ROCKHOPPER
EXPLORATION PLC

Annual Report 2009

'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 two proven source rocks.

Both oil and gas have been encountered on Rockhopper acreage in a previous round of drilling conducted by Shell in 1998.

The first independently verified discovery in the Falklands (well 14/5-1) is on Rockhopper acreage.

Rockhopper has a contingent gas resource and a number of oil prospects on its acreage.

Rockhopper has conducted an extensive technical work programme since its inception in 2004 and is now drill ready, subject to finance and necessary regulatory consents.

Rockhopper has signed a Letter of Intent with a 3rd party energy company to farm out one of its licences.

Desire Petroleum, a partner of Rockhopper, has signed a Letter of Intent with a drilling company to drill a number of wells in the North Falkland Basin in 2010.

AIM: RKH

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 potential 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 Ernest with Wavefield Inseis

550 km additional 2D seismic collected with Wavefield Inseis

EIA commissioned on PL023 and PL024

↗2008

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

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

EIA commissioned on PL032 and PL033

SPD appointed to provide drilling expertise

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

↗2009

Competent Persons Report (CPR) completed by RPS Energy

First independently verified discovery in the Falklands confirmed on Rockhopper acreage

First contingent gas resource in the Falklands confirmed by RPS on Rockhopper acreage

Top 8 oil prospects considered by RPS Energy contain potential 1 billion barrels recoverable

EIS submitted on all operated acreage

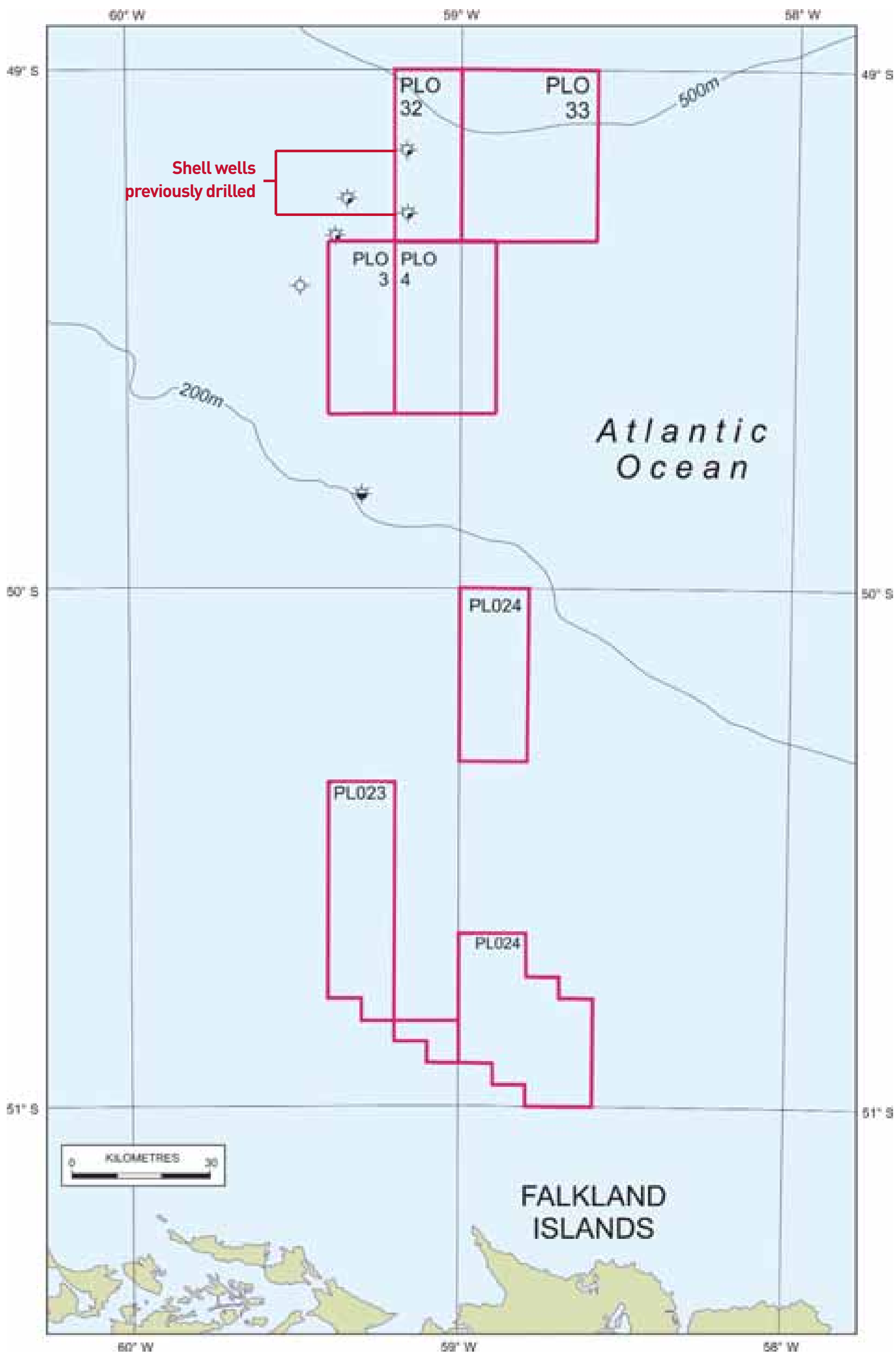
Letter of Intent signed with a 3rd party energy company to farm out one licence

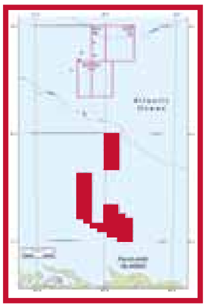
Desire Petroleum, a partner of Rockhopper, signs a Letter of Intent with a rig company for North Falkland Basin drilling campaign during 2010

Rockhopper background

Licence Location	**North Falkland Basin**		
Water Depths	**100m-550m, relatively shallow**		
Suitable drilling units	**Moored semi submersible, harsh environment rig not required**		
Drilling window	**Drilling possible all year round, relatively benign met-ocean conditions**		
Data	**3D, 2D, CSEM, 2 Wells, Site Surveys, Benthic**		
Hydrocarbons	**Live oil recovered**	**27.1API**	**On Rockhopper acreage**
	Gas Contingent Resource		**On Rockhopper acreage**

Acreage

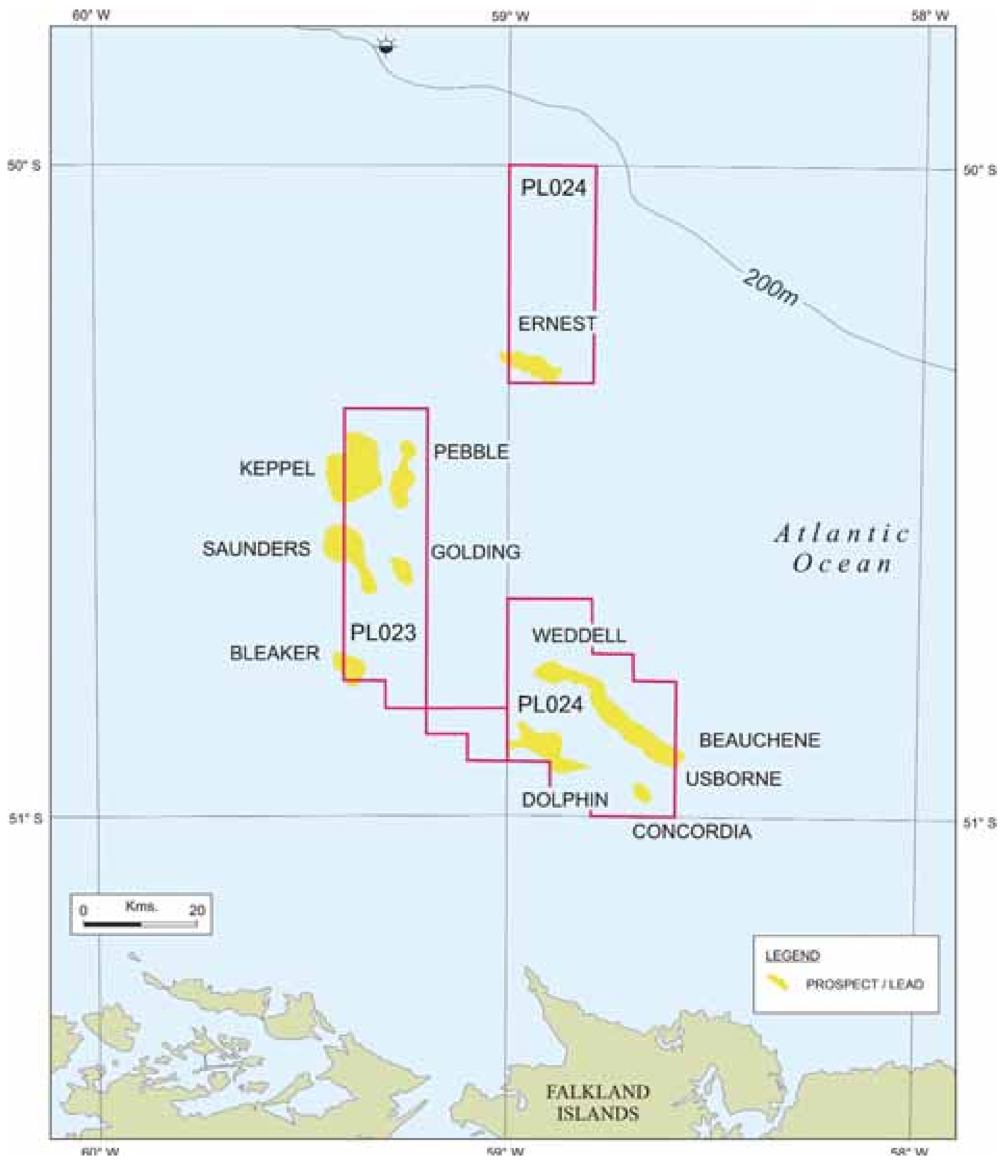




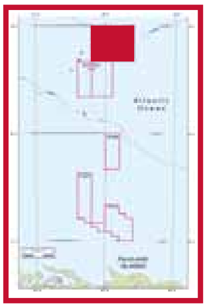
PL023 & PL024

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 seismic and CSEM. Rockhopper has acquired over 1500km of 2D seismic and 4 CSEM lines since 2004. No wells have been drilled on the acreage.



Licence	Prospect
23//24	Beauchene
	Bleaker
	Concordia
	Dolphin
	Ernest
	Golding
	Keppel
	Pebble
	Saunders
	Usborne
	Weddell

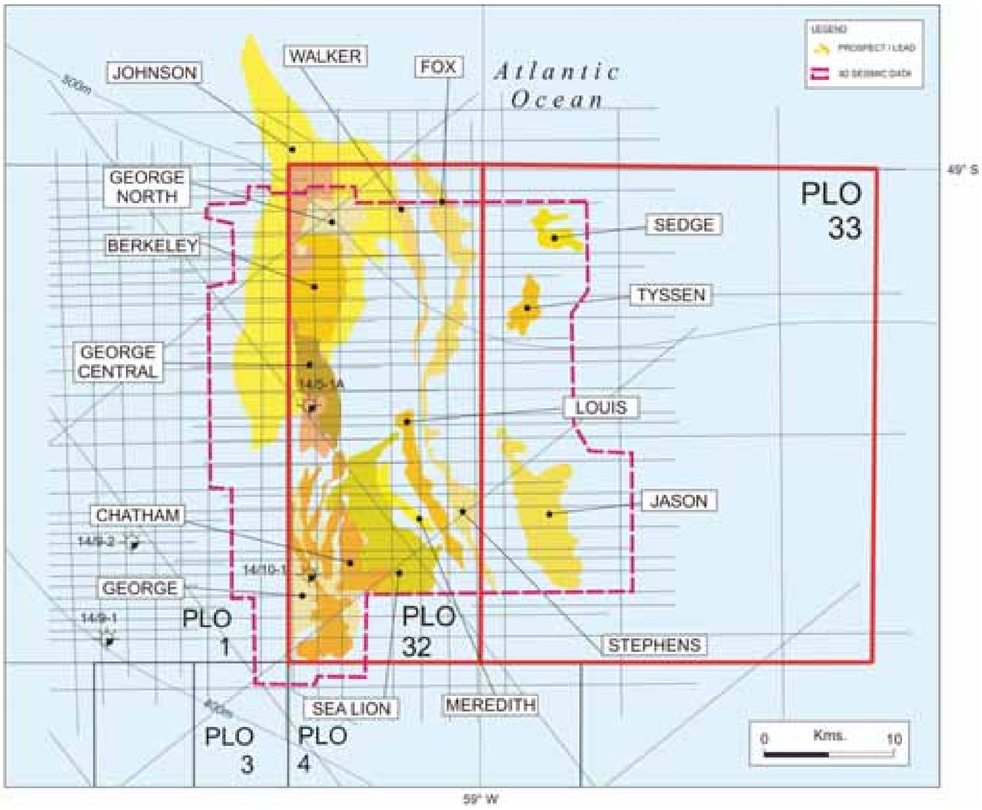


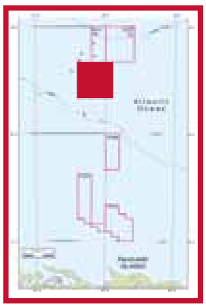
PL032 & PL033

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 (both of which encountered oil and gas) along with 2D seismic and 3D seismic. Rockhopper has acquired over 850km^2 of 3D seismic data since 2005. Well 14/10-1 recovered live oil to surface. Well 14/5-1 encountered significant quantities of gas.

Licence	Prospect
32//33	Sedge
	Tyessen
	Jason
	Sea Lion
	Chatham
	Meredith
	Walker
	Louis
	Fox
	Stephens
	Johnson
	Berkley
	George
	Contingent Resources
	Johnson (gas)





PL003 & PL004

7.5% Rockhopper Exploration

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

Competent Persons Report

A Competent Persons Report (CPR) was provided by RPS Energy during 2009.

CPR

- ↗ Top eight oil prospects over 1bn barrels oil prospective resources
- ↗ Contingent gas resource up to 8 Tcf
- ↗ Top two oil prospects 23% chance of success
- ↗ Top two oil prospects each have NPV 10 2.5 billion USD at P50 level

For full report go to:

www.rockhopperexploration.co.uk

Highlights

2009

- ↗ Letter of Intent signed with a third party energy company to farm out one of our licences
- ↗ Gas discovery declared in Competent Persons Report
- ↗ Johnson prospect contains an estimated Contingent Gas Resource up to 7.9 Tcf recoverable
- ↗ Two best oil prospects given 23% chance of success in CPR
- ↗ Six further oil prospects highlighted in the CPR
- ↗ Top eight oil prospects contain 1 billion barrels recoverable
- ↗ Further 15 oil prospects not considered in the CPR
- ↗ Environmental Impact Statement submitted to relevant authorities
- ↗ LOI signed by our partner Desire Petroleum with drilling contractor for North Falkland Basin campaign

Chairman's statement

Pierre Jungels

Dear Shareholder,

I write to you following our most exciting developments to date.

We have signed a Letter of Intent to farm out one of our licences to a third party energy company. That farm out is subject to a number of conditions, including regulatory approvals, and full details will be made public once these are satisfied. The farm out, if completed, would entail the drilling of one well on our acreage and leaves us with 100% of the equity in our three other licences. We believe this could represent significant value creation for shareholders.

Furthermore, the fully independent competent persons report by RPS Energy recognises well 14/5-1 as a gas discovery and the subsequent classification of Johnson as a Contingent Gas Resource means that we are closer than ever to proving the full potential of the Basin.

Our partner, Desire Petroleum, has recently signed a Letter of Intent with a drilling contractor for a North Falkland Basin drilling campaign which is due to begin in early 2010.

Rockhopper currently has the only acreage in the Falklands with a recognised discovery, Johnson, which is a very large structure, possibly 250km^2 in area.

Our Competent Persons Report (CPR) also considered eight of our oil prospects, giving the top two a 23% chance of success, which is high in exploration terms. These were Sea Lion and Ernest. The positive CSEM result on Ernest was not considered in the CPR, which we believe further improves the chance of success.

Environmental Impact Statements were submitted in preparation for any drilling campaign. One for licences PL023/024, the other for PL032/33. We conducted a well attended public meeting in Stanley as part of the public consultation process for the work.

A successful equity placing during May 2008 raised £3.6 million for pre-drilling studies on our operated acreage. This work is largely completed.

Our cash balance was USD 6.4mm at the year end and the loss for the year was USD 4.5mm. This is higher than in previous years due to the adverse foreign exchange effect of reporting in dollars. In the period the Dollar has strengthened against Sterling.

The fiscal regime in the Falkland Islands, when combined with our relatively shallow water and benign operating conditions, means that an oil discovery could be commercial at oil prices as low as USD 30 per barrel.

In conclusion, although many issues need to be resolved, we have within our grasp a very real prospect of participating in a multi-well drilling campaign in 2010 and we are hopeful of reporting significant news from that campaign throughout the year.

Dr Pierre Jungels CBE
Executive Chairman

18 September 2009

Competent Persons Report (CPR)
A review of the group's acreage conducted by an independent expert, in this case, FTSE 250 company RPS Energy. CPRs typically contain a description of the assets, along with a view of the likely size and risk of a number of selected prospects. In this case, an estimated Net Present Value is also included for some prospects.

Environmental Impact Statements
Documents prepared as part of an Environmental Impact Assessment ahead of drilling wells. The planned activity is fully described and all potential impacts are considered along with any relevant mitigating measures. Documents are submitted to the relevant licencing authority for comment and approval ahead of obtaining consent to drill the wells.

Managing Director's review

Samuel Moody

Recently we have signed a Letter of Intent with a 3rd party to farm in to one of our licences. We also learned that one of our partners, Desire, signed a Letter of Intent to bring a rig to the North Falkland Basin in February 2010. We are hopeful that both of these Letters of Intent will result in binding contracts being signed.

During the year we commissioned an independent Competent Persons Report (CPR) from RPS Energy. We are particularly pleased to be able to report the following from that report:

- ↗ Top eight oil prospects total approximately 1 billion barrels of prospective oil resources
- ↗ Top two prospects, Sea Lion and Ernest given a high 23% chance of success
- ↗ Ernest and Sea Lion each have an NPV10 of $2.5 billion at the P50 level
- ↗ Gas Discovery and Contingent Gas resource recognised.

The Gas Discovery is the only independently recognised discovery in the Falkland Islands.

The full Competent Persons Report is available to download on the company web site www.rockhopperexploration.co.uk

Primary Oil Prospects

Sea Lion and Ernest are our primary oil targets. Both have Direct Hydrocarbon Indicators, Sea Lion in the form of AVO anomaly, Ernest in the form of a positive CSEM anomaly and are clearly defined on seismic. Neither has previously been drilled and each has an NPV 10 of approximately 2.5 billion USD at the P50 level.

Primary Oil Prospect
The prospects selected by the Directors to be drilled first.

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.

STOIIP
Stock Tank Oil Initially In Place. A standard measure of the volume of oil which could potentially be contained within a prospect, at a given temperature and pressure. Not all of that oil would be recovered to surface and produced in the event that the prospect went into production.

NPV
Net Present Value. The estimated potential current value assigned to a prospect assuming that the prospect is successfully drilled and put into production. Assumptions include the total costs, daily production, decline rate and future oil prices.

Sea Lion

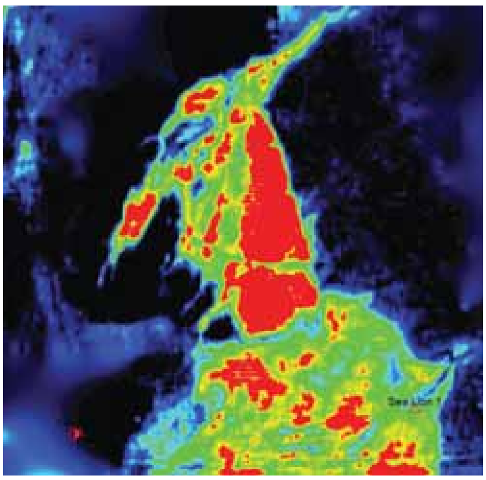
Chance of Success 23%

Prospective	Low Estimate	Best Estimate	High Estimate
STOIIP (MMbbls)	234	568	1,348
Resources (MMbbls)	58	170	472
NPV 10 US$ MM	$548	$2,498	$8,366
Source: RPS Energy			

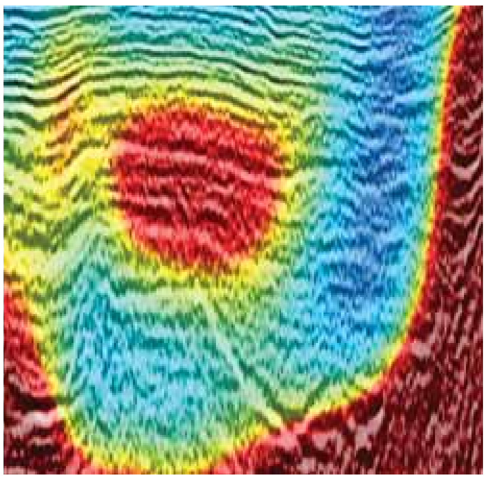
Ernest

Chance of Success 23%

Prospective	Low Estimate	Best Estimate	High Estimate
STOIIP (MMbbls)	224	519	1,191
Resources (MMbbls)	56	156	417
NPV 10 US $ MM	$665	$2,457	$7,459
Source: RPS Energy			



Sea Lion



Ernest

Other oil targets

Other targets considered within the CPR were

	Prospective STOIIP (MMbbls)
Prospect	Best Estimate
Jason	700
Fox	479
Stephens	352
Chatham	93
Berkeley	173
Weddell	441
Source RPS Energy	

Therefore, the top 8 oil prospects on our acreage, which were considered in the CPR, have the potential to contain 3.3 billion barrels of oil in place on the Best Estimate of RPS Energy.

We have a further 15 prospects which were not considered in the CPR.

Johnson Gas – contingent resource

Well 14/5-1 was drilled by Shell in 1998 and targeted a relatively shallow oil prospect mapped by Shell in the centre of the basin. While some oil was encountered at this shallow level, a thick gas-prone interval was found at deeper levels in the well, where no closure had ever been mapped. Furthermore, the design of the previous 3D seismic surveys had led to difficulty in imaging the deep structure.

Despite identifying 165m of net gas pay in the well, effectively confirming a discovery, Shell relinquished the acreage as the prevailing oil price was only USD 10 per barrel and gas in the South Atlantic was of little or no value at the time.

We acquired a large (850km^2) 3D survey over the area during 2007 designed to better image the deeper parts of the basin. Interpretation of these data revealed a previously unseen structure, which we now call Johnson. Johnson is a very large feature, extending over some 200km^2 in area and was drilled by well 14/5-1 in a down dip position.

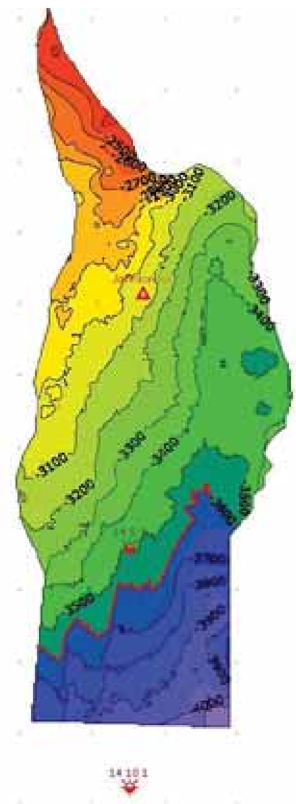
Our independent interpretation of the well logs confirmed the presence of deep gas, even using more pessimistic formation water parameters than Shell used. The RKH 3D survey confirmed a large downthrown structure that could be closed, although the possibility remains that gas could be trapped stratigraphically beyond the structural closure. The new data interpretation confirms the Shell view that the well encountered a significant amount of net gas pay.

When combined with the newly identified structure, the result is a gas discovery and Contingent Resource (Johnson), which has the potential to contain up to 7.9 Tcf of recoverable gas according to independent experts, RPS Energy.

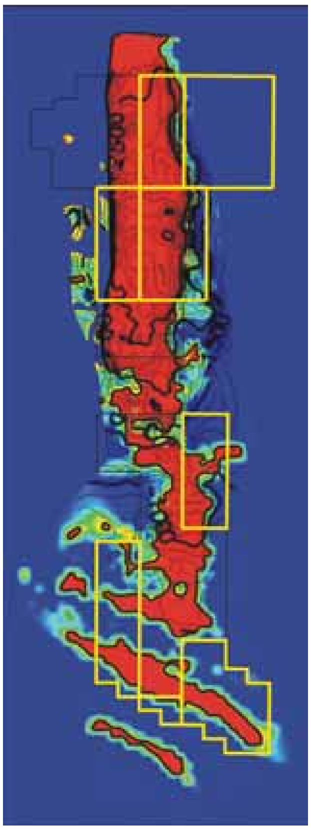
Source Rocks

We have conducted a new basin modelling exercise covering the entire North Falkland Basin incorporating data from the six wells, published data and onshore Falklands maturity data within the framework of the new seismic interpretation. The Basin has two known mature source rocks.

The shallower of the two is Early Cretaceous in age and is mature for oil in the northern part of the basin. Our new work indicates the mature area of this source to be more extensive than previously thought. While this source is known to be mature in the northern part of the basin, it is highly unlikely to be mature for either oil or gas in the southern part of the basin.



Johnson
Depth structure near deep 3D 4 horizon



Likely distribution of mature source rocks

The deeper source is mature for gas in the northern part of the basin, as proven by well 14/5-1, which is a gas discovery. New basin modelling indicates that this source rock could be within the oil and gas maturity window in the southern parts of the basin. In the undrilled area there remains the possibility of additional unknown source rocks. Basin modelling suggests that the southern parts of the basin could be mature even at relatively shallow levels due to the degree of structural inversion as seen in many other world-wide basins.

This new work suggests that distribution of mature source rocks is more widely distributed throughout the basin than was previously thought to be the case.

EIA

Two separate Environmental Impact Statements have been submitted to the Falkland Islands Government, one in relation to licences PL023/PL024 and one in relation to PL032/PL033. The statements cover possible drilling on the following targets:

PL032/PL033
Sea Lion
Stephens
Johnson

PL023/PL024
Ernest
Weddell

The full statements are available to download on the company web site at www.rockhopperexploration.co.uk.

Benthic

As part of preparing the Environmental Impact Statements we collected a number of new benthic samples in licences PL023 and PL024. This formed part of a larger benthic sampling campaign which we shared with Desire Petroleum. The samples were obtained from the sea bed using a grab lowered from a ship. The benthic species identified from these grabs were typical of the region at similar depths and seabed sediment types.

No areas of special conservation interest were identified. However, all drilling operations will be continue to be planned in order to minimize impacts on the seabed

Conclusion

By virtue of signing our letter of Intent on one of our license areas and by virtue of Desire Petroleum's announcement of it signing a Letter of Intent with a rig company for use in the North Falkland Basin, we are now hopeful to be participating in a drilling campaign in this area during 2010.

Samuel Moody
Managing Director

18 September 2009

Board of Directors

1 Dr Pierre Jungels CBE 65
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 39
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 43
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 also the Chief Financial Officer of the charity Help for Heroes.

4 Richard Visick 42
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 56
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 55
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 52
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 2009

The directors submit their report and group financial statements of Rockhopper Exploration plc for the year ended 31 March 2009.

Principal activity

The principal activity of the group is the exploration and exploitation of oil and gas exploration licences 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 (2008: £nil).

Business review

The group has declared a loss for the year ended 31 March 2009 of $4,450k (2008:$1,472k) which equates to a loss per share of 5.58 cents (2008: loss of 1.95 cents). The loss has increased over the comparative period primarily as a function of a loss on foreign exchange due to the strengthening of the US$ in the period from 2.00 to 1.42 US$ to the GB£.

Finance income for the period rose to $311k from $267k last year. The increase was due to the greater cash balances held as a result of the shares placed during the first half of the year which raised $7,226k after expenses of $333k. However, as a percentage of the balances held, the group suffered a worse return of 2.40% against 5.53% for the prior period due to the fall in base rates.

Administrative expenses were $1,840k against $1,487k for the comparative period, due mainly to increased professional fees and travel costs incurred through looking for a partner to farm out to.

The share based expense of $481k compares to $235k for the previous period. The higher charge reflects the recognition of all the remaining cost of the third tranche of options that vested on 15 August 2008, and the granting of share appreciation rights during the period.

Shareholders' equity has increased by $3,734k since the year ended 31 March 2008 with the total loss of $4,450k for the period offset mainly by the share placing of $7,226k and the options exercised of $477k.

Financial outlook for the next financial year

At the current levels of expenditure, the successful placing in May 2008 raising $7,226k after costs means that the company has sufficient funds to finance the working capital needs of the group for a number of years.

With the recent announcement by Desire Petroleum plc, discussed in note 1.3, the next financial year could see a considerable change in activity. Whist the company is keeping its options open as to the method of financing, it is highly likely to include a share placing. The size of any placing would range from enough to support a campaign on the Desire acreage, to which the group has farmed in, right up to a full campaign on its 100% owned acreage. The decision as to which is the right course of action will be guided by what is best for the group at that time.

Concerns as to the strength of the economy has seen the base rate in the UK cut from 5.25% to 0.5%. Cuts in either the UK or US rates reduce the group's finance 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 90 days or less 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.

Desipte the granting of new options during, and subsequent to, the year under review the associated income statement charge is expected to reduce next year as the one off cost discussed above will not reoccur.

Cash balances at 31 March 2009 stood at $6,387k 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, only $709k was held in US$ because, whilst most of the value and risk is denominated in US$, GB£ is the currency in which most of the working capital is incurred. This does expose the group to currency fluctuations, particularly a strengthening of the US$.

Key performance indicators "KPIs"

As the group is a pure explorer 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, excluding directors

At 18 September 2009 the company has been notified of interests of 3% or more of the company's voting rights shown below:

Shareholder/Fund manager	Percentage of voting right
Charles Stanley & Co	6.40%
Royal London Asset Management	5.80%
AXA Framlington	4.68%
RAB Capital	4.50%
Schroder Investment Managers	3.25%
Credit Agricole Cheuvreux International	3.15%

Directors and their interests

The present members of the board are as listed on page 11.

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 2009 Ordinary 1p shares	At 31 March 2008 Ordinary 1p shares
P J M H Jungels	696,074	346,074
S J Moody	885,455	885,455
P J Dixon-Clarke	145,129	145,129
R F Visick	17,982,443	17,782,443
D Bodecott	91,000	91,000
K J Crowle	23,809	23,809
C J Walton	23,809	23,809
	19,847,719	19,297,719

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.

On 29 June 2009 the four executive directors bought 610,000 additional shares in the company. This is discussed further under note 14 post balance sheet events.

The 200,000 shares bought by R F Visick were purchased in the open market.

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 2009. The committee's policy on executive directors' remuneration will continue to apply for the year to 31 March 2010 and, so far as is practicable, for future years.

Directors' report continued

for the year ended 31 March 2009

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' remuneration (audited)

The directors' remuneration for the year ended 31 March 2009 was:

	Salary £'000	Bonus £'000	2009 Total £'000	2008 Total £'000
P J Jungels	62	23	85	67
S J Moody	153	58	211	182
P J Dixon-Clarke	68	26	94	75
D Bodecott	96	26	122	84
K J Crowle	30	–	30	29
C J Walton	30	–	30	29
R F Visick	30	–	30	–
Total directors' remuneration	469	133	602	466
Employer's national insurance	55	17	72	54
R F Visick (fees only)	–	–	–	29
Total	524	150	674	549
Remuneration above converted to US$'000	942	270	1,212	1,103

D Bodecott's salary for the year contains overtime of £28k.

The bonus charged to the year relates to the directors' performance for the year ended 30 April 2008.

As all employees are directors, the table above discloses the total remuneration across the group. None of the directors are paid any benefits in kind, other than via the option scheme disclosed below.

Prior to 1 April 2008, R F Visick was 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, was therefore disclosed under Related party transactions. Effective 1 April 2008 R F Visick was paid a salary via the payroll.

Directors' service contracts

Apart from the automatic termination at 70 years of age in the case of P J 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 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 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	8 Aug 2005	525,000	–	525,000	0.42	15 Aug 2006–10 Apr 2015 in 3 tranches see below
D Bodecott	8 Aug 2005	525,000	–	525,000	0.42	15 Aug 2006–10 Apr 2015 in 3 tranches see below

No options were granted, expired or forfeited during the year. Those exercised by P J Jungels were all done so on 25 November 2008. When the market price stood at 19.25 pence per ordinary share, thereby making a profit of £32,375.

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

Tranche 1 on or after the first anniversary of admission
Tranche 2 on or after the second anniversary of admission, following 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 R F Visick. None of these options 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 previous year and the balance during the current year. See note 6.

Amendment to the employee share option scheme (ESOS)
On 20 November 2008 the Remuneration Committee agreed to amend the ESOS to enable the board of the company to grant share appreciation rights ("SARs") to executive directors and employees of the company.

The ESOS was amended to allow SARs to be granted because SARs help reduce the number of ordinary shares issued, thus limiting the dilutive effect of the ESOS on the company's issued share capital. Under the rules of the ESOS the number of ordinary shares which may be allocated by the company (excluding options over ordinary shares granted prior to the admission of the company's ordinary shares to trading on AIM) will continue to be limited to a maximum of 10% of the issued ordinary share capital of the company in any 10 year period.

Share appreciation rights
On 25 November 2008, following the amendments discussed above, the board of Rockhopper granted to executive directors of the company SARs in addition to the options over ordinary shares granted in the year ended 31 March 2006. A SAR is effectively a share option that is structured from the outset to deliver, on exercise, only the net gain in the form of new ordinary shares that would have been made on the exercise of a market value share option.

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

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

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

Grant of SARs on 25 November 2008
On 25 November 2008, the company granted awards of SARs over shares representing a total of 2.28% of the current issued ordinary share capital of the company, to the following awardees:

Name	SARs awarded	Percentage of issued ordinary share capital at time of award
P J Jungels	324,675	0.41
S J Moody	797,402	0.99
P J Dixon-Clarke	355,844	0.44
D Bodecott	355,844	0.44
	1,833,765	2.28

All the SARs awarded were still held at the year end.

The base price of the SARs awarded on 25 November 2008 was 19.25 pence per ordinary share, being the middle market quotation of an ordinary share on the dealing day immediately preceding the date of grant.

The company's Remuneration Committee made this award of SARs subject to performance conditions based on raising funds to drill its outstanding commitment wells, negotiating and entering into drilling contract(s) and ensuring that the drilling campaign is completed in accordance with acceptable health and safety standards. If any or all of the performance conditions are not met by 31 December 2013, the uninvested portion of the SARs will lapse at that time. None of the SARs were exercisable at the year end.

A further grant was made on 3 July 2009 and is discussed within note 14 post balance sheet events.

Post balance sheet events
See note 14.

Related party transactions
See note 15.

Financial instruments
For the period under review the group held no financial instruments. Financial risk management policies are disclosed in note 16.

Political and charitable contributions
The group made no charitable donations (2008: £2,000) and no political donations (2008: £nil) during the year.

Creditor payment policy
The company does not follow any specific code or standard on payment practice, however, it is the policy of the group to ensure that all of its suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations. Average creditor days for the year were 205 days (2008: 233 days), on the basis of accounts payable as a percentage of administrative expenses. The values are skewed by a single creditor provision for which payment is due but not yet requested, see note 10 for further details.

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.

Employees
The group has only seven 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.

Directors' report continued

for the year ended 31 March 2009

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

18 September 2009

Corporate governance statement

The company is not specifically required to comply with the June 2006 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 as, 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 address 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, finance and nomination committees

Audit, remuneration, finance and nomination committees, with formally delegated duties and responsibilities, operate under the chairmanship of C J Walton, K J Crowle, R F Visick 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 R F Visick, the finance committee comprises K J Crowle and C J Walton, both of whom 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.

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 offered 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. See also the auditor's report and note 1.3 to the accounts.

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 Jungels	6*	–	–	–	0*
S J Moody	6	2†	–	–	–
P J Dixon-Clarke	6	2†	–	–	–
D Bodecott	6	–	–	–	–
K J Crowle	6	2	2*	0	0
R F Visick	6	0†	2	0*	0
C J Walton	6	2*	2	0	0
Total meetings during year	6	2	2	0	0

* Chairman
† Invitee
— Not a member

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

We have audited the group and parent company financial statements on pages 22 to 44.

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 2009 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 2009;

- 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.

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the disclosure made in note 1.3 to the financial statements concerning the group's ability to continue as a going concern. In that note, the directors have stated that the group may not have sufficient cash resources to enable it to fully undertake its planned work programme over the next 12 months. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Baker Tilly UK Audit LLP
Registered Auditor

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

18 September 2009

Group income statement

for the year ended 31 March 2009

	Notes	2009 $'000	2008 $'000
Expenses			
Administrative expenses	3	**(1,840)**	(1,487)
Charge for share based remuneration	4	**(481)**	(235)
Foreign exchange movement		**(2,440)**	(17)
Total expenses		**(4,761)**	(1,739)
Finance income		**311**	267
Loss before tax		**(4,450)**	(1,472)
Income tax expense	5	**–**	–
Loss for the year attributable to the equity shareholders of the parent company		**(4,450)**	(1,472)
Loss per share: cents (basic & diluted)	6	**(5.58)**	(1.95)

Group balance sheet

as at 31 March 2009

	Notes	2009 $'000	2008 $'000
Assets			
Capitalised exploration expenditure	7	**26,843**	25,942
Equipment		**20**	6
Other receivables	8	**54**	35
Cash and cash equivalents	9	**6,387**	3,525
Total assets		**33,304**	29,508
Liabilities			
Other payables	10	**1,109**	1,047
Total liabilities		**1,109**	1,047
Equity			
Share capital	11	**1,420**	1,330
Share premium		**36,210**	28,597
Share based remuneration		**1,795**	1,371
Merger reserve		**(243)**	(243)
Currency translation reserve		**4,123**	4,123
Retained losses		**(11,110)**	(6,717)
Attributable to the equity shareholders of the company		**32,195**	28,461
Total liabilities and equity		**33,304**	29,508

These financial statements were approved by the directors and authorised for issue on 18 September 2009 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 2009

	2009 $'000	2008 $'000
Share capital		
Opening balance	**1,330**	1,325
Options exercised	**15**	5
New shares issued	**75**	–
Closing balance	**1,420**	1,330
Share premium		
Opening balance	**28,597**	28,403
Premium on options exercised	**462**	194
Premium on shares issued	**7,484**	–
Issue costs	**(333)**	–
Closing balance	**36,210**	28,597
Share based remuneration		
Opening balance	**1,371**	1,115
Charge for the year	**481**	235
Transferred to retained losses in respect of options exercised during the year	**(57)**	–
Currency translation difference	**–**	21
Closing balance	**1,795**	1,371
Merger reserve		
Opening and closing balance	**(243)**	(243)
Currency translation reserve		
Opening balance	**4,123**	3,444
Movement during the year	**–**	679
Closing balance	**4,123**	4,123
Retained losses		
Opening balance	**(6,717)**	(4,609)
Net income and expense recognised in the income statement	**(4,450)**	(1,472)
Net income and expense recognised directly in equity	**–**	(650)
Transferred from share based remuneration reserve	**57**	–
Currency translation difference	**–**	14
Closing balance	**(11,110)**	(6,717)
Equity attributable to the equity shareholders of the company	**32,195**	28,461

The total of income and expense items recognised directly in equity is $nil (2008: $95k). The comparatives have been represented to show the merger reserve movement in retained losses rather than the currency translation reserve.

Group cash flow statement

for the year ended 31 March 2009

	2009 $'000	2008 $'000
Cash flows from operating activities		
Net loss	**(4,450)**	(1,472)
Adjustments to reconcile net losses to cash utilised		
Depreciation	**10**	14
Share based remuneration charge	**481**	235
Other non-cash items	**–**	372
Operating cash flows before movements in working capital	**(3,959)**	(851)
Changes in:		
Receivables	**(19)**	39
Payables	**62**	(507)
Cash utilised by operating activities	**(3,916)**	(1,319)
Cash flows from investing activities		
Capitalised exploration expenditure	**(901)**	(1,692)
Purchase of equipment	**(24)**	(4)
Cash utilised by investing activities	**(925)**	(1,696)
Cash flows from financing activities		
Options exercised	**477**	199
Issue of share capital	**7,559**	–
Share issue costs	**(333)**	–
Cash generated from financing activities	**7,703**	199
Net cash inflow/(outflow)	**2,862**	(2,816)
Cash and cash equivalents brought forward	**3,525**	6,341
Cash and cash equivalents carried forward	**6,387**	3,525

Notes to the group financial statements

for the year ended 31 March 2009

1 Accounting policies

1.1 Group and its operations

Rockhopper Exploration plc ('the company'), a public limited company quoted on AIM incorporated and domiciled in the United Kingdom ('UK'), together with its subsidiaries (collectively, 'the group') holds certain exploration licences granted in 2004 and 2005 for the exploration and exploitation of oil and gas in the North Falkland Basin. The registered office of the company is Hilltop Park, Devizes Road, Salisbury, SP3 4UF.

1.2 Basis of preparation

These consolidated financial statements have been prepared using standards issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. 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$. The functional and presentational currency of the subsidiaries, where the licences are held, is US$. Effective 1 April 2008, the functional currency of the company became US$. The change reflects the movement of the balance between GB£ and US$ denominated assets held by the company, to the extent that US$ is now the currency of the primary economic environment.

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 1 – First time adoption (amendment)
IFRS 2 – Share based payment (amendment)
IFRS 3 – Business combinations
IFRS 7 – Financial instruments disclosures (amendments)
IFRS 8 – Operating segments
IFRIC13 – Customer loyalty programmes
IFRIC15 – Agreements for the construction of real estate
IFRIC16 – Hedges of net investment in a foreign operation
IFRIC17 – Distributions of non-cash assets to owners
IFRIC18 – Transfers of assets from customers
IAS1 – Presentation of financial statements
IAS23 – Borrowing costs
IAS27 – Consolidated and separate financial statements (amendment)
IAS28 – Investments in Associates
IAS31 – Investments in Joint Ventures
IAS32 – Financial instruments presentation (amendment)
IAS37 – Financial instruments recognition (amendment)

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 Going concern

On 10 September 2009, Desire Petroleum plc announced that it had exchanged a letter of intent with Diamond Offshore Drilling (UK) Limited for the drilling unit the Ocean Guardian to undertake a four well minimum drilling campaign in the North Falkland Basin. The letter, and any subsequent agreement, will be subject to approval by the Falkland Islands Government.

At the time of writing, the Ocean Guardian is in the North Sea and following a programme of shipyard work is expected to mobilise in November 2009 giving a projected arrival in Falkland waters of early February 2010. Desire has options to drill a further four wells for itself and or its partners, one of which is Rockhopper Exploration (Oil) Limited, a Falkland Island Company, through a farm in agreement signed in 2005 that entitles it to 7.5% of future revenue in exchange for a contribution of 15% to the dry hole costs.

Discussions are ongoing with Desire Petroleum plc, to plan a future work programme and depending on the outcome of these discussions, the group may not have sufficient cash resources to meet its commitments. The directors are currently pursuing a number of financing options, including the raising of new capital and/or farm outs, in order to ensure that the group will have adequate cash resources to continue to develop its assets in line with the agreed time frame. More detail on this point provided in note 12, Contingent liability.

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

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

1.4 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. IFRSs contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of 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 licences in the North Falkland Basin, and therefore concludes that it has only one business segment and only one geographic segment.

1 Accounting policies continued

(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 licence 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.

(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 all the group's entities is US$.

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 the exchange rates prevailing at the time; 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 2009	31 March 2008	31 March 2007
£ : US$	**1.42**	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 option schemes that have each granted options over the ordinary shares of the company, being an employee share option scheme ("ESOS") and a non-employee share option scheme ("NESOS").

During 2008, the group also created a scheme for share appreciation rights ("SARs"). These are accounted and valued on a similar basis as the options.

Notes to the group financial statements continued

for the year ended 31 March 2009

1 Accounting policies continued

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
Leasehold improvements	Ten 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 and the contingent liability disclosed in note 12.

3 Administrative expenses

	2009 $'000	2008 $'000
Directors' fees and remuneration (see directors' report)	**1,212**	1,103
Capitalised as exploration expenditure	**(278)**	(236)
	934	867
Auditor's remuneration		
Audit services	**28**	45
Interim review	**12**	9
Tax services	**31**	15
Other services	**–**	3
Other professional fees	**277**	165
Travel	**188**	85
Office rentals	**57**	21
Depreciation	**10**	14
Other	**303**	263
	1,840	1,487

4 Share based remuneration

	2009 $'000	2008 $'000
Charge for the options granted in 2005	**449**	235
Charge for the options granted in 2008	**32**	–
	481	235

The increased cost for the year of the 2005 options reflects the recognition of all the remaining cost of the third tranche of options that vested on 15 August 2008.

In 2005, the group created two schemes that each granted options over the ordinary shares of the company. These were an employee share option scheme ["ESOS"] and a non-employee share option scheme ["NESOS"]. See also the share options table within the directors' report. The 4,050,000 options granted on 8 August 2005 were done so when the share price stood at 42p, the admission price.

The value of the total option charge for the two schemes 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% (based on historic volatility over the year prior to grant),
– 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,
– an illiquidity discount of 5%, and
– an expiry date of 20 April 2015.

On 20 November 2008, the Remuneration Committee amended the existing ESOS to enable the granting of awards of shares in the company in the form of share appreciation rights (SARs). On 25 November 2008, 1,833,765 SARs were granted to the executive directors.

The value of the option charge in respect of the SARs has been calculated based on a bi-nomial model and key assumptions, include:
– base price of 19.25 pence,
– a weighted average volatility of 95% (based on historical volatility over the last four years),
– a weighted average risk free rate of 3.36%,
– 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,
– an illiquidity discount of 0%, and
– an expiry date of 31 December 2013.

The total fair value of the SARs granted in the year was £98,977, or $163,312 converted at the rate prevailing at that time, equivalent to an average of 5.4 pence per SAR.

Further information concerning share based payment is provided in the directors' report.

Notes to the group financial statements continued

for the year ended 31 March 2009

5 Taxation

	2009 $'000	2008 $'000
Current tax:		
UK corporation tax on losses for the year	–	–
Tax on loss on ordinary activities	–	–
Loss on ordinary activities before tax	(4,450)	(1,472)
Loss on ordinary activities multiplied by the rate of corporation tax of 30%	(1,335)	(442)
Effects of:		
Expenses not deductible	1	576
Depreciation in excess of capital allowances	2	4
Relief for interest capitalised	(300)	–
Utilisation of losses	(365)	–
FRS 20 adjustment	135	–
Prior period adjustments	–	(431)
Losses carried forward	1,862	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.

6 Basic and diluted loss per share

	2009 Number	2008 Number
Shares in issue brought forward	75,908,330	75,663,305
Shares issued during the period		
– Issued on 13 September 2007	–	1,980
– Issued on 13 November 2007	–	4,950
– Issued on 11 March 2008	–	238,095
– Issued on 10 April 2008	238,095	–
– Issued on 30 April 2008	238,095	–
– Issued on 22 May 2008	3,780,000	–
– Issued on 26 November 2008	350,000	–
Shares in issue carried forward	80,514,520	75,908,330
Weighted average shares in issue	79,719,770	75,679,199

	$'000	$'000
Net (loss) after tax	(4,450)	(1,472)
Basic and diluted net (loss) per share – cents	(5.58)	(1.95)

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.

7 Capitalised exploration expenditure

	2009 $'000	2008 $'000
At 1 April	**25,942**	24,527
Capitalised during the year		
Exploration costs	**623**	1,179
Internal costs	**278**	236
At 31 March	**26,843**	25,942

8 Receivables

	2009 $'000	2008 $'000
Prepayments	**29**	–
Accrued interest	**8**	–
Other	**17**	35
	54	35

The carrying value of receivables approximates to fair value.

9 Cash and cash equivalents

	2009 $'000	2008 $'000
Current accounts	**277**	26
Deposit accounts	**1,599**	1,098
Fixed term deposits of three months or less	**4,260**	2,048
Charged accounts	**251**	353
	6,387	3,525

All $709k (2008: $853k) of the US$ denominated balances are held within the deposit accounts, both of which are same day access. The charged accounts amounts relate to a collateral account at RBS plc, to support the credit risk to the bank stemming from any forward currency purchases, and the rent deposit. Both amounts are GB£ denominated and the apparent movement in the balances relates to foreign exchange differences only.

During the year the group earned interest at an average rate of 2.40%. As the group only holds short term deposits any change in base rate has a direct effect. A fall in interest earned of 0.50% would have reduced interest earned by $65k and a rise of 0.50% would have increased it by the same amount.

10 Other payables

	2009 $'000	2008 $'000
Accounts payable	**1,033**	950
Accrued expenses	**52**	55
Other	**24**	42
	1,109	1,047

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 accounts payable, $883k was denominated in USD of which $857k (2008: $857k) relates to payment witheld in respect of the potential Falkland Islands corporation tax liability arising on the contractor in respect of 3D work undertaken in the North Falklands Basin by that contractor during the year ended 31 March 2007.

11 Share capital

	2009		2008	
	$'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	**1,420**	**80,514,520**	1,330	75,908,330

For details of movements during the year, see note 6.

12 Contingent liability

Rockhopper Exploration (Oil) Limited, a group subsidiary registered in the Falkland Islands, has farmed in to the adjacent acreage with a view to benefitting from 7.5% of future revenue from that acreage. Under the terms of the farm in to the acreage, held by Desire Petroleum plc, the subsidiary is liable to pay 15% of dry hole costs incurred by Desire, subject to the agreed financial expenditure ("AFE") for a three well campaign being no more than $50m for 100% of the costs. This equates to a maximum of $7,500k against cash balances at the year end of $6,387k. In the event that the AFE exceeds $50m then the company has the right to withdraw from the agreement and be reimbursed for all costs incurred up to that point or can agree to participate in any costs in excess of $50m on terms to be agreed by the board at the time the commitment is entered into. The release by Desire of a press release on 10 September 2009 suggests that a campaign by June 2010 is possible.

13 Other financial commitments

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

	2009 $'000	2008 $'000
Total committed within 1 year	**16**	16
Total committed between 1 and 5 years	**30**	46
	46	62

14 Post balance sheet events

Grant of SAR's

On 3 July 2009 the company granted share appreciation rights over 0.67% of the current issued ordinary share capital. The base price for the SARs was 30.87p.

Name	SARs awarded	Aggregate SARs awarded	Percentage of issued ordinary share capital at time of award
P J Jungels	94,314	418,989	0.12
S J Moody	231,636	1,029,038	0.29
P J Dixon-Clarke	103,368	459,912	0.13
D Bodecott	103,368	459,912	0.13
	532,686	2,367,851	0.67

Purchase of shares by directors

On 29 June 2009, the four executive directors bought shares in the company as follows:

Name	Shares purchased	Aggregate shares held	Percentage of issued share capital
P J Jungels	150,000	866,074	1.08
S J Moody	242,980	1,128,435	1.40
P J Dixon-Clarke	108,510	253,639	0.31
D Bodecott	108,510	199,510	0.25
	610,000	2,447,658	3.04

The purchases were in compliance with a condition of the current bonus scheme which requires 50% of the net receipts of any bonus to be used to purchase shares in the company. The purchase by P J Jungels exceeded the amount he was required to purchase under the terms of the scheme.

Letter of intent announced
On 11 September 2009, the company announced that it had signed a letter of intent with a third party energy company for a farm-in to one of its group licences. The letter, and any subsequent agreement, will be subject to approval by the Falkland Islands Government.

15 Related party transactions

On 13 January 2009 R F Visick notified the company, that on 6 December 2008, 1,000,000 of his beneficially held ordinary shares of GB£0.01 each in the company ("ordinary shares"), representing 1.24% of the issued ordinary share capital of the company, were secured in favour of an FSA authorised asset manager of which he is a private client as part of general security arrangements in respect of credit provided to him by the asset manager. R F Visick remained the registered holder and beneficial owner of all of the ordinary shares referred to above, and retains control of the voting rights attached to such ordinary shares. On 26 May 2009, R F Visick notified the company that he had repaid the loan.

On 21 January 2009 the company received notification from R F Visick, that on 21 January 2009, 14,750,000 of his beneficially held ordinary shares of GB£0.01 each in the company ("ordinary shares"), representing 18.32% of the issued ordinary share capital of the company, were secured in favour of an FSA authorised private bank of which he is a private client as part of general security arrangements in respect of credit provided to him by the private bank. R F Visick remained the registered holder and beneficial owner of all of the ordinary shares referred to above, and retained control of the voting rights attached to such ordinary shares.

During the year ended 31 March 2009, £nil (2008: £31,037) was paid to R F Visick by the company in respect of services provided and costs incurred, to Strachan Visick, of which R F Visick is a shareholder and Director. £7,391 was paid by the company during the current year, all of which related to the settlement of liabilities brought forward from the prior year. From 1 April 2008 Strachan Visick no longer invoiced in respect of R F Visick and he is paid a salary via the payroll.

16 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 rigs are becoming available.

Foreign exchange risks; as with the risk above, due to limited cash resource 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.

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 2009	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	26,843	20	26,863
Monetary assets	709	5,732	6,441
	27,552	5,752	33,304
Monetary liabilities	1,065	45	1,110
Equity	–	37,630	37,630
Reserves	(5,436)	–	(5,436)
	(4,371)	37,675	33,304

16 Risk management policies continued

As at 31 March 2008	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	25,948	6	25,954
Monetary assets	853	2,701	3,554
	26,801	2,707	29,508
Monetary liabilities	865	182	1,047
Equity	–	29,927	29,927
Reserves	1,857	(3,323)	(1,466)
	2,722	26,786	29,508

On 1 April 2008 the company elected to change its functional currency from GB£ to US$. The main effect of this, within the group accounts, being to change the currency in which the company's reserves are held from GB£ to US$. For the prior year, the reserves of the company were held in GB£ and of the subsidiaries in US$.

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, with rates now at historic lows there is not much further that they could fall.

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.

Counter-party risk; rather than keep all its funds with one bank, throughout the year the company has split the bulk of its funds across two banks, both of which are part owned by the British government.

	2009 $'000	2008 $'000
RBS plc	**4,720**	1,427
Lloyds TSB plc	**1,507**	2,046
HSBC plc	**160**	52
	6,387	3,525

Parent company financial statements

Company balance sheet

as at 31 March 2009

	Notes	2009 $'000	2008 $'000
Investments	2	**420**	420
Tangible assets	3	**20**	6
Fixed assets		**440**	426
Debtors	4	**30,456**	30,346
Cash and cash equivalents		**6,387**	3,524
Current assets		**36,843**	33,870
Creditors due within one year	5	**(1,109)**	(1,046)
Net current assets		**35,734**	32,824
Total assets less current liabilities		**36,174**	33,250
Share capital	6	**1,420**	1,330
Share premium	8	**36,210**	28,597
Share based remuneration	8	**1,795**	1,371
Currency translation reserve	8	**4,123**	4,123
Retained losses	8	**(7,374)**	(2,171)
Equity shareholders' funds		**36,174**	33,250

These financial statements were approved by the directors and authorised for issue on 18 September 2009 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 2009

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 accounts relate to the company only and do not include the results of its subsidiaries.

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

Going concern

On 10 September 2009, Desire Petroleum plc announced that it had exchanged a letter of intent with Diamond Offshore Drilling (UK) Limited for the drilling unit the Ocean Guardian to undertake a four well minimum drilling campaign in the North Falkland Basin. The letter, and any subsequent agreement, will be subject to approval by the Falkland Islands Government.

At the time of writing, the Ocean Guardian is in the North Sea and following a programme of shipyard work is expected to mobilise in November 2009 giving a projected arrival in Falkland waters of early February 2010. Desire has options to drill a further four wells for itself and or its partners, one of which is Rockhopper Exploration (Oil) Limited, a Falkland Island Company, through a farm in agreement signed in 2005 that entitles it to 7.5% of future revenue in exchange for a contribution of 15% to the dry hole costs.

Discussions are ongoing with Desire Petroleum plc, to plan a future work programme and depending on the outcome of these discussions, the group may not have sufficient cash resources to meet its commitment. The directors are currently pursuing a number of financing options, including the raising of new capital and/or farm outs, in order to ensure that the group will have adequate cash resources to continue to develop its assets in line with the agreed time frame. More detail on this point is provided in note 12, to the group accounts, contingent liability.

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

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

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 $5,260k (2008: loss of $575k).

Share based payment

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

Both schemes were created after 7 November 2002 and the company accounts for their cost until such time as they are fully vested in line with Financial Reporting Standard 20 ("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.

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

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 4 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.

Notes to the company financial statements continued

for the year ended 31 March 2009

1 Accounting policies continued

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

Effective 1 April 2008 the functional currency of the company became US$. The change reflects the movement of the balance between GB£ and US$ denominated assets held by the company, to the extent that US$ is now the currency of the primary economic environment.

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date or, if appropriate, at the rate in related forward-currency contracts. The historic differences relating to the translation of share capital and premium have been taken straight to reserves. See note 9 for further detail. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the exchange rates ruling at the balance sheet date and any differences thereon are included in the profit and loss account.

The year end rates of exchange actually used were:

	31 March 2009	31 March 2008	31 March 2007
£ : US$	**1.42**	2.00	1.96

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-dollar 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 evenly over its expected useful life as follows:

Office equipment	Over 3 years
Leasehold improvements	Over 10 years

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

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2 Investments

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

Company	Incorporated	Class of share	Percentage held %	Net assets $'000	Result for the year $'000
Rockhopper Resources Limited	England & Wales	Ordinary	100	676	1,471
Rockhopper Exploration (Oil) Limited	England & Wales	Ordinary	100	–	–
Rockhopper Exploration (Hydrocarbons) Limited	England & Wales	Ordinary	100	575	620
Rockhopper Exploration (Petrochemicals) Limited	England & Wales	Ordinary	100	–	–
Rockhopper Exploration (Oil) Limited	Falkland Islands	Ordinary	100	276	335

Rockhopper Resources was acquired by means of a 500:1 share for share exchange on 23 February 2005 with 21,013,900 ordinary shares of £0.01 each being issued to "fund" this acquisition. The investment has been accounted for at the par value of the shares issued taking advantage of the merger relief principles under section 131 of the Companies Act 1985.

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

During the year the company earned interest on the monies loaned to three of the subsidiaries as follows:

	2009 $'000	2008 $'000
Rockhopper Resources Limited	**379**	521
Rockhopper Exploration (Hydrocarbons) Limited	**1,167**	1,626
Rockhopper Exploration (Oil) Limited	**73**	105
	1,619	2,252

3 Tangible assets

	2009 $'000	2008 $'000
Cost at 1 April	**40**	36
Additions	**24**	4
Cost at 31 March	**64**	40
Depreciation at 1 April	**(34)**	(20)
Charge for the year	**(10)**	(14)
Depreciation at 31 March	**(44)**	(34)
Net book value at 1 April	**6**	16
Net book value at 31 March	**20**	6

Notes to the company financial statements continued

for the year ended 31 March 2009

4 Debtors

	2009 $'000	2008 $'000
Due from subsidiary undertakings	**30,402**	30,312
Other debtors	**17**	34
Accrued interest	**8**	–
Prepayments	**29**	–
	30,456	30,346

The amounts due from subsidiary undertakings are the subject of a loan agreement signed on 26 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.

5 Creditors due within one year

	2009 $'000	2008 $'000
Trade creditors	**1,033**	950
Accruals	**52**	54
Other creditors	**24**	42
	1,109	1,046

6 Share capital

	2009 Number	2008 Number
Shares in issue brought forward	**75,908,330**	75,663,305
Shares issued during the period		
– Issued on 13 September 2007	**–**	1,980
– Issued on 13 November 2007	**–**	4,950
– Issued on 11 March 2008	**–**	238,095
– Issued on 10 April 2008	**238,095**	–
– Issued on 30 April 2008	**238,095**	–
– Issued on 22 May 2008	**3,780,000**	–
– Issued on 26 November 2008	**350,000**	–
Shares in issue carried forward	**80,514,520**	75,908,330

	2009		2008	
	$'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	**1,420**	**80,514,520**	1,330	75,908,330

7 Other statutory disclosures

	2009 $'000	2008 $'000
Total remuneration for the year	**1,212**	1,103
Total number of employees	**7**	7

Statutory information on remuneration for other services provided by the company's auditor and its associates is given on a consolidated basis in the directors' report of the group accounts. All the employees are also directors and so the total remuneration and total directors' remuneration are the same.

8 Reconciliation of shareholders' funds and movement on reserves

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Currency translation reserve $'000	Retained losses $'000	Total $'000
At 1 April 2007	1,325	28,403	1,115	3,444	(1,596)	32,691
Options exercised during the year	5	194	–	–	–	199
Movement for the year	–	–	256	679	–	935
Loss during the year	–	–	–	–	(575)	(575)
At 31 March 2008	1,330	28,597	1,371	4,123	(2,171)	33,250
Options exercised during the year	15	462	–	–	–	477
Shares issued during the year	75	7,484	–	–	–	7,559
Share issue costs	–	(333)	–	–	–	(333)
Movement for the year	–	–	481	–	–	481
Transferred during the year	–	–	(57)	–	57	–
Loss during the year	–	–	–	–	(5,260)	(5,260)
At 31 March 2009	**1,420**	**36,210**	**1,795**	**4,123**	**(7,374)**	**36,174**

For share based remuneration, see note 4 within the group accounts.

9 Currency translation reserve

	2009 $'000
Share capital converted at the closing rate (£759 x 2.00)	**1,518**
Share captial converted at the historic rate	**(1,330)**
	188
Share premium converted at the closing rate (£16,266 x 2.00)	**32,532**
Share premium converted at the historic rate	**(28,597)**
	3,935
	4,123

The reserve arises because up until 1 April 2008 the company's functional currency was GB£ but the group's reporting currency was US$. This meant that the share capital and premium were retranslated at the end of each period. The historic rate at which share capital and premium were converted is a composite of a number of rates that applied at the time each issue was undertaken.

Notes to the company financial statements continued

for the year ended 31 March 2009

10 Financial commitments

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

	2009 $'000	2008 $'000
Within 2 to 5 years	**16**	16

11 Post balance sheet events

Grant of SAR's

On 3 July 2009 the company granted share appreciation rights over 0.67% of the current issued ordinary share capital. The base price for the SARs was 30.87p.

Name	SARs awarded	Aggregate SARs awarded	Percentage of issued ordinary share capital at time of award
P J Jungels	94,314	418,989	0.12
S J Moody	231,636	1,029,038	0.29
P J Dixon-Clarke	103,368	459,912	0.13
D Bodecott	103,368	459,912	0.13
	532,686	2,367,851	0.67

Purchase of shares by directors

On 29 June 2009, the four executive directors bought shares in the company as follows:

Name	Shares purchased	Aggregate shares held	Percentage of issued share capital
P J Jungels	150,000	866,074	1.08
S J Moody	242,980	1,128,435	1.40
P J Dixon-Clarke	108,510	253,639	0.31
D Bodecott	108,510	199,510	0.25
	610,000	2,447,658	3.04

The purchases were in compliance with a condition of the current bonus scheme which requires 50% of the net receipts of any bonus to be used to purchase shares in the company. The purchase by P J Jungels exceeded the amount he was required to purchase under the terms of the scheme.

Letter of intent announced

On 11 September 2009, the company announced that it had signed a letter of intent with a third party energy company for a farm-in to one of its group licences. The letter, and any subsequent agreement, will be subject to approval by the Falkland Islands Government.

12 Related parties

The company has taken advantage of the exemption available under FRS8 from disclosing transactions with members of the Rockhopper group. See also disclosures in the group accounts re R F Visick in note 15.

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