ROCKHOPPER EXPLORATION PLC
ANNUAL REPORT 2012

ANNUAL REPORT 2012
EXPLORE, APPRAISE, DEVELOP.

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

Our strategy is to explore, appraise and develop our acreage in the North Falkland Basin both safely and responsibly.

www.rockhopperexploration.co.uk
AIM: RKH

COVER IMAGE:
SYMBOL FOR OIL WELL
PLUGGED AND ABANDONED.

KEY EVENTS
OPERATIONAL AND FINANCIAL

During the year:

↗ 14/10-5 successfully appraised

↗ 3D seismic acquisition programme completed

↗ 14/10-5 successfully flow tested

↗ 14/10-6 successfully appraised

↗ 14/10-7 successfully appraised

↗ 14/10-8 declared a dry hole

↗ Farm in to PL004b & c

↗ $70 million raised in October 2011

↗ 14/10-9 successfully appraised

↗ 14/15-4 successfully appraised

↗ Rig and equipment demobilised

↗ Data room opened for potential farm in partner

Post year:

↗ Published Competent Person's Report

CHAIRMAN'S STATEMENT
DR PIERRE JUNGELS CBE

This year we successfully completed the appraisal campaign of the Sea Lion field and in the process made four more significant discoveries on our operated acreage. All the work was completed to the highest industry standards of Health, Safety and Environment, a credit to both our team and the many contractors with whom we work.

In the past, I have set out the value creation path of an exploration discovery and explained how the value of the field increases as we progress towards the Final Investment Decision ("FID"). The work required to reach FID has therefore been our priority and has focused on appraisal drilling and engineering studies.

The aim of the appraisal drilling has been to narrow the potential range of the estimated field size and the volumes of recoverable oil contained within it. To this end we drilled a further six wells, one of which was flow tested, and continued to build our understanding of all of the data collected.

The engineering studies help to define the basis of a robust development project and its expected cost and so we have undertaken a large amount of work, including seabed surveys, reservoir engineering, well design and flow assurance studies and discussions with Floating Production Storage and Offloading facility ("FPSO") and sub sea equipment suppliers.

The quality and value of the work undertaken was independently confirmed for us when Gaffney Cline & Associates ("GCA") published their Competent Person's Report ("CPR") on Rockhopper's operated acreage in April 2012. In the CPR, GCA rated the chance of the Sea Lion development going ahead as designed at a 90% probability, which is high, and on that basis, calculated the risked post tax net present values, at a 10% discount rate, of the 2C cash flows as being $3.5 billion for the Sea Lion field plus an additional $0.6 billion for the satellites.

It is clear to us, our consultants and our CPR provider that the Sea Lion field is commercial and is a play opener for the North Falkland Basin. In addition, recent 3D seismic and further interpretation of the older 3D indicates that the exploration potential of the basin is significant and I have no doubts that more discoveries will be made.

GOING FORWARDS

With the technical work progressing well, the last piece required will be the financing of the development to first oil. The finance available to a development of this scale will reflect the experience of the operator and will need to be drawn from a range of sources. Given the current state of the capital markets and our wish to minimise dilution to existing shareholders, we feel that the first step in this process should be to secure a farm in partner with proven operating abilities from within the oil and gas industry. To this end, we opened a data room earlier in the year and whilst the location of our acreage has prevented some companies from being able to participate, I have been very pleased by the quality of those that are doing so.

DR PIERRE JUNGELS CBE
CHAIRMAN

30 May 2012

DRILL FLOOR ON OCEAN GUARDIAN

CHIEF EXECUTIVE OFFICER'S REVIEW
SAMUEL MOODY

The year under review has seen the culmination of the work required to confirm the significant value of the Sea Lion field. The additional data acquired by the 3D survey and appraisal drilling has been combined with the concept screening to enable the publication of a CPR. The CPR itself has confirmed that the Sea Lion field has a deterministic best estimate of 1.3 billion barrels of oil in place.

SEISMIC & DRILLING

In May 2011 we concluded an extensive 3D seismic acquisition program. This was undertaken in conjunction with the two other operators in the basin and acquired a total of 4,500km^2 of data that was pre-traded across all the participants. The specific areas targeted by the group were the southern extent of the Sea Lion field, Ernest North, Weddell, Johnson and the open acreage to the north. The Sea Lion data were fast tracked and played a pivotal role in arriving at our Sea Lion volumes for the CPR. Much of the remaining data are still being processed but are expected to throw additional light on the future prospectivity of our acreage.

The appraisal programme has seen us drill a further six wells, each of which had a specific role in proving up the field and one of which was flow tested. Specifically:

- Well 14/10-5 moved up-dip from the discovery well to penetrate the thick section of the stacked SL10 and SL20 fans and provide an optimal location for a flow test. The test itself gave a stabilised and a maximum flow rate of 5,508 and 11,000 barrels per day respectively.
- Well 14/10-6 stepped out to the west of the structural saddle to prove the depositional model of the extensive mass flow fans and the hydrocarbon charge to the west.
- Well 14/10-7 tested for reservoir presence in a lower amplitude and thinner part of the fan system at the edge of the amplitude bright and to determine whether that edge was delimited by amplitude or pinch out.
- Well 14/10-8 appraised the south east part of the Sea Lion fan system where two additional fans, Casper and Kermit, could also be penetrated.
- Well 14/10-9 stepped out to the south, into an area newly mapped by the fast track data, with the aim of expanding the proven discovery area by confirming reservoir continuity and confirming the presence of SL10 and SL20 as stacked fans above the oil-water contact.
- Well 14/15-4 was our most ambitious step out and looked to test the southern extension of SL10 along with the presence of the Beverly and Casper South prospects, on acreage in which we had recently increased our interest to 60%.

We ended the drilling campaign with an appraised oil field in Sea Lion along with multiple additional oil and gas reservoir discoveries in Casper, Casper South, SL05, B15 and Beverley. Overall, seven of the ten wells drilled were considered successful.

> The Competent Person's Report itself has confirmed that the Sea Lion field has a deterministic best estimate of 1.3 billion barrels of oil in place

OCEAN GUARDIAN
ON TOW NEAR FALKLANDS

OPERATIONS AND HSE

Operational activity peaked during the seismic campaign. During this period, in addition to the two seismic vessels and their five support vessels we were still operating a drilling rig, two anchor handling vessels and a platform supply vessel as well as two helicopters and a fortnightly charter, giving a maximum headcount of approximately 300 people.

In view of all the activity discussed above, we are particularly pleased with the safe and responsible nature in which the campaign was conducted. In all, this past year, we had one offshore and two onshore Lost Time Incidents. Equally satisfying was to see the steady improvement over the course of our campaign in the practices undertaken by the local contractors with whom we worked so successfully and productively. We can never allow ourselves to become complacent in this regard and we continue to place the highest Health, Safety and Environmental ("HSE") standards at the top of the group's objectives.

In addition to the seismic and drilling operations, we recently completed two seabed surveys. The first was a geotechnical soils survey, which demonstrated that the soil strength at the seabed makes suction piles a highly suitable option for FPSO mooring purposes, which was a very pleasing result. Secondly, we completed a post drilling and pre development environmental survey, collecting significant data, including seabed box cores, water profiles and chlorophyll samples along with video and seabed stills. Both surveys were completed without HSE incidents.

DEVELOPMENT

Concept screening progressed well during the year and was concluded during December 2011. The continued success of the appraisal drilling has increased the planning assumptions of the areal extent, recoverable volumes and field life of Sea Lion and we fully expect the field to be developed by means of a FPSO. In terms of well count and positioning, the work is ongoing but we expect the total number of wells to be between 28 and 34, being a combination of producers, water injectors, combination producer/injectors and a gas disposal well.

The assumption remains that, under a leased FPSO scenario, the cost to first oil would be in the region of $2 billion.

OUR ASSETS

Having completed the drilling campaign our asset base is as follows:

↗ The Sea Lion field: an appraised oil field with a deterministic best estimate of 1.3 billion barrels in place.

↗ Near field oil discoveries (all made and operated by Rockhopper): Casper, Casper South, B15 and SL05.

↗ Near field gas discovery (also made by Rockhopper): Beverley, a discovery with low risk oil potential down dip.

↗ The remainder of licences PL032 and PL004b: contain significant low risk exploration potential, with a best estimate of recoverable prospective resources of over 350 million barrels net to Rockhopper. This includes eight prospects, with a total best estimate of 187 million barrels and each with over a 20% chance of success, and additional prospectivity, including the George fan.

↗ Further exploration on licence PL024: where we have yet to interpret our newly acquired 3D seismic data but expect to do so within this year.

↗ Cash resources of $107 million.

COMPETENT PERSON'S REPORT ("CPR")

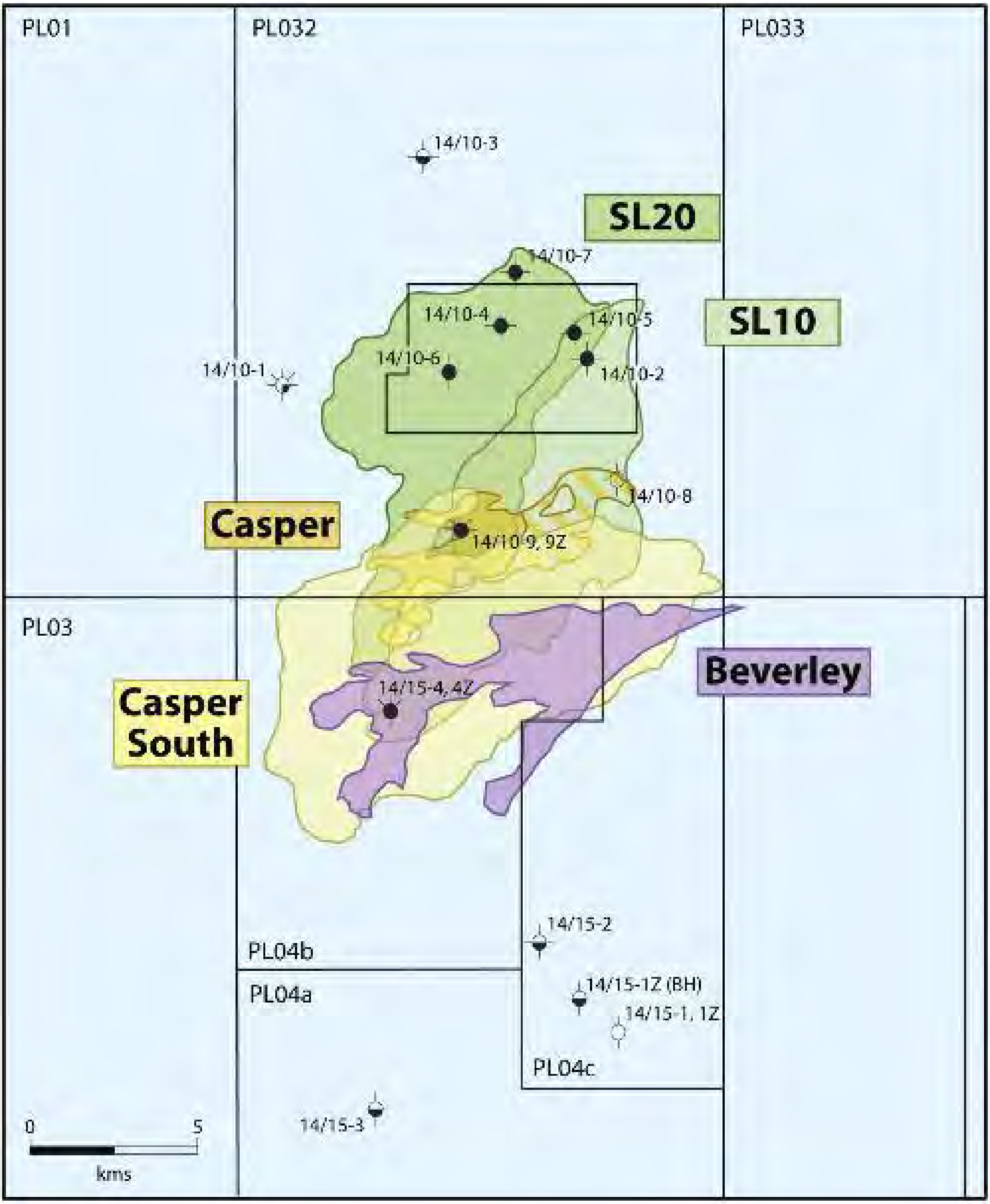
We published our CPR on 20 April 2012, almost exactly two years after spudding our discovery well. We felt that a development of this size warranted a provider of equal standing and so the work was undertaken by Gaffney Cline & Associates who bring a reputation for thoroughness to both reservoir data analysis and field development planning. The report is available in full on our website but in summary indicates total net contingent resources on our operated acreage of 225, 355 and 515 million barrels for 1C, 2C and 3C respectively. The report also indicates a deterministic best estimate in place for Sea Lion alone of 1.3 billion barrels.

The publication of the CPR confirms the value of our discoveries and will give considerable comfort to all stakeholders, present and future, which in turn will support the financing required in order to achieve first oil.

SAMUEL MOODY
CHIEF EXECUTIVE OFFICER

30 May 2012

SEA LION AND SATELLITES



BUSINESS REVIEW
OPERATING AND FINANCIAL

OPERATING REVIEW

The year ended 31 March 2012 has seen the successful conclusion of the group's appraisal of the Sea Lion field. This has included drilling activity and a 3D seismic survey that started just before the end of the previous financial year. The drilling campaign concluded on 8 January 2012 with the demobilisation of the Ocean Guardian rig which had operated continuously since its arrival in the basin in February 2010. In total the group has drilled ten operated wells, including a well as consideration for the farm in agreement with Desire Petroleum plc, and performed two drill stem tests.

The aforementioned farm in well gave the group operatorship and an aggregate interest of 60% in the north western acreage of licence PL004 now designated PL004b as well as an aggregate interest of 25% in the north eastern part of licence PL004, now designated PL004c.

The table sets out a high level summary of the change in the cash resources that have become available to the group during the year as well as the use of those resources.

	2012 $'millions	2011 $'millions
Cash resources available b/f	305	64
Net funds received	71	396
E&E expenditure	(258)	(162)
Movement on payables	(6)	12
Movement on foreign exchange	1	5
Other expenditure	(6)	(10)
	107	**305**

FUNDING

A fundraising was conducted during the year as a non pre-emptive placing, raising a total of $73.5 million before expenses of $3.0 million by placing 25,814,000 new ordinary shares at a price of 180 pence each. In number just less than 10% of the ordinary shares already in issue. The money raised was partly used to finance the consideration well for the farm in agreement and also to ensure the group had sufficient funds to pay for the work programme required to get to a final investment decision.

EXPLORATION AND EVALUATION EXPENDITURE DURING THE YEAR

	2012 $'millions	2011 $'millions
EXPLORATION		
– operated wells	110	92
– non operated wells	1	8
– other campaign costs	12	16
– seismic acquisition	10	14
	133	130
APPRAISAL		
– operated wells	93	29
– other campaign costs	9	—
Other E&E expenditure	14	3
Development	9	—
	258	**162**

Note: exploration wells are defined as those drilled outside of the discovery area declared within licence PL032, whilst appraisal wells are those drilled within it.

Including the $204 million spent on exploration and appraisal to 31 March 2011, the total exploration, evaluation and development costs to 31 March 2012 are $462 million.

OPERATIONAL PERFORMANCE

The group set its agreed financial expenditure for the dry hole cost of a well on a probabilistic basis with an aim to drill at the Pmean confidence level and a strong intent to remain within the P90 level. As most operational costs are incurred on a per day basis, the actual days required is a good proxy for judging the likely performance against the agreed financial expenditure.

	Expected days Pmean	Expected days P90	Waiting on weather	Actual days
Prior year	161	195	9	176
14/10-5	62	73	4	76
14/10-6	40	49	1	34
14/10-7	31	38	5	36
14/10-8	27	33	1	32
14/10-9	41	51	1	34
14/15-4	42	52	2	36
Campaign total	**404**	**491**	**23**	**424**
Average/well	**40**	**49**	**2**	**42**

For well 14/10-5, which included a successful well test, the scope was increased by three days to include extended wireline logging and, with four days lost to waiting on weather, the balance of the overrun was due to non-productive time.

Well 14/10-6 had its scope reduced by a day due to one less coring run. Otherwise the well was drilled quicker than expected and incurred negligible non-productive time.

Well 14/10-7 was the first well to use a simplified well design, being drilled to target depth in a 12¼ inch, as opposed to a 9¾ inch, hole. However the benefits of this were absorbed by waiting on weather.

Well 14/10-8 was drilled as expected, however a loss of power on the rig whilst lifting anchors meant seven days were lost whilst making the appropriate checks prior to resuming full operations.

Well 14/10-9 was drilled quicker than expected and incurred negligible downtime. The well included a sidetrack to take a core of reservoir encountered.

Well 14/15-4 includes the time spent performing a short offset sidetrack in order to obtain core in the Beverley, Casper South and Sea Lion formations encountered.

FINANCIAL REVIEW

INCOME STATEMENT

The group loss for the year decreased by $33.4 million from $87.2 million to $53.8 million.

Exploration and evaluation expenses for the period decreased $38.5 million from $85.7 million to $47.2 million. This was due, in the main, to a decrease in the impairment charge from $68.1 million to $26.4 million. Seismic acquisition costs fell $3.8 million from $14.1 million to $10.3 million as the majority of the 3D seismic campaign was incurred in the previous year but this has been more than offset by increased reallocated staff costs of $1.4 million and other exploration and evaluation expenses of $5.6 million. These increases have been driven by the increased staffing levels and activity interpreting the 3D seismic campaign as well as supporting the development activity of the Sea Lion field.

Administrative expenses have increased $0.5 million from $7.1 million to $7.6 million. The main area of expenditure is staff costs. Total staff costs have increased $0.4 million as the group has increased staff numbers, particularly at a senior management level. As a result of the increased levels of activity by the group all other costs have increased, except auditor's remuneration and other professional fees. The prior period included extensive advice provided around considering the financing options for the group following the oil discovery.

The share based payment charge has increased $0.8 million from $0.2 million to $1.0 million. This is mainly due to the issuance of further share appreciation rights to members of both the executive and senior management.

Foreign exchange movement for the year changed by $4.2 million from a profit of $4.7 million to a profit of $0.5 million as a result of the US$ weakening since October and thereby increasing the year end value of the GB£ balances raised by the placing in October. The group policy is still to match expected cash balances held against currency requirements.

BALANCE SHEET

During the period the group capitalised $237.3 million of intangible assets compared to $144.6 million in the prior period an increase of $92.7 million. Of the amounts capitalised $202.7 million related to wells drilled and tested on operated acreage, $1.4 million related to wells drilled on non-operated acreage, $9.5 million related to development costs and $23.7 million related to other costs such as long lead items and equipment demobilisation costs.

Other receivables have fallen $1.5 million from $3.3 million to $1.8 million. The reduction is mainly due to a reduction in the amount of recoverable VAT. This is a direct result of the reduced level of activity at the end of the current year in comparison with the prior year when the drilling and seismic acquisition operations were both active.

Resources available for the campaign consist of payments on account, restricted cash, term deposits and cash & cash equivalents and these decreased by $197.8 million from $305.0 million to $107.2 million since the year end.

	2012 $'millions	2011 $'millions
Payments on account	3	13
Restricted cash	1	23
Term deposits	57	92
Cash & Cash equivalents	46	177
	107	**305**

Payments on account are payments made to Desire to fund the elements of the campaign they operate. These funds are earmarked for the demobilisation of the campaign and with costs for this expected to be less than initially budgeted the majority of these funds should be refunded to the group.

With the conclusion of the operated campaign, restricted cash which was mainly cash held by Diamond in respect of committed wells on operated acreage, now relates to some funds held by AGR, the well manager as well as a collateral account at RBS plc, to support the credit risk to the bank stemming from any forward currency purchases of the group.

Share capital and share premium increased by $70.8 million due mainly to the share placing on the 12 October 2011.

NEXT STEPS

With the successful conclusion of the field appraisal the group's main focus of activity has shifted to the development and financing of the Sea Lion field and the publication of the CPR has been another valuable milestone in our continuing discussions with the lending banks.

From a regulatory perspective we continue to work closely with the Falkland Islands Government to ensure that we have a full understanding of all their development legislation, fiscal or otherwise.

Overall the group has sufficient funds to get to a final investment decision in relation to the Sea Lion field. The publication on 20 April 2012 of a CPR has strongly reinforced our view of the potential of Sea Lion for commercial development and we continue to work to this end.

PETER DIXON-CLARKE
FINANCE DIRECTOR

30 May 2012

↗ Overall Rockhopper has sufficient funds to get to a final investment decision in relation to the Sea Lion Field

BOARD OF DIRECTORS

1 DR PIERRE JUNGELS CBE 68
CHAIRMAN
Dr Jungels, a certified engineer with a PhD from CALTECH, was CEO of Enterprise Oil Plc, from 1996 to 2001 and prior to that was MD of Exploration and Production for BG Plc in 1995 and worked for 23 years with Petrofina SA including eight years on the main board. He currently holds non-executive directorships at Woodside Petroleum Ltd and Baker Hughes Inc. and is chairman of AIM traded Oxford Catalysts. He was twice President of the Institute of Petroleum, from 1987 to1989 and 2002 to 2003.

2 SAMUEL MOODY 42
CHIEF EXECUTIVE OFFICER
Sam is a co-founder of Rockhopper and has been responsible for building and managing the group from its formation in early 2004. He previously worked in several roles within the financial sector, including positions at AXA Equity & Law Investment Management and St Paul's Investment Management.

3 PETER DIXON-CLARKE ACA 46
FINANCE DIRECTOR
Peter qualified at Deloitte in the financial services group. He left to work at Amlin Plc, an insurer at Lloyd's of London, to run the financial affairs of the group's biggest division. He joined Rockhopper in late 2004 as its part time finance director. In 2006 he became finance director of Goshawk Plc for its refinancing and subsequent sale. In 2008 he became the first chief financial officer of Help for Heroes until early 2010, when he became full time at Rockhopper.

4 DAVID BODECOTT 59
EXPLORATION DIRECTOR
Dave has been a petroleum geologist since 1974, initially with Arco and Gulf Oil in the UK and Europe, West Africa, the Far East and North America. He was an independent consultant in petroleum geology and seismic interpretation from 1981 until 2007 and worked on all aspects of the North Falkland Basin for several exploration companies between 1996 and 2007 prior to joining Rockhopper full time.

5 JOHN CROWLE 57
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.

6 CHRIS WALTON 54
NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR
Chris was Finance Director at Easyjet Plc from 1999-2005, where he successfully directed its IPO in 2000. Prior to that he held senior posts at Qantas Airways, Air New Zealand, Australian Post and Australian Airlines. Early in his career, he also had roles in BP Australia, RTZ Hamersley Iron, the Australian Senate and the West Australian Government. He was a member of the Bank of England's Regional Economic Advisory Panel (South East England & Anglia) from 2002 to 2005. Chris is the non-executive Chairman of Goldenport Holdings Inc, Chairman of Lothian Buses Plc and a non-executive audit and risk committee member of the UK Department for Culture, Media and Sport.

7 DAVID MCMANUS 58
NON-EXECUTIVE DIRECTOR
David is a petroleum engineer with a degree from Heriott Watt University with 36 years experience in the Oil and Gas industry, with Shell, Ultramar, ARCO and BG group. He has extensive project management and commercial expertise at high level, and is currently a Director of Cape plc, Caza Oil & Gas Inc. and Flex LNG.

8 ROBERT PETERS 64
NON-EXECUTIVE DIRECTOR
Bob is a solicitor and graduate from Durham University, with a long career in industry and legal practice. He joined Imperial Chemical Industries Plc group legal department in 1976 and become Deputy Group General Counsel in 1993 until 2000 when he joined Mayer Brown as Corporate Partner. Whilst at Imperial Chemical Industries he was involved in the company's E & P subsidiary in the 1980s.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2012

PRINCIPAL ACTIVITY

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

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

RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend for the year (2011: £nil).

KEY PERFORMANCE INDICATORS "KPIs"

As the group does not yet have production it considers that the only industry KPI to apply is that of Lost Time Incidents ("LTIs") a key indicator of Health, Safety & Environmental ("HSE") performance. For the year under review the group incurred three LTIs (2011: nil), one of which occurred offshore. The remuneration committee consider HSE performance when assessing the level of bonuses to be paid to the executive directors. In addition, its focus for the year has been on funding and delivering the drilling and 3D seismic campaigns required to explore its acreage and appraise the field on Sea Lion.

SUBSTANTIAL SHAREHOLDERS

At 30 May 2012 the company has been notified of interests of three percent or more of the company's voting rights, based on an issued share capital of 284,189,012, shown below:

Shareholder/Fund manager	Number of voting rights	Percentage of voting rights
Credit Suisse	14,292,898	5.03%
UBS Investment Bank	14,169,493	4.99%
GLG Partners	14,165,728	4.98%
Fidelity	14,119,277	4.97%
Royal London Asset Management	14,105,219	4.96%
Ignis Investment Services	11,782,051	4.15%
Richard Visick	10,492,720	3.69%
Oz Management and Och-Ziff Management Europe	9,285,810	3.27%
Kames Capital	8,705,870	3.06%
Capital and Research Management	8,669,075	3.05%

DIRECTORS AND THEIR INTERESTS

The present members of the board are as listed in the Board of directors section. There were no changes during the year.

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

	At 31 March 2012 Ordinary 1p shares	At 31 March 2011 Ordinary 1p shares
P J M H Jungels	933,075	905,297
S J Moody	1,156,897[2]	1,137,959
P J Dixon-Clarke	285,275[1,2]	266,337
D Bodecott	242,257[2]	212,208
K J Crowle	55,742	33,333
C J Walton	66,236	38,458
D McManus	96,031	12,698
R J Peters	14,286	3,175
	2,849,799	2,609,465

[1] This figure includes 108,510 shares held in a discretionary trust, of which Peter Dixon-Clarke is a trustee for the benefit of his two children.
[2] This figure includes 2,271 shares held by the Trustee of the Company's Share Incentive Plan.

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

DIRECTORS' SERVICE CONTRACTS

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

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

Details of contract and appointment dates are set out below:

	Appointment date	Original contract/ engagement letter date	Revised contract/ engagement letter date
Executive directors			
S J Moody	21 February 2005	8 August 2005	8 March 2011
P J Dixon-Clarke	29 December 2004	8 August 2005	8 March 2011
D Bodecott	1 April 2007	1 April 2007	8 March 2011
Non-executive directors			
P J Jungels	21 February 2005	8 August 2005	30 November 2010
K J Crowle	9 June 2005	8 August 2005	30 November 2010
C J Walton	9 June 2005	8 August 2005	30 November 2010
D McManus	30 September 2010	30 November 2010	—
R J Peters	30 September 2010	30 November 2010	—

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

POST BALANCE SHEET EVENTS

Particulars of important events affecting the group since the financial year end are set out in note 25.

PRINCIPAL RISKS AND UNCERTAINTIES

Information relating to the principal risks and uncertainties facing the group is set out in the Risk management report section of the Directors' report and note 26.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 24.

FINANCIAL INSTRUMENTS

For the period under review the group held no financial instruments, outside of cash and receivables. Financial risk management policies are disclosed in note 26.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no charitable donations (2011: $nil) and no political donations (2011: $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 4 days (2011: 10 days), on the basis of accounts payable as a percentage of amounts invoiced during the year.

QUALIFYING INDEMNITY PROVISIONS

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

DIRECTORS' AND OFFICERS' INSURANCE

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

EMPLOYEES

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

ENVIRONMENT

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

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

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

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

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

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

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

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

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

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

A resolution to reappoint the auditor, KPMG Audit Plc, will be proposed at the next Annual General Meeting.

On behalf of the Board

JANETTE DAVIES
COMPANY SECRETARY

30 May 2012

CORPORATE GOVERNANCE STATEMENT

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

THE BOARD

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

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

The board meets regularly throughout each financial year and there is a schedule of matters reserved for its approval, ensuring that it exercises control over the group's strategy, key financial and compliance issues and significant operational and management matters. These include capital structure, communication with shareholders, board and senior management appointments and major contracts. Executive management has a number of financial and operational responsibilities delegated to it. These include day-to-day operation of the business, implementation of health & safety measures, contract negotiation and liason with the regulator and shareholders.

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

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

During the year an internal performance evaluation of the board and its committees was undertaken. The performance appraisal consisted of a questionnaire and comments were tabled at a board meeting. The appraisal of the chairman's performance was facilitated by the senior independent director.

The board's chairman, P J Jungels, was independent upon appointment but has not been considered independent thereafter. For an initial period, P J Jungels was executive chairman and during that time he was awarded share options. Effective 1 October 2010 he became non-executive chairman and, with the agreement of the remuneration committee and support of the board, he continues to retain those share options. He meets with the non-executive directors, without management present, at least once a year. The board considers the other non-executive directors, C J Walton, K J Crowle, D McManus and R J Peters, to be independent. Other than their shareholdings and fees, the non-executives have no financial interests in the company or business relationships that would interfere with their independent judgement.

The appointment of 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 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. All directors stand for re-election at the annual general meeting.

AUDIT & RISK, REMUNERATION AND NOMINATION COMMITTEES

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

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

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

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

REMUNERATION COMMITTEE

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

The board considers the members of the remuneration committee to be independent. The members are K J Crowle as chairman, D McManus and C J Walton.

The committee met four times during the year and passed resolutions relating to the exercise of options and awards of Share Appreciation Rights ("SARs"). During the year, the committee considered and dealt with a number of matters including:

- interim and final bonus awards;
- the award and vesting of SARs;
- the implementation and operation of the SIP;
- annual salary review proposals; and
- performance bonus targets.

Full details are given in the directors' remuneration report.

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

NOMINATION COMMITTEE

The nomination committee's role is to recommend any new appointments of directors to the board. Any decisions relating to the appointment of directors are made by the entire board based on the merits of the candidates and the relevance of their background and experience, measured against objective criteria, with care taken to ensure that appointees have enough time to devote to the job.

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

Following the board appointments and restructuring effective from 1 October 2010, it was not considered necessary for the nomination committee to meet during the year.

AUDIT & RISK COMMITTEE

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

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

The core terms of reference of the audit & risk committee include reviewing and reporting to the board on matters relating to:

- the audit plans of the external auditor;
- the group's overall framework for internal control over financial reporting and for other internal controls;
- the group's overall framework for risk management;
- the accounting policies and practices of the group; and
- the annual and periodic financial reporting carried out by the group.

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

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

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

SHAREHOLDER RELATIONSHIPS

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

GOING CONCERN

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

DIRECTORS' ATTENDANCE

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

	Board	Audit & Risk	Remuneration	Nomination
DIRECTOR				
P J Jungels	9*	2†	4†	—*
S J Moody	9	2†	1†	—
P J Dixon-Clarke	9	5†	—	—
D Bodecott	8	—	—	—
K J Crowle	9	5	4*	—
C J Walton	9	5*	4	—
D McManus	9	2†	4	—
R J Peters	9	5	1†	—
Total meetings during year	9	5	4	—

* Chairman
† Invitee

DIRECTORS' REMUNERATION REPORT

The remuneration policy for the executive directors is determined by the remuneration committee, which consists solely of independent non-executive directors, being K J Crowle, D McManus and C J Walton. The committee acts within its agreed written terms of reference.

Within the framework of the agreed remuneration policy the committee determines the remuneration packages of the executive directors including the size of, and conditions applying to, awards made under the company's cash bonus and share option schemes. The committee's policy on executive directors' remuneration will continue to apply throughout the year to 31 March 2013.

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, eligibility to participate in the company's share option plan, contribution to a personal pension plan and a range of non-cash benefits.

DIRECTORS' REMUNERATION

The directors' remuneration for the year ended 31 March 2012 was:

	Salary/ fees £'000	Final Bonus £'000	Pension £'000	Benefits £'000	2012 Total £'000	2011 Total £'000
Non-executive directors						
P J Jungels	140	—	—	—	140	*70
K J Crowle	40	—	—	—	40	35
C J Walton	45	—	—	—	45	38
R J Peters	30	—	—	—	30	15
D McManus	30	—	—	—	30	15
	285	—	—	—	285	173
Executive directors						
P J Jungels	—	—	—	—	—	*156
S J Moody	315	252	32	4	603	705
P J Dixon-Clarke	205	164	20	3	392	†489
D Bodecott	205	164	20	11	400	492
	725	580	72	18	1,395	1,842
Total directors' remuneration	1,010	580	72	18	1,680	2,015
Remuneration above converted to US$'000	1,618	910	116	30	2,674	3,106

* Effective 1 October 2010 P J Jungels became a non-executive director having previously served as an executive director. His total remuneration for the full year to 31 March 2011 was £226,000.

† P J Dixon-Clarke became full time from 18 May 2010 and his annual salary was pro-rated up from £68,500 to £114,167 per annum.

Non-executive fees are set to reflect a base level of £30,000 per annum plus an additional £10,000 per annum for any director chairing a committee and an additional £5,000 per annum for the role of senior independent director. Currently, K J Crowle and C J Walton both chair committees. C J Walton is also the senior independent director.

At 31 March 2012, the company awarded a bonus to each of the executive directors for the year then ended totalling £580,000. This represented 80% of the maximum cash bonus potential, as determined by the committee, for the year and was made in recognition of the execution of a highly successful drilling campaign, the fundraising in October 2011, the progress made towards Front End Engineering Design ("FEED") and the farm-in to Desire's acreage which resulted in additional exploration success, offset by the three Lost Time Incidents ("LTIs") recorded under the group's Safety Management System.

DIRECTORS' REMUNERATION REPORT CONTINUED

SHARE OPTIONS

The share options in force at 31 March 2012 and held by current directors are as follows:

Director	Date of grant	Number of options brought forward	Exercised during the year	Number of options carried forward	Exercise price (£)
P J Jungels	8 Aug 2005	1,500,000	—	1,500,000	0.42
S J Moody	11 Apr 2005	425,000	—	425,000	0.10
	8 Aug 2005	1,500,000	—	1,500,000	0.42
P J Dixon-Clarke	8 Aug 2005	525,000	—	525,000	0.42
D Bodecott	8 Aug 2005	525,000	—	525,000	0.42
		4,475,000	—	4,475,000	

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

SHARE APPRECIATION RIGHTS ("SARs")

Director	Date of grant	Number brought forward	Awarded during the year	Lapsed during the year	Number carried forward	Base price (pence)
P J Jungels	25 Nov 2008	324,675	—	—	324,675	19.25
	3 Jul 2009	94,314	—	—	94,314	30.87
S J Moody	25 Nov 2008	797,402	—	—	797,402	19.25
	3 Jul 2009	231,636	—	—	231,636	30.87
	11 Jan 2011	84,507	—	(8,451)	76,056	372.75
	17 Jan 2012	—	103,703	—	103,703	303.75
P J Dixon-Clarke	25 Nov 2008	355,844	—	—	355,844	19.25
	3 Jul 2009	103,368	—	—	103,368	30.87
	11 Jan 2011	54,996	—	(5,500)	49,496	372.75
	17 Jan 2012	—	67,489	—	67,489	303.75
D Bodecott	25 Nov 2008	355,844	—	—	355,844	19.25
	3 Jul 2009	103,368	—	—	103,368	30.87
	11 Jan 2011	54,996	—	(5,500)	49,496	372.75
	17 Jan 2012	—	67,489	—	67,489	303.75
		2,560,950	238,681	(19,451)	2,780,180	

The total SARs awarded to directors represents 0.98% of the total shares in issue at 31 March 2012 of 284,186,936. SARs are designed to deliver a net gain equal to the increase in the share price of the share between grant and exercise. The number of shares actually issued following exercise will therefore be less than the percentage of the current issued share capital to which the SAR awards relate.

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

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL MANAGEMENT

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

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

This is achieved through:

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

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

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

The rig left the basin on 8 January 2012 having drilled ten operated wells for the group over 395 days with the occurrance of one offshore and two onshore Lost Time Incidents ("LTIs").

OPERATIONAL STAKEHOLDERS

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

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

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

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL MANAGEMENT

FALKLAND ISLANDS STAKEHOLDERS

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

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

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

The Falkland Islands Government Tax Office raises payment on account of tax on all individuals working within their territorial waters as well as corporation tax on the profits of all incorporated contractors. At 31 March 2012, the total value of work undertaken, excluding head office costs, was $258 million for the financial year just ended and $462 million since the creation of Rockhopper. As almost all of this work will have been undertaken within the Falkland Island ring fence, the Falkland Islands Government will be entitled to corporation tax at 26% on all the related profits.

INDEPENDENT SOCIO-ECONOMIC IMPACT STUDY

As a result of a trip in May 2011, an independent report has been commissioned from Plexus Energy with the following objectives:

- Provide a high level strategic and issue-specific assessment of likely impacts and policy issues arising from the Sea Lion development project.
- Identify major risks and issues to assist Rockhopper to plan ahead, to adopt appropriate mitigation measures and to maximise socio-economic development opportunities associated with the development of oil and gas resources.
- Provide policy options for mitigating negative impacts and further enhancing positive impacts.
- Prepare an independent, externally credible assessment that can be made publicly available.

The report will be the product of a number of visits to the Falkland Islands to carry out extensive consultation with as broad a range of the population as possible. Progress has been good and the findings are expected to be published in July 2012.

RISK MANAGEMENT REPORT

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

STRATEGIC/CORPORATE

Risk	Detail	Likelihood	Impact	Mitigation
Failure to meet shareholder expectations	Poor communication could mean that potential shareholders choose not to invest or existing shareholders choose to sell, thereby reducing the market capitalisation of the company and increasing the cost of its future capital.	Medium	High	The group's current strategy, to focus on financing the development of the Sea Lion field within the North Falklands Basin has been communicated consistently through regular shareholder meetings, the website, public relations and regulatory reporting.
Limited Diversification	The highly focussed strategy of the group may prevent certain funds from investing, on the basis that risk is reduced by diversification, which may in turn reduce the group's ability to secure funds or increase its cost of capital.	Medium	Medium	The focussed nature of the group is seen as a strength, as it makes for a clear and simple story when communicating with current, and potential, investors.
Expected cost of the Sea Lion development	The Sea Lion development is not currently financed and is expected to cost in the region of approximately $2 billion (assuming a leased FPSO and including contingency) to first oil.	High	High	Holding approximately 96% of the Sea Lion asset gives the group options around farming down a portion of the asset to secure future finance and so to that end a data room has been opened and advisers appointed.
The group is highly dependent on its executive management	The unexpected loss of the services of any member of executive management (through serious injury, death or resignation) could have a materially adverse effect.	Low	Medium	The high level of out-sourcing and the close communication within the management team should insulate the group to a degree from the loss of any one individual. Senior managers have been recruited full time to provide greater strength in depth. Key-man insurance has not been purchased.
Significant competition attracting and retaining skilled personnel	There remains significant competition for skilled personnel in the oil and gas sector and continuing to attract such personnel will be a requirement to ensure development of the group's business.	Low	Low	The group has a pro-active remuneration committee with access to suitable advice.

RISK MANAGEMENT REPORT CONTINUED

EXPLORATION/OPERATIONS

Risk	Detail	Likelihood	Impact	Mitigation
Resource estimates may prove incorrect	Estimating the amount of resource is a subjective process and results from drilling and testing subsequent to the date of an estimate often result in revisions to the original estimates.	Medium	High	Gaffney Cline & Associates ("GCA") produced a competent person's report ("CPR") in April 2012. This supports the deterministic STOIIP of 1.3 billion barrels published in October 2011.
Industry valuations may prove to be lower than technical valuations	The CPR report states that the NPV of future revenue potential does not represent an opinion as to the market value.	High	Medium	When seeking to farm out, then conduct a formal process to ensure that all potential partners are contacted and provided with sufficient information to enable them to submit suitable bids.
Unitised fields may encounter delays in development	Approximately 10% of the Sea Lion field is considered to extend into licence PL004b, which the group operates and in which it has a 60% interest. As the other discoveries, to the south of Sea Lion, have not been appraised they will therefore have less data on which to base an apportionment.	Medium	Medium	Work has already begun on preparing a Unit Operating Agreement ("UOA") with the holders of the remaining 40% interest in licence PL004b.
Exploration and appraisal activities are capital intensive and involve a high degree of risk	It is difficult to estimate the costs of implementing any future exploration or appraisal programme due to the inherent uncertainties.	Low	Low	The current drilling campaign has been completed and the rig has been off hire since 8 January 2012.
The Falkland Islands is a frontier basin at the end of a long supply chain	Difficult logistics and lack of local infrastructure raise a number of risks and increase the expected cost of any development.	Low	Low	The recent drilling campaign has proven the feasibility of operating an exploration and appraisal campaign in the Falkland Islands, in which not one day was lost due to logistics.
The acreage surrounding the Falkland Islands is relatively unexplored	The North Falkland Basin is still relatively under-explored and therefore the chance of success for each exploration well is lower than it would be in a more widely explored area.	Low	Medium	The group has shot extensive 2D & 3D seismic as well as undertaking CSEM. A total of 21 wells (10 by RKH as operator, 5 by Desire and 6 during the previous campaign) have now been drilled, with 3 oil discoveries and 3 gas discoveries made.

FINANCIAL

Risk	Specific	Likelihood	Impact	Mitigation
Oil & gas prices fluctuate	The oil price represents the biggest sensitivity to the economics of the Sea Lion development.	Medium	High	With a target date for oil production in 2016, price changes will only have an impact if they are considered to be indicative of longer terms trends.
Insurance may not be sufficient to cover full extent of liabilities	The group's involvement in the exploration for oil and gas properties may result in it becoming subject to liability for claims for matters relating to pollution or environmental damage.	Low	Low	Drilling for the current campaign has been completed and the rig has been off hire since 8 January 2012.

Risk	Specific	Likelihood	Impact	Mitigation
Currency fluctuations in relation to the US$	The majority of the Sea Lion development costs and further exploration costs are expected to be paid in US$. A strengthening of the US$ would therefore mean the company has to raise greater amounts of capital for new projects.	Medium	Low	Any reserve based lending is expected to be denominated in US$ terms and so will form an automatic hedge. The group's policy is to hedge by matching the currencies held to the liabilities to be incurred, once their likely size and timing is known.
Contractor risk re non-payment of local taxes whilst operating in territorial waters	As the operator, Rockhopper is liable to FIG for any unpaid taxes, both corporate and social, due by contractors undertaking work on its acreage.	Low	Low	All contractors are encouraged to apply directly to the FI tax office for an exemption allowing them to assume the liability. Where this does not occur, the group holds back a pre-agreed proportion of each invoice against the tax due.
Counter-party risk, re monies held by institutions	The recent banking crisis highlighted the risk of keeping all deposits with any one institution.	Low	Medium	No more than two thirds of the group's cash resources are held at the same financial institution, two of which are part owned by the British government.
Counter-party risk, in terms of licence obligations, where the group does not have a 100% interest	Liability for such areas is joint & several, meaning that in the event of a work commitment default by any one licencee, the remaining licencees are liable.	Low	Low	The work commitments under both PL003 & PL004 have all been fulfilled.

OTHER/EXTERNAL

Risk	Detail	Likelihood	Impact	Mitigation
Regulatory requirements can be onerous, expensive and may change	The current development legislation is untested, was drafted for the 1998 campaign and has not been fully updated.	Medium	High	Regular communication with the relevant governing bodies, notably the Department for Mineral Resources ("DMR") of the Falkland Islands Government, as well as regular visits by the group's employees to the Falkland Islands.
The sovereign status of the Falklands Islands is disputed	The Falkland Islands are a self-governing overseas territory of the United Kingdom. However, Argentina continues to claim sovereignty over the islands and whilst open aggression is not anticipated, certain companies may choose not to provide their services for fear of the impact an association may have on their business interests.	High	Medium	The British Government has issued strong rebuttals to the Argentine claims and strongly supports the Falkland Islanders' right to self-determination. On 27 January 2012 the UK Permanent Representative to the United Nations issued a statement to the Secretary General to this effect. The group is in regular contact with the Foreign & Commonwealth Office.
The royalty and tax regime in the Falkland Islands is untested and may change	The Falkland Islands Government are responsible for their own tax affairs, albeit that any changes would be subject to the consent of the Governor.	Low	High	Changes in fiscal policy cannot be predicted, however, the Falkland Islands Government states that it is committed to ensuring that the overall tax system remains attractive and conducive to attracting future investment.

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

We have audited the financial statements of Rockhopper Exploration Plc for the year ended 31 March 2012 set out on pages 29 to 59. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private/cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

30 May 2012

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 $'000	2011 $'000
EXPENSES			
Exploration and evaluation expenses	3	**(47,181)**	(85,735)
Administrative expenses	4	**(7,568)**	(7,123)
Charge for share based payments	7	**(1,005)**	(237)
Foreign exchange movement	8	**476**	4,714
Total expenses		**(55,278)**	(88,381)
Finance income		**1,496**	1,194
Loss before tax		**(53,782)**	(87,187)
Income tax expense	9	**—**	—
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**(53,782)**	(87,187)
Loss per share: cents (basic & diluted)	10	**(19.92)**	(40.58)

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

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	2012 $'000	2011 $'000
Loss for the year	**(53,782)**	(87,187)
Other comprehensive income for the year	**—**	—
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(53,782)**	(87,187)

GROUP BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	**31 March 2012 $'000**	31 March 2011 $'000
ASSETS			
Intangible exploration and evaluation assets	11	**303,296**	92,383
Property, plant and equipment	12	**388**	340
Other receivables	13	**1,787**	3,297
Payments on account	14	**3,092**	12,662
Restricted cash	15	**802**	23,565
Term deposits	16	**57,554**	92,177
Cash and cash equivalents	17	**45,709**	176,580
TOTAL ASSETS		**412,628**	401,004
LIABILITIES			
Other payables	18	**6,419**	12,650
TOTAL LIABILITIES		**6,419**	12,650
EQUITY			
Share capital	19	**4,709**	4,297
Share premium	20	**578,658**	508,299
Share based remuneration	20	**3,093**	2,168
Shares held by SIP trust	20	**(139)**	—
Merger reserve	20	**(243)**	(243)
Foreign currency translation reserve	20	**4,123**	4,123
Retained losses	20	**(183,992)**	(130,290)
ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**406,209**	388,354
TOTAL LIABILITIES AND EQUITY		**412,628**	401,004

These financial statements were approved by the directors and authorised for issue on 30 May 2012 and are signed on their behalf by:

SAMUEL MOODY
CHIEF EXECUTIVE OFFICER

PETER DIXON-CLARKE ACA
FINANCE DIRECTOR

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Shares held by SIP trust $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Retained losses $'000	Total equity $'000
Balance at 31 March 2010	2,966	113,874	2,355	—	(243)	4,123	(43,527)	79,548
Total comprehensive loss for the year	—	—	—	—	—	—	(87,187)	(87,187)
Issue of shares	1,313	403,445	—	—	—	—	—	404,758
Cost of issue	—	(9,960)	—	—	—	—	—	(9,960)
Share based payments	—	—	237	—	—	—	—	237
Exercise of share options	18	940	(424)	—	—	—	424	958
Total contributions by owners	1,331	394,425	(187)	—	—	—	424	395,993
Balance at 31 March 2011	**4,297**	**508,299**	**2,168**	—	**(243)**	**4,123**	**(130,290)**	**388,354**
Total comprehensive loss for the year	—	—	—	—	—	—	(53,782)	(53,782)
Issue of shares	408	73,078	—	—	—	—	—	73,486
Cost of issue	—	(3,021)	—	—	—	—	—	(3,021)
Share based payments	—	—	1,005	—	—	—	—	1,005
Share issues in relation to SIP	1	169	—	(139)	—	—	—	31
Exercise of share options	3	133	(80)	—	—	—	80	136
Total contributions by owners	412	70,359	925	(139)	—	—	80	71,637
Balance at 31 March 2012	**4,709**	**578,658**	**3,093**	**(139)**	**(243)**	**4,123**	**(183,992)**	**406,209**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	2012 $'000	2011 $'000
CASH OUTFLOWS FROM OPERATING ACTIVITIES		
Net loss after tax	**(53,782)**	(87,187)
Adjustments to reconcile net losses to cash utilised:		
Depreciation	**155**	60
Share based payment charge	**1,005**	237
Exploration impairment expenses	**26,436**	68,125
Interest	**(653)**	(696)
Foreign exchange	**(889)**	(3,867)
Operating cash flows before movements in working capital	**(27,728)**	(23,328)
Changes in:		
Other receivables	**1,430**	(2,309)
Payables	**(4,529)**	7,195
Cash utilised by operating activities	**(30,827)**	(18,442)
CASH OUTFLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	**(239,230)**	(140,604)
Purchase of equipment	**(203)**	(352)
Interest	**912**	270
Investing cashflows before movements in capital balances	**(238,521)**	(140,686)
Changes in:		
Payments on account	**9,501**	2,113
Restricted cash	**22,398**	13,654
Term deposits	**34,755**	(92,177)
Cash utilised by investing activities	**(171,867)**	(217,096)
CASH INFLOWS FROM FINANCING ACTIVITIES		
Options exercised	**136**	958
Share incentive plan	**31**	—
Issue of share capital	**73,486**	404,758
Share issue costs	**(3,021)**	(9,960)
Cash generated from financing activities	**70,632**	395,756
Currency translation differences relating to cash and cash equivalents	**1,191**	1,877
Net cash inflow	**(132,062)**	160,218
Cash and cash equivalents brought forward	**176,580**	14,485
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**45,709**	176,580

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES

1.1 GROUP AND ITS OPERATIONS

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

1.2 STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with UK company law. The consolidated financial statements were approved for issue by the board of directors on 30 May 2012 and are subject to approval at the Annual General Meeting of shareholders on 11 September 2012.

1.3 BASIS OF PREPARATION

The results upon which these financial statements have been based were prepared using the accounting policies set out below. These policies have been consistently applied unless otherwise stated.

These consolidated financial statements have been prepared under the historical cost convention except, as set out in the accounting policies below, where certain items are included at fair value.

Items included in the results of each of the group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). All members of the group have a functional currency of US$ and as such the selection for the consolidated accounts is an obvious choice and the use of US$ as functional currency is a generally accepted convention in the oil and gas industry.

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

1.4 CHANGE IN ACCOUNTING POLICY

Changes in accounting standards

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

– IAS 24 Related Party Disclosure
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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 7 (Amended) Financial Instruments: Disclosures
– IFRS 9 Financial instruments
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint Arrangements
– IFRS 12 Disclosures of Interests in Other Entities
– IFRS 13 Fair Value Measurement
– IAS 1 Presentation of Items in Other Comprehensive Income
– IAS 12 Recovery of Underlying Deferred Tax Assets
– IAS 19 Employee Benefits (amended 2011)
– IAS 27 Separate Financial Statements (2011)
– IAS 28 Investment in Associates and Joint Ventures (2011)
– IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities

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

1.5 GOING CONCERN

At 31 March 2012 the group had available resources of $107.2 million, which it considers to be adequate to complete the committed programme and continue for the foreseeable future.

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES CONTINUED

1.6 SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

The group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to the capitalisation of exploration expenditure. The determination of this is fundamental to the financial results and position and requires management to make a complex judgment based on information and data that may change in future periods.

Since these policies involve the use of assumptions and subjective judgments as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

The measurement basis that has been applied in preparing the results is historical cost with the exception of financial assets, which are held at fair value.

The significant accounting policies adopted in the preparation of the results are set out below.

(B) BASIS OF CONSOLIDATION

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

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

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

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

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

(C) SEGMENTAL REPORTING

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

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

(D) OIL AND GAS ASSETS

The group applies the successful efforts method of accounting for exploration and evaluation ("E&E") costs, having regard to the requirements of IFRS6 – 'Exploration for and evaluation of mineral resources'.

Intangible exploration and evaluation assets

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

1 ACCOUNTING POLICIES CONTINUED

(D) OIL AND GAS ASSETS CONTINUED

Pre-licence, geological and geophysical costs

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

Exploration and evaluation ("E&E") costs

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

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

Treatment of intangible E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each cost pool are carried forward until the existence, or otherwise, of commercial reserves have been determined, subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets, are then reclassified as development and production assets within property plant and equipment. However, if commercial reserves have not been found, the capitalised costs are charged to expense.

The group's definition of commercial reserves for such purpose is proved and probable reserves on an entitlement basis. Proved and probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty (see below) to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90%.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected hydrocarbon production;
- evidence that the necessary production, transmission and transportation facilities are available or can be made available; and
- the making of a final investment decision.

Furthermore:

(i) Reserves may only be considered proved and probable if producibility is supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successful testing by a pilot project, the operation of an installed programme in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or programme was based.

Development and production assets

Development and production assets, classified within property, plant and equipment, are accumulated generally on a field-by-field basis and represent the costs of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

Depreciation of producing assets

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial reserves of the field, taking into account the future development expenditure necessary to bring those reserves into production.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES CONTINUED

(E) CAPITAL COMMITMENTS

Capital commitments include all projects for which specific board approval has been obtained up to the reporting date. Projects still under investigation for which specific board approvals have not yet been obtained are excluded.

(F) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency:

Items included in the results of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates, the functional currency. The consolidated financial statements are presented in US$ as this best reflects the economic environment of the oil exploration sector in which the group operates. The functional and presentational currency of all the group's entities is US$, as such there are no exchange rate differences arising on consolidation of foreign operations.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The year end rates of exchange actually used were:

	31 March 2012	31 March 2011
£ : US$	**1.60**	1.60

(G) INVESTMENT INCOME

Investment income consists of interest receivable for the period. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

(H) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to the contractual provisions of the instrument.

(i) **Other receivables**

Other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

(ii) **Term deposits**

Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable.

(iii) **Restricted cash**

Restricted cash is disclosed separately on the face of the balance sheet and denoted as restricted when it is not under the exclusive control of the group.

(iv) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the group including breakable and unbreakable deposits with terms of less than three months and breakable term deposits of greater terms than three months where amounts can be accessed within three months without material loss. They are stated at carrying value which is deemed to be fair value.

(v) **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(vi) **Trade payables**

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

1 ACCOUNTING POLICIES CONTINUED

(H) FINANCIAL INSTRUMENTS CONTINUED

(vii) **Equity instruments**

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

(I) INCOME TAXES AND DEFERRED TAXATION

The current tax expense is based on the taxable profits for the period, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to reserves as appropriate.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date where transaction or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(J) SHARE BASED REMUNERATION

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

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

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

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

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

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

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

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

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

(K) EQUIPMENT

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

Office equipment	Three years
Leasehold improvements	Five years

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES CONTINUED

(L) CURRENT, NON-CURRENT DISCLOSURE

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

(M) LEASING

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

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

2 USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The group makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most material area relates to the capitalisation of intangible assets disclosed in note 11.

3 EXPLORATION AND EVALUATION EXPENSES

	2012 $'000	2011 $'000
Allocated from administrative expenses (see note 4 below)	**2,658**	1,249
Capitalised exploration costs impaired (see note 11 below)	**26,436**	68,125
Seismic acquisition costs	**10,314**	14,156
Other exploration and evaluation expenses	**7,773**	2,205
	47,181	85,735

4 ADMINISTRATIVE EXPENSES

	2012 $'000	2011 $'000
Directors' salaries and fees, including bonuses (see note 5 below)	**2,528**	3,049
Other employees' salaries	**2,367**	399
National insurance costs	**632**	464
Pension costs	**135**	57
Employee benefit costs	**73**	—
Total staff costs	**5,735**	3,969
Allocated to exploration and evaluation expenses	**(2,658)**	(1,249)
Total staff costs charged to administrative expenses	**3,077**	2,720
Auditor's remuneration (see note 6 below)	**250**	355
Other professional fees	**1,973**	2,948
Travel	**852**	362
Office rentals	**233**	92
Depreciation	**155**	60
Other	**1,028**	586
	7,568	7,123

The average number of staff employed during the year was 15 (2011: 8).

5 DIRECTORS' REMUNERATION

	2012 $'000	2011 $'000
Executive salaries	**1,161**	895
Executive bonuses	**910**	1,883
Company pension contributions to money purchase schemes	**116**	57
Benefits	**30**	—
Non-executive fees	**457**	271
	2,674	3,106

During the prior year executive directors became entitled to contributions to money purchase pension schemes.

The total remuneration of the highest paid director was:

	2012 £	2011 £
Annual salary	**315,000**	234,250
Bonuses	**252,000**	454,813
Money purchase pension schemes	**31,500**	15,750
Benefits	**3,947**	—
	602,447	704,813

Equivalent to $957,067 (2011: $1,089,336) at the prevailing rate of exchange.

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

6 AUDITOR'S REMUNERATION

	2012 $'000	2011 $'000
KPMG Audit Plc		
Fees payable to the company's auditor for the audit of the company's annual financial statements	**131**	128
Fees payable to the company's auditor and its associates for other services:		
Other services pursuant to legislation	**32**	26
Tax compliance services	**13**	26
Tax advisory services	**25**	—
Services relating to information technology	**9**	—
Services relating to corporate finance	**40**	175
	250	355

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

7 SHARE BASED PAYMENTS

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

	2012 $'000	2011 $'000
Charge for the options granted on 8 August 2005	**—**	12
Charge for the share appreciation rights granted on 25 November 2008	**—**	32
Charge for the share appreciation rights granted on 3 July 2009	**—**	22
Charge for the share appreciation rights granted on 11 January 2011	**689**	171
Charge for the share appreciation rights granted on 14 July 2011	**71**	—
Charge for the share appreciation rights granted on 16 August 2011	**25**	—
Charge for the share appreciation rights granted on 13 December 2011	**22**	—
Charge for the share appreciation rights granted on 17January 2012	**198**	—
	1,005	237

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

Options

Options granted on:	8-Aug-05
Exercise/base price	42.00p
Number granted	5,650,000
Weighted average volatility	62%
Weighted average risk free rate	4.35%
Dividend yield	Nil
Max underlying price of the shares prior to exercise	200p
Number of employees that will leave prior to exercise	Nil
Illiquidity discount	5.00%
Expiry date	20-Apr-15

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

The following movements occurred during the year on options:

Issue date	Expiry date	Exercise price (pence)	At 1 April 2011	Issued	Exercised	At 31 March 2012
11 April 2005	10 April 2015	10.00	425,000	—	—	425,000
10 May 2005	9 May 2015	10.00	17,820	—	990	16,830
8 August 2005	7 August 2015	42.00	4,250,000	—	200,000	4,050,000
			4,692,820	—	200,990	4,491,830

The weighted average price of the options exercised was 42 pence.

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

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

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

7 SHARE BASED PAYMENTS CONTINUED

Tranche 1 on or after the first anniversary of admission

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

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

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

Share appreciation rights

Date granted on:	14-Jul-11	11-Jan-11	3-Jul-09	25-Nov-08
Exercise/base price	239.75p	372.75p	30.87p	19.25p
Number granted	45,881	234,069	532,686	1,833,765
Weighted average volatility	110%	120%	120%	95%
Weighted average risk free rate	2.14%	2.44%	2.88%	3.36%
Dividend yield	Nil	Nil	Nil	Nil
Number of employees that will leave prior to exercise	Nil	Nil	Nil	Nil
Illiquidity discount	0.00%	0.00%	0.00%	0.00%
Expiry date	14-Jul-21	11-Jan-21	31-Dec-13	31-Dec-13

Date granted on:	17-Jan-12	13-Dec-11	16-Aug-11
Exercise/base price	303.75p	240.75p	237.00p
Number granted	367,279	31,152	17,932
Weighted average volatility	100%	100%	110%
Weighted average risk free rate	1.11%	1.18%	1.66%
Dividend yield	Nil	Nil	Nil
Number of employees that will leave prior to exercise	Nil	Nil	Nil
Illiquidity discount	0.00%	0.00%	0.00%
Expiry date	17-Jan-22	13-Dec-21	16-Aug-21

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

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

The following movements occurred during the year on SARs:

Issue date	Expiry date	Exercise price (pence)	At 1 April 2011	Issued	Lapsed	Exercised	At 31 March 2012
22 November 2008	31 December 2013	19.25	1,833,765	—	—	—	1,833,765
3 July 2009	31 December 2013	30.87	532,686	—	—	—	532,686
11 January 2011	11 January 2021	372.75	234,069	—	(21,428)	—	212,641
14 July 2011	14 July 2021	239.75	—	45,881	(2,294)	—	43,587
16 August 2011	16 August 2021	237.00	—	17,932	(897)	—	17,035
13 December 2011	13 December 2021	240.75	—	31,152	(1,558)	—	29,594
17 January 2012	17 January 2022	303.75	—	367,279	—	—	367,279
			2,600,520	462,244	(26,177)	—	3,036,587

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

7 SHARE BASED PAYMENTS CONTINUED

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

A SAR is effectively a share option that is structured from the outset to deliver, on exercise, only the net gain in the form of new ordinary shares that would have been made on the exercise of a market value share option.

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

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

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

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

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

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

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

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

In total during the calendar year ended 31 December 2011, 329,034 SARs were awarded by the remuneration committee. The base prices of these SAR awards, as detailed above, were at the official closing price of an ordinary share on the dealing day immediately preceeding the date of the grant.

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

- making satisfactory progress towards a declaration of commerciality; and
- completing all operations in accordance with health and safety standards and without materially adverse environment impact.

The remuneration committee met on 17 January 2012 and determined that, for those SARs with performance conditions, whilst the targets had largely been achieved, they noted a lost time incident had occurred on the rig and so 90% of the SARs vested and the balance allowed to lapse. The remaining SARs awarded will now be exercisable a year after grant date.

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

7 SHARE BASED PAYMENTS CONTINUED

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

- producing a competent person's report to a timetable which accords with the group's needs;
- making satisfactory progress towards a final investment decision on the Sea Lion field; and
- completing all operations in accordance with health and safety standards and without materially adverse environmental impact.

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

Share incentive plan

During the year, pursuant to authorities granted by shareholders at the AGM on 6 September 2011, the group launched an HMRC approved Share Incentive Plan ("SIP"). The SIP allows the group to award Free Shares to UK employees (including directors) and to award shares matching Partnership Shares purchased by employees, subject HMRC limits.

On 20 March 2012 the group announced a free award of £3,000 worth of Free Shares to eligible employees. In addition, subject to employees purchasing up to £1,500 worth of Shares each (the "Partnership Shares"), an additional conditional award of twice the number of Partnership Shares was granted (the "Matching Shares"). The Shares in relation to the SIP for the 2011/2012 tax year were allotted on 23 March 2012 and were satisfied by the allotment of new Shares based on the closing price of the Shares on the day before the allotment. This resulted in 14,544 Free Shares and 11,864 Matching Shares being issued under the SIP at a grant price of £3.30.

The fair value of the shares awarded	£3.30
Vesting	100%
Dividend yield	Nil
Lapse due to withdrawals	Nil

The fair value of the shares awarded will be spread over the expected vesting period. Due to the awards being made so close to the year end this results in a negligible charge for the financial year ended 31 March 2012.

For the 2012/2013 tax year, employees will be eligible for monthly, or one off, participation in the SIP whereby they can acquire up to annual amount of £1,500 worth of Partnership Shares and will additionally be granted two Matching Shares for each Partnership Share. Any Free Share Award to be made in the 2012/2013 tax year is at the discretion of the Company's Remuneration Committee and would most likely be made in or around March 2013. Under the terms of the Company's share dealing code, employees will not be permitted to join or leave the SIP or change their contributions during close periods.

8 FOREIGN EXCHANGE MOVEMENT

	2012 $'000	2011 $'000
Realised (losses)/gains	**(208)**	5,748
Unrealised gains/(losses)	**684**	(1,034)
	476	4,714

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

9 TAXATION

	2012 $'000	2011 $'000
Total tax:		
Corporation tax on losses for the year	**—**	—
Tax on loss on ordinary activities	**—**	—
Loss on ordinary activities before tax	**(53,782)**	(87,187)
Loss on ordinary activities multiplied by the UK rate of corporation tax of 26% (2011: 28%)	**(13,983)**	(24,412)
Effects of:		
Expenses not deductible	**6,963**	19,527
Depreciation in excess of capital allowances	**—**	(28)
Utilisation of losses	**—**	(1,273)
IFRS2 Share based remuneration cost	**261**	66
Pre trading expenditure carried forward	**5,446**	4,933
Losses carried forward	**1,461**	1,354
Other	**(148)**	(167)
Total tax charge for the year	**—**	—

The total carried forward losses and carried forward pre trading capital expenditures available for relief on commencement of trade at 31 March 2012 is $473.1 million (2011: $222.5 million).

No deferred tax asset has been recognised in respect of temporary differences arising on losses carried forward, outstanding share options or depreciation in excess of capital allowances due to the uncertainty in the timing of profits and hence future utilisation. Had an asset been recognised then it would have been based on the losses above at 26% (2011: 26%) for the prior year. This would give an undiscounted value of $123.0 million (2011: $57.8 million).

It has been announced that the UK tax rate will drop a further 1% per annum over the next two years reaching 22% effective from 1 April 2014. The impact of these subsequent corporation tax rate reductions will only be reflected as the relevant legislation is substantively enacted.

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

10 BASIC AND DILUTED LOSS PER SHARE

	2012 Number	2011 Number
Shares in issue brought forward	**258,139,606**	174,104,755
Shares issued during the period		
– Issued during the prior year	**—**	84,034,851
– Issued on 14 July 2011	**990**	—
– Issued on 17 August 2011	**200,000**	—
– Issued on 17 October 2011	**25,814,000**	—
– Issued on 29 March 2012	**32,340**	—
Shares in issue carried forward	**284,186,936**	258,139,606
Weighted average shares in issue	**270,043,689**	214,858,552

	2012 $'000	2011 $'000
Net (loss) after tax	**(53,782)**	(87,187)
Basic and diluted net (loss) per share – cents	**(19.92)**	(40.58)

The calculation of the basic loss per share is based upon the loss for the year and the weighted average shares in issue. As the group is reporting a loss for both years then in accordance with IAS33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

11 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	Licences PL023 PL024	Licences PL032 PL033	Licences* PL003 PL004	**31 March 2012 $'000**	31 March 2011 $'000
Costs brought forward	25,443	119,981	15,084	**160,508**	15,912
Additions	(1,807)	206,181	32,975	**237,349**	144,596
	23,636	326,162	48,059	**397,857**	160,508
Impairments brought forward	(25,443)	(27,598)	(15,084)	**(68,125)**	—
Impairments arising in the period	1,807	(26,256)	(1,987)	**(26,436)**	(68,125)
	(23,636)	(53,854)	(17,071)	**(94,561)**	(68,125)
Net book value brought forward	—	92,383	—	**92,383**	15,912
Net book value carried forward	—	272,308	30,988	**303,296**	92,383

* See below.

With the campaign ending during this financial year the group has reallocated operator campaign costs to the licences on the basis of rig days on hire. Initial rig and equipment mobilisation costs were split 50:50 between licences PL023/24 and PL032/33 as it was expected there would be one well drilled on each licence. With the discovery being made on the Sea Lion prospect almost all of the group's activity has been on licence PL032/33 and the reallocation ensures that the associated costs reflect this activity. Details of the movements on a licence by licence basis are detailed immediately below. Details of licence terms and associated commitments are set out in note 21.

Licences PL023 & PL024

These licences represent the southern acreage that the group holds within the North Falkland Basin. The group holds these licences 100% and is the operator. During the period under review the group reallocated campaign costs, in relation to mobilisation and demobilisation of rig and equipment, as follows:

- $1.8 million that had previously been allocated to exploration well 26/6-1, which was drilled on the Ernest prospect, has been reallocated to other licences. The well was declared a dry hole on 25 August 2010 and plugged and abandoned and therefore considered to be impaired. As these costs have been transferred to other licences the associated impairment has been reversed and has been credited to the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

11 INTANGIBLE EXPLORATION AND EVALUATION ASSETS CONTINUED

Licences PL032 & PL033

These licences represent the northern acreage that the group holds within the North Falkland Basin. The group holds these licences 100% and is the operator. During the period under review the group capitalised, including the allocated campaign costs in relation to mobilisation and demobilisation of rig and equipment, the following expenditure:

- $4.6 million in respect of other costs, including costs provided for demobilisation, relating to wells 14/10-2, 14/10-3 and 14/15-4. On 11 February 2011 the group announced that well 14/10-3 was not commercial on a standalone basis. As it is not on the Sea Lion field the costs of $1.2 million incurred during the year that were associated with this well have been impaired.
- $68.4 million in respect of appraisal well 14/10-5 and the associated flow test, which was declared a successful appraisal on 1 June 2011. As the well is on the Sea Lion field, which is pending determination as to its commerciality, the cost of this well is carried as an intangible asset.
- $31.9 million in respect of appraisal well 14/10-6, which was declared a successful appraisal on 9 August 2011. As the well is on the Sea Lion field, which is pending determination as to its commerciality, the cost of this well is carried as an intangible asset.
- $31.7 million in respect of exploration well 14/10-7, which was declared a discovery on 14 September 2011. As the well is on the Sea Lion field, which is pending determination as to its commerciality, the cost of this well is carried as an intangible asset.
- $24.4 million in respect of exploration well 14/10-8, which was declared to be water wet and a dry hole on 11 October 2011. As the well is separated from the main Sea Lion field by a fault, the cost of this is considered to be impaired and so has been expensed to the income statement.
- $29.0 million in respect of exploration well 14/10-9, which was declared a discovery on 9 November 2011. As the well is on the Sea Lion field, which is pending determination as to its commerciality, the cost of this well is carried as an intangible asset.
- $6.7 million of other costs incurred during the campaign.
- $9.5 million of costs in relation to development work on the Sea Lion field.

Licences PL003 & PL004

On 12 October 2011 the group announced it had agreed the terms of a farm in agreement, subject to finance and to the approval of the Falkland Islands Government, with Desire Petroleum Plc to farm in to that part of the north-western acreage of licence PL004, now known as PL004b, which contains the extension to the Sea Lion field and the western part of the Beverley prospect, and into the north-eastern part of licence PL004, now known as PL004c, which the company believes contains the Jayne prospect and the eastern part of the Beverley prospect.

In consideration for paying the full cost of drilling well 14/15-4 in PL004b, the farm in agreement gave the group operatorship of PL004b and an earned interest of 52.5%, in aggregate 60%, when taken together with its existing 7.5% earned interest under licence PL004, in that area. The drilling of 14/15-4 also gave the group a 17.5% working interest, in aggregate 25% when taken together with its existing 7.5% earned interest under licence PL004, in PL004c. Operatorship of PL004c remains with Desire Petroleum Plc. The residual area of PL004, excluding PL004b and PL004c, is now known as PL004a.

The group has a 7.5% working interest in licences PL004a and PL003 and is not the operator.

During the period under review the group capitalised the following expenditure:

- $0.4 million in respect of other costs, including costs provided for demobilisation, relating to wells 14/15-1 and 14/15-2. As Desire have not announced any firm plans to return to these prospects they are not considered to be pending determination and so the wells are considered to be impaired and have been expensed to the income statement.
- $1.5 million in respect of exploration well 14/15-3, which was drilled on the Ninky prospect and declared on 18 April 2011 to have generally poor reservoir quality, then plugged and abandoned. As Desire has not announced any firm plans to return to the prospect it is not considered to be pending determination and so the well is considered to be impaired and has been expensed to the income statement.
- $31.1 million in respect of exploration well 14/15-4, which was drilled on the Sea Lion and Beverley prospects, declared a discovery on 13 December 2011. As the well is on the Sea Lion field, which is pending determination as to its commerciality, the cost of this well is carried as an intangible asset.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Office equipment $'000	**2012 $'000**	2011 $'000
Cost at 1 April	199	275	**474**	122
Additions	77	126	**203**	352
Cost at 31 March	276	401	**677**	474
Accumulated depreciation at 1 April	(28)	(106)	**(134)**	(74)
Current year depreciation charge	(54)	(101)	**(155)**	(60)
Depreciation at 31 March	(82)	(207)	**(289)**	(134)
Net book value at 1 April	171	169	**340**	48
Net book value at 31 March	194	194	**388**	340

13 OTHER RECEIVABLES

	2012 $'000	2011 $'000
Receivables	**571**	405
Prepayments	**578**	15
Accrued interest	**167**	426
Other	**471**	2,451
	1,787	3,297

The carrying value of receivables approximates to fair value. Receivables in the current year relates to the BHP contribution expected in respect of campaign demobilisation costs. These costs were initially funded by the group and Desire. In the prior year they related to recharges for seats taken on charter flights by other parties working within Falkland Islands territorial waters.

The significant increase in prepayments mainly relates to prepaid licence rentals of $375,000.

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

Other relates to VAT, the significant decrease being due to decreased activity as a result of the end of the drilling campaign.

14 PAYMENTS ON ACCOUNT

	2012 $'000	2011 $'000
Non-refundable funds held by third parties relating to non-operated activities	**3,092**	12,662

The amounts above relate to payments made in respect of the drilling campaign. The balance relates to monies paid to Desire in respect of farm in costs and the demobilisation of the rig and equipment.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

15 RESTRICTED CASH

	2012 $'000	2011 $'000
In respect of operated wells		
– held in escrow by Diamond	**—**	23,192
– held in escrow by AGR	**344**	75
Charged accounts	**458**	298
	802	23,565

Pursuant to certain contracts for the drilling campaign, the group holds money in escrow accounts managed by Diamond or AGR, which are treated as restricted cash as they are not under the exclusive control of the group.

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

16 TERM DEPOSITS

	2012 $'000	2011 $'000
95 day fixed	**23,981**	—
100 day notice	**1,599**	60,115
Six month fixed	**31,974**	32,062
	57,554	92,177

Term deposits relate to monies held in a 100 day notice account with Barclays plc as well as a 95 day fixed term unbreakable deposit and a six month fixed term unbreakable deposit with Lloyds plc. In the prior year the six month fixed term unbreakable deposit was with RBS plc.

17 CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Current accounts	**152**	61,422
Deposit accounts	**37,563**	18,096
Breakable fixed term deposits	**—**	97,062
Unbreakable short term deposits	**7,994**	—
	45,709	176,580

The deposit accounts are same day access.

Breakable fixed term deposits relate to six month term deposits. They have been classified as cash and cash equivalents as funds can be accessed immediately without any material loss to the group.

Unbreakable short term deposits relate to a 60 day fixed term deposit with RBS plc that matured on the 5 April 2012.

18 OTHER PAYABLES AND ACCRUALS

	2012 $'000	2011 $'000
Accounts payable	**2,987**	4,583
Other payable	**—**	101
Exploration and evaluation accruals	**1,531**	7,221
Administrative accruals	**1,901**	745
	6,419	12,650

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.

19 SHARE CAPITAL

	2012		2011	
	$'000	**Number**	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	**4,709**	**284,186,936**	4,297	258,139,606

For details of all movements during the year, see note 10.

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. As a result, the company's articles of association were amended at the AGM on 12 November 2009 to remove all reference to an authorised share capital. The directors of the company continue to be limited as to the number of shares they can allot at any time because the allotment authority continues to be required under the Companies Act 2006.

20 RESERVES

Set out below is a description of each of the reserves of the group:

Share premium	Amount subscribed for share capital in excess of its nominal value.
Share based remuneration	The share incentive plan reserve captures the equity related element of the expenses recognised for the issue of options, comprising the cumulative charge to the income statement for IFRS2 charges for share based payments less amounts released to retained earnings upon the exercise of options.
Shares held by SIP trust	Shares held by the SIP trust represent the issue value of shares held on behalf of participants by Capita IRG Trustees Limited, the trustee of the SIP.
Merger reserve	The difference between the nominal value of shares issued with the nominal value of the shares received on the reversal of Rockhopper Resources Limited into Rockhopper Exploration Plc on 23 February 2005, during the year ended 31 March 2005.
Foreign currency translation reserve	Exchange differences arising on consolidating the assets and liabilities of the group's subsidiaries are classified as equity and transferred to the group's translation reserve.
Retained losses	Cumulative net gains and losses recognised in the financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

21 OPERATED LICENCE DETAILS

	PL004b	PL023 PL024	PL032 PL033
Licence type	Competitive round	Open-door	Open-door
Relevant Model Clauses	1995	2000	2000
% holding	60%	100%	100%
Awarded	*28 October 2011	18 November 2004	1 May 2005
Area covered	103km^2	2,100km^2	1,680km^2
Number of phases in licence	3	2	2
Currently in phase	2	2	1
Conclusion of current phase	1 May 2013	18 November 2012	1 May 2013
Conclusion of subsequent phase	1 May 2023	—	1 May 2018
Annual rent	$6,180	$40,000	$30,000
Annual rent per discovery area	N/A	$375,000	$375,000
Annual rent per production field	$375,000	$375,000	$375,000

*Date relates to approval of farm in agreement by Falkland Islands Government.

All commitments have been fulfilled for the current phases on both competitive round and open-door licences.

Competitive round licences

PL004b was part of a competitive round of licence awards and is currently in phase 2. Under competitive round licence awards 50% of the licence notionally must be relinquished at the conclusion of phase 2, though the actual % is subject to negotiation.

The licence can then enter a third exploration period, phase 3. Phase 3 lasts for 10 years and allows for further exploration and appraisal drilling and requires a renewed drilling commitment on the acreage, and is therefore on a drill or drop basis. During phase 3 acreage rentals escalate each year from $1,500 to $8,250 per km^2.

Open-door licences

At the commencement of phase 2, which for PL032 & PL033 is expected to be 1 May 2013, the group will have to relinquish 50% of the combined licences and will be required to drill on a prospect that differs from phase 1.

At any time during the term of the licences, but prior to any appraisal or development work, the group may declare a discovery area. This was done on 22 December 2010 for part of licence PL032 so that appraisal work could be undertaken following the discovery on well 14/10-2. The resultant annual fee of $375,000 was paid on 24 December 2010 and falls due on 15 April, the anniversary of the discovery spud date, of each year thereafter.

Any area that is declared a discovery area must either have a field development plan submitted within three years of the anniversary of the discovery well's spud date if no further appraisal work is conducted or five years of that anniversary if further appraisal work has been undertaken. As further appraisal work has been undertaken on the declared discovery area a field development plan must be submitted by 15 April 2015 otherwise the licencee's interests in the licence area return to the Falkland Islands Government.

At the conclusion of phase 2, for any licence areas not declared a discovery area, then licencee's interests in the area return to the Falkland Islands Government. This is currently due to be the 18 November 2012 for licences PL023 & PL024. The group understands that the Falkland Islands Government may be willing to extend the licence period in return for additional exploration activity and will be actively pursuing this possibility.

The exploitation phase is for thirty-five years, or longer if needed to complete production. Approval of a field development plan will expire if production has not been commenced within five years of approval being granted, and the licencee's interests in the discovery area will be forfeited.

The group also holds a 25% working interest in licence PL004c and 7.5% working interest in licences PL003 and PL004a.
On 1 May 2006 the licences moved into their second phase, which is due to conclude on 1 May 2013.

22 CAPITAL COMMITMENTS

Operating commitments in force at the year end were as follows:

	2012 $'000	2011 $'000
In respect of:		
– Assigned rig slots	—	30,637
– 3D seismic acquisition	—	1,265
– Other demobilisation	—	2,099
	—	34,001

During the current year operations were concluded and the rig was off hire from the 8 January 2012. Previously all costs associated with the rig and equipment demobilisation were disclosed as commitments rather than a provision or accrual within the balance sheet, due to the uncertainty surrounding the probability of the outflow. With the drilling campaign concluded and the rig and equipment demobilised these costs have been recognised.

23 LEASE COMMITMENTS

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

	2012 $'000	2011 $'000
Total committed within 1 year	**115**	103
Total committed between 1 and 5 years	**55**	122
	170	225

24 RELATED PARTY TRANSACTIONS

The remuneration of directors, who are the key management personnel of the group, is set out below in aggregate. Further information about the remuneration of indivdual directors is provided in the Directors' Remuneration Report on pages 21 and 22.

	31 March 2012 $'000	31 March 2011 $'000
Short term employee benefits	**2,558**	3,049
Pension contributions	**116**	57
Share based payments	**695**	205
	3,369	3,311

25 POST BALANCE SHEET EVENTS

PUBLICATION OF COMPETENT PERSON'S REPORT ON 20 APRIL 2012

On 20 April 2012 the group announced the publication of a Competent Person's Report ("CPR") prepared by Gaffney, Cline & Associates. The CPR includes a resource and economic evaluation of the Sea Lion field as well as reporting on the development concept. The study has reinforced the group's view of the potential of Sea Lion for commercial development. The full CPR is available on the group's website at www.rockhopperexploration.co.uk.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

26 RISK MANAGEMENT POLICIES

RISK REVIEW

The risks and uncertainties facing the group are set out in the risk management report. Risks which require further quantification are set out below.

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

At 31 March 2012, if the GB£ had weakened, relative to the year end rate of 1.60, 10% against the US$, with all the other variables held constant, post tax loss and equity would have been US$9.6 million (2011: US$16.7 million) lower. Conversely, if the GB£ had strengthened 10% against the US$ with all other variables held constant, post tax loss and equity would have been US$9.6 million (2011: US$16.7 million) higher.

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

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

As at 31 March 2011	US$ denominated $'000	GB denominated $'000	Euro€ denominated $'000	Total $'000
Non-monetary assets	92,723	—	—	92,723
Monetary assets	133,284	174,997	—	308,281
	226,007	174,997	—	401,004
Monetary liabilities	4,521	8,129	—	12,650
Equity	512,596	—	—	512,596
Reserves	(124,242)	—	—	(124,242)
	392,875	8,129	—	401,004

Capital risk management; the group manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The capital structure consists of cash and cash equivalents and equity. The group is not subject to any externally imposed capital requirements other than when drilling when there was the requirement by the Falkland Islands Government that the group hold free cash of $5.0 million to suspend an existing well and $12.0 million above the expected drilling requirements to spud a new well. The board regularly monitors the future capital requirements of the group, particularly in respect of its ongoing development programme.

26 RISK MANAGEMENT POLICIES CONTINUED

Credit risk; the group makes certain payments on account or deposits into escrow accounts in respect of the drilling campaign. Should the company holding these accounts become insolvent then these funds may be lost or delayed in their release. Amounts held at the year end were as follows:

	2012 $'000	2011 $'000
Desire Petroleum	**3,092**	12,662
AGR Petroleum Services	**344**	75
Diamond Offshore	**—**	23,192
	3,436	35,929

Interest rate risks; if the group had received an additional 25 basis points on its interest bearing assets during the year, this would have generated additional finance income of $0.8 million (2011: $0.6 million). There are a number of instruments available to protect against falling interest rates reducing the investment income enjoyed by the group but, with rates now at historic lows there is not much further that they could fall. A decrease of 25 basis points in this variable has not been considered appropriate due to these current historic lows. The group is not dependent on its finance income and given the current interest rates the risk is not considered to be significant.

Liquidity risks; the group is required to place the anticipated cost of the drilling into restricted cash accounts prior to the related drilling. The group also makes limited use of term deposits where the amounts placed on deposit cannot be accessed prior to their maturity date. The amounts applicable at the year end were $57.6 million (2011: $92.2 million) and are disclosed in the counter-party risk table below.

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

	2012 $'000	2011 $'000
RBS plc	**802**	373
JPMorgan Chase N.A.	**—**	23,192
Total restricted cash	**802**	23,565
RBS plc	**—**	32,062
Barclays plc	**1,599**	60,115
Lloyds	**55,955**	—
Total term deposits	**57,554**	92,177
RBS plc	**43,756**	160,180
Barclays plc	**1,860**	246
Lloyds TSB plc	**37**	16,154
Standard Chartered plc	**56**	—
Total unrestricted cash	**45,709**	176,580
Total cash	**104,065**	292,322

PARENT COMPANY FINANCIAL STATEMENTS
COMPANY BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	2012 $'000	2011 $'000
Tangible fixed assets	2	**388**	340
Investments	3	**420**	420
FIXED ASSETS		**808**	760
Debtors due beyond one year		**427,866**	213,907
Debtors due within one year		**1,784**	3,294
Debtors	4	**429,650**	217,201
Payments on account	5	**3,092**	12,662
Restricted cash		**802**	23,565
Cash at bank and in hand		**103,263**	268,757
CURRENT ASSETS		**536,807**	522,185
Creditors due within one year	6	**(6,419)**	(12,650)
NET CURRENT ASSETS		**530,388**	509,535
TOTAL NET ASSETS		**531,196**	510,295
Share capital	7	**4,709**	4,297
Share premium	9	**578,658**	508,299
Share based remuneration	9	**3,093**	2,168
Share held by SIP trust	9	**(139)**	—
Foreign currency translation reserve	9	**4,123**	4,123
Retained losses	9	**(59,248)**	(8,592)
EQUITY SHAREHOLDERS' FUNDS		**531,196**	510,295

These financial statements were approved by the directors and authorised for issue on 30 May 2012 and are signed on their behalf by:

SAMUEL MOODY
CHIEF EXECUTIVE OFFICER

PETER DIXON-CLARKE ACA
FINANCE DIRECTOR

Registered Company number: 05250250

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

GOING CONCERN

At 31 March 2012 the group had available resources of $107.2 million which it considers to be adequate to complete the committed programme and continue for the foreseeable future.

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

PROFIT AND LOSS ACCOUNT

As a group income statement is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The result for the year was a loss of $50.7 million (2011: profit of $4.1 million).

SHARE BASED PAYMENT

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

Both schemes were created after 7 November 2002 and the company accounts for their cost until such time as they are fully vested in line with Financial Reporting Standard 20 ("FRS20"): Share based payments. Under the method set out in this standard, the cost of providing such schemes is based on the fair value of the options at the date of grant. The cost is charged to profit and loss over the expected vesting period of the options and credited to a share based payment reserve.

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

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

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

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

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

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

When new shares are issued, the proceeds, net of any transaction costs, are credited to share capital at nominal value and the balance to share premium. The related amount in the share based payment reserve is then credited to retained earnings. Further details are disclosed within note 7 of the group financial statements.

CASH FLOW STATEMENT

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES CONTINUED

INVESTMENTS

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

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

DEFERRED TAXATION

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

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

FOREIGN CURRENCIES

The functional currency of the company is US$.

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

The year end rates of exchange actually used were:

	31 March 2012	31 March 2011
£ : US$	**1.60**	1.60

FINANCIAL INSTRUMENTS

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Office equipment	Over 3 years
Leasehold improvements	Over 5 years

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

LEASING

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

2 TANGIBLE FIXED ASSETS

	Leasehold improvements $'000	Office equipment $'000	**2012 $'000**	2011 $'000
Cost at 1 April	199	275	**474**	122
Additions	77	126	**203**	352
Cost at 31 March	276	401	**677**	474
Accumulated depreciation at 1 April	(28)	(106)	**(134)**	(74)
Current year depreciation charge	(54)	(101)	**(155)**	(60)
Accumulated depreciation at 31 March	(82)	(207)	**(289)**	(134)
Net book value at 1 April	171	169	**340**	48
Net book value at 31 March	194	194	**388**	340

3 INVESTMENTS

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

Company	Incorporated	Class of share	Percentage held %	Net liabilities $'000	Result for the year $'000
Rockhopper Resources Limited	England & Wales	Ordinary	100	(44,335)	(3,678)
Rockhopper Exploration (Oil) Limited	England & Wales	Ordinary	100	—	—
Rockhopper Exploration (Hydrocarbons) Limited	England & Wales	Ordinary	100	(103,743)	(41,336)
Rockhopper Exploration (Petrochemicals) Limited	England & Wales	Ordinary	100	—	—
Rockhopper Exploration (Oil) Limited	Falkland Islands	Ordinary	100	(20,823)	(2,365)

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

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

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

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

	2011 $'000
Rockhopper Resources Limited	1,092
Rockhopper Exploration (Hydrocarbons) Limited	3,394
Rockhopper Exploration (Oil) Limited	391
	4,877

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

4 DEBTORS

	2012 $'000	2011 $'000
Due beyond one year	**427,866**	213,907
Other debtors	**1,039**	2,853
Accrued interest	**167**	426
Prepayments	**578**	15
Due within one year	**1,784**	3,294
	429,650	217,201

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

5 PAYMENTS ON ACCOUNT

All amounts are paid on behalf of subsidiary undertakings. See note 14 in the group accounts.

6 CREDITORS DUE WITHIN ONE YEAR

	2012 $'000	2011 $'000
Trade creditors	**2,987**	4,584
Accruals	**3,432**	7,966
Other creditors	**—**	100
	6,419	12,650

7 SHARE CAPITAL

	2012 Number	2011 Number
Shares in issue brought forward	**258,139,606**	174,104,755
Shares issued during the year		
– Issued during the prior year	**—**	84,034,851
– Issued on 14 July 2011	**990**	—
– Issued on 17 August 2011	**200,000**	—
– Issued on 17 October 2011	**25,814,000**	—
– Issued on 29 March 2012	**32,340**	—
Shares in issue carried forward	**284,186,936**	258,139,606

	2012		2011	
	$'000	**Number**	$'000	Number
Called up, issued and fully paid: Ordinary shares of £0.01 each	**4,709**	**284,186,936**	4,297	258,139,606

8 OTHER STATUTORY DISCLOSURES

	2012 $'000	2011 $'000
Salaries and fees	**4,895**	3,448
National insurance costs	**632**	464
Pension costs	**135**	57
Employee benefit costs	**73**	—
Average number of employees	**15**	8

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

9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital $'000	Share premium $'000	Share based remuneration $'000	Shares held by SIP trust $'000	Currency translation reserve $'000	Retained losses $'000	Total $'000
At 31 March 2011	4,297	508,299	2,168	—	4,123	(8,592)	510,295
Options exercised during the year	3	133	—	—	—	—	136
Share issues in relation to SIP	1	169	—	(139)	—	—	31
Shares issued during the year	408	73,078	—	—	—	—	73,486
Share issue costs	—	(3,021)	—	—	—	—	(3,021)
Movement for the year	—	—	1,005	—	—	—	1,005
Transferred during the year	—	—	(80)	—	—	80	—
Loss during the year	—	—	—	—	—	(50,736)	(50,736)
At 31 March 2012	**4,709**	**578,658**	**3,093**	**(139)**	**4,123**	**(59,248)**	**531,196**

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

10 FINANCIAL COMMITMENTS

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

	2012 $'000	2011 $'000
In less than one year	**37**	33
In the second to fifth year inclusive	**78**	70

11 POST BALANCE SHEET EVENTS

See note 25 within the group accounts.

12 RELATED PARTIES

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

INVESTOR INFORMATION

KEY CONTACTS
CONCERNS AND PROCEDURES

REGISTERED ADDRESS AND HEAD OFFICE
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

NOMAD AND JOINT BROKER
Canaccord Genuity
Cardinal Place
7th Floor
80 Victoria Street
London
SW1E 5JL

JOINT BROKER
Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ

SOLICITORS
Addleshaw Goddard llp
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

PRINCIPAL BANKERS
Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

AUDITOR
KPMG Audit plc
8 Salisbury Square
London
EC4Y 8BB

FINANCIAL ADVISER
NM Rothschild & Sons Limited
New Court
St Swithin's Lane
London
EC4P 4DU

REGISTRAR
Computershare Investor Services plc
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

GENERAL EMAILS
info@rockhopperexploration.co.uk

AUDIT COMMITTEE EMAILS
audit@rockhopperexploration.co.uk

WEBSITE
www.rockhopperexploration.co.uk

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

audit@rockhopperexploration.co.uk

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

audit@rockhopperexploration.co.uk

DESIGNED AND PRODUCED BY JACKSONBONE.
PRINTED IN ENGLAND BY SYNERGY GROUP.

ROCKHOPPER EXPLORATION PLC
HILLTOP PARK
DEVIZES ROAD
SALISBURY
WILTSHIRE
SP3 4UF

TELEPHONE +44 (0)1722 414 419
FAX +44 (0)1722 328 491

info@rockhopperexploration.co.uk
www.rockhopperexploration.co.uk

COMPANY REG. NO. 05250250