

# Roc Oil Company Limited

## 2010 Financial Results Presentation

An aerial photograph of an offshore oil rig in a cold, icy environment. The rig is a complex of yellow and blue structures with a tall derrick. The surrounding water is covered in numerous ice floes, and the scene is illuminated by the warm, golden light of a low sun, creating a dramatic and somewhat desolate atmosphere.

Presented by

Alan Linn

Chief Executive Officer

Anthony Neilson

Chief Financial Officer

# 2010 Key Messages



## **Underlying business performed broadly in line with expectations**

- Production of 3.1 MMBOE (8,483 BOEPD) was within guidance
- Sales of US\$235.4 million (average realised oil price of US\$78.60/BBL before hedging)
- Trading profit of US\$69.1 million (~US\$86 million excluding BMG trading loss)
- Normalised net loss after tax of US\$13.4 million, which includes
  - Exploration expensed of US\$20.5 million
  - BMG trading loss of US\$17.1 million
- Net cash at year end of US\$31.3 million

## **Operational achievements**

- Expenditure levels controlled
- Production costs of US\$21.87/BOE (US\$13.35/BOE excluding BMG)
- Beibu Gulf has reached Final Investment Decision
- Zhao Dong drilling programme completed, despite worst winter weather conditions in 40 years
- Year end 2P Reserves upgraded to 16.2 MMBOE, including the Beibu Gulf project



# FY10 Financial Results overview

Anthony Neilson (CFO)

# Key Financial Summary



	2010	2009
<b>Working Interest Production (MMBOE)</b>	<b>3.10</b>	3.66
<b>% Government share of production</b>	<b>6.6</b>	4.7
<b>Sales Volume (MMBOE)</b>	<b>3.01</b>	3.61
<b>Sales Revenue (US\$M)</b>	<b>235.4</b>	204.5
<b>Operating Cash Flow (US\$M)</b>	<b>58.4</b>	91.4
<b>Average Realised Oil Price before Hedging (US\$/BBL)</b>	<b>78.60</b>	56.88
<b>Production Costs (US\$/BOE)</b>	<b>21.87</b>	17.73
<b>Amortisation (US\$/BOE)</b>	<b>24.84</b>	24.84
<b>Exploration &amp; Development Expenditure Incurred (US\$M)</b>	<b>54.2</b>	72.2

# Operational Results



<b>Production</b>	3.1 MMBOE (8,483 BOEPD); 15% lower compared to 2009
	99% of production was oil
<b>Development</b>	Zhao Dong development drilling completed within budget
	Beibu Gulf project approval progressed (FID now achieved)
	Cliff Head workovers completed
<b>Exploration</b>	Castanha appraisal wells onshore Angola
	Cormoran gas discovery offshore Mauritania
	Increased exploration position in New Zealand
<b>Health, Safety, Environment &amp; Community</b>	Implementation of Asset Integrity systems and processes
	Implementation of HSE data collection system
	LTIFR of 1.5 (on par with APPEA five-year average)
	TRIFR of 5.4 (16% below APPEA five-year average)
	Four significant loss of containment incidents (>1 BOE)
	Strengthened community engagement in China
Ongoing community engagement in Australia	

# Financial Results



	US\$M	Comment
<b>Sales Revenue</b>	<b>235.4</b>	Average realised oil price of US\$78.60/BBL (before hedging)
<b>Trading Profit</b>	<b>69.1</b>	Production costs of US\$67.7 million (US\$21.87/BOE)
		Amortisation of US\$76.9 million (US\$24.84/BOE)
		Chinese Government special taxes of US\$17.3 million
<b>Net Profit Before Tax</b>	<b>6.5</b>	Net impairment charges of US\$7.6 million
		Exploration expense of US\$20.5 million
		BWO settlement paid of US\$16.0 million
		Historic FX loss on closure & liquidation of subsidiary of US\$9.5 million
		Derivative loss of US\$9.1 million
		Profit on WA-351-P sale of US\$15.8 million
<b>Net Loss after Tax</b>	<b>(35.9)</b>	Income tax expense of US\$42.4 million, consisting of
		Current income tax of US\$35.0 million; deferred tax benefit of US\$4.2 million
		PRRT deferred tax in relation to Cliff Head of US\$11.6 million
<b>Normalised Net Loss after Tax</b>	<b>(13.4)</b>	ADD: Net impairments of US\$16.7 million (after tax); BWO settlement of US\$16.0 million; and historic FX loss of US\$9.5 million
		DEDUCT: Sale of WA-351-P of US\$15.8 million; and Unrealised derivative gains of US\$3.9 million
<b>Net Operating Cashflow</b>	<b>58.4</b>	Gross cashflow generated from operations of US\$106.9 million before:
		Income taxes paid of US\$29.0 million
		Derivatives outflow of US\$13.0 million
		Operating exploration expenditure of US\$8.0 million



# Significant Items

## Non-Cash Adjustments

### **BMG impairment of US\$44.2 million**

- Relates to the decision to enter into the NPP that resulted in the reduction of 0.7 MMBBL 2P Reserves. This figure consists primarily of all remaining assets being written-off (~US\$14 million), remaining contractual costs being crystallised and additional costs relating to suspension activities in the field (~US\$30 million).

### **Zhao Dong impairment reversal of US\$36.6 million before tax**

- 2P Reserve increase of 0.9 MMBBL
- Increase in oil prices

### **Foreign Currency Translation Reserve loss of -US\$9.5 million**

- Historical issue relating to closure and liquidation of a dormant 100% subsidiary company
- Caused by differences in exchange rates on expenditures and change in the Company's functional currency from A\$ to US\$ in 2007

## Cash Adjustments

### **Settlement of BWO litigation of -US\$16.0 million**

- Settlement of proceedings relating to termination in 2008 of an LOI for an FPSO at BMG

### **Profit on sale of WA-351-P of US\$15.8 million**

- Cash to be received in FY11



# Hedging

**Remaining hedge positions from 1 January 2011 to 31 December 2011 are 875,997 Brent Oil Price Swaps, at a weighted average Brent price of US\$63.71/BBL.**

- 5% of remaining 2P reserves hedged
- Majority of 2011 hedges settled during 1H11
- Hedge book mark-to-market position at 31 December 2010 was US\$27.3 million liability
- P&L hedge loss for the period of US\$9.1 million includes:
  - Unrealised gain of US\$3.9 million
  - Realised loss of US\$13.0 million
- Cash outflow for the period of US\$13.0 million

**Hedging strategy going forward will be consistent with prior periods:**

- Implemented for specific transactions, development projects and high capital expenditure periods
- Majority of production will remain exposed to oil price changes

# Segment Results



	Zhao Dong	Cliff Head	Blane	Enoch	Chinguetti	BMG	Total
<b>US\$M</b>							
<b>Sales</b>	112.4	43.2	35.0	15.3	8.1	21.4	235.4
<b>Production Costs</b>	(16.7)	(11.7)	(5.1)	(1.4)	(3.2)	(29.6)	(67.7)
<b>Amortisation</b>	(46.8)	(10.0)	(9.2)	(3.2)	(1.5)	(6.2)	(76.9)
<b>Trading Profit/(Loss)</b>	32.1	21.5	20.3	10.0	2.3	(17.1)	69.1
<b>US\$/BOE</b>							
<b>Production Costs</b>	10.45	21.08	12.04	7.66	34.14	121.89	21.87
<b>Amortisation</b>	29.25	18.03	21.60	18.10	15.83	25.47	24.84
<b>Realised Oil Price</b>	78.16	78.04	81.25	78.84	80.23	77.30	78.60

All assets performed well, with the exception of BMG

Trading profit of ~US\$86 million, excluding the BMG result

# Profit and Loss



	2010 US\$M	2009 US\$M
<b>Sales</b>	<b>235.4</b>	<b>204.5</b>
<b>Trading Profit</b>	<b>69.1</b>	<b>35.4</b>
<b>EBITDAX + Impairments</b>	<b>114.2</b>	<b>86.6</b>
<b>Exploration Expense</b>	<b>(20.5)</b>	<b>(7.1)</b>
<b>EBITDA + Impairments</b>	<b>93.7</b>	<b>79.5</b>
<b>Amortisation/Depreciation</b>	<b>(77.6)</b>	<b>(91.6)</b>
<b>Impairments before tax</b>	<b>(7.6)</b>	<b>(82.2)</b>
<b>EBIT</b>	<b>8.5</b>	<b>(94.3)</b>
<b>NPAT</b>	<b>(35.9)</b>	<b>(115.4)</b>

# Normalised NPAT



	2010 US\$M	2009 US\$M
<b>NPAT</b>	<b>(35.9)</b>	<b>(115.4)</b>
<b>Adjustment for Significant Items (after tax)</b>		
<b>Unrealised Derivative (Gains)/Loss</b>	<b>(3.9)</b>	<b>49.7</b>
<b>Gain on sale of WA-351-P</b>	<b>(15.8)</b>	<b>-</b>
<b>BWO settlement</b>	<b>16.0</b>	<b>-</b>
<b>Historic FX loss on liquidation of subsidiary</b>	<b>9.5</b>	<b>-</b>
<b>Loss on Sale of Nexus Shares</b>	<b>-</b>	<b>5.6</b>
<b>Profit on Sale of 10% of BMG</b>	<b>-</b>	<b>(5.7)</b>
<b>Net Impairment</b>	<b>16.7</b>	<b>88.8</b>
<b>Normalised NPAT</b>	<b>(13.4)</b>	<b>23.0</b>

# Cashflow



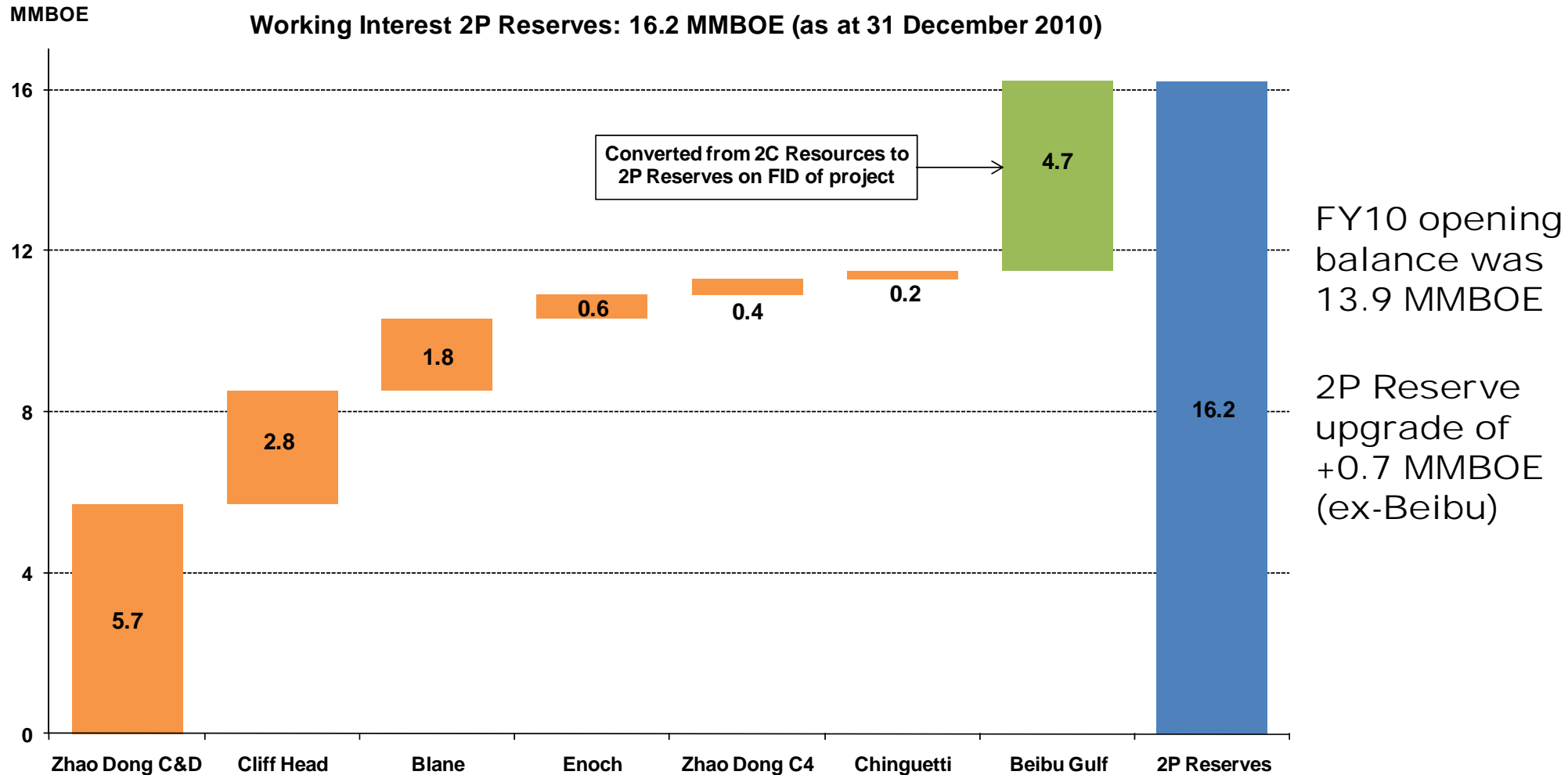
	2010 US\$M	2009 US\$M
Opening Cash	67.1	54.3
Net Cash from Operating Activities	58.4	91.4
Net Repayments of Borrowings	-	(120.0)
Investment Activities		
Development Expenditure	(27.6)	(87.8)
Initially Capitalised Exploration Expenditure	(16.3)	(4.6)
Net Proceeds from Share Issue	-	74.3
Proceeds from 10% Sale of BMG	-	32.3
Proceeds from Sale of Nexus Shares	-	18.5
Other	(0.6)	8.7
Closing Cash	81.0	67.1

# Balance Sheet



	2010 US\$M	2009 US\$M
Cash Assets	81.0	67.1
Capitalised Exploration Expenditure	4.9	16.1
Oil and Gas Assets	247.6	244.6
Interest Bearing Debt	(49.7)	(49.2)
Net Deferred Tax Liability	(34.4)	(26.9)
Derivative Liability	(27.3)	(32.8)
Provisions	(91.0)	(46.5)
Net Other Asset / (Liability)	10.9	(4.6)
Total Equity	142.0	167.8

# 2P Reserves





# A unique strategy for growth

Alan Linn (CEO)



# A unique set of competitive advantages for a mid-sized company

Operational experience

Technical capabilities

Industry relationships

Geographically focused





# Priority objectives in 2011

Meet 2011 targets

- Production between 7,000-8,000 BOEPD
- Capital expenditure cashflow <US\$120 million
- Control operating costs <US\$17/BOE

Restructure the business

- Full exit from Africa
- Reinvigorate leadership and culture
- Reduce exposure to BMG Phase-2 gas project

Secure production growth beyond 2014

- New asset(s) in Asia-Australasia
  - Appraisal / Pre-development / Exploration
- Organic growth from existing assets
  - Appraisal upside in Beibu Gulf
  - Step-out potential at Cliff Head





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The reserve and resource information contained in this announcement is based on information compiled by Neil Seage (Chief Reservoir Engineer). Mr Seage (BA, BEng (Hons), MBA and Dip App Fin), who is a member of the Society of Petroleum Engineers, has more than 30 years relevant experience within the industry and consents to the information in the form and context in which it appears.



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