Annual report 2008

ROCKHOPPER
EXPLORATION PLC

Rockhopper Exploration plc

'Rockhopper' is an AIM-listed oil and gas exploration company based in the United Kingdom.

Rockhopper has licences to explore for oil and gas in the North Falkland Basin, a petroleum system with a proven high quality source rock.

AIM: RKH

Contents

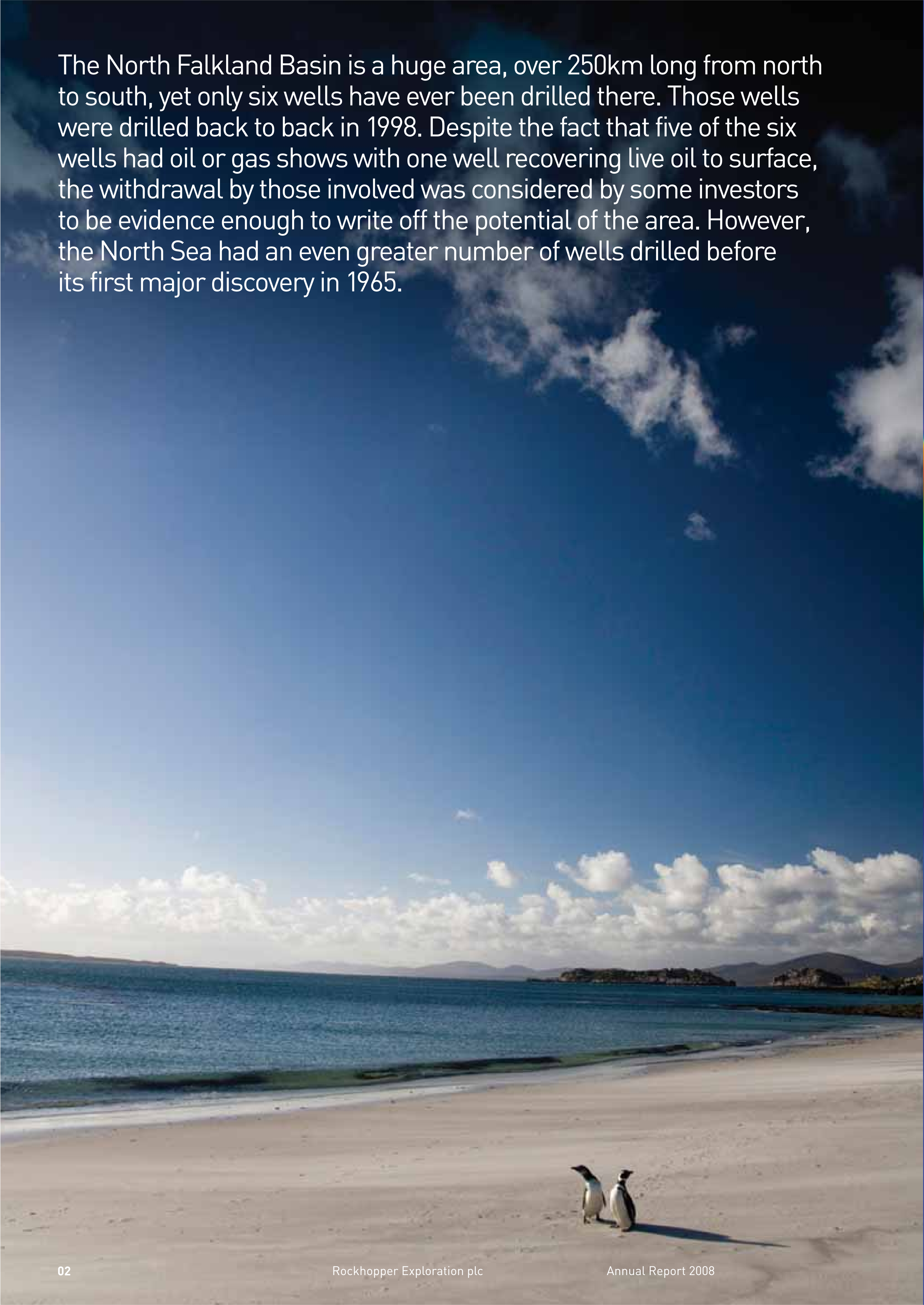
Falkland Island oil exploration

In 2004 Rockhopper was awarded its first licences in the North Falkland Basin, an area with proven oil. Over the next few months Rockhopper built up its acreage position to become the largest acreage holder in the basin.

While it has been acknowledged for some time that the North Falkland Basin is a significant petroliferous basin, its remote location had, until recently, deterred oil and gas exploration companies from adding to the six wells drilled in 1998, when the oil price was only $12 per barrel.

Image courtesy :NASA

The North Falkland Basin is a huge area, over 250km long from north to south, yet only six wells have ever been drilled there. Those wells were drilled back to back in 1998. Despite the fact that five of the six wells had oil or gas shows with one well recovering live oil to surface, the withdrawal by those involved was considered by some investors to be evidence enough to write off the potential of the area. However, the North Sea had an even greater number of wells drilled before its first major discovery in 1965.



Since the 1998 Falklands drilling campaign, a few things have changed. Exploration technology and interpretation techniques have improved, China and India have increased their consumption of oil, the oil price is much higher and there are fewer underexplored areas around the globe from which to choose.

Rockhopper has a large acreage position in one of the few underexplored basins in the world where oil has been proven. The question is not "is there oil", the question is "is there enough oil for commerciality".

www.rockhopperexploration.co.uk

Sea Lion fan:
Licence PL032 and PL033

Rockhopper milestones

Achievements to date

↗ 2004

Rockhopper is set up and is granted licences PL023 and PL024

↗ 2005

Farm In to Desire Petroleum licences PL003 and PL004 completed

Rockhopper is granted licences PL032 and PL033

IPO and Admission to AIM raising £15 million at 42p per share

↗ 2006

920km 2D seismic acquired with GSI in licences PL023 and PL024

Four CSEM lines acquired over licences PL023 and PL024

Positive CSEM results obtained

3D survey commences

↗ 2007

2D interpretation confirms potential P50 2.5 billion barrels recoverable on licences PL023 and PL024

850km^2 3D survey completed with CGG Veritas, at that time, the largest in the Falklands area

Placing of new shares to raise £1.3 million at 37p per share

Site survey collected on prospect Ernest with Wavefield Inseis

550km additional 2D acquired with Wavefield Inseis

EIA commissioned on PL023 and PL024

↗ 2008

3D interpretation confirms potential P50 1.2 billion barrels recoverable on licences PL032 and PL033

Total prospects mapped now P50 3.7 billion barrels recoverable across all operated acreage

EIA commission on PL032 and PL033

SPD appointed to provide drilling expertise

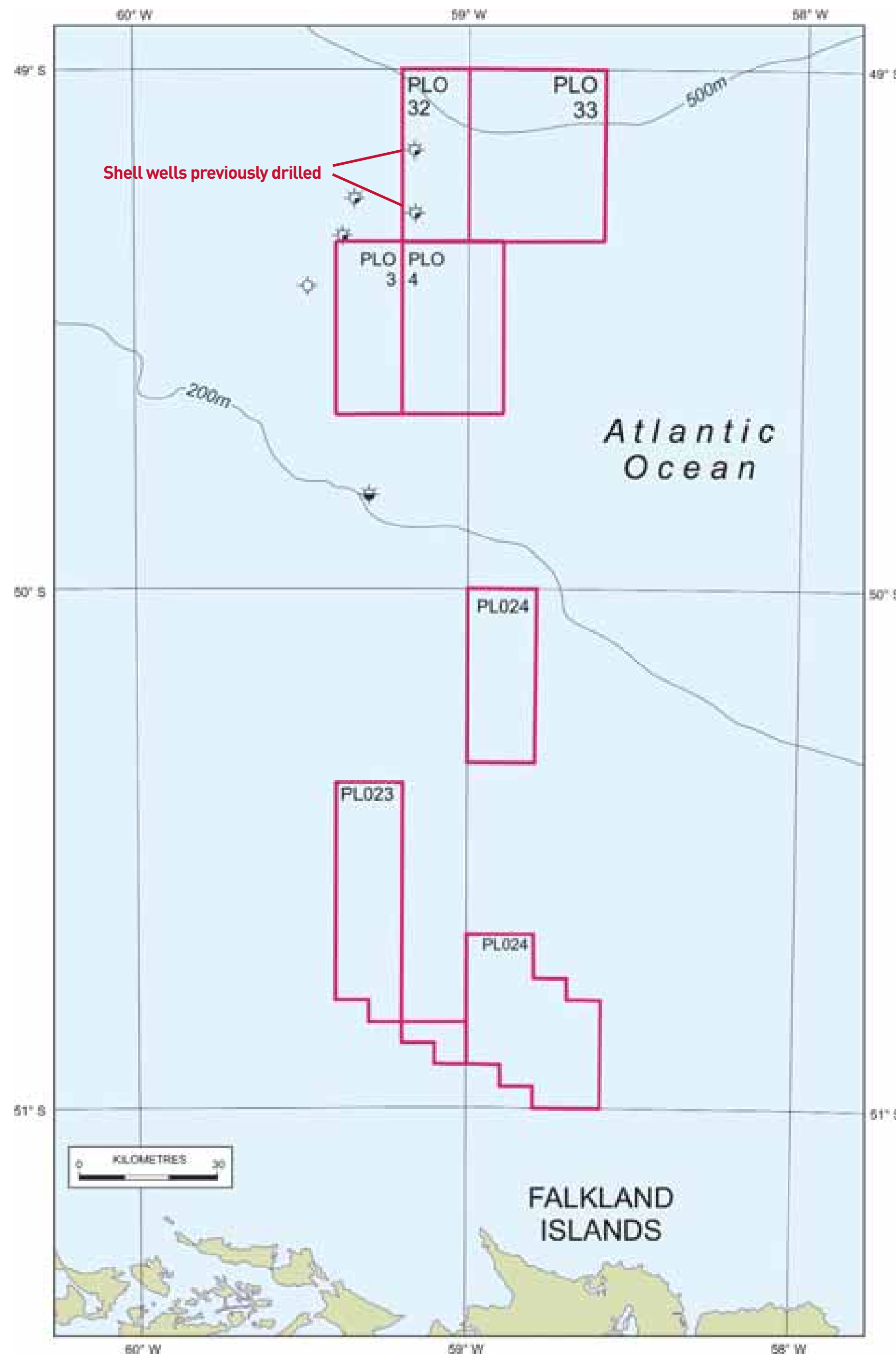
Placing of new shares raises £3.6 million at 101p per share

North Falkland Basin licensed acreage

PL023 and PL024
(100% Rockhopper Exploration)
Awarded in November 2004 and covering an area of some 2100km^2. The blocks are close to the Islands in shallow water of less than 200m. Exploration data coverage is 2D and CSEM. Rockhopper has acquired 1,470km of 2D and four CSEM lines since 2004.

PL032 and PL033
(100% Rockhopper Exploration)
Awarded in May 2005 and covering an area of some 1620km^2. The blocks were previously held and drilled by Shell and are in water depths of 450m to 550m. Exploration data includes two wells drilled by Shell in 1998 (both of which encountered oil and gas) along with 2D and 3D seismic. Rockhopper has acquired over 850km^2 3D data since 2005.

PL003 and PL004
(7.5% Rockhopper Exploration)
Rockhopper farmed in to these blocks in July 2005. Covering an area of some 1340km^2 the blocks are in water depths of 350m to 450m. Data coverage includes 2D and 3D seismic.



Works programme

Licences PL023 and PL024

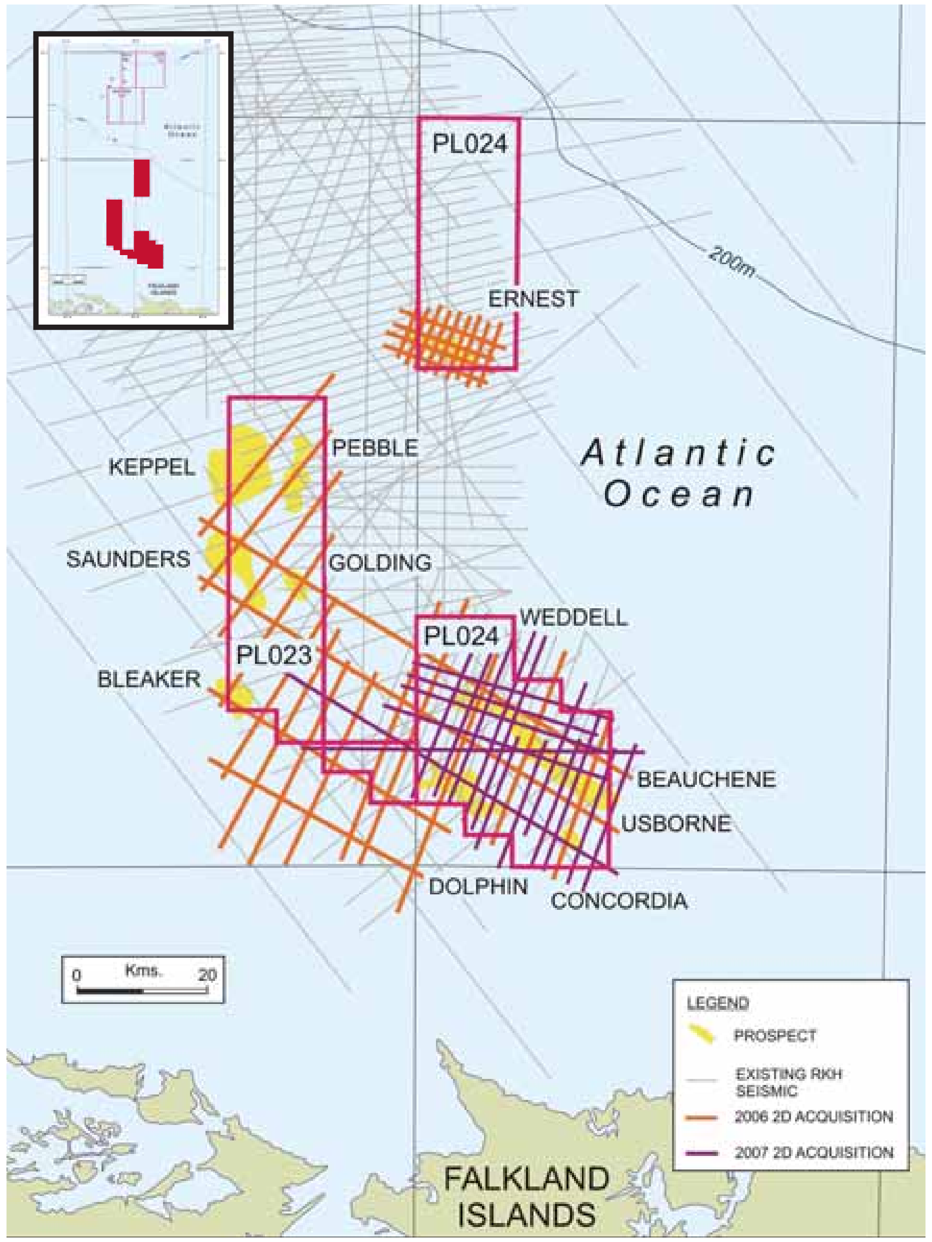
The licences cover an area of 2100km² and were awarded in November 2004. Rockhopper has collected the following data over this acreage, the locations of all of the data are on the map.

- **920km 2D seismic collected late 2005 and early 2006 with GSI**
- **Four Controlled Source Electromagnetic (CSEM) lines in late 2005 and early 2006 with OHM**
- **Site Survey over prospect Ernest with Wavefield in late 2007**
- **550km 2D seismic collected late 2007 with Wavefield Inseis**

In addition, various 2D surveys had previously been collected over the acreage by other companies. Rockhopper has all of this older data.

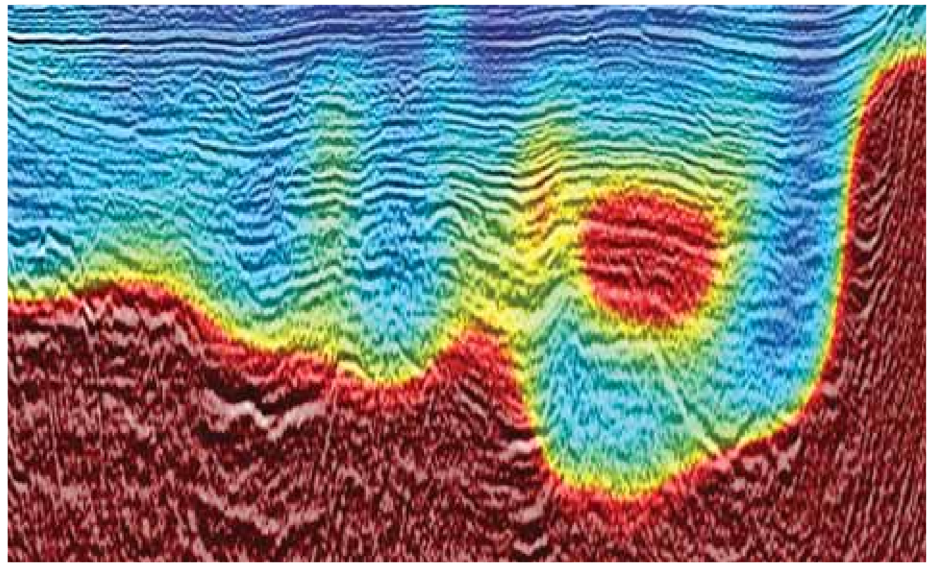
One of the advantages of this area is its physical proximity to the Islands, only 25km at its nearest point and its shallow water depths, all less than 200m.

While this acreage has never been drilled, the 2D seismic reveals a number of play types and targets which give the possibility of containing 2.5 billion barrels unrisked of recoverable oil (P50).



Licences PL023 and PL04

Ernest CSEM



Ernest is a particularly exciting prospect. It is located in only 160m water and is characterised as a four way closure, which is a relatively low risk type of exploration prospect. There are two CSEM lines over the Ernest prospect. CSEM is a technique which uses measurements of resistivity to determine how likely a structure is to contain hydrocarbons. On both lines over Ernest, the indications are of a resistive feature within the physical Ernest structure which is consistent with the presence of trapped hydrocarbons. Our own estimate of risk for this prospect is 40%.

In addition to Ernest there are some ten further prospects and leads which are all in shallow water. During late 2007 and early 2008 we collected some infill 2D over the Weddell prospect which, unrisked, has the potential to contain some 254 million barrels of recoverable oil. We aim to have that data interpreted by the end of summer 2008.

We have commissioned an Environmental Impact Assessment (EIA) on this acreage as part of our preparation for drilling.

We have a one well commitment between PL023 and PL024, but would consider drilling up to two wells.

Licence	Prospect	Potential recoverable barrels of oil Millions of barrels	
		P10	P50
23//24	Beauchene	216	145
	Bleaker	387	193
	Concordia	60	44
	Dolphin	543	287
	Ernest	300	130
	Golding	125	49
	Keppel	812	580
	Pebble	298	186
	Saunders	679	434
	Usborne	290	220
	Weddell	394	254
Total		**4104**	**2522**

Summary

Licences PL023 and PL024

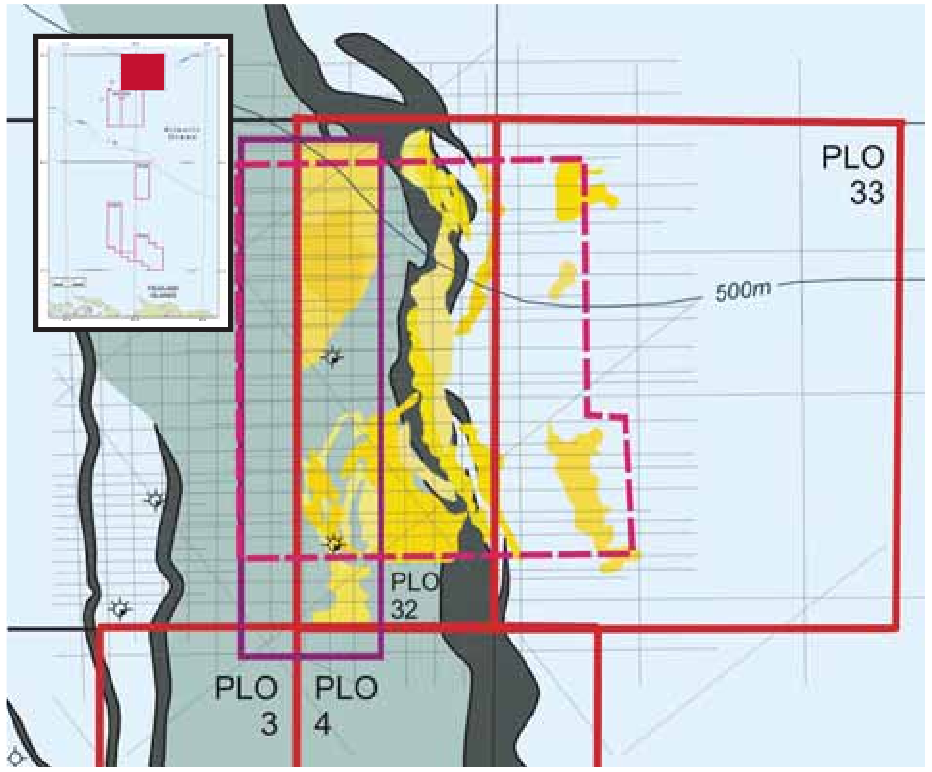
- 2.5 billion barrels of oil recoverable potential unrisked P50
- Rockhopper operated
- Shallow water
- Near Islands
- Many targets mapped
- 2D seismic shows structures
- CSEM consistent with trapped hydrocarbons
- No wells yet drilled

Licences PL032 and PL033

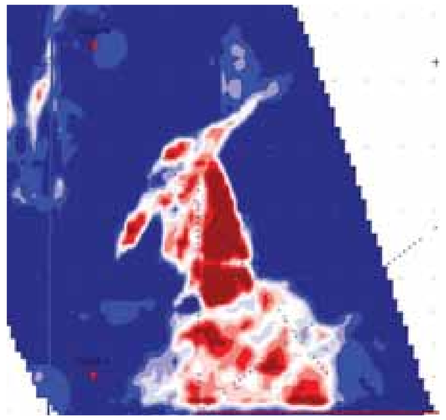
The licences cover an area of 1620km² and were awarded in May 2005. The acreage was previously held and drilled by Shell in 1998. Shell drilled two wells, both encountering oil and gas and one recovering live oil to surface. Rockhopper has collected the following data over this acreage, the locations of all of the data are on the map.

↗ **850km² 3D seismic**

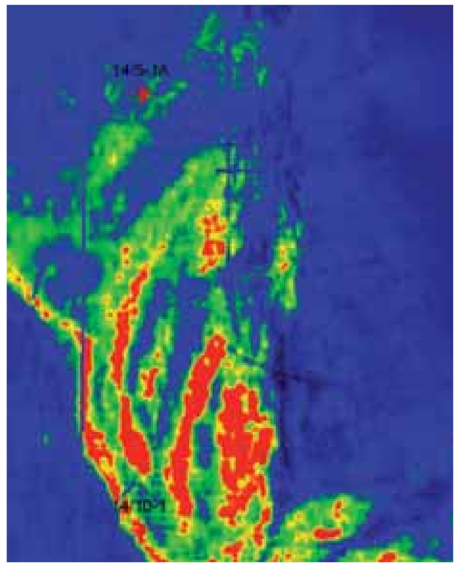
In addition, 2D, 3D and site survey data had previously been collected on this area by other companies, Rockhopper has this older data.



Licences PL032 and PL033



Sea Lion fan:
Amplitude extraction



Chatham fan:
Amplitude extraction

One of the advantages of this area is the fact that two previous wells proved the presence of both oil and gas. When this is taken into account and added to the modern 3D we collected in 2007, we regard this as the most advanced acreage in the region in exploration terms.

The 3D reveals a number of play types and prospects which, when added together, have the possibility to contain 1.2 billion barrels unrisked of recoverable oil P50.

Having various play types means having more than one chance to make a commercial discovery. See table to right for the play types.

We have commissioned an Environmental Impact Assessment (EIA) on this acreage as part of our preparation for drilling.

We have a one well commitment across licences PL032 and PL033 but would consider drilling up to two wells.

Licence	Type of play	Prospect	Potential recoverable barrels of oil Millions of barrels	
			P10	P50
32//33	Pinchout	Sedge	93	68
		Tyssen	24	24
		Jason	202	132
	Fans	Sea Lion	350	154
		Chatham	188	106
	Downthrown	Pembroke	18	9
		Howard	20	8
		Meredith	20	14
		Walker	*	21
		Louis	217	90
		Bull	76	76
		Fox	156	76
		Stephens	78	78
		Darwin	61	40
	NW high	Johnson	210	125
	Inversion	Berkley	200	130
		George	63	21
Total			**1976**	**1172**

* Walker and Louis are a single prospect at P10, but separate smaller prospects at P50.

Summary

Licences PL032 and PL033
- ↗ 1.2 billion barrels of oil recoverable potential unrisked P50
- ↗ Rockhopper operated
- ↗ Two wells already drilled by Shell
- ↗ Proven oil
- ↗ Proven gas
- ↗ Many play types and prospects mapped
- ↗ 3D seismic clearly shows prospects

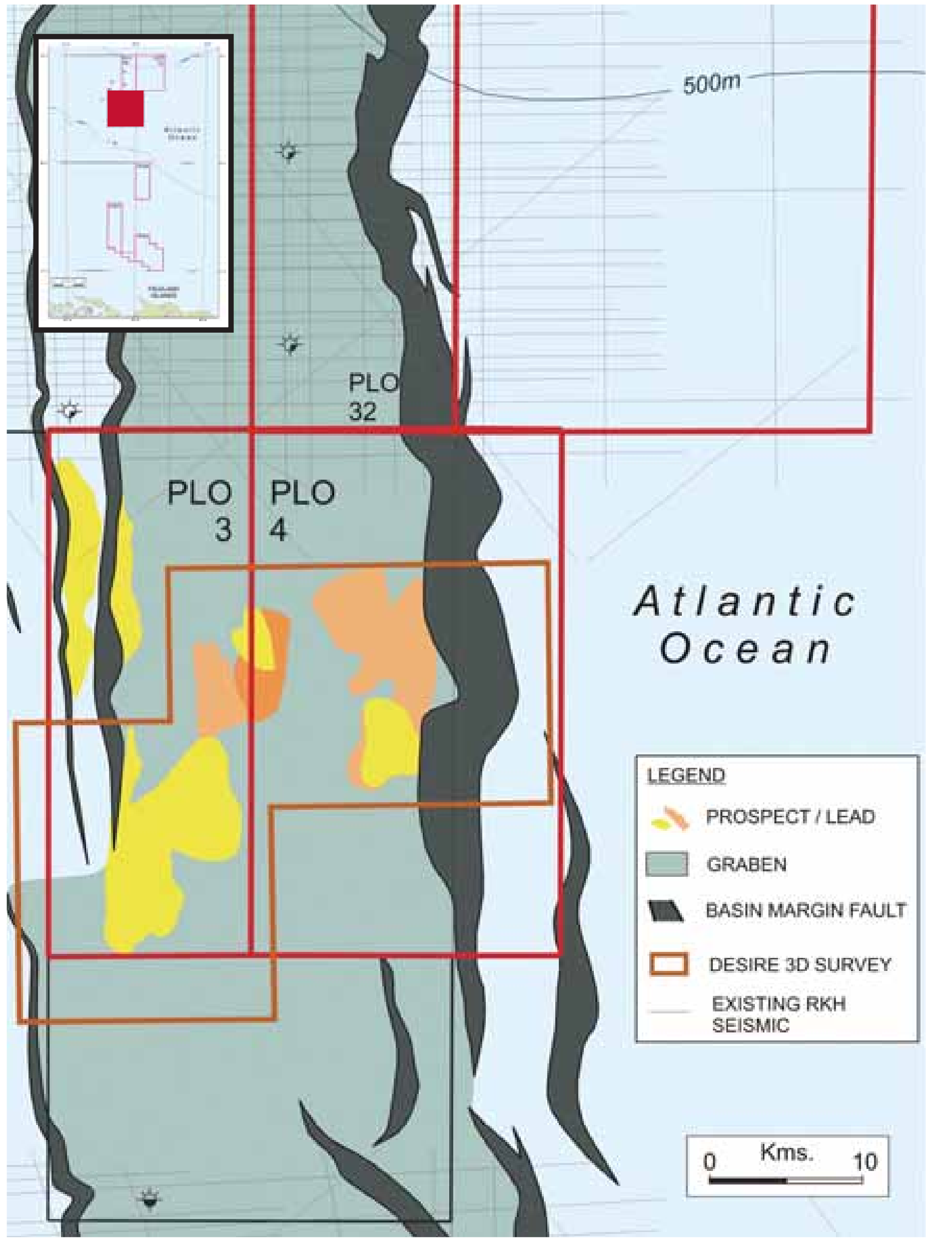
Licences PL003 and PL004

Rockhopper farmed in to these licences in July 2005 to gain access to early drilling and to spread risk. Covering an area of some 1340km² the blocks are in water depths of 350m to 450m. Data coverage includes 2D and 3D seismic.

While Rockhopper is not the operator of these blocks, we currently aim to participate in a campaign of two or three wells on the acreage.

Summary

Blocks PL003 and PL004
- Targets mapped
- Non operated
- 2D seismic
- 3D seismic
- No wells yet drilled



Licences PL003and PL004

Rockhopper Exploration plc

Annual Report 2008

Highlights
Chairman's statement

↗ 3D interpretation confirms potential for 1.2 billion barrels recoverable oil in licences PL032 and PL033

↗ Total 3.7 billion barrels P50 recoverable now identified on all acreage

↗ SPD appointed to act as outsourced drilling department

↗ Placing raised £3.6 million after expenses

Pierre Jungels

Dear Shareholder,

During the year we made further significant progress with our plans to explore and exploit any resources in our North Falkland Basin licences and we are now at the final phase before drilling. The Group made a loss of $1,472 during the period, in line with expectations.

We have now identified prospects with the potential to contain 3.7 billion barrels of recoverable oil on an unrisked P50 basis and consider our acreage to be relatively low risk but potentially of medium to high reward in the global exploration setting.

New data acquisition during the year comprised a 550km 2D seismic survey in licences PL023 & PL024 along with a site survey over the Ernest prospect.

Our recent appointment of SPD to provide well engineering services further helps our drilling preparations. This arrangement also gives us access to long lead items and means that we are now well placed to be able to take advantage of any suitable rig offer, of course subject to financing.

With the help of SPD we are now talking to a number of rig contractors about drilling in the North Falkland Basin during 2009. It is also possible that we could join a drilling consortium with the explorers to the south and east of the Falkland Islands. However, your Board will pursue all options for delivering our drilling programme and believe it is not in our shareholders' interest to wait on other companies' timetables.

Our placing with blue chip investment institutions in May 2008 raised £3.6 million after expenses. It was oversubscribed which reflected the considerable investor confidence in your company. The money raised has increased our financial security and enables us to make final preparations for drilling.

With the basic interpretation of the 3D completed and drilling preparations now underway, we are closer than ever to realising the potential of the Basin. We are working on final interpretations of the 3D, including depth conversion and AVO analysis as well as refining the volumetric analysis of our prospects. The technical issues surrounding the acreage have been resolved to our satisfaction and the matters to be addressed are now ones of logisitics and the associated finance.

The Board's target is to drill between two and four wells on our acreage. We are keeping our options open with regard to how those wells are financed, the options being to farm out , or raise equity or a combination of the two. In making a decision we will be guided by determining the best value matrix for our shareholders.

Dr Pierre Jungels CBE
Executive Chairman

2 July 2008

Unrisked P50 basis
Our internal best estimate of the amount of recoverable oil contained within the prospect, assuming a discovery is made. This number takes no account of the likely chance of success. We use conservative parameters to calculate this number.

Seismic survey
Acoustic reflection technique that enables mapping of subsurface seismic reflectors and their structure. The acoustic source offshore is normally a high pressure airgun towed behind a seismic vessel, with reflected energy being received by hydrophones located within a long streamer towed behind the airgun array.

2D seismic
Seismic survey collected using a single source and a single cable. The boat steams in straight lines over areas of interest. The closer the lines, the more accurate the mapping and better the understanding of the area.

Long lead items
Consumable items required to drill wells which need to be ordered in advance. These include the steel casings used to line the bore hole of the well, the well head itself which sits on the sea floor, the blow out preventer which controls the well in the event of an unforeseen increase in pressure and other items.

Managing Director's review

Background
Oil and gas had already been proven on our acreage during the 1998 drilling campaign. During that campaign, Shell drilled two wells on what is now licence PL032, 100% held by Rockhopper, both of those wells encountered oil and gas.

Given that starting point ,the purpose of our technical work has always been to refine our understanding of the basin and allow us to better model likely migration pathways for that oil and also to better understand the potential for reservoir distribution within the basin.

Since acquiring our first acreage in November 2004 we have undertaken and completed an ambitious work programme in what is a relatively short period of time.

Our work programme so far has consisted of:

- Two separate 2D surveys totalling 1,470km data
- An 850km² 3D survey collected over the part of the basin with proven oil
- Four Controlled Source Electromagnetic Lines giving positive indications consistent with trapped hydrocarbons
- A digital site survey over prospect Ernest

We have now completed more work on our operated acreage than was set out at the time of the admission to AIM.

At every stage of our technical programme we have been encouraged by the results of our work and we are now in the final stages of preparing to drill.

Activity during 2007–08

Site Survey on Ernest
During the year we successfully collected site survey information with Wavefield Inseis over the Ernest prospect. This information will be analysed to determine any potential geohazards related to drilling the structure.

New 2D
While the vessel was in the area we took the opportunity to collect additional 2D seismic at relatively low cost. This survey centered on the Weddell prospect which, on current estimates, has a potential P50 of 254 million barrels on an unrisked basis. The prospect is in less than 150m water and close to the Islands, meaning that economics on a discovery are very advantageous. Processing of these data is already taking place.

EIA
We have commenced Environmental Impact Assessment work on all of our operated acreage. This work will detail any potential impacts from the forthcoming drilling campaign and measures which can be taken to mitigate and manage those impacts.

Reprocessing 3D short offsets
On licences PL032 and PL033 we have begun to reprocess the short offsets of the 3D seismic data collected by CGG Veritas. We will use this data to investigate geohazards over potential well sites. This technique is increasingly common and can only be used in areas with 3D data. It avoids the requirement for specific site survey seismic data such as we collected over Ernest.

Farm Out
We have commenced a farm out campaign on our operated acreage. This will enable the Board to compare the merits of funding our wells through farming out in the industry, or financing from other sources. We are keeping our options open with regard to farming out compared to drilling 100%, as ultimately we will do what is in the best interests of shareholders.

Licences PL032 and PL033 prospects
During late 2006 and early 2007 we collected an 850km² 3D seismic survey over licences PL032 and PL033. Initial interpretation of those data was completed during 2008 and reveals a number of prospects which fall into five play types explained below:

1 Basin Margin Pinchout
The pinchout of the deltaic unit (sand unit penetrated by the Shell wells) against the basement high that forms the eastern basin margin. Both Shell wells proved this unit at locations within the basin centre and indicated good reservoir characteristics with porosities of up to 30%.

The pinch out play may be more advantageously placed for hydrocarbon charge from the large basin margin fault system than the original target of the Shell wells which were in the centre of the basin.

2 Sand-rich fan systems
A number of fans have been identified at several stratigraphic levels.

Further interpretation work is required to establish the nature and significance of some of a large number of seismic high-amplitude events associated with these reservoir systems.

The Sea Lion fan, issued from two input points along the eastern basin margin and was not tested by either of the Shell wells. This coalescing fan system is defined by a zone of amplitude brightening in a structural and depositional low.

The Chatham fan, which is a north–south prograding system characterised by elongate channel-attached lobes, appears to have been tested at its edge by the second Shell well (14/10-1). A 1m thick sand was encountered in this well having very good C1 to C5 hydrocarbon shows. The fan appears to thicken away from the well into an area of very bright seismic amplitudes. This suggests that commercially viable accumulations of hydrocarbons could be present in the brighter areas of the fan which have not yet been tested. These areas will be further investigated for prospectivity during future technical work.

3 Basin margin downthrown closures
Several seismic intervals form substantial closed structures along the hanging wall (downthrown flank) of the huge eastern margin fault system. Amplitude anomalies are associated with some of the mapped levels and additional technical work will resolve the significance of these.

The downthrown basin margin play is completely untested in the North Falkland Basin and it has always been recognised as a play that can be readily charged by hydrocarbons generated from the mature base of the organic-rich Post-rift source sequence. The Shell wells proved that the Post-rift source is mature in this area of the North Falkland Basin.

4 Intra-basinal structural highs
Structural closures independent of the basin margin fault. One very large such prospect has been identified. Additional work is required on this target as it extends beyond the area of 3D coverage and the reserve estimate here includes only the element of the prospect covered by the 3D. This is separate to the basin centre inversion structure tested by the Shell wells.

5 Central basin inversion high related prospects
Shell drilled a large basin centre inversion structure in 1998. While both wells were commercial failures at that time (with oil at US$12 per barrel) they did prove the existence of hydrocarbons in the area (both oil and gas). The Shell structure is so large that a number of untested prospects may exist in flanking areas, some of which are also related to fans and amplitudes not tested by the previous wells. Targets have been identified to the North, West and South of the Shell wells related to the same structure which was not exhaustively tested by the two wells in 1998.

In total the directors have estimated that the prospects described above have a potential of 1.2 billion barrels of recoverable oil on a P50 basis on licences PL032 and PL033.

Placing
As we enter the final stages of pre drilling work we undertook a placing of new shares in May 2008 to strengthen the balance sheet. That placing was limited to 5% of existing issued share capital and we successfully raised £3.6million after expenses at 101p per share. Demand for the new shares actually exceeded the 5% level and we were pleased to welcome new institutional shareholders onto the register.

Drilling preparations
In order to fully prepare for drilling we have appointed SPD (part of the Petrofac Group) as our outsourced drilling department. SPD will not only provide us with the experience and expertise to design and operate our own wells safely and responsibly should we decide against farming out, but also with access to long lead items such as well heads and casing. SPD will also assist us in locating a rig suitable for drilling in the shallow waters of the North Falkland Basin.

We have a number of options to drill our acreage:

We could join together with Desire Petroleum plc and put together a six well campaign in the North Falkland Basin. This would require an anchored semi-submersible rig capable of drilling in the relatively shallow waters of the North Falkland Basin. Availability of rigs is improving and we are currently pursuing this option with the assistance of SPD.

Alternatively, we could join a drilling consortium with the other Falkland companies, BHP Petroleum, Falkland Oil & Gas plc, Desire Petroleum plc and Borders and Southern plc. Such a campaign would require a very high specification rig capable of drilling in the deeper water to the South and East of the Falkland Islands.

Finally we could farm out to a third party who would operate the wells and source a rig.

Currently all options are under consideration.

Samuel Moody
Managing Director

2 July 2008

Sam Moody

The advantages of 3D
3D seismic gives continuous coverage over an area by virtue of the close spacing (25m) of the individual lines. By comparison, 2D seismic gives discrete coverage with large data gaps between each line, with lines for example several hundred metres apart 3D allows more accurate mapping of the sub surface and can also allow detailed mapping of more subtle features than is normal on 2D, such as faults, amplitudes, other seismic attributes and reservoirs.

Controlled Source Electromagnetic Survey (CSEM)
A technique measuring the resistivity of sediments, fluids and gasses beneath the sea floor to an electromagnetic field created in the earth. Hydrocarbons are resistive to such fields. The red blob in the middle of the image at a depth of around 1500m is a resistive body which is co-incident with the physical closure of the Ernest prospect. This is consistent with the presence of trapped hydrocarbons.

Digital site survey
A special type of 2D seismic survey. The survey is designed to focus on the shallowest part of the rocks just below the sea floor. This is designed to highlight any potential hazards to drilling.

Reprocessing 3D short offsets
The short offsets are the seismic recordings from the shallowest rocks just below the sea floor, collected in 3D survey. By reprocessing this information using computers, it is possible to replicate the data from a 2D digital site survey, which looks for any hazards to drilling.

Farm out
A deal in which a third party, normally an oil company, takes a stake in the underlying licences of the company in return for paying for all or part of a work programme, for example drilling wells.

Play types
Various different types of prospect which have the chance to contain oil. The more play types you have, the more different chances you have to be successful.

Board of directors

1 4 7
2 5
3 6

1 Dr Pierre Jungels CBE 64
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 22 years with Petrofina SA including eight years on the main board. He currently holds non-executive directorships at Woodside Petroleum Ltd, Baker Hughes Inc, is the Senior Independent Director of Imperial Tobacco PLC and is chairman of AIM listed Oxford Catalysts. He was twice President of the Institute of Petroleum, from 1987 to1989 and 2002 to 2003.

2 Samuel Moody 38
Managing Director
Sam is a co-founder of Rockhopper and has been responsible for building and managing the Group from its formation in early 2004. He works closely with Dr Jungels in his role at Rockhopper. He previously worked in several roles within the financial sector, including positions at AXA Equity & Law Investment Management and St Paul's Investment Management.

3 Peter Dixon-Clarke ACA 42
Finance Director
Peter qualified as a chartered accountant at Deloitte & Touche LLP in the Financial Services group. He left Deloitte to work at what is now Amlin plc, to head up the financial affairs of the Group's biggest division, seeing it through the Lloyd's market turnaround and subsequent group flotation. He is currently Group Finance Director of Goshawk Insurance Holdings plc.

4 Richard Visick 41
Non-Executive Director
Richard is the founder shareholder of Rockhopper and a lawyer having qualified with Linklaters. He has built up a portfolio of successful private equity investments. He is the beneficial owner of Sea Lion Lodge, the premier wildlife destination in the Falkland Islands, which is located on Sea Lion Island. He is also the beneficial owner of Weddell Island, which is the largest privately owned island in the Falkland Islands.

5 David Bodecott 55
Exploration Director
Dave has been an independent consultant in petroleum geology and seismic interpretation since 1981 and has nearly 33 years experience in the oil and gas industry. He has extensive international experience with much of his work focusing on seismic interpretation. He has worked on the North Falklands Basin during all the active exploration phases since the initial licensing round in 1996. He has conducted extensive seismic and geological evaluation of prospects in all parts of the basin.

6 John Crowle 54
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.

7 Chris Walton 51
Non-Executive 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.







Directors' report

for the year ended 31 March 2008

The directors submit their report and group financial statements of Rockhopper Exploration plc for the year ended 31 March 2008.

Principal activity

The principal activity of the group is the exploration and exploitation of oil and gas exploration licenses on its acreage in the North Falkland Basin. There are no plans to change this for the foreseeable future.

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 (2007: £nil).

Business review

The group has declared a loss for the year ended 31 March 2008 of $1,472k (2007:$1,414k) which equates to a loss per share of 1.95 cents (2007: loss of 1.97 cents). The loss has increased over the comparative period primarily as a function of lower investment income offset to a degree by lower charges for share based payment and loss on foreign exchange.

Investment income for the period fell to $267k (2007:$852k). The reduction is due to the reducing cash balances held as a result of the 3D work undertaken during the second half of last year. However, as a percentage the group enjoyed a better return on the average funds it did hold of 5.53% for the current period against 4.88% for the prior period.

Administrative expenses were $1,487k against $1,459k for the comparative period, the apparent increase being due to the weakening of the US$. Expenses are almost exclusively incurred in GB£ but being presented in US$ means they are influenced by exchange rate movements. Translating expenses back into GB£ results in a charge of £738k for the current period against £770k for the comparative period.

The share based expense of $235k compares to $440k for the previous period. The lower charge reflects the first tranche of options that have now vested.

Shareholders' equity has reduced by $943k since the year ended 31 March 2007 with the total loss of $2,086k for the period offset by the currency gains on shareholders' equity brought forward of $679k and options exercised during the year.

Financial outlook for the next financial year

Whilst the base rate in the UK rose during the first six months of the year under review, the subsequent concerns as to the strength of the economy has seen the rate cut to 5.00%. Cuts in either the UK or USA will reduce the group's future investment income on the current account as the group funds earn a fixed margin relative to the UK base rate and US federal funds rate. All deposits are for less than 90 days as liquidity remains the key group priority and so if rates do change they will have an effect once the fixed deposits expire.

Overheads are expected to remain stable for next year, but as drilling approaches possible areas of increased expenditure would be travel costs and professional fees.

Unless the underlying assumptions change, the charge for share based remuneration will continue at a consistent level until 30 September 2010 when it will be fully expensed.

Cash balances at 31 March 2008 stood at $3,525k and cash requirements from committed exploration expenditure over the coming six months are expected to be modest with the emphasis on finalising the interpretation of the 3D data acquired during the year ended 31 March 2007. Of the total cash balances, $853k was held in US$ and so should insulate the group for a time against possible currency fluctuations, particularly a strengthening of the US$.

At the current levels of expenditure, the successful placing in May 2008 to raise £3.6m after costs means that the company has sufficient working capital to finance the activities of the group for a number of years.

Key performance indicators "KPIs"

As the group is a pure exploration group with no production or proven reserves, standard industry KPIs are not relevant. Management therefore focuses on the achievement of work programmes and protection of licences. Throughout the year management has exceeded minimum work programme requirements and licences have therefore been protected.

Substantial shareholders

At 4 July 2008 the company has been notified of interests of 3% or more of the company's voting rights shown below:

Shareholder/Fund manager	Number of Ordinary shares	Percentage of voting right
R F Visick	17,782,443	22.18
Charles Stanley & Co	5,128,184	6.40
Royal London Asset Management	4,651,250	5.80
Axa Framlington	3,751,830	4.68
RAB Capital	3,607,080	4.50
Schroder Investment Managers	2,601,725	3.25
Credit Agricole Cheuvreux International	2,386,741	3.15

Directors and their interests

The present members of the board are as listed on page 16.

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

	At 31 March 2008 Ordinary 1p shares	At 31 March 2007 Ordinary 1p shares
P J M H Jungels	346,074	346,074
S J Moody	885,455	885,455
P J Dixon-Clarke	145,129	145,129
R F Visick	17,782,443	19,032,444
D Bodecott	91,000	91,000
K J Crowle	23,809	23,809
C J Walton	23,809	23,809
	19,297,719	20,547,720

At the time of admission on 15 August 2005 the admission document disclosed that "In addition to R F Visick's interests disclosed above, a further 3,103,000 ordinary shares are held by members of Mr Visick's wider family and 1,786,000 ordinary shares are held by trusts in which members of R F Visick's wider family have a potential interest." In the period since 15 August 2005 the company has received no notifications as to material changes of those holdings. D Bodecott was appointed as exploration director on 1 April 2007.

Directors' remuneration policy

The remuneration policy for the executive directors is determined by the remuneration committee, which consists solely of non-executive directors. The members of the committee are K J Crowle, C J Walton and R F Visick. 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. In preparation for the annual salary review the committee met during the week commencing 2 June 2008. The committee's policy on executive directors' remuneration will continue to apply for the year to 31 March 2009 and, so far as is practicable, for future years.

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. Each package consists of a basic salary, cash bonus and share option plan. In the case of certain directors, overtime payments may also be paid. The share option package is designed to link the remuneration of the executive directors to the returns enjoyed by shareholders.

Directors' report continued

for the year ended 31 March 2008

Directors' remuneration (audited)

The directors' remuneration for the year ended 31 March 2008 was:

	Salary £'000	Bonus £'000	2008 Total £'000	2007 Total £'000
P J M H Jungels	54	13	67	71
S J Moody	147	35	182	191
P J Dixon-Clarke	65	10	75	85
K Williams	–	–	–	140
D Bodecott	82	2	84	–
K J Crowle	29	–	29	25
C J Walton	29	–	29	25
Total directors' remuneration	406	60	466	537
Employer's national insurance	47	7	54	54
R F Visick (fees only)	29	–	29	25
Total	482	67	549	616
Remuneration above converted to US$'000	969	134	1,103	1,015

R F Visick is paid by way of Strachan Visick, a company in which R F Visick is a shareholder and director, and his remuneration, along with any expenses reimbursed, is therefore disclosed under note 13, Related party transactions. Effective 1 April 2008 Strachan Visick will no longer invoice in respect of R F Visick and he will be paid a salary via the payroll.

The bonus charged to the year relates to the directors' performance for the year ended 30 April 2007.

Directors' service contracts

Apart from the automatic termination at 70 years of age in the case of Dr Pierre Jungels and 65 years of age for the other executive directors, 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, 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	Contract date
Executive director		
P J M H Jungels	21 February 2005	8 August 2005
S J Moody	21 February 2005	8 August 2005
P J Dixon-Clarke	29 December 2004	8 August 2005
D Bodecott	1 April 2007	1 April 2007
Non-executive director		
K J Crowle	9 June 2005	8 August 2005
C J Walton	9 June 2005	8 August 2005
R F Visick	5 October 2004	8 August 2005

The non-executive directors do not have service contracts. Letters of appointment have been provided for an initial period of three years subject to re-election by shareholders.

Share Options (audited)

The share options in force at the balance sheet date and held by current directors are as follows:

Director	Date of grant	No. of shares brought forward	Exercised during the year	No. of shares carried forward	Exercise price £	Exercise period
P J M H Jungels	11 Apr 2005	350,000	–	350,000	0.10	15 Aug 2006–10 Apr 2015
	8 Aug 2005	1,500,000	–	1,500,000	0.42	in 3 tranches see below
S J Moody	11 Apr 2005	425,000	–	425,000	0.10	15 Aug 2006–10 Apr 2015
	8 Aug 2005	1,500,000	–	1,500,000	0.42	in 3 tranches see below
P J Dixon-Clarke	–	–	–	–	–	15 Aug 2006–10 Apr 2015
	8 Aug 2005	525,000	–	525,000	0.42	in 3 tranches see below
D Bodecott	–	–	–	–	–	15 Aug 2006–10 Apr 2015
	8 Aug 2005	525,000	–	525,000	0.42	in 3 tranches see below

No options were granted, expired or forfeited during the year.

The options granted at the admission price were granted immediately prior to the admission 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 any 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.

These options will cease to be exercisable on the tenth anniversary of the date of the grant.

Additionally, the company has granted the following options:
- On 10 May 2005 the company granted 60,392 options over ordinary shares at an exercise price of 10p. 19,801 of these options were granted to Falklands Conservation (a Charity registered in the UK which may carry out conservation work on Sea Lion Island in the future) and 40,591 to certain current and former employees of two Falklands businesses owned by Mr R F Visick. Of these options, 6,930 were exercised during the year.

These options are exercisable on or after the first anniversary of admission and cease to be exercisable on the tenth anniversary of the date of grant.
- On 15 August 2005 the company granted a total of 714,285 options over ordinary shares at an exercise price of 42p to Arden Partners, Ambrian Partners and HSBC. Of these options, 238,095 were exercised during the year and the balance soon after the year end.

Financial instruments

For the period under review the group held no financial instruments.

Political and charitable contributions

The group made a charitable donation of £2,000 during the year to Falklands Conservation, it made no political donations.

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 23 days (2007: 150 days), on the basis of accounts payable as a percentage of administrative expenses.

Qualifying indemnity provisions

Article 166 of the company's articles of association contains "qualifying indemnity provisions", as defined at section 236 of the Companies Act 2006. Under these provisions each director has been entitled to be indemnified by the company, so far as permitted by law, in respect of certain liabilities which may attach to him in his capacity as a director or as a former director of the company. These provisions have been in force since 15 August 2005. Since the end of 2007, the Company has entered into separate indemnity deeds with each director containing qualifying indemnity provisions in respect of certain liabilities which may attach to him as a director or as a former director of the company. Under those deeds each director has waived any right that he may have to bring a claim under Article 166.

Directors' report continued

for the year ended 31 March 2008

Employees
The group has only four employees, all of whom are directors, and does not anticipate the need to increase that number in the near term. In the event of an employee becoming disabled, every effort would be made to ensure that employment continues and that appropriate training is arranged.

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 all the jurisdictions 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 require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the group from undertaking its desired activities. 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
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company financial statements, the directors are required to:
a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with section 234ZA of the Companies Act 1985.

Auditor
Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Board

Peter Dixon-Clarke ACA
Finance director
2 July 2008

Corporate governance statement

The company is not specifically required to comply with the Combined Code (the "code") on corporate governance, although the board seeks to comply with the code wherever practical and appropriate.

Outlined below is a summary of how the company is addressing the principles set out in the code.

The board
The board of the company consists of four executive and three non-executive directors, and is therefore compliant with the requirements for a balance of executive and non-executive directors and for at least two of the non-executive directors to be independent. A senior independent non-executive director has not been appointed. Given the size and nature of the company, the directors do not believe that such an appointment is necessary. The company's website contains an email contact for the chairman of the audit committee, should shareholders have concerns which have not been adequately addressed by the chairman or managing director. The email is also disclosed at the back of these accounts within the contact details for the company.

At admission the board agreed to meet at least eight times 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.

A clearly defined organisational structure exists, with lines of responsibility and delegation of authority to executive management.

The board's executive chairman, P J Jungels, was independent upon appointment but has not been considered independent thereafter, as he is the executive chairman. The roles of executive chairman and managing director are separate.

The board considers two of the non-executive directors to be independent, whilst the third, R F Visick is not considered independent on account of the size of his shareholding. Other than their shareholdings, salaries or fees, the non-executives have no financial interests in the company or business relationships that would interfere with their independent judgement.

The appointment of all directors is a formal process involving all members of the board. 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 enable them to discharge their duties properly.

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.

Audit, remuneration and nomination committees
Audit, remuneration and nomination committees, with formally delegated duties and responsibilities, operate under the chairmanship of C J Walton, K J Crowle and P J Jungels respectively.

In addition to C J Walton, the audit committee comprises K J Crowle (also an independent non-executive director), with other directors, attending from time to time as observers by invitation. The audit committee membership complies with the code.

In addition to K J Crowle, the remuneration committee comprises the remaining two non-executive directors. K J Crowle and C J Walton are independent.

In addition to P J Jungels, the nomination committee comprises R F Visick and either of the remaining independent non-executives. While only one of the members is independent, the board believes that the composition of the committee is appropriate for a group of this size and does not affect the control environment.

Corporate governance continued

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.

The process of monitoring and updating internal controls and procedures continues throughout the year and has been supplemented by the implementation of a risk management process. Existing processes and practices are being 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, and any matters arising from internal reviews or external audit are also considered.

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

Shareholder relationships

It is the intention of the board that presentations are made to shareholders, institutions and analysts at least twice a year to coincide with results announcements. Additional dialogue is entered into as necessary, mindful of the rules on insiders and price-sensitive information.

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 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	Remuneration	Finance	Nominations
Director					
P J M H Jungels	7*	–	–	–	0*
S J Moody	7	1†	–	–	–
P J Dixon-Clarke	7	2†	–	1†	–
D Bodecott	7	–	–	–	–
K J Crowle	7	2	2*	1	0
R F Visick	7	–†	2	1*	0
C J Walton	7	2*	2	1	0
Total meetings during year	7	2	2	1	0

*Chairman
†Invitee
–Not applicable

Independent auditor's report to the members of Rockhopper Exploration plc

We have audited the group and parent company financial statements on pages 26 to 43.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report, and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman's statement, the Managing Director's review, the Board of directors, Directors' report, the Corporate Governance Statement and the Investor information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor

Chartered Accountants
Hartwell House
55–61 Victoria Street
Bristol BS1 6AD

2 July 2008

Group income statement

for the year ended 31 March 2008

	Notes	2008 $'000	2007 $'000
Expenses			
Administrative expenses	5	**(1,487)**	(1,459)
Charge for share based remuneration	6	**(235)**	(440)
Foreign exchange movement		**(17)**	(367)
Total expenses		**(1,739)**	(2,266)
Finance income		**267**	852
Loss before tax		**(1,472)**	(1,414)
Income tax expense	7	**–**	–
Loss for the year attributable to the equity shareholders of the parent company		**(1,472)**	(1,414)
Loss per share: cents (basic & diluted)	8	**(1.95)**	(1.97)
Weighted average shares	8	**75,679,199**	71,817,756

Group balance sheet

as at 31 March 2008

	Notes	2008 $'000	2007 $'000
Capitalised exploration expenditure	9	**25,942**	24,527
Equipment		**6**	16
Other receivables		**35**	74
Cash and cash equivalents		**3,525**	6,341
Assets		**29,508**	30,958
Other payables	10	**1,047**	1,554
Liabilities		**1,047**	1,554
Share capital	11	**1,330**	1,325
Share premium		**28,597**	28,403
Currency translation		**4,087**	3,413
Share based remuneration		**1,371**	1,115
Merger reserve		**(243)**	(243)
Retained losses		**(6,681)**	(4,609)
Attributable to the equity shareholders of the company		**28,461**	29,404
Total liabilities and equity		**29,508**	30,958

These financial statements were approved by the directors and authorised for issue on 2 July 2008 and are signed on their behalf by:

Samuel Moody
Managing Director

Peter Dixon-Clarke ACA
Finance Director

Group statement of changes in equity

for the year ended 31 March 2008

	2008 $'000	2007 $'000
Share capital		
Opening balance	**1,325**	1,249
Options exercised	**5**	5
New shares issued	**–**	71
Closing balance	**1,330**	1,325
Share premium		
Opening balance	**28,403**	25,959
Premium on options exercised	**194**	49
Premium on shares issued	**–**	2,532
Issue costs	**–**	(137)
Closing balance	**28,597**	28,403
Merger reserve		
Opening and closing balance	**(243)**	(243)
Currency translation reserve		
Opening balance	**3,413**	–
Movement on share capital	**30**	158
Movement on share premium	**649**	3,286
Movement on merger reserve	**(5)**	(31)
Closing balance	**4,087**	3,413
Share based remuneration		
Opening balance	**1,115**	607
Charge for the year	**235**	440
Transferred to retained losses in respect of options exercised during the year	**–**	(24)
Currency translation difference	**21**	92
Closing balance	**1,371**	1,115
Retained losses		
Opening balance	**(4,609)**	(1,611)
Net income and expense recognised in the income statement	**(1,472)**	(1,414)
Net income and expense recognised directly in equity	**(614)**	(1,404)
Transferred from share based remuneration reserve	**–**	24
Currency translation difference	**14**	(204)
Closing balance	**(6,681)**	(4,609)
Equity	**28,461**	29,404

Group cash flow statement

for the year ended 31 March 2008

	2008 $'000	2007 $'000
Cash flows from operating activities		
Net (loss)	**(1,472)**	(1,414)
Adjustments to reconcile net losses to cash (utilised)/provided		
Depreciation	**14**	17
Share based remuneration charge	**235**	440
Foreign exchange movement	**17**	367
Other non-cash items	**355**	390
Operating cash flows before movements in working capital	**(851)**	(200)
Changes in:		
Receivables	**39**	(57)
Payables	**(507)**	1,451
Cash (utilised by)/generated from operating activities	**(1,319)**	1,194
Cash flows from investing activities		
Capitalised exploration expenditure	**(1,692)**	(19,035)
Purchase of equipment	**(4)**	(10)
Cash utilised by investing activities	**(1,696)**	(19,045)
Cash flows from financing activities		
Options exercised	**199**	54
Issue of share capital	**–**	2,603
Share issue costs	**–**	(137)
Cash generated from financing activities	**199**	2,520
Net cash (outflow)	**(2,816)**	(15,331)
Cash and cash equivalents brought forward	**6,341**	21,672
Cash and cash equivalents carried forward	**3,525**	6,341

Notes to the group financial statements

for the year ended 31 March 2008

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 licences granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the North Falkland Basin. The registered office of the Company is Hilltop Park, Devizes Road, Salisbury, SP3 4UF.

1.2 Basis of preparation

From 1 January 2007 all companies on AIM are required to prepare their consolidated financial statements using standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. The effective date of transition to IFRS for this company is therefore 1 April 2006. The conversion has given rise to no adjustments and so no reconciliations have been required. The results upon which these financial statements have been based were prepared using the accounting policies set out below.

The company has elected to take the exemption offered within IFRS1: First time adoption of International Financial Reporting Standards in relation to business combinations.

Items included in the results of each of the group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated results are stated in US$. The functional and presentation currency of the subsidiaries, where the licences are held, is US$ whilst the functional currency of the holding company is GB£. All values are rounded to the nearest thousand dollars ($'000) or thousand pounds (£'000), also stated as 'k', except when otherwise indicated.

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 8 – Operating segments
IFRIC 11 – IFRS 2: group and treasury share transactions
IFRIC 12 – Service concession arrangements
IFRIC13 – Customer loyalty programmes
IFRIC14 – Defined benefit pension assets and their minimum funding requirements
IAS23 – Amendment: Borrowing costs
IAS1 – Amendment: Presentation of financial statements
IAS3 – Amendment: Business combinations
IAS27 – Amendment: Consolidated and separate financial statements

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.

1.3 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 IFRS 3 Business Combinations since the acquirer is not a business per the definition used in that Standard. IFRS 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 IAS 8 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.

The financial statements consolidate the results, cash flows and assets and liabilities of the company and its wholly owned subsidiary undertakings by the method of merger accounting.

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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The group considers itself to have a single purpose, the exploration and exploitation of its licenses in the North Falkland Basin, and therefore concludes that it has only one business segment and only one geographic segment.

(d) Capitalised exploration expenditure

Exploration assets are measured at cost and all costs relating to the exploration for and development of oil and gas interests, whether productive or not, are accumulated and capitalised as capitalised exploration expenditure. These costs, which are initially classified as capitalised exploration expenditure, are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in an area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Costs dealt with in this way include seismic data, licence costs, technical work, exploration and appraisal drilling, general technical support, finance costs and a proportion of directly attributable administrative and overhead costs.

Costs are transferred to depreciable pools within capitalised exploration expenditure in each regional cost pool upon declaration of commerciality or upon cessation of exploration on each license and amortised over the life of the area according to the rate of depletion of the economically recoverable costs. Any proceeds arising from the sale or farm-out of assets are deducted from the relevant cost pool.

Depreciation and depletion of costs in depreciable pools is provided under the unit of production method which uses the estimated commercial reserves in the cost pool and the sum of the total costs in the pool and any further anticipated costs to develop such reserves.

At the end of each year, an assessment is made as to whether the economic value of interests is in excess of costs capitalised as capitalised exploration expenditure. Any impairment is transferred to depreciable regional cost pools within equipment and depreciated. Where a project is terminated, which is ascertained on a country basis, the related exploration costs are written off immediately.

For the period under review, based on the results of recent surveys and the estimates of potential oil recoverable, the directors have concluded that there is no impairment.

1 Accounting policies continued

(e) 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 currency of the group's subsidiaries, where the licenses are held, is also US$ but for the company itself it is GB£ as that is the currency in which the company raises capital to finance the group 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.

Group companies:

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of inter-company borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

The year end rates of exchange actually used were:

	31 March 2008	31 March 2007
£ : US$	**2.00**	1.96

(f) 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.

(g) 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 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months.

III 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.

IV Trade payables

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

V Equity instruments

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

(h) 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 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.

(i) Share based remuneration

The group has two 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 IFRS 2: 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.

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.

(j) 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:

Computer and office equipment	Three years

(k) 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.

(l) 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 capitalisation of intangible assets.

Notes to the group financial statements continued

for the year ended 31 March 2008

3 Reconciliation of the converted balance sheets to the annual report for the year ended 31 March 2007

	£'000	Rate	$'000
Equity shareholders' funds at 31 March 2007 at the closing rate	15,718	1.96	30,808
Currency translation difference (note 4)			(1,404)
Equity shareholders' funds at 31 March 2007 used			29,404

4 Currency translation difference

	£'000	Rate	$'000
Capitalised exploration expenditure at 1 April 2006 in prior accounts	2,500	1.74	4,350
GB£ expenditure capitalised during the year	856	Historic	1,629
US$ expenditure capitalised during the year			18,548
			24,527
Capitalised exploration expenditure at 31 March 2007 in prior accounts	(13,230)	1.96	(25,931)
			(1,404)

5 Administrative expenses

	2008 $'000	2007 $'000
Directors' fees and remuneration (see directors' report)	**1,103**	1,015
Capitalised as exploration expenditure	**(236)**	(166)
	867	849
Auditor's remuneration		
Audit services	**45**	32
Interim review	**9**	17
Tax services	**15**	28
Other services	**3**	–
Other professional fees	**165**	129
Travel	**85**	30
Office rentals	**21**	13
Depreciation	**14**	17
Other	**263**	344
	1,487	1,459

For the year ended 31 March 2007 the auditor's remuneration was paid to Baker Tilly whilst for the current year it was payable to Baker Tilly UK Audit LLP and its related entities.

6 Share based payment expense

The group has two 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"). See the share options table within the directors' report.

The value of the option charge has been calculated based on a bi-nomial model and key assumptions, all of which were also applied for the prior year, include:
- a weighted average volatility of 62%,
- a weighted average risk free rate of 4.35%,
- a dividend yield of nil,
- that options will be exercised early should the underlying share price reach £2.00,
- that no employees will exit prior to the vesting of their options, and
- an illiquidity discount of 5%.

7 Taxation

	2008 $'000	2007 $'000
Current tax:		
UK corporation tax on losses for the year	**–**	–
Tax on loss on ordinary activities	**–**	–
Loss on ordinary activities before tax	**(1,472)**	(1,414)
Loss on ordinary activities multiplied by the rate of corporation tax of 30%/19%	**(442)**	(269)
Effects of:		
Expenses not deductible	**576**	–
Depreciation in excess of capital allowances	**4**	2
Prior period adjustments	**(431)**	2
Losses carried forward	**293**	–
Current tax charge for the year	**–**	–

No charge to taxation arises in the year due to losses being incurred. No deferred tax asset has been recognised in respect of these losses due to the uncertainty in the timing of profits and hence utilisation of these.

Notes to the group financial statements continued

for the year ended 31 March 2008

8 Basic and diluted loss per share

	2008 Number	2007 Number
Shares in issue brought forward	**75,663,305**	71,774,605
Shares issued during the period		
– Issued on 17 August 2006	**–**	225,000
– Issued on 22 August 2006	**–**	75,000
– Issued on 5 March 2007	**–**	3,588,700
– Issued on 13 September 2007	**1,980**	–
– Issued on 13 November 2007	**4,950**	–
– Issued on 11 March 2008	**238,095**	–
Shares in issue carried forward	**75,908,330**	75,663,305
Weighted average shares in issue	**75,679,199**	71,817,756

	$'000	$'000
Net (loss) after tax	**(1,472)**	(1,414)
Basic and diluted net (loss) per share – cents	**(1.95)**	(1.97)

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 IAS 33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

See also note 14 Post balance sheet events, which discusses a placing by the company completed during May 2008.

9 Capitalised exploration expenditure

	2008 $'000	2007 $'000
At 1 April	**24,527**	4,350
Capitalised during the year		
Exploration costs	**1,179**	20,011
Internal costs	**236**	166
At 31 March	**25,942**	24,527

10 Other payables

	2008 $'000	2007 $'000
Accounts payable	**93**	599
Accrued expenses	**912**	890
Other	**42**	65
	1,047	1,554

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. Of the total accrued expenses, $857k (2007: $857K) relates to corporation tax witheld in respect of the 3D work undertaken during the year ended 31 March 2007.

11 Share capital

	2008		2007	
	$'000	Number	$'000	Number
Authorised: Ordinary shares of £0.01 each	**1,740**	**100,000,000**	1,740	100,000,000
Called up, issued and fully paid: Ordinary shares of £0.01 each	**1,330**	**75,908,330**	1,325	75,663,305

12 Contingent liabilities

Under the terms of the farm in to the acreage held by Desire Petroleum plc, Rockhopper Exploration (Oil) Limited, a wholly owed subsidiary incorporated in the Falklands, liable to pay 15% of costs incurred by Desire during a drilling campaign, subject to the agreed financial expenditure ("AFE") for a three well campaign being no more than $50m for 100% of the costs.

13 Related party transactions

During the year ended 31 March 2008 £31,037 (2007: £25,532) was paid to R F Visick by the company and £nil (2007: £32,272) by the subsidiaries in respect of services provided and costs incurred, to Strachan Visick, of which R F Visick is a shareholder and Director. £7,391 (2007: £2,448) was payable by the company at the year end. All amounts outstanding were included in accounts payable at the period end. All balances outstanding had been settled prior to the signing of the balance sheet. Effective 1 April 2008 Strachan Visick will no longer invoice in respect of R F Visick and he will be paid a salary via the payroll.

14 Post balance sheet events

On 22 May 2008 the company issued 3,780,000 new ordinary shares at a price of 101p each raising £3.6m after costs. This represented just under 5% of the ordinary shares then in issue. The directors had been authorised to do so without first offering them to existing shareholders on a pre-emptive basis by a special resolution passed at the company's 2007 AGM.

15 Risk management policies

Risk review

The risks and uncertainties facing the group include but are not limited to:

The availability and cost of survey ships, drilling vessels and qualified personnel; given the limited cash resources of the group and the uncertainty over an actual date for drilling, this is a difficult risk to protect against by, say, pre-booking a rig at a fixed rate. However, whilst the group has always been exposed to this risk, there are increasing indications that more rigs are becoming available.

Foreign exchange risks; as with the risk above, due to diminished levels of cash and uncertainty over an actual date for drilling, this is a difficult risk to protect against. That said, when sufficient information about timing and quantum of future exploration work is known, the group would expect to buy forward the US$ amount required.

As well as the risk that future exploration work becomes more expensive, the group is also exposed to foreign exchange risk because the functional currency of the company differs from that of its subsidiaries and its presentational currency. 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:

As at 31 March 2008	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	25,948	–	25,948
Monetary assets	853	2,707	3,560
	26,801	2,707	29,508
Monetary liabilities	865	182	1,047
Equity	–	29,927	29,927
Reserves	4,087	(5,553)	(1,466)
	4,952	24,556	29,508

Notes to the group financial statements continued

for the year ended 31 March 2008

15 Risk management policies continued

As at 31 March 2007	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	24,543	–	24,543
Monetary assets	1,453	4,962	6,415
	25,996	4,962	30,958
Monetary liabilities	1,321	233	1,554
Equity	–	29,728	29,728
Reserves	4,087	(4,411)	(324)
	5,408	25,550	30,958

Finally, the company makes and carries loans to its subsidiaries in both GB£ and US$. As the functional currency of the company is GB£ it recoginses gains or losses on the US$ element of the monies lent, whilst the subsidiaries recognise it on the GB£ element because their functional currency is US$. Consequently, the movements due to foreign exchange don't net off completely during consolidation and so the difference is taken straight to equity. The potential exposure to such is et out in the table below:

	2008 $'000	2007 $'000
GB£ denominated loans made to the subsidiaries	**7,610**	27,436
US$ denominated loans made to the subsidiaries	**22,702**	–
Due from subsidiary undertakings	**30,312**	27,436
Translated to GB£ per note 3 of the company accounts	**15,156**	13,998

Until 1 April 2007, all loans were carried in GB£ but these were retranslated to their original currency to maintain consistency with the conversion of the group to a US$ presentational currency.

Interest rate risks; there are a number of instruments available to protect against falling interest rates reducing the investment income enjoyed by the group but, as discussed above, with the expectation of interest rate cuts in both the UK and USA they have become more expensive to purchase and could divert funds from the main business of the group, that of developing the licenses.

Liquidity risks; having completed the shooting and processing of the 3D data, the group's committed exploration demands on current funds are limited to the final payment to CGG, who shot and processed the 3D data and the relatively modest costs required for further interpreting the 3D data.

Counter-party risk; during the period, the liquidity crunch triggered by the sub-prime lending concerns within the USA highlighted the risks of keeping all of the funds with one bank and so the board elected to split the funds and move an amount of at least £1m to a second bank. Accordingly, Lloyds TSB plc was selected in recognition of its AAA security rating from Standard & Poor and on 26 September 2007 £1m was placed there on deposit.

Parent company financial statements

Company balance sheet

as at 31 March 2008

	Notes	2008 £'000	2007 £'000
Investments		**210**	210
Tangible assets	2	**3**	8
Fixed assets		**213**	218
Debtors	3	**15,173**	14,036
Cash and cash equivalents		**1,762**	3,235
Current assets		**16,935**	17,271
Creditors due within one year	4	**(523)**	(793)
Net current assets		**16,412**	16,478
Total assets less current liabilities		**16,625**	16,696
Share capital	5	**759**	757
Share premium	5	**16,266**	16,168
Share based remuneration	5	**685**	569
Retained losses	5	**(1,085)**	(798)
Equity shareholders' funds		**16,625**	16,696

These financial statements were approved by the directors and authorised for issue on 2 July 2008 and are signed on their behalf by:

Samuel Moody
Managing Director

Peter Dixon-Clarke ACA
Finance Director

Notes to the company financial statements

for the year ended 31 March 2008

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.

The directors have prepared the accounts on the going concern basis. In their opinion, this is appropriate as the company has sufficient cash to meet its operating liabilities as and when they fall due and has access to further funds should the need arise. The accounts do not include any adjustments which may be necessary if the company was unable to continue to operate.

All values are rounded to the nearest thousand pounds (£'000), also stated as 'k' except when otherwise indicated.

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 230 of the Companies Act 1985. The result for the year was a loss of £287k (2007: loss of £99k)

Share based payment

The company has two 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 ("FRS 20"): 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.

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 6 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.

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 sections 131 and 133 of the Companies Act 1985, no premium has been 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 at the balance sheet date. 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

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. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and any differences thereon are included in the profit and loss account.

Notes to the company financial statements continued

for the year ended 31 March 2008

1 Accounting policies continued

Financial instruments

The company uses certain financial instruments in its operating and investing activities that are appropriate to its strategy and circumstances.

Financial instruments currently comprise cash and short-term debtors and creditors. The company regularly reviews the funding opportunities available to it in order to finance its operations, including considering the use of borrowings, as well as equity, to fund short-term cash requirements.

The main risk arising from the company's present use of financial instruments is currency risk relating to it's non-sterling cash resources. The addition of any borrowings to the company's portfolio of financial instruments will introduce interest-rate risk.

The company has taken advantage of the exemptions available under Financial Reporting Standards (FRS)13 for disclosures relating to short-term debtors and creditors.

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 over its expected useful life as follows:

Office equipment – over 3 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.

2 Tangible assets

	2008 £'000	2007 £'000
Cost at 1 April	**18**	15
Additions	**1**	3
Cost at 31 March	**19**	18
Depreciation at 1 April	**(10)**	(3)
Charge for the year	**(6)**	(7)
Depreciation at 31 March	**(16)**	(10)
Net book value at 1 April	**8**	12
Net book value at 31 March	**3**	8

3 Debtors

	2008 £'000	2007 £'000
Due from subsidiary undertakings	**15,156**	13,998
Other debtors	**17**	13
Prepayments	**–**	25
	15,173	14,036

The amounts due from subsidiary undertakings are the subject of a loan agreement signed on 26th September 2006. Under the terms of the loan agreement interest is 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 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.

4 Creditors due within one year

	2008 £'000	2007 £'000
Trade creditors	**475**	744
Accruals	**27**	17
Other creditors	**21**	32
	523	793

5 Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Share premium £'000	Share based remuneration £'000	Retained losses £'000	Total £'000
At 1 April 2006	718	14,919	349	(712)	15,274
Options exercised during the year	3	27	(13)	13	30
Shares issued during the year	36	1,292	–	–	1,328
Share issue costs	–	(70)	–	–	(70)
Charge for the year	–	–	233	–	233
Loss during the year	–	–	–	(99)	(99)
At 31 March 2007	757	16,168	569	(798)	16,696
Options exercised during the year	2	98	–	–	100
Charge for the year	–	–	116	–	116
Loss during the year	–	–	–	(287)	(287)
At 31 March 2008	**759**	**16,266**	**685**	**(1,085)**	**16,625**

No transfer to the retained losses reserve was required for the options exercised during the year ended 31 March 2008 as they vested prior to the effective date of FRS20.

6 Related parties

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

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Printed in England by Pureprint.

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