



Rockhopper Exploration plc
("Rockhopper" or the "Company")

Results for the year ended 31 March 2010

Rockhopper Exploration, the North Falkland Basin oil and gas exploration company, is pleased to announce its preliminary results for the period ended 31 March 2010. Highlights include:

- £50m before expenses raised in November 2009 to fund the 2010 exploration programme
- Assignment of two slots for the Ocean Guardian rig to drill the Sea Lion and Ernest prospects in the North Falkland Basin during 2010
- Spudding of the Liz well (operated by Desire Petroleum) that was later declared as a gas discovery
- \$64.5 million of resources available for exploration at 31 March 2010

Post-period highlights include:

- Sea Lion well spudded 16 April 2010 and declared an oil discovery on 6 May 2010
- Best estimate of Sea Lion by independent consultancy, RPS Energy, raised from 170 million barrels recoverable to 242 million barrels recoverable
- £48.5m before expenses raised in June 2010 to fund an initial flow test on Sea Lion and provide working capital for other related technical work
- Ernest well spudded 23 July 2010 and declared a dry hole on 17 August 2010
- \$119.7 million of resources available for exploration at 30 June 2010

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

"We are fully funded to complete the well on the Ernest prospect, a flow test on the Sea Lion prospect, which we believe will help move the discovery forward towards being declared as commercial, and pay our 15% contribution to two further wells on PL003 & PL004, where Desire is the operator. The group has been transformed by the discovery on the Sea Lion prospect and is now working through the steps required to ensure that shareholders get the best possible value from it."

Enquiries:

Rockhopper Exploration plc
Sam Moody - Managing Director
Tel. +44 (0)20 7920 2340 (via M: Communications)

M: Communications
Patrick d'Ancona or Ben Simons
Tel. +44 (0)20 7920 2340

Canaccord Genuity
Robert Finlay / Henry Fitzgerald O'Connor
Tel. +44 (0) 20 7050 6500

Notes to Editors

Rockhopper was established in February 2004 with a strategy to invest in and carry out an offshore oil exploration programme to the north of the Falkland Islands. The Company floated on AIM in August 2005 and holds a 100 per cent. interest in four offshore production licences: PL023, PL024, PL032 and PL033 which cover approximately 3,800 sq. km. Rockhopper has also farmed in to licences PL003 and PL004 which are operated by Desire Petroleum in which it holds a 7.5% working interest. These licences have been granted by the Falkland Islands Government.

An extensive work programme has been carried out over a number of years on the licences operated by Rockhopper. This has included 2D and 3D Seismic and Controlled Source Electromagnetic Mapping (CSEM). In February 2010, the Ocean Guardian drilling rig arrived in Falklands waters to carry out a multi-well drilling campaign. Rockhopper drilled an exploration well on its Sea Lion prospect during April and May 2010, the result of which was the first oil discovery and contingent oil resource in the North Falkland Basin.

Rockhopper Exploration plc www.rockhopperexploration.co.uk

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

The discovery on the Sea Lion prospect has transformed the value proposition represented by the group. A pure exploration play, such as Rockhopper when it began, creates value through a number of discrete steps, each with its own set of risks and rewards, as it goes through the process of proving reserves then moving forward to production.

In chronological order, we see the key value points for the group as being:

- The winning of the exploration licences,
- The making of the first discovery on those licences,
- The testing of the discovery well to give an indication of its commercial potential,
- Confirmation of the size of the discovery for scoping development plans as well as the full exploration of the acreage,
- Completion of the field development plan, and
- First oil and subsequent production.

The first value point, the winning of the exploration licences, was achieved in the earliest days of the group. In 2004 we were awarded licences PL023 & PL024, in the south of the basin, and in 2005 we farmed into Desire Petroleum (“Desire”) licences PL003 and PL004 and were awarded PL032 & PL033, the former Shell acreage in the north of the basin that contains the Sea Lion discovery.

The second value point, the making of the first discovery, took until 6 May 2010 when we announced the results of well 14/10-2 on the Sea Lion prospect. This discovery was the result of a great deal of rigorous technical work undertaken over the years since 2004 which enabled us to be drill ready by the start of the year under review and in a position to act on the opportunity to be part of the 2010 drilling programme initiated by Desire, our neighbouring licence holder and partner in PL003 & PL004.

Prior to drilling, RPS Energy (“RPS”) had provided an independent review of the possible size of the Sea Lion prospect, attributing it with a best estimate of 170 million barrels recoverable. At 170 million barrels recoverable, RPS had calculated a net present value, at \$80 per barrel and applying a 10% discount rate, for the prospect of \$2.5 billion. Following the drilling, the best estimate was increased by RPS to 242 million barrels recoverable, indicating that there could be significant upside still to be realised.

We spudded well 26/6-1 on the Ernest prospect on 23 July 2010 and declared it to be a dry hole on 17 August 2010. The well was drilled approximately 120 kilometres from the Sea Lion discovery in a previously undrilled part of the basin to test a different play type from that of Sea Lion. The well encountered good quality sands with high porosity and permeability and we intend to undertake detailed studies of all the data gathered.

We are fully funded to complete the well on the Ernest prospect, the initial flow test on the Sea Lion prospect, which we believe will help move the discovery forward towards being declared as commercial, and pay our 15% contribution to two further wells on PL003 & PL004, where Desire is the operator.

With the current programme funded and underway, we have therefore turned our planning focus to the fourth value point, confirmation of the size of the Sea Lion Field. This will require appraisal of the discovery on Sea Lion and to deliver this we see three distinct work streams, being technical, corporate and financial.

In technical terms, we need to establish the number and location of appraisal wells required on the Sea Lion prospect. We also need to revisit our prospect inventory in light of the new data from the recent wells to establish where we would like to drill further exploration wells and whether, and if so where, additional 3D seismic should be shot.

In corporate terms, I am delighted to report that at the executive level Dave Bodecott, our exploration director, and Peter Dixon-Clarke, our finance director, are both now full time employees. At the non-executive level we will look for two additional non-executives thereby bringing the total number of directors to eight and creating the balance between executive and non-executive that the Combined Code requires for good governance.

In financial terms, once we have an agreed work programme for the next phase, we will be in a position to cost it and consider how best to finance it. As part of this planning, we are undertaking a review of our advisers and considering whether we should remain on the Alternative Investment Market (“AIM”) or move up to the Main Market of the London Stock Exchange, a decision we will take when it is right for the group.

The fifth value point, the completion of a field development plan, cannot be concluded until the discovery is appraised and confirmed as to its size, but the research and planning as to how best to deliver this has already been started.

CONCLUSION

In conclusion, the group has been transformed by the discovery on the Sea Lion prospect and is now working through the steps required to ensure that you, as shareholders, get the best possible value from it.

The discovery has been the result of over six years of hard work and I would like to thank my board, the consultants we have engaged, the Falkland Islands Government and you, as shareholders, for investing both time and money in this success.

DR PIERRE JUNGELS CBE
CHAIRMAN

17 August 2010

MANAGING DIRECTOR'S REVIEW FOR THE YEAR ENDED 31 MARCH 2010

The year ended 31 March 2010 saw us put into place the last steps required to drill our first exploration well. The well itself, 14/10-2, on the Sea Lion prospect, was spudded on 16 April 2010 and declared as an oil discovery on 6 May 2010.

REVIEW OF THE YEAR ENDED 31 MARCH 2010

The submission of our environmental impact statements on 9 March 2009 meant that the previous year had seen the culmination of six years of work in getting the company ready to drill. The work itself began in 2004 with the award of the first licences, through the shooting of 2D and 3D seismic and controlled source electromagnetic surveys, benthic sampling and extensive data processing and interpretation.

All the work and planning of the previous six years meant that at the start of this year the company was ready to drill when the right opportunity arose. The opportunity itself came on 18 September 2009 with the announcement that Desire had secured a rig, the Ocean Guardian, from Diamond Offshore and that we planned to take up two of the options available, subject to funding.

Soon after announcing that a rig had been secured we appointed AGR Petroleum Services as our well management company. The considerable logistics chain required to support a multi-well campaign in a remote location was put in place and new facilities, including a new pipe yard, warehouses and offices were constructed just outside Stanley, the capital of the Falkland Islands.

To secure our two well options and meet our share of the three Desire wells that we had farmed-into, we needed additional funds and so in October 2009 we undertook a placing of 92,592,593 new shares at 54 pence per share raising £50 million, before expenses.

During this time, the Ocean Guardian had been in Scotland at Invergordon in the Cromarty Firth and was mobilised from there on 26 November 2009 on the start of its 8,000 mile journey that would take until February 2010 to complete.

On its arrival in the North Falkland Basin, the first well of the campaign to be drilled by the Ocean Guardian was 14/19-1, on the Liz prospect, in which we hold a 7.5% working interest. Liz was spudded on 22 February 2010 and encountered hydrocarbons, subsequently being declared as a gas discovery, but one with a poor quality reservoir and so was plugged and abandoned on 6 April 2010 at 3,667 metres measured depth.

THE DISCOVERY ON SEA LION

The 14/10-2 well, on the Sea Lion prospect, was spudded on 16 April 2010 and declared as an oil discovery on 6 May 2010. The top oil sand was encountered at 2,400 metres measured depth, immediately beneath a thick section of shale, which we believe acts as a regional seal, and every sand encountered beneath this level is indicated on logs as being charged with oil. The gross oil column is 217 metres and no oil water contact was encountered, giving us encouragement that the discovery will prove to be significantly larger than the 60 million barrels recoverable that we would consider to be the minimum commercially viable size. Furthermore, we believe that this discovery increases the likelihood of there being more discoveries or successful appraisal wells elsewhere in our licences.

Having run a suite of wireline logs, we announced the Sea Lion discovery on 6 May 2010, confirming a net pay of 53 metres in multiple zones with logging data showing good quality reservoir units charged with oil. That same logging data also indicated that the well had penetrated a number of separate reservoir units with two separate pressure regimes and our analysis is that this is because the well has penetrated more than one oil charged feature. The main Sea Lion fan appears to have a deeper feature underlying it and both the Sea Lion fan and the deeper feature are indicated as having good quality reservoirs charged with oil. Logging data confirm that porosity and permeability are good at the well location.

Following final logging, the well was suspended on 19 May 2010 to allow for an initial flow test at a later date and equipment was mobilised from the United Kingdom for the test and is now in the Falkland Islands.

Data from the well was provided to RPS, an independent expert, to report on the possible size of the discovery. RPS had previously reported on the possible size of the Sea Lion prospect in their competent person's report, issued in May 2009 when they had attributed a best estimate of 170 million barrels recoverable to it. With the additional data from the well, RPS were able to increase their best estimate by 72 million barrels to 242 million barrels recoverable, and an announcement was made to that effect on 4 June 2010.

Down-hole fluid samples, taken using a modular dynamic testing tool, were later confirmed as oil with subsequent analysis showing that oil as medium gravity, with APIs ranging from 26.4 to 29.2 degrees. The pressurised fluid samples have been analysed under reservoir conditions in a specialist laboratory and indications are that the oil appears to be highly mobile at those conditions.

SINCE THE SEA LION DISCOVERY

In order to fund the additional requirements brought about by the discovery, particularly the Sea Lion flow test, we announced on 8 June 2010 that we had placed 17,320,000 shares, the maximum number permitted under our existing authorities, at 280 pence per share raising £48.5 million, before expenses.

On 23 July 2010, we spudded 26/6-1, our exploration well on the Ernest prospect and declared it to be a dry hole on 17 August 2010. Following completion of the well on Ernest, we intend to re-enter the well on Sea Lion, that we suspended on 19 May 2010, and perform a flow test to allow us to gather the data required in order to design fully our appraisal programme and give us an early indication of the production potential of the reservoir sands.

A full re-interpretation of the 3D seismic data in licences PL032 and PL033 is currently taking place. This interpretation will allow us to select a number of additional exploration prospects and possible appraisal locations for the Sea Lion discovery. In the new high grading of exploration prospects we will focus on identifying features that exhibit the same or similar seismic characteristics to those found at the Sea Lion discovery location.

OUTLOOK

We are in the unusually strong position of holding a 100% interest in a significant acreage position with a discovery that we believe opens a new play fairway on that acreage. The Sea Lion prospect lies within licence PL032 and under the terms of that licence we are required to submit a field development plan within three years of spudding the discovery well that subsequently leads to the declaration of a discovery area.

Geographically, we intend to maintain our focus on developing our existing acreage and continuing to work with the Falkland Islands Government in doing so. The main challenge will continue to be the logistics around operating in a frontier area but with proper planning and the goodwill of all the key stakeholders we are confident that any issues can be resolved.

At 31 March 2010 resources available for exploration stood at \$64.5 million, being \$14.5 million of cash, \$36.0 million of restricted cash and \$14.0 million of payments on account. At 30 June 2010 the equivalent figure stood at \$119.7 million following the placing to raise \$67.2 million after expenses.

I would like to thank everyone who has helped to bring the company to its current stage of development. In particular I am most grateful for the support of the board, all of our technical and operational employees and consultants, Diamond Offshore Drilling, AGR Petroleum Services, those we have worked with in the Falkland Islands, particularly the Mineral Resources Department of the Falkland Islands Government, my co-founder Richard Visick, and of course our shareholders, many of whom have been with us since 2005.

These developments, combined with our strengthened balance sheet position and technical progress, place us in an excellent position from which to move forwards through the next phases of our corporate and technical development and maximise the value of our acreage.

SAM MOODY
MANAGING DIRECTOR

17 August 2010

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 \$'000	2009 restated* \$'000
EXPENSES			
Exploration and evaluation expenses		(644)	(692)
Administrative expenses		(3,682)	(1,840)
Charge for share based payments		(920)	(481)
Foreign exchange movement		(2,583)	(2,440)
Total expenses		(7,829)	(5,453)
Finance income		133	311
Loss before tax		(7,696)	(5,142)
Income tax expense		-	-
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		(7,696)	(5,142)
Loss per share: cents (basic & diluted)	2	(6.65)	(6.45)

* See change in accounting policy, note 1.4.

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

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	2010 \$'000	2009 restated* \$'000
Loss for the year	(7,696)	(5,142)
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(7,696)	(5,142)

* See change in accounting policy, note 1.4.

GROUP BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	31 March 2010 \$'000	31 March 2009 restated* \$'000	1 April 2008 restated* \$'000
ASSETS				
Intangible exploration and evaluation assets	3	15,912	1,762	1,553
Property, plant and equipment		48	20	6
Other receivables		170	54	35
Payments on account	4	14,049	-	-
Restricted cash	5	35,955	251	-
Cash and cash equivalents	6	14,485	6,136	3,525
TOTAL ASSETS		80,619	8,223	5,119
LIABILITIES				
Other payables		1,071	1,109	1,047
TOTAL LIABILITIES		1,071	1,109	1,047
EQUITY				
Share capital		2,966	1,420	1,330
Share premium		113,874	36,210	28,597
Share based remuneration		2,355	1,795	1,371
Merger reserve		(243)	(243)	(243)
Foreign currency translation reserve		4,123	4,123	4,123
Retained losses		(43,527)	(36,191)	(31,106)
ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		79,548	7,114	4,072
TOTAL LIABILITIES AND EQUITY		80,619	8,223	5,119

*See change in accounting policy, note 1.4.

These financial statements were approved by the directors and authorised for issue on 17 August 2010 and are signed on their behalf by:

SAMUEL MOODY

MANAGING DIRECTOR

PETER DIXON-CLARKE ACA

FINANCE DIRECTOR

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Share capital \$'000	Share premium \$'000	Share based remuneration \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Retained losses restated* \$'000	Total equity Restated* \$'000
Balance at 1 April 2008	1,330	28,597	1,371	(243)	4,123	(6,717)	28,461
Effect of change in accounting policy *	-	-	-	-	-	(24,389)	(24,389)
Balance at 1 st April 2008 (restated)	1,330	28,597	1,371	(243)	4,123	(31,106)	4,072
Total comprehensive income for the year	-	-	-	-	-	(5,142)	(5,142)
Issue of shares, net of costs	75	7,151	-	-	-	-	7,226
Share based payments	-	-	481	-	-	-	481
Exercise of share options	15	462	(57)	-	-	57	477
Total contributions by and distributions to owners	90	7,613	424	-	-	57	8,184
Balance at 31 March 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, net of costs	1,530	76,860	-	-	-	-	78,390
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

* See change in accounting policy, note 1.4.

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	2010 \$'000	2009 restated* \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss after tax	(7,696)	(5,142)
Adjustments to reconcile net losses to cash utilised		
Depreciation	30	10
Share based payment charge	920	481
Exploration expenses	644	692
Operating cash flows before movements in working capital	(6,102)	(3,959)
Changes in:		
Receivables	(14,165)	(19)
Payables	(38)	62
Cash utilised by operating activities	(20,305)	(3,916)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(14,794)	(901)
Purchase of equipment	(58)	(24)
Restricted cash	(35,704)	(251)
Cash utilised by investing activities	(50,556)	(1,176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Options exercised	820	477
Issue of share capital	82,617	7,559
Share issue costs	(4,227)	(333)
Cash generated from financing activities	79,210	7,703
Net cash inflow	8,349	2,611
Cash and cash equivalents brought forward	6,136	3,525
CASH AND CASH EQUIVALENTS CARRIED FORWARD	14,485	6,136

* See change in accounting policy, note 1.4.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 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

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board and applicable legislation. The consolidated financial statements were approved for issue by the board of directors on 17 August 2010 and are subject to approval at the Annual General Meeting of shareholders on 30 September 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, the group has 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.

The tables below show the impact of the change in accounting policy:

LOSS BEFORE INCOME TAXES	2010 \$'000	2009 \$'000	2008 \$'000
Loss before change in accounting policies	(7,052)	(4,450)	
Exploration expenses written off	(644)	(692)	
Loss after change in accounting policy	(7,696)	(5,142)	
Loss per share: cents (basic and diluted)			
As reported before change in accounting policy	(6.10)	(5.58)	
Adjustment due to change in accounting policy	(0.55)	(0.87)	
Restated after change in accounting policy	(6.65)	(6.45)	
ASSETS	2010 \$'000	2009 \$'000	2008 \$'000
Intangible exploration and evaluation assets before change in accounting policy	41,637	26,843	25,942
Adjustment due to change in accounting policy	(644)	(692)	(24,389)
Cumulative effect from prior years	(25,081)	(24,389)	-
	15,912	1,762	1,553
CONSOLIDATED SHAREHOLDERS EQUITY	2010 \$'000	2009 \$'000	2008 \$'000
Consolidated shareholders equity before change in accounting policy	105,273	32,195	28,461
Adjustment due to change in accounting policy	(644)	(692)	(24,389)
Cumulative effect from prior years	(25,081)	(24,389)	-
	79,548	7,114	4,072

(ii) **Changes in accounting standards**

IAS1 Presentation of Financial Statements (revised) introduced format and content changes to the financial statements. In particular it has required the presentation of a statement of comprehensive income. There have been no changes to the reported results or financial position as a result of adopting the revised standard.

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

- IFRS2 Share based payments (Amendment relating to vesting conditions and cancellations)
- IFRS7 Financial Instruments: Disclosures (Amendment enhancing disclosure about fair value and liquidity risk)
- IFRS8 Operating Segments (New standard identifies operating segments based on entity's internal system for reporting information to senior management.)
- IAS23 Borrowing Costs (Revision to prohibit immediate expensing)
- IAS32 Financial Instruments: Presentation (Amendments relating to puttable instruments and obligations arising on liquidation)
- IFRIC13 Customer loyalty programmes
- IFRIC15 Agreements for the construction of real estate
- IFRIC16 Hedges of a Net Investment in a Foreign Currency
- IFRIC18 Transfers of Assets from Customers Annual improvements to IFRSs (May 2008)
- IAS27 Consolidated and separate financial statements (amendment)

At the date of authorisation of this report the following standards and interpretations, which have not been applied in this report, were in issue but not yet effective.

- IFRS1 (amended)
- IFRS2 Group cash settled share based payment transactions
- IFRS3 (amended)
- IAS32 Financial Instruments: Presentation
- IFRIC17 Distributions of Non-cash Assets to Owners Annual improvements to IFRSs (April 2009)

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

1.5 GOING CONCERN

At the time of writing, the Ocean Guardian is in the North Falkland Basin on location at well 26/6-1 on the Ernest prospect. Immediately following that the group has committed to conducting a flow test on well 14/10-2 and then paying a 15% share, up to 105% of the initial AFEs, of the dry hole costs of up to two further wells on licences PL003 & 04. At 30 June 2010 the group had available resources of \$119.7 million, which it considers to be adequate to complete the committed programme and continue for the foreseeable future.

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

1.6 SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

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

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

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

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

(B) BASIS OF CONSOLIDATION

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

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

The financial statements consolidate the results, cash flows and assets and liabilities of the company and its wholly owned subsidiary undertakings by the method of merger accounting.

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

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

(C) OIL AND GAS ASSETS CONTINUED

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

Intangible exploration and evaluation assets

All licence, exploration, appraisal and other directly attributable costs are initially capitalised in well, prospect, or other specific, cost centres as appropriate, pending determination.

Pre-licence, geological and geophysical costs

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

Exploration and evaluation costs

Costs of E&E such as the legal right to explore, exploration and appraisal drilling and testing are initially capitalised as E&E assets.

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

E&E costs are not amortised prior to the conclusion of the appraisal phase.

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

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

The group's definition of commercial reserves for such purpose is proved and probable reserves on an entitlement basis. Proved and probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty (see below) to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50% statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proved and probable reserves are 90% and 10%, respectively.

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

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

Furthermore:

- (i) Reserves may only be considered proved and probable if producibility is supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.
- (ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successful testing by a pilot project, the operation of an installed programme in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or programme was based.

Development and production assets

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

Depreciation of producing assets

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

(D) CAPITAL COMMITMENTS

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

2 BASIC AND DILUTED LOSS PER SHARE

	2010 Number	2009 Number
Shares in issue brought forward	80,514,520	75,908,330
Shares issued during the period		
-Issued during the prior year	-	4,606,190
-Issued on 13 November 2009	92,592,593	-
-Issued on 23 December 2009	990	-
-Issued on 19 January 2010	125,000	-

-Issued on 3 February 2010	851,851	-
-Issued on 3 February 2010	19,801	-
Shares in issue carried forward	174,104,755	80,514,520
Weighted average shares in issue	115,680,444	79,719,770

	2010	2009
	\$'000	restated*
		\$'000
Net (loss) after tax	(7,696)	(5,142)
Basic and diluted net (loss) per share - cents	(6.65)	(6.45)

* See change in accounting policy, note 1.4.

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

3 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	PL023	PL032	PL003	2010	2009
	PL024	PL033	PL004	\$'000	restated*
					\$'000
At 1 April	298	230	1,234	1,762	1,553
Exploration costs capitalized during the year	4,098	4,478	5,574	14,150	209
At 31 March	4,396	4,708	6,808	15,912	1,762

* See change in accounting policy, note 1.4.

4 PAYMENTS ON ACCOUNT

	2010	2009
	\$'000	\$'000
Non-refundable deposits held by third parties relating to:		
-operated activities	500	-
-non-operated activities	13,549	-
	14,049	-

The amounts above relate to payments made in respect of the 2010 drilling campaign. The \$0.5 million relates to monies paid to the well management company and is part of the total with the balance held in restricted cash. The \$13.5 million relates to monies paid to Desire in respect of a further two wells and the demobilization of the rig and equipment. See also note 9.

5 RESTRICTED CASH

	2010	2009
	\$'000	\$'000
In respect of own wells	35,689	-
Charged accounts	266	251
	35,955	251

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

6 CASH AND CASH EQUIVALENTS

	2010	2009
	\$'000	\$'000
Current accounts	3,832	277
Deposit accounts	10,653	1,599
Fixed term deposits of three months or less	-	4,260
	14,485	6,136

The deposit accounts are both same day access.

7 OPERATED LICENCE DETAILS

	PL023 PL024	PL032 PL033
% holding	100%	100%
Awarded	25 November 2004	2 June 2005
Area covered	2,100kmsq	1,680kmsq
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: seismic exploration well(s)	640kmsq of 2D 1	685kmsq of 3D 1

The seismic commitment in respect of both licence areas has been fulfilled. The rig is on location for the exploration well on licences PL023 & PL024 at the time of writing. The exploration well on licences PL032 & PL033 has been drilled on the Sea Lion prospect.

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.

Provided the group completes its remaining commitments in phase 1, then 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.

At any time during the term of the licences, 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 16 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 16 April 2010.

8 EXPECTED DRILLING PROGRAMME

The planned drilling programme at the year end was:

	2010 \$'000	2009 \$'000
Sea Lion	20,870	-
Ernest	20,120	-
Operated wells	40,990	-
Outstanding Desire wells	6,617	-
Rig and equipment demobilization	7,001	-
	54,608	-

Resources available at the year end for the expected programme were as follows:

	2010 \$'000	2009 \$'000
Payments on account (see note 4 above)	14,049	-
Restricted cash (see note 5 above)	35,955	251
Cash and cash equivalents (see note 6 above)	14,485	6,136
	64,489	6,387

AFEs for the operated wells are produced by the well management company using their P1 proprietary modelling software. This produces a range of outcomes on a probabilistic basis from P10 through Pmean to P90. The values above for Sea Lion and Ernest, the operated wells are based on the Pmean, the outcome at which the group expects to drill.

The values for the two remaining Desire wells and for the rig and equipment demobilisation are based on AFEs received from Desire in respect of Liz, the first well to be drilled by Desire.

Since the year end the group has announced its intention to perform a flow test on the Sea Lion prospect. The expected cost of this is \$31.7 million. With this particularly in mind the company placed additional shares on 8 June 2010 raising \$67.2 million after costs.

9 OPERATING COMMITMENTS

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

	2010	2009
	\$'000	\$'000
In respect of the rig assignment	15,500	-
In respect of well management services	500	-
	16,000	-

Under the assignment agreement with Desire Petroleum Plc and Diamond Offshore Drilling (UK) Limited dated 15 January 2010, if the company had elected to cancel the agreement after the effective date, and before the assignment commencement date, then it would have had to have paid Desire a cancellation fee equal to \$15.5 million. This commitment fell away on 14 April 2010, the commencement date, when the rig hire was transferred from Desire to the group.

Under the terms of the contract with AGR Peak Well Management Limited dated 5 October 2009, if the company had elected to terminate the contract for convenience then it would have to pay a cancellation fee of \$500,000. Should the full scope of the work as contemplated not be required then the two companies are to meet to agree fair and reasonable compensation in respect of time and effort expended during front end activities.

The group has confirmed its intention to pay 15% in respect of three wells to be drilled by Desire, as operator, on its licences PL003 and PL004. The first well, 14/18-1 on the Liz prospect, was spudded on 22 February 2010 and has been fully capitalised in the balance sheet. The group is therefore committed to pay its share of the dry hole costs of two additional wells, expected to be drilled on the Rachel, and one other, prospect up to 105% of the initial agreed financial expenditures ("AFEs") for the three wells from which point it pays 7.5%.

In addition to the commitment to drill two further wells on licenses PL003 & PL004, the group has a commitment to pay its share of the rig and equipment demobilisation back to where it was mobilised from. The mobilisation of the rig was on a fixed cost basis. The cost of demobilising it cannot exceed the mobilisation cost. No upper limit exists for the cost of demobilising the related equipment, but this is not expected to exceed the costs of mobilisation. Should the rig contract be extended and the group not be a party to that extension then the obligation to demobilise the rig and related equipment would fall away.

10 POST BALANCE SHEET EVENTS

DRILLING OF WELL 14/10-2 ON THE SEA LION PROSPECT

On 16 April 2010 the company spudded well 14/10-2 on its Sea Lion prospect, being the first of its two planned exploration wells on its 100% acreage under the current campaign. On 6 May 2010 a discovery was announced on Sea Lion and logging was completed four days later on 10 May 2010. Having declared a discovery, the group applied to the Falkland Islands Government for permission to suspend the well and return once suitable equipment for an initial flow test had been mobilised. Permission was granted and the well was suspended on 19 May 2010, subsequent to an agreement by the group that it would hold \$5 million of free cash in reserve until the well had been plugged and abandoned.

PLACING OF ADDITIONAL STOCK

On 8 June 2010 the company announced that it had placed 17,320,000 ordinary shares at a price of 280 pence per share. The placing raised £48.5 million before expenses of £2.5 million.

EXERCISE OF OPTIONS

Under the terms of the placing in 2009, Canaccord Genuity, the company's Nomad was issued with 1,851,851 options over ordinary shares exercisable at 54p, the price at the placing. On 10 May 2010 Canaccord Genuity exercised 690,000 of those options and then exercised a further 210,000 on 12 May 2010. The total proceeds from those options exercised since the year end equalled £486,000.

PAYMENT OF BONUS

On 12 July 2010 the company paid an interim bonus for the year ended 31 March 2011 of £904,253. This represents the maximum award permitted by the scheme and was made in recognition of the discovery on the Sea Lion prospect.

DRILLING OF WELL 26/6-1 ON THE ERNEST PROSPECT

The well was spudded on 23 July 2010 and declared a dry hole on 17 August 2010.

11 RELATED PARTY TRANSACTIONS

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

On 21 January 2009 the company received notification from R F Visick, that on 21 January 2009, 14,750,000 of his beneficially held 1p ordinary shares each in the company ("ordinary shares"), representing 18.32% of the issued ordinary share capital of the company, were charged in favour of an FSA authorised private bank of which he is a private client as part of general security arrangements in respect of credit provided to him by the private bank. R F Visick remained the registered holder and beneficial owner of all of the ordinary shares referred to above, and retained control of the voting rights attached to such ordinary shares. On 19 February 2010, R F Visick notified the company that he had cleared the charge.