# Half-year Results

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**Rockhopper Exploration plc**
("Rockhopper", the "Group" or the "Company")

**Half-Year Results for the Six Months Ended 30 June 2023**

Rockhopper Exploration plc (AIM: RKH), the oil and gas company with key interests in the North Falkland Basin, announces its unaudited results for the six months ended 30 June 2023 ("H1 2023").

**YEAR TO DATE HIGHLIGHTS**

**Sea Lion and North Falkland Basin**

- Reworked base case project reduces costs while increasing total production

  - Total barrels developed: 269mmbbls
  - Production plateau: 80,000 bbls/d
  - Pre first oil capex US$1.3bn, assuming leased FPSO
  - Life of field costs less than US$30 per barrel
- Sea Lion is competitive on a global scale
  - Base case gross joint venture NPV10 >US$4bn at $77 Brent
- Work to refine project phasing and financing plan continues

**Ombrina Mare**

- Rockhopper awarded c.€190 million plus interest (the "Award") in August 2022 following successful arbitration outcome
- Italy seeking to have the Award annulled; Rockhopper contesting annulment
- Stay of Enforcement lifted, escrow arrangements in place
- Rockhopper exploring all avenues to secure value
- Annulment hearing set for January 2024

**Corporate and Financial**

- Continued focus on costs post completion of successful capital raise in July 2022
- At 30 June 2023, the Group had 53.9 million unexercised 9 pence warrants in issue, with an expiry date of 31 December 2023
- Cash and term deposit balance at 30 June 2023 of US$6.7 million
- Highly experienced new Non-Executive Chair (Simon Thomson) and Non-Executive Director (Paul Mayland) assuming roles from 1 October 2023

**Outlook**

- Work continues on refining new lower cost Sea Lion development and financing plan
- Stay on Enforcement on Award lifted - Rockhopper in a position to commence legal proceedings against Italy for non-payment

- Navitas targeting Sea Lion FID during 2024

**Keith Lough, outgoing Chairman of Rockhopper, commented:**

"After nine challenging and enjoyable years, John Summers and I will leave Rockhopper in the strongest position your Company has seen for some considerable time. We have a committed, focussed, and capable partner that has already worked up a hugely impressive lower cost, highly capital efficient project at Sea Lion. In addition, the Stay of Enforcement on our €190million ICSID award is now lifted and we are working with our advisers on all avenues to monetise this award. Our 2022 capital raise allowed us to extend our licences, bring Navitas on board and continue to contest the Arbitration. Finally, we welcome Simon Thomson and Paul Mayland to the Board, bringing with them a wealth of directly relevant experience in the industry and detailed knowledge of Sea Lion.

"I wish the new Board and all holders every success for the future, and I know your Company remains in the best possible hands."

**Enquiries:**

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**CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW**

**INTRODUCTION**

Rockhopper's strategy is to create value for all our stakeholders through the safe and responsible development of our assets in the North Falkland Basin. The Company has been operating offshore the Falkland Islands since 2004 and discovered the Sea Lion oilfield in 2010. We are a long-term partner of the Falkland Islands Government ("FIG"), and our aim has always been to support the rights of the Falkland Islanders to develop their natural resources.

**SEA LION PROJECT**

It remains our view that Sea Lion, which at the 700mmbbls 2C audited by Netherland Sewell & Associates ("NSAI")[1] is larger than Cambo and Rosebank combined, and represents an important and potentially highly valuable strategic asset for the Falkland Islands, the UK and all our stakeholders. The work Navitas Petroleum LP ("Navitas") has done reduces upfront and operating costs to such an extent that we see the project as being in a position to compete with almost any currently undeveloped offshore project in the world.

The base development case is for 269 mmbbls of oil via a leased, re-deployed FPSO with 23 wells in total, spread over two separate drilling campaigns. The first campaign comprises 18 wells, of which 11 are drilled pre-first-oil, with the second campaign for a further five wells to be drilled post-first-oil. Plateau production is expected to reach approximately 80,000 bbls per day.

Following the exit of Harbour Energy and the formation of the new Rockhopper-Navitas JV that completed in September 2022 (the "Transaction"), we have full alignment across our North Falkland Basin ("NFB") acreage, with Navitas as Operator and holding a 65% interest, and Rockhopper retaining a 35% working interest.

As a result of the Transaction, Rockhopper benefits from two loans from Navitas. The first loan covers all Rockhopper's net Sea Lion Phase 1 working interest costs (other than licence fees and taxes) at an interest rate of 8% and is available currently, following transaction completion, through to FID. The second 0% interest loan covers two-thirds of our net working interest Sea Lion Phase 1 costs from FID to the earlier of 12 months post-first oil or project completion (other than licence fees and taxes) for project costs not covered by third party debt financing. Both loans are repaid from 85% of Rockhopper's net Sea Lion Phase 1 cash flows.

As a result of the works undertaken by Navitas, total capex for the project estimates have been reduced to c.US$2.2bn, with pre-first oil capex now estimated to be around US$1.3bn, a significant reduction on previous estimates. Life of field costs are expected to be less than US$30 per barrel with capex and opex (including FPSO lease) as previously disclosed.

***[1]*** *Navitas appointed Netherland Sewell & Associates ("NSAI") to review the quantities of oil and gas in the basin and produce a net present value calculation based on the new development plan. Whilst Rockhopper was not an addressee of the report, we endorsed its conclusions. The last independent resource report commissioned directly by Rockhopper was the ERCE 2016 Report which had an estimated 2C value of 517 MMbbls. The Navitas commissioned NSAI Independent Report used an updated approach and assumptions to the ERCE 2016 report.*

Reducing project breakeven from over US$40 to under US$30 per barrel in a rising cost environment is a hugely impressive achievement, significantly improving both project economics and the ability to raise finance. Having established a new base project, work focuses on project phasing and financing, with Navitas still targeting FID during 2024.

**OMBRINA MARE ARBITRATION**

As announced on 24 August 2022, the arbitration panel unanimously held that Italy had breached its obligations under the Energy Charter Treaty (the "Award") entitling Rockhopper to compensation of €190 million plus interest at EURIBOR + 4%, compounded annually from 29 January 2016 until time of payment (except the four-month period immediately following the date of the Award).

On 28 October 2022, Italy submitted an application to the International Centre for Settlement of Investment Disputes ("ICSID") seeking to annul the Award under Article 52 of the ICSID Convention. Italy also requested a provisional stay of the enforcement of the Award pursuant to Article 52(5) of the ICSID Convention. The provisional stay prevented Rockhopper from taking legal action to enforce the Award in any jurisdiction.

Following a hearing on 6 March 2023, the ad hoc committee (the "Committee") convened by the ICSID to rule on the annulment issued the following orders with regard to the provisional stay of enforcement:

> 1: that Italy and Rockhopper (together the "Parties") shall confer - in good faith and using their best efforts to cooperate and find an effective arrangement - for the mitigation of the risk of non-recoupment using a first-class international bank outside the European Union (or as Italy and Rockhopper otherwise agree) to be put into place in anticipation of the termination of the provisional stay of enforcement of the Award. This is to mitigate the perceived risk that, in the event the Award is annulled, Italy may not be able to recover Italian assets seized or frozen by Rockhopper (before the ad hoc Committee issues its decision on annulment) in court enforcement proceedings.
>
> 2: that Rockhopper shall, within 30 days of the date of the decision, apprise the Committee of arrangements agreed with Italy for the mitigation of the risk of non-recoupment or that negotiations have failed and, in the latter event, propose concrete arrangements in accordance with the decision for the mitigation of the risk of non-recoupment. Italy may then briefly comment on Rockhopper's proposal within 10 days, constructively highlighting any areas of disagreement between the Parties.

In line with preceding orders and following failure to agree arrangements with Italy, Rockhopper submitted its proposed arrangements (the "Escrow Arrangements") to mitigate the risk of non-recoupment on 24 May 2023. On 5 June 2023 Italy submitted its comments on the Escrow Arrangements.

On 11 July 2023, and having received additional comments from the Parties, the Committee issued the following orders with regard to the provisional stay of enforcement:

> 1: That the provisional stay of enforcement shall terminate 5 business days following the provision by Rockhopper to Italy of documentation that escrow arrangements in the form proposed have been established, provided that Italy does not within those 5 business days submit a reasoned written

objection in these annulment proceedings that the escrow arrangements established are not in accordance with the proposed arrangements.

2: Reserves its right to revisit its decision at any time; and

3: Reserves its decision on costs

Italy submitted no further comments on the Escrow Arrangements and so the stay of enforcement is now lifted.

Against this background, we are working with our advisers on all avenues to monetise this award.

**CORPORATE MATTERS**

Having undertaken a well-supported capital raise during the summer of 2022, we continue to monitor costs closely and ended the period with cash and term deposits of US$6.7 million on our balance sheet, despite higher legal spend as a result of positive developments on the Ombrina Mare arbitration.

We offered warrants to those participating in the capital raise, giving them the right to purchase shares at 9p, to be exercised at any point until 31 December 2023. This provided shareholders with additional potential upside, and Rockhopper a stronger balance sheet should those warrants be exercised. As at 30 June 2023 there were c53.9 million unexercised warrants which if all exercised would raise an additional £4.9 million before expenses.

We retain our core technical and financial knowledge and capabilities using a low cost, efficient business model and this continues to be our focus going forwards.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

ESG and Corporate Responsibility more generally continue to be a key focus for Rockhopper. As an oil and gas exploration and production business, our role is to discover and produce hydrocarbons in an environmentally responsible manner.

As noted previously, the Falkland Islands Government established an independent environment trust to receive and administer future off-setting payments from the Sea Lion project and distribute those funds for activities aimed at ensuring a positive environmental legacy in the Falkland Islands.

Once FID on Sea Lion has been achieved, the Company commits to defining measures, reporting transparently, and mitigating our own emissions as far as practicable.

**OUTLOOK**

The positive momentum we have been building over recent years continues. The reworked, lower-cost Sea Lion development competes with almost any undeveloped 500-700 mmbbls field in the world with returns plainly helped by current oil prices. Work on refining the phasing and financing of the development continues.

Now the stay of enforcement has been lifted on Ombrina Mare we are investigating any and all avenues to create value for holders in the face of continued Italian non-compliance with their international treaty obligations.

The new Board has direct, relevant, in-depth experience and knowledge of arbitration processes, and is committed to working closely with all stakeholders to maximise the chance of unlocking the value within the Falklands and Ombrina Mare arbitration award.

**FINANCIAL REVIEW**

**Results for the period**

For the period ended 30 June 2023, the Group reported revenues of US$nil (H1 2022: US$0.5 million) and a loss after tax of US$2.6 million (H1 2022: loss of US$0.7 million). The increase in loss after tax was driven mainly by a reduction in net foreign exchange gains on GBP denominated balances. In particular, the weakening of the GBP against the USD resulted in a prior year US$4.4 million gain on the carrying value of the tax liability with FIG.

**Revenue and cost of sales**

The Group's production ceased during the prior year and as such there were no revenues in the period (H1 2022: US$0.5 million). The existing portfolio continues to be evaluated for further opportunities but revenue and cost of sales are not expected to be material in the immediate future.

**Operating costs**

The Group continues to manage corporate costs and has achieved significant reductions in recurring general and administrative ("G&A") costs over the last five years. The full benefit of these cost reduction initiatives was realised in 2021. The increase in G&A cost for the period to US$2.1million (H1 2022: US$1.5 million) almost entirely relates to legal fees associated with the Ombrina Mare arbitration. The Group made the decision to use existing resources to fund all legal costs arising from contesting the request by Italy for annulment whilst it explores all funding possibilities. Costs were incurred contesting Italy's request for a stay of enforcement as well as initial fees drafting the Group's counter memorial on annulment itself. We continue to focus on our cost base and made the decision to close our Rome office in the period. Whilst accelerating some costs in the short term overall, this results in a lower cost base moving forward.

The foreign exchange gain in the period of US$0.6 million (2022: gain of US$3.4 million) mainly arose on GBP denominated cash and term deposit balances. In previous years, foreign exchange movements were predominantly in relation to the tax balance arising from the Group's farm-out to Premier Oil ("Premier"). In the prior year, subsequent to the Transaction this balance was adjusted to nil and as a result foreign exchange gains and losses are expected to be less significant going forward. The tax balance is discussed in greater detail below and in note 7 of these interim condensed consolidated financial statements.

Finance expenses in the period of US$0.7 million (H1 2022: $US2.0 million) relate to the unwinding of discounts on provisions. The previous period finance expense related mainly to the impact of discounting the aforementioned Falkland Islands tax liability.

**Cash movements and capital expenditure**

At 30 June 2023, the Group had cash and term deposits of US$6.7 million (31 December 2022: US$9.8 million).

Cash and term deposit movements during the period:

| | US$m |
|---|---|
| Opening cash and term deposit balance (31 December 2022) | 9.8 |
| Cost of sales | (0.4) |

| | |
|---|---|
| Falkland Islands | (0.7) |
| Administrative expenses | (2.1) |
| Proceeds of warrants | 0.3 |
| Miscellaneous | (0.2) |
| Closing cash and term deposit balance (30 June 2023) | 6.7 |

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

**Oil and gas assets**

The Sea Lion development remains central to the Group's plans and the additions in the period of US$2.0 million almost entirely relate to this project. As part of the transaction to bring Navitas onto the licences, Navitas agreed to provide loan funding to the Group to cover the majority of its share of Sea Lion phase one related costs from Transaction completion, in September 2022, up to Final Investment Decision ("FID") and has interest charged at 8% per annum (the "Pre-FID Loan"). Subject to a positive FID, Navitas will provide a second interest free loan to fund two-thirds of the Group's share of Sea Lion phase one development costs (for any costs not met by third party debt financing).

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

**Taxation**

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

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

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

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

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

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

**Liquidity, counterparty risk and going concern**

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management.

At 30 June 2023, the Group had cash resources of US$6.7 million. Historically, the Group's largest annual expenditure has related to pre-sanction costs associated with the Sea Lion development. Following completion of the Transaction, the Group benefits from loan funding for its share of all Sea Lion pre-sanction costs (other than licence fees and taxes).

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

In addition to the above requirements, the third-party funding agreement in place to cover costs in relation to its ICSID arbitration with the Republic of Italy does not cover any costs arising past the date of the Award (23 August 2022). A separate success fee of £3.3 million is due to the Company's legal representatives on establishing liability and an award requiring Italy to pay at least €25 million in damages. This amount is also not covered by the funding agreement.

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

At the period end the Group had 53.9 million unexercised 9 pence warrants in issue with an expiry date of 31 December 2023. Assuming the share price is in excess of 9 pence, which it is at time of writing, the Group expects the majority of these warrants to be exercised providing additional funds of up to £4.9 million. However, in the downside circumstances where these outstanding warrants are not fully exercised the Group would have to raise additional funds within the next 12 months to meet both legal costs in relation to the arbitration and normal working capital requirements.

In light of this the Group is actively considering all potential sources of additional funding including but not limited to collection/monetisation of arbitration award proceeds, deferral of expenditure or raising additional equity. We continue to monitor the short, medium and long term funding requirements as we work towards project sanction of Sea Lion.

**Principal risk and uncertainties**

A detailed review of the potential risks and uncertainties which could impact the Group are outlined in the Strategic Report of the Group's annual consolidated financial statements. The Group identified its key risks at the end of 2022 as being:

- oil price volatility;

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

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | **Six months Ended 30 June 2023 Unaudited $'000** | Six months Ended 30 June 2022 Unaudited $'000 |
|---|---|---|---|
| Revenue | 2 | **-** | 523 |
| Cost of sales | | **(378)** | (803) |
| Gross loss | | **(378)** | (280) |
| Exploration and evaluation expenses | | **(3)** | - |
| Administrative expenses | | **(2,132)** | (1,461) |
| Charge for share based payments | | **(70)** | (314) |
| Foreign exchange movement | | **586** | 3,356 |
| Results from operating activities and other income | | **1,997** | 1,301 |
| Finance income | | **128** | 2 |
| Finance expense | | **(739)** | (2,052) |
| Loss before tax | | **(2,608)** | (749) |
| Tax | 3 | **-** | - |
| **LOSS FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY** | | **(2,608)** | (749) |
| Loss per share attributable to the equity shareholders of the parent company: cents | | | |
| | 4 | **(0.44)** | (0.16) |

| | | | |
|---|---|---|---|
| | 4 | **(0.44)** | (0.16) |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | **Six months Ended 30 June 2023 Unaudited $'000** | Six months Ended 30 June 2022 Unaudited $'000 |
|---|---|---|---|
| Loss for the period | | **(2,608)** | (749) |
| Exchange differences on translation of foreign operations | | **(615)** | 2,350 |
| **TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD** | | **(3,223)** | 1,601 |

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30 JUNE 2023

| | Notes | **As at 30 June 2023 Unaudited $'000** | As at 31 December 2022 Audited $'000 |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| Exploration and evaluation assets | 5 | **253,980** | 251,970 |
| Property, plant and equipment | 6 | **36** | 68 |
| Finance lease receivable | | **248** | 444 |
| **CURRENT ASSETS** | | | |
| Other receivables | | **1,532** | 1,406 |
| Finance lease receivable | | **270** | 259 |
| Restricted cash | | **545** | 519 |

| | | | |
|---|---|---|---|
| Term deposits | | **5,532** | 8,736 |
| Cash and cash equivalents | | **1,197** | 1,059 |
| **TOTAL ASSETS** | | **263,340** | 264,461 |
| **CURRENT LIABILITIES** | | | |
| Other payables | | **6,085** | 3,383 |
| Lease liability | | **220** | 209 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liability | | **137** | 344 |
| Tax payable | 7 | - | - |
| Provisions | | **19,663** | 19,177 |
| Deferred tax liability | | **39,137** | 39,137 |
| **TOTAL LIABILITIES** | | **65,242** | 63,994 |
| **EQUITY** | | | |
| Share capital | | **8,803** | 8,771 |
| Share premium | | **6,770** | 6,518 |
| Share based remuneration | | **2,062** | 1,492 |
| Owns shares held in trust | | **(1,320)** | (1,494) |
| Merger reserve | | **78,208** | 78,208 |
| Foreign currency translation reserve | | **(8,614)** | (7,999) |
| Special reserve | | **175,281** | 175,281 |
| Retained losses | | **(63,092)** | (60,310) |
| **ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY** | | **198,098** | 200,467 |
| **TOTAL LIABILITIES AND EQUITY** | | **263,340** | 264,461 |

These condensed consolidated interim financial statements were approved by the directors and authorised for issue on 27 September 2023 and are signed on their behalf by:

**Samuel Moody**
Chief Executive Officer

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | 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 2022** | **8,771** | **6,518** | **1,492** | **(1,494)** | **78,208** | **(7,999)** | **175,281** | **(60,310)** | **200,467** |
| Loss for the period | - | - | - | - | - | - | - | (2,608) | (2,608) |
| Other comprehensive loss for the year | - | - | - | - | - | (615) | - | - | (615) |
| Total comprehensive loss for the year | - | - | - | - | - | (615) | - | (2,608) | (3,223) |
| Shares issued | 32 | 252 | - | - | - | - | - | - | 284 |
| Share based payments | - | - | 570 | - | - | - | - | - | 570 |
| Other transfers | - | - | - | 174 | - | - | - | (174) | - |
| **Balance at 30 June 2023** | **8,803** | **6,770** | **2,062** | **(1,320)** | **78,208** | **(8,614)** | **175,281** | **(63,092)** | **198,098** |

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Share capital $'000 | Share Premium $'000 | Share based remuneration $'000 | Shares held in trust $'000 | Merger reserve $'000 | Foreign currency translation reserve $'000 | Special reserve $'000 | Retained losses $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2021** | **7,218** | **3,622** | **4,327** | **(3,342)** | **74,332** | **(9,682)** | **175,281** | **(97,235)** | **154,521** |
| Loss for the period | - | - | - | - | - | - | - | (749) | (749) |
| Other comprehensive profit for the year | - | - | - | - | - | 2,350 | - | - | 2,350 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total comprehensive profit for the year | - | - | - | - | - | 2,350 | - | (749) | 1,601 |
| Shares issued in placing | 1,005 | 120 | - | - | 3,905 | - | - | - | 5,030 |
| Share based payments | - | - | 314 | - | - | - | - | - | 314 |
| Other transfers | - | - | (1,380) | - | - | - | - | 1,380 | - |
| **Balance at 30 June 2022** | **8,223** | **3,742** | **3,261** | **(3,342)** | **78,237** | **(7,332)** | **175,281** | **(96,604)** | **161,466** |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | **Six months Ended 30 June 2023 Unaudited $'000** | Six months Ended 30 June 2022 Unaudited $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss before tax | | (2,608) | (749) |
| Adjustments to reconcile net losses to cash: | | | |
| Depreciation | | 32 | 64 |

| | | |
|---|---|---|
| Share based payment charge | 70 | 314 |
| Finance expense | 735 | 2,050 |
| Finance income | (1) | (1) |
| Foreign exchange | (637) | (4,213) |
| Operating cash flows before movements in working capital | (2,409) | (2,535) |
| Changes in: | | |
| Other receivables | (103) | 1,053 |
| Payables | (405) | 600 |
| Provisions | (45) | - |
| Cash utilised by operating activities | (2,962) | (882) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capitalised expenditure on exploration and evaluation assets | (680) | (877) |
| Investing activities before movements in capital balances | (680) | (877) |
| Changes in: | | |
| Term deposits | 3,478 | - |
| Cash flow from investing activities | 2,798 | (877) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds of share placing and subscription | - | 6,280 |
| Exercise of warrants | 284 | - |
| Net lease payments | (10) | (133) |
| Cash flow from financing activities | 274 | 6,147 |
| | | |
| Currency translation differences relating to cash and cash equivalents | 28 | (128) |
| Net cash flow | 110 | 4,388 |
| Cash and cash equivalents brought forward | 1,059 | 4,822 |
| **CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 1,197 | 9,082 |

**NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 interests in the Falkland Islands and the Greater Mediterranean. The Company's registered office address is Warner House, 123 Castle Street, Salisbury, SP1 3TB.

The interim condensed consolidated financial statements for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 27 September 2023.

### 1.2 Statement of compliance and basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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

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

In addition to the above requirements the third-party funding agreement in place to cover costs in relation to its ICSID arbitration with the Republic of Italy does not cover any costs arising past the date of the Award (23 August 2022). A separate success fee of £3.3 million is due to the Company's legal representatives on establishing liability and an award requiring Italy to pay at least €25 million in damages. This amount is also not covered by the funding agreement.

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

At the period end the Group had 53.9 million unexercised 9 pence warrants in issue with an expiry date of 31 December 2023. Assuming the share price is in excess of 9 pence, which it is at time of writing, the Group expects the majority of these warrants to be exercised providing additional funds of up to £4.9million.

However, in the downside circumstances where these outstanding warrants are not fully exercised the Group would have to raise additional funds within the next 12 months to meet both legal costs in relation to the arbitration and normal working capital requirements as we work towards project sanction of Sea Lion.

Under the base case forecast, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these interim condensed consolidated financial statements. However, in the downside scenarios, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigating actions, some of which are outside the Group's control, could include collection/monetisation of arbitration award proceeds, deferral of expenditure or raising additional equity.

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

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

Accounting policies are consistent with those adopted in the last statutory financial statements of Rockhopper Exploration plc. The information as of 31 December 2022 has been extracted from the audited financial statements of Rockhopper Exploration plc for the year ended 31 December 2022. These interim condensed consolidated financial statements do not constitute statutory financial statements under the Companies Act 2006. The information for the year ended 31 December 2022 shown in this report does not constitute statutory accounts for that year as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified, did include an emphasis of matter but did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

**1.3 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

**1.4 Period end exchange rates**

The period end rates of exchange actually used were:

| | 30 June 2023 | 30 June 2022 | 31 December 2022 |
|---|---|---|---|
| £ : US$ | **1.27** | 1.21 | 1.21 |
| € : US$ | **1.09** | 1.05 | 1.07 |

**2 Revenue and segmental information**

**Six months ended 30 June 2023 (unaudited)**

| | Falkland Islands $'000 | Greater Mediterranean $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Cost of sales | - | (378) | - | (378) |
| Gross profit/(loss) | - | (378) | - | (378) |
| Exploration and evaluation expenses | - | (3) | - | (3) |
| Administrative expenses | - | (1,130) | (1,002) | (2,132) |
| Charge for share based payments | - | - | (70) | (70) |
| Foreign exchange movement | - | (21) | 607 | 586 |
| Results from operating activities and other income | - | (1,532) | (465) | (1,997) |
| Finance income | - | - | 128 | 128 |
| Finance expense | (55) | (187) | (497) | (739) |
| Loss before tax | (55) | (1,719) | (834) | (2,608) |
| Tax | - | - | - | - |
| Loss for period | (55) | (1,719) | (834) | (2,608) |
| Reporting segments assets | 253,557 | 1,650 | 8,133 | 263,340 |
| Reporting segments liabilities | (43,592) | (17,133) | (4,517) | (65,242) |

There main additions to segment assets in the period are disclosed in note 5.

**Six months ended 30 June 2022 (unaudited)**

| | Falkland Islands $'000 | Greater Mediterranean $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| Revenue | - | 523 | - | 523 |
| Cost of sales | - | (803) | - | (803) |
| Gross profit/(loss) | - | (280) | - | (280) |
| Administrative expenses | - | (332) | (1,129) | (1,461) |
| Charge for share based payments | - | - | (314) | (314) |
| Foreign exchange movement | 4,368 | - | (1,012) | 3,356 |
| Results from operating activities and other income | 4,368 | (612) | (2,455) | (1,301) |
| Finance income | - | - | 2 | 2 |
| Finance expense | (1,904) | (140) | (8) | (2,052) |
| Loss before tax | 2,464 | (752) | (2,461) | (749) |
| Tax | - | - | - | - |
| Loss for period | 2,464 | (752) | (2,461) | (749) |
| Reporting segments assets | 249,988 | 2,298 | 10,820 | 263,106 |
| Reporting segments liabilities | (83,878) | (14,430) | (3,332) | (101,640) |

There are no material additions to segment assets.

All of the Group's prior period worldwide sales revenues of oil and gas US$523 thousand arose from contracts to customers. Total revenue relates to revenue from one customer.

**3 Taxation**

| | **Six months ended 30 June 2023 $'000** | Six months ended 30 June 2022 $'000 |
|---|---|---|

| | **Unaudited** | Unaudited |
|---|---|---|
| Current tax: | | |
| Overseas tax | - | - |
| Adjustment in respect of prior periods | - | - |
| Total current tax | - | - |
| Deferred tax: | | |
| Overseas tax | - | - |
| Total deferred tax | - | - |
| Tax on ordinary activities | - | - |

**4 Basic and diluted loss per share**

| | **Six months ended 30 June 2023 Number Unaudited** | Six months ended 30 June 2022 Number Unaudited |
|---|---|---|
| Shares in issue brought forward | **586,485,319** | 458,482,117 |
| Shares issued | | |
| - Issued | **2,532,064** | 82,182,776 |
| Shares in issue carried forward | **589,017,383** | 540,664,893 |
| | | |
| Weighted average of Ordinary Shares | **593,539,285** | 463,476,650 |
| Shares held in Employee Benefit Trust | (1,304,500) | (3,131,000) |
| Weighted average number of Ordinary Shares for the purposes of basic earnings per share | **592,234,785** | 460,345,650 |

| **$'000** | **$'000** | $'000 |
|---|---|---|
| Net loss after tax for purposes of basic and diluted earnings per share | **(2,608)** | (749) |
| Earnings per share - cents | | |

| | | |
|---|---|---|
| Basic | **(0.44)** | (0.16) |
| Diluted | **(0.44)** | (0.16) |

Shares issued in the period all relate to the exercise of the warrants that were issued in the prior year as part of a Placing and Subscription as well as an Open Offer.

The weighted average number of Ordinary Shares takes into account those shares which are treated as own shares held in trust. As at the period end the Group had 1,304,500 Ordinary shares held in an Employee Benefit Trust which have been purchased to settle future exercises of options. It also takes into account those LTIPs which have vested and have a nil exercise cost as in substance these are similar to a vested ordinary share, and the entity will receive no further substantive consideration when the option is exercised. As at the period end the Group had 5,553,501 such LTIPs.

As the Group is reporting a loss in the year then in accordance with IAS33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

At the period end, the Group had the following unexercised options and share appreciation rights in issue.

| | **Six months ended 30 June 2023 Number Unaudited** |
|---|---|
| Long term incentive plan | **5,553,501** |
| Share options | **26,497,651** |
| Warrants | **53,913,844** |

Warrants were issued in the prior year as part of a Placing and an Open Offer. Each Warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 9 pence per Ordinary Share at any time from the issue of the Warrants up to (and including) 5.00 p.m. on 31 December 2023.

**5 Intangible exploration and evaluation assets**

During the period there were $2.0 million of additions. These mainly relate to the Sea Lion Development as does the balance carried forward.

At 30 June 2023, the Group reviewed its intangible exploration/appraisal assets for indicators of impairment, with no indicators of impairment being identified. No impairment tests were therefore performed.

**6 Property, plant and equipment**

During the period there have not been any material additions. The movement in the period mainly relates to depreciation.

**7 Tax payable**

| | **Six months ended 30 June 2023 $'000 Unaudited** | Six months ended 31 December 2022 $'000 Unaudited |
|---|---|---|
| Current tax payable | - | - |
| Non current tax payable | - | - |
| | - | - |

On the 8 April 2015, the Group agreed binding documentation ("Tax Settlement Deed") with FIG in relation to the tax arising from the Group's farm-out to Premier. The Tax Settlement Deed confirms the quantum and deferment of the outstanding tax liability and is made under Extra Statutory Concession 16.

The Tax Settlement Deed also states that the Group is entitled to make adjustment to the outstanding tax liability if and to the extent that the Commissioner is satisfied that any part of the Development Carry becomes irrecoverable.

On 23 September 2022 the Company announced the Transaction enabling Harbour to exit and Navitas to enter the North Falkland Basin with a 65% stake in, and operatorship of, all of Rockhopper's North Falkland Basin licences, has completed. As a result of the Transaction the balance of Development Carry has become irrecoverable and, in the Group's judgment, no further amounts are due on the Group's 2012 farm-out to Premier.

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

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

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

END

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