

Integrating sustainability into our business

Sustainability
Report 2010

漁家夜景

Front Cover:

Nan Pai He Community Engagement

Nan Pai He is a region of fishing villages located 10 kilometres from the ROC-operated Zhao Dong offshore platform facilities. As Nan Pai He is ROC's closest neighbour in the Bohai Bay, we support the local government and schools in their efforts to improve the standard of childhood education. In 2010, ROC launched its inaugural Annual Art Competition for the 21 schools in the area. The theme for the competition was "My Dream for the Future". All winners received a certificate and prize money, and the 12 Grand Prize winners, their teachers and parents also received a trip to Beijing. The Sustainability Report front cover is one of the pictures from the competition. The Chinese characters translate as "Fish, Home, Evening, View".

**LTIFR per million
man-hours worked**

1.5

**At ROC,
sustainability is
about delivering
financial success,
environmental
excellence and
social responsibility
in partnership with
our stakeholders.**

We believe sustainability is about building long term shareholder value through enhancing the environmental and social dimensions of our performance. Our first Sustainability Report in 2009 focused on disclosing our performance to our stakeholders in the areas of safety, environment, community and employee wellbeing. The 2010 Sustainability Report provides an update to our stakeholders on our performance and discloses how we are continuing to manage and integrate sustainability risks and opportunities into our core business. As an international upstream oil and gas company, ROC recognises that to be successful, sustainability must be integrated into our day-to-day business operations, which will, in turn, strengthen our licence to operate, improve operational effectiveness and enhance business growth. We further recognise the need to provide transparent and concise information about our sustainability performance to our stakeholders.

Some of the highlights

This year, we have continued to strengthen our processes for analysing and reporting of material sustainability data through our new Health, Safety and Environment (HSE) Data Management System.

We have sought new ways of communicating our climate change risks, opportunities and governance practices through mechanisms such as the Carbon Disclosure Project (CDP).

The safety of our employees, the surrounding communities and the natural environment in which we operate has always been central to our strategy. Crucial to this strategy is upholding leading practice asset integrity management and incident prevention; areas where we have invested significantly in 2010.

In 2010, we remained committed to supporting local communities through foundation partnerships, educational sponsorships and working with neighbouring local schools in China.

In 2010, we implemented a Health, Safety, Environment and Community (HSEC) Due Diligence Expectation, which outlines our standards for assessing the HSEC-related situation for any new business transaction or venture. This

**Lost Time
Injuries**

3

8

Staff turnover rate %

Sustainability Report (continued)

will allow us to effectively screen potential new venture opportunities according to ROC's sustainability objectives, whilst also fulfilling our duty to our shareholders to grow the business and create value.

As part of our ongoing sustainability journey, we recognise we still have room to improve the collection and reporting of material sustainability performance data. Our aim is continual improvement and accountability and the further integration of sustainability frameworks into our business.

A leadership priority

Sustainability is a priority at ROC, with the Board and senior management playing a key role in the development, implementation and review of key actions. The Board has overall accountability for sustainability issues and is informed about its progress and status via two avenues: the HSE Committee and the Audit and Risk Management Committee.

The HSE Committee is the executive body with overall responsibility for sustainability issues across all operational regions. The Committee meets at least twice each year to discuss the progress and status of the Company's sustainability activities, including compliance with all relevant legislation. The Audit and Risk Management Committee has the responsibility for monitoring management's progress in addressing the Company's sustainability risks. Our business unit HSEC managers and co-ordinators deal with sustainability activities on a day-to-day basis.

About our sustainability report

Report boundary

This report covers the operations and employer practices of ROC's operations in Australasia, China, Africa and South East Asia. It contains data on our sustainability performance for the 12 month period ended 31 December 2010.

Every separate operation is responsible for collecting their own respective data. This promotes ownership, accountability and the integration of sustainability practices. Our safety and environmental data is collected for all assets operated by ROC.

Report structure

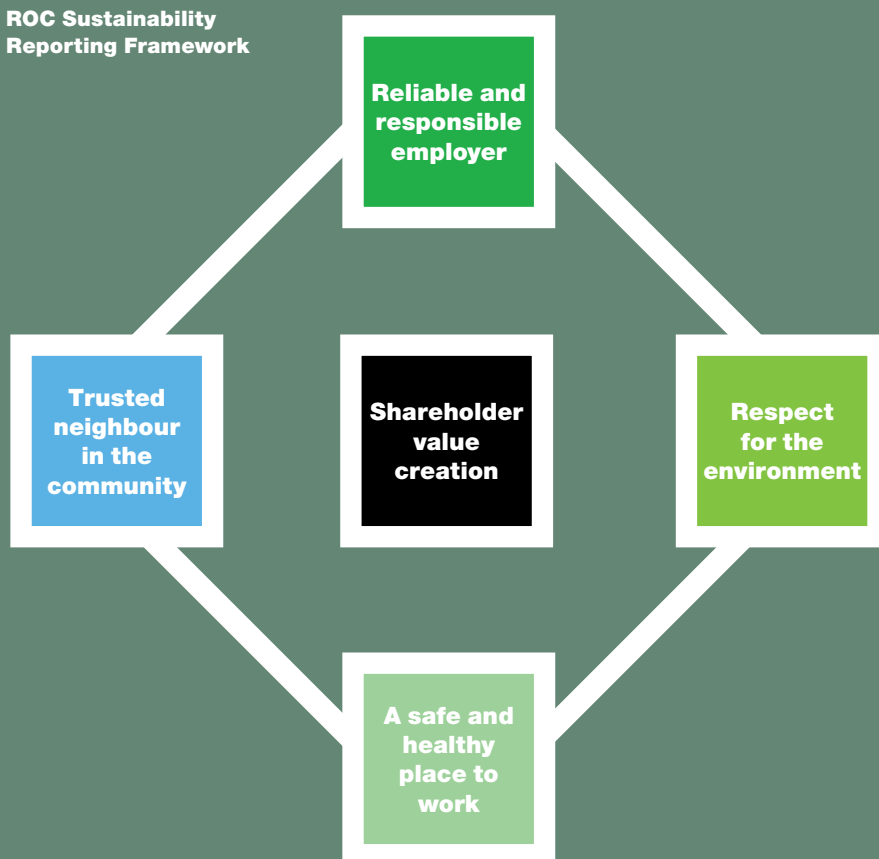
This report has been aligned to our Sustainability Reporting Framework and has considered industry best practice guidelines, including the Global Reporting Initiative (GRI), International Petroleum Industry Environmental Conservation Association and American Petroleum Institute (IPIECA/API) guidelines and Australian Petroleum Production and Exploration Association (APPEA) guidelines.

The framework also provides: a structure for disclosing our sustainability performance; a template for consistent communication to our stakeholders; and a means to track our annual progress.

ROC brand and logo

The new ROC logo is a visual representation of our brand, and as such, reinforces our brand values: bold, open, excellence and respect. In this way, our logo is more than a badge: it stands for who we are and what we aspire to achieve.





The four attributes of this framework that we consider fundamental to sustained value creation within our business are:

- ensuring our performance as a **reliable and responsible employer**;
- continuing our **respect for the environment**;
- fostering **safe and healthy work practices**; and
- continuing to be a **trusted neighbour in the community**.

The material issues

At ROC, we understand that sustainability can mean different things to different people and that the opportunities and challenges constantly evolve. We understand the importance of adapting our approach to address the social, environmental and economic issues that are material to our business and our stakeholders.

In this report, we have identified topics that we believe are material to our stakeholders. We aim to provide a balanced and transparent view on these topics, including not only our successes, but also our challenges.

Material topics included in this report were identified through a process of:

1. considering valuable feedback received from our stakeholders regarding the 2009 Sustainability Report;
2. benchmarking our 2009 sustainability data against best practice reporting guidelines such as the GRI-G3 and the IPIECA/API guidelines; and
3. considering the results of our 2010 business risk assessment and material sustainability risks identified through that process.

Engagement with our stakeholders

Our long term success depends on our ability to build strong relationships and to work collaboratively and transparently with our stakeholders. The term 'stakeholder' is used to define any person or group of people who can affect, has an interest in, or is affected by, an organisation's activities.

Our core stakeholder groups include employees, shareholders, potential investors, joint venture partners, community partners, governments and regulatory bodies. Maintaining regular communication with our stakeholders helps us to stay responsive to issues important to our stakeholders and is fundamental in assessing the success of our business strategy. We engage with our stakeholders in a variety of ways from one-on-one meetings, to multi-stakeholder forums and participation in industry associations.

Our sustainability performance



	Last year we said we would	This year we have	Results	Next year we aim to
A reliable and responsible employer	Strategically reshape the business; grow in key geographies/assets.	Begun to expand business in China, Australasia and South East Asia.		Deliver shareholder return better than that of our peers. Review potential new business opportunities in South East Asia, China and Australasia.
	Improve corporate risk management and governance processes.	Completed risk management reviews.		Embed vision and values and improve culture.
	Ensure effective capital management and allocation.	Maintained a healthy balance sheet with a net cash position of US\$31 million at year end.		Further strengthen our senior management capacity and capability. Link sustainability objectives to short term incentives.
	Improve employee satisfaction and capability.	Implemented a new performance-based system of remuneration. Reduced employee turnover from 19% in 2009 to 8% in 2010.		Conduct an employee climate survey.
	Achieve correct staff level/expertise to deliver ROC's strategy.	Continued to identify and support employee learning and development opportunities, particularly through the newly implemented Performance Management Process.		Adopt a staff Diversity Policy and strategy.
Respect for the environment	Minimise environmental impact.	Continued our green office programme and completed an IT system virtualisation project. Completed our evaporation pond remediation project close to our Cliff Head operations.		Continue to respond to the CDP and strengthen our environmental reporting processes. Achieve a 50% reduction in the loss of containment occurrences versus 2010.
	Improve environmental data collection and reporting.	Publically responded to the CDP.		Commence oil export at Zhao Dong by pipeline to eliminate the need to use fuel barges.
	Reduce greenhouse gas emissions.	Reduced Scope 1 green house gas (GHG) emissions by 35%. Eliminated flaring at BMG through the implementation of a low pressure gas compressor. Implemented a gas sales project at Zhao Dong that is expected to reduce emissions at this asset by 50%.		Improve our water/oil separation system using new technology in China.
A safe and healthy place to work	Continue our focus on zero harm to people.	Continued our track record of zero fatalities. Begun implementation of our Asset Integrity Management System to further strengthen our approach to process safety. Commenced development of HSE Management System Expectations.		Maintain and improve process safety performance. Continue track record of zero fatalities. Achieve TRIFR and LTIFR at least 50% below APPEA 5-year average figures. Conduct gap analysis against the Asset Integrity Management System and prepare improvement plans.
	Improve HSE system reporting.	Implemented Omnisafe™ HSE data software to collect Company-wide incident and environmental data.		Continue to improve the integrity of HSE data.
	Maintain employee health.	Implemented a new medical screening programme.		Formalise new HSE Expectations and implement them in all ROC operations.
	Complete mature asset facility integrity reviews.	Implemented asset integrity reviews.		
A trusted neighbour in the community	Build on existing relationships with host communities.	Continued partnership with Midwest Life Education and formed a new relationship with the Clontarf Foundation in Australia. Sponsored one college student in Western Australia and another in China. Worked closely with the schools in the Nan Pei He region in China. Provided fishing plotter upgrades to the fishermen at BMG to assist with navigation around the facility.		Continue donating to the local schools of Nan Pei He. Continue and look to increase number of educational sponsorships. Continue foundation partnerships. Work with the fishing community during the non-production phase at BMG.
	Actively consult with local stakeholders in our operational areas.	Increased frequency of consultation with the local fishing community. Engaged with fishing industry associations (SETFIA and LEFCOL) to provide a forum for the local fishing community to express their views and to participate in the decision-making process.		

Key performance indicators

Economic performance	2010	2009
Hydrocarbon production		
Total hydrocarbon production from ROC-operated assets (t) ¹	1,167,149	1,509,941
Financial performance		
Market capitalisation at year-end (A\$m)	292.4	427.9
Sales revenue (US\$m)	235	205
Operating cash flow (US\$m)	58	91
Socio-economic distribution		
Number of employees ⁴	182	160
Number of shareholders	22,417	26,609
Royalties to government (% of production)	7%	5%
Total taxes paid (US\$m) ⁵	46	54

Social responsibility	2010	2009
Health and safety		
Total man-hours ⁷	2,022,000	2,549,973
Medical Treatment Cases	6	2
First Aid Cases	30	47
Lost Time Injury	3	1
Lost Time Injury Frequency Rate ¹⁰	1.5	0.4
Restricted work cases	2	0
Fatalities	0	0
Total Recordable Injury Frequency Rate	5.4	1.2
Community		
Community investment ¹¹ (US\$)	290,111	219,116

Environmental stewardship	2010	2009
GHG emissions		
Scope 1 GHG emissions (tCO ₂ -e)	235,339	363,370
Intensity (tCO ₂ -e per t of hydrocarbon production)	0.20	0.24
Significant loss of containment incidents²		
Oil spills	2	0
Gas releases	2	0
Other significant environmental incidents³	0	0
Flared gas		
Total flared gas (t)	57,025	122,759 ⁶
Intensity (t of flared gas per t of hydrocarbon production)	0.05	0.08
Controlled discharges to water		
Produced water quantity (m ³)	1,157,781	996,351
Total oil in discharged water (t)	65	53
Waste management		
Total hazardous waste ⁸ (t)	60	52
Total non-hazardous waste ⁹ (t)	3,751	5,061
Energy consumption		
Total energy consumption (Tj)	4,162	4,171
Intensity (energy consumption (Tj) per kt of hydrocarbon production)	0.004	0.003
Water usage		
Fresh water use (m ³)	45,102	45,056
Fines		
Total number of fines and penalties	0	1

Glossary:

t = tonne(s)

tCO₂-e = tonne(s) of Carbon Dioxide equivalent

Tj = Tera-joule(s)

m³ = metres cubed

1 ROC-operated assets include BMG, Zhao Dong and Cliff Head fields. Total hydrocarbon production includes gas that is produced at these assets which is then flared, re-injected or used as feedstock in energy generation activities.

2 Defined as being greater than 1 barrel of oil equivalent as per IPIECA/API guidelines (2010).

3 Defined as any event that can be categorised as having a high impact on the environment as per APPEA Environmental Incident Database Guidelines (2001).

4 Includes both full and part-time employees as at 31 December 2010.

5 Total taxes paid include income taxes and Chinese special levies.

6 Total flaring in 2009 has been re-stated this year due to a correction in data from one of our business units.

7 This includes both the employees and contractors.

8 As per IPIECA/API Guidelines (2010), hazardous waste includes all wastes defined as hazardous, toxic, dangerous, listed, priority, special, or some other similar term as defined by an appropriate country, regulatory agency or authority.

9 As per IPIECA/API Guidelines (2010), includes industrial wastes resulting from Company operations that are not designated or listed as "hazardous" by a country or regulatory agency. This category consists of materials disposed of both on-site and off-site, including trash and other office, commercial or packaging related wastes.

10 Frequency rates are determined as the number of injuries per million hours worked.

11 Community investment covers both our compulsory and in-kind donations for our operations in Australasia, China and Africa.

A reliable and responsible employer

Our priority is to deliver valuable returns for our shareholders and build a business founded upon integrity and driven by a capable and motivated workforce.

Economic contribution

During 2010, we continued to focus on strengthening our financial performance following the volatile and challenging events of 2008 and 2009. We continued to restructure our asset portfolio and review non-core and poor performing assets. Integral to our strategy was a focus on maintaining cost control and improving our capital management, as well as a review and consequent improvement of our financial and operational risk management practices.

These important factors led to delivering US\$235.4 million in revenue, a trading profit of US\$69.1 million, a profit before tax of US\$6.5 million and operating cash flow of US\$58.4 million. This was re-invested back into the business through exploration and development expenditure of US\$44.0 million.

As part of our sustainability strategy, we are committed to increasing the value of the business and delivering financial success. We have learnt from events in the past three years. We are now well-positioned to grow the business in 2011 through: commencing development activity at the Beibu Gulf project, offshore China; investing in new growth opportunities to deliver reserve replacement; and continuing to improve our operating and financial performance.

A framework for integrity

At ROC, we are committed to ensuring that we act with the highest ethical and professional standards. We strive to create the right business conditions so that every employee has a common understanding of integrity through our Core Values, internal codes of conduct, HSE Vision and Guiding Principles, governance principles and risk management practices.

Core Values

The foundation upon which we aim to be a sustainable organisation is set by our Core Values. ROC's Core Values were created in consultation with our employees and are promoted across our operations. They underpin the way we conduct our business activities and interact with our stakeholders and are aligned to our Code of Business Conduct. We are a company that:

- cares about and respects our people;
- values honesty and commitment;
- values technical and commercial excellence; and
- respects all its stakeholders.

Business Code of Conduct

The ROC Code of Business Conduct sets out a number of overarching principles of ethical behaviour that apply to all Directors, employees and contractors working on behalf of ROC. When prospective employees are made an offer at ROC, they are required to review the Code and agree on their compliance. It underpins all aspects of our business operations and decision-making and provides guidance for employees. Our standards for business ethics, set out in the code include:

- openness, honesty, fairness and integrity;
- mutual respect;
- ethical conduct; and
- compliance with laws.

HSE Vision and Guiding Principles

Our HSE Vision and Guiding Principles have been integrated into our strategic decision-making process by our operations and guide our commitment to the following goals:

- zero harm to our employees, contractors and the communities in which we operate;
- conduct our business in a way that minimises the risks to the environment;
- integrate HSE into all of our business activities; and
- demonstrate industry leadership in HSE performance.

Good governance

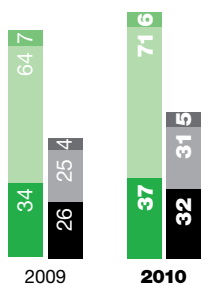
Good governance is fundamental to the way that we do business and to the long term sustainability of ROC. It shapes how we interact with our stakeholders and provides the framework and control systems that help us to adhere to the highest ethical standards. It is our policy to adopt appropriate corporate governance practices and regularly review them to ensure that our governance principles address key business risks.

Risk management

At ROC, we recognise that risk is dynamic and requires constant vigilance. We are committed to identifying, managing and assessing all risks effectively through our Enterprise Risk Management Framework. This framework is embedded into our strategic business decision-making process to assist with driving effective and accountable action and management practices. In 2011, we will update our HSEC risk matrix to strengthen our ability in identifying economic, social and safety risks associated with a potential transaction.

**Cost
of reducing
flaring at Zhao
Dong (US\$m)**

1.6



Global gender breakdown

Male ■ Australasia ■ China ■ Africa
Female ■ Australasia ■ China ■ Africa

Strengthening our team

We recognise that continued operational growth and business performance require capable and engaged people, supported by an appropriate organisational structure to drive high performance.

Education and professional development

Education and professional development are important parts of maintaining a motivated workforce and we acknowledge that by investing in our employees, we are investing in the Company's capability to take on new challenges and manage risk.

Specific technical training, leadership development and HSEC training are among the areas of focus for us in ensuring employees achieve their full potential.

All employees are required to set personal education and training objectives for the year. These are discussed and agreed with their immediate supervisor during a meeting at the beginning of each calendar year. The process is designed to provide a constructive environment whereby balanced and effective feedback can be given and individual education and training needs identified. This planning process helps to schedule future requirements.

Attraction and retention of talent

We recognise that our success relies on identifying, recruiting and retaining a talented and motivated workforce. The employee turnover rate in 2010 was 8%, down from 19% in 2009.

Our remuneration policies and practices are designed to remain competitive in the market place to help us attract and retain the best people. This year, we implemented a new Performance Management Process following a review of our remuneration strategy and framework, to ensure our approach met Company needs, shareholder expectations and market practices.

We are also focused on ensuring a pipeline of talent for the future by continuing to actively support graduate and student placements in a bid to nurture young talent within the industry. This year, we hired five graduates and trainees. Going forward, we aim to build our graduate programme and improve cross boundary links by creating rotational employment arrangements between our regional offices.

Due to the challenges of relocating both the Sydney and Beijing offices during the year, the roll out of the employee climate survey was postponed. This has been prioritised as a key action for 2011 and implementation is scheduled for Q2. We look forward to receiving employee feedback from this survey.

Diversity and gender equality

We remain committed to respecting the cultural differences that exist amongst our people and also recognising the benefits that come from a diverse workforce. We are an equal opportunities employer, where diversity is highly valued as a source of competitive advantage. As part of our Code of Business Conduct, we have a strong commitment to hiring people purely based on competence and performance regardless of sex, age, race or religion. ROC will be adopting a Diversity Policy and Strategy in 2011.

For our business to be sustainable, we recognise the importance of developing productive relationships with our host communities and supporting their development and sustainability by providing employment opportunities. We actively recruit locally in the countries in which we operate and invest in mentoring and capacity building initiatives. This process also helps to create a vibrant and inclusive workforce that reflects the localities in which we operate.

A message from one of our engineers

"My name is Liu Yanhong. I have been working at ROC as a well engineer for two and a half years. Having always worked in a State-owned company, this was my first introduction to an international corporation; something that made me quite apprehensive. Fortunately, I came to work in a welcoming team where my fellow colleagues in the drilling department supported my growth and development. I have been given numerous responsibilities that challenge my technical skills and with good mentoring I have grown quickly within my team."



Respect for the environment

At ROC we are committed to protecting the environment in which we operate and to taking appropriate steps to manage, eliminate or minimise any impact that our activities may have.

As an international upstream oil and gas company, we operate in a range of environments where our activities have the potential to impact the ecosystems. We understand that our licence to operate depends upon how we manage this risk. Continued improvement in environmental performance is integral to our sustainability as a company.

One of our HSE Guiding Principles is a commitment to responsible environmental stewardship and we strive to ensure that any potential impacts on the environment are minimised and natural resources are conserved where practicable. No matter where the location, we continue to hold ourselves accountable to leading environmental practices and maintaining that compliance is a minimum standard. To ensure that our team is operating to the same standard, we provide applicable training and support where necessary.

In 2010, our areas of environmental focus centred around:

- improving the management and reporting of GHG emissions;
- managing and minimising the number and severity of incidents and spills;
- responsible management of resources;
- protecting biodiversity; and
- ensuring environmental compliance.

Improved management and reporting of GHG emissions

In planning for the future, we recognise the potential threat of climate change to our global operations and the possible impact on the communities in which we operate. We will continue to: investigate opportunities to reduce GHG emissions; improve resource efficiency across our operations; understand the potential impact on our assets; and foster climate change awareness and action among our people.

GHG performance data

In 2010, our operated share of GHG emissions totalled 235,339 tonnes of carbon dioxide equivalent (tCO₂-e). This represents a decrease of 35% from 2009. During the reporting period, the GHG intensity of our operations fell from 0.24 to 0.20 per tonne of hydrocarbon production. This was in part due to the Baska-Manta-Gummy (BMG) Phase-1 oil project being offline since August 2010.

To help us to minimise our carbon footprint, we actively monitor our GHG emissions and continue to develop our understanding of the physical, regulatory and financial risks and opportunities associated with potential climate change.

Green IT solutions

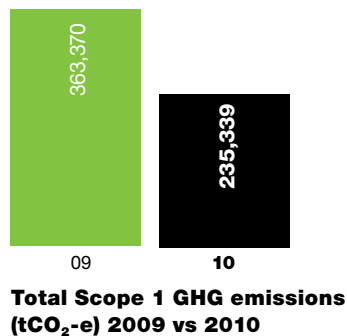
A major IT initiative is the utilisation of system virtualisation technologies to reduce the requirement for physical server hardware.

Over the last three years, ROC has migrated the majority of its physical server infrastructure to a virtualised platform, allowing greater utilisation of existing and new server hardware.

This includes the server infrastructure across ROC's offices in Sydney and Beijing, as well as smaller regional sites and production facilities.

Overall, cooling and power consumption requirements for running ROC's data centres has reduced by over 75% as a result of this initiative.





Flaring reduction initiatives

At our offshore oil and gas operations, flaring is one of the most significant sources of Scope 1 GHG emissions. Flaring is the controlled burning of natural gas in the course of routine oil and gas operations and primarily acts as a means of relieving pressure during production. At ROC, we are proactive in reducing our flaring volumes via technological innovation and continual management of our GHG emissions. ROC's total flared gas volumes decreased by 54% in 2010.

Prior to entering a non-production phase for BMG's Phase-1 oil project, we invested US\$13 million in a low pressure gas compressor to significantly reduce the need to flare. During its operation, the compressor effectively reduced flaring to zero.

This year, a sales gas pipeline was established at the Zhao Dong facilities which is expected to reduce flaring to zero during normal production operations at this asset.

Energy efficiency at the office

Where possible, we aim to ensure our operations are as energy efficient as possible. At our corporate offices, we encourage double sided printing, re-using paper for faxes and switching off all electrical equipment when not in use. We also recycle paper and printer cartridges.

We have invested in online conferencing technologies, allowing staff to reduce the need for air travel.

At our Tanggu base in China, we continue to take steps to reduce our carbon footprint by using electric bikes for transportation around the base, using electric forklifts and installing warehouse curtains for cooler months. These innovations help us to reduce our emissions significantly by avoiding the use of fuel-intensive machinery and heating.

GHG reporting

This year, we continued to report our GHG emissions in accordance with the National Greenhouse and Energy Reporting Act 2007. This allows us to measure and report our GHG emissions using a standard and industry accepted methodology. We also registered with the Energy Efficiency Opportunities (EEO) programme. However, due to BMG entering a non-production phase we now fall below the reporting threshold and are no longer required to report under the EEO programme.

In 2010, we completed the CDP questionnaire publicly for the first time, communicating to our investors how we are addressing the regulatory and physical risks associated with potential climate change.

Elimination of flaring at Zhao Dong

At the Zhao Dong oil fields, gas is produced as a natural by-product with the oil. Prior to the gas sales pipeline project, any associated gas was used as a fuel in gas turbines to generate electricity for use on the platform and any excess gas was then flared.

After successful discussions with PetroChina about how a gas pipeline to shore could be beneficial to all partners and to the environment, a gas sales agreement was signed in February 2010. Project engineering was a co-operative effort between ROC and PetroChina; with PetroChina installing the gas pipeline and ROC operating the export facilities on the platform.

This project has eliminated the need to flare gas during normal production operations. We expect that this will lead to an approximate 50% reduction in Zhao Dong oil field emissions in 2011.

Export of gas to the local onshore gas grid commenced on 9 December 2010. During Spring 2011, a compressor will be installed which we expect will increase gas export volumes.

The required modifications to compress, meter and export this gas cost ROC US\$1.6 million.



Transparent reporting of incidents and spills

The reporting and follow-up of HSE incidents is a fundamental part of our approach to HSE. At ROC, we believe that reporting significant loss of containment and environmental incidents demonstrates transparency and builds investor confidence that we are managing these risks. It is our aim to report all incidents and near miss events and to investigate and identify the root causes. Actions that will reduce the likelihood of similar incidents recurring in the future are then implemented.

Incident reporting and investigation

The circulation of the 'lessons learned' from incidents and near miss events allows others within the organisation to learn from previous incidents.

Our Incident Reporting and Investigation Expectation Document sets out guidelines that require each operation to develop an incident investigation procedure tailored to local regulatory and operational needs.

This year, we experienced two oil spills and two gas releases categorised as significant loss of containment incidents. All four incidents (see below table) were reported and investigated immediately. In all cases, there was minimal impact to the environment.

Stringent oil spill management

Oil spill management and prevention are high priorities for ROC. We minimise the risks of oil spills from pipelines by ensuring regular equipment inspections and routine maintenance.

This approach is aimed at early identification of small leaks. Pipeline integrity is of the upmost importance to us and we ensure that routine maintenance and pipeline checks are performed at all of our facilities. At our Zhao Dong platform in China, we have implemented a monitoring programme

specifically focused on identifying "leaks, seeps and weeps" as part of our preventative maintenance programme. In addition, periodic audits and risk-based inspections take place to assess compliance with integrity procedures. A scorecard system is currently in place to report performance on a monthly basis.

Although we focus on prevention, we are well-prepared to minimise any impact should a spill occur. Oil spill contingency plans are reviewed on a continual basis and updated as circumstances change. ROC is also a member of the Australian Marine Oil Spill Centre (AMOSOC), one of Australia's major response equipment operators, which provides 24-hour stand-by for immediate assistance in the event of an oil spill at sea. Zhao Dong has a formal mutual aide agreement with China National Petroleum Corporation. This agreement gives us access to their resources and the regulators can call for mutual assistance from ROC when dealing with a serious incident.

Responsible management of resources

As we take on further development opportunities and challenges, our responsibility for environmental conservation also increases. It is important that we have systems and processes in place to reduce the generation of waste and increase the efficiency of our water use.

Waste minimisation

We are committed to minimising waste, increasing recycling and preventing pollution. Managing waste efficiently not only helps us to reduce our environmental impact but it also helps to reduce costs relating to waste disposal. An important aspect of our approach to waste management is the segregation of waste materials based on their general physical and chemical characteristics. It is the responsibility of the personnel working on ROC offshore operations to identify all waste generated within their facility. Failure to

Month	Location	Incident description	Environmental impact
May 2010	Australia – Cliff Head	Corrosion caused a leak of produced water and approximately 0.2 m ³ of oil from a section of pipe at the Arrowsmith Plant into a containment bund.	Low/minimal environmental impact: liquids were recovered from the bunded area and the pipe was repaired.
May and June 2010	Australia – BMG	Two low flow rate, but long duration releases of gas occurred following rapid disconnection of the Crystal Ocean FPSO from the turret mooring during bad weather. The gas slowly leaked through isolation valves whilst the vessel was absent from the field.	Low/minimal environmental impact: procedures were modified to prevent a recurrence.
September 2010	Australia – Cliff Head	Avoiding a collision with a kangaroo caused a road tanker to roll over, spilling 40m ³ of crude oil into a ditch.	Low/minimal environmental impact: rapid clean-up with super suckers, tankers and end tippers to remove the product and contaminated soil.

**% decline in
non-hazardous
waste**



ROC employees



segregate wastes may result in the creation of a waste mixture incompatible with the desired recycling or disposal option and may require more complicated and extensive lab analysis and higher waste disposal costs.

We ensure that all field personnel have received awareness training on waste management, including information on the legislative background to waste disposal and the waste disposal procedures for their facility.

Water use

Unlike many industry sectors, our operations require comparatively little fresh water usage. Nonetheless, ROC practises responsible management of water usage at our operations, particularly the separation of naturally occurring water during oil production by our operations. Formation water occurs naturally within oil reservoirs and is brought to the surface commingled with oil and gas. As far as possible, we ensure that we reduce the amount of produced water released into the environment. At both our Cliff Head and China operations, any produced water is re-injected back into deep underground reservoir formations.

Protecting biodiversity

We are committed to managing any potential impacts that our operations have on the biological diversity of the environment in which we operate through rigorous planning, design, monitoring and mitigation programmes.

Environmental compliance

In each of the countries where we operate, we comply at a minimum with applicable laws, standards, regulations and guidelines that ensure the protection of the environment. We communicate openly on environmental issues related to our operations with the public and governmental and non-governmental bodies. During 2010, compliance with applicable environmental laws and regulations was maintained.



Evaporation pond remediation

Before

This year, we finished a two-year project to remediate an evaporation pond at our Cliff Head facility that was a legacy of the site's former land use. Due to the pond's history of different uses, long term evaporation effects and the discovery of low levels of hydrocarbons, the pond had become a hyper-saline environment with salt crusts, not only at the perimeter of the lake but also forming a layer at the sediment/water interface. The absence of algae indicates that the environment was inhospitable to the normal flora that is expected in solar evaporation ponds.

After

A remediation plan was implemented by ROC to convert this pond back to its natural state and make it safe enough for use as a fire water sump for fighting bush fires – an important community service. Approval was given by the Western Australian Government Department of Environment and Conservation to evaporate the pond. We then removed the sediment from site as solid waste utilising a waste management contractor. The pond was re-filled using fresh water and was tested by a third party. The presence of hydrocarbons was eliminated.



A safe and healthy place to work

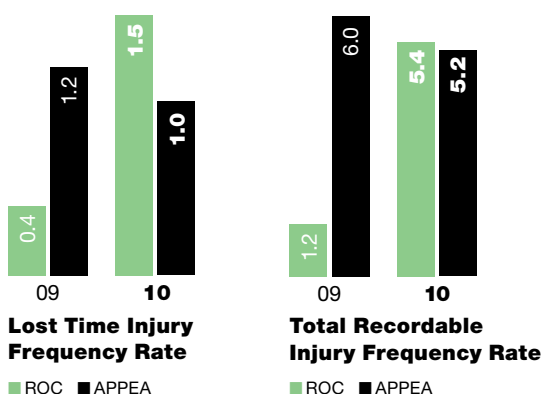
We aim to create a safe and healthy place to work.

The health, safety and wellbeing of employees and contractors remains our highest priority and we are committed to ensuring that their safety is not compromised during the implementation of our business objectives. Our HSEC Management System includes policies and standards that allow for continuous improvement in health and safety and is a key part of our legal compliance requirement. We implement individual HSE action plans for each business operation to ensure that ROC Corporate HSEC goals are met. All safety action plans have been agreed with the asset managers and have an accountable manager for each of the tasks. Progress against these plans is reported to the Corporate HSEC Manager.

At ROC, we believe that the safety of our contractors is just as important as that of our employees. All contractors are required to complete HSE induction training when they come onto an offshore platform. Our Permit to Work System also ensures that contractors follow our HSE requirements.

2010 safety performance

This year, we continued our track record of zero fatalities. Whilst we did not experience any severe injuries in 2010, we experienced three Lost Time Injuries (LTIs). These LTIs led to an increase in our LTI Frequency Rate (LTIFR) to 1.5. All three injuries were sustained by ROC contractors. We have thoroughly investigated the causes of these incidents and communicated the lessons learnt to the rest of the organisation. Our Total Recordable Injury Frequency Rate (TRIFR) also increased, primarily due to the performance of one contractor. In response to this, we conducted a HSE audit of the contractor's procedures and worked closely with them to implement an improvement plan. We did not reach our 2010 target of reducing both our LTIFR and TRIFR by 5%.



We strongly believe that every incident is avoidable and continue to strive to create an injury free workplace. To provide greater transparency, we tightened our HSE incident reporting definitions to ensure that we are being as conservative as possible in our estimations; an action which has had a direct impact on our incident statistics.

Although these 'lagging' measures are important indicators of safety performance, in 2011 we are concentrating on incorporating a suite of 'leading' indicators into our safety performance data. Other focus areas for 2011 include continuing to build our technical capability and systems that can better prevent and manage potential risks.

Process safety is our priority

At ROC, process safety and the prevention of major accidents is integral to our business operations and at the core of our safety strategy. It means making sure that our assets are well designed, carefully managed and properly inspected and maintained. We are aware of the potential impact of such accidents on our employees, the environment and neighbouring communities. Major accidents also undermine our business through damaging our reputation and inflicting financial loss.

Our main focus in 2010 was to develop our Asset Integrity Management (AIM) System. Our AIM System was implemented in 2010 and an agenda has been set for each asset to conduct a gap analysis against the expectations and to prepare an improvement plan in early 2011.

Safety performance	2010	2009
Man-hours	2,022,000	2,549,973
First Aid Cases	30	47
Medical Treatment Cases	6	2
Lost Time Injuries	3	1
Restricted Work Cases	2	0
Fatalities	0	0
TRIFR	5.4	1.2
LTIFR	1.5	0.4

Enhanced HSE reporting

At the end of 2010, we rolled out Omnisafe™ HSE software to manage our HSE data. This software will be the central point for collecting incident and environmental data and will be used to manage hazards and track HSE actions from audits, incidents and HSE plans. The system will assist us in performing root cause analysis of incidents, help to improve consistency of reporting and will facilitate the sharing of information.

Employee wellbeing

The wellbeing of our staff is a key priority at ROC. Encouraging a healthy lifestyle amongst employees not only increases the quality of life of our employees but also creates a more motivated workforce with lower absenteeism and higher productivity.

Every year, employees are encouraged to stay fit and healthy through subsidies for gym membership. At the Zhao Dong offshore operations, we initiated a healthy eating programme designed to educate and motivate staff to improve their health.

Work-life balance

At ROC, we believe one of the main ways to ensure employee well-being is to provide a work-life balance. We recognise that employees have a wide range of personal obligations that can have an impact on their ability to balance personal and work demands. We therefore endeavour to accommodate flexible working arrangements where necessary. We have several policies that formalise areas where employees typically require help, such as: educational sponsorship; parental leave; and salary continuance insurance.

Employee health checks

The health of our people is paramount. All employees travelling overseas are required to have a health check. Flu vaccines and other inoculations are also provided. In China and Australia, we have established a database to monitor our system of annual health checks and to track the health of our employees.

This year, we implemented a new health policy which includes a new medical screening programme in which we offer a complimentary bi-annual screening for employees between 40 and 49 years and an annual screening for those over 50 years.

Safety Innovation Award

The APPEA Safety Innovation Awards highlight the oil and gas industry's commitment to solving safety and health-related challenges and sharing solutions.

This year APPEA received a record breaking total of 26 nominations. The APPEA judging panel shortlisted 10 innovations, the sponsors of which were then asked to give a presentation to conference delegates for the chance to also receive the Industry Choice Award.

The selection criteria were that the innovation had to: solve a problem; prove its effectiveness; show

sustainability; display innovation and ownership; and be applicable to the rest of industry. ROC had nominated the 'Confined Space Remote Inspection System' which eliminates the need for saturation divers to work four-day shifts at a depth of 150 metres. The Company's solution engineers out risk and importantly, can be applied across the rest of the industry.

At the conference dinner, the ROC innovation was announced the winner of both the panel-judged and industry choice Safety Innovation Awards.



A trusted neighbour in the community

Forging sustainable relationships with the communities in which we operate is fundamental to our long term success and viability.

At ROC, success is not only measured in terms of financial outcomes, but also by the consequences our actions have on the wider community. We recognise that any contribution we make, no matter how large or small, adds value to a community. We also recognise that establishing and maintaining meaningful relationships are critical to the ongoing viability of our business.

Working with the fisherman in BMG

Having entered the BMG Phase-1 oil project into a non-production phase during the year, we worked closely with the fishermen affected by the BMG development to minimise any impacts on them. We have actively engaged with fishing industry associations (SETFIA and LEFCOL) to provide a forum for stakeholders to express their views and opinions and to participate in the decision-making process.

In addition, we are providing fishing plotter upgrades to fishermen to assist with their navigation around the BMG development.



Engaging the community

Regular, open and honest dialogue is fundamental to building strong and lasting relationships with our communities. We engage with communities at every stage of our projects, from initial investment decision to decommissioning. ROC develops and maintains transparent communication with our surrounding communities.

As part of our community consultation process, our operations are required to maintain regular dialogue with key stakeholders. The method and frequency of engagement vary according to the needs of our stakeholders. However, we take an active approach to enable early detection of contentious issues and engage stakeholders in determining problem-solving measures and improvement strategies to mitigate any concerns.

One of our core focus areas for community engagement is working with local fishing communities. Our operations at BMG, Cliff Head and Zhao Dong operate within designated fishing zones. We have established communication links to relevant fishing groups to ensure that we are aware of any concerns and we attempt to resolve them effectively.

Community strategy: investment in education and strengthening communities

We aim to make valuable contributions through organisations and initiatives that help to build and strengthen the social fabric of the communities in which we operate. We have a focused community support strategy in which the Company seeks to make targeted contributions to the area of education. This year, we have focused on creating and maintaining foundation partnerships, providing educational sponsorships and providing donations to the local schools in China.

Education sponsorship in China

Zhang Zhong Fu has been sponsored to attend the Science and Technology University of China in Hefei, Anhui Province. He is majoring in Electronics Information and Science. As a result of our sponsorship, his sister is now able to complete high school.



Backpacks donated to students at Nan Pei He village

200

Schools visited by MidWest Life Education in the Dongara region

7



Working with local schools in China

We have a very close relationship with the schools in the Nan Pai He region and have implemented several initiatives to help them deliver a better standard of education. This year, ROC:

- **made financial donations to the classroom rebuilding programme;**
- **donated laptops to two local schools;**
- **donated 200 backpacks containing school equipment, books and toys;**
- **held a painting competition for all of the local school children (3,000 pupils across 21 schools) where the winning entries were incorporated into the ROC 2011 calendar. Prizes were awarded for the winners in each age group. Winners have also been awarded a trip to Beijing with their teachers and parents;**
- **donated surplus office furniture from our Tanggu shore base to a Nan Pai He school; and**
- **established links between Nan Pai He schools and a Beijing charity, which has supplied several truckloads of surplus classroom equipment.**

Our ongoing commitment to the community

As we continue to expand our operations, opportunities and challenges will arise as we interact with new host communities. In 2011, we will look to continue building long term relationships and responding to broader community concerns and needs. We will continue our focus on educational partnerships, sponsorships and donations. We are also aiming to improve our people-to-people links through providing work experience and employment opportunities in our local offices.

Foundation partnerships

For two years, ROC has been a Gold sponsor of Midwest Life Education, the largest non-governmental provider of drug and health education programmes. Through their 'Life Education Sessions' in schools across the Midwest region of Western Australia, they aim to encourage and empower young people to make smart life choices and to help develop skills in the areas of effective decision-making, communication, negotiation, peer resistance and refusal in drug-related situations. ROC's funding ensures that Life Education is able to visit schools across the Dongara region, where the Company's Cliff Head facility is located.

In 2010, ROC established a partnership with the Clontarf Foundation. The Foundation aims to improve the education, discipline, self-esteem, life skills and employment prospects of Aboriginal men and these outcomes are achieved through the medium of football. The Foundation uses the existing passion that Indigenous boys have for football to attract them to attend an Academy. To remain in the Academy, members must consistently endeavour to attend school regularly, apply themselves

to the study of appropriate courses and embrace the Academy's requirements for behaviour and self-discipline.

As well as coordinating the football programme, Academy staff mentor and counsel students on a range of behavioural and lifestyle issues, whilst the school caters for their specific educational needs. ROC's support has been focused on the Bairnsdale Academy that was established in 2010. Bairnsdale is in the Gippsland area of Victoria, close to the location of the Company's BMG asset.



Five year financial summary

	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m	2006 US\$m
Production (BOEPD)	8,483	10,034	11,023	9,668	5,477
Sales revenue	235.4	204.5	358.2	208.5	109.7
Trading profit	69.1	35.4	163.8	104.8	28.5
Reported (loss) after tax	(35.9)	(115.4)	(278.4)	(83.3)	(44.9)
Cash flow from operations	58.4	91.4	182.5	138.1	47.0
Capital expenditure incurred					
– Development	28.5	63.7	76.3	57.4	93.6
– Exploration	25.6	8.5	115.2	94.7	59.1
Net cash/(debt)	31.3	17.9	(114.5)	(91.9)	(89.5)
Total assets	384.3	354.2	520.6	607.1	749.7
Equity	142.0	167.8	207.3	289.9	374.1
Number of shares (million)	713.2	713.2	588.0	298.9	298.2
(Loss) per share (cents)	(5.0)	(17.9)	(74.6)	(27.9)	(19.4)

Note: Figures have been changed to reflect prior year accounting adjustments.

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Deputy Chairman

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Director

Mr Sidney J Jansma, Jnr
Director

Mr Robert C A Leon
Director

Mr Graham D Mulligan
Director

Company Secretary
Ms Leanne Nolan

Senior Management and Key Personnel

Mr Alan Linn
Chief Executive Officer

Mr Simon Daniel
Manager, Production and Development,
Australia

Mr Olivier Gentizon
Equatorial Guinea/Madagascar
Representative

Mr Matthew Gerber
General Manager,
Corporate Affairs and Planning

Mr Ron Morris
President, Roc Oil (Bohai) Company

Mr Anthony Neilson
Chief Financial Officer

Ms Leanne Nolan
Company Secretary and
General Counsel

Mr Rolf Stork
General Manager, Operations

Mr Bill Billingsley
Chief Reservoir Engineer

Ms Lynne Evans
Corporate Manager,
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