31 December 2021, the following Standards, Amendments and Interpretations were in issue but not yet effective:

- IFRS 17: Insurance contracts, IFRS 10 and IAS 28 (amendments): Sale or contribution of assets between an investor and an associate or joint venture, Amendments to IAS 1: Classification of liabilities, Amendments to IFRS 3: Reference to the Conceptual Framework, Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use, Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract, Annual Improvements to IFRS Standards: 2018-2020 Cycle, Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture, Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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.

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 2021, the Group had cash resources of US$4.8 million. As at the end of April 2022 the Group had cash resources of $US3.4 million and as well as normal working capital requirements expects a number of non recurring costs in relation to the Transaction. Going forward projected recurring expenditure is around US$4.0 million per year.

Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. In April 2022, the Group signed definitive documentation to bring Navitas into the North Falkland Basin (the "Transaction"). The Transaction is subject to certain conditions precedent, the most important of which are certain consents from FIG which include, but are not limited to, a two year extension on the Licences being acquired, Navitas being approved as an Operator and certain tax clearances from FIG. Assuming completion, Navitas will provide loan funding to the Group for its share of all Sea Lion pre-sanction costs (other than licence fees, taxes and project wind down costs).

Management believe that the Transaction will complete before the end of the year. Based on previous correspondence with FIG, Management does not believe the Transaction completion would constitute a substantial disposal and therefore will not accelerate the deferred CGT liability related to the 2012 farm out.

Even in the case of Transaction completion Management has determined that the Group will require further funding for working capital and to achieve Sea Lion FID, with FID estimated to be in early 2024. The Group believes that a funding solution is achievable, with options including the issue of equity in addition to the potential award of significant monetary damages with respect to international arbitration proceedings against the Republic of Italy in relation to the Ombrina Mare field which were declared closed on the 25 April 2022. At the time of writing, the final form and availability of funding is yet to be determined. Subject to market conditions we anticipate having raised sufficient funds by the end of Q3 2022.

In the event the Transaction does not complete then as well as working capital requirements it is possible that this could lead to the acceleration of Falkland Island infrastructure decommissioning costs currently estimated at US$4.0million (Group's net share), for which the Group is not funded.

Accordingly, after making enquiries and considering the risks described above, the Directors have reviewed the Group's overall position and given their belief, that raising funds will be possible, 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.

Given the Directors' confidence in their ability to complete a funding solution in the near term, the Directors believe that the Group will be sufficiently funded and believe the use of the going concern basis is appropriate. Nonetheless, for the avoidance of doubt, in the downside scenarios in which either the transaction does not complete or a funding solution Is not completed and in the absence of potential mitigating actions, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Consolidated 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 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1.6 Significant accounting policies (continued)

(B) Basis of consolidation (continued)

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 centered in the UK.

(D) Oil and gas assets

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

Exploration and evaluation ("E&E") expenditure

Expensed exploration & evaluation costs

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

Capitalised intangible exploration and evaluation assets

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

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

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

Development and production assets

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

Depreciation of producing assets

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

Disposals

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

Decommissioning

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

(E) 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 2021	31 December 2020
£ : US$	**1.35**	1.36
€ : US$	**1.13**	1.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1.6 Significant accounting policies (continued)

(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) 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.

(iv) 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.

(v) Account and other payables

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

(vi) Equity instruments

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

(J) Income taxes and deferred taxation

The current tax expense is based on the taxable profits for the 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:

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

Tax payable (note 18) – judgements

Decommissioning costs (note 19) – 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

3. Revenue and segmental information (continued)

Year ended 31 December 2020	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
Revenue	—	2,754	—	2,754
Cost of sales	—	(4,801)	—	(4,801)
Gross loss	—	(2,047)	—	(2,047)
Exploration and evaluation expenses	(222,593)	(2,312)	(806)	(225,711)
Restructuring costs	—	—	(614)	(614)
Recurring administrative costs	—	(1,096)	(2,914)	(4,010)
Total administrative expenses	—	(1,096)	(3,528)	(4,624)
Charge for share based payments	—	—	(1,840)	(1,840)
Foreign exchange (loss)/gain	(1,537)	78	21	(1,438)
Results from operating activities and other income	(224,130)	(5,377)	(6,153)	(235,660)
Finance income	—	6	38	44
Finance expense	—	(305)	(514)	(819)
Loss before tax	(224,130)	(5,676)	(6,629)	(236,435)
Tax	—	(69)	—	(69)
Loss for year	(224,130)	(5,745)	(6,629)	(236,504)
Reporting segments assets	243,647	4,643	13,068	261,358
Reporting segments liabilities	79,840	16,301	4,650	100,791
Depreciation and impairments	222,584	1,429	493	224,506

All of the Group's worldwide sales revenues of oil and gas $839 thousand (2020: $2,754 thousand) arose from contracts to customers. Total revenue relates to revenue from one customer (2020: two customers each exceeding 10 per cent of the Group's consolidated revenue).

4. Cost of sales

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Other cost of sales	**1,141**	2,109
Impairment of oil and gas assets (see note 15)	**—**	1,114
Depreciation of oil and gas assets (see note 15)	**667**	232
Depreciation and impairment on assets held for sale	**—**	1,346
	1,808	4,801

5. Exploration and evaluation expenses

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Allocated from administrative expenses (see note 6)	**143**	799
Capitalised exploration costs impaired (see note 14)	**(273)**	223,280
Impairment on assets held for sale	**—**	314
Other exploration and evaluation expenses	**255**	1,318
	125	225,711

6. Administrative expenses

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Directors' salaries and fees, including bonuses (see note 7)	**1,114**	1,090
Other employees' salaries	**930**	1,806
National insurance costs	**453**	483
Pension costs	**89**	325
Employee benefit costs	**45**	82
Total staff costs (including group restructuring costs)	**2,631**	3,786
Amounts reallocated	**(751)**	(937)
Total staff costs charged to administrative expenses	**1,880**	2,849
Auditors' remuneration (see note 8)	**161**	244
Other professional fees	**554**	588
Other	**867**	1,222
Depreciation	**149**	162
Amounts reallocated	**(348)**	(441)
	3,263	4,624

The average number of full time equivalent staff employed during the year was 9 (2020: 13). As at the year end the Group employed 12 staff, 8 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 2021 $'000	Year ended 31 December 2020 $'000
Executive salaries	**725**	812
Company pension contributions to money purchase schemes & pension cash allowance	**117**	120
Benefits	**8**	21
Non-executive fees	**272**	278
	1,122	1,231

The total remuneration of the highest paid director was:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Annual salary	**283**	341
Money purchase pension schemes	**47**	51
Benefits	**4**	7
	334	399

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

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for the year ended 31 December 2021

8. Auditors' remuneration

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**135**	135
Fees payable to the Company's auditors and its associates for other services:		
Audit of the accounts of subsidiaries	**26**	58
Half year review	**—**	33
	161	226

Amounts in the current year related to BDO LLP. Amounts in the prior year related to previous auditor PricewaterhouseCoopers LLP.

After completion of the 2019 consolidated financial statements additional audit fees for subsidiaries amounting to $18,000 were incurred. These were included in the results for 2020, but are not included in the analysis above.

9. Share based payments

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

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Charge for option scheme	**257**	530
Charge for the long term incentive plan options	**567**	1,112
Charge for shares issued under the SIP	**—**	198
	824	1,840

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").

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	19 May 2020
Vesting date	19 Nov 2020	19 May 2021	19 May 2023	19 May 2024	19 May 2025
Closing share price (pence)	6.25	6.25	6.25	6.25	6.25
Number granted	1,986,972	6,357,616	7,949,997	7,950,000	7,950,003
Weighted average volatility	50.0%	50.0%	50.0%	50.0%	50.0%
Weighted average risk free rate	0.08%	0.07%	0.10%	0.12%	0.14%
Exercise price (pence)	1.00	1.00	6.25	6.25	6.25
Dividend yield	0%	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.

Generally, in calculating the charge a 100% of staff are assumed to be employed for the vesting period. The departure of an executive director was known pre year end and so the charge was adjusted to reflect this fact even though the options did not lapse until after the year end.

The following movements occurred during the year:

Issue date	Vesting date	Expiry date	At 31 December 2020	Lapsed	At 31 December 2021
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	—	**7,949,997**
19 May 2020	19 May 2024	18 Nov 2030	7,950,000	—	**7,950,000**
19 May 2020	19 May 2025	18 Nov 2030	7,950,003	—	**7,950,003**
			32,194,588	—	**32,194,588**

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	16 June 2017
Closing share price	20.75	25.7p	21.25p
Number granted	7,200,000	7,000,000	6,700,000
Weighted average volatility	50.0%	44.4%	53.3%
Weighted average volatility of index	70.0%	64.0%	71.4%
Weighted average risk free rate	0.35%	0.90%	0.18%
Correlation in share price movement with comparator group	5%	13.0%	15.3%
Exercise price	0p	0p	0p
Dividend yield	0%	0%	0%

The following movements occurred during the year:

Issue date	Expiry date	At 31 December 2020	Expired	At 31 December 2021
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**
23 April 2018	23 April 2028	7,000,000	(7,000,000)	**—**
31 July 2019*	31 July 2029	7,200,000	—	**7,200,000**
		18,032,536		**11,032,536**

* Denotes LTIPs that had not completed the Performance Period and as such were unvested at the year end. After the year end 3,300,001 of the LTIPs vested, with the balance lapsing.

Share incentive plan

The Group had in place an HMRC approved Share Incentive Plan ("SIP"). The SIP allowed the Group to award Free Shares to UK employees (including directors) and to award shares to match Partnership Shares purchased by employees, subject to HMRC limits. New share awards under the SIP ended in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

9. Share based payments (continued)
Share incentive plan (continued)

In the year ended 31 December 2020 the Group issued two Matching Shares for every Partnership Share purchased and made a free award of £35,999 worth of Free Shares to eligible employees.

This resulted in the issue of 195,756 Free Shares and 306,606 SIP scheme matching and partnership shares.

	31 December 2020
The average fair value of the shares awarded (pence)	21
Vesting	100%
Dividend yield	Nil
Lapse due to withdrawals	Nil

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.

On exercise, an option price of 1 pence per ordinary share, being the nominal value of the Company's ordinary shares, is paid and the relevant awardee will be issued with ordinary shares with a market value at the date of exercise equivalent to the notional gain that the awardee would have made, being the amount by which the aggregate market value of the number of ordinary shares in respect of which the SAR is exercised, exceeds a notional exercise price, equal to the market value of the shares at the time of grant (the "base price"). All SARs have vested and the remuneration committee has discretion to settle the exercise of SARs in cash.

The following movements occurred during the year:

Issue date	Expiry date	Exercise price (pence)	At 31 December 2020	Expired	**At 31 December 2021**
11 January 2011	11 January 2021	372.75	175,048	(175,048)	**—**
14 July 2011	14 July 2021	239.75	43,587	(43,587)	**—**
16 August 2011	16 August 2021	237.00	17,035	(17,035)	**—**
13 December 2011	13 December 2021	240.75	29,594	(29,594)	**—**
17 January 2012*	17 January 2022	303.75	244,541	—	**244,541**
30 January 2013	30 January 2023	159.00	277,162	—	**277,162**
			786,967	(265,264)	**521,703**

* Denotes SARs that lapsed post year end.

10. Foreign exchange

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Foreign exchange gain/(loss) on Falkland Islands tax liability (see note 18)	**679**	(1,537)
Other foreign exchange movements	**110**	99
Total net foreign exchange gain/(loss)	**789**	(1,438)

11. Finance income and expense

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Bank and other interest receivable	**4**	44
Total finance income	**4**	44
Unwinding of discount on Falkland Islands Tax Liability (see note 18)	**3,180**	—
Unwinding of discount on decommissioning provisions (see note 19)	**274**	296
Other	**68**	523
Total finance expense	**3,522**	819

12. Taxation

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Current tax:		
Overseas tax	—	—
Adjustment in respect of prior years	—	(10)
Total current tax	—	(10)
Deferred tax:		
Overseas tax	**(151)**	79
Total deferred tax (credit)/charge – note 20	**(151)**	79
Tax on profit on ordinary activities	**(151)**	69
Loss on ordinary activities before tax	**(7,910)**	(236,435)
Loss on ordinary activities multiplied at 26% weighted average rate (31 December 2020: 26%)	**(2,057)**	(61,473)
Effects of:		
Income and gains not subject to taxation	**(248)**	—
Expenditure not deductible for taxation	**827**	58,812
Depreciation in excess of capital allowances	**281**	9
IFRS2 Share based remuneration cost	**214**	478
Losses carried forward	**983**	2,349
Effect of tax rates in foreign jurisdictions	—	(156)
Other	—	(19)
Adjustments in respect of prior years	—	(10)
Current tax credit for the year	—	(10)

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

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
UK	**77,393**	74,762
Falkland Islands	**619,400**	618,444
Italy	**65,202**	64,086

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 2021 Number	31 December 2020 Number
Shares in issue brought forward	**458,482,117**	457,979,755
Shares issued		
– Issued under the SIP	—	502,362
Shares in issue carried forward	**458,482,117**	458,482,117
Weighted average number of Ordinary Shares	**458,482,117**	458,289,239
Shares held in Employee Benefit Trust	**(3,131,000)**	(3,131,000)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**455,351,117**	455,158,239

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for the year ended 31 December 2021

13. Basic and diluted loss per share (continued)

	$'000	$'000
Net loss after tax for purposes of basic and diluted earnings per share	**(7,759)**	(236,504)
Loss per share – cents		
Basic	**(1.70)**	(51.73)
Diluted	**(1.70)**	(51.73)

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 3,131,000 Ordinary shares held in an Employee Benefit Trust which have been purchased to settle future exercises of options. As the Group is reporting a loss in the year then in accordance with IAS33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

14. Intangible exploration and evaluation assets

	Falkland Islands $'000	Greater Mediterranean $'000	Total $'000
At 31 December 2019	464,639	1,181	465,820
Additions	1,592	147	1,739
Written off to exploration costs	(222,584)	(696)	(223,280)
Foreign exchange movement	—	70	70
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**

Falkland Islands Licences

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy.

The additions during the year of $5.0 million relate principally to the Sea Lion development, with the majority of this movement being non-cash and relating to the recognition of a provision for decommissioning Falkland Islands facilities.

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 is bringing on board a new partner with a track record of funding large offshore developments
→ As part of the Transaction a two year license extension is being sought
→ Whilst inflationary pressures exist, increasing potential capital costs, Rockhopper and Navitas plan to use 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.

In the prior year, management made the judgement that the limited near term capital being invested outside of the Phase 1 project was an indicator of impairment in the subsequent phases of the project. Accordingly a decision was made, in line with the operator, 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.

15. Property, plant and equipment

	Oil and gas assets $'000	Right of use assets $'000	Other assets $'000	Total $'000
Cost				
At 31 December 2019	24,275	1,555	914	26,744
Additions	—	138	84	222
Foreign exchange	2,006	—	14	2,020
Disposals	—	—	(99)	(99)
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**
Depreciation and impairment				
At 31 December 2019	22,565	300	810	23,675
Charge for the year	232	528	48	808
Impairment	1,114	—	—	1,114
Foreign exchange	1,960	—	5	1,965
Disposals	—	—	(95)	(95)
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)
Derecognition	—	(880)	—	(880)
At 31 December 2021	**24,503**	**286**	**325**	**25,114**
Net book value at 31 December 2020	410	865	145	1,420
Net book value at 31 December 2021	**—**	**121**	**80**	**201**

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

16. Other receivables

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Current		
Receivables	**478**	620
Other	**1,596**	1,844
	2,074	2,464

The carrying value of receivables approximates to fair value. Other receivables includes US$0.7 million related to deferred considerations in relation to the disposal of the Group's Egyptian business. This is due to be received during 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

17. Other payables and accruals

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Accounts payable	**608**	1,021
Accruals	**1,129**	2,553
Other creditors	**263**	216
	2,000	3,790

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.

18. Tax payable

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Non current tax payable	**43,204**	40,703
	43,204	40,703

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

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

As a result of the Tax Settlement Deed the outstanding tax liability is confirmed at £59.6 million and payable on the 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.

The tax liability is a non current liability and as such has been discounted. Management in reviewing the carrying value of the tax liability have had to make key judgements about both the timing of the liability and the discount rate applied.

Management believe 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 would constitute a substantial disposal and therefore will not accelerate the liability. Currently, therefore, payment is anticipated to be in 5.5 years (2020: 5.0 years).

As at the year end a discount rate of 12% (2020: 15%) has been applied. Management has made the judgement to reduce the discount rate used at the year end due to a number of factors including a reduction in market interest rates of debt issued which in managements view has a similar risk profile. If the discount rate applied had been increased 2% this would have reduced the liability by $US4.0 million and if the rate had been decreased by 2% this would have increased the liability by $US4.5 million.

The impact of changes to these judgements in the year increased the balance by US$3.2 million (2020: US$nil) and has been treated as a finance expense.

This increase has been offset by a foreign exchange gain of US$0.7 million (2020: US$1.5 million loss) in the year.

19. Provisions

	Decommissioning provision $'000	Other provisions $'000	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Brought forward	15,067	91	**15,158**	13,636
Amounts utilized	—	—	**—**	(54)
Amounts arising in the year	4,000	6	**4,006**	7
Unwinding of discount	274	—	**274**	296
Foreign exchange	(1,144)	(7)	**(1,151)**	1,273
Carried forward at year end	18,197	90	**18,287**	15,158

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.

Amounts arising in the year relate to the Group's share of the potential costs arising on the removal of facilities in the Falkland Islands. This has been recognised during the year as in management's view it is probable that the facilities will require decommissioning in the future, all be it that currently our expectation is that following appropriate upgrades they will be able to be utilised as part of the Sea Lion development.

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 continues to believe it appropriate to use an inflation rate of 2 per cent (2020: 2 per cent) and a discount rate of 2 per cent (2020: 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$1,420 thousand. Similarly, a 10 per cent reduction in these estimated costs would decrease both the provision and the loss in the year by US$1,420 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.

20. Deferred tax liability

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
At beginning of period	**39,300**	39,221
Foreign exchange	**(12)**	—
Movement in period	**(151)**	79
At end of period	**39,137**	39,300

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. Deferred tax liability (continued)

Total carried forward losses and carried forward pre-trading expenditures available for relief on commencement of trade at 31 December 2021 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.

21. Share capital

	Year ended 31 December 2021		Year ended 31 December 2020	
	$'000	Number	$'000	Number
Authorised, called up, issued and fully paid: Ordinary shares of £0.01 each	**7,218**	**458,482,117**	7,218	458,482,117

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

22. Reserves

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

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

23. Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is US$0.4million (2020: US$0.4 million) relating to the Group's intangible exploration and evaluation assets.

24. 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. In addition there are deferred salary and bonus amounts that are contingent on future events and as such have not been recorded in these accounts. Further information about the remuneration of individual directors, including deferred salary and bonus amounts, is provided in the Directors' Remuneration Report on pages 26 to 35.

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Short term employee benefits	**1,005**	1,111
Pension contributions	**117**	120
Share based payments	**447**	873
	1,569	2,104

In the prior year directors purchased the following ordinary shares of £0.01 each in the Company as follows:

	Date	Number	Price (pence)
Sam Moody	15 January 2020	125,000	19.45
Keith Lough	15 January 2020	80,000	19.24
	8 June 2020	148,515	8.08
Stewart MacDonald	15 January 2020	80,000	19.24
Alison Baker	8 June 2020	70,000	8.85
John Summers	8 June 2020	74,229	8.08

25. 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.

The Group has cash and cash equivalents and restricted cash of US$5.4 million of which US$4.7 million was held in US$ 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 2021	253,975	1,859	2,443
31 December 2020	253,577	3,115	4,666
Liabilities			
31 December 2021	43,352	45,067	15,337
31 December 2020	41,338	43,152	16,301

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 2021	**(4,321)**	**4,321**	**(4,321)**	**4,321**
31 December 2020	(4,004)	4,004	(4,004)	4,004
US$ against euro				
31 December 2021	**(1,289)**	**1,289**	**(1,289)**	**1,289**
31 December 2020	(1,164)	1,164	(1,164)	1,164

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

25. Risk management policies (continued)

Risk review (continued)

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 2021 were $2,306,000 (31 December 2020: $2,079,000). Credit risk relating to the Group's other financial assets which comprise principally cash and cash equivalents, term deposits and restricted cash arises from the potential default of counterparties. Investments of cash and deposits are made within credit limits assigned to each counterparty. The risk of loss through counterparty failure is therefore mitigated by the Group splitting its funds across a number of banks, two of which are part owned by the British government.

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

Liquidity risks:

The Group 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.

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 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**	**46,532**

At 31 December 2020	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cashflows $'000	Carrying amount $'000
Other payables	3,790	—	—	3,790	3,790
Lease liability	608	1,473	—	2,081	1,840
Tax payable	—	—	81,867	81,867	40,703
	4,398	1,473	81,867	87,738	46,333

Tax payable amounts in the current and prior year relate to amounts as disclosed in note 18.

26. Post balance sheet events

On the 19th April 2022 the Group announced that it had signed legally binding definitive documentation with Harbour and Navitas in relation to Harbour exiting and Navitas entering the North Falkland Basin (the "Transaction").

The Transaction remains subject to completion pending, inter alia, regulatory approvals.

Under the Transaction Navitas will acquire Premier Oil Exploration and Production Limited ("POEPL"), the Company in which Harbour holds all of its Falkland Islands licences. The group and Navitas will seek to align working interests across all their North Falkland Basin petroleum licences – Rockhopper 35%/Navitas 65% – subject to all necessary consents.

The Group and Navitas will jointly develop and agree a technical and financing plan to enable the development of the Sea Lion project to achieve first oil on a lower cost and expedited basis post sanction.

Navitas wil provide loan funding to the Group to cover;

(i) the majority of its share of Sea Lion phase one related costs from Transaction completion up to Final Investment Decision ("FID") through a loan from Navitas with interest charged at 8% per annum (the "Pre-FID Loan").
(ii) 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.

PARENT COMPANY FINANCIAL STATEMENTS – COMPANY BALANCE SHEET

As at 31 December 2021

	Notes	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Non current assets			
Property, plant and equipment	2	**140**	820
Investments	3	**—**	—
Finance lease receivable		**730**	462
Group undertakings	4	**267,519**	278,224
Current assets			
Other receivables	5	**781**	1,113
Finance lease receivable		**288**	187
Restricted cash		**522**	425
Cash and cash equivalents		**4,098**	10,060
Total assets		**274,078**	291,291
Current liabilities			
Other payables	6	**11,320**	13,527
Lease liability		**235**	480
Non-current liabilities			
Lease liability		**842**	1,210
Total liabilities		**12,397**	15,217
Equity			
Share capital	7	**7,218**	7,218
Share premium	11	**3,622**	3,622
Share based remuneration	11	**4,327**	5,973
Own shares held in trust	11	**(3,342)**	(3,342)
Merger reserve	11	**74,575**	74,575
Special reserve	11	**175,281**	188,028
Retained earnings	11	**—**	—
Attributable to the equity shareholders of the company		**261,681**	276,074
Total liabilities and equity		**274,078**	291,291

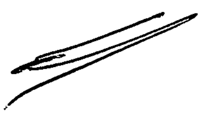
Loss for the year ending 31 December 2021 was US$15,217,000 (2020: US$ 246,377,000).

These financial statements on pages 69 to 74 were approved by the directors and authorised for issue on 27 May 2022 and are signed on their behalf by:

Sam Moody
Chief Executive Officer

Rockhopper Exploration plc Registered Company number: 05250250

The notes on pages 71 to 74 form an integral part of these financial statements



COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	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 2019	7,212	3,547	4,872	(3,371)	74,575	433,766	—	520,601
Loss and total comprehensive loss for the year	—	—	—	—	—	—	(246,377)	(246,377)
Share based payments	—	—	1,840	—	—	—	—	1,840
Share issues in relation to SIP	6	75	—	(71)	—	—	—	10
Other transfers	—	—	(739)	100	—	(245,738)	246,377	—
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**

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 2021

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 2021 were approved and signed by the Group Chief Executive Officer on 27 May 2022 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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1 Accounting policies (continued)

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 2019	1,264	817	2,081
Additions	138	84	222
Disposals	—	(99)	(99)
At 31 December 2020	1,402	802	2,204
Disposals	(1,264)	(497)	(1,761)
At 31 December 2021	**138**	**305**	**443**
Depreciation and impairment			
At 31 December 2019	220	766	986
Charge for the year	459	34	493
Disposals	—	(95)	(95)
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**
Net book value at 31 December 2020	723	97	820
Net book value at 31 December 2021	**73**	**67**	**140**

3. Investments

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Cost brought forward	**113,089**	139,117
Disposals	—	(26,018)
Cost carried forward	**113,099**	113,099
Amounts provided brought forward	**(113,099)**	(53,389)
Disposals	—	5,789
Impairments	—	(65,499)
Amounts provided carried forward	**(113,099)**	(113,099)
Net book value brought forward	—	85,728
Net book value carried forward	—	—

All amounts relate to subsidiary undertakings.

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 Abruzzi 3, 00187 Rome, Italy.

4. Group undertakings

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Group undertakings	**475,838**	474,631
Provisions	**(208,319)**	(196,407)
	267,519	278,224

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$47.3 million.

5 Other receivables

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Receivables	**752**	690
Prepayments	**—**	194
Other	**29**	229
	781	1,113

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

6. Other payables

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Trade creditors	**102**	658
Other creditors	**223**	142
Accruals	**608**	2,161
Group undertakings	**10,387**	10,566
	11,320	13,527

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

7. Share capital

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Shares in issue brought forward	458,482,117	457,979,755
Shares issued		
– Issued under the SIP	—	502,362
Shares in issue carried forward	**458,482,117**	458,482,117

	31 December 2021		31 December 2020	
	$'000	Number	$'000	Number
Authorised, called up, issued and fully paid: Ordinary shares of £0.01 each	**7,218**	**458,482,117**	7,218	458,482,117

8. Salaries and directors' remuneration

	Year ended 31 December 2021 $'000	Year ended 31 December 2020 $'000
Salaries and fees	**1,663**	2,625
National insurance costs	**362**	391
Pension costs	**184**	305
Employee benefit costs	**37**	75
Average number of employees	**8**	10

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

9. Auditors' remuneration

Note 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. Capital and reserves

For description of each of the reserves of the Company please see Note 22 of the Group financial statements.

12. Related parties

Note 24 of the Group financial statements provides details on remuneration of key management personnel of the Group. The amounts disclosed are the same as those of the Company.

KEY LICENCE INTERESTS AS AT 1 MAY 2022

Falkland Islands
North Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL003a	Rockhopper	95.50	—	01/11/2022
PL003b	Rockhopper	60.50	—	01/11/2022
PL004a	Harbour Energy	64.00	Isobel Deep	01/11/2022
PL004b	Harbour Energy	64.00	Beverley Casper South Zebedee	01/11/2022
PL004c	Harbour Energy	64.00	—	01/11/2022
PL005	Rockhopper	100.00	—	01/11/2022
PL032 – Sea Lion Discovery Area	Harbour Energy	40.00	Casper North Sea Lion	01/11/2022 01/11/2022
PL033	Harbour Energy	40.00	—	01/11/2022

South Falkland Basin

Licence	Operator	Rockhopper working interest %	Field/Discovery	Licence phase expiry date
PL011	Rockhopper	100.00	—	03/12/2022
PL012	Rockhopper	100.00	—	03/12/2022
PL014	Rockhopper	100.00	—	03/12/2022

As noted in the Post balance sheet events note on page 68 the Group has announced a transaction, that should it complete, would leave Rockhopper's working interest at 35% across all of its licences in the North Falklands Basin and Navitas as the operator.

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

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NOMAD and joint broker
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EC2V 7QR

Joint broker
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EC2M 2AT

Solicitors
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Principal Bankers
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CONCERNS AND PROCEDURES

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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

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