Embargoed: 0700hrs Thursday, 22 August 2013

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

Final Results for the Twelve Months Ended 31 March 2013

Rockhopper Exploration plc (AIM: RKH), the North Falkland Basin oil and gas exploration company, is pleased to announce its final results for the twelve months ended 31 March 2013.

Operational & Financial Highlights

During the Period:

- Completion of Sea Lion farm-out to Premier Oil in October
- Recoverable resources now modelled at approximately 337 million barrels for Sea Lion should a gas cap exist, 402 million barrels if not
- Resources available of $298m as at 31 March 2013
- Discussions continue with Falkland Islands Government over tax liability

Post 31 March 2013:

- Baseline development concept for Sea Lion field agreed
- Further studies on alternative concept ongoing
- Front-end engineering and design now likely to commence in early 2014
- Final investment decision expected to be around the end of 2014
- Reviewing options to bring in a rig for exploration and development drilling

Dr. Pierre Jungels, Chairman of Rockhopper, commented:

"The Sea Lion development remains central to our strategy. We have around 150 million barrels of fully funded oil, which in the present financial market conditions is a good place to be. In addition to our funded oil, we also have the cash to fund further exploration in the North Falklands Basin. Having completed the handover of our Falklands data and engineering work to the new operator we are pleased to say that there is now a baseline concept that meets all of the operator's internal economic metrics. Work continues apace to optimise the concept before front-end engineering and design can start, which we anticipate will be in early 2014. The final investment decision is now expected to be around the end of 2014. The strength of our balance sheet and the fact we lead the exploration for the joint venture means we will continue to play a key role in the ongoing exploration of the North Falklands Basin and to that end we are pursuing any opportunities for a standalone exploration campaign that may arise ahead of the development drilling. "

Ends.

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This statement has been approved by the Company's geological staff who include Fiona Macaulay (Technical Director), 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, for the purpose of the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in respect of AIM companies, which outline standards of disclosure for mineral projects. In compiling the resource estimates the Company has used the definitions and guidelines as set forth in the 2007 Petroleum Resources Management System ('PRMS') approved by the Society of Petroleum Engineers (SPE).

Notes to Editors:

Rockhopper was established in February 2004 with a strategy to invest in and carry out offshore oil exploration to the north of the Falkland Islands. The Company floated on AIM in August 2005 with four offshore production licences: PL023, PL024, PL032 and PL033 which cover approximately 3,800 sq. km. Rockhopper has further smaller interests in licences PL003, PL004a and PL004c, which are operated by Desire Petroleum plc. Additionally, the Company has a significant interest in licence PL004b which contains the extension to the Sea Lion Field as well as the Beverley, Casper and Casper South discoveries.

An extensive work programme was carried out over a number of years on the licences operated by Rockhopper. This has included 2D and 3D seismic and controlled source electromagnetic mapping. In February 2010, the Ocean Guardian drilling rig arrived in Falkland waters to carry out a multi-well drilling campaign. Rockhopper drilled an exploration well on Sea Lion during April and May 2010, the result of which was the first oil discovery and Contingent Resource in the North Falkland Basin. The Sea Lion discovery was successfully tested during September 2010 and June 2011 and was the first oil to flow to surface in Falkland Islands waters. Rockhopper's drilling campaign lasted from 16 April 2010 to 8 January 2012 and resulted in seven successful wells of the ten drilled, with three oil discoveries, three gas discoveries, multiple successful Sea Lion appraisal wells and a successful appraisal well on Casper.

In October 2012 Rockhopper completed a farm-out agreement with Premier Oil plc, whereby Premier Oil acquired 60 per cent. of Rockhopper's interests in its North Falkland Basin licences, with a view to achieving first oil production from Sea Lion in 2018.

Rockhopper Exploration plc www.rockhopperexploration.co.uk

CHAIRMAN'S STATEMENT

DR PIERRE JUNGELS CBE

It is almost a year since we announced the farm out and the Sea Lion development remains central to our strategy and the value creation path that I have discussed in previous reports.

Your board is disappointed with the way that the stock market reacted to the farm out despite our clearly explaining at the last annual general meeting the value created compared to the alternatives. We have around 150 million barrels of fully funded oil, which in the present financial market conditions is a good place to be.

In addition to our funded oil, we also have the cash to fund further exploration in the North Falklands Basin. We lead the exploration for the joint venture and see a lot of potential to add significant reserves. Indications are that rigs may be available for exploration drilling in 2014.

The final investment decision is our next big value milestone as it will allow us to book the barrels above as proven reserves. Having completed the handover of our Falklands data and engineering work to the new operator we are pleased to say that there is now a baseline concept that meets all of the operator's internal economic metrics. Work continues apace to optimise the concept before front-end engineering and design can start, which we anticipate will be in early 2014.

In terms of the volumes, exploration potential and costs to first oil the current view remains broadly in line with our pre-farm out estimates. However, the final investment decision is now expected to be around the end of 2014.

In addition to the exploration and development work, calculating our capital gains tax liability and securing our share buyback authority have been the two material work streams and both topics are covered in greater detail later in this report.

OUTLOOK

The strength of our balance sheet and the fact we lead the exploration for the joint venture means we will continue to play a key role in the ongoing exploration of the North Falklands Basin and to that end we are pursuing any opportunities for a standalone exploration campaign that may arise ahead of the development drilling.

We have spent a great deal of time considering how best to employ our post farm out cash balances and as part of this process have secured the authorities to make future distributions. However, whilst we welcome the flexibility these authorities give us, we do not consider it to be in Rockhopper's best interests to undertake a distribution until we have greater clarity on our Falklands cash requirements, particularly for exploration.

DR PIERRE JUNGELS CBE
CHAIRMAN

21 August 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

SAMUEL MOODY

The year to 31 March 2013 has been another busy one with the partial monetisation of our Sea Lion discovery through the farm out to Premier Oil plc ("Premier"). We now plan to continue the monetisation of this asset through its development and a continuation of our successful exploration strategy. Both elements are key value drivers for our business.

THE SEA LION DEVELOPMENT

Following completion of the farm out in October last year, Premier assumed operatorship and since then we have worked closely with their development team to ensure that the knowledge transfer has been as full as possible and that we continue to maintain an active involvement.

Our approach since Sea Lion's discovery has always been to enhance and protect the value of the oil that we found and so, in addition to attending the usual operating and technical committee meetings, our team have played integral roles in many of the very significant number of studies being undertaken.

The area in which we have been most proactive is the subsurface, where we bring an unparalleled understanding having run such a successful exploration and appraisal campaign over the recent years. This is a critical area, particularly as it relates to the static and dynamic reservoir models, which provide information crucial to many of the decisions involved in finalising the development plan. While the build of the static and dynamic reservoir models is now completed, we continue to work closely with our partners in optimising the work to ensure that we extract maximum future value from the reservoir.

Our competent persons report awarded 2C resources for Sea Lion of 320 million barrels. Subsequent technical analysis suggests the possibility of a non-equilibrium gas cap on the west flank of the field to the west of the 14/10-6 well. The joint venture reservoir models indicate Sea Lion resources of approximately 337 million barrels should a gas cap be present and 402 million if it is not. We estimate the probability of the existence of a gas cap at 50%. In the case of Sea Lion and the adjacent discoveries, the joint venture model indicates approximately 394 million barrels in the case of a gas cap and approximately 459 million barrels if no gas cap exists.

About 70 separate studies have been commissioned by the joint venture covering areas such as environmental and local impacts, the dynamic reservoir model, method of artificial lift, design and installation of sub sea equipment and flow lines, well completions, and export routes. These areas are complex and take time to assess and refine, given the scale and location of the field, and need to be fully thought through so as to secure a safe and well-designed development.

As we undertake these extensive and highly detailed analyses, our priority is to protect and indeed enhance value in the project for the company and our shareholders. On occasion, this may mean taking additional time to explore fully, debate and finally decide on key design issues whose successful resolution will ultimately create more value throughout the life of the project. We are in one such period now.

Currently the joint venture favours a phased drilling programme, with the first phase targeting the northern section of Sea Lion, and FIG are supportive of this. This approach is based on the joint venture reservoir modelling which suggests a recoverable resource of approximately 284 million barrels in this area should a gas cap exist, and an additional 65 million barrels should a gas cap not exist. The same modelling anticipates that plateau production rates of approximately 100,000 barrels per day could be expected in either case. The second drilling phase, which is expected to use the same production facility, would focus on resources to the south and the results of any appraisal and exploration drilling would be fed into its design.

It is particularly pleasing to report that the operator has confirmed that analysis of the FPSO development concept reveals that this option meets all of their internal benchmarking, clearly confirming the projects viability. An alternative development concept involving a tension leg platform is also being fully investigated to ensure that we have exhausted all possible solutions before making a final decision. As a result of this the operator has indicated to us that concept select will now be concluded at the end of this year with front-end engineering and design therefore likely to commence in early 2014 with final investment decision targeted for the end of that year. Further, the operator has indicated that industry conditions suggest a three-and-a-half to four year timeline from the final investment decision to first oil for a project of this scope.

With a non-operated 40% stake in such a valuable development we will continue to devote significant resource to the activities being undertaken to drive the project forward as we move towards the final investment decision and beyond.

FUTURE EXPLORATION WITHIN THE NORTH FALKLAND BASIN

In recognition of our very significant success in the basin, discovering over 1.3 billion barrels of oil in place, we retain the subsurface lead in exploration on behalf of the joint venture. Multiple volumes of seismic data have now been created in an effort to extract the maximum possible amount of information and value from the 3D already acquired and we have every confidence that we are in a very strong position to make additional discoveries in the basin during the next round of exploration drilling.

Along with the operator, we expect that the exploration programme will include a well that will both investigate the presence of a potential gas cap on the western flank of Sea Lion and include a test of the deeper potential at the Chatham prospect. It is also expected that an exploration well on Zebedee will be included in this programme. This will target an estimated total mean unrisked STOIIP of around 1 billion barrels as well as testing the extent of the proven F2 sequence towards the south and the older F3 sequence.

In terms of the next exploration campaign, the contracting strategy for the rig is under continued discussion and our options are threefold: firstly to undertake an independent exploration campaign; secondly to use the same rig for both exploration and development drilling; and thirdly to seek to use the same rig as other operators in the area should their drilling timing and selected drilling unit be suitable. Currently no decision has been made, but the impact on cost and schedule clearly needs to be very carefully considered before undertaking any additional drilling. As part of this process, three slots were included for the joint venture in a recent enquiry by another Falklands operator for a rig in late 2014 or early 2015.

CAPITAL GAINS TAX

Our finance director covers this issue in more detail in his Financial Review but in summary, whilst we have submitted returns for a total liability of $78 million, we subsequently received estimated assessments from the Falkland Islands Government suggesting a taxable profit in excess of the entire undiscounted farm out consideration. We have of course challenged this assessment and will defend our position.

SUMMARY

We remain committed to extracting maximum value from the resources we have already discovered and excited about the prospect of future additional exploration within the basin, where we are confident there remains significant potential. We are pleased that the Sea Lion reservoir models are complete and that the operator confirms that the FPSO development concept meets their internal requirements. We continue to make every effort to leverage the success of the Sea Lion discovery in building further long term underlying value for our shareholders.

SAMUEL MOODY
CHIEF EXECUTIVE OFFICER

21 AUGUST 2013

FINANCIAL REVIEW

The main event during the year was the farm out of 60% of the group's licence interests to Premier. The farm out consideration triggered both a capital gains tax liability and the decision to obtain the ability to make distributions should it be deemed to be in Rockhopper's best interests to do so in the future.

THE FARM OUT

The farm out itself has been accounted under the group's policy such that the net cash proceeds on disposal of the related intangible asset are initially credited against the previously capitalised cost, with any surplus proceeds being credited to the income statement.

The $216 million of net cash proceeds gave rise to $158 million of disposals from intangible assets with the $58 million balance treated as an exceptional gain in the income statement. The income statement also shows a tax charge of $122 million of which $78 million relates to the tax due to the Falkland Islands Government ("FIG") and $44 million to a deferred tax charge. The deferred tax charge results from the difference between the carrying value of the intangible exploration and evaluation asset and its relevant tax base. Use of the retained losses was accelerated so as to reduce the capital gains tax liability.

CAPITAL GAINS TAX LIABILITY (SEE ALSO NOTES TO THE ACCOUNTS)

The tax liability of $78 million reflects the tax computations submitted to FIG on 17 May 2013 and is payable in two installments. The initial installment of $32 million has been paid since the year end with the balance due on the sooner of first oil or October 2017.

On 11 June 2013, shortly before Rockhopper's preliminary hearing in the High Court regarding its cancellation of the share premium account, it received correspondence from FIG containing estimated Notices of Assessment and a letter challenging, amongst other things, the basis of valuation of the farm out consideration. The estimated assessments suggest a total tax liability of $296 million at the year end exchange rate. No supporting calculations were provided with the estimates and the taxable profit suggested exceeds the entire undiscounted consideration from the farm out. Rockhopper has formally objected to the notices of assessment and asked for the postponement of the payment of any tax due in excess of that in its computations and FIG has agreed to this.

The main area of disagreement relates to the valuation of the non-cash consideration, for which Rockhopper has used the net present value of the development carry based on the discount rate implied by the value of its share price on the date the farm out completed.

Rockhopper has worked closely with its advisers on this area and believes its computations to be robust, entirely defensible and in line with prior Falklands guidance and legislation. As such, the capital gains tax provision carried is the same as its computations submitted. We are continuing to work with FIG on this, however there are uncertainties associated with this type of transaction in the Falkland Islands, due to the limited legislation and lack of precedence, and therefore the ultimate amount of taxation payable may vary.

CANCELLATION OF THE SHARE PREMIUM ACCOUNT

Following receipt of the farm out consideration, Rockhopper decided that it could be in its future interests to be able to make distributions, either by way of a dividend or share buyback. As the company had no distributable reserves, it needed to cancel its share premium account and to do this required both the consent of shareholders, which was secured on 4 June 2013 at an extraordinary general meeting, and the High Court, which was granted on 3 July 2013. Until there is greater clarity on the cash requirements of our acreage, there are no current plans for the group to make dividend payments or to purchase its own shares.

INCOME STATEMENT

The loss for the period has increased by $21 million to $75 million. The most significant movements are discussed above as they relate to the farm out transaction. Other movements are detailed below.

Exploration and evaluation expenses fell by $41 million to $6 million mainly due to a $26 million decrease in the impairment charge and a $10 million reduction in seismic acquisition costs, In addition, following the farm out the cost of exploration and evaluation expenses on our licences have been borne by both parties in proportion to working interests.

Administrative expenses have decreased by $1 million to $7 million mainly due to a significant reduction in professional fees as the main activity during the year was the farm out and these fees have been included within the gain on disposal as incidental costs of the transaction. All other costs, with the exception of auditor's remuneration, have increased in line with the increased staff levels, which were made part way through the prior year to support the Sea Lion Development.

The share based payment charge has remained at about $1 million. With the management team now largely in place share based remuneration will now be reviewed annually during January, rather than each time there is a new hire.

Foreign exchange was similar to the prior year due to the value of the sterling cash balances decreasing as sterling weakened against the dollar in the second half of the year being offset by gain made on sterling denominated liabilities.

BALANCE SHEET
The group capitalised $7 million of expenditure, relating mainly to Sea Lion development studies, against $237 million during the prior period, relating mainly to drilling. Additions have been offset by the disposal of $159 million which, as noted above, principally relate to the farm out as well as a small amount due to the disposal of long lead items such as unused wellheads.

Other receivables have remained level at $2 million and are not expected to vary considerably from this going forward.

Consistent with the end of the drilling campaign and development costs being borne directly by Premier other payables have fallen from $6 million to $3 million.

Resources available consist of term deposits of $80 million and cash and cash equivalents of $217 million. Following the end of the drilling campaign in January, balances with payments on account and restricted cash are now negligible.

There have been no significant movements in share capital, with movements mainly relating to the issue of shares under the Share Incentive Plan.

OUTLOOK
The $298 million of resources available at the year end puts the group into a very strong position to continue playing a lead role in the further exploration of the North Falkland Basin.

The farm out means that the Sea Lion development is fully funded by the development carry and the Premier standby facility. However, rather than take the standby finance, Rockhopper's preference remains to secure its own development funding for its 40% share of the Sea Lion costs beyond the carry. Work on a debt facility is therefore expected to start before the end of the calendar year.

PETER DIXON-CLARKE
FINANCE DIRECTOR

21 August 2013

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	**2013 $'000**	2012 $'000
Exploration and evaluation expenses	3	**(5,958)**	(47,181)
Administrative expenses	4	**(7,000)**	(7,568)
Charge for share based payments	7	**(906)**	(1,005)
Foreign exchange movement	8	**673**	476
Exceptional gain on sale of intangible exploration and evaluation assets	9	**58,668**	—
Operating profit/(loss)		**45,477**	(55,278)
Finance income		**1,640**	1,496
Profit/(loss) before tax		**47,117**	(53,782)
Tax	10	**(122,359)**	—
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**(75,242)**	(53,782)
Loss per share: cents (basic & diluted)	11	**(26.47)**	(19.92)

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

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	2013 $'000	2012 $'000
Loss for the year	**(75,242)**	(53,782)
Other comprehensive income for the year	**—**	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(75,242)**	(53,782)

GROUP BALANCE SHEET

AS AT 31 MARCH 2013

	Notes	**31 March 2013 $'000**	31 March 2012 $'000
ASSETS			
Intangible exploration and evaluation assets	12	**151,957**	303,296
Property, plant and equipment	13	**583**	388
Other receivables	14	**1,559**	1,787
Payments on account	15	**—**	3,092
Restricted cash	16	**282**	802
Term deposits	17	**80,377**	57,554
Cash and cash equivalents	18	**217,364**	45,709
TOTAL ASSETS		**452,122**	412,628
CURRENT LIABILITIES			
Other payables	19	**2,744**	6,419
Current tax payable	20	**32,177**	—
NON-CURRENT LIABILITIES			
Non current tax payable	20	**46,167**	—
Deferred tax liability	21	**39,137**	—
TOTAL LIABILITIES		**120,225**	6,419
EQUITY			
Share capital	22	**4,710**	4,709
Share premium	23	**578,754**	578,658
Share based remuneration	23	**3,999**	3,093
Shares held by SIP trust	23	**(212)**	(139)
Merger reserve	23	**(243)**	(243)
Foreign currency translation reserve	23	**4,123**	4,123
Retained losses	23	**(259,234)**	(183,992)
ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**331,897**	406,209
TOTAL LIABILITIES AND EQUITY		**452,122**	412,628

These financial statements were approved by the directors and authorised for issue on 21 August 2013 and are signed on their behalf by:

PETER DIXON-CLARKE ACA
FINANCE DIRECTOR

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Shares held by SIP trust $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Retained losses $'000	Total equity $'000
Balance at 31 March 2011	4,297	508,299	2,168	—	(243)	4,123	(130,290)	388,354
Total comprehensive loss for the year	—	—	—	—	—	—	(53,782)	(53,782)
Issue of shares	408	73,078	—	—	—	—	—	73,486
Cost of issue	—	(3,021)	—	—	—	—	—	(3,021)
Share based payments	—	—	1,005	—	—	—	—	1,005
Share issues in relation to SIP	1	169	—	(139)	—	—	—	31
Exercise of share options	3	133	(80)	—	—	—	80	136
Total contributions by owners	412	70,359	925	(139)	—	—	80	71,637
Balance at 31 March 2012	**4,709**	**578,658**	**3,093**	**(139)**	**(243)**	**4,123**	**(183,992)**	**406,209**
Total comprehensive loss for the year	—	—	—	—	—	—	(75,242)	(75,242)
Share based payments	—	—	906	—	—	—	—	906
Share issues in relation to SIP	1	96	—	(73)	—	—	—	24
Exercise of share options	—	—	—	—	—	—	—	—
Total contributions by owners	1	96	906	(73)	—	—	—	930
Balance at 31 March 2013	**4,710**	**578,754**	**3,999**	**(212)**	**(243)**	**4,123**	**(259,234)**	**331,897**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	**2013 $'000**	2012 $'000
CASH OUTFLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) before tax		**47,117**	(53,782)
Adjustments to reconcile net profits/(losses) to cash utilised:			
Depreciation	13	**267**	155
Share based payment charge	7	**906**	1,005
Exploration impairment expenses	12	**(156)**	26,436
Exceptional gain on sale of intangible exploration/appraisal assets	9	**(58,668)**	—
Loss on disposal of tangible fixed assets		**9**	—
Interest		**(1,212)**	(653)
Foreign exchange		**(957)**	(889)
Operating cash flows before movements in working capital		**(12,694)**	(27,728)
Changes in:			
Other receivables		**(177)**	1,430
Payables		**(1,158)**	(4,529)
Cash utilised by operating activities		**(14,029)**	(30,827)
CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES			
Exploration and evaluation assets		**(9,258)**	(239,230)
Purchase of equipment	13	**(471)**	(203)
Proceeds on disposal of intangible exploration/appraisal assets	9	**217,475**	—
Interest		**1,046**	912
Investing cash inflows/(outflows) before movements in capital balances		**208,792**	(238,521)
Changes in:			
Payments on account	15	**3,092**	9,501
Restricted cash	16	**511**	22,398
Term deposits	17	**(22,817)**	34,755
Cash raised/(utilised) by investing activities		**189,578**	(171,867)
CASH INFLOWS FROM FINANCING ACTIVITIES			
Options exercised		**—**	136
Share incentive plan		**24**	31
Issue of share capital		**—**	73,486
Share issue costs		**—**	(3,021)
Cash generated from financing activities		**24**	70,632
Currency translation differences relating to cash and cash equivalents		**(3,918)**	1,191
Net cash inflow		**175,573**	(132,062)
Cash and cash equivalents brought forward		**45,709**	176,580
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**217,364**	45,709

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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. The registered office of the company is Hilltop Park, Devizes Road, Salisbury SP3 4UF.

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 21 August 2013 and are subject to approval at the Annual General Meeting of shareholders on 26 September 2013.

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 members of the group have a functional currency of US$ and as such the selection for the consolidated accounts. US$ as functional currency is a generally accepted convention in the oil and gas industry.

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

1.4 CHANGE IN ACCOUNTING POLICY

Changes in accounting standards

In the current year the following significant and new and revised standards, amendments and interpretations were effective but did not effect amounts reported in these financial statements but may effect future periods:

– IAS 1 Presentation of Items in Other Comprehensive Income
– IAS 12 Recovery of Underlying Deferred Tax Assets
– IAS 19 Employee Benefits (amended 2011)
– IFRS 7 (Amended) Financial Instruments: Disclosures

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.

– IFRS 9 Financial instruments
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint Arrangements
– IFRS 12 Disclosures of Interests in Other Entities
– IFRS 13 Fair Value Measurement
– IAS 27 Separate Financial Statements (2011)
– IAS 28 Investment in Associates and Joint Ventures (2011)
– IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities

Management does not believe that the application of these standards, where applicable, will have an impact on the financial statements, except for the requirement of additional disclosures.

1.5 GOING CONCERN

At 31 March 2013 the group had available resources of $298.0 million, which it considers to be adequate to meet its current commitments and continue for the foreseeable future.

The financial statements have been prepared on a going concern basis as the directors are confident that the group will be able to raise funds when required in order to fund development of its assets and to continue in operation for the foreseeable future.

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

These consolidated results include the accounts of the company and all of its subsidiaries. Subsidiaries are those entities in which the company has the power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control was transferred to the group and are excluded from consolidation from the date of disposal or when control no longer exists over financial and operating policies.

The reversal of an existing trading group into a shell company, such as Rockhopper Exploration plc's acquisition of Rockhopper Resources Ltd, does not fall within the scope of IFRS3 Business Combinations since the acquirer is not a business per the definition used in that Standard. IFRSs contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors. The directors may consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United Kingdom Accounting Standards Board (ASB) has issued Financial Reporting Standard 6 'Acquisitions and Mergers' which deals with those business combinations that are not, in substance, the acquisition of one entity by another.

Accordingly the financial statements consolidate the results, cash flows and assets and liabilities of the company and its wholly owned subsidiary using book value accounting on the basis that there has been no business combination and in substance nothing has occurred.

On consolidation the difference between the nominal value of the shares issued with the nominal value of the shares received has been debited to a merger reserve.

All inter-company accounts and transactions have been eliminated on consolidation.

(C) SEGMENTAL REPORTING

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

The group's operations are entirely focused on oil and gas exploration activities in the North Falkland Basin with its corporate head office in the UK. Based on risks and returns the directors consider that there is only one business segment that they use to assess the group's performance and allocate resources being oil and gas exploration activities in the North Falkland Basin and therefore the segmental disclosures for the group have already been given in these financial statements.

(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'.

Intangible exploration and evaluation assets

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

Pre-licence, geological and geophysical costs

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

Exploration and evaluation ("E&E") costs

Costs of E&E such as exploration and appraisal drilling and testing are initially capitalised as E&E assets.

Tangible assets used in E&E activities are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible asset, the amount reflecting the consumption is recorded as part of the cost of the intangible asset.

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.

(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 functional and presentational currency of all the group's entities is US$, as such there are no exchange rate differences arising on consolidation of foreign operations.

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 recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The year end rates of exchange actually used were:

	31 March 2013	31 March 2012
£ : US$	**1.52**	1.60

(G) 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) Trade payables

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

(vii) Equity instruments

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

(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 has two option schemes that have each granted options over the ordinary shares of the company, being an employee share option scheme ("ESOS") and a non-employee share option scheme ("NESOS").

Both schemes were created after 7 November 2002 and the group accounts for their cost until such time as they are fully vested in line with IFRS2: Share based payments. Under the method set out in this standard, the cost of providing for such schemes is based on the fair value of the options at the date of grant. The cost is charged to the income statement over the expected vesting period of the options and credited to a share based payment reserve. The said value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options are granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

When new shares are issued, the proceeds, net of any transaction costs, are credited to share capital at nominal value and the balance to share premium. The related amount in the share based payment reserve is then credited to retained earnings.

During 2008, the group also created a scheme for share appreciation rights (“SARs”). These are accounted for and valued on the same basis as the options. During 2012, the group started an HMRC approved Share Incentive Plan (“SIP”) which is available to all employees. Under the terms of the SIP, subscribing employees can be granted a free award of Ordinary Shares in the Company (“Shares”) (the “Free Shares”).

In addition, subject to employees purchasing Shares (“Partnership Shares”), an additional conditional award of Shares may be granted (“Matching Shares”).

Shares to meet the future Free Share and Matching Share obligations of participants are issued to Capita IRG Trustees Limited the trustee of the SIP. The Free Shares and Matching Shares are held on trust for the participants and are not released, except in specific circumstances, until three years after the date of allotment.

The issue of Partnership Shares are made at fair value and do not have any vesting conditions. As such they are accounted for as an equity transaction rather than as a share based payment.

The Free Shares and Matching Shares are conditional on the continued employment of the individual for three years after grant, except under certain specific circumstances. As such they are a Share Based Payment and accounted for on the same basis as the options.

The trust that holds the Shares to meet participants’ future entitlement to Free Shares and Matching Shares is aggregated into these financial statements.

(K) EQUIPMENT
Equipment is initially recorded at cost then depreciation is calculated on the straight line method to write down the cost of the asset to their residual values over their estimated useful lives as follows:

Office equipment	Three years
Leasehold improvements	Five years

(L) CURRENT, NON-CURRENT DISCLOSURE
The group does not present its balance sheet on the basis of current and non-current assets and liabilities as presentation broadly in order of liquidity is reliable and more relevant. All balances within receivables and payables are expected to be recovered or settled within twelve months of the balance sheet date.

(M) LEASING
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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 most material area relates to the calculation of tax liabilities and information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are disclosed in note 10. In addition the capitalisation of intangible assets are disclosed in note 11.

3 EXPLORATION AND EVALUATION EXPENSES

	2013	2012
	$’000	$’000
Allocated from administrative expenses (see note 4 below)	**2,182**	2,658
Capitalised exploration costs impaired (see note 12 below)	**(156)**	26,436
Seismic acquisition costs	**64**	10,314
Other exploration and evaluation expenses	**3,868**	7,773
	5,958	47,181

4 ADMINISTRATIVE EXPENSES

	2013	2012
	$'000	$'000
Directors' salaries and fees, including bonuses (see note 5 below)	**2,377**	2,528
Other employees' salaries	**2,567**	2,367
National insurance costs	**619**	632
Pension costs	**236**	135
Employee benefit costs	**82**	73
Total staff costs	**5,881**	5,735
Allocated to exploration and evaluation expenses	**(1,949)**	(2,658)
Total staff costs charged to administrative expenses	**3,932**	3,077
Auditor's remuneration (see note 6 below)	**171**	250
Other professional fees	**613**	1,973
Travel	**885**	852
Office rentals	**260**	233
Depreciation	**267**	155
Other	**1,105**	1,028
Allocated to exploration and evaluation expenses	**(233)**	—
	7,000	7,568

The average number of staff employed during the year was 17 (2012: 15).

5 DIRECTORS' REMUNERATION

	2013	2012
	$'000	$'000
Executive salaries	**1,179**	1,161
Executive bonuses	**270**	910
Compensation on loss of office	**493**	—
Company pension contributions to money purchase schemes	**118**	116
Benefits	**32**	30
Non-executive fees	**452**	457
	2,544	2,674

The total remuneration of the highest paid director was:

	2013	2012
	£	£
Annual salary	**179,167**	315,000
Compensation on loss of office	**312,000**	—
Bonuses	**—**	252,000
Money purchase pension schemes	**17,917**	31,500
Benefits	**11,951**	3,947
	521,035	602,447

Equivalent to $806,321 (2012: $957,067) at the prevailing rate of exchange.

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

6 AUDITOR'S REMUNERATION

	2013	2012
	$'000	$'000
KPMG Audit Plc		
Fees payable to the company's auditor for the audit of the company's annual financial statements	**103**	131
Fees payable to the company's auditor and its associates for other services:		
Other services pursuant to legislation	**34**	32
Tax compliance services	**14**	13
Tax advisory services	**—**	25
Services relating to information technology	**20**	9
Services relating to corporate finance	**—**	40
	171	250

7 SHARE BASED PAYMENTS

The charge for share based payments includes options and share appreciation rights ("SARs") granted to employees of the company under the employee share option scheme ("ESOS"), and options granted to other third parties.

	2013 $'000	2012 $'000
Charge for the share appreciation rights granted on 11 January 2011	**—**	689
Charge for the share appreciation rights granted on 14 July 2011	**29**	71
Charge for the share appreciation rights granted on 16 August 2011	**15**	25
Charge for the share appreciation rights granted on 13 December 2011	**47**	22
Charge for the share appreciation rights granted on 17January 2012	**657**	198
Charge for the share appreciation rights granted on 30 January 2013	**112**	—
Charge for shares issued under the SIP	**46**	—
	906	1,005

The values of the charges above have been calculated based on a binomial model and the key assumptions for each of the grants analysed above, are set out below:

Options

The following movements occurred during the year on options:

Issue date	Expiry date	Exercise price (pence)	At 1 April 2012	Issued	Exercised	At 31 March 2013
11 April 2005	10 April 2015	10.00	425,000	—	—	425,000
10 May 2005	9 May 2015	10.00	16,830	—	990	15,840
8 August 2005	7 August 2015	42.00	4,050,000	—	—	4,050,000
			4,491,830	—	990	4,490,840

The weighted average price of the options exercised was 10 pence.

The 10p options granted on 11 April 2005 have all vested and have all been exercised other than 425,000 held by S J Moody.

The 10p options granted on 10 May 2005 were awarded to certain employees of businesses in the Falkland Islands owned by R F Visick, a former director.

The 42p options granted at the admission price of 42p were granted immediately prior to the admission to AIM and are exercisable in three equal tranches as follows:

Tranche 1 on or after the first anniversary of admission

Tranche 2 on or after the second anniversary of admission, following the company declaring that it has made a commercial discovery or all three wells which are the subject of the Desire farm in agreement having been drilled within 110% of approved financial expenditure

Tranche 3 on or after the third anniversary of admission, following an increase of at least 50% in the Company's share price since admission.

All three Tranches have vested and the options are exerciseable until they expire on 7 August 2015. Tranche 3 is considered to be a market based condition and therefore the vesting conditions are taken into account when estimating the fair value of the options.

Share appreciation rights

Date granted on:	14-Jul-11	11-Jan-11	3-Jul-09	25-Nov-08
Exercise/base price	239.75p	372.75p	30.87p	19.25p
Number granted	45,881	234,069	532,686	1,833,765
Weighted average volatility	110%	120%	120%	95%
Weighted average risk free rate	2.14%	2.44%	2.88%	3.36%
Dividend yield	Nil	Nil	Nil	Nil
Number of employees that will leave prior to exercise	Nil	Nil	Nil	Nil
Illiquidity discount	0.00%	0.00%	0.00%	0.00%
Expiry date	14-Jul-21	11-Jan-21	31-Dec-13	31-Dec-13
Date granted on:	30-Jan-13	17-Jan-12	13-Dec-11	16-Aug-11
Exercise/base price	159.00p	303.75p	240.75p	237.00p
Number granted	711,127	367,279	31,152	17,932
Weighted average volatility	70%	100%	100%	110%
Weighted average risk free rate	1.23%	1.11%	1.18%	1.66%
Dividend yield	Nil	Nil	Nil	Nil
Number of employees that will leave prior to exercise	Nil	Nil	Nil	Nil
Illiquidity discount	0.00%	0.00%	0.00%	0.00%
Expiry date	30-Jan-23	17-Jan-22	13-Dec-21	16-Aug-21

Weighted average volatility was calculated based on the historical share price movement of the group.

The options granted during 2011 were part of staffing up senior management. The team is now considered to be largely complete.

The following movements occurred during the year on SARs:

Issue date	Expiry date	Exercise price (pence)	At 1 April 2012	Issued	Lapsed	Exercised	At 31 March 2013
22 November 2008	31 December 2013	19.25	1,833,765	—	—	—	1,833,765
3 July 2009	31 December 2013	30.87	532,686	—	—	—	532,686
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	367,279	—	75,748	—	291,531
30 January 2013	30 January 2023	159.00	—	711,127	—	—	711,127
			3,036,587	711,127	75,748	—	3,671,966

On 20 November 2008 the remuneration committee agreed to amend the ESOS to enable the board of the company to grant SARs to executive directors and employees of the company. This was done because SARs help reduce the number of ordinary shares issued, thus limiting the dilutive effect of the ESOS on the company's issued share capital. Under the rules of the ESOS the number of ordinary shares which may be allocated by the company (excluding options over ordinary shares granted prior to the admission of the company's ordinary shares to trading on AIM) will continue to be limited to a maximum of 10% of the issued ordinary share capital of the company in any 10 year period.

A 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").

Accordingly, if the price of an ordinary share at the date of exercise is 50% higher than the base price, then the number of ordinary shares issued upon exercise of a SAR award of 1% of the current issued share capital of the company would equate to only 0.33% of the current issued share capital of the company.

Likewise, a doubling of the ordinary share price from the base price would result in the issue of ordinary shares equal to 0.5% of the current issued share capital.

The base prices of the SARs granted on 25 November 2008 and 3 July 2009 were 19.25 and 30.87 pence per ordinary share respectively, being the middle market quotations of an ordinary share on the dealing days immediately preceding the dates of grant.

The company's remuneration committee made this award of SARs subject to performance conditions based on the group:

Tranche 1 raising funds to drill its outstanding commitment wells,
Tranche 2 negotiating and entering into drilling contract(s) and
Tranche 3 ensuring that the drilling campaign is completed in accordance with acceptable health and safety standards.

None of the above conditions are considered to be market based conditions and so the vesting conditions are not taken into account when estimating the fair value of the shares.

All three tranches of SARs have vested and exercisable up until they expire on 31 December 2013.

On 17 January 2012, 367,279 SARs were awarded by the remuneration committee. The base prices of these SAR awards, as detailed above, were at the official closing price of an ordinary share on the dealing day immediately preceeding the date of the grant.

The company's remuneration committee made these awards subject to either continued employment by the employee for a year from date of grant or continued employment for a year as well as certain non market based performance conditions based on the group:

- making satisfactory progress towards a final investment decision;
- producing a competent persons report on a timetable that meets the groups needs; and
- completing all operations in accordance with health and safety standards and without materially adverse environment impact.

The remuneration committee met on 30 January 2013 and determined that, for those SARs with performance conditions, whilst the targets had largely been achieved, they noted the production of the CPR and the original target for final investment decision had both slipped slightly as a result of the farm out and so 75% of the non market based performance condition related SARs vested and the balance allowed to lapse. The remaining SARs awarded will now be exercisable a year after grant date.

On 30 January 2013 the remuneration committee awarded 711,127 SARs. The base price of these SAR awards, as detailed above, were at the official closing price of an ordinary share on the dealing day immediately preceeding the date of the grant.

The company's remuneration committee made these awards subject to continued employment by the employee for a year from date of grant and certain non market based performance conditions based on the group:

- successful consolidation of the groups position in the Falkland Islands;
- making satisfactory progress towards a final investment decision on the Sea Lion field; and
- completing all operations in accordance with health and safety standards and without materially adverse environmental impact.

The remuneration committee will meet at the end of the calendar year and determine to what extent these SAR conditions have been met.

Share incentive plan

During the previous year, pursuant to authorities granted by shareholders at the AGM on 6 September 2011, the group launched 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 matching Partnership Shares purchased by employees, subject HMRC limits.

On 20 March 2012 the group made a free award of £3,000 worth of Free Shares to eligible employees. In addition, subject to employees purchasing up to £1,500 worth of Shares each (the "Partnership Shares"), an additional conditional award of twice the number of Partnership Shares was granted (the "Matching Shares"). The Shares in relation to the SIP for the 2011/2012 tax year were allotted on 23 March 2012 and were satisfied by the allotment of new Shares based on the closing price of the Shares on the day before the allotment. This resulted in 14,544 Free Shares and 11,864 Matching Shares being issued under the SIP.

On 25 March 2013 the group made a free award of £3,000 worth of Free Shares to eligible employees. In addition, throughout the year the group continued to issue two Matching Shares for every Partnership Share acquired.

This resulted in 13,902 Free Shares and 16,462 Matching Shares being issued under the SIP.

	2013	2012
The average fair value of the shares awarded	**£1.65**	£3.30
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. Due to the awards being made so close to the prior year end this resulted in a negligible charge for the financial year ended 31 March 2012.

For the current tax year, employees will be eligible for monthly, or one off, participation in the SIP whereby they can acquire up to annual amount of £1,500 worth of Partnership Shares and will additionally be granted two Matching Shares for each Partnership Share. Any Free Share Award to be made in the next tax year is at the discretion of the Company's Remuneration Committee and would most likely be made in or around March of that year. Under the terms of the Company's share dealing code, employees will not be permitted to join or leave the SIP or change their contributions during close periods.

8 FOREIGN EXCHANGE MOVEMENT

	2013 $'000	2012 $'000
Realised losses	(131)	(208)
Unrealised gains	804	684
	673	476

9 EXCEPTIONAL GAIN ON SALE OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

Under the groups accounting policy 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. The table below summarises the allocation in relation to the farm out to Premier undertaken during the year.

	2013 $'000	2013 $'000
Cash proceeds from farm out		231,000
Incidental costs of disposal		(14,959)
Disposals from intangible assets	**158,807**	
Less unrelated disposals relating to long lead items	**(1,434)**	
Net cash proceeds from farm out allocated to intangible assets		(157,373)
Exceptional gain on disposal		58,668

10 TAXATION

	2013 $'000	2012 $'000
Current tax:		
Overseas tax	**83,222**	—
Total current tax	**83,222**	—
Deferred tax:		
Overseas tax	**39,137**	—
Total deferred tax – note 21	**39,137**	—
Tax on profit/(loss) on ordinary activities	**122,359**	—
Profit/(loss) on ordinary activities before tax	**47,117**	(53,782)
Profit/(loss) on ordinary activities multiplied at 26.5% weighted average rate (2012: 26.0%)	**12,495**	(13,983)
Effects of:		
Expenses not deductible	**(1,344)**	6,963
Depreciation in excess of capital allowances	**59**	—
Deferred tax charge	**39,137**	—
IFRS2 Share based remuneration cost	**224**	261
Tax charge on proceeds of farm out not credited to the income statement	**69,389**	—
Pre trading expenditure carried forward	**20**	5,446
Losses carried forward	**2,597**	1,461
Other	**(218)**	(148)
Tax charge for the year	**122,359**	—

On 18 October 2012 Rockhopper completed the farm out transaction of 60% of its licence interests to Premier. In return it received consideration of $231 million cash, a $722 million development carry and a $48 million exploration carry. In addition, there is an undertaking by Premier to provide standby finance for the development should Rockhopper request it. Under Falkland Islands Tax Legislation ("FITL") this transaction is taxable as a capital gain but, as this is the first farm out in the Falkland Islands to include development as well as exploration consideration, there are no Falkland Islands precedents and the related legislation is untested.

On 17 May 2013 Rockhopper submitted tax computations to the Falkland Islands Government Tax Office ("FIGTO") for the farm out and on 11 June received a letter from FIGTO challenging the basis of the valuation submitted and hence the tax liability due. In addition to the letter, FIGTO also issued estimated Notices of Assessment to each of the relevant Rockhopper subsidiaries. The tax is payable in GB£ converted at the rate prevailing at completion and gives a total tax liability of £194.8 million ($295.9 million at the year end rate) of which £32.8 million ($49.8 million at the year end rate) was due on the 19 June 2013, with the balance due at the earlier of first oil or five years after completion.

The assessments received on 11 June were estimates and no supporting calculations were provided. The estimates were based on total profits assessable to tax of £749.5 million ($1,209.2 million at the rate of exchange on the date of the transaction), which exceeds the cash equivalent value of the entire consideration received before any reliefs.

The main area of disagreement with FIGTO is the taxable value of the $722 million development carry. In Rockhopper's view, the value of the development carry should be its net present value ("NPV") at completion. The NPV of the development carry is based on the expected timing of its spend discounted at a rate to reflect the associated level of risk. Rockhopper has selected this method because it believes it best matches both the existing legislation and the guidance, albeit limited, that it received from FIG prior to the announcement of the farm out on 12 July 2012.

Rockhopper has based the expected timings of the development spend on information supplied by the operator shortly after the farm out completion and the discount rate used is the difference, after adjusting for cash, between the undiscounted net asset value per share of Sea Lion and the Rockhopper closing share price of £1.6975 at completion, thereby reflecting the market's view of the discount rate. Delaying the development spend used in the NPV calculations by six months would decrease the total liability by £5.9 million ($9.0 million at the year end exchange rate). Reducing the discount rate used by one percentage point would increase the total liability by £2,0 million ($3.0 million at the year end exchange rate) and reducing it by five percentage points would increase the liability by £8.2 million ($12.5 million at the year end rate).

Rockhopper has recognised a total tax liability of £51.6 million ($78.3 million at the year end) and paid the initial instalment of £24.1 million on the basis of its tax computations. Due to the uncertainties associated with the FITL in relation to this type of transaction, the ultimate amount of taxes and interest, if any, related to the farm out transaction may be in excess of the amount expensed and accrued as at 31 March 2013. Whilst Rockhopper and its advisers believe its computation to be robust and supportable it has been challenged as described above. Rockhopper has not attempted to value the consideration received in any other manner as it believes its approach to be the most reliable methodology and in line with the guidance it has received up to the filing of the computations. It is not practicable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Given the above, Rockhopper has, in line with FITL, formally objected to the notices of assessment and asked for the postponement of the payment of any tax due that is in excess of that included in its computations and FIG has agreed to this postponement.

The total carried forward losses and carried forward pre trading expenditures available for relief on commencement of trade at 31 March 2013 is $20.6 million (2012: $473.1 million). $231 million of losses transferred to Premier in exchange for the cash consideration received, with the remaining $241 million of losses being utilised during the year to reduce the tax liability arising on the farm out.

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.

It has been announced that the UK tax rate will drop a further 1% next year and 2% the year after that reaching 21% effective from 1 April 2014. The impact of these subsequent corporation tax rate reductions will only be reflected as the relevant legislation is substantively enacted.

On the 26 March 2012 the subsidiary companies that hold the exploration licences made an election under S18A CTA 2009, exemption for profits or losses of foreign permanent establishments. This election took effect for periods commencing from 1 April 2012 and all subsequent accounting periods. The election exempts any profits, gains or losses of foreign branches from UK corporation tax. To the extent that the companies only profitable activities are in the Falkland Islands then no UK tax should become payable.

11 BASIC AND DILUTED LOSS PER SHARE

	2013 Number	2012 Number
Shares in issue brought forward	**284,186,936**	258,139,606
Shares issued during the period		
– Issued during the prior year	**—**	26,047,330
– Issued on 31 October 2012	**990**	—
– Issued under the SIP	**36,848**	—
Shares in issue carried forward	**284,224,774**	284,186,936
Weighted average shares in issue	**284,196,210**	270,043,689

	2013 $'000	2012 $'000
Net (loss) after tax	**(75,242)**	(53,782)
Basic and diluted net (loss) per share – cents	**(26.47)**	(19.92)

The calculation of the basic loss per share is based upon the loss for the year and the weighted average shares in issue. As the group is reporting a loss for both years 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.

12 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	Licences PL023 PL024	Licences PL032 PL033	Licences PL003 PL004	**31 March 2013 $'000**	31 March 2012 $'000
Costs brought forward	23,636	326,162	48,059	**397,857**	160,508
Additions/(reallocations)	(24)	6,954	382	**7,312**	237,349
Disposals	—	(127,355)	(31,452)	**(158,807)**	—
	23,612	205,761	16,989	**246,362**	397,857
Impairments brought forward	(23,636)	(53,854)	(17,071)	**(94,561)**	(68,125)
Impairments arising in the period	24	50	82	**156**	(26,436)
	(23,612)	(53,804)	(16,989)	**(94,405)**	(94,561)
Net book value brought forward	—	272,308	30,988	**303,296**	92,383
Net book value carried forward	—	151,957	—	**151,957**	303,296

On 19 October 2012 the group announced the conclusion of its farm out agreement with Premier. As a result 60% of the group's licence interests transferred to Premier. In line with the group's accounting policy net proceeds of the disposal have been credited against the previously capitalised cost, with the surplus proceeds being credited to the income statement. This has meant a credit of $157.3 million against the intangible assets of the group. Details of additional movements on a licence by licence basis are detailed below.

LICENCES PL023 AND PL024

These licences represent the southern acreage that the group holds within the North Falkland Basin. At the year end the group held 40% of these licences and Premier was the operator. Movements during the period relate to amounts accrued for the cost of campaign demobilisation which were released without utilisation. As these accruals related to an impaired well the associated impairment has been reversed and has been credited to the income statement.

LICENCES PL032 AND PL033

These licences represent the northern acreage that the group holds within the North Falkland Basin. At the year end the group held 40% of these licences and Premier was the operator. During the period under review the group capitalised, including the allocated and reallocated campaign costs in relation to mobilisation and demobilisation of rig and equipment, the following expenditure:

- $0.9 million credit in respect of amounts accrued for the costs of campaign demobilisation which were released without utilisation. Where these accruals related to impaired wells the associated impairment has been reversed and has been credited to the income statement.
- $1.4 million credit in respect of proceeds from the disposal of items initially capitalised for use in the campaign.
- $7.9 million of costs in relation to development work on the Sea Lion field.

LICENCES PL003 AND PL004

These licences represent the farm in acreage that the group holds within the North Falkland Basin. At the period end the group had a working interest of 24% in licence PL004b, a 10% interest in licence PL004c and a 3% working interest in licences PL004a and PL003. PL004b is operated by Premier, with the remaining licences being operated by Desire. During the period under review the group capitalised $0.4 million, these amounts principally relate to well 14/15-4. In addition, there were amounts accrued for the costs of campaign demobilisation which were released without utilisation. Where these accruals related to impaired wells the associated impairment has been reversed and has been credited to the income statement.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Office equipment $'000	**2013 $'000**	2012 $'000
Cost at 1 April	276	401	**677**	474
Additions	28	443	**471**	203
Disposals	—	(52)	**(52)**	—
Cost at 31 March	304	792	**1,096**	677
Accumulated depreciation at 1 April	(82)	(207)	**(289)**	(134)
Current year depreciation charge	(60)	(207)	**(267)**	(155)
Disposals	—	43	**43**	—
Depreciation at 31 March	(142)	(371)	**(513)**	(289)
Net book value at 1 April	194	194	**388**	340
Net book value at 31 March	162	421	**583**	388

14 OTHER RECEIVABLES

	2013 $'000	2012 $'000
Receivables	**742**	571
Prepayments	**439**	578
Accrued interest	**333**	167
Other	**45**	471
	1,559	1,787

The carrying value of receivables approximates to fair value. Receivables in the current year relate to amounts charged for the provision of technical services to third parties. In the prior year it related to the BHP contribution expected in respect of campaign demobilisation costs. These costs were initially funded by the group and Desire.

The accrued interest relates to unexpired fixed term deposits held at the year end.

Other relates to VAT, the significant decrease being due to decreased activity as a result of the end of the drilling campaign, as well as charging VAT on invoicing relating to the provision of technical services to third parties.

15 PAYMENTS ON ACCOUNT

	2013 $'000	2012 $'000
Non-refundable funds held by third parties relating to non-operated activities	**—**	3,092

This relates to payments made to Desire in respect of the demobilisation of the rig and equipment. The demobilisation was finally invoiced in September and as such these amounts have been received and the related accounts closed.

16 RESTRICTED CASH

	2013 $'000	2012 $'000
In respect of operated wells	**—**	344
Charged accounts	**282**	458
	282	802

The charged accounts relate to a collateral account at The Royal Bank of Scotland plc, to support the credit risk to the bank stemming from any forward currency purchases by the group, and the rent deposit for the offices leased by the group. Both amounts are GB£ denominated.

17 TERM DEPOSITS

	2013 $'000	2012 $'000
95 day	**30,377**	23,981
100 day	**—**	1,599
Six month	**—**	31,974
One year	**50,000**	—
	80,377	57,554

The 95 day amount is held with RBS plc and matured on 22 April 2013. The one year fund deposit is also with The Royal Bank of Scotland plc and is due to mature on 30 October 2013.

18 CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Current accounts	**1,633**	152
Deposit accounts	**215,731**	37,563
Unbreakable short term deposits	**—**	7,994
	217,364	45,709

The deposit accounts are same day access.

Unbreakable short term deposits relate to a 60 day fixed term deposit with The Royal Bank of Scotland plc that matured on the 5 April 2012.

19 OTHER PAYABLES AND ACCRUALS

	2013 $'000	2012 $'000
Accounts payable	**1,245**	2,987
Exploration and evaluation accruals	**249**	1,531
Administrative accruals	**1,250**	1,901
	2,744	6,419

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.

20 TAX PAYABLE

	2013 $'000	2012 $'000
Current tax payable	**32,177**	—
Non current tax payable	**46,167**	—
	78,344	—

Tax payable relates to corporation tax due as a result of the farm out transaction during the year. The liability is in line with computations that have been submitted. Whilst the submissions have been based on the group's understanding of the tax legislation, they are still subject to agreement from the Falkland Islands Government and the final liability may vary.

Under the Falkland Islands tax leglislation, on the event of the receipt of non cash consideration in a farm out transaction, then the total tax liability is pro rated in proportion to the cash and non cash consideration received. The proportion that relates to cash consideration received is due for payment on 19 June 2013. The balance that relates to the non cash consideration received is deferred and payment must be made on the earlier of first oil or five years.

The tax payable is a £GBP denominated balance. The non current tax payable has not been discounted as the impact of this would be immaterial.

21 DEFERRED TAX LIABILITY

	2013 $'000	2012 $'000
At 1 April	**—**	—
Overseas deferred tax	**39,137**	—
At 31 March	**39,137**	—

The deferred tax liability has arisen during the year as a result of temporary differences associated with the intangible exploration and evaluation expenditure. Losses relating to this historic expenditure were utilised during the year to minimise the corporation tax due on the consideration received as part of the farm out disposal during the year.

Total carried forward losses and carried forward pre trading expenditures available for relief on commencement of trade at 31 March 2013 is $20.6million (2012:$473.1million). No deferred tax asset has been recognised in relation to these losses.

22 SHARE CAPITAL

	2013		2012	
	$'000	Number	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	4,710	284,224,774	4,709	284,186,936

For details of all movements during the year, see note 11.

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. As a result, the company's articles of association were amended at the AGM on 12 November 2009 to remove all reference to an authorised share capital.

The directors of the company continue to be limited as to the number of shares they can allot at any time because the allotment authority continues to be required under the Companies Act 2006.

23 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.
Shares held by SIP trust	Shares held by the SIP trust represent the issue value of shares held on behalf of participants by Capita IRG Trustees Limited, the trustee of the SIP.
Merger reserve	The difference between the nominal value of shares issued with the nominal value of the shares received on the reversal of Rockhopper Resources Limited into Rockhopper Exploration Plc on 23 February 2005, during the year ended 31 March 2005.
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.
Retained losses	Cumulative net gains and losses recognised in the financial statements.

24 LEASE COMMITMENTS

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

	2013 **$'000**	2012 $'000
Total committed within 1 year	**183**	115
Total committed between 1 and 5 years	**—**	55
	183	170

25 RELATED PARTY TRANSACTIONS

The remuneration of directors, who are the key management personnel of the group, is set out below in aggregate. Further information about the remuneration of indivdual directors is provided in the Directors' Remuneration Report on pages l and l.

	31 March 2013 $'000	31 March 2012 $'000
Short term employee benefits	**1,933**	2,558
Pension contributions	**118**	116
Termination benefits	**493**	—
Share based payments	**613**	695
	3,157	3,369

26 POST BALANCE SHEET EVENTS

CANCELLATION OF SHARE PREMIUM ACCOUNT

On 4 June 2013, the company announced that resolutions proposed at a General Meeting, held the same day, were passed. Shareholders voted in favour of the cancellation of the company's share premium account which would, subject to court approval, create distributable reserves. In addition shreholders voted to allow the company, subject to court approval of the cancellation of the share premium account, to make purchases of its own Ordinary Shares in the market on such terms and in such manner as the directors may determine.

On 3 July 2013, the company announced that at a hearing on the same day, the Companies Court of the Chancery Division of the High Court of Justice confirmed the cancellation of the company's share premium account. The cancellation of the share premium account became effective on 4 July 2013.

The directors have no current intention for the company to make dividend payments or to purchase its own shares until there is greater clarity on the cash requirements in the Falkland Islands.

27 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: Foreign exchange movements on monetary assets and liabilities are taken to the income statement and the potential exposure to such is set out in the table below:

At 31 March 2013, if the GB£ had weakened, relative to the year end rate of 1.52, 10% against the US$, with all the other variables held constant, post tax loss and equity would have been US$0.2 million higher (2012: US$9.6 million lower). Conversely, if the GB£ had strengthened 10% against the US$ with all other variables held constant, post tax loss and equity would have been US$0.2 million lower (2012: US$9.6 million higher).

The impact of movements in the Euro exchange rate would have an immaterial impact on the results for the period.

As at 31 March 2013	**US$ denominated $'000**	**GB£ denominated $'000**	**Eurod denominated $'000**	**Total $'000**
Non-monetary assets	**152,540**	**—**	**—**	**152,540**
Monetary assets	**220,287**	**78,514**	**781**	**299,582**
	372,827	**78,514**	**781**	**452,122**
Monetary liabilities	**39,566**	**80,659**	**—**	**120,225**
Equity	**583,464**	**—**	**—**	**583,464**
Reserves	**(251,567)**	**—**	**—**	**(251,567)**
	371,463	**80,659**	**—**	**452,122**

As at 31 March 2012	US$ denominated $'000	GB denominated $'000	Euroa denominated $'000	Total $'000
Non-monetary assets	303,684	—	—	303,684
Monetary assets	5,737	102,345	862	108,944
	309,421	102,345	862	412,628
Monetary liabilities	477	5,910	32	6,419
Equity	583,367	—	—	583,367
Reserves	(177,158)	—	—	(177,158)
	406,686	5,910	32	412,628

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 group is not subject to any externally imposed capital requirements other than when drilling when there was the requirement by the Falkland Islands Government that the group hold free cash of $5.0 million to suspend an existing well and $12.0 million above the expected drilling requirements to spud a new well. 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 for the provision of technical services. Should the company holding these accounts become insolvent then these funds may be lost or delayed in their release. Amounts at the year end were $742,000 (2012: $nil).

Interest rate risks; if the group had received an additional 25 basis points on its interest bearing assets during the year, this would have generated additional finance income of $0.7 million (2012: $0.8 million). There are a number of instruments available to protect against falling interest rates reducing the investment income enjoyed by the group but, with rates now at historic lows there is not much further that they could fall. A decrease of 25 basis points in this variable has not been considered appropriate due to these current historic lows. The group is not dependent on its finance income and given the current interest rates the risk is not considered to be significant.

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 year end were $80.4 million (2012: $57.6 million) and are disclosed in the counter-party risk table below.

Counter-party risk; rather than keep all its funds with one bank, the group splits its funds across a number of banks, two of which are part owned by the British government.

	2013 $'000	2012 $'000
RBS plc	**282**	802
JPMorgan Chase N.A.	**—**	—
Total restricted cash	**282**	802
RBS plc	**80,377**	—
Barclays plc	**—**	1,599
Lloyds	**—**	55,955
Total term deposits	**80,377**	57,554
RBS plc	**107,886**	43,756
Barclays plc	**76,597**	1,860
Lloyds TSB plc	**32,856**	37
Standard Chartered plc	**25**	56
Total unrestricted cash	**217,364**	45,709
Total cash	**298,023**	104,065