Rockhopper Exploration plc
("Rockhopper" or the "Company")

Annual Results for the year ended 31 December 2016

Rockhopper Exploration plc (AIM: RKH), the oil and gas company with key interests in the North Falkland Basin and the Greater Mediterranean region, is pleased to announce its audited results for the year ended 31 December 2016.

Highlights

Building a material, full-cycle, exploration-led portfolio:
- Consolidated leading North Falkland Basin acreage position through the all-share merger with Falkland Oil & Gas Limited ("FOGL")
- Acquired non-operated production and exploration assets in Egypt from Beach Energy
- Ambition to further grow the Greater Mediterranean asset base

Maintaining operational resilience based on compelling portfolio economics:
- Material increase in economic production[1] to 1,350 barrels of oil equivalent per day ("boepd")
- Cash operating costs in Greater Mediterranean reduced to US$14 per boe
- Sea Lion project economics enhanced with further cost reductions achieved
  - Sea Lion life of field costs estimated at US$35 per barrel and project "break-even" at US$45 per barrel

Continued to progress the development of the large scale Sea Lion project:
- FEED contracts for the Sea Lion Phase 1 development awarded to a set of world-class contractors
- Independent resource audit confirmed 517 mmbbl (2C) and 900 mmbbl (3C) oil resources (gross), and near-field, low-risk exploration upside of 207 mmbbl (gross, mid case, unrisked)
- Updated draft Field Development Plan and draft Environmental Impact Statement submitted to Falkland Islands Government

Protecting financial strength to enable growth:
- Debt-free and fully funded for current commitments
- Strong balance sheet maintained with cash and term deposits of US$81 million (at 31 December 2016)
- General and Administrative costs expected to be largely covered by existing production going forward
- Initiated international arbitration to seek significant monetary damages in relation to Ombrina Mare

[1] - Economic production includes production from the effective date (being 1 January 2016) of the acquisition of assets in Egypt

David McManus, Chairman of Rockhopper, commented:

"In 2016, Rockhopper delivered on a number of operational, corporate and strategic objectives: completing a highly successful exploration campaign in the Falklands, progressing the Company's flag-ship Sea Lion development into FEED, whilst at the same time adding material incremental production in the Greater Mediterranean.

"As the technical engineering phase of the Sea Lion FEED approaches conclusion, focus will shift in 2017 to the commercial, fiscal and financing elements of the project.

"With the spot price for Brent crude fluctuating around $55 per barrel in early 2017, and the cost efficiencies realised through the FEED process, the Board is convinced the economics of the Sea Lion project are sufficiently robust to be sanctioned in the current environment, assuming the required capital investment can be secured.

"As a result of the acquisition of Beach Egypt, combined with corporate cost savings achieved through the year, operating cash flows are expected to broadly cover the Group's overheads during 2017. The Board believes that this production and cash flow, when combined with our existing balance sheet, helps secure the long-term sustainability of the Company whilst preserving flexibility to further grow our Greater Mediterranean business in 2017."

For further information, please contact:

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Note regarding Rockhopper oil and gas disclosure

This announcement has been approved by Rockhopper's geological staff who include Fiona MacAulay (Chief Operating Officer), who is a Fellow of the Geological Society of London and a Member of the Petroleum Exploration Society of Great Britain and American Association of Petroleum Geologists with over 25 years of experience in petroleum exploration and management, and who is the qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in respect of AIM companies. In compiling its resource estimates, Rockhopper has used the definitions and guidelines as set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW

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

In 2016, Rockhopper delivered on a number of operational, corporate and strategic objectives: completing a highly successful exploration campaign in the Falklands, progressing the Company's flag-ship Sea Lion development into FEED, whilst at the same time adding material incremental production in the Greater Mediterranean.

Our balance sheet remains strong with no debt, which ensures we are well placed to take advantage of the opportunities created by the challenging commodity price environment.

IN THE FALKLAND ISLANDS, WE HAVE GROWN OUR RESOURCE POSITION SUBSTANTIALLY THROUGH EXPLORATION AND ACQUISITION

In January 2016, we completed the merger with Falkland Oil & Gas Limited. The Board believes the combination of Rockhopper and FOGL will create significant value for shareholders, not only by positioning Rockhopper as the largest acreage holder in the North Falkland Basin, but our enhanced interests provide us with a stronger strategic position in the future commercialisation of our world-class Sea Lion project.

In February 2016, we concluded our highly successful North Falkland Basin exploration drilling campaign, which saw material oil discoveries at each of Zebedee, Isobel Deep and Isobel Elaine.

Following the conclusion of the exploration campaign, ERC Equipoise Limited ("ERCE") were appointed to conduct an independent audit of resources in the North Falkland Basin. Further details are outlined in the Chief Operating Officer's Review but the Board was particularly pleased to see the audit confirm oil in place on the Sea Lion Complex is estimated at more than 1.6 billion barrels gross with estimated gross recoverable contingent oil resources of 517 mmbbls (2C) and 900 mmbbls (3C).

The impressive results of this campaign and the subsequent independent resource audit endorse Rockhopper's view that the North Falkland Basin has the potential to deliver multiple future phases of development and, ultimately, a billion barrels of recoverable oil.

CONTINUED COST OPTIMISATION MATERIALLY REDUCES PROJECT BREAK-EVEN COST AT SEA LION

In January 2016, the Sea Lion Phase 1 project entered FEED with a set of world-class contractors. The Phase 1 development aims to commercialise the resources in the north of the Sea Lion Complex in licence PL032.

The latest estimates of capex to first oil are US$1.5 billion which, combined with other cost and efficiency improvements, has resulted in a life-of-field cost (capex, opex and lease) of approximately US$35 per barrel. The project "break-even" oil price is approximately US$45 per barrel (with break-even economics premised on achieving an ungeared project IRR of 10%).

A draft Environmental Impact Statement and revised draft Field Development Plan were submitted to the Falkland Islands Government ("FIG") in late 2016.

Rockhopper is an engaged and active participant in the Sea Lion joint venture providing support and challenge to Premier Oil plc ("Premier") across the range of subsurface, engineering, commercial and financing aspects of the project.

Having operated in the Falklands for over 12 years we have unparalleled insights and bring these to bear as we move the project towards sanction.

In September 2016, the Board noted with interest the joint statement between the British Government and the Government of Argentina in relation to closer cooperation on areas of mutual interest. This announcement is believed to be the first positive statement made by both countries on South Atlantic issues since 1999 and sets out a commitment to work towards removing restrictive measures affecting the oil and gas and other industries in the Falkland Islands.

BUILDING A SECOND CORE AREA IN THE GREATER MEDITERRANEAN

In our Greater Mediterranean portfolio, we have benefitted from a material increase in production following the completion of the successful Guendalina side-track and the Rockhopper operated Civita development in H2 2015. Production further increased in 2016 following the acquisition of a portfolio of interests in Egypt. Economic production[2] in 2016 averaged 1,350 boepd.

Following the decision in February 2016 by the Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field, in March 2017 the Company commenced international arbitration proceedings against the Republic of Italy. Based on legal and other expert opinions, Rockhopper has been advised that it has strong prospects of recovering very significant monetary damages as a result of the Republic of Italy's breaches of the Energy Charter Treaty. Damages would be sought on the basis of lost profits, with the arbitration process expected to take 2-3 years.

PORTFOLIO MANAGEMENT AND CORPORATE COST REDUCTION INITIATIVES

Over the last 24 months a corporate cost reduction program has been implemented across the Group – as a result, headcount in Italy has reduced to eight (a reduction of over two-thirds since the acquisition of Mediterranean Oil & Gas plc in August 2014). Initiatives to streamline the Group's UK operations have been achieved by combining our London and Salisbury staff in a single office in London. As a result, the Group's net recurring general and administrative ("G&A") cost in 2016 has reduced to US$7.4 million (compared with US$9.4 million in 2015 and US$10.8 million in 2014[3]) – further G&A savings are anticipated in 2017.

BOARD CHANGES

Following the Company's AGM in May, Dr Pierre Jungels retired as Non-executive Chairman having served as Chairman of the Company for over 10 years. David McManus, an existing Non-executive Director, was appointed Non-Executive Chairman following Pierre's retirement. We pay tribute to Pierre's achievements over that time and offer our sincere thanks for the leadership provided.

In addition, Robert (Bob) Peters, Senior Independent Director, retired from the Board effective 31 December 2016. We thank Bob for his significant contribution and input to Board deliberations over his six years with the Company. Keith Lough, Non-executive Director and Chairman of the Audit and Risk Committee, was appointed Senior Independent Director following Bob Peters' retirement.

OUTLOOK

As the technical engineering phase of the Sea Lion FEED approaches conclusion, focus will shift in 2017 to the commercial, fiscal and financing elements of the project. Engagement with FIG on a range of operational, fiscal and regulatory matters is expected to continue through H1 2017.

With the spot price for Brent crude fluctuating around $55 per barrel in early 2017, and the cost efficiencies realised through the FEED process, the Board is convinced the economics of the Sea Lion project are sufficiently robust to be sanctioned in the current environment, assuming the required capital investment can be secured.

With that in mind Premier, Rockhopper's partner in the Sea Lion project, has confirmed that, given their financing position, any final investment decision on Sea Lion will be subject to the successful conclusion of a farm-down or alternative financing process.

Given the importance of the Sea Lion project to Rockhopper and our shareholders, we are dedicated to investigating every possible means to progress the development, including assisting Premier in their financing efforts, actively engaging with a number of oil industry participants with regard to potential farm-in transactions and a number of initiatives to further reduce the pre first oil capital required to sanction the project. We believe the completion of Premier's re-financing will significantly enhance the discussions around the funding and resulting sanction of the Sea Lion development.

As a result of the acquisition of Beach Egypt, combined with corporate cost savings achieved through the year, operating cash flows are expected to broadly cover the Group's overheads during 2017. The Board believes that this production and cash flow, when combined with our existing balance sheet, helps secure the long-term sustainability of the Company whilst preserving flexibility to further grow our Greater Mediterranean business in 2017.

David McManus
Non-Executive Chairman

Samuel Moody
Chief Executive Officer

10 April 2017

[2] - Economic production includes production from the effective date (being 1 January 2016) of the acquisition of Beach Egypt
[3] - Based on audited results for the nine month period to 31 December 2014, pro-rated for a full year

CHIEF OPERATING OFFICER'S REVIEW

SEA LION FEED TARGETS SIGNIFICANT COST REDUCTIONS

2016 was a year of intense activity following the commencement of Front End Engineering and Design ("FEED") for the Sea Lion Phase 1 development. FEED contracts were awarded to an aligned partnership of world-class contractors comprising SBM Offshore for the FPSO, Subsea 7 for the subsea installation, National Oilwell Varco for the flexible flowlines and One Subsea for the subsea production system. The innovative contractor partnership having been designed to create collaborative engagement with a view to optimising the facilities design and installation methodology and to reduce project costs. In tandem engagement with drilling and logistics service providers is progressing, again with a range of innovative commercial and contractual arrangements being discussed.

The joint venture team of Premier and Rockhopper have worked collaboratively to support and challenge the design specifications throughout the FEED process, leading to significant savings across the project.

Additionally, support from Rockhopper has enabled a right sizing of the operators project team and a significant reduction in the project management costs for 2017.

Cost estimates for field support services, including supply boats, helicopters and shuttle tankers have seen a material reduction. As a result, field operating costs for Sea Lion Phase 1 are now estimated at $15 per barrel, down from over $20 per barrel, while the total project breakeven cost has reduced to just below $45 per barrel from $55 per barrel.

Given the magnitude of resources already discovered in the North Falkland Basin, a phased approach to development is being pursued. Phase 1 will commercialise approximately 220 mmbbls in the north of PL032 (in which Rockhopper has a 40% working interest). The Phase 2 development will commercialise a further 300 mmbbls from the remaining resources in PL032 and the adjacent resources in PL004 (in which Rockhopper has a 64% working interest). Subject to further appraisal drilling, Phase 3 will develop the resources in the Isobel-Elaine Complex to the south of PL004.

An application was made to FIG to extend the licence for the Sea Lion Discovery Area. FIG has confirmed that an extension to April 2020 has been granted by the Secretary of State. Additionally, extensions are being granted to all licences held in the North Falkland Basin by FIG.

SUCCESS OF RECENT NORTH FALKLAND BASIN EXPLORATION CAMPAIGN CONFIRMED BY INDEPENDENT RESOURCE AUDIT

In February 2016, we concluded the Isobel Elaine well, the last in our multi-well exploration campaign in the North Falkland Basin and continued our success in the role of sub-surface lead for exploration, in which Rockhopper have had unparalled success in the basin.

Following the success of the exploration campaign, ERCE were appointed to conduct an independent audit of the contingent and prospective resources in licences PL032 and PL004 which was completed in April 2016. A summary of the resource update is outlined below.

SEA LION COMPLEX

ERCE audit
- Discovered STOIIP 1,667MMstb, 834MMstb net to RKH (Mid Case)
- Discovered 2C resources 517MMstb oil, 258MMstb net to RKH
- Discovered 3C resources 900MMstb oil, 452MMstb net to RKH
- Total discovered 2C resources including gas 747MMboe, 392MMboe net to RKH
- Total discovered 3C resources including gas 1,462MMboe, 798MMboe net to RKH

Upside
- ERCE audited near field low risk exploration upside of 207MMstb, 105MMstb net to RKH (Mid Case, unrisked)
- Management estimates additional resource upside in West Flank of 60MMstb if oil-bearing

ISOBEL-ELAINE COMPLEX

ERCE audit

- Utilising the operationally compromised data suite ERCE audited significant discovered and prospective STOIIP and resources in the Isobel-Elaine Complex of:
- Discovered STOIIP 277MMstb oil, 177MMstb net to RKH (Mid Case)
- Discovered STOIIP 832MMstb oil, 532MMstb net to RKH (High Case)
- Discovered 2C resources for Isobel Deep (F3H Fan) 20MMstb oil, 13MMstb net to RKH
- Prospective STOIIP 282MMstb oil, 180MMstb net to RKH (Mid Case)

Management estimates

- Without the benefit of completed formation pressure data, management has applied conservative recovery factors of 25% and 35% respectively for 2C and 3C resources against audited STOIIP for each of the Emily, Isobel and Isobel Deep (J) fans:

□ Management 2C resources 49MMstb oil, 31MMstb net to RKH

□ Management 3C resources 198MMstb oil, 127MMstb net to RKH

Management plus ERCE audited resources

□ 2C resources 69MMstb oil, 43MMstb net to RKH

- 3C resources 270MMstb oil, 173MMstb net to RKH
- Prospective (Mid Case) resources 70MMstb, 45MMstb net to RKH
- Prospective (High Case) resources 350MMstb, 224MMstb net to RKH

Rockhopper was delighted that the audit confirmed the Company's net 2C oil contingent resource base in the North Falkland Basin, as a result of the exploration campaign and the acquisition of FOGL, had increased to over 270 million barrels, or over 300 million barrels including management estimates for the Emily, Isobel and Isobel Deep J fans.

In the Isobel-Elaine Complex, where data collection was compromised for operational reasons, ERCE has evaluated the discovered STOIIP for each of the fans and attributed contingent resources to the Isobel Deep (F3H) fan from which significant oil was recovered to surface. For the other oil-bearing fans (Emily, Isobel and Isobel Deep J), ERCE believes that recovery factors comparable to those applied to discoveries could be achieved if an appraisal programme demonstrates the potential to flow oil at a rate comparable to wells in these offset discoveries. For these fans, management has assigned a 25% recovery factor for the 2C and 35% for the 3C resources.

In addition to the discovered resources, management believes there are a large number of near field prospects in the attractive and relatively low risk Isobel / Elaine appraisal area for which estimates of STOIIP and oil prospective resources have been made.

SOUTH AND EAST FALKLAND BASIN

Through the acquisition of FOGL, Rockhopper acquired a 52% interest in Noble Energy operated acreage to the South and East of the Falkland Islands. Following the results of the Humpback well, Noble and Edison have given notice to withdraw from this acreage (although retain an interest in PL001 in the North Falkland Basin). As a result, Rockhopper expects to become operator of the South and East Falkland Basin acreage with a 100% working interest when the process of assignment is complete. Selective technical work by the Rockhopper sub-surface team will continue to establish the remaining prospectivity on the acreage and a decision on whether to extend the current phase of the licences will then be made.

STEP-CHANGE IN PRODUCTION IN GREATER MEDITERRANEAN FOLLOWING ACQUISITION IN EGYPT

Rockhopper is focused on building a second core area in the Greater Mediterranean region following its acquisition of Mediterranean Oil & Gas plc in 2014.

In August 2016, Rockhopper completed the acquisition of Beach Petroleum (Egypt) Pty Limited ("Beach Egypt"), as a result acquiring a 22% interest in the Abu Sennan Concession and a 25% interest in the El Qa'a Plain Concession.

ABU SENNAN, EGYPT (ROCKHOPPER 22%)

Operated by Kuwait Energy, the Abu Sennan Concession is located in the Abu Gharadig basin in the Western Desert. The Concession was signed in June 2007 with first commercial production achieved during 2012.

During the second half of 2016, both the Al Jahraa SE-1X exploration well and the ASH-1X ST2 development wells were brought onto production with additional zones in the wells to be brought into production at a later date.

A new development lease of c.30 square km was awarded around the Al Jahraa SE-1X well with EGPC attributing gross reserves of over 9 mmbbls to the development area, a material increase to the net 4.5 mmbbl of 2P/2C acquired in August 2016.

The 2017 work programme and budget for the Abu Sennan Concession sees the drilling of both an exploration and a development well close to the Al Jahraa and Al Jahraa SE fields during the first half of 2017. These wells are aimed at improving the joint ventures technical understanding of Al Jahraa SE as well as maintaining production levels by offsetting natural decline from existing wells within the Concession.

The Rockhopper sub-surface team have been working closely with the operator since completion of the acquisition to both prioritise the large prospect inventory and to better understand the reservoir management of the fields already on production.

The exploration well, Al Jahraa-SE2, which is due to spud shortly, will target the AR-C reservoir in the fault block immediately to the south of the Al Jahraa SE field and which has the potential to increase the Al Jahraa SE field area to the upthrown side of that fault.

On completion of the exploration well, the rig will move directly to Al Jahraa-9, which is a development well. This development well targets the AR-C reservoir at a location deeper than the current deepest oil penetration at Al Jahraa-4 (no oil water contact has yet been encountered in the field) thereby aiming to prove additional reserves. The well also seeks to demonstrate the connection between the Al Jahraa and Al Jahraa SE fields through the oil leg. In addition, the operator has proposed two work-over operations during Q2 2017.

The outcome of operations in H1 2017 on the Abu Sennan Concession will determine the activities during the second half of the year.

In addition, the Company expects to receive final ratification for a 5-year extension to the Abu Sennan exploration licence in H1 2017. Once approved, the Company will undertake to participate in at least two exploration wells over the next 3 years at a commitment (net to Rockhopper's 22% working interest) of approximately US$1.3 million.

GUENDALINA, ITALY (ROCKHOPPER 20%)

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

Guendalina has continued to produce to forecast during 2016 and production over the year averaged 68,000 scm per day net to Rockhopper (approximately 410 boe per day). Plant availability over the year has been close to 100% and production from the side track well in 2015 continues to make a material contribution to field production.

The Rockhopper team have worked closely with the operator to look at more efficient and cost effective methodologies of produced water disposal which should have a significant reduction on field opex going forward.

CIVITA, ITALY (ROCKHOPPER 100%)

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

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

OMBRINA MARE, ITALY (ROCKHOPPER 100%)

Following the decision in February 2016 by the Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field, a decision was made to plug and abandon (“P&A”) the existing OM-2 well and remove the tri-pod structure which had been constructed in 2008 and at that time intended to form part of the future production facilities on the field. The P&A operation was successfully completed without incident in early

August 2016 using the Attwood Beacon rig, taking advantage of depressed rig rates. The decommissioning and removal of the tri-pod structure is anticipated to take place during H2 2017 and a fixed price contract for this work has been awarded.

MONTE GROSSO, ITALY (ROCKHOPPER 23%)

Operated by Eni, the Serra San Bernado permit which contains the Monte Grosso oil prospect is located in the Southern Apennine thrust-fold belt on trend with Val D'Agri and Tempa Rossa, in the largest onshore oil production and development area in Western Europe. Monte Grosso remains one of the largest undrilled prospects onshore Western Europe.

Rockhopper transferred the operatorship of the Serra San Bernado permit to Eni during 2016. It is hoped that the transfer of operatorship will accelerate the regulatory and permitting process to enable drilling.

EL QA'A PLAIN, EGYPT (ROCKHOPPER 25%)

Operated by Dana Petroleum, the El Qa'a Plain concession is located on the eastern shore of the Gulf of Suez and contains a number of oil leads identified on existing 2D seismic data. The concession was signed in January 2014. Approximately 470 sq km of 3D seismic plus 35 km of 2D seismic was acquired in early 2016 and is currently being processed. The drilling of an exploration commitment well is planned in late 2017 / early 2018.

AREA 3, MALTA (ROCKHOPPER 40%)

In line with Rockhopper's highly selective approach to new exploration ventures and following completion of seismic and geological evaluation work, the Company has given notice to the operator and the Maltese regulator that it does not intend to participate in any extension of the current term of the Area 3 Exploration Study Agreement which expired in December 2016.

BLOCK 9, CROATIA (ROCKHOPPER 40%)

In January 2015, Rockhopper was awarded a 40% interest in offshore Block 9 in Croatia in partnership with Eni (60% interest and operator). The award was made subject to the execution of a Production Sharing Agreement ("PSA") with the Croatian Hydrocarbon Authority ("CHA"). Given the general elections in Croatia in November 2015 and September 2016, significant delays have been experienced in the signing of a PSA with the CHA. Rockhopper is in discussions with the CHA to understand the status of the Block award and options going forward.

Fiona MacAulay
Chief Operating Officer

10 April 2017

CHIEF FINANCIAL OFFICER'S REVIEW

OVERVIEW

During 2016, Rockhopper continued to allocate capital primarily to its world-class assets in the North Falkland Basin whilst at the same time actively pursuing value-accretive acquisitions to meet our strategic objectives. Rockhopper retains its robust financial position despite the low oil and gas price environment experienced through much of 2016.

In the North Falkland Basin, we have grown our asset base through the merger with Falkland Oil & Gas Limited and through exploration drilling on the Isobel-Elaine complex.

As in 2015, we have seen a step change in production and revenues compared with the previous year, primarily as a result of the acquisition of a portfolio of assets in Egypt.

Our balance sheet remains strong with year-end cash and term deposits of US$81 million.

RESULTS SUMMARY

$m (unless otherwise specified)	FY 2016	FY 2015	9 months 2014
Economic production[4] (boepd)	1,350	322	272
Revenue	7	4	2
Profit after tax	98	11	(8)
Cash out flow from operating activities	(21)	(7)	(11)
Cash	81	110	200
Net assets	427	262	255

RESULTS FOR THE PERIOD

For the year ended 31 December 2016, the Company reported revenues of US$7.4 million and a profit after tax of US$98 million. The profit after tax in the year arose primarily due to the excess of fair value over consideration associated with the acquisition of FOGL. Excluding the impact of the excess fair value over consideration associated with the FOGL acquisition would have resulted in a loss after tax in the year of US$14 million.

REVENUE

The Group's revenues of US$7.4 million (2015: $4.0 million) during the year relate entirely to the sale of oil and natural gas in the Greater Mediterranean (Egypt and Italy). The increase in revenues from the comparable year reflects (i) the acquisition of production assets in Egypt, which completed in August 2016; and (ii) the increase in realised oil and gas prices.

Working interest economic production[4] averaged 1,350 boepd in 2016, a more than trebling of production from the prior year (2015: 322 boepd).

During the year, the Group's gas production in Italy was sold under short-term contract with an average realised price of €0.15 per standard cubic metre (scm), equivalent to US$4.85 per thousand standard cubic feet. Gas is sold at a price linked to the Italian "PSV" (Virtual Exchange Point) gas marker price.

In Egypt, all of the Group's oil and gas production is sold to the Egyptian General Petroleum Company ("EGPC"). The average realised price for oil was US$46.2 per barrel, a small discount to the average Brent price over the same period. Gas is sold at a fixed price of US$2.65 per mmbtu.

OPERATING COSTS

Cash operating costs, excluding depreciation and impairment charges, amounted to US$4.4 million (2015: US$3.0 million). The increase in underlying cash operating costs is principally due to the addition of Egyptian production. Cash operating costs on a per barrel of oil equivalent basis reduced from US$25.5 per boe in 2015 to US$14.4 per boe in 2016.

The Group's general and administrative ("G&A") cost, excluding non-recurring expenses related to acquisitions and group restructuring, reduced further in 2016 to US$7.4 million (2015: US$9.4 million) – further G&A savings are anticipated in 2017.

IMPAIRMENT OF OIL AND GAS ASSETS

Rockhopper has tested the carrying value of our assets for impairment. Carrying values are compared to the value in use of the assets based on discounted cash flow models. Future cash flows were estimated using an oil price assumption equal to the Brent forward curve during the period 2017 to 2019, with a long-term price of US$75/bbl (in "real" terms) thereafter. A post-tax nominal discount rate of 12.5% was used for the Group's Falkland Island assets.

With no cash flow generation expected from Sea Lion until 2020 at the earliest, the impact of the Brent forward curve during the period 2017 to 2019 on the fair value calculation is limited. As such, no impairment arises on the Sea Lion project. A range of sensitivities have been considered as part of the impairment testing process. Even in the event of a $20 per barrel reduction in its long-term oil price, no impairment on Sea Lion arises. Equally, no impairment would arise even if the Company assumed project sanction was delayed by 10 years.

CASH MOVEMENTS AND CAPITAL EXPENDITURE

At 31 December 2016, the Company had cash resources of US$81.0 million (31 December 2015: US$110.4 million) and no debt.

Cash and term deposit movements during the period:

	US$m
Opening cash balance (31 December 2015)	110
Revenue	7
Cost of sales	(4)
Falkland Islands (net of insurance proceeds)	7
Greater Mediterranean	(4)
Recurring administration expenses	(7)
Acquisition of subsidiaries (FOGL and Beach Egypt)	(14)
Other	(14)
Closing cash balance (31 December 2016)	**81**

There was a net inflow for the Falkland Islands in 2016 of US$7 million due to insurance proceeds exceeding outflows that primarily relate to the 2015/16 drilling campaign, as well as spend relating to the pre-development activities on Sea Lion. For a variety of reasons, the costs of drilling the Zebedee, Isobel Deep and Isobel-Elaine wells were higher than originally anticipated. Certain costs incurred during the North Falkland Basin exploration campaign were the subject of an insurance claim which settled in late 2016. In total, US$49 million of insurance proceeds were received, net to Rockhopper.

Spend on assets in the Greater Mediterranean largely relates to residual costs associated with the Guendalina side-track and Civita development in H2 2015 and the plugging and abandonment of the Ombrina Mare-2 well following the decision earlier in the year by the Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field. In addition there has been expenditure on the Abu Sennan production concession and El Qa'a exploration concession in Egypt.

Other cash outflows include foreign exchange losses, movements on working capital balances, group restructuring costs as well as non-recurring liabilities acquired as part of the FOGL acquisition.

Less than 15% of the Group's cash resources as at mid June 2016 were held in Sterling and therefore the impact of the weakness in Sterling : US dollar exchange rates on the Group's cash position, following the UK referendum decision to leave the European Union, was limited.

MERGERS, ACQUISITIONS AND DISPOSALS

The merger with Falkland Oil & Gas Limited completed in January 2016. Through the merger of FOGL, Rockhopper consolidated its leading North Falkland Basin acreage position.

Under the terms of the merger, shareholders of FOGL received 0.2993 new Rockhopper shares for each FOGL share held.

The transaction has been accounted for by the purchase method of accounting with an effective date of 18 January 2016 being the date on which the Group gained control of FOGL. Information in respect of the assets and liabilities acquired and the fair value allocation to the FOGL assets in accordance with the provisions of "IFRS 3 – Business Combinations" has been determined on a firm basis as follows:

	Recognised values on acquisition US$m
Intangible exploration and appraisal assets	170.0
Property, plant and equipment	0.1
Inventories	0.2
Trade and other receivables	21.0
Trade and other payables	(19.2)
Net identifiable assets and liabilities	172.0

The fair value of the net assets acquired was US$172.0 million resulting in an excess of fair value over consideration of US$111.8 million, recorded as a credit in the income statement.

The fair value of equity instruments has been determined by reference to the closing share price on the trading day immediately prior to the completion of the acquisition.

In determining the fair value of the assets, the Directors acknowledge the inherent subjectivity and wide range of possible values given the unique nature of the FOGL assets acquired, a lack of truly comparable transactions and the highly volatile commodity price environment at the time of acquisition.

The excess of fair value over consideration has arisen primarily due to the fact that the financial position of FOGL had deteriorated due to cost overruns at the Humpback exploration well as well as merger terms being agreed prior to the Isobel-Elaine well results, which substantially de-risked the Isobel-Elaine complex.

In April 2016, Rockhopper announced revised terms for the acquisition of Beach Egypt for cash consideration of US$11.9 million. The acquisition of Beach Egypt completed in August 2016.

In September 2016, Rockhopper completed the sale of a package of non-core assets in Italy including interests in the Monteardone and Fornovo di Taro fields to a local company for nominal consideration. As a result of this transaction, US$1.1 million of provisions related to future abandonment and decommissioning have been removed from the balance sheet.

TAXATION

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

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 Company's remaining licence interests in the North Falkland Basin; or (iii) a change of control of Rockhopper Exploration plc.

Due to the movement in the Sterling : US dollar exchange rate, the outstanding tax liability in US dollar terms has reduced to US$79 million (31 December 2015: US$95 million).

The outstanding tax liability is classified as non-current and discounted to a year end value of US$39 million.

As the Company received the full Exploration Carry from Premier during the 2015/16 campaign, the Company is entitled under the terms of the Tax Settlement Deed to request the outstanding tax liability is reduced by £4.7 million. Such a request has been made to FIG although no adjustment in the outstanding tax liability has yet been recorded as this is subject to agreement with the Falkland Islands' Commissioner of Taxation.

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

LIQUIDITY, COUNTERPARTY RISK AND GOING CONCERN

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

Following the Company's acquisition of production and exploration assets in Egypt, the Company is exposed to potential payment delay from EGPC, which is an issue common to many upstream companies operating in the country. As at 31 December 2016, Rockhopper's EGPC receivable balance (net of amounts due to Beach Energy) was $4.2 million. The Company maintains an active dialogue with EGPC and has seen a material increase in monthly payments following the year-end. Payments from EGPC are received in US dollars directly to bank accounts held in the UK.

The Directors have assessed that the cash balance held provides the Company with adequate headroom over forecast expenditure for the following 12 months – as a result, the Directors have adopted the going concern basis of accounting in preparing the annual financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A detailed review of the potential risks and uncertainties which could impact the Company are outlined elsewhere in this Strategic Report. The Company identified its principal risks at the end of 2016 as being:

- sustained low oil price;
- joint venture partner alignment and funding issues; both of which could ultimately create a delay to the Sea Lion Final Investment Decision.

OUTLOOK

Our balance sheet remains strong with year-end 2016 cash of $81 million. Adjusting the year-end cash position for Rockhopper's contribution to anticipated North Falkland Basin exploration campaign close out costs and the previously announced settlement with Ocean Rig, maintains Rockhopper's adjusted year-end 2016 cash balance in line with the Company's previous guidance of $60-65 million.

Following the completion of the acquisition of Beach Egypt, revenues from our Greater Mediterranean assets are estimated to be in excess of US$10 million in 2017 (based on current commodity prices, foreign exchange rates and production projections).

2017 development, exploration and abandonment spend is expected to be approximately US$13 million, of which US$8 million relates to pre-development activities on Sea Lion, US$3 million to exploration and development activities in Egypt and US$2 million to abandonment costs. The abandonment spend principally relates to the decommissioning and removal of the Ombrina Mare tripod – the cost of which Rockhopper will seek to recover through the recently commenced international arbitration process the costs of which will be funded on a non-recourse basis from a specialist arbitration funder.

Rockhopper has been an active acquirer during 2016 as we seek to take advantage of the current market environment to grow our business. We have significantly increased production and cash flow in the Greater Mediterranean region during 2016 and see further scope to materially grow that business in the year ahead.

Stewart MacDonald
Chief Financial Officer

10 April 2017

[4] - Economic production includes production from the effective date (being 1 January 2016) of the acquisition of Beach Egypt

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**Year ended 31 Dec 16 $'000**	Year ended 31 Dec 15 $'000
Revenue		**7,417**	3,966
Other cost of sales		**(4,373)**	(2,951)
Depreciation and impairment of oil and gas assets		**(3,294)**	(8,098)
Total cost of sales	4	**(7,667)**	(11,049)
Gross loss		**(250)**	(7,083)
Exploration and evaluation expenses	5	**(8,237)**	(22,934)
Costs in relation to acquisition and group restructuring		**(2,529)**	(1,544)
Recurring administrative costs		**(7,441)**	(9,351)
Total administrative expenses	6	**(9,970)**	(10,895)
Excess of fair value over cost	29	**111,842**	-
Charge for share based payments	9	**(994)**	(1,937)
Foreign exchange movement	10	**5,679**	1,927
Results from operating activities and other income		**98,070**	(40,922)
Finance income	11	**307**	975
Finance expense	11	**(333)**	(4,750)
Profit/(loss) before tax		**98,044**	(44,697)
Tax	12	**-**	55,395
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**98,044**	10,698
Profit per share: cents			
Basic	13	**21.98**	3.65
Diluted	13	**21.98**	3.64

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

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Profit for the year	**98,044**	10,698
Exchange differences on translation of foreign operations	**192**	(4,943)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	**98,236**	5,755

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2016

	Notes	**31 Dec 2016 $'000**	31 Dec 2015 $'000
NON CURRENT ASSETS			
Exploration and evaluation assets	14	**426,419**	256,658
Property, plant and equipment	15	**18,025**	12,637
Goodwill	16	**9,439**	9,803
CURRENT ASSETS			
Inventories		**1,608**	1,670
Other receivables	17	**17,184**	6,199
Restricted cash	18	**495**	2,192
Term deposits	19	**30,000**	60,000
Cash and cash equivalents		**51,019**	50,434
TOTAL ASSETS		**554,189**	399,593
CURRENT LIABILITIES			
Other payables	20	**34,012**	30,457
Tax payable	21	**9**	9
NON-CURRENT LIABILITIES			
Tax payable	21	**39,115**	47,405
Provisions	22	**14,914**	20,343
Deferred tax liability	23	**39,145**	39,145
TOTAL LIABILITIES		**127,195**	137,359
EQUITY			
Share capital	24	**7,194**	4,910
Share premium	25	**3,149**	2,995
Share based remuneration	25	**6,251**	5,491
Own shares held in trust	25	**(3,407)**	(3,513)
Merger reserve	25	**74,332**	11,112
Foreign currency translation reserve	25	**(8,968)**	(9,160)
Special reserve	25	**462,549**	472,967
Retained losses	25	**(114,106)**	(222,568)
ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**426,994**	262,234
TOTAL LIABILITIES AND EQUITY		**554,189**	399,593

These financial statements were approved by the directors and authorised for issue on 10 April 2017 and are signed on their behalf by:

STEWART MACDONALD
CHIEF FINANCIAL OFFICER

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	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 2014	**4,854**	**662**	**4,960**	**(628)**	**11,112**	**(4,217)**	**536,976**	**(298,681)**	**255,038**
Total comprehensive income for the year	—	—	—	—	—	(4,943)	—	10,698	5,755
Share based payments	—	—	1,937	—	—	—	—	—	1,937
Share issues in relation to SIP	3	186	—	(152)	—	—	—	—	37
Exercise of share options	53	2,147	(1,406)	—	—	—	—	1,406	2,200
Purchase of own shares	—	—	—	(2,733)	—	—	—	—	(2,733)
Other transfers	—	—	—	—	—	—	(64,009)	64,009	—
Balance at 31 December 2015	**4,910**	**2,995**	**5,491**	**(3,513)**	**11,112**	**(9,160)**	**472,967**	**(222,568)**	**262,234**
Total comprehensive income for the year	—	—	—	—	—	192	—	98,044	98,236
Share based payments	—	—	884	—	—	—	—	—	884
Issue of shares	2,278	—	—		63,220	—	—	—	65,498
Share issues in relation to SIP	6	154	110	(128)	—	—	—	—	142
Exercise of share options	—	—	(234)	234	—	—	—	—	—
Other transfers	—	—	—	—	—	—	(10,418)	10,418	—
Balance at 31 December 2016	**7,194**	**3,149**	**6,251**	**(3,407)**	**74,332**	**(8,968)**	**462,549**	**(114,106)**	**426,994**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		**98,044**	(44,697)
Adjustments to reconcile net losses to cash:			
Depreciation	15	**4,725**	2,744
Loss on impairment on property, plant and equipment	15	—	5,649
Other non-cash movements	15	**(1,205)**	—
Share based payment charge	9	**994**	1,937
Excess fair value over cost	29	**(111,842)**	—
Exploration impairment expenses	14	**3,549**	22,335
Loss on disposal of property, plant and equipment		**139**	12
Finance expense		**333**	4,742
Finance income		**(317)**	(800)
Foreign exchange	10	**(6,187)**	(1,921)
Operating cash flows before movements in working capital		**(11,767)**	(9,999)
Changes in:			
Inventories		—	291
Other receivables		**277**	(981)
Payables		**(7,962)**	3,765
Movement on other provisions		**(1,748)**	68
Cash utilised by operating activities		**(21,200)**	(6,856)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash proceeds received on North Falkland Basin exploration insurance claim		**45,507**	—
Capitalised expenditure on exploration and evaluation assets		**(38,985)**	(70,661)
Purchase of property, plant and equipment		**(1,218)**	(10,258)
Acquisition of FOGL	29	**5,312**	—
Acquisition of Beach Egypt	29	**(18,839)**	—
Interest		**559**	617
Investing cash flows before movements in capital balances		**(7,664)**	(80,302)
Changes in:			
Restricted cash		**1,689**	(826)
Term deposits		**30,000**	40,000
Cash flow from investing activities		**24,025**	(41,128)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share options exercised		—	2,200
Share incentive plan		**31**	37
Purchase of own shares		—	(2,733)
Finance expense		**(33)**	(18)
Cash flow from financing activities		**(2)**	(514)
Currency translation differences relating to cash and cash equivalents		**(2,238)**	(794)
Net cash flow		**2,823**	(48,498)
Cash and cash equivalents brought forward		**50,434**	99,726
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**51,019**	50,434

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 granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the Falkland Islands. In 2014, it diversified its portfolio into the Greater Mediterranean through the acquisition of an exploration and production company with operations principally based in Italy and during 2016 augmented this through the acquisition of exploration and production assets in Egypt. The registered office of the Company is 4th Floor, 5 Welbeck Street, London, W1G 9YQ.

1.2 STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with UK company law. The consolidated financial statements were approved for issue by the board of directors on 10 April 2017 and are subject to approval at the Annual General Meeting of shareholders on 16 May 2017.

1.3 BASIS OF PREPARATION

The results upon which these financial statements have been based were prepared using the accounting policies set out below. These policies have been consistently applied unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention except, as set out in the accounting policies below, where certain items are included at fair value.

Items included in the results of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency").

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

1.4 CHANGE IN ACCOUNTING POLICY

Changes in accounting standards
In the current year new and revised standards, amendments and interpretations were effective and are applicable to the consolidated financial statements of the Group but did not affect amounts reported in these financial statements.

At the date of authorisation of this report the following standards and interpretations, which have not been applied in this report, were in issue but not yet effective.

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

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

1.5 GOING CONCERN

At 31 December 2016, the Group had available cash and term deposits of $81 million. In addition the first phase of the Group's main development, Sea Lion, is fully funded from sanction through a combination of Development Carries and a loan facility from the operator.

It is for these reasons that the board is of the opinion, at the time of approving the financial statements, that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the financial statements. For this reason, the board has adopted the going concern basis in preparation of the financial statements.

1.6 SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

The Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to the capitalisation of exploration expenditure. The determination of this is fundamental to the financial results and position and requires management to make a complex judgment based on information and data that may change in future periods.

Since these policies involve the use of assumptions and subjective judgments as to future events and are subject to change, the use of different assumptions or data could produce materially different results. The measurement basis that has been applied in preparing the results is historical cost with the exception of financial assets, which are held at fair value.

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

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the results of Rockhopper Exploration plc and its subsidiary undertakings to the balance sheet date. Where subsidiaries follow differing accounting policies from those of the Group, those accounting policies have been adjusted to align with those of the Group. Inter-company balances and transactions between Group companies are eliminated on consolidation, though foreign exchange differences arising on inter-company balances between subsidiaries with differing functional currencies are not offset.

(C) SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker as required by IFRS8 Operating Segments. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

The Group's operations are made up of three segments, the oil and gas exploration activities in the geographical regions of the Falkland Islands and the Greater Mediterranean region as well as its corporate activities centered in the UK.

(D) OIL AND GAS ASSETS

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

Exploration and evaluation ("E&E") expenditure

Expensed exploration & evaluation costs

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

Capitalised intangible exploration and evaluation assets

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

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

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

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

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

– a reasonable assessment of the future economics of such production;

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

Furthermore:

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

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

Development and production assets

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

Depreciation of producing assets

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

Disposals

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

Decommissioning

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

(E) CAPITAL COMMITMENTS

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

(F) FOREIGN CURRENCY TRANSLATION

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

Transactions and balances:
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year

end exchange rates of monetary assets and liabilities denominated in foreign currencies are capitalised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The period end rates of exchange actually used were:

	31 Dec 2016	31 Dec 2015
£ : US$	1.22	1.48
€ : US$	1.05	1.09

(G) REVENUE AND INCOME

(i) Revenue

Revenue arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

(ii) Investment income

Investment income consists of interest receivable for the period. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

(H) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) **Other receivables**

Other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

(ii) **Term deposits**

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

(iii) **Restricted cash**

Restricted cash is disclosed separately on the face of the balance sheet and denoted as restricted when it is not under the exclusive control of the Group.

(iv) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group including breakable and unbreakable deposits with terms of less than three months and breakable term deposits of greater terms than three months where amounts can be accessed within three months without material loss. They are stated at carrying value which is deemed to be fair value.

(v) **Financial liabilities and equity**

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

(vi) **Account and other payables**

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

(vii) **Equity instruments**

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

(I) INCOME TAXES AND DEFERRED TAXATION

The current tax expense is based on the taxable profits for the period, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to reserves as appropriate.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date where a transaction or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(J) SHARE BASED REMUNERATION

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

Fair value is measured by use of either Binomial or Monte-Carlo simulation. The main assumptions are disclosed in note 9.

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

2 USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

Carrying value of intangible exploration and evaluation assets (note 14) and property, plant and equipment (note 15)

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are indications of impairment in accordance with the Group's accounting policy.

In addition for assets under evaluation where discoveries have been made, such as Sea Lion, and property plant and equipment assets their carrying value is checked by reference to the net present value of future cashflows which requires key assumptions and estimates in relation to: commodity prices that are based on forward curves for a number of years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, the quantum of commercial reserves and the associated production and cost profiles. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Carrying value of goodwill (note 16)

Following the acquisition of Mediterranean Oil & Gas plc during 2014, Rockhopper recognised goodwill in line with the requirements of IFRS 3- Business Combinations. Management performs annual impairment tests on the carrying value of goodwill and the Greater Mediterranean CGU that the goodwill is attributed to. The calculation of the recoverable amount is based on the likely future economic benefits of the exploration and evaluation assets in the acquired portfolio and is based on estimated value of the potential and actual discoveries as noted above.

Decommissioning costs (note 22)

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope and amount of expenditure may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning. The estimated decommissioning costs are reviewed annually by an external expert and the results of the most recent available review used as a basis for the amounts in the Financial Statements. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

Fair value on acquisition (note 29)

Following the acquisition of Falkland Oil and Gas Limited ("FOGL") assets and liabilities acquired and the fair value allocation in accordance with the provisions of "IFRS3 – Business Combinations" has been determined. Inherently determining fair values, particularly of intangible exploration and evaluation assets, is subjective. The valuation was based on the $ per barrel multiples applied in similar transactions in the market place involving similar early stage development assets. Not all factors in any particular transaction may be known and the market provides only a range of possible values. For reasonableness, this fair value was compared and supported by the net present value of future cashflows which requires key assumptions and estimates in relation to: commodity prices that are based on forward curves for a number of years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, the quantum of commercial reserves and the associated production and cost profiles.

3 **REVENUE AND SEGMENTAL INFORMATION**

Year ended 31 December 2016

	Falkland Islands $'000	Greater Mediterranean $'000	Corporate $'000	Total $'000
Revenue	—	7,417	—	7,417
Cost of sales	—	(7,667)	—	(7,667)
Gross loss	—	(250)	—	(250)
Exploration and evaluation expenses	(35)	(7,427)	(775)	(8,237)
Costs in relation to acquisition and group restructuring	—	(1,350)	(1,179)	(2,529)
Other administrative costs	—	(2,557)	(4,884)	(7,441)
Total administrative expenses	—	(3,907)	(6,063)	(9,970)
Excess of fair value over cost	111,842	—	—	111,842
Charge for share based payments	—	—	(994)	(994)
Foreign exchange movement	8,292	27	(2,640)	5,679
Results from operating activities and other income	120,099	(11,557)	(10,472)	98,070
Finance income	—	—	307	307
Finance expense	—	(325)	(8)	(333)
Profit/(loss) before tax	120,099	(11,882)	(10,173)	98,044
Tax	—	—	—	—
Profit /(loss) for year	120,099	(11,882)	(10,173)	98,044
Reporting segments assets	424,867	36,369	92,953	554,189
Reporting segments liabilities	77,952	18,968	30,275	127,195
Depreciation	—	4,529	196	4,725

Year ended 31 December 2015

	Falkland Islands $'000	**Greater Mediterranean $'000**	**Corporate $'000**	**Total $'000**
Revenue	—	3,966	—	3,966
Cost of sales	—	(11,049)	—	(11,049)
Gross loss	—	(7,083)	—	(7,083)
Exploration and evaluation expenses	(52)	(22,382)	(500)	(22,934)
Costs in relation to acquisition and restructuring	—	—	(1,544)	(1,544)
Other administrative costs	—	(1,943)	(7,408)	(9,351)
Total administrative expenses	—	(1,943)	(8,952)	(10,895)
Charge for share based payments	—	—	(1,937)	(1,937)
Foreign exchange movement	1,990	196	(259)	1,927
Results from operating activities and other income	1,938	(31,212)	(11,648)	(40,922)
Finance income	—	—	975	975
Finance expense	(4,354)	(396)	—	(4,750)
Loss before tax	(2,416)	(31,608)	(10,673)	(44,697)
Tax	55,391	4	—	55,395
Profit/(loss) for period	52,975	(31,604)	(10,673)	10,698
Reporting segments assets	251,424	37,687	110,482	399,593
Reporting segments liabilities	86,542	25,978	24,839	137,359
Depreciation	—	2,468	276	2,744

4 COST OF SALES

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Cost of sales	**4,373**	2,951
Depreciation of oil and gas assets	**4,499**	2,449
(Reversal of) impairment loss of oil and gas assets	—	5,649
Other non-cash movements	**(1,205)**	—
	7,667	11,049

5 EXPLORATION AND EVALUATION EXPENSES

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Allocated from administrative expenses (see note 6)	**754**	310
Capitalised exploration costs impaired (see note 14)	**3,549**	22,335
Other exploration and evaluation expenses	**3,957**	318
Amounts recharged to partners	**(23)**	(29)
	8,237	22,934

6 ADMINISTRATIVE EXPENSES

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Directors' salaries and fees, including bonuses (see note 7)	**2,469**	3,008
Other employees' salaries	**3,157**	3,975
National insurance costs	**1,098**	1,377
Pension costs	**1,337**	455
Employee benefit costs	**333**	180
Total staff costs (including group restructuring costs)	**8,394**	8,995
Amounts reallocated	**(3,375)**	(4,438)
Total staff costs charged to administrative expenses	**5,019**	4,557
Costs in relation to acquisition	**1,179**	1,544
Auditor's remuneration (see note 8)	**278**	293
Other professional fees	**1,832**	1,962
Other	**2,905**	3,185
Depreciation	**283**	352
Amounts reallocated	**(1,526)**	(998)
	9,970	10,895

The average number of staff employed during the year was 31 (31 December 2015: 39). The relative decrease between years reflects the restructuring of the Greater Mediterranean operation. As at 31 December 2016 the number of staff employed had reduced to 25 following a review of staffing levels.

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 Dec 16	Year ended 31 Dec 15

	$'000	$'000
Executive salaries	**1,283**	1,497
Executive bonuses	**508**	1,013
Company pension contributions to money purchase schemes	**139**	150
Benefits	**52**	33
Non-executive fees	**487**	498
Gain on exercise of share options	—	946
	2,469	4,137

Gain on exercise of share options during the prior period relates to the exercise by two Directors of the Company of 3,000,000 shares in the Company at an exercise price of 42 pence per share. The options were due to expire during the year.

The total remuneration of the highest paid director was:

	Year ended 31 Dec 16 £	Year ended 31 Dec 15 £
Annual salary	**362,100**	362,100
Bonuses	**153,900**	253,470
Money purchase pension schemes	**44,600**	36,210
Benefits	**14,361**	7,069
Gain on exercise of share options	—	318,750
	574,961	977,599

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

8 AUDITOR'S REMUNERATION

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
KPMG LLP		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**148**	**152**
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**79**	**82**
Half year review	**41**	**48**
Tax compliance services	**10**	**11**
	278	**293**

9 SHARE BASED PAYMENTS

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

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Charge for the long term incentive plan options	**934**	1,796
Charge for shares issued under the SIP throughout the year	**60**	141
	994	1,937

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

Long term incentive plan
During 2013 a long term incentive plan ("LTIP") was approved by shareholders. The LTIP is operated and administered by the Remuneration Committee. During the year a number of LTIP awards ('Awards'), structured as nil cost options, were granted to executive directors and senior staff.

LTIP awards will generally only vest or become exercisable subject to the satisfaction of a performance condition measured over a three year period ("Performance Period") determined by the Remuneration Committee at the time of grant. The performance conditions must contain objective conditions, which must be related to the underlying financial performance of the Company. The current performance condition used is based on Total Shareholder Return ("TSR") measured over a three-year period against the TSR of a peer group of at least 9 other oil and gas companies comprising both FTSE 250, larger AIM oil and gas companies and Falkland Islands focused companies ("Peer Group"). The Peer Group for the Awards may be amended by the Remuneration Committee at their sole discretion as appropriate.

Performance measurement for the Awards are based on the average price over the relevant 90 day dealing period measured against the 90 dealing day period three years later. Awards will typically vest on a sliding scale from 35% to 100% for performance in the top two quartiles of the Peer Group. Certain awards have an escalator applied which means that they vest in excess of 100% if the Company is the top or second highest performer in the Peer Group. No awards will vest for performance in the bottom two quartiles.

The Awards granted on 8 October 2013 and 10 March 2014 had an additional performance condition so that no awards would vest if the Company's share price did not exceed £1.80 based on the average price over the 90 day dealing period up to 31 March 2016. The Remuneration Committee has exercised its discretion to vary the performance condition so that the period for achievement of the£1.80 hurdle rate is extended to 31 March 2023. As a result, any LTIP awards that would have vested on 31 March 2016 will not be exercisable unless the Company's share price exceeds £1.80 based on an average price over any 90 day dealing period up to 31 March 2023. At the same time, the Remuneration Committee agreed to remove its discretion to allow vesting for performance in the third quartile for all existing and future LTIP awards.

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

Grant date:	22 Apr 2016	13 Apr 2015	13 Oct 14	13 Oct 14	10 Mar 14	8 Oct 13
Closing share price	31.5p	64.0p	76.0p	76.0p	115.0p	131.0p
Minimum exercise/base price	N/A	N/A	N/A	N/A	180p	180p
Escalation applied for being best of peer group	N/A	N/A	N/A	33%	N/A	N/A
Escalation applied for being second of peer group	N/A	N/A	N/A	29%	N/A	N/A
Number granted	10,047,885	4,111,838	1,063,750	2,382,581	201,117	1,757,786
Weighted average volatility	60.4%	44.5%	36.5%	36.5%	60.1%	60.1%
Weighted average volatility of index	71.2%	55.8%	42.2%	42.2%	62.0%	62.0%
Weighted average risk free rate	0.58%	0.70%	1.27%	1.27%	0.30%	0.30%
Correlation in share price movement with comparator group	27.5%	33.5%	32.0%	32.0%	49.0%	49.0%
Exercise price	0p	0p	0p	0p	0p	0p
Dividend yield	0%	0%	0%	0%	0%	0%

The following movements occurred during the year:

Issue date	**Expiry date**	**At 31 December 2015**	**Issued**	**Lapsed**	**At 31 December 2016**
8 October 2013	8 October 2023	1,560,418	-	(1,014,273)	**546,145**
10 March 2014	10 March 2024	201,117	-	(130,726)	**70,391**
13 October 2014	13 October 2024	3,446,331	-	(404,143)	**3,042,188**
13 April 2015	13 April 2025	4,111,838	-	(383,303)	**3,728,535**
22 April 2016	22 April 2026	-	10,047,885	-	**10,047,885**
		9,319,704	10,047,885	(1,932,445)	**17,435,144**

Share incentive plan

The Group has in place an HMRC approved Share Incentive Plan ("SIP"). The SIP allows the Group to award Free Shares to UK employees (including directors) and to award shares to match Partnership Shares purchased by employees, subject to HMRC limits.

Throughout this and the prior year the Group issued two Matching Shares for every Partnership Share purchased.
In the year the Group made a free award of £50,997 (year ended 31 December 2015 £49,547) worth of Free Shares to eligible employees.

This resulted in 177,772 (year ended 31 December 2015:92,277) Free Shares and 216,778 (year ended 31 December 2015:99,456) Matching Shares being issued under the SIP in the period.

	31 Dec 2015	31 Dec 2015

The average fair value of the shares awarded (pence)	**29**	52
Vesting	**100%**	100%
Dividend yield	**Nil**	Nil
Lapse due to withdrawals	**Nil**	Nil

The fair value of the shares awarded will be spread over the expected vesting period.

Share appreciation rights
A share appreciation right ("SAR") is effectively a share option that is structured from the outset to deliver, on exercise, only the net gain in the form of new ordinary shares that would have been made on the exercise of a market value share option.

No consideration is payable on the grant of a SAR. On exercise, an option price of 1 pence per ordinary share, being the nominal value of the Company's ordinary shares, is paid and the relevant awardee will be issued with ordinary shares with a market value at the date of exercise equivalent to the notional gain that the awardee would have made, being the amount by which the aggregate market value of the number of ordinary shares in respect of which the SAR is exercised, exceeds a notional exercise price, equal to the market value of the shares at the time of grant (the "base price"). The remuneration committee has discretion to settle the exercise of SARs in cash.

The following movements occurred during the period on SARs:

Issue date	Expiry date	Exercise price (pence)	At 31 Dec 2015	Exercised	Lapsed	At 31 Dec 2016
22 November 2008	22 November 2018	19.25	355,844	—	—	355,844
3 July 2009	3 July 2019	30.87	103,368	—	—	103,368
11 January 2011	11 January 2021	372.75	212,641	—	—	212,641
14 July 2011	14 July 2021	239.75	43,587	—	—	43,587
16 August 2011	16 August 2021	237.00	17,035	—	—	17,035
13 December 2011	13 December 2021	240.75	29,594	—	—	29,594
17 January 2012	17 January 2022	303.75	291,531	—	—	291,531
30 January 2013	30 January 2023	159.00	366,931	—	—	366,931
			1,420,531	—	—	1,420,531

10 FOREIGN EXCHANGE

	Year ended 31 Dec 16	Year ended 31 Dec 15
	$'000	$'000
Foreign exchange gain on Falkland Islands tax liability	**8,290**	1,990
Foreign exchange loss on term deposits, cash and restricted cash	**(2,103)**	(69)
	6,187	1,921
Foreign exchange on operating activities	**(508)**	6
Total net foreign exchange gain	**5,679**	1,927

11 FINANCE INCOME AND EXPENSE

	Year ended 31 Dec 16	Year ended 31 Dec 15
	$'000	$'000
Bank and other interest receivable	**307**	975
Total finance income	**307**	975
Unwinding of discount on provisions	**300**	378
Unwinding of discount on long term tax liability	—	4,347
Other	**33**	25
Total finance expense	**333**	4,750

12 TAXATION

	Year ended 31 Dec 16	Year ended 31 Dec 15
	$'000	$'000
Current tax:		
Overseas tax	—	9

Adjustment in respect of prior years	—	(55,405)
Total current tax	—	(55,396)

Deferred tax:		
Overseas tax	—	1
Total deferred tax – note 23	—	1
Tax on profit on ordinary activities	—	(55,395)
Profit / (loss) on ordinary activities before tax	**98,044**	(44,697)
Profit / (loss) on ordinary activities multiplied at 26% weighted average rate (31 December 2015: 26%)	**25,491**	(11,621)
Effects of:		
Income and gains not subject to taxation	**(32,055)**	—
Expenditure not deductible for taxation	**253**	10,365
Depreciation in excess of capital allowances	**(349)**	(597)
IFRS2 Share based remuneration cost	**216**	174
Losses carried forward	**6,894**	2,537
Effect of tax rates in foreign jurisdictions	**(436)**	(539)
Adjustments in respect of prior years	—	(55,405)
Other	**(14)**	(309)
Tax (credit)/charge for the year	—	(55,395)

On the 8 April 2015 the Group agreed binding documentation ("Tax Settlement Deed") with the Falkland Island Government ("FIG") in relation to the tax arising from the Group's farm out to Premier Oil plc ("Premier"). As such the Group is able to defer this tax liability under Extra Statutory Concession 16. As it is deferred, the liability is classified as non-current and discounted. Additional information is given in Note 21 Tax payable.

The total carried forward losses and carried forward pre trading expenditures available for relief on commencement of trade are as follows:

	Year ended 31 Dec 16	Year ended 31 Dec 15
	$'000	$'000
UK	**59,529**	53,161
Falkland Islands	**123,732**	127,388
Italy	**54,051**	19,917
Egypt	**3,010**	—

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.

13 BASIC AND DILUTED LOSS PER SHARE

	31 Dec 16 Number	31 Dec 15 Number
Shares in issue brought forward	**296,579,834**	292,805,453
Shares issued		
– Issued in relation to acquisitions	**159,684,668**	—
– Issued in relation to share options	—	3,532,920
– Issued under the SIP	**394,550**	241,461
Shares in issue carried forward	**456,659,052**	296,579,834
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**446,106,108**	293,442,707
Effects of dilutive potential Ordinary shares		
Contingently issuable shares	—	321,330
	446,106,108	293,764,037

	$'000	$'000
Net profit after tax for purposes of basic and diluted earnings per share	**98,044**	10,698
Earnings per share – cents		
Basic	**21.98**	3.65
Diluted	**21.98**	3.64

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was on quoted market prices for the year during which the options were outstanding.

14 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	Falkland Islands $'000	Greater Mediterranean $'000	Total $'000
As at 31 December 2014	175,504	28,660	204,164
Additions	75,920	2,577	78,497
Written off to exploration costs	—	(22,335)	(22,335)
Foreign exchange movement	—	(3,668)	(3,668)
As at 31 December 2015	251,424	5,234	256,658
Acquisitions through business combinations	170,000	—	170,000
Asset additions	—	5,772	5,772
Additions	(2,840)	587	(2,253)
Written off to exploration costs	—	(3,549)	(3,549)
Foreign exchange movement	—	(209)	(209)
As at 31 December 2016	**418,584**	**7,835**	**426,419**

FALKLAND ISLANDS LICENCES

The Acquisition during the period of $170 million reflects the fair value of the licences held by Falkland Oil & Gas Limited and its subsidiary, principally being its 40% interest in the PL004 licences, further details are given in note 29.

The additions during the period relate to $7.2 million of costs for the exploration campaign in the North Falkland Basin including the exploration successes at Zebedee and Isobel Deep. $17.2 million relates to the Sea Lion development. These have been offset by $27.7 million as a result of insurance proceeds received on a claim relating to costs incurred on the Isobel deep well during the 2015/16 North Falkland Basin exploration campaign. This reflects the total insurance proceeds of $48.5 million that was recognised as receivable on acquisition of FOGL. These costs have been previously capitalised.

The carrying value of phase 1 of the Sea Lion Development, a discovered asset still under evaluation was checked for impairment by reference to a discounted cashflow model. The key inputs to this model were a 2016 real terms oil price of $75/bbl, a post-tax discount rate of 12.5% and utilising the operator's current estimates of capital and operating costs and production profiles. The project is targeting project sanction decision in mid 2018 (with such decision dependent on funding) and is expected to take three and half years from sanction to first oil. The remaining barrels in Sea Lion are expected to be recovered along with those in near field discoveries in a second phase of the development. This second phase has been checked for impairment in a similar manner.

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

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

GREATER MEDITERRANEAN LICENCES

The asset additions in the period ($5.8 million) relate to the Egyptian exploration assets acquired as part of the acquisition of Beach Petroleum (Egypt) Pty Limited, further details are provided in note 29.

The additions during the period ($0.6 million) predominantly relate to work on the Egyptian and Italian license interests.

As at the end of the prior year the costs associated with the Ombrina Mare exploration permit were impaired due to the Italian Parliament approving the 2016 Budget Law which reintroduces restrictions on offshore oil and gas activity including the general ban on exploration and production activity within 12 nautical miles of the coast of Italy. The Budget Law came into force on 1 January 2016 and directly affects the Ombrina Mare Field Area.

The Group was also informed by the Ministry of Economic Development that, following the re-introduction of the ban, the Production Concession covering the Ombrina Mare Field Area will not be awarded. This is despite the Ombrina Mare project having completed all the required technical and environmental authorisations.

Given the current legal position the decision was made to plug and abandon the Ombrina Mare well, the unprovided costs associated with this activity have been initially capitalised in intangible assets and then impaired.

Following the decision in February 2016 by the Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field, in March 2017 the Company commenced international arbitration proceedings against the Republic of Italy. Based on legal and expert opinions, Rockhopper has been advised that it has strong prospects of recovering very significant monetary damages as a result of the Republic of Italy's breaches of the Energy Charter Treaty. Damages would be sought on the basis of lost profits.

The write-off in relation to Ombrina Mare has been taken without prejudice to the legal remedies that may be obtained through the legal proceedings against the Republic of Italy and organs of the Italian State.

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

15 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets $'000	**Other assets $'000**	**31 Dec 16 $'000**	Oil and gas assets $'000	Other assets $'000	31 Dec 15 $'000
Cost brought forward	23,245	1,645	**24,890**	14,413	1,990	16,403
Acquisitions	—	58	**58**	—	—	—
Asset additions	9,696	33	**9,729**	—	—	—
Additions	1,615	96	**1,711**	10,513	60	10,573
Foreign exchange	(787)	(7)	**(794)**	(1,681)	(22)	(1,703)
Disposals	(1,391)	(729)	**(2,120)**	—	(383)	(383)
Cost carried forward	**32,378**	**1,096**	**33,474**	23,245	1,645	24,890
Accumulated depreciation and impairment loss brought forward	(11,208)	(1,045)	**(12,253)**	(3,245)	(1,012)	(4,257)
Current year depreciation charge	(4,499)	(226)	**(4,725)**	(2,449)	(295)	(2,744)
Impairment loss	—	—	—	(5,649)	—	(5,649)
Foreign exchange	566	3	**569**	135	2	137
Disposals	310	650	**960**	—	260	260
Accumulated depreciation and impairment loss carried forward	**(14,831)**	**(618)**	**(15,449)**	(11,208)	(1,045)	(12,253)
Net book value brought forward	12,037	600	**12,637**	11,168	978	12,146
Net book value carried forward	**17,547**	**478**	**18,025**	12,037	600	12,637

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

Asset additions in the period relate almost entirely to the addition of the Abu Sennan production asset in Egypt which was acquired as part of the acquisition of Beach Petroleum (Egypt) Pty Limited, further information is provided in note 29.

Impairment testing was performed across the Group's oil and gas assets and was calculated by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) against the carrying value of the asset. The future cash flows were estimated using a realised gas price assumption equal to existing contracts in place and relevant forward curve in 2017 and 2018, and €0.25/sm3 in 2017 real terms thereafter and were discounted using a post-tax rate of 10%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain. No impairment was recognised in the period (2015: charge of $5.6 million).

16 GOODWILL

	Greater Mediterranean $'000	**Total $'000**
As at 31 December 2015	**9,803**	**9,803**
Foreign exchange movement	(364)	(364)
As at 31 December 2016	**9,439**	**9,439**

Goodwill relates to the corporate acquisition of Mediterranean Oil & Gas plc ("MOG") during the period ended 31 December 2014. This goodwill is fully allocated to the Italian CGU and arises due to the difference between the fair value of the net assets and the consideration transferred and relates more specifically to Monte Grosso and Ombrina Mare, which have the optionality and potential to provide value in excess of this fair value as well as the strategic premium associated with a significant presence in a new region. The functional currency of MOG is euros. As such the goodwill is also expressed in the same functional currency and subject to retranslation at each reporting period end. The reduction in the period of $364,000 (2015: $1,137,000) is entirely due to this foreign currency difference. None of the goodwill recognised is expected to be deductible for tax purposes.

The Group tests goodwill annually for impairment or more frequently if there are indicators goodwill might be impaired. The recoverable amounts are determined by reference to a value in use calculations. Future cashflows are estimated using long term realised gas price of €0.25/sm3 and a realised oil price of $75/bbl in 2016 real terms and were discounted using a post-tax rate of 10%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain.

17 OTHER RECEIVABLES

	31 Dec 16 $'000	31 Dec 15 $'000
Current		
Receivables	**12,633**	1,104
Prepayments	**374**	391
Accrued interest	**106**	349
Income tax	**74**	77
Other	**3,997**	4,278
	17,184	6,199

The carrying value of receivables approximates to fair value. The increase in receivables in the year is due to the acquisition of Beach Petroleum (Egypt) Pty Limited which came with an associated receivable due from EGPC. At 31 December 2016, the receivable balance due from EGPC was $11.4 million of which net $4.2 million was due to Rockhopper after offsetting the amount payable to the former parent company, Beach Energy Limited. Further details regarding this balance are disclosed in note 29.

18 RESTRICTED CASH

	31 Dec 16 $'000	31 Dec 15 $'000
Charged accounts	—	874
Other amounts including in relation to exploration licence applications	**495**	1,318
	495	2,192

19 TERM DEPOSITS

	31 Dec 16 $'000	31 Dec 15 $'000
Maturing after the period end:		
Within three months	—	30,000
Three to six months	—	10,000
Six to nine month	**10,000**	10,000
Nine months to one year	**20,000**	10,000
	30,000	60,000

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

20 OTHER PAYABLES AND ACCRUALS

	31 Dec 16 $'000	31 Dec 15 $'000
Accounts payable	**687**	2,377
Accruals	**25,202**	25,390
Other creditors	**8,123**	2,690
	34,012	30,457

The increase in other creditors in the year is due to the acquisition of Beach Petroleum (Egypt) Pty Limited and a payable balance due to the former parent company Beach Energy Limited related to the associated receivable from EGPC (see note 17). The balance outstanding as at 31 December 2016 was $7.2 million. Further details on this transaction are disclosed in note 29.

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.

21 TAX PAYABLE

	31 Dec 16 $'000	31 Dec 15 $'000
Current tax payable	**9**	9
Non current tax payable	**39,115**	47,405
	39,124	47,414

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

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

As a result of the Tax Settlement Deed the outstanding tax liability was confirmed at £64.4 million and payable on the first royalty payment date on Sea Lion. Currently the first royalty payment date anticipated to occur within six months of first oil production which itself is estimated to occur approximately three and a half years after project sanction. As such the tax liability has been reclassified as non-current and discounted at 15%. The movement in the tax liability since the 31 December 2015 relates to an $8.3 million foreign exchange gain. Management are considering strategies to mitigate currency risk in relation to this balance.

The tax liability may be revised downward if the Falkland Islands' Commissioner of Taxation is satisfied that either (i) the Exploration Carry from Premier is utilised to fund exploration activities or (ii) any element of the Development Carry from Premier becomes "irrecoverable". The full benefit of the $48.0 million Exploration Carry has been received from Premier during the current campaign and a request has been made to the Falkland Islands Commissioner of Taxation to reduce the tax liability by £4.7 million. No adjustment in the tax liability has been made as this is still subject to agreement with the Falkland Islands' Commissioner of Taxation.

22 PROVISIONS

	Abandonment provision $'000	Other provisions $'000	31 Dec 16 $'000	31 Dec 15 $'000
Brought forward	20,059	284	**20,343**	21,816
Amounts utilized	(4,003)	(242)	**(4,245)**	(45)
Amounts arising in the period	—	66	**66**	64
Change in estimate	(849)	—	**(849)**	382
Unwinding of discount	300	—	**300**	393
Foreign exchange	(695)	(6)	**(701)**	(2,267)
Carried forward at period end	14,812	102	**14,914**	20,343

The abandonment provision relates to the Group's licences in the Greater Mediterranean region. The provision covers both the plug and abandonment of wells drilled as well as any requisite site restoration. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Other provisions include amounts due to employees for accrued holiday and leaving indemnity for staff in Italy, that will become payable when they cease employment.

23 DEFERRED TAX LIABILITY

	31 Dec 16 $'000	31 Dec 15 $'000
At beginning of period	**39,145**	**39,144**
Movement in period	—	**1**
At end of period	**39,145**	**39,145**

The deferred tax liability arises due to temporary differences associated with the intangible exploration and evaluation expenditure. The majority of the balance relates to historic expenditure on licences in the Falklands, where the tax rate is 26%, being utilised to minimise the corporation tax due on the consideration received as part of the farm out disposal during 2012.

Total carried forward losses and carried forward pre-trading expenditures available for relief on commencement of trade at 31 December 2016 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 utilized. The potential deferred tax asset at the 31 December 2016 would be $59 million (31 December 2015: $49 million).

24 SHARE CAPITAL

	31 Dec 2016		31 Dec 2015	
	$'000	**Number**	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	**7,194**	**456,659,552**	4,910	296,579,834

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

25 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.

26 LEASE COMMITMENTS

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

	31 Dec 16 $'000	31 Dec 15 $'000
Total committed within 1 year	**902**	1,258
Total committed between 1 and 5 years	**1,117**	2,951
	2,019	4,209

27 CAPITAL COMMITMENTS

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

The Group also committed to fund its share of the approved work program for PL032 for the calendar year ending 31 December 2017 of US$8 million.

In addition, the Group has approved a capital work plan and budget commitments of US$3 million in relation to its portfolio of assets in the Greater Mediterranean region.

28 RELATED PARTY TRANSACTIONS

The remuneration of directors, who are the key management personnel of the Group, is set out below in aggregate.

	Year ended 31 Dec 16 $'000	Year ended 31 Dec 15 $'000
Short term employee benefits	**2,538**	3,041
Pension contributions	**139**	150
Other long term employee benefits	**-**	946
Share based payments	**508**	1,013
	3,185	5,150

Other long term employee benefits relate to the gain on exercise of share options during the previous period. Additional details are disclosed in note 7 Directors' remuneration.

The Company was notified that directors of the Company exercised options over shares in the Company during the prior year. In addition a former director of the Company also exercised options. The options were due to expire during that year and were exercised during one of the few remaining open periods prior to their expiry. The directors and former director elected to sell shares to discharge the cost of exercise and their tax and national insurance obligations (where applicable). These shares were purchased by the Rockhopper Employee Benefit Trust (the "EBT") which was established in 2013 for the purpose of holding shares to satisfy future exercises of options and vesting of awards under the Company's Long Term Incentive Plan. The shares were acquired by the EBT by way of an off market purchase at the closing share price on the date prior to exercise. The remaining shares were retained.

Year ended 31 Dec 15	**Number of shares subject to option**	**Exercise price**	**Shares sold to EBT**	**EBT share purchase price**	**Shares retained**
Sam Moody	1,500,000	42 pence	1,236,472	63.25 pence	263,528
Pierre Jungels	1,500,000	42 pence	1,222,827	63.25 pence	277,173
Former director	525,000	42 pence	434,565	63.25 pence	90,435

29 ACQUISITION OF SUBSIDIARIES

Acquisition of Falkland Oil and Gas Limited

In January 2016 Rockhopper completed the acquisition of the entire issued share capital of Falkland Oil and Gas Limited ("FOGL"). The boards of Rockhopper and FOGL believe that a combination of the Rockhopper and FOGL Groups (together, the "Combined Group") represents a significant value opportunity arising from the combination of their highly complementary portfolios. Specifically, the Combined Group is expected to:

- be the largest North Falkland Basin licence and discovered resource holder with a material working interest in all key licences;
- have enhanced prospects of progressing the Sea Lion project through final investment decision;
- have greater exposure to exploration and appraisal upside potential; and
- benefit from enhanced scale and capabilities creating value in the current market environment.

Under the terms of the agreement announced on 24 November 2015, shareholders of FOGL received 0.2993 shares of the Company per FOGL share.

At acquisition FOGL had a portfolio of assets and internal technical resources and management and administrative processes. In addition it has potential future outputs through the monetization of its 2C resources as such it is a business and the transaction has been accounted for by the purchase method of accounting with an effective date of 18 January 2016 being the date on which the group gained control of FOGL. Information in respect of the assets and liabilities acquired and the fair value allocation to the FOGL assets in accordance with the provisions of "IFRS3 – Business Combinations" has been determined as follows:

	Recognised values on acquisition $'000
Intangible exploration and appraisal assets	170,000
Property, plant and equipment	58
Inventories	162
Trade and other receivables	21,031
Trade and other payables	(19,222)
Net identifiable assets and liabilities	172,029
Fair value in excess of consideration	(111,842)
Satisfied by:	
Equity instruments 159,684,668 ordinary shares	65,499
Less cash acquired	(5,312)
Total consideration	60,187

The fair value of equity instruments has been determined by reference to the closing share price on the trading day immediately prior to the completion of the acquisition.

Inherently determining fair values, particularly of intangible exploration and evaluation assets, is subjective. The valuation of intangible assets acquired was based on the $ per barrel multiples applied in transactions in the market place involving similar early stage development assets. Not all factors in any particular transaction may be known and the market provides only a range of possible values over a relatively small population of analogous transactions. Analysis of $ per barrel multiples implied a wide range of reasonable possible outcomes between $1.5 per barrel and $2.5 per barrel although actual transactions ranged from near zero to values in well in excess of $5 per barrel. The value above equates to just under $2 per barrel of 2C resource acquired in the Sea Lion complex and around $1.6 per barrel if managements view of the additional 2C resource discovered in the Emily, Isobel and Isobel Deep J fans is included.

For reasonableness, this fair value was compared and supported by both historic investment in the basin and the net present value of future cashflows which requires key assumptions and estimates in relation to: commodity prices that are based on forward curves for a number of years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, the quantum of commercial reserves and the associated production and cost profiles.

The fair value in excess of consideration arises due to the difference between the fair value of the net assets and the consideration transferred and relates to the fact that the financial position of FOGL had deteriorated due to cost overruns at the Humpback exploration well as well as merger terms being agreed prior to the Isobel Elaine well results, which as noted above added additional 2C resource and substantially de-risked the Isobel-Elaine complex. The fair value in excess of consideration arises due to the difference between the fair value of the net assets and the consideration transferred and relates to the fact that the financial position of FOGL had deteriorated due to cost overruns at the Humpback exploration well as well as merger terms being agreed prior to the Isobel Elaine well results, which as noted above added additional 2C resource and substantially de-risked the Isobel-Elaine complex.

Acquisition costs of $1,430,000 arose as a result of the transaction in this and the prior period. These have been recognised as part of administrative expenses in the statement of comprehensive income.

Since the acquisition date, FOGL has contributed $nil to group revenues and added $873,000 to the group loss. If the acquisition had occurred on 31 December 2015, group revenues and group profit for the period would be materially the same.

Acquisition of Beach Petroleum (Egypt) Pty Limited

In August 2016 Rockhopper completed the acquisition of the entire issued share capital of Beach Petroleum (Egypt) Pty Limited ("Beach Egypt"). Beach Egypt holds a 22% interest in the Abu Sennan concession and a 25% interest in the El Qa'a Plain concession. Whilst the Company acquired had assets and outputs the processes of Beach Egypt were all managed by the former parent company. As such the acquisition has not been accounted for as a business combination under IFRS 3 but an asset acquisition; the upfront consideration paid for the asset acquisition was $11.9m excluding working capital adjustments and further consideration of $7.4m to be paid in line with the recovery of Beach Energy's retained interest in the gross transferred EGPC receivable. Under the transaction terms the former parent company Beach Energy Limited retains the economic benefit of the EGPC receivable balance as at 31 December 2015, being US$8.6 million. Rockhopper pays the receivable due to Beach Energy Limited as the funds are received by Rockhopper post-completion.

30 POST BALANCE SHEET EVENTS

OCEAN RIG SETTLEMENT

The Company announced on 14 September 2016, the operators of the 2015/16 North Falkland Basin exploration campaign had entered into arbitration with Ocean Rig in relation to the termination of Eirik Raude rig.

The Company confirmed in February 2017 that a settlement had been reached between the operators and Ocean Rig. The financial impact of this settlement is fully reflected in the results to 31 December 2016.

COMMENCEMENT OF INTERNATIONAL ARBITRATION

On the 23 March 2017, Rockhopper announced that it has commenced international arbitration proceedings against the Republic of Italy in relation to the Ombrina Mare project.

Following the decision in February 2016, by the Ministry of Economic Development not to award the Company a Production Concession covering the Ombrina Mare field, the Company, with its legal advisers, has considered its options with regard to obtaining damages and compensation from the Republic of Italy for breaching the Energy Charter Treaty (“ECT”).

Based on legal and expert opinions, Rockhopper has been advised that it has strong prospects of recovering very significant monetary damages as a result of the Republic of Italy’s breaches of the ECT. Damages would be sought on the basis of lost profits.

In addition, the Company has secured non-recourse funding for the arbitration from a funder that specialises in financing commercial litigation and arbitration claims. In the event of success (with an award above a nominal threshold) Rockhopper retains a very material proportion of any award.

31 RISK MANAGEMENT POLICIES

RISK REVIEW

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

Foreign exchange risks: The Group’s functional currency is US$ and as such the Group is exposed to foreign exchange movements on monetary assets and liabilities denominated in other currencies, in particular the tax liability with the Falkland Island Government which is a GB£ denominated balance. In addition a number of the Group’s subsidiaries have a functional currency other than US$, where this is the case the Group has an exposure to foreign exchange differences with differences being taken to reserves.

Asset balances include cash and cash equivalents, restricted cash and term deposits of $81.5 million of which $71.4 million was held in US$ denominations. The following table summarises the split of the Group’s assets and liabilities by currency:

Currency denomination of balance	$	£	€	EGP £
	$’000	$’000	$’000	$’000
Assets				
31 December 2016	520,607	7,811	27,064	7
31 December 2015	346,295	15,546	37,752	—
Liabilities				
31 December 2016	72,908	41,852	12,735	—
31 December 2015	60,585	52,262	24,512	—

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	-10% US$ rate decrease	+10% US$ rate increase	-10% US$ rate decrease
	$’000	$’000	$’000	$’000
US$ against GB£				
31 December 2016	(2,519)	2,519	(2,519)	2,519
31 December 2015	(3,672)	3,672	(3,672)	3,672

US$ against euro				
31 December 2016	(1,060)	1,060	(1,060)	1,060
31 December 2015	(126)	126	1,198	(1,198)

Capital risk management: the Group manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The capital structure consists of cash and cash equivalents and equity. The board regularly monitors the future capital requirements of the Group, particularly in respect of its ongoing development programme.

Credit risk; the Group recharges partners and third parties for the provision of services and for the sale of Oil and Gas. Should the companies holding these accounts become insolvent then these funds may be lost or delayed in their release. The amounts classified as receivables as at the 31 December 2016 were $12,633,000 (31 December 2015: $1,104,000). Credit risk relating to the Group's other financial assets which comprise principally cash and cash equivalents, term deposits and restricted cash arises from the potential default of counterparties. Investments of cash and deposits are made within credit limits assigned to each counterparty. The risk of loss through counterparty failure is therefore mitigated by the Group splitting its funds across a number of banks, two of which are part owned by the British government.

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

Liquidity risks; the Group makes limited use of term deposits where the amounts placed on deposit cannot be accessed prior to their maturity date. The amounts applicable at the 31 December 2016 were $30,000,000 (31 December 2015: $60,000,000).

Glossary:

2C	best estimate of contingent resources
2P	proven plus probable reserves
3C	a high estimate category of contingent resources
AGM	Annual General Meeting
Beach Energy	Beach Energy Limited
Beach Egypt	Beach Petroleum (Egypt) Pty Limited
Best	a best estimate category of Prospective Resources also used as a generic term to describe a best, or mid estimate
Board	the Board of Directors of Rockhopper Exploration plc
Boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
Capex	capital expenditure
Company	Rockhopper Exploration plc
E&P	exploration and production
ERCE	ERC Equipoise Limited
Farm-down	to assign an interest in a licence to another party
FEED	Front End Engineering and Design
FID	Final Investment Decision
FIG	Falkland Islands Government
FOGL	Falkland Oil and Gas Limited
FPSO	Floating Production, Storage and Offtake vessel
Group	the Company and its subsidiaries
High	high estimate category of Prospective Resources also used as a generic term to describe a high or optimistic estimate
IFRS	International Financial Reporting Standard
KPI	Key Performance Indicators
Low	a low estimate category of Prospective Resources also used as a generic term to describe a low or conservative estimate
Mmbbls	million barrels
Mmboe	million barrels of oil equivalent
MMstb	million stock barrels (of oil)
Mmbtu	one million British Thermal Units
Mscf	thousand standard cubic feet
net pay	the portion of reservoir containing hydrocarbons that through the placing of cut offs for certain properties such as porosity, water saturation and volume of shale determine the productive element of the reservoir
P&A	plug and abandon
Premier	Premier Oil plc
PSV	virtual exchange point
Scm	standard cubic metre
STOIIP	stock-tank oil initially in place

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").