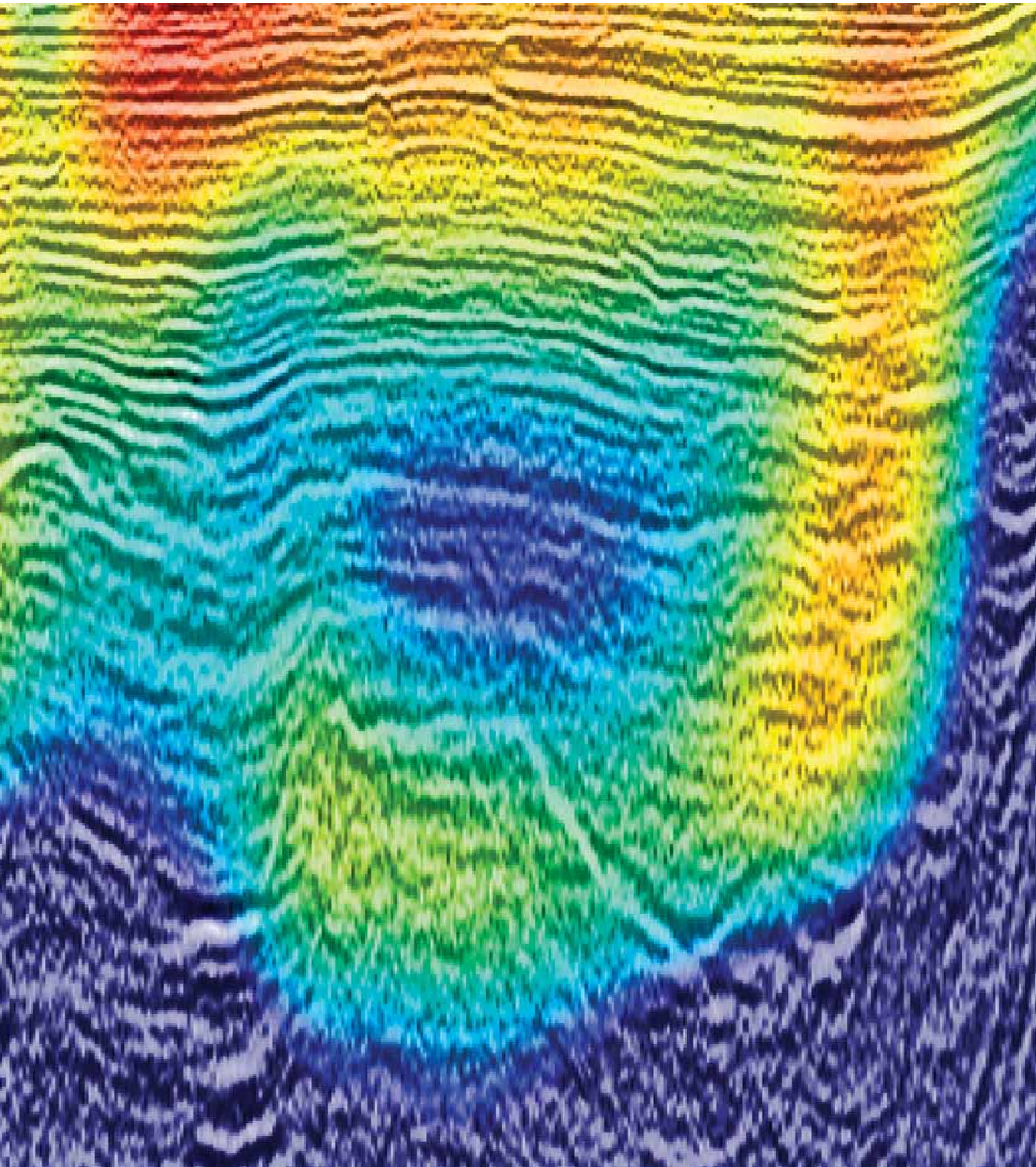
Interim report 2006

ROCKHOPPER EXPLORATION PLC



Highlights

- ↗ Processing and interpretation of CSEM data completed
- ↗ Positive results on both CSEM surveys
- ↗ Acreage significantly de risked
- ↗ Processing new 2D data completed
- ↗ 3D programme commenced two months ahead of schedule

Rockhopper Exploration plc is an oil and gas exploration company based in the United Kingdom.

www.rockhopperexploration.co.uk

Cover – View of co rendered CSEM and seismic data over prospect Ernest (formerly called J1). We believe the blue resistor in the centre is likely to be showing a Hydrocarbon accumulation trapped within the structure.

ROCKHOPPER EXPLORATION

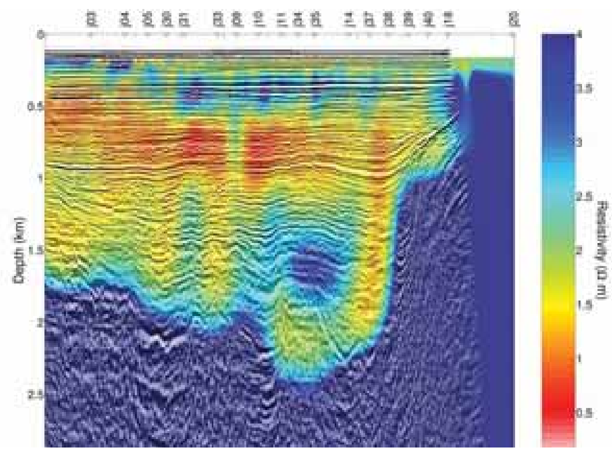
Chairman's statement

Dear shareholder

This interim report for the six months ending 30 September 2006, covers a period of real technical progress in our exploration effort. As expected, the Group incurred a loss for the period.

The six months to the end of September 2006 have seen the most significant step forward in our exploration effort to date. Processing the new 920km of 2D seismic data is complete and interpretation is now well advanced. Processing and interpretation of our newly acquired Controlled Source Electromagnetic (CSEM) Surveys is also complete and we have commenced our 3D seismic acquisition programme with CGG Marine some two months ahead of schedule.

We acquired 920km of new 2D seismic data in licences PL023 and PL024 on an exclusive basis with GSI in early 2006. The processed seismic data is of high quality and covers a number of leads in the south of the acreage, including lead K, as well as a closer grid over target J1, which we now know as prospect Ernest.



CSEM explanation The image is a vertical slice through the area of prospect Ernest.

The technique measures the resistivity of the sediment to an electromagnetic field created in the earth. Hydrocarbons are resistive to such fields. The blue blob in the middle of the image at a depth of around 1,500m is a resistive body which is co-incident with the physical closure of Ernest. It is our belief that this is an accumulation of Hydrocarbons, most likely oil.

The CSEM data acquired by OHM over Ernest and K contains what we believe to be strong signs of the presence of Hydrocarbons within the structures. This is a hugely significant development for the group. We now believe that Ernest is drillable subject to all relevant regulatory requirements and have upgraded this target as a result.

Moving forwards, our 3D will help us to further define a number of targets already mapped in the northern licences PL032 and PL033. Once that data has been mapped and interpreted, we will be in a position to rank our prospect inventory and begin making decisions on potential drilling targets. Starting the 3D programme two months early has allowed us to accelerate this process.

Dr Pierre Jungels
Chairman

1 December 2006

Managing Director's review

During the six months to the end of September, our exploration effort focused entirely on licences PL023 and PL024, with hugely encouraging results. We have completed processing the 920km of 2D seismic acquired in early 2006 and made good progress in interpreting and mapping that data. We have also completed processing and interpreting the two CSEM surveys acquired at the same time. Our commitments in relation to Phase 1 of licences PL023 and PL024 have now been completed.

Maps of Ernest made using the new seismic data indicated that the structure is both larger and more robust than when mapped on the pre-existing seismic. A clear independent four way closure can easily be mapped, with a larger potential closure possible against a large fault located to the east of the prospect. The areal extent of this four way closure is approximately 2,600 acres. Using a conservative calculation that translates into possible oil in place of over 300 million barrels, or around 100 million barrels of recoverable oil.

AVO **Amplitude** Versus Offset
A measure of the amplitude of the seismic response at the **near offset** to the amplitude of the response at the **far offset**. A difference in amplitude can be indicative of the presence of hydrocarbons.

Amplitude A measure of the strength of the acoustic energy reflected back to the surface.

Near offset The reflected acoustic energy recorded by hydrophones near to the source.

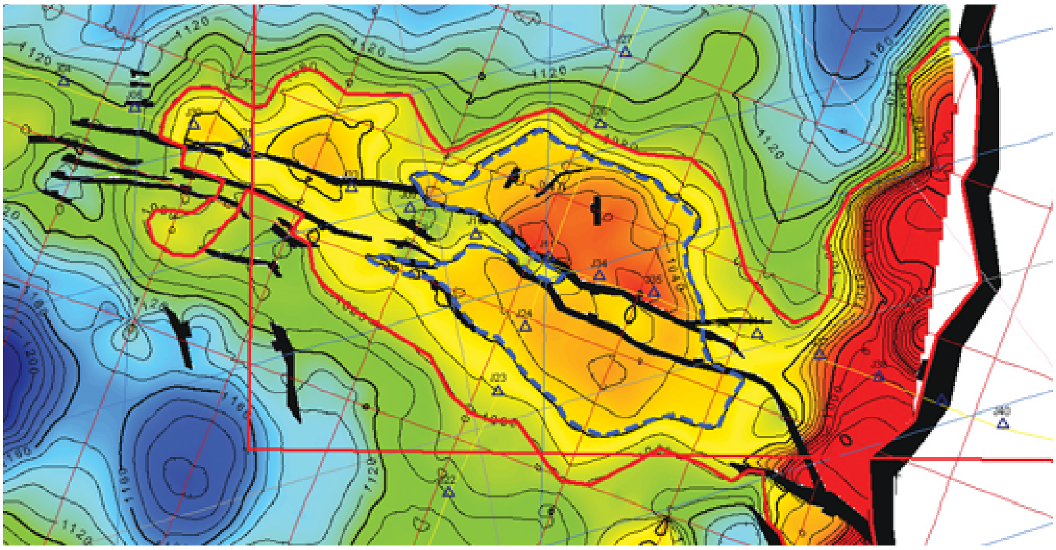
Far offset The reflected acoustic energy recorded by hydrophones far away from the source.

In addition to the robust nature of the prospect, we have observed an AVO response on its flank along with possible gas chimneys and flat spots within the area of closure, all of which are potential indicators of the presence of hydrocarbons. The new seismic also contains strong indications of the presence of reservoir units in the area.

Turning to the CSEM data over Ernest, a resistor can be seen easily on the interpreted data. When this CSEM data is co-rendered with the new 2D seismic, it becomes clear that the resistor is coincident with the extent of the four way closure as described above. The fact that this resistor appears to be contained within the Ernest structure leads us to believe that it is indicating the presence of Hydrocarbons trapped within the structure. This has significantly reduced the exploration risk associated with the prospect with the biggest remaining risk is associated with reservoir. Whilst indications of the presence of reservoir are present in the seismic data, we can make no meaningful assessment of the quality of that reservoir until we drill the target.

Assuming a recoverable reserve of 100 million barrels, the discovered value of Ernest alone could be in the region of $1,000 million at an oil price of $50 per barrel according to a model built by Scott Pickford at the time of our admission to AIM. Prospect Ernest is located in approximately 160m water depth and only 100km from the Islands.

The CSEM result over K is also extremely encouraging, with a resistor observed which appears to be coincident with a structural closure. This resistor is not present in the original target of the K survey, but in a flanking structure to the north east. More seismic is required over K in order to further define the extent of that closure and to determine any possible well locations. While K and some of the other leads described below are relatively shallow, that does not mean they cannot become productive fields, as elsewhere in the world shallower oil fields are successfully in production, for example, in the UK's Morecambe Bay area where the structure is remarkably similar to that observed in licences PL023 and PL024.



Prospect Ernest

Map explanation
The map is a view of Ernest from above. The blue dashed area is the low risk four way closure which is approximately 2,600 acres. The Red area is larger at approximately 9,600 acres and relies on closure against the fault in the East.

Finally, the new seismic has allowed us to further develop our existing inventory of leads in the wider PL023 and PL024 area. Work on the development of these leads is now continuing. These leads include some highly attractive rollovers, some of which are associated with strong amplitude anomalies. We have also become increasingly confident of the presence of a mature source rock in the southern most areas of our licences PL023 and PL024, which is good news in terms of the risk associated with the leads in the area.

Our next step is to begin active exploration of licences PL032 and PL033. The geology of these areas is different to that seen in PL023 and PL024 and makes the use of the CSEM technique more problematic. As a result, we are currently collecting a minimum of 685km^2 of 3D seismic data with CGG Marine and we were pleased to be in a position to begin that campaign some two months ahead of schedule. Processing and interpretation of that new data will carry us to the second half of 2007 and allow us to further refine and develop our prospect inventory.

Our plan is to develop an inventory of drillable prospects during 2007 so that we are in a position to participate in any drilling campaign taking place in the Islands.

Samuel Moody
Managing Director

1 December 2006

ROCKHOPPER EXPLORATION

Group profit and loss account (unaudited)

for the six months ended 30 September 2006

	Notes	**6 months ended 30 September 2006 Unaudited £000**	6 months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited Restated* £000
Turnover		**0**	0	0
Cost of sales		**0**	0	0
Gross profit		**0**	0	0
Administrative expenses		**(394)**	(466)	(822)
Charge for share based payment	2	**(121)**	0	(349)
Foreign exchange movement		**(122)**	0	56
Operating loss		**(637)**	(466)	(1,115)
Interest receivable		**273**	88	412
Loss on ordinary activities before taxation		**(364)**	(378)	(703)
Taxation	3	**0**	0	0
Loss on ordinary activities after taxation		**(364)**	(378)	(703)
Basic and diluted loss per share: pence	4	**(0.50p)**	(0.84p)	(1.20p)

*The restatement of comparatives applies solely to the charge for share based payment that is required by FRS20 (see note 2).

Group balance sheet (unaudited)

as at 30 September 2006

	Notes	**As at 30 September 2006 Unaudited £000**	As at 30 September 2005 Unaudited £000	As at 31 March 2006 Audited Restated* £000
Fixed assets				
Intangible assets		**2,817**	259	2,500
Tangible assets		**13**	8	14
		2,830	267	2,514
Current assets				
Debtors		**5**	128	10
Cash at bank		**11,939**	14,908	12,455
		11,944	15,036	12,465
Creditors: amounts due within one year		**(67)**	(407)	(59)
Net current assets		**11,877**	14,629	12,406
Total assets less current liabilities		**14,707**	14,896	14,920
Capital & reserves				
Called up share capital	5	**721**	718	718
Share premium account	5	**14,946**	14,919	14,919
Merger reserve		**(140)**	(140)	(140)
Share based payment reserve	2	**470**	0	349
Profit & loss account		**(1,290)**	(601)	(926)
Equity shareholders' funds		**14,707**	14,896	14,920

*The restatement of comparatives applies solely to the charge for share based payment that is required by FRS20 (see note 2).

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Group cashflow statement (unaudited)

for the six months ended 30 September 2006

	6 months ended 30 September 2006 Unaudited £000	6 months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited Restated* £000
Net cash outflow from operating activities	**(499)**	(557)	(782)
Returns on investment and servicing of finance			
Interest received	**273**	88	412
Capital expenditure and financial investment			
Purchase of intangible fixed assets	**(317)**	(23)	(2,264)
Purchase of tangible fixed assets	**(3)**	(8)	(15)
Net cash outflow before financing	**(546)**	(500)	(2,649)
Financing			
Issue of share capital	**30**	15,000	15,000
Share issue costs	**0**	(782)	(1,086)
Movement in net cash	**(516)**	13,718	11,265
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss	**(637)**	(466)	(1,115)
Decrease/(increase) in debtors	**5**	(90)	28
Increase/(decrease) in creditors	**8**	(3)	(47)
Depreciation	**4**	2	0
Shares issued in lieu of fees	**0**	0	3
Charge for share based payment	**121**	0	349
Net cash outflow from operating activities	**(499)**	(557)	(782)

*The restatement of comparatives applies solely to the charge for share based payment that is required by FRS20 (see note 2).

Group statement of changes in share capital and reserves (unaudited)

as at 30 September 2006

	6 months ended 30 September 2006 Unaudited £000	6 months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited Restated* £000
Share capital			
Opening balance	**718**	361	361
New shares issued	**3**	357	357
Closing balance	**721**	718	718
Share premium account			
Opening balance	**14,919**	1,362	1,362
Premium on new shares issued	**27**	14,643	14,643
Share issue costs	**0**	(1,086)	(1,086)
Closing balance	**14,946**	14,919	14,919
Merger reserve			
Opening and closing balance	**(140)**	(140)	(140)
Share based payment reserve			
Opening balance	**349**	0	0
Share based expense payment for the period	**121**	0	349
Closing balance	**470**	0	349
Profit & loss account			
Opening balance	**(926)**	(223)	(223)
Loss for the period	**(364)**	(378)	(703)
Closing balance	**(1,290)**	(601)	(926)
Equity shareholders' funds	**14,707**	14,896	14,920

*The restatement of comparatives applies solely to the charge for share based payment that is required by FRS20 (see note 2).

Notes to the interim report

for the six months ended 30 September 2006

1 Basis of preparation

This report was approved by the directors on 1 December 2006. The interim financial statements have been prepared using accounting policies and practices consistent with those adopted in the accounts for the year ended 31 March 2006 with the exception of the application of FRS 20 (see below) and are also consistent with those that will be adopted in the March 2007 accounts. The interim financial statements are unaudited but have been reviewed by the auditor.

The financial information does not constitute statutory accounts as defined by section 240 of the Companies Act 1985. Comparative figures for the period ended 31 March 2006 are extracted from the statutory accounts which have been filed with the Registrar of Companies but have been restated for the impact of FRS 20. Those accounts, upon which the auditor issued an unqualified opinion, did not include a statement under sections 237(2) or 237(3) of the Companies Act 1985.

2 Adoption of new accounting policy

The adoption of FRS 20: Share based payments, which is effective for accounting periods beginning on or after 1 January 2006, requires a prior period adjustment to be made. This has created a share based payment reserve at 30 September 2006 of £470 thousand and increased retained losses by the same amount. Of this amount, £349 thousand is attributable to the year ended 31 March 2006.

3 Taxation

The effective rate of taxation is based on the estimated charge for the full year at a rate of 0% (2005: 0%).

4 Basic and diluted loss per share

	6 months ended 30 September 2006	6 months ended 30 September 2005	Year ended 31 March 2006 Audited Restated
Loss for the period: £000	**(364)**	(378)	(703)
Weighted average shares	**71,800,154**	45,087,007	58,467,365
Basic and diluted loss per share: pence	**(0.50p)**	(0.84p)	(1.20p)

The basic loss per share amount is calculated by dividing the net profit for the period attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding at the period end. As the group is declaring a loss for all periods the exercise of either warrants or options would have the effect of reducing the loss per ordinary share and is therefore not considered dilutive.

5 Movements on share capital

During August 2006 share options were exercised over a total of 300,000 ordinary 1p shares, raising £30,000.

6 Post balance sheet events

During October 2006 the group created a cash backed letter of credit facility in favour of CGG Marine in respect of the 3D programme discussed in the Chairman's statement and Managing Director's review. The agreement was signed in October and work commenced in November and is ongoing at the time of signing this report. Whilst the final cost will not be known until the work is completed it is anticipated that it will be in excess of $10 million.

7 Copies of the interim report

Copies of the interim report will be dispatched to shareholders and will be available to the public at the registered office: Hilltop Park, Devizes Road, Salisbury, SP3 4UF, along with copies of the audited accounts for the year ended 31 March 2006 and interim accounts for the six months ended 30 September 2005.

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Independent review report by Baker Tilly to Rockhopper Exploration plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 4 to 8 and we have read the other information in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of their Interim Report and for no other purpose. We do not, therefore in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the Company's annual accounts.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board as if that Bulletin applied. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

Baker Tilly
Chartered Accountants
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1 December 2006

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