ROCKHOPPER EXPLORATION PLC

ANNUAL REPORT 2013

EXPLORE
APPRAISE
DEVELOP

EXPLORE, APPRAISE, DEVELOP.

↗ 'Rockhopper' (RKH) is the first company to make an oil discovery in the Falkland Islands.

Our strategy is to create value through focused exploration.

We aim to do this by:

- ↗ Enhancing and protecting the value of the oil we have already discovered by fully engaging throughout the development process.
- ↗ Leading the forward exploration programme in the North Falklands Basin.

www.rockhopperexploration.co.uk
@RockhopperExplo
AIM: RKH

KEY EVENTS
OPERATIONAL AND FINANCIAL

During the year:

- Revised CPR published
- Farm out agreement completed
  - $231 million of cash
  - $722 million net development carry
  - $48 million net exploration carry
- Operatorship transferred to Premier Oil plc

Post year:

- Cancellation of Share Premium Account

SURF BAY, FI

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

↗ Rockhopper have around 150 million barrels of fully funded oil, which in the present financial market conditions is a good place to be.

STANLEY, FI

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.

Our approach since Sea Lion's discovery has always been to enhance and protect the value of the oil that we have found.

STANLEY DOCK, FI

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 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 phase drilling, 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 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 of unrisked STOIIP of around 1 billion barrels as well as testing the extent of the proven F2 sequence towards the south and 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

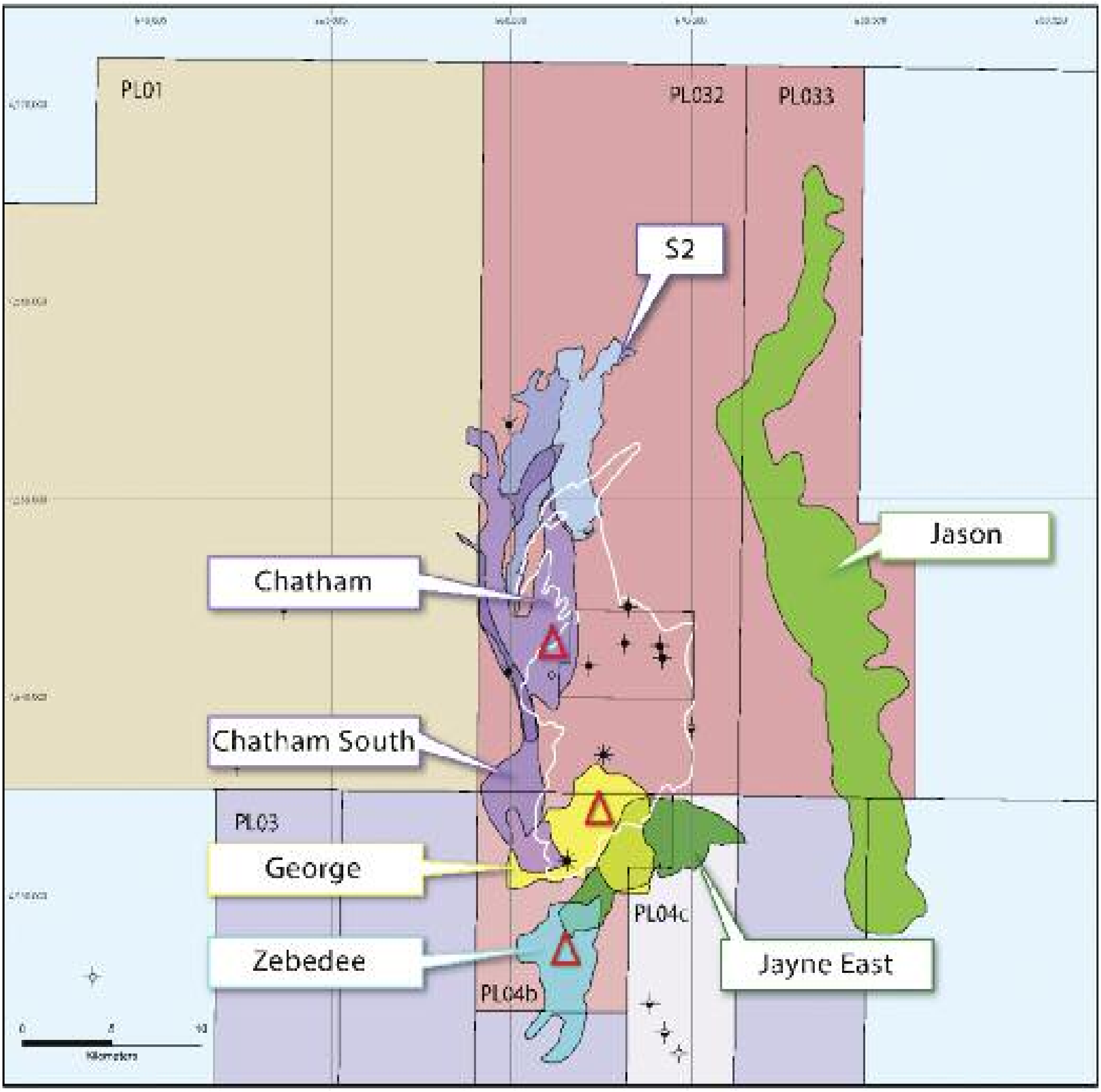
We remain committed to extracting maximum value from the resources we have already discovered and excited about the prospect of future additional exploration within the basin, where we are confident there remains significant potential. We are pleased that the Sea Lion reservoir models are complete and 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

> Discovering over 1.3 billion barrels of oil in place, we retain the sub-surface lead in exploration on behalf of the joint venture.

AREA OF INTEREST



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 discounted 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.

↗ 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 further exploration of the North Falkland Basin.

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

BOARD OF DIRECTORS

DR PIERRE JUNGELS CBE 69
CHAIRMAN

Dr Jungels, a certified engineer with a PhD from CALTECH, was CEO of Enterprise Oil Plc, from 1996 to 2001 and prior to that was MD of Exploration and Production for BG Plc in 1995 and worked for 23 years with Petrofina SA including eight years on the main board. He is currently a non-executive director of Baker Hughes Inc. and is Chairman of AIM traded Oxford Catalysts. He was twice President of the Institute of Petroleum, from 1987 to1989 and 2002 to 2003.

SAMUEL MOODY 43
CHIEF EXECUTIVE OFFICER

Sam is a co-founder of Rockhopper and has been responsible for building and managing the group from its formation in early 2004. He previously worked in several roles within the financial sector, including positions at AXA Equity & Law Investment Management and St Paul's Investment Management.

PETER DIXON-CLARKE ACA 47
FINANCE DIRECTOR

Peter qualified at Deloitte in the financial services group. He left to work at Amlin Plc, an insurer at Lloyd's of London, to run the financial affairs of the group's biggest division. He joined Rockhopper in late 2004 as its part time finance director. In 2006 he became finance director of Goshawk Plc for its refinancing and subsequent sale. In 2008 he became the first chief financial officer of Help for Heroes until early 2010, when he became full time at Rockhopper.

FIONA MACAULAY 50
TECHNICAL DIRECTOR

Fiona is a geologist with over 25 years of experience in the oil and gas industry including time at Mobil, Amerada Hess and BG. She joined Rockhopper in 2010 immediately following the Sea Lion discovery and was an integral member of the senior team which managed the appraisal of the Sea Lion field and discovered the Casper, Casper South and Beverley fields. Fiona was appointed to the Board in March 2013.

JOHN CROWLE 59
NON-EXECUTIVE DIRECTOR

John, a trained geologist, has international exploration and production experience from roles at BP, LASMO, Enterprise Oil and Shell. His time at BP included involvement in its work in the UK, Norway, Egypt and the Mediterranean area. At Enterprise Oil he was a key player in the company's entry to Italy, France and Denmark, and for three years he was general manager of Enterprise Oil's Norwegian subsidiary. He is a non-executive director of Salamander Energy Plc.

CHRIS WALTON 56
NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Chris was Finance Director at Easyjet Plc from 1999-2005, where he successfully directed its IPO in 2000. Prior to that he held senior posts at Qantas Airways, Air New Zealand, Australian Post and Australian Airlines. Early in his career, he also had roles in BP Australia, RTZ Hamersley Iron, the Australian Senate and the West Australian Government. He was a member of the Bank of England's Regional Economic Advisory Panel (South East England & Anglia) from 2002 to 2005. Chris is the non-executive Chairman of Goldenport Holdings Inc and Chairman of Lothian Buses Plc. He is a non-executive audit and risk committee member of the UK Department for Culture, Media and Sport and audit chairman for KTZ, the Kazakhstan State Railway. He is a non-executive director of the Institute of Directors.

DAVID MCMANUS 60
NON-EXECUTIVE DIRECTOR

David is a petroleum engineer with a degree from Heriott Watt University with 36 years experience in the Oil and Gas industry, with Shell, Ultramar, ARCO and BG group. He has extensive project management and commercial expertise at high level, and is currently a director of Hess Corporation and Caza Oil & Gas Inc. and chairman of Flex LNG.

ROBERT PETERS 65
NON-EXECUTIVE DIRECTOR

Bob is a solicitor and graduate from Durham University, with a long career in industry and legal practice. He joined Imperial Chemical Industries Plc group legal department in 1976 and become Deputy Group General Counsel in 1993 until 2000 when he joined Mayer Brown as Corporate Partner. Whilst at Imperial Chemical Industries he was involved in the company's E & P subsidiary in the 1980s.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2013

PRINCIPAL ACTIVITY

The principal activity of the group is the exploration and exploitation of its oil and gas acreage.

Group strategy is to explore, appraise and develop its acreage both safely and responsibly. Value is created as the group proceeds through the key stages to final investment decision and onwards to production.

RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend for the year (2012: £nil).

KEY PERFORMANCE INDICATORS "KPIs"

As the group does not yet have production it considers that the only industry KPI to apply is that of Lost Time Incidents ("LTIs") a key indicator of Health, Safety & Environmental ("HSE") performance when operational. There were no LTIs in the year under review (2012: 3).

SUBSTANTIAL SHAREHOLDERS

At 9th August 2013 the company had been notified of interests of three percent or more of the company's voting rights, based on an issued share capital of 284,227,969, shown below:

Shareholder/Fund manager	Number of voting rights	Percentage of voting rights
Odey Asset Management	35,831,203	12.61
Goldman Sachs Group	20,211,017	7.11
Royal London Asset Management	17,313,435	6.09
Deutsche Bank AG	17,101,147	6.01
Fidelity	14,866,324	5.23
Credit Suisse	14,292,898	5.03
Ignis Investment Services	11,345,563	3.99
Kames Capital	11,338,902	3.99
GLG Partners	10,546,120	3.71
Richard Visick	10,492,720	3.69
Oz Management and Och-Ziff Management Europe	9,285,810	3.27
Dabroes Investment Master Fund	9,089,492	3.20

DIRECTORS AND THEIR INTERESTS

The present members of the board are as listed in the board of directors section. Fiona MacAulay was appointed as Technical Director on 15th March 2013.

The interests of the directors in office at the year end in the share capital of the company were as below:

	At 31 March 2013 Ordinary 1p shares	At 31 March 2012 Ordinary 1p shares
P J M H Jungels	933,075	933,075
S J Moody	1,164,387[2]	1,156,897[2]
P J Dixon-Clarke	297,759[1,2]	285,275[1,2]
F M MacAulay	22,817[3,4]	—
K J Crowle	55,742	55,742
C J Walton	66,236	66,236
D McManus	96,031	96,031
R J Peters	14,287	14,287
	2,650,334	2,607,543

[1] This figure includes 108,510 shares held in a discretionary trust, of which Peter Dixon-Clarke is a trustee for the benefit of his two children.
[2] This figure includes 2,271 shares held by the Trustee of the Company's Share Incentive Plan.
[3] This figure includes 4,752 shares held by the Trustee of the Company's Share Incentive Plan.
[4] This figure is also the number of shares held by F M MacAulay on her appointment as a director.

DIRECTORS' SERVICE CONTRACTS

All of the executive directors have service contracts which may be terminated on 12 months notice in writing by either side, in accordance with current market practice.

The contracts for executive directors do not provide any predetermined amounts of compensation in the event of early termination. In the event of early termination (such as change of control), payments for loss of office are determined by the remuneration committee who would take account of the particular circumstances of each case, including the unexpired term of the service contact.

Details of contract and appointment dates are set out below:

	Appointment date	Original contract/ engagement letter date	Revised contract/ engagement letter date
Executive directors			
S J Moody	21 February 2005	8 August 2005	8 March 2011
P J Dixon-Clarke	29 December 2004	8 August 2005	8 March 2011
F M MacAulay	15 March 2013	10 January 2011	—
Non-executive directors			
P J Jungels	21 February 2005	8 August 2005	30 November 2010
K J Crowle	9 June 2005	8 August 2005	30 November 2010
C J Walton	9 June 2005	8 August 2005	30 November 2010
D McManus	30 September 2010	30 November 2010	—
R J Peters	30 September 2010	30 November 2010	—

The non-executive directors do not have service contracts, but they have been appointed for a period of three years from 30 September 2010 subject to a three month notice period.

POST BALANCE SHEET EVENTS

Particulars of important events affecting the group since the financial year end are set out in note 26.

PRINCIPAL RISKS AND UNCERTAINTIES

Information relating to the principal risks and uncertainties facing the group is set out in the Risk management report section of the Directors' report and note 27.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 25.

FINANCIAL INSTRUMENTS

For the period under review the group held no financial instruments, outside of cash and receivables. Financial risk management policies are disclosed in note 27.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no charitable donations (2012: $nil) and no political donations (2012: $nil) during the year.

CREDITOR PAYMENT POLICY

The company does not follow any specific code or standard on payment practice. However, it is the policy of the group to ensure that all of its suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations. Average creditor days for the year were 13 days (2012: 4 days), on the basis of accounts payable as a percentage of amounts invoiced during the year.

QUALIFYING INDEMNITY PROVISIONS

The company has entered into separate indemnity deeds with each director containing qualifying indemnity provisions, as defined at section 236 of the Companies Act 2006, under which the company has agreed to indemnify him in respect of certain liabilities which may attach to him as a director or as a former director of the Company. At the date of this directors' report indemnity deeds containing qualifying indemnity provisions are in force for all of the company's directors.

DIRECTORS' AND OFFICERS' INSURANCE

The group maintained directors' and officers' liability insurance cover throughout the year. The directors are also able to obtain independent legal advice at the expense of the group, as necessary, in their capacity as directors.

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

EMPLOYEES

The group had eighteen employees at the year end, three of whom are directors. The group seeks to employ people on the basis of merit and ability to perform the required roles. The group does not discriminate on any grounds including race, gender, religion, age, nationality or sexual orientation.

ENVIRONMENT

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange for companies they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each director in office at the date of this report has confirmed, as far as he is aware, that there is no relevant audit information of which the auditor is unaware. Each such director has confirmed that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Our auditors, KPMG Audit plc has instigated an orderly wind down of business. The board has decided to put KPMG LLP forward to be appointed as auditors and a resolution concerning their appointment will be put forward to the forthcoming Annual General Meeting of the company.

On behalf of the Board

JAN DAVIES
COMPANY SECRETARY

21 August 2013

CORPORATE GOVERNANCE STATEMENT

The board's corporate governance policy is to apply best practice and to adhere to the UK Corporate Governance Code (the "Code") applicable to FTSE 350 companies as far as practicable given the size of the company. The company is an AIM listed company and is not required to comply with any provision in those codes for so long as it remains on AIM. Further details are given below of how the company addresses the principles set out in the Code.

THE BOARD

The board's structure and composition complies with the provisions of the Code. The board consists of three executive and five non-executive directors, four of whom are independent. The board has a qualified company secretary and all directors have access to her for advice and services.

C J Walton is the senior independent director. The group's website contains an email contact for C J Walton, who is also the chairman of the audit committee, should shareholders have concerns which have not been adequately addressed by the chairman or chief executive. The email address is also disclosed at the back of these accounts.

The board meets regularly throughout each financial year and there is a schedule of matters reserved for its approval, ensuring that it exercises control over the group's strategy, key financial and compliance issues and significant operational and management matters. These include capital structure, communication with shareholders, board and senior management appointments and major contracts. Executive management has a number of financial and operational responsibilities delegated to it. These include day-to-day operation of the business, implementation of health & safety measures, contract negotiation and liaison with the regulator and shareholders. From time to time sub-committees of the board are established to approve the detail of matters tabled at full board meetings. The company secretary ensures that the board and its committees are supplied with papers of sufficient quality to enable them to consider matters in good time for meetings and to discharge their duties properly.

A clearly defined organisational structure exists, with lines of responsibility and delegation of authority to executive management and board approved defined roles for the chairman and chief executive officer.

The board supports directors who wish to receive ongoing training and education relating to their duties. It makes available independent legal advice, at the group's expense, when necessary.

Each year an internal performance evaluation of the board and its committees is undertaken. The performance appraisal consists of a questionnaire. Comments are tabled at a board meeting and actions agreed. The appraisal of the chairman's performance is coordinated by the company secretary.

The board's chairman, P J Jungels, was independent upon appointment but has not been considered independent thereafter. For an initial period, P J Jungels was executive chairman and during that time he was awarded share options. Effective 30 September 2010 he became non-executive chairman and, with the agreement of the remuneration committee and support of the board, he continues to retain those share options. He meets with the non-executive directors, without management present, from time to time and in the forum of the nomination committee. The board considers the other non-executive directors, C J Walton, K J Crowle, D McManus and R J Peters, to be independent. Other than their shareholdings and fees, the non-executives have no financial interests in the company or business relationships that would interfere with their independent judgement.

The appointment of directors is a formal process involving all members of the board which considers the recommendation of the nomination committee.

The notice period for all executive directors is twelve months. The board believes that this is reasonable and appropriate for the size of the group. All directors stand for re-election at the annual general meeting.

AUDIT & RISK, REMUNERATION AND NOMINATION COMMITTEES

Audit & risk, remuneration and nomination committees, with formally delegated duties and responsibilities, operate under the chairmanship of C J Walton, D McManus and P J Jungels respectively. The terms of reference of the committees reflect the provisions of the Code where relevant and can be found on the company's website.

In addition to C J Walton, the audit & risk committee comprises K J Crowle and R J Peters, with other directors attending from time to time as observers by invitation. The make up of the committee complies with the Code.

In addition to D McManus, the remuneration committee comprises K J Crowle and C J Walton, with other directors attending from time to time as observers by invitation. The make up of the committee complies with the Code.

In addition to P J Jungels, the nomination committee comprises all the non-executive directors with the chief executive officer attending by invitation. The make up of the committee complies with the Code.

CORPORATE GOVERNANCE STATEMENT CONTINUED

REMUNERATION COMMITTEE

The principal role of the remuneration committee is to consider, on behalf of the board, the remuneration (including compensation payments when they apply) of executive directors, the chairman and the company secretary. In addition the remuneration committee sets the broad framework and reviews the recommendations of the chief executive officer for salary adjustments and bonus payments for all other members of staff. It also administers and makes awards under the Employee Share Option Scheme and Share Incentive Plan (SIP).

The board considers the members of the remuneration committee to be independent. The members are D McManus as chairman, K J Crowle and C J Walton. K J Crowle was chairman of the committee until 31 December 2013 when D McManus took over the chair.

The committee met three times during the year and considered and dealt with a number of matters including:
– final bonus awards;
– the award and vesting of SARs;
– the operation of the SIP;
– annual salary review proposals;
– performance bonus targets;
– the structure of the remuneration packages of the executive directors and senior managers; and
– the introduction of a Long Term Incentive Plan ('LTIP').

Full details are given in the directors' remuneration report.

The committee received assistance from the company secretary in relation to the operation of the share schemes and the structuring of remuneration packages. The committee received external advice from Addleshaw Goddard the group's lawyers in these matters.

NOMINATION COMMITTEE

The nomination committee's role is to recommend any new appointments of directors to the board. Any decisions relating to the appointment of directors are made by the entire board based on the merits of the candidates and the relevance of their background and experience, measured against objective criteria, with care taken to ensure that appointees have enough time to devote to the job. Rockhopper is committed to appointing, retaining and developing an experienced team which can effectively manage the Company's objectives and deliver its strategy. The board recognises the benefits of diversity and the nomination committee has regard to this when considering succession planning.

The committee is chaired by the chairman of the board, P J Jungels, with all the non-executive directors as its members. The board considers K J Crowle, D McManus, R J Peters and C J Walton to be independent, hence a majority of the committee is considered to be independent.

The nomination committee met twice during the year to consider succession planning, board structure and the appointment of F M MacAulay as Technical Director.

AUDIT & RISK COMMITTEE

The members of the audit & risk committee are C J Walton as chairman, K J Crowle and R J Peters. The board considers the members of the audit & risk committee to be independent and is satisfied that at least one member of the audit & risk committee, C J Walton, has recent and relevant financial experience.

The external auditor, the finance director and certain other directors are invited to meetings with observer status.

The core terms of reference of the audit & risk committee include reviewing and reporting to the board on matters relating to:
– the audit plans of the external auditor;
– the group's overall framework for internal control over financial reporting and for other internal controls;
– the group's overall framework for risk management;
– the accounting policies and practices of the group; and
– the annual and periodic financial reporting carried out by the group.

The audit & risk committee is responsible for notifying the board of any significant concerns that the external auditor may have arising from their audit work; any matters that may materially affect or impair the independence of the external auditor; any significant deficiencies or material weaknesses in the design or operation of the group's internal controls; and any serious issues of non-compliance. No such concerns were identified during the year.

The audit & risk committee recommends to the board the appointment of the external auditor, subject to the approval of the company's shareholders at a general meeting. Shareholders in a general meeting authorise the directors to fix the remuneration of the external auditor.

The audit & risk committee has established procedures for receiving and handling complaints concerning accounting or audit matters.

The audit & risk committee maintains policies and procedures for the approval of all audit services and permitted non-audit services undertaken by the external auditor, the principal purpose of which is to ensure that the independence of the external auditor is not impaired.

In general, the external auditor will only be used for audit, audit related and tax compliance services. Other services need specific authorisation from the audit & risk committee. During the year, the external auditor reviewed the company's financial reporting procedures. No other non-audit services, apart from tax, corporate finance and an IT security review, were provided. The finance director monitors the status of all services being provided by the external auditor and is satisfied that there were no conflicts during the year.

The audit & risk committee was satisfied throughout the year that the objectivity and independence of the external auditor were not in any way impaired by the nature of the non-audit work undertaken, the level of non-audit fees charged for such work nor any other factors.

The audit & risk committee's terms of reference are available on the group's website and on request from the company secretary.

The audit & risk committee held four formal meetings during the year and informal discussions were also held both with, and without, management present. The committee met with the external auditors without management present.

Following each audit & risk committee meeting, the chairman of the audit & risk committee reported to the board on the principal matters covered at the meeting.

During the year, the business performed and issues considered by the audit & risk committee included:
- the group's financial disclosures were reviewed and accounting matters considered;
- reports were received from the external auditor concerning its audit and review of the financial statements of the group and the status of follow-up actions with management;
- the effectiveness of the group's system of internal controls and its risk monitoring and management;
- the systems and processes that management has developed pertaining to risk identification, classification and mitigation including disaster recovery;
- whistleblowing procedures and shareholder concerns;
- control of insider information;
- accounting issues relevant to taxation and reporting format matters;
- impairment of assets;
- treasury policies;
- the need for an internal audit function;
- the group's anti-corruption and bribery policy and procedures;
- the Falkland Islands fiscal regime;
- the external auditor's review of financial reporting procedures;
- the external auditor's audit and non-audit fees; and
- the effectiveness of the committee.

During the year, the committee reviewed its own performance and the appropriateness of its terms of reference. It concluded that, having considered the size and complexity of the business, the terms of reference were appropriate and that performance was satisfactory.

INTERNAL CONTROLS AND RISK MANAGEMENT

The directors are responsible for the group's system of internal control and for reviewing its effectiveness. The group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the group's business objectives and therefore provides reasonable, rather than absolute, assurance against material misstatement or loss. The group operates a series of controls to meet its needs. The group receives reports from the external auditor concerning the system of internal control and any material control weaknesses. The board considers that there is no necessity at the present time to establish an independent internal audit function given the current size and complexity of the business.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The process of monitoring and updating internal controls and procedures continues throughout the year and a risk management process is in place. Existing processes and practices are reviewed to ensure that risks are effectively managed around a sound internal control structure. A fundamental element of the internal control structure involves the identification and documentation of significant risks, the likelihood of those risks occurring, their potential impact and the plans for managing and mitigating each of those risks. These assessments are reviewed by the board. The plans are regularly discussed, updated and reviewed at each board meeting, and any matters arising from internal reviews or external audit are also considered.

The company complies with Rule 21 of the AIM Rules for companies regarding dealings in the company's shares and has adopted a code on dealing in securities to ensure compliance by the directors.

SHAREHOLDER RELATIONSHIPS

During the year the chairman, senior independent director and executive directors met with shareholders and the investment community. This included formal road shows and presentations, one-to-one meetings, analyst briefings and press interviews. The chief executive officer regularly briefs the board on these contacts and relays the views expressed. In addition, copies of analyst research reports, press reports and industry articles are circulated to all directors.

GOING CONCERN

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

DIRECTORS' ATTENDANCE

The directors' attendance at scheduled board meetings and board committees for the year is detailed in the table below:

	Board	Audit & Risk	Remuneration	Nomination
DIRECTOR				
P J Jungels	14*	—	3†	2*
S J Moody	14	—	—	—
P J Dixon-Clarke	15	4†	—	—
F M MacAulay (appointed 15 March 2013)	2	—	—	—
D Bodecott	10	—	—	—
K J Crowle[1]	14	4	2*	2
C J Walton	15	4*	3	2
D McManus[1]	13	—	3*	2
R J Peters	14	4	1†	2
Total meetings during year	15	4	3	2

* Chairman
† Invitee

[1] D McManus succeeded K J Crowle as chairman of the remuneration committee with effect from 1 January 2013.

DIRECTORS' REMUNERATION REPORT

The remuneration policy for the executive directors is determined by the remuneration committee, which consists solely of independent non-executive directors, being K J Crowle, D McManus and C J Walton. The committee acts within its agreed written terms of reference. Within the framework of the agreed remuneration policy the committee determines the remuneration packages of the executive directors including the size of, and conditions applying to, awards made under the company's cash bonus and share option schemes.

The committee aims to provide executive directors with packages which are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the objectives of the group and thereby enhance shareholder value. During the year, the committee undertook a review of the structure of the remuneration packages of the executive directors and senior management. The committee agreed that the Company had reached a stage in its development where it was appropriate to introduce longer-term elements to the overall remuneration package which would ensure that management was more closely aligned with shareholders. A new Long Term Incentive Plan ('LTIP'), which will be put forward for shareholder approval at the 2013 annual general meeting, will replace annual awards of Share Appreciation Rights ("SARs"). With effect from 1 April 2013, the main elements of the remuneration packages of the executive directors are:
– base salary which is measured against salaries for similar roles in Rockhopper's peer group;
– annual cash bonus based on the achievement of shorter term targets designed to help the company achieve its long-term strategy. The bonus is capped at 100% of base salary;
– Long Term Incentive Plan based on total shareholder return measured against a peer group of 12 companies and subject to a three year performance period; and
– contributions to a personal pension plan and a range of non-cash benefits.

The committee's policy on executive directors' remuneration will continue to apply throughout the year to 31 March 2014.

DIRECTORS' REMUNERATION

The directors' remuneration for the year ended 31 March 2013 was:

	Salary/ fees £'000	Final Bonus £'000	Pension £'000	Benefits £'000	Compensation on loss of office £'000	2013 Total £'000	2012 Total
Non-executive directors							
P J Jungels	140	—	—	—	—	140	140
K J Crowle	37	—	—	—	—	37	40
C J Walton	45	—	—	—	—	45	45
R J Peters	30	—	—	—	—	30	30
D McManus	33	—	—	—	—	33	30
	285	—	—	—	—	285	285
Executive directors							
S J Moody	331	99	33	4	—	467	603
P J Dixon-Clarke	225	79	23	4	—	331	392
F M MacAulay[1]	8	—	1	—	—	9	—
D Bodecott[2]	179	—	18	12	312	521	400
	743	178	75	20	312	1,328	1,395
Total directors' remuneration	1,028	178	75	20	312	1,613	1,680

[1] F M MacAulay was appointed as a director on 15 March 2013. Amounts disclosed relate to her remuneration as a director. Any salary and bonus she received for her services prior to her appointment as a director are included in other employees' salaries in note 4.
[2] D Bodecott retired from the board of directors and left the company on 31 January 2013. A payment in lieu of notice and in respect of entitlement to benefits including pension contributions was made.

Non-executive directors fees for the year were at a base level of £30,000 per annum plus an additional £10,000 per annum for any director chairing a committee and an additional £5,000 per annum for the role of senior independent director. Currently, D McManus and C J Walton both chair committees. C J Walton is also the senior independent director for which he receives an additional £5,000. The fees of the non-executive directors, excluding the chairman have been reviewed against the market. The base level of the fees has been increased to £40,000 per annum with effect from 1 April 2013.

DIRECTORS' REMUNERATION REPORT CONTINUED

At 31 March 2013, the company awarded a bonus to each of the executive directors for the year then ended totalling £178,000 (2012: £580,000). A bonus was awarded to F M MacAulay but this is not disclosed above as it was in respect of the period up to her appointment to the board.

The executive directors' targets for 2012/13 were split between operational (20%), corporate (40%) and individual (40%). The committee considered that the operational targets had been fully achieved with all operations performed and closed out successfully with no HSE incidents and the operatorship successfully transferred to Premier. The committee measured the corporate target with reference to the company's share price performance and concluded that no bonus award would be made in respect of this target. The executive directors had a number of individual targets, the most significant of which was to secure a farm out of the company's interest in the Sea Lion field. The committee noted that a farm out had been successfully concluded on terms agreed by the board but considered this against the decline in the company's share price since the deal was announced. The committee agreed that this should be reflected in the bonus award and awarded bonuses which were substantially reduced from previous years.

In respect of 2013/14, the committee has agreed that the annual cash bonus will be subject to the achievement of shorter term individual targets designed to help the company achieve its longer term strategy. The bonus will be capped at 100% of base salary but the committee has determined that bonus awards will only be made at this level in exceptional circumstances. The bonus targets for the executive directors are based around creating demonstrable value through ongoing engagement in the development of Sea Lion and focusing future exploration to ensure that the remaining acreage is fully assessed and drilled. It is intended that corporate performance (based on total shareholder return measured against a peer group of companies) will be measured and rewarded through the LTIP which, if approved by shareholders at the forthcoming AGM, will replace SARs. The company has consulted its major shareholders regarding the LTIP and has made some adjustments to the proposed terms as a result. The LTIP is described in detail in the explanatory notes to the notice of the 2013 Annual General Meeting.

SHARE OPTIONS

The share options in force at 31 March 2013 and held by current directors are as follows:

Director	Date of grant	Number of options brought forward	Exercised during the year	Number of options carried forward	Exercise price (£)
P J Jungels	8 Aug 2005	1,500,000	—	1,500,000	0.42
S J Moody	11 Apr 2005	425,000	—	425,000	0.10
	8 Aug 2005	1,500,000	—	1,500,000	0.42
P J Dixon-Clarke	8 Aug 2005	525,000	—	525,000	0.42
		3,950,000	—	3,950,000	

The options awarded are subject to defined targets, set out in note 7. In setting the targets at that time the board considered using measures such as total shareholder return ("TSR") against a comparator group, but due to the group's stage of development the decision was taken to have operational targets.

SHARE APPRECIATION RIGHTS

Director	Date of grant	Number brought forward	Awarded during the year	Lapsed during the year	Number carried forward	Base price (pence)
P J Jungels	25 Nov 2008	324,675	—	—	324,675	19.25
	3 Jul 2009	94,314	—	—	94,314	30.87
S J Moody	25 Nov 2008	797,402	—	—	797,402	19.25
	3 Jul 2009	231,636	—	—	231,636	30.87
	11 Jan 2011	76,056	—	—	76,056	372.75
	17 Jan 2012	103,703	—	(25,926)	77,777	303.75
	30 Jan 2013	—	208,176	—	208,176	159.00
P J Dixon-Clarke	25 Nov 2008	355,844	—	—	355,844	19.25
	3 Jul 2009	103,368	—	—	103,368	30.87
	11 Jan 2011	49,496	—	—	49,496	372.75
	17 Jan 2012	67,489	—	(16,873)	50,616	303.75
	30 Jan 2013	—	141,509	—	141,509	159.00
F M MacAulay	11 Jan 2011	15,929	—	—	15,929	372.75
	17 Jan 2012	22,505	—	(3,215)	19,290	303.75
	30 Jan 2013	—	84,905	—	84,905	159.00
D Bodecott	25 Nov 2008	355,844	—	—	355,844	19.25
	3 Jul 2009	103,368	—	—	103,368	30.87
	11 Jan 2011	49,496	—	—	49,496	372.75
	17 Jan 2012	67,489	—	(16,873)	50,616	303.75
		2,818,614	434,590	(62,887)	3,190,317	

The total SARs awarded to directors represents 1.12% of the total shares in issue at 31 March 2013 of 284,224,774. SARs are designed to deliver a net gain equal to the increase in the share price (of the share) between grant and exercise. The number of shares actually issued following exercise will therefore be less than the percentage of the current issued share capital to which the SAR awards relate.

The SARs awarded are subject to defined targets, set out in note 7.

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL MANAGEMENT

Rockhopper's strategy is to explore, appraise and develop its acreage both safely and responsibly. The two key elements of this strategy involve maintaining high standards of Health, Safety and Environmental (HSE) protection throughout its operations and communicating clearly with its stakeholders, both operational and within the Falkland Islands.

MAINTAINING HIGH STANDARDS OF HEALTH, SAFETY AND ENVIRONMENTAL (HSE) PROTECTION

This is achieved through:

- Strong leadership and clearly defined responsibilities and accountabilities for HSE at all levels of the organisation;
- Selection of competent personnel to manage activities;
- Compliance with regulatory and other applicable requirements, or where regulations do not exist, application of industry standards;
- Identifying, assessing and managing HSE risks and preventing pollution;
- Developing specific HSE plans for each operational project;
- Selecting competent contractors and ensuring that they are effectively managed;
- Preparing and testing response plans to ensure that any incident can be quickly and efficiently controlled, reported and investigated to prevent recurrence;
- Continual improvement of HSE performance through monitoring, regular reporting and periodic audits; and
- Periodic management reviews to identify and implement to our HSE systems.

This policy is implemented through our HSE Management System, which has been prepared to be consistent with international standards for HSE management including ISO14001 and ISO18001. Our HSE Management System is used to guide all our activities and will not be compromised by other business priorities.

Application of the HSE Management System has included preparation of detailed Environmental Impact Statements ("EISs") for all of the group's activities. The preparation of the EIA included consultation with interested parties and the Falklands Islands Government as well as public meetings in the Falklands Islands to present findings and obtain feedback.

OPERATIONAL STAKEHOLDERS

All contractors are selected taking into account their skills, experience and HSE performance. There is a contractor selection and management section in the HSE management system and we are closely involved in day-to-day operations and closely monitor contractor performance.

During drilling, the key operational stakeholders were AGR Petroleum Services ("AGR"), who provided well management services to the group, and through whom most other contractors were engaged and Diamond Offshore Drilling the owner of the rig. AGR is the world's largest independent well management group and has drilled over four hundred wells in the last ten years for its clients throughout the world. Diamond operate a fleet, including over thirty semisubmersibles, internationally in a wide range of environments. Offshore, both the group and AGR worked under the Diamond's GEMS safety management system.

In addition to the contract for the provision of well management services, a contract management plan ("CMP") was agreed at the outset of the programme. The CMP is non-well specific and its role is to outline the systems and procedures developed to ensure that the well design, operations preparation and operations activities carried out by AGR on behalf of the group are managed effectively and with due regard for HSE and technical issues, quality assurance and both the group's and AGR's statutory obligations. As the CMP is non-well specific, a management system interface document ("MSID") has been created to cover the drilling of the wells and this defined clear responsibilities and lines of communication as well as how the interfaces between the group, AGR and the rig owner were managed in the operational phases of each project and in the event of an incident.

FALKLAND ISLANDS STAKEHOLDERS

The Falkland Islands has a population of approximately 3,000 people and each member is considered a stakeholder in the group's strategy. We recognise that a key element in maintaining stakeholder support is regular communication at all levels.

Our primary point of contact is the Falkland Islands Government Department for Mineral Resources and since inception we have had good communication with all of the team there. Since the start of operations, we have increasingly liaised with other government departments, such as the Secretariat and the Tax Office as well as the Governor.

Regular communication is by phone and email but also in person, and all the executive directors and senior technical managers, have made visits to the Islands. A company representative is based in the Islands during periods of operations. In addition, we have presented and taken questions at a number of public meetings.

The Falkland Islands Government Tax Office raises payment on account of tax on all individuals working within their territorial waters as well as corporation tax on the profits of all incorporated contractors. In addition the farm out transaction to Premier during the year is subject to Corporation Tax in the Falkland Islands. The group has calculated this to be £51.6 million, although this amount is yet to be agreed with the Falkland Islands Government Tax Office. The initial £24.1 million was paid in June.

RISK MANAGEMENT REPORT

The group's business of oil and gas exploration and development exposes it to a broad range of risks. The group's approach to managing these risks is to create a system of internal controls. This system looks to manage, rather than eliminate, risk and is the responsibility of the entire board. Each risk, and its related mitigation, is documented in a risk register that is updated and circulated for each board meeting. An annual review of the group's internal controls is conducted by the audit & risk committee, who then reports on its conclusions to the full board.

STRATEGIC/CORPORATE

Risk	Detail	Likelihood	Impact	Mitigation
Failure to meet shareholder expectations	Poor communication could mean that potential shareholders choose not to invest or existing shareholders choose to sell, thereby reducing the market capitalisation of the company and increasing the cost of its future capital.	Medium	High	The group's current strategy, to focus on the development of the Sea Lion field within the North Falklands Basin has been communicated through regular shareholder meetings, the website, public relations and regulatory reporting.
Limited Diversification	The highly focussed strategy of the group may prevent certain funds from investing, on the basis that risk is reduced by diversification, which may in turn reduce the group's ability to secure funds or increase its cost of capital.	Medium	Medium	The focussed nature of the group is currently seen as a strength, as it makes for a clear and simple story when communicating with current, and potential, investors.
Expected cost of the Sea Lion development	Latest market updates by Premier highlight development costs to first oil of approximately $3.5 billion (assuming a purchased FPSO) to first oil.	High	High	As part of the farm out transaction to Premier, as well as a development carry, the group negotiated uncapped standby financing. There also remains the opportunity for external debt and/or additional farm down at final investment decision.
Expected schedule of a development	Delays have a significant impact on the value of the field to the group given the high cost of capital for the group.	Medium	High	The operator is also materially impacted by any delay to the development and so our interests are
The group no longer operates its licences	Premier is now the operator for all the relevant licences in the North Falkland's Basin. There is a risk that their decisions are not in the group's best interests.	Medium	Medium	Every effort is made to ensure that interests are aligned.
The group is highly dependent on its executive management	The unexpected loss of the services of any member of executive management (through serious injury, death or resignation) could have a materially adverse effect.	Low	Medium	The high level of out-sourcing and the close communication within the management team should insulate the group to a degree from the loss of any one individual. Senior managers have been recruited full time to provide greater strength in depth. Key-man insurance has not been purchased.
Significant competition attracting and retaining skilled personnel	There remains significant competition for skilled personnel in the oil and gas sector and continuing to attract such personnel will be a requirement to ensure development of the group's business.	Low	Low	The group has a pro-active remuneration committee with access to suitable advice.

RISK MANAGEMENT REPORT CONTINUED

EXPLORATION/OPERATIONS

Risk	Detail	Likelihood	Impact	Mitigation
Resource estimates may prove incorrect	Estimating the amount of resource is a subjective process and results from drilling and testing subsequent to the date of an estimate often result in revisions to the original estimates.	Medium	High	Significant peer review took place as part of the due diligence around the farm out and has continued since.
Unitised fields may encounter delays in development	Approximately 10% of the Sea Lion field is considered to extend into licence PL004b which it has a 60% interest.	Medium	Medium	The drilling is to be phased, meaning that the initial field development plan will be for the north only and therefore solely in PL032.
Exploration and appraisal activities are capital intensive and involve a high degree of risk	It is difficult to estimate the costs of implementing any future exploration or appraisal programme due to the inherent uncertainties.	Low	Low	Any future exploration campaign is likely to be more expensive than the last but mitigated by the exploration carry.
The Falkland Islands is a frontier basin at the end of a long supply chain	Difficult logistics and lack of local infrastructure raise a number of risks and increase the expected cost of any development.	Low	Low	The recent drilling campaign has proven the feasibility of operating an exploration and appraisal campaign in the Falkland Islands, in which not one day was lost due to logistics.
The acreage surrounding the Falkland Islands is relatively unexplored	The North Falkland Basin is still relatively under-explored and therefore the chance of success for each exploration well is lower than it would be in a more widely explored area.	Low	Medium	Extensive seismic has been shot and a total of 21 wells have now been drilled, with 3 oil discoveries and 3 gas discoveries made.

FINANCIAL

Risk	Specific	Likelihood	Impact	Mitigation
Oil & gas prices fluctuate	The oil price represents the biggest sensitivity to the economics of the Sea Lion development.	Medium	High	With no production yet, price changes should only have an impact if they are considered to be indicative of longer terms trends.
Insurance may not be sufficient to cover full extent of liabilities	The group's involvement in the exploration for oil and gas properties may result in it becoming subject to liability for claims for matters relating to pollution or environmental damage.	Low	Low	No drilling is currently taking place.
Currency fluctuations in relation to the US$	The majority of the Sea Lion development costs and further exploration costs are expected to be paid in US$.	Medium	Low	Any reserve based lending is expected to be denominated in US$ terms and so will form an automatic hedge. The group's policy is to hedge by matching the currencies held to the liabilities to be incurred, once their likely size and timing is known.

Risk	Detail	Likelihood	Impact	Mitigation
Contractor risk re non-payment of local taxes whilst operating in territorial waters	When the operator, Rockhopper was liable to FIG for any unpaid taxes, both corporate and social, due by contractors undertaking work on its acreage.	Low	Low	All contractors are encouraged to apply directly to the FI tax office for an exemption allowing them to assume the liability. Where this does not occur, the group holds back a pre-agreed proportion of each invoice against the tax due.
Counter-party risk, re monies held by institutions	The recent banking crisis highlighted the risk of keeping all deposits with any one institution.	Low	Medium	No more than two thirds of the group's cash resources are held at the same financial institution, two of which are part owned by the British government.
Counter-party risk, in terms of licence obligations, where the group does not have a 100% interest	Liability for such areas is joint & several, meaning that in the event of a work commitment default by any one licencee, the remaining licencees are liable.	Low	Low	The work commitments under both PL003 & PL004 have all been fulfilled.

OTHER/EXTERNAL

Risk	Detail	Likelihood	Impact	Mitigation
Regulatory requirements can be onerous, expensive and may change	The current development legislation is untested, was drafted for the 1998 campaign and has not been fully updated.	Medium	High	Regular communication with the relevant governing bodies, notably the Department for Mineral Resources ("DMR") of the Falkland Islands Government, as well as regular visits by the group's employees to the Falkland Islands.
The sovereign status of the Falklands Islands is disputed	The Falkland Islands are a self-governing overseas territory of the United Kingdom. However, Argentina continues to claim sovereignty over the islands and whilst open aggression is not anticipated, certain companies may choose not to provide their services for fear of the impact an association may have on their business interests.	High	Medium	The British Government has issued strong rebuttals to the Argentine claims and strongly supports the Falkland Islanders' right to self-determination. The group is in regular contact with the Foreign & Commonwealth Office.
The royalty and tax regime in the Falkland Islands is untested and may change	The Falkland Islands Government are responsible for their own tax affairs, albeit that any changes would be subject to the consent of the Governor.	Medium	High	Changes cannot be predicted, however, the Falkland Islands Government states that it is committed to ensuring that the overall tax system remains attractive and conducive to attracting future investment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCKHOPPER EXPLORATION PLC

We have audited the financial statements of Rockhopper Exploration Plc for the year ended 31 March 2013 set out on pages 27 to 56. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 we are required to report to you if, in our opinion:

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

ADRIAN WILCOX (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG AUDIT PLC,
STATUTORY AUDITOR

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

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/(outflow)		**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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

1 ACCOUNTING POLICIES CONTINUED
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.

1 ACCOUNTING POLICIES CONTINUED

(D) OIL AND GAS ASSETS CONTINUED

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

1 ACCOUNTING POLICIES CONTINUED

(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.

1 ACCOUNTING POLICIES CONTINUED

(H) FINANCIAL INSTRUMENTS CONTINUED

(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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

1 ACCOUNTING POLICIES CONTINUED

(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 $'000	2012 $'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 $'000	2012 $'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 $'000	2012 $'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 $'000	2012 $'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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

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.

7 SHARE BASED PAYMENTS CONTINUED

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

7 SHARE BASED PAYMENTS CONTINUED

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.

7 SHARE BASED PAYMENTS CONTINUED

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

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 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.

10 TAXATION CONTINUED

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

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.

12 INTANGIBLE EXPLORATION AND EVALUATION ASSETS CONTINUED

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

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 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 Royal Bank of Scotland plc and matured on 22 April 2013. The one year fund deposit is also with 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 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 $20.6 million (2012: $473.1 million). 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

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 pages19 and 21.

	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**	**Euro€ 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	Euro€ 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

27 RISK MANAGEMENT POLICIES CONTINUED

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

PARENT COMPANY FINANCIAL STATEMENTS
COMPANY BALANCE SHEET

AS AT 31 MARCH 2013

	Notes	2013 $'000	2012 $'000
Tangible fixed assets	2	**583**	388
Investments	3	**—**	420
FIXED ASSETS		**583**	808
Debtors due beyond one year		**264,541**	427,866
Debtors due within one year		**1,555**	1,784
Debtors	4	**266,096**	429,650
Payments on account	5	**—**	3,092
Restricted cash		**282**	802
Cash at bank and in hand		**297,741**	103,263
CURRENT ASSETS		**564,119**	536,807
Creditors due within one year	6	**(2,744)**	(6,419)
NET CURRENT ASSETS		**561,375**	530,388
TOTAL NET ASSETS		**561,958**	531,196
Share capital	7	**4,710**	4,709
Share premium	9	**578,754**	578,658
Share based remuneration	9	**3,999**	3,093
Share held by SIP trust	9	**(212)**	(139)
Foreign currency translation reserve	9	**4,123**	4,123
Retained losses	9	**(29,416)**	(59,248)
EQUITY SHAREHOLDERS' FUNDS		**561,958**	531,196

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

Registered Company number: 05250250

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. These policies have been consistently applied except where otherwise stated. The accounts relate to the company only and do not include the results of its subsidiaries.

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

GOING CONCERN

At 31 March 2013 the group had available resources of $298.0 million which it considers to be adequate to complete the committed programme 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.

PROFIT AND LOSS ACCOUNT

As a group income statement is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The result for the year was a profit of $29.8 million (2012: loss of $50.7 million).

SHARE BASED PAYMENT

The company 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 company accounts for their cost until such time as they are fully vested in line with Financial Reporting Standard 20 ("FRS20"): Share based payments. Under the method set out in this standard, the cost of providing such schemes is based on the fair value of the options at the date of grant. The cost is charged to profit and loss over the expected vesting period of the options and credited to a share based payment reserve.

During 2008, the company also created a scheme for share appreciation rights ("SARs"). These are accounted and valued on a similar basis to 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 for 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 the Company's financial statements.

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. Further details are disclosed within note 7 of the group financial statements.

CASH FLOW STATEMENT

The company has taken advantage of the exemption under FRS1 from preparing a cash flow statement as it is part of a group that produces consolidated accounts into which the results of the company are incorporated.

1 ACCOUNTING POLICIES CONTINUED

INVESTMENTS

The investments in the subsidiary undertakings are included in the company financial statements valued at the lower of cost and the directors' estimate of net realisable value.

In the company's balance sheet the investment in Rockhopper Resources Limited is stated at the nominal value of shares issued. As permitted by company law, no premium was recorded on the ordinary shares in connection with this acquisition.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCIES

The functional currency of the company is US$.

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date or, if appropriate, at the rate in related forward-currency contracts. The historic differences relating to the translation of share capital and premium have been taken straight to reserves. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the exchange rates ruling at the balance sheet date and any differences thereon are included in the profit and loss account.

The year end rates of exchange actually used were:

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

FINANCIAL INSTRUMENTS

The company has taken advantage of the exemption in FRS29 (Financial Instruments: Disclosures) not to present company only information as the disclosures provided in the notes to the group consolidated financial statements comply with the requirements of the standard.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Office equipment	Over 3 years
Leasehold improvements	Over 5 years

Costs associated with the development and maintenance of the company's website have been written off to the profit and loss account in accordance with Urgent Issues Task Force (UITF)29.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

2 TANGIBLE FIXED ASSETS

	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**	—
Accumulated 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

3 INVESTMENTS

Details of the investments at the year end were as follows:

Company	Incorporated	Class of share	Percentage held %	Net liabilities $'000	Result for the year $'000
Rockhopper Resources Limited	England & Wales	Ordinary	100	(13,236)	31,098
Rockhopper Exploration (Oil) Limited	England & Wales	Ordinary	100	—	—
Rockhopper Exploration (Hydrocarbons) Limited	England & Wales	Ordinary	100	(193,554)	(89,812)
Rockhopper Exploration (Petrochemicals) Limited	England & Wales	Ordinary	100	—	—
Rockhopper Exploration (Oil) Limited	Falkland Islands	Ordinary	100	(26,377)	(5,554)

Rockhopper Resources Limited was acquired by means of a 500:1 share for share exchange on 23 February 2005 with 21,013,900 ordinary shares of £0.01 each being issued to "fund" this acquisition. The investment was accounted for at the par value of the shares issued taking advantage of the merger relief principles under the Companies Acts.

Rockhopper Resources Limited is the only subsidiary within the group to which this policy applies, as all the other subsidiaries have been 100% owned by the company since their creation. Rockhopper (Oil) Limited, incorporated in the Falkland Islands, is a wholly owned subsidiary of Rockhopper (Oil) Limited, incorporated in England and Wales.

The terms of the loan agreements signed on 26 September 2006 were amended, with effect from 1 April 2011, such that they became interest free.

4 DEBTORS

	2013 $'000	2012 $'000
Due beyond one year	**264,541**	427,866
Other debtors	**787**	1,039
Accrued interest	**333**	167
Prepayments	**435**	578
Due within one year	**1,555**	1,784
	266,096	429,650

All amounts due beyond one year are due from subsidiary undertakings. These are the subject of a loan agreement signed on 26 September 2006. Under the original terms of the loan agreement interest was payable on the balance outstanding at the accrual dates, being 30 September and 31 March, at a rate of 2.5% per annum over the base rate of the Bank of England. The terms of the loan agreement were amended such that, with effect from 1 April 2011, they became interest free. The repayment date is to be the earlier of (i) the tenth anniversary of the date that the first advance was made or (ii) the date of winding up or an administration order is made in respect of the company.

5 PAYMENTS ON ACCOUNT

All amounts are paid on behalf of subsidiary undertakings. See note 15 in the group accounts.

6 CREDITORS DUE WITHIN ONE YEAR

	2013 $'000	2012 $'000
Trade creditors	**1,245**	2,987
Accruals	**1,499**	3,432
	2,744	6,419

7 SHARE CAPITAL

	2013 Number	2012 Number
Shares in issue brought forward	**284,186,936**	258,139,606
Shares issued during the year		
– 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

	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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2013

8 OTHER STATUTORY DISCLOSURES

	2013 $'000	2012 $'000
Salaries and fees	**4,944**	4,895
National insurance costs	**619**	632
Pension costs	**236**	135
Employee benefit costs	**82**	73
Average number of employees	**17**	15

Statutory information on directors' remuneration and for services provided by the company's auditor and its associates is given on a consolidated basis in the directors' report and notes 5 and 6 of the group accounts.

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Shares held by SIP trust $'000	Currency translation reserve $'000	Retained losses $'000	Total $'000
At 31 March 2012	4,709	578,658	3,093	(139)	4,123	(59,248)	531,196
Options exercised during the year	—	—	—	—	—	—	—
Share issues in relation to SIP	1	96	—	(73)	—	—	24
Movement for the year	—	—	906	—	—	—	906
Profit during the year	—	—	—	—	—	29,832	29,832
At 31 March 2013	**4,710**	**578,754**	**3,999**	**(212)**	**4,123**	**(29,416)**	**561,958**

For share based remuneration, see note 7 within the group accounts.

10 FINANCIAL COMMITMENTS

At the year end the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:

	2013 $'000	2012 $'000
In less than one year	**183**	37
In the second to fifth year inclusive	**—**	78

11 POST BALANCE SHEET EVENTS

See note 26 within the group accounts.

12 RELATED PARTIES

The company has taken advantage of the exemption available under FRS8 from disclosing transactions with members of the group.

INVESTOR INFORMATION

KEY CONTACTS
CONCERNS AND PROCEDURES

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SHAREHOLDER CONCERNS:
Should shareholders have concerns which have not been adequately addressed by the chairman or chief executive, please contact the chairman of the audit committee at:

audit@rockhopperexploration.co.uk

WHISTLE-BLOWING PROCEDURES:
Should employees, consultants, contractors or other interested parties have concerns which have not been adequately addressed by the chairman or chief executive, please contact the chairman of the audit committee at:

audit@rockhopperexploration.co.uk

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