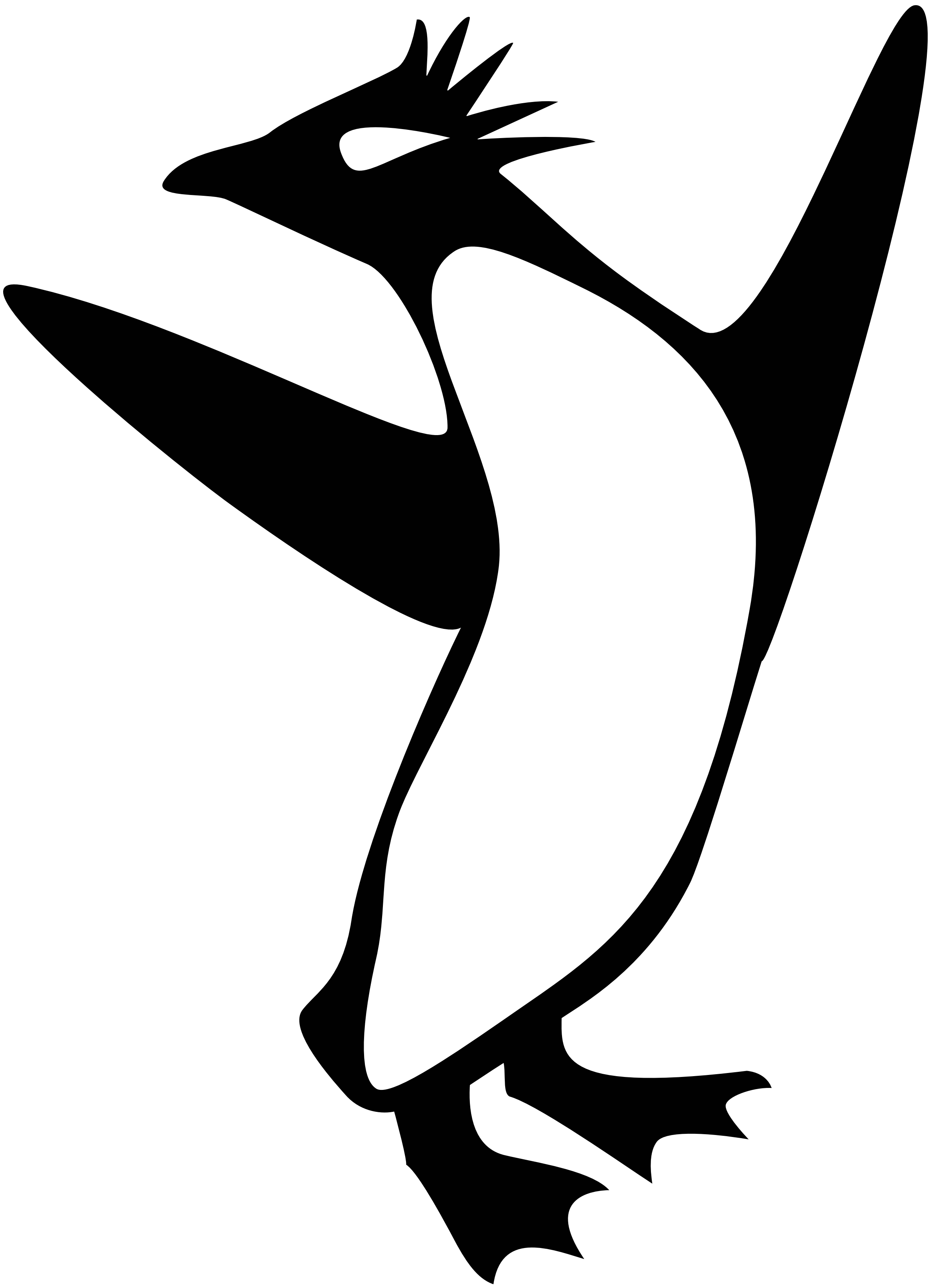
ROCKHOPPER EXPLORATION PLC
INTERIM REPORT 2010



NORTH FALKLANDS BASIN
CAMPAIGN CONTINUES

INTRODUCTION
THE SIX MONTH PERIOD TO 30 SEPTEMBER 2010 HAS BEEN OUR MOST OPERATIONALLY ACTIVE TO DATE

16 APRIL 2010
SEA LION SPUDDED
LOWERING THE HOLE OPENER THROUGH THE DRILL FLOOR TO SPUD THE WELL

06 MAY 2010
DISCOVERY ANNOUNCED
THE CREW OF THE OCEAN GUARDIAN ON THE DAY OF THE ANNOUNCEMENT

2010

$68m

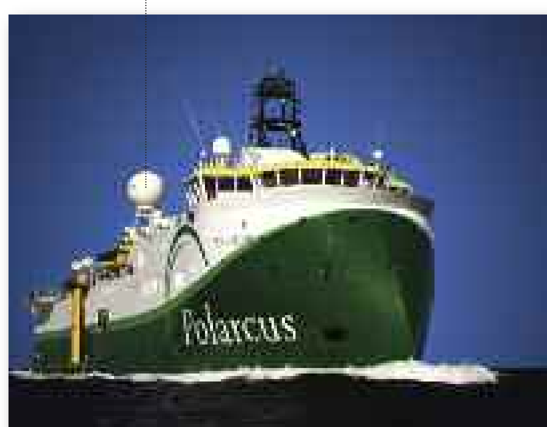
8 JUNE 2010
PLACING ANNOUNCED
$68.1 MILLION RAISED AFTER EXPENSES

23 JULY 2010
ERNEST SPUDDED
LOWERING CASING THROUGH
THE DRILL FLOOR

16 SEPTEMBER 2010
FLOW TEST
OCEAN GUARDIAN FLOW TESTS
SEA LION PROSPECT IN LINE
WITH EXPECTATIONS

$326m

19 OCTOBER 2010
RESULT OF PLACING
$325.7 MILLION RAISED
AFTER EXPENSES



20 & 26 OCTOBER 2010
3D SEISMIC PROGRAMME
CONTRACTS SIGNED WITH
POLARCUS LIMITED FOR TWO
VESSELS TO ACQUIRE 3D

EXPLORE, APPRAISE, DEVELOP

INTERIM REPORT 2010

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

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

AIM: RKH
www.rockhopperexploration.co.uk

KEY EVENTS

OPERATIONAL AND FINANCIAL

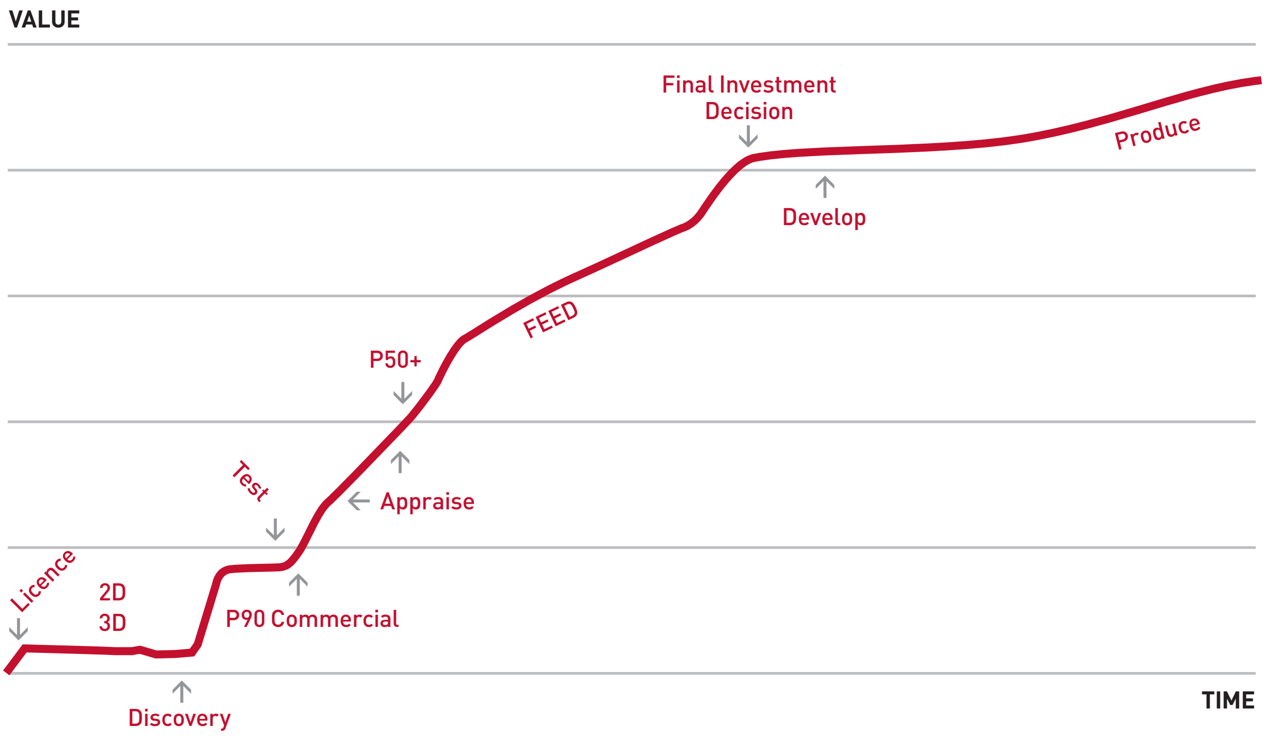
During the period:

- Well 14/10-2 spudded on the Sea Lion prospect
- Well 14/10-2 on Sea Lion prospect declared as an oil discovery
- $68m raised after expenses
- Well 26/6-1 spudded on the Ernest prospect
- Well 26/6-1 on the Ernest prospect declared as a dry hole
- Well 14/10-2 on the Sea Lion prospect successfully flow tested
- $68m of resources available at 30 September 2010

Post 30 September 2010:

- $326m raised after expenses

TYPICAL VALUE GENERATION FROM A SINGLE PROSPECT/DISCOVERY AREA



THIS GRAPH IS FOR ILLUSTRATIVE PURPOSES ONLY AND IS NOT TO SCALE.

CHAIRMAN'S STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

I last wrote to you, on 17 August 2010, when I set out the six key value points that needed to be achieved by a group such as Rockhopper to deliver maximum value. At that date we had achieved the first two points and with the successful flow testing of our discovery on Sea Lion we have just achieved the third.

In terms of the discovery on Sea Lion, the three remaining value points are:

- ↗ Confirmation of the size of the discovery for scoping development plans as well as full exploration of the acreage,
- ↗ Completion of a field development plan, and
- ↗ First oil and subsequent production.

Achieving the next two value points will give us the data to make a final investment decision as to the development potential of the Sea Lion prospect. Getting to the point of final investment decision will require significant time and investment and so, following the successful flow test, we have been very busy in all three areas of the group, being technical, corporate and financial.

In the technical area, we have agreed on the programme required, and its expected cost, to get us to a final investment decision for the Sea Lion prospect. The programme will include drilling further wells, both exploration and appraisal, acquiring additional 3D seismic, both on the northern and southern acreage, and commissioning engineering studies, both to conclude on a field development plan and undertake an amount of front-end engineering design.

In the corporate area, I felt it time to revisit the make up of the board to ensure we had the right skills and balance between executive and non-executive members that the Combined Code requires for good governance. To that end, I am delighted that David McManus and Robert Peters have joined the board as non-executives. David brings the engineering skills and Robert the legal skills that the board will need going forward. I have also decided that this is the time for me to move from executive to non-executive chairman and for Sam Moody to become chief executive, in recognition of the exceptional leadership that he has demonstrated since the group's inception.

In the financial area, with the work programme agreed, we raised $325.7 million, after expenses, in October 2010. Prior to October, we had spent considerable time researching each of the financing options available to us but had to conclude that the interests of the group were best served by speed and so a placing for the full amount required was the only option available to us at the time. This was because any fund raising being offered to all our present shareholders would require a prospectus and an updated Competent Person's Report. Work on a prospectus had been started, but during preliminary discussions with the technical experts, it became apparent that the interpretation of the potential resources would be so wide that a report acceptable to the board would not be produced until further data had been gathered by acquiring additional 3D seismic and drilling further wells.

CONCLUSION

The successful flow test was a major step for the group and gave us the confidence and momentum to raise the funds required to continue exploring our acreage. We believe that the $325.7 million raised will allow us to acquire additional seismic across all the acreage, drill additional exploration wells, initially in the north but also in the south if the new seismic data supports it, and undertake the work on the Sea Lion prospect that is needed to reach a final investment decision as to its future development.

DR PIERRE JUNGELS CBE
CHAIRMAN

15 November 2010

The successful flow test was a major step for the group and gave us the confidence and momentum to raise the funds required to continue exploring our acreage

INTERIM REPORT

OIL IS FLARED FROM THE OCEAN GUARDIAN DURING THE FLOW TEST ON SEA LION

CHIEF EXECUTIVE'S REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The six month period to 30 September 2010 has been our most operationally active to date. The Ocean Guardian has been on hire throughout and, with one exception, has been drilling either on the licences that we operate or have farmed in to.

REVIEW OF THE EXPLORATION WELLS

The period started with the conclusion of the Desire operated well, 14/19-1, on the Liz prospect where we have a 7.5% working interest. The well encountered hydrocarbons and was declared as a gas discovery, albeit with a poor quality reservoir, and was plugged and abandoned on 6 April 2010.

On 6 April 2010 the rig was passed to Rockhopper to drill well 14/10-2 on the Sea Lion prospect and on 6 May 2010 it was declared as an oil discovery. Logs showed 53 metres of net pay in multiple zones and down-hole fluid samples showed API gravities ranging from 26.4 to 29.2 degrees. The well was then suspended on 19 May 2010 to allow the rig to return at a later date and conduct a flow test.

On 19 May 2010 the rig was passed to BHP Billiton to drill a well on the Toroa prospect. The well was declared as a dry hole and plugged and abandoned on 21 July 2010 at which point the rig returned to Rockhopper to drill well 26/6-1 on the Ernest prospect. This well was also declared as a dry hole and plugged and abandoned on 25 August 2010 before returning to Sea Lion to conduct the flow test.

THE FLOW TEST ON THE SEA LION PROSPECT

On 25 August 2010 the rig returned to the Sea Lion prospect with the equipment required to perform a limited flow test. Whilst a test was not a requirement of the licence, the decision was taken to conduct a test because it was seen as key to demonstrating the commercial potential of the basin. Work had therefore begun on planning for a flow test as soon as the results of well 14/10-2 were known.

The sourcing and mobilisation of the equipment for the test presented considerable challenges due to both the length of the logistics chain and equipment limitations. These are both factors that can be dealt with in the production phase when the greater availability of data makes it easier to plan ahead for long lead items. However, a number of the more specialised items of equipment, such as heated risers, sub-surface pumps, and downhole chemical injection equipment would have taken too long to source and so the test was conducted without them.

The test itself was started on 16 September 2010 and the well flowed for eighteen hours at sustained rates in excess of 2,000 barrels per day, peaking at over 2,300 barrels per day. The test was designed to flow four separate zones but on recovery of the perforating guns it was discovered that the lower guns had not fired and so only the two upper zones had been perforated and tested. Our view is that had all of the relevant equipment been available and the guns not misfired, then the well could have flowed in excess of 4,000 barrels per day. Indeed we believe that achieved rates could be significantly higher than 4,000 barrels per day from a production well placed in a more optimal location using horizontal, or highly deviated, well completions.

SINCE THE FLOW TEST

On 25 September 2010 the rig was passed to Desire to drill well 14/15-1 on the Rachel prospect, in which we have a 7.5% working interest. On 15 October 2010, Desire announced that the well had been drilled to a total measured depth of 2,877 metres and whilst no hydrocarbons had been found a substantial thickness of sandstone had been encountered. However, the data from the well had identified potential sandstones downdip of the initial location and so the decision was taken to sidetrack the well.

On 20 October 2010 we signed the first of two contracts with Polarcus Limited to acquire 3D seismic across a wide area of the basin. Under the first contract we will acquire 3D seismic over the areas of licences PL032 and PL033 not previously surveyed, as well as the continuation to the north of the Johnson contingent gas resource feature and adjacent areas. The vessel should be available to commence the seismic survey during January 2011.

On 26 October 2010 we signed the second of the two contracts with Polarcus Limited. Under the contract we will acquire a 3D seismic survey over areas of licence PL024 and adjacent areas not

The six month period to 30 September 2010 has been our most operationally active to date

PART OF THE TOP DRIVE ASSEMBLY ON THE OCEAN GUARDIAN previously defined by 3D seismic, as well as participating with Desire on areas of Licences PL003 and PL004 in which we have a 7.5% working interest. The vessel should be available to commence the seismic survey during December 2010.

On 2 November 2010, Desire announced that mechanical difficulties had prevented them from logging the sidetrack of well 14/15-1 on the Rachel prospect and so the decision had been taken to plug and abandon the well to allow the rig to move to a new location on the Rachel prospect and to drill an additional exploration well. On 9 November 2010, Desire announced that they would be drilling well 14/15-2, their second well on the Rachel prospect, with a bottom hole location expected to be 1.7 kilometres to the north of well 14/15-1. The target was to be the same sand body as had been identified by the sidetrack but had not been tested.

OUTLOOK

The outlook for the group is very exciting, with another busy period ahead of us. Having defined and estimated the likely cost of the work programme to move towards a final investment decision on the Sea Lion prospect, as well as continue further exploration on the other prospects in the North Falklands Basin, on 18 October 2010 we announced a $325.7 million placing to finance work across a number of areas, including:

- the appraisal of the Sea Lion prospect in order to prove that the volumes within it are commercial;
- the commissioning of engineering studies to produce a field development plan and an amount of front end engineering design;
- the drilling of further exploration wells on the northern acreage, where we believe there are additional prospects;
- the shooting of additional 3D seismic across a wide area of the basin, sharing the programme with the two other operators to defray the costs;
- the drilling of further exploration wells on the southern acreage, should the interpretation of the newly acquired 3D seismic identify suitable prospects; and
- the meeting of the ongoing commitments of the farmed-in acreage.

At the time of writing, we are in advanced discussions with Diamond Offshore Drilling, the owners and managers of the Ocean Guardian, following their proposal to us for a continuation of the drilling campaign under a new rig contract consisting of a possible three firm wells and five optional wells.

SAM MOODY
CHIEF EXECUTIVE

15 November 2010

Sea Lion was flowed at sustained rates in excess of 2,000 barrels a day, peaking at over 2,300 barrels per day

RISER TENSIONER CONNECTIONS AND SLIP JOINT ON THE OCEAN GUARDIAN

BUSINESS REVIEW

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

OPERATIONAL PERFORMANCE

As the group has no production or proven reserves, it considers that the standard industry key performance indicators are not yet relevant. The management focus has therefore been on the financing and implementation of the work programme required to maintain and develop its licences. The seismic commitments for the operated licences were met some years ago and with the drilling of a well on the Sea Lion prospect, in licence areas PL032 and PL033, and a well on the Ernest prospect, in licence areas PL023 and PL024, we have now met all the commitments for the current phases.

The group sets 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 desire to remain within the range up to the P90 confidence level. As most costs are incurred on a per diem basis a good indication of drilling performance is a comparison of the actual number of days taken against the expected number of days at a P90 confidence interval, and this is set out in the table below.

Well 14/10-2 on the Sea Lion prospect was drilled as expected with very little non-productive time and the actual days on hire were extended by two days following the discovery to allow for additional logs to be run and a 7½ inch liner to be set so that the well could be suspended and tested at a later date. The expected cost of drilling the well, at a P90 confidence interval, was $25.0 million, excluding allocated mobilisation and demobilisation costs. The actual cost of drilling the well was $22.5 million, including the additional work following the discovery.

Well 26/6-1 on the Ernest prospect did incur non-productive time but this was offset to a degree by the decision to terminate the well earlier than the planned target depth once it was evident that the well was dry. The expected cost of drilling the well, at a P90 confidence interval, was $24.2 million, excluding allocated mobilisation and demobilisation costs. The actual cost of drilling the well was $21.7 million.

Flow testing a well is more weather dependent than drilling one and the flow test of well 14/10-2 on Sea Lion, whilst it incurred no non-productive time, lost six days to waiting on weather. The expected cost of testing the well, at a P90 confidence interval, was $19.3 million. The cost of the test, excluding mobilisation and hire of the additional equipment, is expected to be approximately $21.4 million, due mainly to the additional days waiting on weather.

FINANCIAL PERFORMANCE

INCOME STATEMENT

Group loss before, and after, tax increased for the period ended 30 September 2010 by $25.9 million from $1.6 million to $27.5 million. This was due to the increase in exploration and evaluation costs following the decision to impair the amounts capitalised in respect of the wells drilled on the Liz and Ernest prospects. The group's decision to change from a full cost to a successful efforts accounting policy for the year ended 31 March 2010 has accelerated the timing of the recognition of these losses. Were the group to account under the old policy then the difference to the income statement would be $30.9 million and would turn the loss of $27.5 million into a profit of $3.4 million. The impact of the change to the accounting policy across all the periods being reported on is set out in note 1.4.

INTERIM REPORT

EXPECTED DAYS AT P90 VS ACTUAL, BY OPERATION

OPERATION	Expected days at P90	Waiting on weather	Actual days on hire
Sea Lion – 14/10-2	38	1	35
Ernest – 26/6-1	37	1	34
Sea Lion – Flow test	30	6	32

INTERIM REPORT


TEST EQUIPMENT MOBILISED FOR THE FLOW TEST OF SEA LION

Exploration and evaluation expenses for the period increased by $30.6 million to $30.9 million from $0.3 million for the prior period. This increase was due to impairment charges of $5.1 million in respect of well 14/19-1, drilled on the Liz prospect, and $25.8 million in respect of well 26/6-1, drilled on the Ernest prospect. In each case the charge included the write off of the allocated mobilisation costs incurred during the year ended 31 March 2010.

Administrative expenses for the period increased by $1.1 million, or 69%, to $2.7 million from $1.6 million for the prior period. These consisted of staff costs of $1.5 million, professional fees of $0.9 million and $0.3 million of other costs. Staff costs increased by $0.3 million and professional fees by $0.8 million, mainly due to the increased operational activity in the period.

The share based payments charge for the period decreased by $0.1 million, or 50%, to $0.1 million from $0.2 million in the prior period. The decrease was primarily due to the majority of the tranches for the options and share appreciation rights having vested prior to the period under review. With the conclusion of the operated element of the campaign on 25 September 2010 in accordance with acceptable health and safety standards, the third and final tranche of the share appreciation rights issued in 2008 and 2009 have vested. The full balance remaining has therefore been expensed in the period.

Finance income for the period increased by $0.2 million to $0.2 million reflecting the increased cash balances held during the period.

The foreign exchange movement for the period increased by $5.7 million to a gain of $6.1 million against a gain of $0.4 million for the prior period. The size of the movement arose because the period saw significant changes in the exchange rate of the GB£ against the US$. The gains came almost entirely from the £45.1 million balance of the £46.6 million received on 11 June 2010 from the placing proceeds that were translated at the prevailing rate of 1.46 against the year end rate of 1.58, generating a gain of $5.5 million.

BALANCE SHEET

During the period the group capitalised a further $67.7 million of intangible exploration and evaluation assets. This was comprised of $21.4 million in respect of well 14/10-2 drilled on the Sea Lion prospect, $21.6 million in respect of well 26/6-1 drilled on the Ernest prospect and $24.1 million, including mobilisation costs of the specific equipment, in respect of the flow test conducted on the Sea Lion prospect, with the balance of $0.6 million relating to the farm in acreage.

Well 26/6-1 on the Ernest prospect was declared as a dry hole on 16 August 2010 and consequently charged to the income statement at a cost of $25.8 million, being the drilling costs plus the brought forward mobilisation costs. On 13 September 2010 Desire released their Interim Report in which they stated that they had no near term appraisal plans for the Liz prospect and so costs capitalised on that prospect were also judged to be impaired and charged to the income statement at a cost of $5.1 million, including the allocated mobilisation cost.

Resources available include payments on account, restricted cash and cash and cash equivalents and these stood at $14.5 million, $5.0 million and $48.4 million respectively, giving a total of $67.9 million at the period end. $17.3 million of this balance was considered to be committed at the period end to the planned drilling programme, thereby leaving free cash of $50.6 million. Payments on account are payments made to Desire and are mainly the group's expected share of the subsequent demobilisation of the rig and related equipment. It also includes cash called balances relating to the group's share of the costs that Desire expects to incur during the exploration of the farmed in acreage where the group is not the operator. Restricted cash is mainly cash held by AGR and Diamond in respect of the group's costs that they expect to incur during the exploration of the group's acreage where it is the operator.

During the period the group capitalised a further $67.7 million of intangible exploration and evaluation assets

Share capital and share premium increased by $68.9 million from a total of $116.8 million at 31 March 2010 to a total of $185.7 million. Whilst $0.9 million of the movement related to the exercise of share options the majority related to the fund raising announced on 8 June 2010. The funding raised $71.0 million before expenses of $2.9 million from the placing of 17,320,000 new ordinary shares at a price of 280 pence each. It represented 9.9% of the ordinary shares previously in issue and was concluded at a 3.5% discount to the closing middle market price for an ordinary share on the previous day. As 9.9% was within the limit permitted under the company's articles, no authorisation was required by way of an extraordinary general meeting.

FINANCIAL OUTLOOK

With the receipt of $325.7 million, net of expenses, on 8 November 2010 the group has the resources to execute the next phase of the programme, set out in the chief executive's report.

Exploration activity for the balance of this financial year is expected to focus on the acquisition of additional 3D seismic. As the group's policy is to expense seismic costs as they are incurred, this will mean a charge to the income statement. The remaining activity will be preparation for the next phase of drilling on the northern acreage. Desire currently has the rig and hold three additional slots to drill wells following the one just completed on Rachel. Negotiations with Diamond Offshore Drilling are proceeding and, if the rig is secured, then we would expect it to return to the group once Desire's programme is completed.

In terms of non-exploration and evaluation expenditure, the most material movement in the second half of the year is expected to relate to foreign exchange. The group's policy is to match the currency in which it holds its resources to that in which it has incurred its liabilities and commitments. However, under the current arrangements, as exploration and evaluation costs are being incurred approximately 50:50, in terms of the split between GB£ and US$, at least 50% of the cash is held in GB£, exposing the group to foreign exchange movements within the income statement. In addition, free cash is held in GB£ as this enjoys a marginally better yield and is the currency in which the group incurs most of its operating, as opposed to investing, activities. Of the £202.0 million received on 8 November 2010, £77.5 million was sold to purchase $125.0 million on the same day to match the expected US$ element of the coming campaign. Further US$ purchases will take place as and when required. The GB£ balance remaining will be subject to rate of exchange gains and losses.

Administrative expenses are also expected to see movements between the first and second half of the financial year due to the board changes and review of executive pay that became effective, in terms of the income statement, on 1 October 2010. The changes are set out in detail in note 11, post balance sheet events, and have the effect of decreasing the annual maximum potential remuneration by £0.5 million, due mainly to the reduction of the maximum potential bonus awards.

PETER DIXON-CLARKE ACA
FINANCE DIRECTOR

15 November 2010

Exploration activity for the balance of this financial year is expected to focus on the acquisition of additional 3D seismic

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	**Six months ended 30 September 2010 Unaudited $'000**	Six months ended 30 September 2009 Unaudited restated* $'000	Year ended 31 March 2010 Audited restated* $'000
OPERATING EXPENSES				
Exploration and evaluation expenses	2	**(30,942)**	(306)	(644)
Administrative expenses	3	**(2,715)**	(1,556)	(3,682)
Charge for share based payments		**(66)**	(159)	(920)
		(33,723)	(2,021)	(5,246)
NET FINANCE INCOME/(EXPENSE)				
Interest income		**185**	28	133
Net foreign exchange gains/(losses)		**6,052**	428	(2,583)
		6,237	456	(2,450)
Loss before tax		**(27,486)**	(1,565)	(7,696)
Income tax expense		**–**	–	–
LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		**(27,486)**	(1,565)	(7,696)
Loss per share: cents (basic & diluted)	4	**(14.82)**	(1.94)	(6.65)

*See change in accounting policy and re-presentation of income statement note 1.4.

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

CONDENSED FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	**Six months ended 30 September 2010 Unaudited $'000**	Six months ended 30 September 2009 Unaudited restated* $'000	Year ended 31 March 2010 Audited $'000
Loss for the year		**(27,486)**	(1,565)	(7,696)
Other comprehensive income for the period/year		**–**	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**(27,486)**	(1,565)	(7,696)

*See change in accounting policy, note 1.4.

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2010

	Notes	**As at 30 September 2010 Unaudited $'000**	As at 30 September 2009 Unaudited restated* $'000	As at 31 March 2010 Audited $'000
ASSETS				
Intangible exploration and evaluation assets	5	**52,679**	1,908	15,912
Property, plant and equipment		**107**	12	48
Other receivables		**1,163**	72	170
Payments on account	6	**14,457**	–	14,049
Restricted cash	7	**5,046**	162	35,955
Cash and cash equivalents	8	**48,405**	4,612	14,485
TOTAL ASSETS		**121,857**	6,766	80,619
LIABILITIES				
Other payables		**796**	1,058	1,071
TOTAL LIABILITIES		**796**	1,058	1,071
EQUITY				
Share capital		**3,236**	1,420	2,966
Share premium		**182,537**	36,210	113,874
Share based remuneration		**2,033**	1,954	2,355
Merger reserve		**(243)**	(243)	(243)
Foreign currency translation reserve		**4,123**	4,123	4,123
Retained losses		**(70,625)**	(37,756)	(43,527)
ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**121,061**	5,708	79,548
TOTAL LIABILITIES AND EQUITY		**121,857**	6,766	80,619

*See change in accounting policy, note 1.4.

These financial statements were approved by the directors and authorised for issue on 15 November 2010 and are signed on their behalf by:

SAMUEL MOODY
CHIEF EXECUTIVE

PETER DIXON-CLARKE ACA
FINANCE DIRECTOR

CONDENSED FINANCIAL STATEMENTS

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

For the six months ended 30 September 2010	Share capital $'000	Share premium $'000	Share based remuneration $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 April 2010	2,966	113,874	2,355	(243)	4,123	(43,527)	79,548
Total comprehensive income for the period	–	–	–	–	–	(27,486)	(27,486)
Issue of shares	253	70,699	–	–	–	–	70,952
Cost of issue	–	(2,891)	–	–	–	–	(2,891)
Share based payments	–	–	66	–	–	–	66
Exercise of share options	17	855	(388)	–	–	388	872
Total contributions by and distributions to owners	270	68,663	(322)	–	–	388	68,999
Balance at 30 September 2010	**3,236**	**182,537**	**2,033**	**(243)**	**4,123**	**(70,625)**	**121,061**

For the six months ended 30 September 2009	Share capital $'000	Share premium $'000	Share based remuneration $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Retained losses restated* $'000	Total equity $'000
Balance at 1 April 2009	1,420	36,210	1,795	(243)	4,123	(36,191)	7,114
Total comprehensive income for the period	–	–	–	–	–	(1,565)	(1,565)
Share based payments	–	–	159	–	–	–	159
Total contributions by and distributions to owners	–	–	159	–	–	–	159
Balance at 30 September 2009	**1,420**	**36,210**	**1,954**	**(243)**	**4,123**	**(37,756)**	**5,708**

*See change in accounting policy, note 1.4.

For the year ended 31 March 2010	Share capital $'000	Share premium $'000	Share based remuneration $'000	Merger reserve $'000	Foreign currency translation reserve $'000	Retained losses $'000	Total equity $'000
Balance at 1 April 2009	1,420	36,210	1,795	(243)	4,123	(36,191)	7,114
Total comprehensive income for the year	–	–	–	–	–	(7,696)	(7,696)
Issue of shares	1,530	81,087	–	–	–	–	82,617
Cost of issue	–	(4,227)	–	–	–	–	(4,227)
Share based payments	–	–	920	–	–	–	920
Exercise of share options	16	804	(360)	–	–	360	820
Total contributions by and distributions to owners	1,546	77,664	560	–	–	360	80,130
Balance at 31 March 2010	**2,966**	**113,874**	**2,355**	**(243)**	**4,123**	**(43,527)**	**79,548**

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	**Six months ended 30 September 2010 Unaudited $'000**	Six months ended 30 September 2009 Unaudited restated* $'000	Year ended 31 March 2010 Audited $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss after tax		**(27,486)**	(1,565)	(7,696)
Adjustments to reconcile net losses to cash utilised				
Depreciation		**10**	9	30
Share based payment charge		**66**	159	920
Intangible exploration and evaluation assets impaired		**30,942**	–	–
Operating cash inflows/(outflows) before movements in working capital		**3,532**	(1,397)	(6,746)
Changes in:				
Other receivables		**(993)**	(18)	(116)
Payments on account		**(408)**	–	(14,049)
Payables		**(275)**	(51)	(38)
Cash utilised by operating activities		**1,856**	(1,466)	(20,949)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation assets		**(67,709)**	(146)	(14,150)
Purchase of equipment		**(69)**	(1)	(58)
Restricted cash		**30,909**	–	(35,704)
Cash utilised by investing activities		**(36,869)**	(147)	(49,912)
CASH FLOWS FROM FINANCING ACTIVITIES				
Options exercised		**872**	–	820
Issue of share capital		**70,952**	–	82,617
Share issue costs		**(2,891)**	–	(4,227)
Cash generated from financing activities		**68,933**	–	79,210
Net cash inflow/(outflow)		**33,920**	(1,613)	8,349
Cash and cash equivalents brought forward		**14,485**	6,387	6,136
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**48,405**	4,774	14,485

*See change in accounting policy, note 1.4.

CONDENSED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES

1.1 GROUP AND ITS OPERATIONS

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

1.2 STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements of the company, as at and for the six months ended 30 September 2010, include the results of the company and all subsidiaries over which the company exercises control (together referred to as the "group").

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted by the European Union ("EU"). They do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the company and all its subsidiaries as at the year ended 31 March 2010.

The comparative figures for the financial year ended 31 March 2010 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was: (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying his report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed interim consolidated financial statements were approved by the Board on 15 November 2010.

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.

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

Items included in the results of each of the group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional and presentational currency of all the companies within the group is considered to be US$.

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

1.4 CHANGE IN ACCOUNTING POLICY

(i) **Oil and gas assets**

In the year ended 31 March 2010, the group changed its oil and gas assets accounting policy from a full cost policy to a successful efforts policy. Under the full cost method, all expenditure incurred in connection with and directly attributable to oil and gas assets was capitalised. Under the successful efforts policy geological and geophysical costs are expensed immediately to the income statement, and the costs of unsuccessful prospects are expensed in the income statement in the period in which they are determined to be unsuccessful.

The group believes the successful efforts policy provides reliable and more relevant information.

In accordance with IAS8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparatives have been restated accordingly.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES CONTINUED

The tables below show the impact of the change in accounting policy. The change in accounting policy took place during the year ended 31 March 2010. The impact on the period ended 30 September 2010 and year ended 31 March 2010 have been included for illustrative purposes only as these numbers were reported after the change in accounting policy occurred.

LOSS BEFORE INCOME TAXES

	Six months ended 30 September 2010 $'000	Six months ended 30 September 2009 $'000	Year ended 31 March 2010 $'000
Profit/(loss) before change in accounting policy	**3,456**	(1,259)	(7,052)
Exploration expenses written off	**(30,942)**	(306)	(644)
Loss after change in accounting policy	**(27,486)**	(1,565)	(7,696)
Loss per share: cents (basic and diluted)			
Before change in accounting policy	**1.86**	(1.56)	(6.10)
Difference due to change in accounting policy	**(16.68)**	(0.38)	(0.55)
Restated after change in accounting policy	**(14.82)**	(1.94)	(6.65)

ASSETS

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Intangible exploration and evaluation assets before change in accounting policy	**109,346**	27,295	41,637
Difference due to change in accounting policy	**(30,942)**	(306)	(644)
Cumulative effect from prior years	**(25,725)**	(25,081)	(25,081)
	52,679	1,908	15,912

CONSOLIDATED SHAREHOLDERS EQUITY

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Consolidated shareholders equity before change in accounting policy	**177,727**	31,095	105,273
Difference due to change in accounting policy	**(30,942)**	(306)	(644)
Cumulative effect from prior years	**(25,725)**	(25,081)	(25,081)
	121,061	5,708	79,548

(ii) The foreign exchange movement has been re-presented on the face of the income statement to be disclosed within finance income as opposed to operating expenses. The effect of this re-presentation is to increase the total operating expenses from $27.7 million to $33.7 million for the six months ended 30 September 2010 and from $1.6 million to $2.0 million for the six months ended 30 September 2009 and to decrease them from $7.8 million to $5.2 million for the year ended 31 March 2010.

1.5 GOING CONCERN

At the time of writing, the Ocean Guardian is in the North Falkland Basin on location at well 14/15-2 drilling a further well on the Rachel prospect. This is the third and final well for which the group has committed to paying a 15% share, up to 105% of the initial AFEs, of the dry hole costs to earn its 7.5% interest of licences PL003 & PL004. At 30 September 2010 the group had available resources of $67.9 million and has subsequently raised an additional $325.7 million, net of expenses, by way of a placing. It considers the resources available at the date these statements were approved to be adequate to complete the expected programme and continue for the foreseeable future.

These condensed group interim 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.

CONDENSED FINANCIAL STATEMENTS

1.6 PERIOD END EXCHANGE RATES

The period end rates of exchange actually used were:

	30 September 2010	30 September 2009	31 March 2010	31 March 2009
£ : US$	**1.58**	1.59	1.51	1.42

2 EXPLORATION AND EVALUATION EXPENSES

	Six months ended 30 September 2010 $'000	Six months ended 30 September 2009 $'000	Year ended 31 March 2010 $'000
Allocated from administrative expenses (see note 3 below)	**–**	303	641
Other exploration and evaluation expenses	**–**	3	3
Capitalised exploration costs impaired (see note 5 below)	**30,942**	–	–
	30,942	306	644

All exploration and evaluation costs were capitalised during the period, rather than being charged directly to the income statement. The costs impaired relate to the costs, both drilling and allocated mobilisation, of the wells on the Liz and Ernest prospects.

3 ADMINISTRATIVE EXPENSES

	Six months ended 30 September 2010 $'000	Six months ended 30 September 2009 $'000	Year ended 31 March 2010 $'000
Directors' salaries, including bonuses	**1,698**	1,317	2,664
Other employees salaries	**97**	–	31
National insurance costs	**238**	158	332
Allocated to exploration and evaluation expenses	**–**	(303)	(641)
Allocated to exploration and evaluation assets	**(527)**	–	–
Total staff costs	**1,506**	1,172	2,386
Auditor's remuneration	**44**	19	101
Other professional fees	**849**	106	385
Travel	**95**	66	193
Office rentals	**28**	10	35
Depreciation	**10**	9	30
Other	**183**	174	552
	2,715	1,556	3,682

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

4 BASIC AND DILUTED LOSS PER SHARE

	Six months ended 30 September 2010 Number	Six months ended 30 September 2009 Number	Year ended 31 March 2010 Number
Shares in issue brought forward	**174,104,755**	80,514,520	80,514,520
Shares issued			
– Issued during the prior period	**–**	–	93,590,235
– Issued on 19 May 2010	**690,000**	–	–
– Issued on 24 May 2010	**210,000**	–	–
– Issued on 27 May 2010	**200,000**	–	–
– Issued on 11 June 2010	**17,320,000**	–	–
– Issued on 12 July 2010	**14,851**	–	–
Shares in issue carried forward	**192,539,606**	80,514,520	174,104,755
Weighted average shares in issue	**185,407, 805**	80,514,520	115,680,444
	$'000	$'000	$'000
Net (loss) after tax	**(27,486)**	(1,565)	(7,696)
Basic and diluted net (loss) per share – cents	**(14.82)**	(1.94)	(6.65)

The shares issued on 19, 24 and 27 May 2010 were in respect of options granted to the company's AIM nominated adviser as part of the payment for the placing of 92,592,593 shares admitted for trading on 13 November 2009. 1,851,851 options were granted and 100,000 remain unexercised at the period end.

The shares issued on 11 June 2010 were in respect of a placing and were issued at 280 pence per share.

The shares issued on 12 July 2010 were in respect of options exercised that had been granted at 10p per option in 2005 to various inhabitants of the Falkland Islands.

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 all periods 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. Shares issued since the period end that would have affected the diluted loss per share are disclosed in note 11, post balance sheet events.

CONDENSED FINANCIAL STATEMENTS

5 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	Licences PL023 PL024	Licences PL032 PL033	Licences PL003 PL004	**30 September 2010 $'000**	30 September 2009 $'000	31 March 2010 $'000
Costs brought forward	4,396	4,708	6,808	**15,912**	1,762	1,762
Additions	21,604	45,475	630	**67,709**	146	14,150
	26,000	50,183	7,438	**83,621**	1,908	15,912
Impairments brought forward	–	–	–	**–**	–	–
Impairments arising in the period	(25,794)	–	(5,148)	**(30,942)**	–	–
	(25,794)	–	(5,148)	**(30,942)**	–	–
Net book value brought forward	4,396	4,708	6,808	**15,912**	1,762	1,762
Net book value carried forward	206	50,183	2,290	**52,679**	1,908	15,912

Licences PLO23 and PLO24 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 it drilled well 26/6-1 on the Ernest prospect, which is within licence PLO24. The well was declared to be a dry hole and subsequently plugged and abandoned on 25 August 2010. The well was considered to be impaired and the costs were written off to the income statement at a cost of $25.8 million of which $3.6 million related to allocated mobilisation costs and $0.5 million to allocated internal costs. The balance remaining relates to licence costs capitalised.

Licences PL032 and PL033 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 drilled and subsequently flow tested well 14/10-2 on the Sea Lion prospect, which is within licence PL032. The well was declared an oil discovery on 6 May 2010 and suspended to allow the rig to return at a later date to flow test the well. On 16 September 2010 the well was flow tested for eighteen hours during which time it flowed at rates consistently above 2,000 barrels per day, despite the limited nature of the test. The well was plugged and abandoned on 25 September 2010. As the prospect is not considered to be impaired, the asset has not been written off and is carried in the balance sheet at $26.1 million, including $3.6 million of allocated mobilisation costs, for the well and $24.1 million, including $2.7 million of equipment mobilisation costs, for the subsequent flow test.

Licences PL003 and PL004 represent the farm in acreage that the group holds within the North Falkland Basin. The group has a 7.5% working interest and Desire is the operator. During the period under review, Desire completed the drilling of well 14/19-1 on the Liz prospect, which is within licence PL003. The well was declared as a gas discovery and plugged and abandoned on 6 April 2010. On 13 September 2010, Desire announced that they had no current plans to continue exploring the Liz prospect and so the well was considered to be impaired and written off to the income statement at a cost of $5.1 million.

Desire returned to licences PL003 and PL004 on 25 September 2010 to drill well 14/15-1 on the Rachel prospect, in licence PL004. The initial well was declared a dry hole on 14 October 2010 and the decision was taken by Desire to drill a sidetrack. The logging whilst drilling tool encountered sands with oil shows during the sidetrack. However, due to mechanical failure of the wellbore it proved impossible to obtain any wireline logging data. On 2 November 2010 Desire announced that it intended to plug and abandon the well to allow it to drill a further, vertical, well on the Rachel prospect. As the prospect is not considered to be impaired, the asset has not been written off and is carried in the balance sheet at $0.7 million, being the cost incurred at 30 September 2010. The remaining asset relates to long lead items.

6 PAYMENTS ON ACCOUNT

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Funds held by third parties relating to:			
– operated activities	**–**	–	500
– non-operated activities	**14,457**	–	13,549
	14,457	–	14,049

The amount above relates to payments made to Desire in respect of the 2010 drilling campaign. The amount includes payments made in respect of the ongoing drilling campaign and mobilisation of testing equipment to the area, but mainly relates to the expected cost of the demobilisation of the rig and related equipment.

7 RESTRICTED CASH

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
In respect of own wells	**4,756**	–	35,689
Charged accounts	**290**	162	266
	5,046	162	35,955

Pursuant to certain contracts for the 2010 drilling campaign, the group holds money in escrow accounts, which are treated as restricted cash as they are not under the exclusive control of the group.

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

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

8 CASH AND CASH EQUIVALENTS

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Current accounts	**4,939**	1,519	3,832
Deposit accounts	**43,466**	3,093	10,653
	48,405	4,612	14,485

9 OPERATED LICENCE DETAILS

	PL023 PL024	PL032 PL033
% working interest	100%	100%
Awarded	25 November 2004	2 June 2005
Area covered	2,100km^2	1,680km^2
Currently in phase	2	1
Conclusion of current phase	18 November 2012	1 May 2013
Conclusion of subsequent phase	–	1 May 2018
Annual rent	$40,000	$30,000
Annual rent per discovery area	$375,000	$375,000
Annual rent per production field	$375,000	$375,000
Work commitment for the current phase:		
– seismic	640km^2 of 2D	685km^2 of 3D
– exploration well(s)	1	1

All commitments have been fulfilled for the current phases.

Under the initial terms of the licences for PL032 and PL033, phase 1 was due to expire after five years. However, on 4 February 2009 the Department for Mineral Resources of the Falkland Islands Government confirmed that in recognition of the group having committed to drill an exploration well on the acreage that it would extend phase 1, being the current phase, from five years to eight years. The expiry date of phase 1 will therefore be 1 May 2013, at which time the group will be expected to relinquish 50% of its acreage. As the group has completed its remaining commitments in phase 1, phase 2 will be extended from three to five years so that it expires on 1 May 2018. Phase 2 requires an exploration well to be drilled on a prospect that differs from the one drilled in phase 1.

The group gave formal notice to enter phase 2 of licences PL023 & PL024 on 30 July 2007 and confirmed that it intended to drill a well during that phase. As part of the conditions of moving to phase 2 the group relinquished 50% of its acreage held under licences PL023 and PL024.

At any time during the term of the licences, but prior to any appraisal or development work, the group may declare a discovery area, covering the limits of the potentially developable field or fields. The licence will then continue in force in respect of any declared discovery area for up to five years, so long as a field development plan is submitted within three years of the spudding date of the discovery well, being 15 April 2010 in the case of well 14/10-2 on the Sea Lion prospect.

Prior to undertaking appraisal or development work the group is required to notify the Department for Mineral Resources of the Falkland Islands Government upon which point the relevant area will be deemed a discovery area. The annual fee of $375,000 will then be payable from the date of spudding the discovery well, being 15 April 2010.

10 EXPECTED DRILLING PROGRAMME

The expected cost of the planned drilling programme at the period end was:

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Sea Lion	**3,407**	–	20,870
Ernest	**–**	–	20,120
Operated wells	**3,407**	–	40,990
Outstanding Desire wells	**7,205**	–	6,617
Rig and equipment demobilisation	**6,658**	–	7,001
	17,270	–	54,608

The value of the outstanding Desire wells is based on the expected cost to complete three wells less the actual cost of the wells at the period end. To earn its 7.5% interest, the group must pay 15% of the dry hole costs of three wells up to 105% of the initial agreed financial expenditures ('AFEs').

On 14 October 2010 Desire announced that it intended to sidetrack the well on Rachel and an AFE was duly signed. The sidetrack encountered oil shows whilst drilling but was unable to run wireline logs due to mechanical failure in the wellbore. On 2 November 2010, Desire announced that it would plug and abandon the well in order to drill a further, vertical, well on the same prospect. The next well, 14/15-2, on Rachel will be the third well on the farm in acreage and so its completion will satisfy the commitment to earn the 7.5% working interest.

As the group is not a party to the master contract with Diamond Offshore Drilling, the commitment to demobilise the rig and related equipment is satisfied via Desire. The value for rig and equipment demobilisation is therefore based on the latest AFE provided by Desire. The maximum cost of the rig demobilisation is capped at $8.0 million split three ways between Desire, BHP and the group. The equipment demobilisation is not a fixed cost and is therefore based on the information available to Desire at the time of the AFE. Should the current rig contract held by Desire expire and be replaced by a new contract, and the group not be a party to that new contract, then the obligation to demobilise the rig and related equipment would fall away. However, should the group hold the new contract and not assign any of the drilling slots then it would be required to bear all of the demobilisation costs, as opposed to just one third of them under the current arrangement.

Resources available at the period end for the planned programme set out above were as follows:

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Payments on account (see note 6 above)	**14,457**	–	14,049
Restricted cash (see note 7 above)	**5,046**	162	35,955
Cash and cash equivalents (see note 8 above)	**48,405**	4,612	14,485
	67,908	4,774	64,489

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

11 POST BALANCE SHEET EVENTS

BOARD CHANGES AND REVIEW OF DIRECTORS' REMUNERATION

	Revised remuneration levels £'000	Previous remuneration levels £'000
Non-executive directors		
PJ Jungels	140	–
KJ Crowle	40	30
CJ Walton	45	30
R Peters	30	–
D McManus	30	–
	285	60
Executive directors		
PJ Jungels	–	62
SJ Moody	315	153
PJ Dixon-Clarke	205	116
D Bodecott	205	116
	725	447
Pension contribution	73	–
Maximum potential bonus	725	1,824
	1,523	2,271
	1,808	2,331

The table shows the revised remuneration levels that will be charged from 1 October 2010. It reflects the board changes discussed in the Chairman's report as well as the review of non-executive fees, executive salaries and maximum potential bonuses.

Non-executive fees have been 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, KJ Crowle and CJ Walton both chair committees. CJ Walton is also the senior independent director.

Prior to 30 September 2010, the maximum level of fees payable by the company to non-executive directors was £300,000 per annum. However, in light of the changing board structure, that amount was increased by ordinary resolution to £500,000 at the company's annual general meeting held on 30 September 2010.

Executive remuneration has been reviewed to align it closer to that of a typical FTSE 250 company. Annual salary levels have been increased and a contribution equal to 10% of gross salary is to be made each month to the director's pension scheme. The maximum bonus potential has been reduced to 100% of salary, with the director bearing the related tax and national insurance, from 200% of salary, with the company bearing the related tax and national insurance.

The effect of all the changes has been to reduce the maximum potential remuneration of the board from £2.3 million per annum to £1.8 million per annum.

11 POST BALANCE SHEET EVENTS CONTINUED

SIDETRACK OF WELL 14/15-1 BY DESIRE

On 14 October 2010, Desire announced that well 14/15-1 on the Rachel prospect was a dry hole. However, based on the data gathered they had identified a second target downdip of the original and so planned to sidetrack the well. The results of the sidetrack were announced on 2 November 2010 along with the intention to drill a further well on the Rachel prospect. This was because the sidetrack was not able to obtain any wire line logs due to mechanical failure in the wellbore, however, the logging whilst drilling tool encountered around 25 metres of sand with oil shows.

PLACING AND ISSUING OF ADDITIONAL STOCK

On 18 October 2010, the group announced that it had placed 65,500,000 new ordinary shares at a price of 315 pence per ordinary share. This increased the number of shares in issue by 34% to 258,039,606. The price represented a discount of 6% to the closing middle market price for an ordinary share on the previous day. On 5 November 2010, shareholders passed a resolution to allot 65,500,00 new ordinary shares. The funds were received in respect of the shares on 8 November 2010 and the shares were admitted for trading on the same day.

DIRECTORS' DEALINGS

On 19 October 2010 the company announced that all directors had participated in the previous days placing. The price of the shares subscribed for was 315 pence, the placing price. The percentage holdings are based on the issued share capital following admission of the placing shares of 258,039,606.

	Ordinary shares subscribed in placing	Ordinary shares held after placing	% held after placing
PJ Jungels	15,873	905,297	0.35
SJ Moody	9,524	1,137,959	0.44
PJ Dixon-Clarke	12,698	266,337	0.10
D Bodecott	12,698	212,208	0.08
KJ Crowle	9,524	33,333	0.01
CJ Walton	6,349	38,458	0.01
R Peters	3,176	3,176	0.00
D McManus	12,698	12,698	0.00
	82,540	2,609,466	0.99

SIGNING OF SEISMIC CONTRACTS

On 20 October 2010 the group signed the first of two contracts with Polarcus Limited to acquire 3D seismic data over its acreage. The MV Polarcus Asima is expected to be mobilised to the area by 31 December 2010 and to arrive and begin work by 31 January 2011. Argos plc, with whom the costs of mobilisation and demobilisation are to be shared, have signed an identical contract.

On 26 October 2010 the group signed the second of two contracts with Polarcus Limited to acquire 3D seismic data over its acreage. The MV Polarcus Nadia is expected to be mobilised to the area by 31 December 2010 and to arrive and begin work by 31 January 2011. Desire with whom the costs of mobilisation and demobilisation are to be shared, have signed an identical contract. In addition to its own costs, the group will be liable for 7.5% of the costs incurred by Desire on the farm in acreage.

DRILLING OF WELL 14/15-2 BY DESIRE

On 9 November 2010, Desire announced its intention to drill well 14/15-2, its second well on the Rachel prospect. The well is expected to be drilled vertically with an estimated total measured depth of 3,050 metres. The bottom hole location will be 1.7 kilometres from the bottom hole location of the Rachel sidetrack. Drilling operations are expected to last around 35 days. The well was subsequently spudded on 12 November 2010.

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

12 RISK MANAGEMENT POLICIES

RISK REVIEW

The risks and uncertainties facing the group which require quantification are set out below.

Foreign exchange risks: Whilst the functional currency of the group is US$, approximately half of the drilling costs of the current campaign are expected to be incurred in GB£ which means that for the group to meet its policy of matching assets against liabilities by currency then it has to hold material cash balances in GB£, which exposes the income statement to foreign exchange movements.

At 30 September 2010, if the GB£ had weakened 10% against the US$, with all the other variables held constant, post tax profit and equity would have been US$5.7 million (2009: US$0.3 million) lower. Conversely, if the GB£ had strengthened 10% against the US$ with all other variables held constant, post tax profit and equity would have been US$5.7 million higher (2009 US$0.3 million). On 8 November 2010, the group received £202.0 million from the proceeds of a placing. On the same day, £77.5 million were sold to purchase $125.0 million, being the expected US$ requirement of the future drilling campaign.

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

As at 30 September 2010	**US$ denominated $'000**	**GB£ denominated $'000**	**Total $'000**
Non-monetary assets	**52,786**	**–**	**52,786**
Monetary assets	**10,809**	**58,262**	**69,071**
	63,595	**58,262**	**121,857**
Monetary liabilities	**–**	**796**	**796**
Equity	**185,773**	**–**	**185,773**
Reserves	**(64,712)**	**–**	**(64,712)**
	121,061	**796**	**121,857**

As at 30 September 2009	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	1,920	–	1,920
Monetary assets	530	4,316	4,846
	2,450	4,316	6,766
Monetary liabilities	–	1,058	1,058
Equity	37,630	–	37,630
Reserves	(31,922)	–	(31,922)
	5,708	1,058	6,766

As at 31 March 2010	US$ denominated $'000	GB£ denominated $'000	Total $'000
Non-monetary assets	15,960	–	15,960
Monetary assets	31,660	32,999	64,659
	47,620	32,999	80,619
Monetary liabilities	935	136	1,071
Equity	116,840	–	116,840
Reserves	(37,292)	–	(37,292)
	80,483	136	80,619

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 the requirement of the Falkland Islands Government that it 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 exploration and appraisal programme.

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 the liquidator of that company may move to seize these funds. Amounts held at the period end were as follows:

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
Desire Petroleum	**14,457**	–	14,049
AGR Petroleum Services	**4,642**	–	21,969
Diamond Offshore	**114**	–	13,720
	19,213	–	49,738

Interest rate risks; there are a number of instruments available to protect against falling interest rates reducing the investment income enjoyed by the group but with rates now at historic lows there is not much further that they could fall. 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.

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. On 8 November 2010, the group received £202.0 million, net of expenses, in respect of the placing announced on 18 October 2010. £50.0 million of this amount was transferred to Barclays plc and £25.0 million to Lloyds TSB plc on the same day.

	30 September 2010 $'000	30 September 2009 $'000	31 March 2010 $'000
RBS plc	**4,932**	162	22,235
JPMorgan Chase N.A.	**114**	–	13,720
Total restricted cash	**5,046**	162	35,955
RBS plc	**11,846**	3,198	10,691
Lloyds TSB plc	**35,560**	1,397	3,719
HSBC plc	**999**	17	75
Total unrestricted cash and cash equivalents	**48,405**	4,612	14,485
Total cash and cash equivalents	**53,451**	4,774	50,440

INDEPENDENT REVIEW REPORT TO ROCKHOPPER EXPLORATION PLC

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2010 which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the group cash flow statement and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

DIRECTORS' RESPONSIBILITIES

The Interim Report 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 Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

ADRIAN JOHN WILCOX
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
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15 November 2010

INVESTOR INFORMATION

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SHAREHOLDER CONCERNS:

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