



## PRESS RELEASE

22 September 2009

### Rockhopper Exploration plc (“Rockhopper” or “the Company”)

#### Preliminary Results for the year ended 31 March 2009

Rockhopper Exploration, the North Falkland Basin oil and gas explorer, is pleased to announce its preliminary results for the year ended 31 March 2009.

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

Dr. Pierre Jungels, Rockhopper Exploration’s, Executive Chairman said:

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

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## **Chairman's Report**

We have signed a Letter of Intent to farm out one of our licences to a third party energy company.

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

Furthermore, the fully independent competent persons report by RPS Energy recognises well 14/5-1 as a gas discovery and the subsequent classification of Johnson as a Contingent Gas Resource means that we are closer than ever to proving the full potential of the Basin. Our partner, Desire Petroleum, has recently signed a Letter of Intent with a drilling contractor for a North Falkland Basin drilling campaign which is due to begin in early 2010.

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

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

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

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

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

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

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

**Dr Pierre Jungels CBE**

Executive Chairman

## Managing Directors Review

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

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

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

The Gas Discovery is the only independently recognised discovery in the Falkland Islands. The full Competent Persons Report is available to download on the company web site [www.rockhopperexploration.co.uk](http://www.rockhopperexploration.co.uk).

### Primary Oil Prospects

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

### Other oil targets

Other targets considered within the CPR were

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

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

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

### Johnson Gas – contingent resource

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

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

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

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

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

### **Source Rocks**

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

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

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

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

### **EIA**

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

PL032/PL033  
Sea Lion  
Stephens  
Johnson

PL023/PL024  
Ernest  
Weddell

The full statements are available to download on the company web site at [www.rockhopperexploration.co.uk](http://www.rockhopperexploration.co.uk).

### **Benthic**

As part of preparing the Environmental Impact Statements we collected a number of new benthic samples in licences PL023 and PL024. This formed part of a larger benthic sampling campaign which we shared with Desire Petroleum. The samples were obtained from the sea bed using a grab lowered from a ship.

The benthic species identified from these grabs were typical of the region at similar depths and seabed sediment types. No areas of special conservation interest were identified. However, all drilling operations will continue to be planned in order to minimize impacts on the seabed.

**Conclusion**

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

Samuel Moody  
Managing Director

**Group Income Statement**  
**For the year ended 31 March 2009**

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

**Group Balance Sheet as at 31 March 2009**

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

**Group statement of changes in equity  
For the year ended 31 March 2009**

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

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

**Group cash flow statement**  
**For the year ended 31 March 2009**

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

## **Notes to the Preliminary Statement:**

### **1 Accounting policies**

#### **1.1 Group and its operations**

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

#### **1.2 Basis of preparation**

The figures for the year ended 31 March 2009 and 2008 do not constitute statutory accounts within the meaning of S.240 of the Companies Act 1985. The figures for the year ended 31 March 2009 have been extracted from the statutory accounts for that year which have yet to be delivered to the Registrar of Companies. The auditors report thereon included an Emphasis of Matter paragraph with regard to the ability of the Group to continue as a going concern.

The figures for the year ended 31 March 2008 have been extracted from the statutory accounts for that year, which have been delivered to the Registrar of Companies and on which the auditor has issued an unqualified audit report. No statement has been made by the auditor under Section 237(2) or (3) of the Companies Act 1985 in respect of either of these sets of accounts. This announcement was approved by the board of directors on 18 September 2009.

#### **Going concern**

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

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

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

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

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

#### **Contingent liability**

Rockhopper Exploration (Oil) Limited, a group subsidiary registered in the Falkland Islands, has farmed in to the adjacent acreage with a view to benefitting from 7.5% of future revenue from that acreage. Under the terms of the farm in to the acreage, held by Desire Petroleum plc, the subsidiary is liable to pay 15% of dry hole costs incurred by Desire, subject to the

agreed financial expenditure ("AFE") for a three well campaign being no more than \$50m for 100% of the costs. This equates to a maximum of \$7,500k against cash balances at the year end of \$6,387k. In the event that the AFE exceeds \$50m then the company has the right to withdraw from the agreement and be reimbursed for all costs incurred up to that point or can agree to participate in any costs in excess of \$50m on terms to be agreed by the board at the time the commitment is entered into. The release by Desire of a press release on 10 September 2009 suggests that a campaign by June 2010 is possible.

2. The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as endorsed by the European Union. The information in this preliminary announcement has been extracted from the audited financial statements for the year ended 31 March 2009 and as such, does not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

3. The preliminary announcement and financial statements are presented in US Dollars as that is the currency of the primary economic environment in which the Group operates.

#### 4. Basic and diluted loss per share

	2009	2008
	Number	Number
Shares in issue brought forward	75,908,330	75,663,305
Shares issued during the period		
- issued on 13 September 2007	-	1,980
- issued on 13 November 2007	-	4,950
- issued on 11 March 2008	-	238,095
- issued on 10 April 2008	238,095	-
- issued on 30 April 2008	238,095	-
- issued on 22 May 2008	3,780,000	-
- issued on 26 November 2008	350,000	-
Shares in issue carried forward	80,514,520	75,908,330
Weighted average shares in issue	79,719,770	75,679,199
	\$'000	\$'000
Net (loss) after tax	(4,450)	(1,472)
Basic and diluted net (loss) per share – cents	(5.58)	(1.95)

The calculation of the basic loss per share is based upon the loss for the year and the weighted average shares in issue. As the group is reporting a loss for both years then in accordance with IAS 33 the share options are not considered dilutive because the exercise of the share options would have the effect of reducing the loss per share.

#### 5. Post balance sheet events

##### Grant of SAR's

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

Name	SAR's awarded	Aggregate SAR's awarded	% of issued ordinary share capital at time of award
P J Jungels	94,314	418,989	0.12
S J Moody	231,636	1,029,038	0.29
P J Dixon-Clarke	103,368	459,912	0.13
D Bodecott	103,368	459,912	0.13

