Annual Report 2001

ROC OIL COMPANY LIMITED

ABN 32 075 965 856

CORPORATE GOAL

To make a lot of money for shareholders.

CORPORATE STRATEGY

ROC's sensibly contrary strategy is designed to create shareholder wealth by adding value to unfashionable and overlooked assets the attractions of which may not be immediately obvious to other industry participants.

ROC's July 1999 acquisition of its UK asset base is a good example of this strategy in action. During the last two and a half years, this portfolio, purchased for $120 million plus US$46 million debt, has generated $205 million in production sales revenue, $130 million cash flow from operations and, subject to the completion of the latest three transactions, $102 million from the sale of some of its peripheral parts.

Consistent with statements made at the time of its 1999 public listing, ROC has reinvested the funds generated by its UK activities into potential growth projects including exploration onshore UK, offshore West Africa and selected parts of Australia and Asia. The run of drilling successes which ROC has experienced since mid 2001 suggests that the consistent application of its sensibly contrary strategy may just be beginning to pay off in terms of increasing long term shareholder value.

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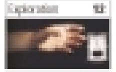

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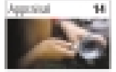

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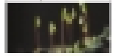

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In this year's Annual Report ROC has tried to highlight the fundamental processes of its business cycle by reference to specific real life examples. The oil and gas business cycle moves from acquisitions through exploration, appraisal and development to production and is, finally, completed by more new ventures. The process is almost organic: a predictable sequence of planting, germination, sprouting, nurturing, blooming and harvesting, capped off by more seeding as the next cycle begins.

Getting the cycle timing right is an elusive art which ROC tries to master by making sure that all its activities are consistent with a well-defined corporate strategy. This means that although at first glance ROC's projects may appear to be random and diverse, a closer review reveals each project is part of a cohesive strategic pattern. Every activity is at a predictable point in ROC's project cycle and a number of them have surprisingly similar transactional characteristics.

CORPORATE CULTURE

The following statement on corporate culture is the same as that which appeared in the last two annual reports – which is totally appropriate since corporate culture is not something which changes from year to year:

- An open, honest and communicative working environment within which people are valued and achievement recognised
- A no-nonsense, hard working, high energy, proactive, positive (can do) attitude to our business
- An unbiased, fair minded, attitude to all people with whom we come into contact
- Flexible, nimble, lateral and sensibly contrary thought processes
- An organisational structure which allows a decision orientated team to work through delegation and empowerment with strong leadership shown at all levels.

ANNUAL GENERAL MEETING

11:00am, Wednesday 1 May 2002 at
The Museum of Sydney, cnr Phillip and Bridge Streets
Sydney NSW 2000.

FRONT COVER

The front cover depicts the three environments in which ROC operates: onshore, shallow coastal waters and deep ocean waters beyond the continental shelf.

The photograph is of the Ensco 56 jack-up rig drilling ROC's first well in Australia, the discovery well for the Cliff Head Oil Field in the Perth Basin, offshore Western Australia. During an 11 day period from 25 December 2001, ROC as operator for the Joint Venture, not only drilled the discovery well but also drilled a successful sidetrack appraisal well.

2001 Highlights

Technical/Operational

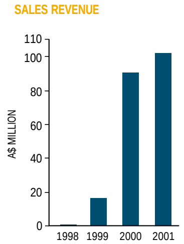
- Saltfleetby Gas Field, onshore UK, the Company's main revenue source, continues to outperform expectations and is put on compression in October.
- Saltfleetby-6 long reach appraisal well drills into the previously undrilled southern culmination, proves 22 metre vertical gas column and establishes field gas-water contact 19 metres lower than previously assumed. The field's initial recoverable 2P reserves increases to 87 BCF, up 18% on end 2000 figure.
- Remaining proved and probable reserves of 29.7 MMBOE at end-2001: essentially unchanged from end-2000 after adjustment for asset sales and farm-outs (4.08 MMBOE).
- First well in Mauritania, Chinguetti-1, a rank wildcat in a frontier basin, is a significant oil discovery.
- First well in Australia, Cliff Head-1, a high risk exploration well in a basin that was generally poorly regarded, is a significant oil discovery.
- First appraisal (sidetrack) well in Australia, Cliff Head-2, drilled within a few days of the Cliff Head-1 discovery, establishes a 28.5 metre vertical oil column and the same oil-water contact as the discovery well.
- Eleven day period taken to drill and log the Cliff Head-1 discovery and the Cliff Head–2 appraisal wells, is believed to be a record for a new field discovery offshore Australia.
- Average production of 7,937 BOEPD; 2.9 MMBOE for the financial year, down 14% partly because of asset sales.
- Kyle Oil and Gas Field, UK North Sea, comes on to full field production.
- Extended Well Test at Chestnut Oil Field, UK North Sea, flows up to 15,000 BOPD and averages 8,475 BOPD and 7.3 MMSCFD during a 124 day test period.
- First time involvement with Angola via the acquisition of a 45% interest in, and operatorship of, the Production Sharing Contract for the onshore South Cabinda Block.
- Subsequent to year end, first time entry into China via 25% of Block 22/12 in the Beibu Gulf.

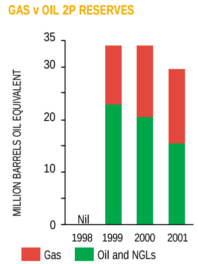
Corporate/Financial

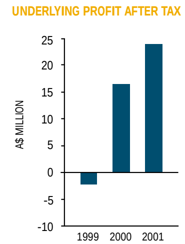
- Record $24.0 million underlying profit after tax before adjustment for asset sales, provision for development assets write down and exploration expenditure written off or expensed, up 45% on the comparable result for 2000.
- $9.2 million net loss after income tax expense, which includes the provision for a $38.4 million write down of development assets, following ROC's agreement to sell, for $35.6 million, three of its North Sea assets; the producing Kyle Oil and Gas Field (12.5%), the undeveloped Chestnut Oil Field (14.875%) and a minority interest in a gas exploration permit.
- Record trading profit of $48.3 million, up $10.6 million (28%) on the 2000 result.
- Record $102 million sales revenue, up 12% on previous year despite 14% drop in production and weakening oil prices.
- Record $73 million cash flow from operating activities, up 31% on the previous financial year, equates to $0.68/share.
- $32.5 million EBITDA; down 44% on previous financial year. After adjustment for asset sales, provision for development assets write down and exploration expenditure written off or expensed, EBITDAX was $66.6 million, up 12% on the comparable figure for 2000.
- Record $76 million held in cash and short term deposits at end-2001, up 36% on previous financial year end figure despite record expenditure on exploration and Kyle Oil and Gas Field development.
- Record exploration expenditure of $33.5 million on Australian, UK and other international assets, up 43% on $23.5 million in 2000.
- No net debt as at 31 December 2001. Bank debt remains unchanged at US$30.5 million.
- Sold 0.4605% of Claymore Oil Field for a cash consideration of $3.9 million.
- Share price $1.52 at end-2001 up 27% on end-2000; $1.66 at end February 2002.
- Market capitalisation $165 million end-2001, up 30% on end-2000; $180 million at end February 2002.

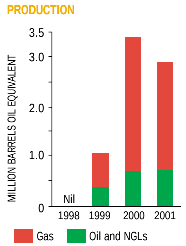
Chairman's Review

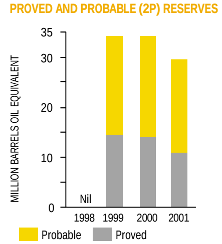
"…record financial results, achieved against a backdrop of generally weakening oil prices…"

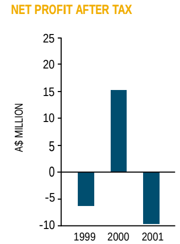






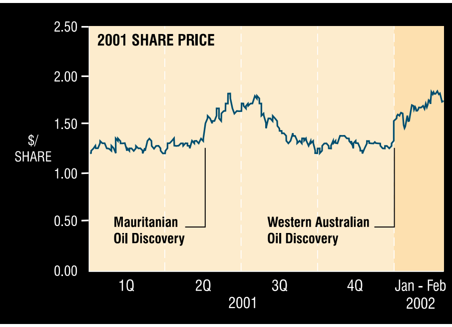






Andrew Love Chairman

The upswings in ROC's share price in mid-2001 and at end-2001 relate to wildcat exploration successes offshore Mauritania and Western Australia.



During 2001, ROC continued to perform well on a fundamental basis.

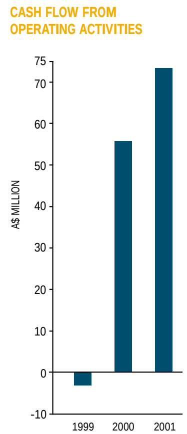
Because it is a young company it is somewhat easier for ROC to set new performance records than if it had been established for a longer period of time. However, that should not detract too much from the fact that, during 2001, the Company posted some record annual results including new highs for sales revenue, operating cash flow and profit after tax before adjustments for asset sales, development expenditure write downs and exploration expenditure written off and expensed. These record financial results, achieved against a backdrop of generally weakening oil prices, reflect what is happening in that part of ROC's portfolio which has been developed and is producing: they tell you how your Company stands at the moment.

The form that ROC will take in the future will depend largely on the performance of the Company's assets which are not currently developed and producing, particularly the success or otherwise of ROC's exploration and new venture programmes. On this front, there is also cause for optimism. During the year, ROC was involved in two important new oil discoveries. Although shareholders should continue to be cautious because there is, as yet, no firm commitment to develop either of these discoveries, ROC and its relevant co-venturers are hopeful that these exploration successes will prove to be commercial.

During the past 12 months, the business communities, both in Australia and overseas, have witnessed a number of corporate events which have provided many investors with unpleasant surprises. While each case is different in detail, in many instances the basic problem can be traced back to a lack of transparent corporate governance. Good corporate governance is an aspect of business which ROC has always emphasised and practised, even when it was a privately owned company prior to its public listing in August 1999. Because of its attitude to corporate transparency, ROC came to the view that it would be both appropriate and helpful if this year's Annual Report contained a full set of financial accounts, rather than the abbreviated format which is commonly used to meet the basic regulatory requirements. My fellow Directors and I fully realise that this level of abundant disclosure is more fulsome than is strictly required and more than most ROC shareholders need, but we are equally sure that the basic message behind the heightened level of disclosure will be appreciated by all shareholders.

Finally, I would like to express the Board's appreciation of the huge work effort expended by ROC's employees during 2001, a particularly busy year. When you work within a small Australian company that is proactive, internationally focused and striving for success through organic growth, high levels of energy and commitment are essential and, during 2001, ROC's people proved that they have those qualities in abundance.

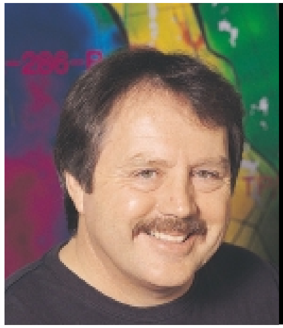
Andrew Love
Chairman



Chief Executive Officer's Report

"…a year not short of highlights…"

Perth Basin Team from left to right:
Wes Jamieson General Manager – Exploration, Nigel Jones Senior Explorationist, Neil Seage Senior Reservoir Engineer, Andy Hall Exploration Geologist, Don Kratzing Contract HSE Coordinator, Vince Simonetti Chief Accountant, Chris Way General Manager – Operations and Leanne Nolan Corporate Counsel.



Dr John Doran Chief Executive Officer

*Mauritanian Team from left to right:
Robert Gerrard General Counsel and Company Secretary, Wes Jamieson General Manager – Exploration, and John Mebberson Senior Explorationist.*

ROC had a good year. It was a year which demonstrated that our corporate strategy is working well, as detailed on the inside front cover, in the Chairman's Review, and elsewhere in this Annual Report. A number of new records were established in terms of important financial benchmarks; revenue from UK production financed new oil discoveries in Mauritania and Australia and the Company's project portfolio was expanded. ROC also consolidated its position as an operating company with some landmark operating moments occurring during the period.

In early 2001, ROC operated its first offshore 3D seismic survey, a very substantial seismic programme in the deep water Rio Muni Basin in offshore Equatorial Guinea. By the end of the year, the Company was operating its first exploration and appraisal wells in Australia, both of which were successful, at the Cliff Head location offshore Western Australia.

Importantly, production from the Saltfleetby Gas Field, onshore UK, continued with negligible downtime and no environmental or safety incidents. It is an interesting hallmark of most industries that trouble-free operations rarely get the attention they deserve and the people who are responsible for them rarely get the credit they are due. All too often, the corporate spotlight only falls on problem areas. Therefore, I would like to take this opportunity to acknowledge and thank that part of the Company's workforce which, on a daily basis, finds itself at the cutting edge of ROC's operations in various parts of the world, making sure that everything runs smoothly.

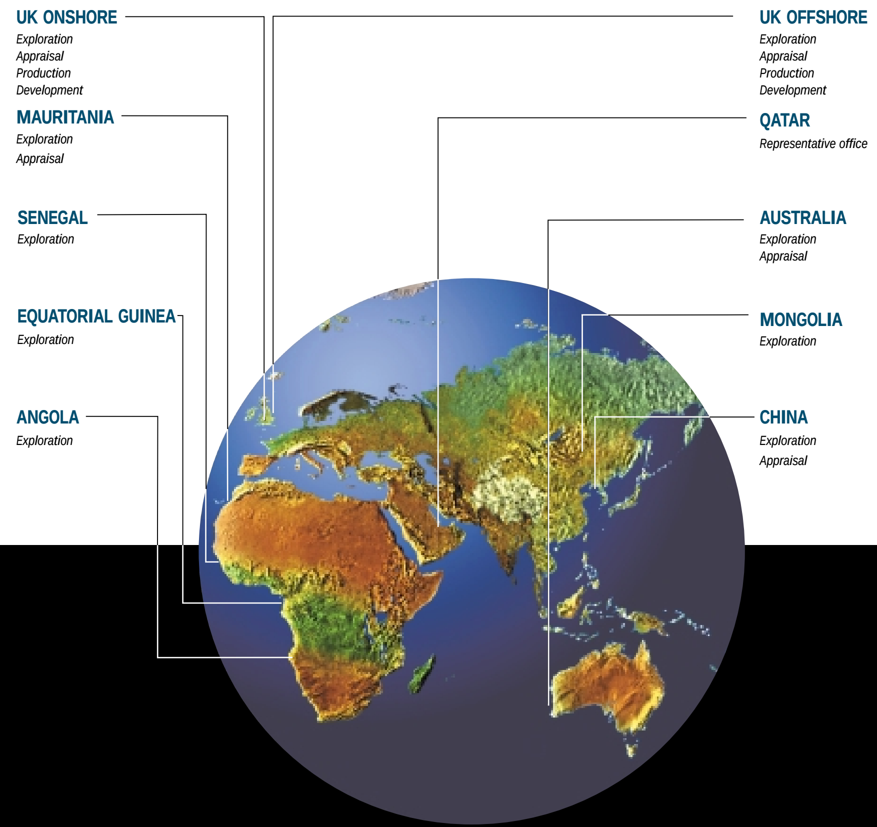
In a year not short of highlights, it is arguable that the most significant events related to the wildcat exploration discoveries offshore Mauritania and Western Australia. While ROC continually emphasises that much more work needs to be done before any definite statement can be made about the potential commerciality of these discoveries, both are already regarded by the industry as being regionally significant. In this sense, they evidence clear cut exploration success. Each discovery represents ROC's first involvement with a well in the relevant country and, as such, each is a tribute to Wes Jamieson and his team of explorers.

Exploration success is all important to a small oil company, but it is rarely encountered on its own. Usually it is preceded, or followed, by exploration failure. The ability to manage the integral risk of exploration failure is a crucial corporate talent for an independent explorer. Everything ROC does – all the new ventures, all the production/reserve acquisitions that are considered; all the corporate moves that are pondered; all the shareholders' reports and ASX releases that are distributed and all of ROC's administrative matters, ranging from hedging strategies to personnel policies – all these things are designed to ensure one end result: that ROC is placed in the best possible position to achieve stunning exploration success. Achieving such success is never easy and there is no guarantee that it will happen, but there is clear and recent evidence that it is possible, and, during 2002 and beyond, that is what managing ROC will be all about.

Dr John Doran
Chief Executive Officer

Portfolio

ROC's international portfolio consists of more than 100,000 gross sq km/25 million gross acres in eight countries located in North West Europe, West Africa and selected parts of Australia and Asia.



PERMIT SUMMARY - Working Interests

ONSHORE UK ASSETS - 31 December 2001

	Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)
ONSHORE	EXL 251		97.5	265.22	258.60
	EXL 252		97.5	166.0	161.85
	PEDL 002		5.0	483.64	24.18
	PEDL 003		100.0	344.50	344.50
	PEDL 004		100.0	209.49	209.49
	PEDL 005	Saltfleetby and Keddington	100.0	769.61	769.61
	PEDL 028		100.0	400.00	400.00
	PEDL 029		100.0	500.0	500.0
	PEDL 030		100.0	407.10	407.10
	PEDL 031		100.0	353.29	353.29
	PEDL 032		100.0	339.26	339.26
	PEDL 033		100.0	490.00	490.00
	PEDL 075		100.0	132.50	132.50
	PEDL 076		100.0	66.36	66.36
	Total			**4,926.97**	**4,456.74**

UK NORTH SEA ASSETS - 31 December 2001

	Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)	Operator
OFFSHORE	P748 (Blk 29/2c)	Kyle	12.5000	56.30	7.04	CNR International
	P354 (Chestnut Only)	Chestnut	14.8750	10.38	1.54	Amerada Hess
	P317 (Blk 20/2a)	Ettrick Main	14.2810	73.00	10.43	Enterprise
	P273 (Blk 20/3a)	Ettrick East Unitised Ettrick	4.1670 12.3080	73.00	3.04	PanCanadian
	P272 (Blk 20/7a)		12.4020	20.00	2.48	PanCanadian
	P111 (Blk 30/3a)	Blane	15.2446	46.60	7.10	Enterprise
	P219 (Blk 16/13a)	Enoch/J1	15.0000	65.20	9.78	Enterprise
	P614 (Blk 47/14b)		5.0000	49.20	2.46	Amerada Hess
	P755 (Blk 30/22b)		12.0000	115.00	13.80	Kerr McGee
	P026 (Blk 49/7a)		3.0000	123.00	3.69	Highland Energy
	Total			**631.68**	**61.36**	

PERMIT SUMMARY - Working Interests

NON-UK ASSETS

Country	Block	Gross Area (acres)	Gross Area (sq km)	ROC's % Interest	Agreement Type	Operator/Technical Manager
AUSTRALIA	WA-286-P TP/15	3,583,022 298,255	14,500 1,207	30.0 20.0	Resource Rent Tax Excise/Royalty	ROC AWE
EQUATORIAL GUINEA	H/15 and H/16	408,217	1,652	60.0	Production Sharing Contract	ROC
MONGOLIA	97 PSC (Onshore)	1,306,199	5,286	50.0	Production Sharing Contract	ROC
SENEGAL	Offshore Casamance PSC	2,023,048	8,187	46.25	Production Sharing Contract	ROC
MAURITANIA	Area A - Block 3 and Shallow Blocks 4 and 5	2,519,235	10,195	2.7	Production Sharing Contract	Woodside
	Area B - Deepwater Blocks 4 and 5	2,639,081	10,680	2.4	Production Sharing Contract	Woodside
	Area C - Block 2	1,651,155	6,682	3.2	Production Sharing Contract	Woodside
	Area C - Block 6	1,945,951	7,875	5.0	Production Sharing Contract	Woodside
	Area D - Blocks 1, 7 and 8	8,516,968	34,467	2.0	Production Sharing Contract	Dana
ANGOLA	Onshore Cabinda South PSA	265,143	1,073	45.0	Production Sharing Contract	ROC
CHINA	Beibu Gulf 22/12	150,239	608	25.0	Production Sharing Contract	ROC
Total		**25,306,513**	**102,412**			

Activities

The seven completed wells, started during 2001, all found measurable hydrocarbons, including two potentially commercial oil discoveries out of three wildcat exploration wells.

Drilling Saltfleetby-6, onshore UK.

Acquiring 3D seismic in Lincolnshire, UK.

2001 DRILLING SUMMARY

Country	Well Name	Field or Prospect	Onshore/ Offshore	Well Type	Start date 2001	Type	m MD	Result	ROC Equity- (%)	ROC Equity- Paying (%)	Operator
UK	Eskdale-13	Eskdale	Onshore	Exploration	11 February	Vertical	2053.0	Suspended - Gas Shows	5.00	0	Star Petroleum
UK	22/2a-11, 11z, 11y, 11x	Chestnut	Offshore	Appraisal	16 February	Deviated	3758.2	Oil	14.88	0	Brovig/ Amerada Hess
MAURITANIA	Chinguetti-1	Chinguetti	Offshore	Exploration	8 April	Vertical	2620.0	Oil discovery	2.40	0	Woodside
MAURITANIA	Courbine-1	Courbine	Offshore	Exploration	29 May	Vertical	4452.0	Gas discovery	2.40	0	Woodside
UK	29/2c-14 and 14A	Kyle	Offshore	Development	24 June	Deviated	3944.7	Oil	12.50	12.50	CNR International
UK	Saltfleetby 6, 6z, 6y	Saltfleetby	Onshore	Appraisal/ Development	2 October	Deviated	3311.0	Completed - Gas	100.00	100.00	ROC
MONGOLIA	MG-1	Mogoi	Onshore	Exploration	17 October	Vertical	100.0	Suspended	50.00	0	Dongsheng
AUSTRALIA	Cliff Head-1	Cliff Head	Offshore	Exploration	25 December	Vertical	1499.0	Oil discovery	30.00	30.00	ROC
AUSTRALIA	Cliff Head-2	Cliff Head	Offshore	Appraisal	31 December	Deviated	2020.0	Oil	30.00	30.00	ROC

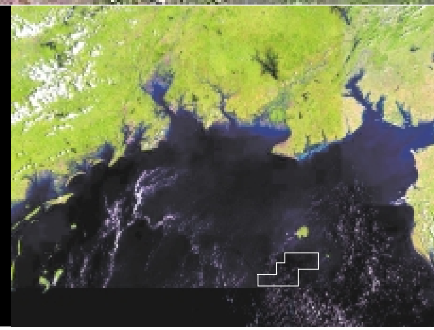
2001 SEISMIC ACQUISITION SUMMARY

Country	Survey	Type	Environment	Date Start - Finish	km / sq km Acquired	ROC's Equity (%)	Operator
EQUATORIAL GUINEA	Risa	3D	Offshore	19 Feb - 30 Mar	1402.5	100.0	ROC
MAURITANIA	Dana 2001 3D	3D	Offshore	15 Nov - 20 Dec	1360.0	2.0	Dana
				Total	2762.5		
UK	Hogsthorpe	2D	Onshore	5 Mar - 21 Mar	51.26	100.0	ROC
UK	Patrington	2D	Onshore	11 Jun - 28 Jun	33.5	100.0	ROC
UK	Hornsea	2D	Onshore	2 Jul - 12 Jul	17.54	100.0	ROC
MAURITANIA	Dana 2001 2D	2D	Offshore	7 Nov - 19 Nov	1379.0	2.0	Dana
SENEGAL	Sabar	2D	Offshore	21 Nov - 3 Dec	1523.0	50.0	ROC
				Total	3004.3		

Acquisitions

"Both transactions required patience and a degree of tenacity."

Satellite image of part of Cabinda province, Angola.
Source: GEOIMAGE PTY LTD.



Composite satellite image of Beibu Gulf, China.
Source: GEOIMAGE PTY LTD.

Angola | China

During 2001 and the two month subsequent period, two of ROC's new venture projects moved from concept to reality: the Cabinda South Block, onshore Angola, West Africa, and the 22/12 Block in the Beibu Gulf, offshore China. The two areas are obviously quite different in terms of location and geological and physical setting, but with several transactional features in common, both provide good examples of how ROC goes about its new venture business.

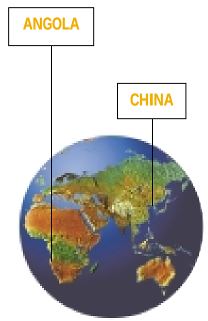
Both transactions required patience and a degree of tenacity. The Angolan opportunity, first identified by ROC in March 1998, involved sequential discussions with a number of joint venture parties prior to reaching a conditional agreement with Fina Oil and Gas Cabinda B.V. in late 2000, which was ratified by the relevant government authorities in Angola in October 2001. ROC became aware of the Beibu Gulf opportunity in the latter part of 2000 and monitored its progress through to late 2001 when several rounds of negotiations took place between ROC and Bligh Oil and Minerals N.L., the farmor, leading to the execution of a Farm-in Agreement in February 2002.

In both cases, ROC was able to gain entry into the relevant areas on an unpromoted basis with, in each case, a modest potential additional cash payment contingent upon a measure of success being achieved. In this sense, both transactions provided ROC with an option which it could choose to exercise after it had accessed more data.

Also, in both cases, it was agreed with the relevant joint venturers that ROC would be the designated operator subject to receipt of appropriate government approvals.

The two new areas also display many differences. Onshore Cabinda has never been subjected to modern exploration techniques because, for all practical purposes, on-the-ground activities ceased in the early 70s. However, since then, oil exploration immediately offshore Cabinda has been spectacularly successful and collective reserves in the order of four billion barrels of oil have been reported in fields associated with structural trends, some of which appear to continue into ROC's onshore block. According to the agreement that ROC and its co-venturers have with the Angolan Government, the Effective Date of the Production Sharing Contract will be triggered when all relevant parties agree it is appropriate to commence on-the-ground exploration activities in the area.

The 22/12 Block in the Beibu Gulf has been subjected to a reasonable amount of prior exploration effort, which has led to the discovery within the block of a number of oil accumulations, as yet, undeveloped and the 12/1-1 Field adjacent to the block. This field, discovered in the late 90s, is reportedly producing 25,000 BOPD. Infrastructure in the area is relatively well developed with an oil pipeline passing within 5 km of the 12/6-1 Prospect, which is scheduled to be drilled in late February/ early March 2002, less than a month after the Farm-in Agreement was signed.



Exploration

"Both areas were acquired as a result of agreements which contained a strong option element."

Ensco 56 jack-up rig drilling the Cliff Head-1 discovery well.

Oil from Mauritania's first significant oil discovery, Chinguetti-1.

Mauritania | Australia

During 2001, ROC was involved with exploration activities in several countries, including Equatorial Guinea, Senegal, Mongolia and the UK. However, the most significant activity was the drilling of three wildcat exploration wells, two of which were successful: the Chinguetti-1 and Cliff Head-1 oil discoveries, respectively in deep water offshore Mauritania and shallow water in the Perth Basin, offshore Western Australia.

Although the geographical, geological and physical setting of the two discoveries are quite different, there are also some, perhaps quite surprising, similarities. Each well represented ROC's first involvement in drilling in the relevant country and each well discovered potentially commercial oil accumulations, although, in both cases, further appraisal work will be required to determine their development potential. In both cases the areas were added to ROC's portfolio subsequent to the Company's initial public offering in August 1999. The addition of these areas was part of a well-defined strategy designed to high grade ROC's exploration portfolio from a pre-public float. Both areas were acquired as a result of agreements which contained a strong option element. In the case of Mauritania, ROC acquired its interest via options over all of the shares of the privately owned Elixir Corporation Pty Ltd. ROC's entry into the offshore Perth Basin was via a seismic option agreed in late 1999. Because of these options, ROC was able to carefully manage the risk which normally attaches to a rank wildcat exploration well.

Both discoveries will need to be successfully appraised if they are to be considered as candidates for commercial development, but the results obtained to date already confirm them as being regionally significant. In Mauritania, Chinguetti-1 was a true rank wildcat well in a frontier basin. In Australia, Cliff Head-1 found oil in reservoirs of reasonable to excellent quality in an area that was previously thought to be gas-prone and to have poor reservoirs.

In both cases, the ROC share price improved by approximately 35% to 40% directly following the announcement of the discoveries. This implies that, although investors in the small end of the Australian oil and gas sector may be reluctant to value exploration acreage as part of a public listing process, when a publicly listed company achieves genuine exploration success, there are some investors who are prepared to recognise at least part of the value which has been added.

The other significant exploration well which ROC participated in during 2001 was Courbine-1 in deep water offshore Mauritania which made a sub-commercial gas discovery.

During 2001, ROC was also very busy acquiring, processing and interpreting 3,004 km of 2D and 2,762 sq km of 3D seismic, both onshore and offshore, acquired through seven separate surveys, five operated by ROC, in four different countries: UK, Mauritania, Equatorial Guinea and Senegal.

Appraisal

"…the Chestnut appraisal well is an excellent example of the joys and frustrations that ROC experiences through its ownership of a number of undeveloped oil fields in the UK North Sea."

Saltfleetby-6 drill site and adjacent production facilities, onshore UK.

Flaring during extended well test at the Chestnut Oil Field, UK North Sea. SOURCE: Amerada Hess Limited.

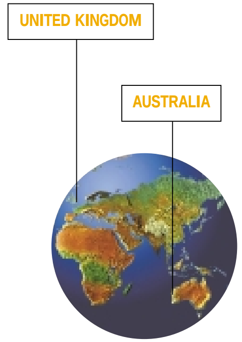
UK North Sea | Onshore UK | Australia

In the UK North Sea, an appraisal well was drilled in the Chestnut Field. Drilling operations were not straightforward; it took 129 days, three sidetracks and a mid-well change of operator, before the well was completed for production. The subsequent Extended Well Test ("EWT") was successful with the well producing at rates up to 15,000 BOPD and a cumulative total of 1.05 million barrels of oil and 0.9 BCF during a 124 day EWT. The new operator, Amerada Hess Limited, is currently reviewing the data gathered from the EWT in order to identify the optimum development option and first production is now not expected before 2004.

In many regards, the Chestnut appraisal well is an excellent example of the joys and frustrations that ROC experiences through its ownership of a number of undeveloped oil fields in the UK North Sea. In some cases, including Chestnut, the reservoir and oil quality are excellent and high production rates can be achieved. The UK fiscal regime is also among the best in the world and local offshore infrastructure is often well developed. However, operations can be costly and, in some cases, the larger participants have corporate priorities that are, understandably, different from those of the smaller players, which are rarely well placed to influence the pace and direction of events.

In the latter part of 2001, onshore ROC drilled Saltfleetby-6 onshore UK as a long reach well designed to test the previously undrilled southern culmination of the Saltfleetby Gas Field. The well was considered to be by far the riskiest well drilled in the Saltfleetby Field. The initial "punch through" portion of the well proved a vertical gas column of 22 metres in good quality sandstones and, importantly, identified, for the first time, a gas-water contact. This contact is 19 metres lower than the previously assumed gas-water contact and 25 metres lower than the previous lowest known gas. It is currently believed that this gas-water contact may extend across the field and this has had a positive impact upon recoverable reserves estimates. Because Saltfleetby-6 and its pre-planned sidetrack holes were drilled from a surface location adjacent to existing production facilities, the well was tied in for production approximately three weeks after the drilling rig was released.

On 31 December 2001, ROC started drilling a sidetrack appraisal well from the successful Cliff Head-1 oil discovery which it had made a few days earlier, offshore Western Australia. The intention was to determine whether or not an oil column could be found higher up the structure that was thicker than the 5 metre oil column encountered by the discovery well. This proved to be the case; the appraisal well drilled a 28.5 metre gross vertical oil column. Fortuitously, the sidetrack also encountered the oil-water contact at the same level as the original discovery well.



Development

"Because of its relatively strong financial position, ROC was able to fund its share of the Kyle Oil and Gas Field development cost from internal sources, without the need to take on new debt or issue extra equity."

Saltfleetby Gas Field surface facilities.

Floating production storage and offloading facility ("FPSO") at the Kyle Oil and Gas Field, UK North Sea. SOURCE: Maersk Company Ltd.

Onshore UK | UK North Sea

In October 2001, the Saltfleetby Gas Field went on to compression, approximately one year later than originally anticipated due to the field's better than expected performance. As a result of compression, field production increased by about 10% to approximately 35 MMSCFD. Through the year, the Saltfleetby Gas Field, ROC's main source of revenue, continued to operate with less than 1% downtime and negligible water production.

Water incursion into the Namurian reservoir in Saltfleetby-5 caused that well to be shut-in in early 2001, although during its four months of production, ROC was able to recoup the cost of the well. Subsequently, it has been shown that Saltfleetby-5 is capable of producing small amounts of gas for short periods of time, notwithstanding the water invasion. The Namurian reservoir in Saltfleetby-5 is geologically separate from, and different to, the main Westphalian gas reservoir in the Saltfleetby Field.

ROC's first participation in a UK North Sea field development occurred in April 2001 when the Kyle Oil and Gas Field came on to production. Initial production from the two producing wells exceeded 25,000 BOPD and 24 MMSCFD prior to settling down by the end of the year at about 12,000 BOPD and 25 MMSCFD.

Because of its relatively strong financial position, ROC was able to fund its share of the Kyle Oil and Gas Field development cost from internal sources, without the need to take on new debt or issue extra equity.

In many ways, the Kyle Oil and Gas Field offers an interesting insight into marginal field development in the UK North Sea. The field's 2001 production start-up was very welcomed by ROC, but the Company's overall experience at Kyle has been somewhat frustrating. The delay in the original end-1999 start date had a negative impact on ROC's share price immediately after its public float although, as a non-operator with a small equity, the matter was well outside ROC's sphere of influence. Furthermore, a combination of the field's geology and uncertain oil price trends means that the further successful development of the field continues to be an exercise in careful planning and technical analysis.

Oil and gas from the Kyle Field are produced into an FPSO at Curlew, 18 km to the south. There are certain constraints associated with the gas compression system on the FPSO which limit the volume of export gas, and hence the oil rate. However, the current management plan formulated by the field operator, CNR International (UK) Limited ("CNR") recognises the importance of the gravity drainage mechanism within the principal fractured chalk reservoir, which benefits from a controlled offtake rate that conserves reservoir energy, allowing for an extended field life and ultimately additional recovery of both oil and gas reserves.

Although the nature of the facility constrains the amount of gas that can be produced with the oil, and thereby restricts the oil production rate, its proximity to the Kyle Field has allowed ROC and its co-venturers to proceed with an optimum development plan. Production is being carefully monitored by the field operator in order to determine the best way of maximising value.

Production

"UK gas prices continued to show some degree of seasonal swings but they did not weaken through 2001 in quite the same way as international oil prices."

Pipeline marker post for pipeline connecting Saltfleetby to the Theddlethorpe Gas Terminal, onshore UK.

ROC's UK contractor personnel at work at the Saltfleetby Gas Field with Mick Price, Operations Geologist.

UK North Sea | Onshore UK

During 2001 ROC produced 2.9 MMBOE, down 0.5 MMBOE on the previous year, primarily due to the decline in Saltfleetby production, the sale, effective 1 March 2000, of the oilfields in the Welton Area, onshore UK, and the sale of the Claymore Field in the UK North Sea, effective 1 January 2001. These losses were partially offset by the Kyle Oil and Gas Field coming on stream in April 2001, producing 0.65 MMBOE. ROC's production averaged 7,937 BOEPD; composed of 1,429 BOPD, 566 BCPD and 35.6 MMSCFD. Upon commencement of production from the Kyle Oil and Gas Field, ROC's oil: gas production balance improved. Prior to Kyle coming onstream, ROC's production split was about 87% gas and 13% oil, but Kyle changed this to approximately 65% gas and 35% oil. By year end, it had settled to about 75% gas and 25% oil.

During the year, oil prices realised by ROC ranged from US$19.00 to US$30.00 and averaged approximately US$26.74 per barrel, marginally below the average Brent price of US$28.50 per barrel in 2000. However, by year end the Brent price had weakened to below US$19.00 per barrel.

UK gas prices continued to show some degree of seasonal swings but they did not weaken through 2001 in quite the same way as international oil prices.

ROC continued to sell slightly less than half of its gas production through a fixed priced contract with Innogy plc. The average spot gas price received by ROC during the year was 21.0 pence per therm, compared with an average of 17.2 pence per therm for the preceding year.

The Saltfleetby Gas Field performed well during the year, averaging 33.1 MMSCFD and 566 BCPD. The four producing wells in the main field were producing at 33 MMSCFD at the beginning of the year and, with a boost from compression from October onwards, were still producing at that rate at year end. At the beginning of the year the field's production benefited from three or four months strong production from Saltfleetby-5, producing from a secondary reservoir.

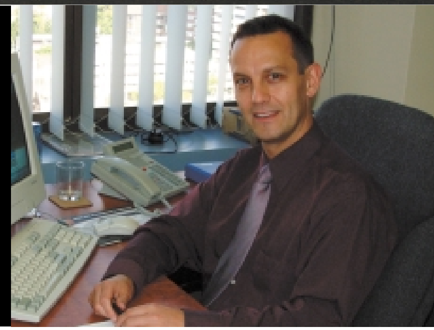
During 2001, ROC shut-in its test oil production in Mongolia consistent with its strategy of lessening its expenditure programme in that country.

ROC sold its 0.4605% interest in the Claymore Oil Field in the UK North Sea for a cash consideration of $3.9 million. This move reflected the Company's strategy of being prepared to dispose of peripheral assets even if they are producing properties.

New Ventures

"…ROC heads into 2002 with a very precisely defined new venture strategy…"

Fang Qing, ROC's Technical Consultant, with representatives of Dongsheng signing the Mongolian farm-out agreement.



Dr Kevin Hird
General Manager – Business Development.

Worldwide New Ventures

During 2001, ROC sifted through an enormous number of diverse new venture opportunities as it tried to find what it referred to as "the next big thing". As the year progressed and ROC experienced success within its internal exploration portfolio, it became clear that the next big thing might be found internally rather than externally. It also became clear that, if the next big thing was not identified and acquired quickly, the internal competition for the Company's discretionary dollars during 2002 and beyond would become more intense, particularly as a result of exploration success offshore Mauritania and offshore Western Australia.

As a consequence of the Perth Basin discovery, ROC announced that it was temporarily curtailing most – but not quite all – of its new venture activities in order to be better positioned to focus on appraising the new discoveries in Australia and Mauritania. Because of this, ROC heads into 2002 with a very precisely defined new venture strategy that will remain focused on only two or three carefully selected projects at any one time.

ROC approaches every new venture with an open mind, but in many cases the opportunities prove to be less than compelling. On other occasions, what appears to be an attractive opportunity, evolves in a manner that makes it less attractive. One such example during 2001 was ROC's unsolicited bid for Gulfstream Canada Resources Limited ("Gulfstream"). ROC announced the bid in Calgary, Canada, on 1 April 2001, when it offered C$1.10/share cash for 40% of Gulfstream, which represented a potential investment of $39 million and a premium of 51% over the weighted average trading price of Gulfstream shares for the 30 trading days prior to the bid. At this price level, ROC believed that its bid for Gulfstream represented fair value. Soon after the bid was announced, Gulfstream shares traded in the C$1.50-1.80/share range before that company accepted a C$2.65/share cash offer from the US-based Anadarko Petroleum Corporation, one of the world's largest independent oil companies. Throughout the bid process ROC consistently said that it was not going to chase the Gulfstream share price upwards and specifically stated that if a credible industry player emerged and chose to pay more than ROC was offering, the Company would stand aside and wish the overbidder well. That is exactly what happened with Anadarko's bid. As a by-product of ROC's bid for Gulfstream, the Company's profile was increased in the northern hemisphere and several, quite separate, new venture opportunities were generated.

Corporate Governance

"…it is the shareholders, rather than Board or Management, who own the Company. Everybody who receives a pay cheque from ROC is answerable to this constituency of equity owners…"

Trees have been planted around the Saltfleetby Gas Field facilities to enhance the local environment.

Oil exploration offshore Western Australia is conducted within rigorous government legislation.

Working within a publicly listed company these days is like living in a goldfish bowl – and that is exactly how it should be, because it is the shareholders, rather than Board or Management, who own the Company. Everybody who receives a pay cheque from ROC is answerable to this constituency of equity owners and ROC's attitude to corporate governance reflects this reality.

There are several aspects to ROC's corporate governance, ranging from open communication with shareholders and local communities to environmental and risk management issues. ROC believes that responsible environmental and safety management are prerequisites for successful oil exploration and development.

ROC communicates frequently with its shareholders. From time to time, unsolicited feedback is received to the effect that the candour of the Company's communication is appreciated. During 2001, the Company issued 73 releases to ASX while over the same period its website had 26,202 sessions, where a session denotes that the person accessing the site has turned one or more pages.

Regardless of where ROC operates in the world, it is always positioned at the interface between the oil and gas industry and the local community. That community may reside in a picturesque village in England, an equally picturesque fishing village in Western Australia, a Mongolian ger, one of China's more populous provinces or in Malabo, the capital of Equatorial Guinea. In each and every place that ROC operates, it tries to listen to the local community and, whenever appropriate, it responds positively to their requirements.

In England, ROC radically modified its drilling plans for Saltfleetby-6, in response to some community concern about the original well location. ROC maintained this constructive attitude during the drilling of that well, even to the extent of the Company's UK Managing Director personally ensuring that trucks making dawn deliveries to the site were observing the specially imposed speed restrictions in the area. In many instances, it is these small details which are all important. As part of the preparation for the 3D seismic survey to be acquired in the South Humber Basin, believed to be the largest combined survey of its kind ever undertaken onshore Britain, ROC consulted with and obtained consents of more than 400 landowners.

At the other end of the world, ROC observed in substance and detail, not just form, the onerous environmental regulations relating to exploration drilling activity in coastal waters offshore Western Australia. At the same time, ROC ensured that those activities caused little or no disruption to the region's very important lobster fishing industry.

The presentation in this Annual Report of a full set of accounts, as opposed to the abbreviated format which is commonly used to satisfy the basic regulatory requirements, is another example of ROC's commitment to high quality corporate governance.

For further details of ROC's corporate governance policies, please refer to page 32 of the Annual Financial Report.

ROC in a Global Context

ROC has offices in six countries, manages Joint Ventures in seven countries and participates in oil and gas activities in a total of eight countries. The Company's worldwide workforce, numbering approximately 100, includes not only employees but also directors, advisors and long term consultants. Collectively, this workforce represents 15 different nationalities, with an ability to converse fluently in seven different languages. ROC believes it is stronger because of this ethnic diversity.

Some of ROC's multinational personnel and advisors, from left to right: ***Neil Butler*** *Finance Director, UK,* ***Bruce Clement*** *Chief Financial Officer, Australia,* ***Dr A A Al-Quaiti*** *Advisor to the Board, UK,* ***Antonio Vieira*** *African Representative,* ***Mame Diop*** *ROC Representative, Senegal,* ***Ahmed E Seddiqi Al-Emadi*** *Advisor to the Board, Qatar,* ***Susan Fan*** *Technical Secretary, Australia.*

SPANISH

ROC en un Contexto Global

ROC tiene oficinas en 6 países, administra empresas conjuntas en 7 países y participa en actividades relacionadas con petróleo y gas en un total de 8 países. La fuerza laboral de la Compañía en todo el mundo, alcanza aproximadamente un total de 100 personas, incluyendo no sólo a empleados sino también directores, asesores y consultores por períodos largos. Colectivamente, esta fuerza laboral representa a 15 diferentes nacionalidades, con la habilidad de conversar en forma fluida en 7 idiomas distintos. ROC cree que es más fuerte debido a su diversidad étnica.

PORTUGUESE

A ROC num Contexto Global

A ROC tem escritórios em 6 países, gere empreendimentos conjuntos em 7 países e participa em actividades relacionadas com petróleo e gás num total de 8 países. O número de pessoas que trabalham mundialmente na Companhia é de aproximadamente 100 incluindo não só funcionários mas também directores, conselheiros e consultores a longo prazo. Colectivamente, estes funcionários representam 15 nacionalidades diferentes e têm capacidade para falar fluentemente em 7 línguas diferentes. A ROC acredita ser mais forte devido à diversidade étnica que a compõe.

FRENCH

ROC dans le contexte mondial

ROC a des bureaux dans 6 pays, administre des joint ventures dans 7 pays et participe à des activités dans l'industrie du pétrole et du gaz dans 8 pays au total. La société, qui compte environ 100 personnes dans le monde entier, comprend non seulement des employés, mais également des directeurs, des conseillers et des consultants à long terme. Collectivement, ces effectifs représentent 15 nationalités et maîtrisent parfaitement 7 langues différentes. Chez ROC, nous sommes convaincus que cette diversité ethnique fait notre force.

MANDARIN

全球范围内的 ROC

ROC 在 6 个国家设有办事处，在 7 个国家经营合资公司，并在总计 8 个国家参与石油和天然气的活动。本公司在全球的工作人员约有 100 名，其中不仅有雇员，也有董事，顾问和长期咨询专家。这些工作人员来自 15 种不同的国籍，有能力以 7 种不同的语言进行交流。ROC 认为，公司由于民族背景的多元化而更加强大。

ARABIC

ROC على نطاق عالمي

لدى ROC مكاتب في ٦ بلدان وتدير مشاريع مشتركة في ٧ بلدان وتساهم في أعمال انتاج البترول والغاز في ما يصل مجموعه ٨ بلدان. وتتضمن القوى العاملة لدى الشركة في أنحاء العالم، والتي يصل عددها إلى ١٠٠ شخص تقريباً، تتضمن ليس فقط موظفين بل أيضاً مدراء ومرشدين ومستشارين ذوي خبرة طويلة. ومعاً، يتحدّر أفراد هذه القوى العاملة من ١٥ بلداً وهم قادرون على التحدث بطلاقة بـ ٧ لغات مختلفة. إنّ شركة ROC تعتبر أنها أقوى بسبب هذه التعددية الإثنية.

MONGOLIAN

Рок - олон улсын тавцан дээр

Рок компани өөрийн зургаан оффис, төлөөлөгчийн газар болон бусад улстай хамтар сан долоон компаниар дамжуулан найман орноод газрын тос ба байгалийн хийн хайгуул олборлолтын үйл ажиллагаа явуулдаг. Эдгээрт захирал, зөвлөх, байгнын зөв лөх, ажиллагсдыг оролцуулаад долоон хэлийн арван таван ястан үндэстний төлөөлсөн зуугаад хүн ажиллагад ба энэхүү олон үндэстний бүрэлдэ хүүн нь Рок компаний бат бэх, тогтвортой үйл ажиллагааны үндэс болдог хэмээн үздэг.

Annual Financial Report

Directors' Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC'), a listed Australian public company, have pleasure in submitting the Annual Financial Report for the financial year ended 31 December 2001.

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Andrew J Love BCOM, FCA, MAICD
(Non-Executive Director, Chairman), 48
Mr Love is Chairman of the Board of ROC, a Fellow of The Institute of Chartered Accountants in Australia and a Senior Partner in the firm of Ferrier Hodgson, Chartered Accountants. Mr Love is also a non-executive director of a number of other public companies.

Mr William G Jephcott BCOM, FCPA, FAICD
(Non-Executive Director, Deputy Chairman), 51
Mr Jephcott is an investment banker who specialises in merger and acquisition advice. He also has experience in the financing and structuring of major resource projects, including those in the oil and gas industry. Mr Jephcott is currently a senior advisor to Merrill Lynch International (Australia) Limited and also a non-executive Chairman of Mobile Innovations Limited.

Dr R John P Doran BSC, MSC PHD, FAICD
(Executive Director & Chief Executive Officer), 55
Dr Doran is Chief Executive Officer and a Director of ROC. He has almost 31 years' experience in international oil exploration and development in many countries, including Libya, Iran and Norway as well as, during the past 21 years, Australia, Papua New Guinea, New Zealand and India. Dr Doran has been directly involved with – and responsible for – several significant corporate expansions and a number of commercial discoveries and developments in various parts of the world.

Mr Richard J Burgess BSC (Non-Executive Director), 70
Mr Burgess is a geologist by training and was, until his retirement, President and Chief Executive Officer of CMS Nomeco Oil & Gas Co, a North American-based oil and gas exploration and production company. He has extensive exploration experience in North and South America, Australasia, East Asia and China.

Mr Ross Dobinson BBUS, CA (Non-Executive Director), 49
Mr Dobinson has extensive corporate advisory and investment banking experience, most recently as director of Corporate Advisory at Dresdner Australia Limited. In early 1999, Mr Dobinson became Managing Director of TSL Group Limited (previously Technology Structuring Limited), a corporate advisory company specialising in establishing and advising biotechnology companies. Mr Dobinson is also a director of Starpharma Pooled Development Limited, Acrux Limited, Plantic Technologies Limited and Nutrihealth Pty Ltd.

Mr Sidney J Jansma Jr MBA (Non-Executive Director), 58
Mr Jansma began his career in oil in 1959 working for his father's private oil company. In 1978, Mr Jansma purchased the entire company from his father and during the ensuing 19 years, the company grew to become the third largest gas producer in the state of Michigan. In 1996, Mr Jansma merged the assets of his company with Dominion Resources, Inc. In addition to dealing with broad industry issues at both state and national levels, Mr Jansma is also President and Chief Executive Officer of Wolverine Gas and Oil Corporation, his family owned company, which is exploring for oil and gas in North America. Mr Jansma is a member of the Board of Governors of the Independent Petroleum Association of America and chairman of its Environmental Committee. He also serves on the Board of Governors of the American Petroleum Institute.

Mr Adam C Jolliffe (Non-Executive Director), 45
Prior to joining Cargill Financial Markets plc ('Cargill'), Mr Jolliffe worked for Consolidated Gold Fields trading non-ferrous materials. At Cargill, Mr Jolliffe joined the non-ferrous metals department as Manager – Aluminium Trading, where he was responsible for East and West Europe, Asia and Africa. In 1986, he transferred to the rubber trading business as Manager of the London office. In 1990, Mr Jolliffe joined Cargill's financial trading unit and is currently the Manager of Western European Equity Trading.

Mr Bun C Hung BA, LLB, MINSTP (Executive Director), 51
Mr Hung, a lawyer by training, graduated from Sydney University in 1974. Since 1982, Mr Hung has worked exclusively within the Australian and international oil and gas industry, holding senior executive positions with Nomeco Oil & Gas and Command Petroleum Limited and, most recently, Cairn Energy Asia Limited where he was Managing Director.

The abovenamed Directors held office during and since the end of the financial year, except for:

Mr B C Hung – resigned on 16 February 2001.

Directors' Meetings

The following table sets out the number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director (while they were a Director):

	Directors	Audit Committee	Remuneration Committee	Occupational Health, Safety and Environment Committee	Finance and Risk Management Committee	Continuous Disclosure Committee
Number of Meetings Held	13	3	1	2	3	23
Number of Meetings Attended						
Mr A J Love	12	3	1	N/A	2	N/A
Mr W G Jephcott	13	3	1	N/A	3	N/A
Dr R J P Doran	13	N/A	N/A	N/A	N/A	18
Mr R J Burgess	11	N/A	N/A	N/A	3	N/A
Mr R Dobinson	11	3	N/A	2	N/A	N/A
Mr S J Jansma Jr	9	N/A	N/A	2	N/A	N/A
Mr A C Jolliffe	12	N/A	N/A	N/A	3	N/A
Mr B C Hung (1)	1	N/A	N/A	N/A	N/A	3

Note:
(1) Resigned as a Director on 16 February 2001.

Principal Activities

The consolidated entity's principal activities in the course of the financial year were oil and gas exploration, development and production. There were no significant changes in the nature of those activities during the financial year.

Results

The net loss of the consolidated entity for the financial year after income tax expense was $9,155,655 (2000 net profit: $15,082,843).

Dividends

No dividends have been paid or declared since the end of the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 31 December 2001.

Review of Operations

A review of the consolidated entity's operations during the financial year and the results of those operations are included in the Annual Financial Report on pages 34 to 36.

Significant Changes in State of Affairs

During the financial year, there were no significant changes in the state of affairs or the nature of its activities of the consolidated entity other than those referred to in the financial statements or notes thereto.

Subsequent Events

Since the end of the financial year, the significant events referred to in Note 38 to the Annual Financial Report have occurred.

Except for the matters referred to in Note 38, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in financial years subsequent to 31 December 2001.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations, is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this Annual Financial Report.

Environmental Regulations

The consolidated entity is subject to significant environmental regulations under Commonwealth legislation. The consolidated entity is also a party to various production sharing contracts and exploration and development licences in the countries in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the consolidated entity's contracts or licences.

Directors' Remuneration

Details of the nature and amount of each element of the remuneration for the financial year of each Director of the Company are:

	Directors' Fees $	Salary and Other Related Benefits including Fringe Benefits Tax $	Superannuation Contributions $	Total $
Non-Executive Directors				
Mr A J Love	65,000	–	–	65,000
Mr W G Jephcott	45,000	–	3,600	48,600
Mr R J Burgess	35,000	–	–	35,000
Mr R Dobinson	35,000	–	2,800	37,800
Mr S J Jansma Jr	35,000	–	–	35,000
Mr A C Jolliffe	35,000	–	–	35,000
Executive Directors				
Dr R J P Doran	–	434,100	32,997	467,097
Mr B C Hung (1)	–	48,866	10,724	59,590

Note:
(1) Resigned as a Director on 16 February 2001.

The rates of Directors' fees currently being paid are as follows:

Chairman	$65,000 per annum;
Deputy Chairman	$45,000 per annum; and
Non-Executive Director	$35,000 per annum.

In accordance with Australian Accounting Standard AASB1017 'Related Party Disclosures', any person required to be a director of a wholly owned controlled entity in order to discharge his or her duties as an 'executive officer' of the parent entity is excluded from the determination of directors' remuneration.

Directors' Interests

As at the date of this Directors' Report, the following Directors hold the number of fully paid ordinary shares and options over unissued ordinary shares in the Company shown in the table below:

	Ordinary Shares (Fully Paid)	Options over Ordinary Shares
Directors		
Mr A J Love	645,690 (1)	25,231
Mr W G Jephcott	644,930 (2)	54,691
Dr R J P Doran	4,788,960 (3)	20,829
Mr R J Burgess	589,870 (4)	25,150
Mr R Dobinson	752,092 (5)	143,102
Mr S J Jansma Jr	3,875,380 (6)	999,640
Mr A C Jolliffe	3,845,952 (7)	716,831

Notes:
(1) 468,480 Tangarr Pty Ltd as trustee for Love Family Trust (Mr A J Love – director)
22,810 Flaming Cliffs Pty Limited in trust for Tangarr Pty Ltd as trustee for Love Family Trust (Mr A J Love – director)
40,980 Flaming Cliffs Pty Limited in trust for Love Superannuation Pty Ltd (Mr A J Love – director)
13,420 Ferrier Hodgson (Mr A J Love – partner)
100,000 Ferrier Hodgson Investments Pty Ltd (Mr A J Love – director).
(2) 468,480 En-Dev Finance Consultants Pty Limited (Mr W G Jephcott – director)
176,450 (Mr W G Jephcott).
(3) 4,632,710 Celtic Energy Pty Ltd (Dr R J P Doran – director)
156,250 J Doran Superannuation Fund.
(4) 544,870 Burgess Investments, Inc. (Mr R J Burgess – director)
45,000 F H Nominees Pty Ltd on account for Mr R J Burgess.
(5) 752,092 Espasia Pty Ltd (Mr R Dobinson – director).
(6) 1,897,151 Mr S J Jansma Jr
1,136,735 Mr S J Jansma III
841,494 Heritage Holding Co LLC (Mr S Jansma Jr – director).
(7) 127,860 Mr A C Jolliffe
3,718,092 Westpac Custodian Nominees Limited on account for Cargill Financial Markets plc.

Officers' Remuneration

Remuneration levels are competitively set to attract, motivate and retain appropriately qualified and experienced senior executives (including Executive Directors) capable of discharging their respective responsibilities. The Remuneration Committee is responsible for reviewing compensation arrangements for senior executives on an annual basis, and otherwise as required.

Remuneration packages of senior executives include performance-based components in the form of bonuses. No bonuses were paid during the financial year ended 31 December 2001.

Details of the nature and amount of each element of the remuneration for the financial year of each of the five officers of the Company receiving the highest remuneration are:

	Position	Base Remuneration (1) $	Superannuation $	Total $
Mr B Clement	Chief Financial Officer	263,457	21,077	284,534
Mr W Jamieson	General Manager Exploration	219,457	17,557	237,014
Dr K Hird	General Manager Business Development	216,000	17,280	233,280
Mr N Seage	Senior Reservoir Engineer	179,457	14,357	193,814
Mr R Gerrard	General Counsel and Company Secretary	150,000	12,000	162,000

Notes:
(1) Base remuneration includes base salary.
(2) The terms 'director' and 'officer' have been treated as mutually exclusive for the purpose of this disclosure.

The total remuneration disclosed above does not include a value attributed to the options over unissued ordinary shares in the Company granted during the financial year (any benefit arising on grant of the options not being quantifiable) as disclosed later in this Directors' Report.

Options Over Unissued Ordinary Shares

Details of the Employee Share Option Plan are disclosed in Note 22(b) to the Annual Financial Report.

During the financial year, an aggregate of 766,000 (2000: Nil) options were issued to the Directors and five most highly remunerated officers of the Company:

	Number of Options Issued during 2001	Issuing Entity	Total Number of Options Held at Date of this Report
Directors and Officers			
Mr B C Hung (Executive Director) (1)	–	ROC	–
Mr B Clement	350,000	ROC	800,000
Mr W Jamieson	100,000	ROC	350,000
Dr K Hird	186,000	ROC	216,000
Mr N Seage	30,000	ROC	230,000
Mr R Gerrard	100,000	ROC	100,000

Note:
(1) Resigned as a Director on 16 February 2001.

Directors' Report

Options Over Unissued Ordinary Shares *(continued)*

As at the date of this Directors' Report, there were 3,941,910 options (representing 3.6% of the issued capital of the Company) granted over unissued ordinary shares of ROC under the Employee Share Option Plan at the following exercise prices:

Issue and Exercise Price	Number of Options	Expiry Date
$1.85	465,000	17 March 2003
$3.33	445,000	10 June 2003
$3.33	110,000	2 September 2003
$3.33	16,740	15 January 2004
$3.48	5,320	15 January 2004
$2.00	60,000	15 July 2004
$2.00	1,030,000	19 July 2004
$3.48	82,850	29 July 2004
$1.16	50,000	1 March 2005
$1.34	30,000	1 June 2005
$1.47	100,000	1 September 2005
$1.25	1,256,000	10 January 2006
$1.65	35,000	26 July 2006
$1.26	256,000	17 December 2006

During the financial year, no options were exercised by optionholders.

1,484,393 options remain available for issue under the Employee Share Option Plan.

During the 1999 financial year, the Company granted options to shareholders over unissued ordinary shares, as set out in the following table, pursuant to the Prospectus dated 21 June 1999, none of which have been exercised:

Date of Grant	Number of Ordinary Shares under Option	Issue and Exercise Price	Date First Exercisable	Expiry Date
29 June 1999	7,698,830	$2.30	5 August 2001	5 August 2004

Optionholders do not have any right, by virtue of the option, to participate in any share issues of the Company or any related body corporate or in the interest issue of any other registered scheme.

Indemnification of Directors and Officers

An indemnity agreement has been entered into between an insurance company and the current Directors of the Company named earlier in this Directors' Report and with the full time executive officers, directors and secretaries of all Australian group companies. Under this agreement, the insurance company has agreed to indemnify these directors and officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such by an auditor.

Rounding

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/0100, dated 10 July 1998 and, in accordance with that Class Order, amounts in the Annual Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate Governance

The Board of Directors

The Board is responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and the monitoring of the business and affairs of the Company on behalf of its shareholders. The Board delegates responsibility for the day-to-day management of ROC to the Chief Executive Officer. In addition, the Board has established a number of committees to support it in matters which require more detailed consideration. All Directors have unrestricted access to Company records and information and receive detailed financial and operational reports from senior management during the financial year on a monthly basis.

The Board is comprised of one Executive Director and six Non-Executive Directors including the Chairman. In accordance with the Company's Constitution and ASX Listing Rules, the Directors (other than the Chief Executive Officer) are subject to re-election by shareholders every three years.

The Board usually meets on a monthly basis, and where appropriate, hears presentations from senior staff who may be questioned directly by Board members on operational and commercial issues.

Board Committees

The Board has established five committees: an Audit Committee, a Remuneration Committee, a Finance and Risk Management Committee, an Occupational Health, Safety and Environment Committee and a Continuous Disclosure Committee.

Audit Committee

The Audit Committee comprises Mr A J Love (Chairman), Mr W G Jephcott and Mr R Dobinson.

The Committee has direct access to the Company's auditors. It determines the appropriateness and effectiveness of internal and external audit procedures, reviews compliance with statutory financial requirements, and ensures that the system of control safeguards is effective and that financial information provided to shareholders and regulatory authorities is accurate and reliable. The Committee invites the Chief Executive Officer, Chief Financial Officer and external auditors to attend Committee meetings.

Remuneration Committee

The Remuneration Committee comprises Mr W G Jephcott (Chairman) and Mr A J Love. The Committee considers and sets the remuneration of the Chief Executive Officer and reviews the remuneration of other key executives. It also administers the Company's Cash Bonus Plan and the issue of options under the Company's Employee Share Option Plan. The aggregate annual maximum fees of the Non-Executive Directors are set by shareholders.

Finance and Risk Management Committee

The Committee comprises Mr W G Jephcott (Chairman), Mr A J Love, Mr R J Burgess and Mr A C Jolliffe. It is responsible for monitoring the operational and financial aspects of the Company's activities and considers recommendations and advice of internal and external advisors on the operational and financial risks of ROC. The Committee evaluates senior management's assessment of risk and its recommendations in relation to the management of that risk, including hedging policies and the nature and level of insurance cover.

Occupational Health, Safety and Environment Committee

This Committee's responsibility is to ensure that occupational health, safety and environmental standards of the Company's operations are maintained at a level equal to, or above, accepted industry standards and that the Company complies with all relevant governmental requirements in the jurisdictions in which it operates.

The current members of the Committee are: Mr S J Jansma Jr (Chairman) and Mr R Dobinson. Mr S J Jansma is currently chairman of the Environmental Committee of the Independent Petroleum Association of America.

Continuous Disclosure Committee

This Committee is comprised of the Chief Executive Officer (who is the Chairman of the Committee) and the Company Secretary. The purpose of the Committee is to ensure that the Company complies with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Since listing, the Company has adopted guidelines and policies on a number of issues relating to corporate governance and ethical standards, including:

Share Trading

ROC's share trading policy prohibits ROC personnel buying and selling shares in ROC other than in the two weeks immediately after a quarterly, half yearly or annual report has been released to ASX. This policy extends to immediate family and close relatives. Transactions outside this period require the prior approval of the Chairman or the Chief Executive Officer.

Anti-Corruption

ROC has adopted a policy to ensure its operations are conducted with honesty and integrity and with a commitment to ethical business standards. In particular, this policy is aimed to ensure compliance with the Criminal Code Amendment (Bribery of Foreign Officials) Act 1999.

Equal Opportunity and No Harassment

ROC has adopted a policy to ensure it maintains an equal employment opportunity environment and does not tolerate any discrimination or harassment in the workplace.

This Directors' Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

Mr A J Love
Chairman

Dr R J P Doran
Director and Chief Executive Officer

Sydney, 18 March 2002

Discussion and analysis of financial statements

This discussion and analysis is provided to assist readers in understanding the Annual Financial Report.

Key Points

The consolidated entity recorded a net loss after income tax expense of $9.2 million (compared with a net profit after income tax expense of $15.1 million for the prior financial year). The result included provision for write down of development assets to realisable value, profit on sale of production assets and exploration expenditure expensed or written off. After adjustment for these items, the underlying profit after tax was $24.0 million, an increase of $7.5 million over the comparable underlying profit after tax of $16.5 million for the prior financial year.

The consolidated entity experienced growth in sales revenue during the financial year. Sales revenue of $102.0 million was achieved for the financial year, compared with sales revenue of $90.9 million for the prior financial year. At 31 December 2001, the consolidated entity was in a sound financial position with no net debt after accounting for a cash and short term deposit balance of $76.1 million, a net increase in cash assets of $20.2 million from 31 December 2000.

The operating results were underpinned by the continuing strong performance from the 100% owned and operated Saltfleetby Gas Field, onshore in the UK, which was enhanced by production from the Kyle Oil and Gas Field (ROC interest 12.5%) in the UK North Sea, following completion of full field development and commencement of production on 7 April 2001.

Total production from the UK operations for the financial year was 2.9 million barrels of oil equivalent (7,937 barrels of oil equivalent per day). The Saltfleetby Gas Field produced 2.2 million barrels of oil equivalent, with an average gas production rate of 33.1 MMSCFD. ROC's share of production from the Kyle Oil and Gas Field was 0.5 million BBLS of oil and 0.9 BCF of gas for the 269 day period from start up on 7 April 2001 to 31 December 2001.

Importantly, reserves for the Saltfleetby Gas Field were increased during 2001, with proved plus probable remaining gas reserves at 31 December 2001 of 58.0 BCF, up 1.2 BCF on the prior financial year end, more than offsetting production during 2001 of 12.1 BCF. The field was brought onto compression in October 2001 and during late 2001, the Saltfleetby-6 well was drilled and completed into the previously undrilled southern culmination.

ROC experienced considerable exploration success during 2001, participating in oil discoveries in offshore Mauritania and in the Perth Basin, offshore Western Australia.

ROC's option to acquire 100% of the shares of Elixir Corporation Pty Ltd was exercised on 29 May 2001 and the acquisition was settled on 7 June 2001. Elixir Corporation Pty Ltd holds effectively one asset: its 2.0% to 5% interest in exploration permits in mainly deep water, offshore Mauritania. The consideration for the acquisition was $4.1 million cash and 2,531,996 Roc Oil Company Limited fully paid ordinary shares issued at $1.44/share. During the financial year, two wildcat exploration wells were drilled (ROC 2.4% free carried), Chinguetti-1 and Courbine-1. The Chinguetti-1 well was a successful oil discovery, intersecting a 90 metre gross interval of oil, while the Courbine-1 well intersected a non-commercial 9 metre gas interval.

In the Perth Basin, offshore Western Australia (ROC 30% and operator), the Cliff Head-1 exploration well was drilled to a depth of 1,499 metres during late December 2001 and intersected a 5 metre gross vertical oil column. Subsequent to year end, a second well, the Cliff Head-2 appraisal well, was successfully drilled, intersecting a 28.5 metre gross vertical oil column and confirming the Cliff Head oil discovery. Prior to the drilling of the Cliff Head-1 well, ROC farmed out 15% of its 45% interest in the acreage to Wandoo Petroleum Pty Ltd under a farm-in agreement in which Wandoo Petroleum Pty Ltd contributed 30% of the costs of the well for its 15% interest.

Effective 30 March 2001, the consolidated entity decreased its equity in the Chestnut Oil Field from 29.75% to 14.875% as part of a farm-out agreement between the joint venture participants and Amerada Hess Limited ('Amerada Hess') under which Amerada Hess acquired a 50% interest in the field and operatorship. Under the terms of the farm-out agreement, Amerada Hess funded the drilling of the appraisal well and the Extended Well Test ('EWT') on the field, which was completed on 27 November 2001.

Effective 21 June 2001, the consolidated entity farmed out 50% of its 100% interest in its Mongolian Production Sharing Contract ('PSC') to Dongsheng Jinggong Petroleum Development Group Company Limited ('Dongsheng'), a Chinese oil company. Under the terms of the farm-out agreement, Dongsheng will pay 100% of the costs of drilling two exploration wells, currently scheduled to be completed during mid-2002.

Statement of Financial Performance

The consolidated entity recorded a net loss after income tax expense of $9.2 million for the financial year. After adjustment for profit from sale of non-core assets, provision for write down of development assets and exploration expenditure expensed or written off, the consolidated entity's underlying profit after tax of $24.0 million is up $7.5 million on the comparable result for 2000.

	2001 $ million	2000 $ million
Net Profit/(Loss) After Tax	(9.2)	15.1
Adjusted for:		
Profit on sale of non-core UK assets	(5.8)	(22.0)
Provision for write down of development assets	38.4	–
Exploration expenditure expensed or written off and materials inventory written off	0.6	23.4
Underlying Profit After Tax	24.0	16.5

Included in the result for 2001 is the provision for the write down of the Kyle and Chestnut development assets by $38.4 million. During March 2002, ROC entered into separate agreements with third parties to sell these assets for a total consideration of £11.6 million ($33.0 million). In accordance with ROC's accounting policy, the Directors determined that the individual carrying values be written down to the net realisable value for the assets. The agreed sales prices are in excess of the after tax cash flow valuations of the assets, discounted at ROC's calculated weighted average cost of capital, as calculated by ROC's independent expert. Importantly, the independent expert's after tax discounted cash flow valuation for the remaining development assets is in excess of the carrying values for these assets.

Sales revenue for the financial year was $102.0 million, comprising $100.7 million from the UK operations and $1.3 million from Mongolia. Production from the UK operations comprised 0.7 million barrels of oil and NGLs and 13.0 BCF of gas. ROC's sales revenue and operating costs includes the additional 1.25% interest in the Kyle Oil and Gas Field, now held directly by Roc Oil (UK) Limited and previously held by an associate company, Croft (UK) Limited, effective 1 January 2001.

Other operating revenue of $0.9 million includes tariff revenue from the processing of third party crude oil in the UK North Sea and operator's overhead fee.

The result reflected the continuing strong production performance of the Saltfleetby Gas Field, commencement of production from the Kyle Oil and Gas Field and buoyant oil prices and UK domestic gas prices. Gas prices and oil prices received (net of hedging) during the financial year averaged £1.90 ($5.29) per thousand cubic feet of gas and US$26.74 per barrel of oil, up 14% and 31% respectively on average gas prices and oil prices received during the prior financial year ended 31 December 2000 of £1.67 ($4.37) per thousand cubic feet of gas and US$20.26 per barrel of oil.

UK production costs for the financial year were $22.1 million. Amortisation, restoration and depreciation costs were $31.2 million.

Net financing costs for the financial year were $1.1 million, including interest income of $2.4 million.

Exploration expenditure of $0.7 million, net of Mongolian test oil sales revenue of $1.3 million, were expensed during the financial year, in accordance with ROC's accounting policy.

A net foreign currency loss before income tax expense of $2.2 million was recorded, which was primarily attributable to an unrealised foreign currency loss of $1.5 million on the revaluation of the US$ syndicated bank loan in the UK, resulting from the unfavourable movement in the British pound against the United States dollar (from £1:US$1.4913 as at 31 December 2000 to £1:US$1.4514 as at 31 December 2001); and net foreign currency losses of $0.7 million on foreign currency cash assets, receivables and payables.

ROC will receive a second cash bonus during the 2002 year in relation to the sale of the non-core onshore UK assets, which was completed during 2000. An estimate of this second bonus of $2.9 million (approximately £1.0 million) has been included in the statement of financial performance.

Income tax expense for the financial year was $9.3 million, relating to the UK operations with a corporate tax rate of 30%.

Statement of Financial Position

During the financial year, total assets increased from $297.5 million to $303.7 million, total liabilities increased from $100.0 million to $101.1 million and total equity increased from $197.4 million to $202.7 million. In addition to the changes resulting from production operations, the major net changes in the statement of financial position resulted from the acquisition of Elixir Corporation Pty Ltd, development and exploration expenditure, provision for write down of development assets and the depreciation of the Australian dollar against the British pound from $1: £0.3715 as at 31 December 2000 to $1: £0.3518 as at 31 December 2001.

The issued capital of the Company increased during the financial year to $201.2 million through the issue of 2,531,996 fully paid ordinary shares as part of the consideration for the Elixir Corporation Pty Ltd acquisition effective 29 May 2001. The Elixir Corporation Pty Ltd assets were acquired for $7.9 million. Amongst other assets and liabilities recorded with the acquisition, exploration expenditure of $8.3 million was added as a non-current asset.

Further exploration expenditure of $25.2 million was incurred during the financial year, with major expenditure in the following geographical areas:

- Equatorial Guinea ($10.2 million), the Company successfully completed a 1,402 sq kilometre 3D seismic survey. Processing has been completed and final interpretation is currently under way on this seismic information;
- The Perth Basin offshore Western Australia ($3.0 million), the consolidated entity undertook preparatory work, planning for and drilling of the Cliff Head-1 exploration well in WA-286-P;
- Senegal ($1.5 million), the consolidated entity completed the acquisition of 1,523 kilometres of 2D seismic data and reprocessed 3,000 kilometres of existing seismic data. Processing and interpretation of the acquired data will take place during 2002;
- Mauritania ($1.0 million), the Company was free carried through two exploration wells in the Woodside Mauritania Pty Ltd operated blocks. In addition, a 1,360 sq kilometre 3D seismic survey and 1,379 kilometre 2D seismic survey were carried out and completed before 31 December 2001 by Dana Petroleum plc. Data from the surveys are being processed;
- Mongolia ($4.4 million), the consolidated entity maintained field operations, including test oil production and sales, and completed the farm-out of 50% of its 100% interest to Dongsheng; and

Discussion and analysis of financial statements *continued*

- The United Kingdom ($4.9 million), the consolidated entity completed processing and reprocessing of existing 2D seismic over parts of its onshore acreage, finalised interpretation of the 3D Saltfleetby-Southeast seismic data, completed three 2D onshore seismic acquisition programmes and undertook preparatory work for the planned South Humber Basin 3D seismic acquisition programme, which has been delayed until 2002.

Additions to development expenditure of $26.6 million were incurred during the financial year in the UK. This expenditure primarily relates to development activities at the Kyle Oil and Gas Field and drilling of the Saltfleetby-6 appraisal well.

The majority of the $59.7 million in interest bearing liabilities as at 31 December 2001 relates to the US$ syndicated bank loan in the UK (US$30.5 million).

The market capitalisation of the Company was $165.0 million as at 31 December 2001, based on the end of December 2001 share price of $1.52 per share and 108,526,056 fully paid ordinary shares on issue.

Statement of Cash Flows

Cash assets increased by $20.2 million over the financial year and as at 31 December 2001 the consolidated entity held a cash and short term deposit balance of $76.1 million.

Cash flow from operating activities was $73.3 million. The major cash flows from operating activities included gross receipts from the sale of oil and gas in the UK of $119.1 million and payments to suppliers and employees of $34.7 million.

Net cash used in investing activities was $56.6 million. The major investments during the financial year were the payments for development expenditure ($19.4 million), the acquisition of Elixir Corporation Pty Ltd ($4.1 million) and payments for other exploration expenditure ($25.3 million). Also included in investing activities were the payment of $15.4 million to 2M Energy Corp in satisfaction of the Saltfleetby incremental reserves payable and $5.8 million received from Star Energy Limited with respect to the first bonus payment associated with the sale of the non-core onshore UK assets during 2000.

Financial Ratios

Basic earnings per share for the financial year were (8.5) cents, based on a weighted average number of fully paid ordinary shares on issue of 107,430,014.

Cash flow from operating activities for the financial year was $73.3 million, or 68 cents per share, up $17.4 million on the prior financial year.

EBITDA(1) for the financial year was $32.5 million. EBITDAX(2) for the financial year was $66.6 million, up $7.0 million on the prior financial year.

The debt to equity ratio as at 31 December 2001 was 29%. Based on cash and short term deposits of $76.1 million, the consolidated entity had no net debt as at 31 December 2001.

Hedging

Oil price

The consolidated entity's oil price hedging for the financial year consisted of a 383,000 barrels of oil hedging arrangement at an average Brent oil price of US$24.54 per barrel. The hedging contract was financially settled monthly and receipts under the hedge totalled $1,128,958 (US$575,386) during the financial year.

Future oil price hedging in place as at 31 December 2001 comprises 181,000 barrels of oil over the period from 1 January 2002 to 30 June 2002 at an average Brent oil price of US$25.90 per barrel.

Gas price

The UK subsidiaries of ROC sell gas production from the Saltfleetby Gas Field under a fixed price, take or pay contract with Innogy plc ('Innogy') and as spot and forward market sales into the UK domestic market.

The contract with Innogy fixes the contract price for the period to 30 September 2002 and provides the consolidated entity with a gas price hedge over that period. Approximately 46% of the consolidated entity's gas production during the financial year was sold under the contract at the contract price.

In addition to the Innogy contract, the consolidated entity's gas price hedging for the financial year consisted of 1.7 BCF (4.55 MMSCFD) of sales gas at an average price of 23.1 pence per therm. The hedging contract was financially settled monthly and receipts under the hedge totalled $522,077 during the financial year.

Future gas hedging in place as at 31 December 2001 comprises a gas price hedge covering 0.4 BCF (4.55 MMSCFD) of sales gas over the financial period from 1 January 2002 to 31 March 2002 at an average price of 25.05 pence per therm (equivalent to US$4.00/$7.83 per thousand cubic feet as at 31 December 2001 exchange rates).

Foreign exchange

The consolidated entity's foreign exchange hedging strategy is to hedge against specific future commitments and identified cash flow exposures. For the financial year, the consolidated entity did not have any foreign currency hedge instruments in place.

(1) EBITDA is calculated as profit from ordinary activities before income tax expense, net interest expense, depreciation, amortisation and restoration expense.

(2) EBITDAX is calculated as EBITDA after excluding profit from sale of assets, provision for write down of development assets and exploration expenditure expensed or written off.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ROC OIL COMPANY LIMITED

Scope

We have audited the financial report of Roc Oil Company Limited for the financial year ended 31 December 2001 as set out on pages 38 to 70. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards issued in Australia and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Roc Oil Company Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2001 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

Johan Duivenvoorde
Partner
Chartered Accountants

Sydney, 18 March 2002

Directors' Declaration

The Directors declare that:

a) the attached financial statements and notes thereto comply with relevant Australian Accounting Standards;

b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;

c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Directors' Declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

Mr A J Love
Chairman

Dr R J P Doran
Director and Chief Executive Officer

Sydney, 18 March 2002

Statement of Financial Performance

For the financial year ended 31 December 2001

		CONSOLIDATED		COMPANY	
	Note	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Revenues from Ordinary Activities					
Revenues from operating activities	2	105,323	94,238	49,702	4,913
Revenues from non-operating activities	2	6,527	62,587	7	–
		111,850	156,825	49,709	4,913
Expenses from ordinary activities	2	(108,201)	(128,816)	(7,894)	(25,080)
Borrowing costs expensed	2	(3,499)	(5,348)	(26)	(24)
Profit (Loss) from Ordinary Activities before Income Tax Expense		150	22,661	41,789	(20,191)
Income tax expense relating to ordinary activities	4	(9,306)	(7,578)	–	–
Net Profit (Loss) after Income Tax Expense		(9,156)	15,083	41,789	(20,191)
Increase in foreign currency translation reserve arising on translation of foreign self-sustaining controlled operations	23	10,748	11,104	–	–
Total Revenue and Expense Adjustments Attributable to Members of Roc Oil Company Limited and Recognised Directly in Equity		10,748	11,104	–	–
Total Changes in Equity other than Those Resulting from Transactions with Owners as Owners		1,592	26,187	41,789	(20,191)
Basic earnings per share (cents per share)	24	(8.5)	14.2		
Diluted earnings per share (cents per share)	24	(8.5)	13.8		

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2001

	Note	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Current Assets					
Cash assets	27(a)	76,123	55,886	50,655	23,900
Inventories	5	1,360	756	–	–
Receivables	6	17,136	25,232	3,645	5,328
Investments	7	74	58	12	42
Other	8	33,531	724	246	179
Total Current Assets		128,224	82,656	54,558	29,449
Non-Current Assets					
Development expenditure	9	105,574	175,531	–	–
Exploration expenditure	10	66,946	34,260	19,059	9,585
Receivables	11	845	2,457	21,960	6,912
Investments	12	–	–	102,892	106,829
Inventories	5	63	49	–	–
Property, plant and equipment	14	2,095	1,995	639	655
Deferred tax asset	15	–	519	–	–
Total Non-Current Assets		175,523	214,811	144,550	123,981
Total Assets		303,747	297,467	199,108	153,430
Current Liabilities					
Payables	16	17,851	29,144	1,119	965
Interest bearing liabilities	17	22,760	18	–	–
Current tax liabilities	18	3,907	2,490	–	–
Provisions	19	403	308	403	305
Total Current Liabilities		44,921	31,960	1,522	1,270
Non-Current Liabilities					
Interest bearing liabilities	17	36,979	55,057	–	–
Deferred tax liabilities	20	14,222	6,674	–	–
Provisions	21	4,973	6,353	–	–
Total Non-Current Liabilities		56,174	68,084	–	–
Total Liabilities		101,095	100,044	1,522	1,270
Net Assets		202,652	197,423	197,586	152,160
Equity					
Contributed equity	22	201,234	197,597	201,234	197,597
Accumulated losses	3	(19,150)	(9,994)	(3,648)	(45,437)
Reserves	23	20,568	9,820	–	–
Total Parent Entity Interest and Total Equity		202,652	197,423	197,586	152,160

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the financial year ended 31 December 2001

	Note	CONSOLIDATED Inflows (Outflows) 2001 $'000	CONSOLIDATED Inflows (Outflows) 2000 $'000	COMPANY Inflows (Outflows) 2001 $'000	COMPANY Inflows (Outflows) 2000 $'000
Cash Flows from Operating Activities					
Receipts from customers		120,369	98,984	–	–
Payments to suppliers and employees		(34,726)	(38,317)	(4,862)	(4,166)
Tariffs and other receipts		61	967	–	–
Dividends received		–	–	56,655	–
Interest received		2,409	2,816	1,307	2,426
Interest paid (net of capitalised amounts)		(3,898)	(4,377)	–	–
Bank charges		(350)	(369)	(25)	(23)
Income tax paid		(572)	–	–	–
Other taxes paid		(9,962)	(3,822)	(32)	(32)
Net cash provided by (used in) operating activities	27(b)	73,331	55,882	53,043	(1,795)
Cash Flows from Investing Activities					
Payment for plant and equipment		(1,165)	(1,030)	(416)	(321)
Payment for development expenditure		(19,378)	(30,084)	–	–
Payment for exploration expenditure		(25,315)	(21,205)	(12,774)	(8,860)
Recoupment of exploration expenditure		–	485	–	–
Payment for development studies		(1,921)	(762)	(681)	(498)
Payment for operated joint venture exploration expenditure		(2,792)	(72)	–	–
Reimbursement from operated joint venture operations		2,926	–	–	–
Amounts paid to associate (Croft)		(95)	(747)	–	–
Amounts received from associate (Croft)		5,309	669	–	–
Payment for the acquisition of controlled entities	27(d)	(4,124)	–	–	–
Payment for materials inventory		–	(5,305)	–	–
Proceeds from sale of non-core onshore UK assets	27(e)	5,770	57,944	–	–
Proceeds from disposal of other non-current assets		18	321	3	–
Saltfleetby incremental reserves payment	16	(15,450)	–	–	–
(Payment) refund for security deposits on operating leases		67	(44)	67	(44)
Loan to other entities		(571)	(336)	(571)	(336)
Payment for listed shares		(44)	–	–	–
Refund (payment) of deposit for dataroom access		135	(139)	–	–
Net cash used in investing activities		(56,630)	(305)	(14,372)	(10,059)
Cash Flows from Financing Activities					
Bank loan repayment		–	(26,882)	–	–
Other payments		(16)	(169)	–	–
Reimbursement of advances to controlled entities		–	–	6,309	29,089
Provision of funds to controlled entities		–	–	(19,808)	(18,519)
Net cash (used in) provided by financing activities		(16)	(27,051)	(13,499)	10,570
Net Increase (Decrease) in Cash Held		16,685	28,526	25,172	(1,284)
Cash at Beginning of Financial Year		55,886	25,863	23,900	24,082
Effect of exchange rate changes on the balance of cash held in foreign currencies		3,552	1,497	1,583	1,102
Cash at End of Financial Year	27(a)	76,123	55,886	50,655	23,900

The accompanying notes form an integral part of these financial statements.

Notes to and forming part of the financial statements

Note 1. Statement of Accounting Policies

The principal accounting policies adopted by ROC and its controlled entities are stated below to assist in a general understanding of the Annual Financial Report. The financial report has been prepared as a general-purpose financial report in accordance with the Corporations Act 2001, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

a) Historical cost

Unless otherwise stated in the notes to the financial statements, the financial statements have been prepared in accordance with the historical cost convention and do not take into account changing money values.

b) Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity, being ROC ('parent entity') and its controlled entities as defined by AASB1024 'Consolidated Accounts'. A list of controlled entities appears in Note 13. The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits and losses arising within the consolidated entity are eliminated in full.

c) Sales

Sales are recognised in the financial period during which hydrocarbons are produced, provided they are either sold or delivered in the normal course of business in accordance with agreements with purchasers.

Sales revenue represents amounts invoiced, excluding goods and services tax ('GST') or value-added taxes, in respect of sales to purchasers.

Sales revenue is stated net of the impact of oil price hedge contracts entered into by the consolidated entity to reduce future oil price exposure.

Resale of crude oil purchased is excluded from sales revenue, and the corresponding purchase of crude oil excluded from cost of sales.

d) Income tax

Income tax has been brought to account using the liability method of tax effect accounting. The income tax expense or credit shown in the statement of financial performance is represented by the tax on accounting profit or loss after allowing for permanent differences between accounting profit or loss and taxable income or tax loss.

The tax effect of unrecouped exploration expenditure and timing differences, which occur when items are included or allowed for income tax purposes in a different financial period than for accounting purposes, is retained in the deferred income tax liability and future income tax benefit accounts calculated at the tax rates expected to be applied when the expenditure is recouped and/or the differences reverse.

Future income tax benefits relating to timing differences and tax losses are only brought to account where realisation of the benefit can be regarded as being assured beyond reasonable doubt and, for tax losses, when their realisation is virtually certain.

e) Foreign currencies

Transactions denominated in foreign currencies have been brought to account at the exchange rates ruling at the time of the transactions. At balance date, foreign currency receivables and payables are converted to Australian currency at exchange rates ruling at balance date.

Exchange differences are brought to account in the statement of financial performance in the financial period in which they arise.

Financial statements of foreign self-sustaining controlled operations are translated into Australian currency using the current rate method, whereby assets and liabilities are translated at rates of exchange current at balance date. Profit and loss accounts are translated at a weighted average rate of exchange. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Financial statements of foreign integrated controlled entity operations are translated at balance date using the temporal method and resulting exchange differences are brought to account by entries made directly to the statement of financial performance in the financial period in which the exchange rate changes.

f) Acquisitions

Where assets including oil and gas reserves are acquired from a third party, the cost of acquiring those assets (being the fair value) is included in the statement of financial position as development expenditure, exploration expenditure, other assets and liabilities.

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

g) Exploration and development expenditure

The consolidated entity adopts the area of interest method whereby all exploration and evaluation expenditure is charged against the statement of financial performance as incurred, except in the case of areas of interest where rights to tenure are current and where:

i) the carrying amount is expected to be recouped through the successful development and exploitation of the area or by farming out or selling all or part of the consolidated entity's interest; or
ii) at balance date, exploration and evaluation activities in, or in relation to, the area of interest have not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant exploration activity for the area is continuing.

In these cases, the expenditure is capitalised.

When an area of interest is abandoned or if the Directors consider the expenditure to be of reduced or no further value, capitalised exploration expenditure is written down or written off in the financial period in which such a decision is made.

Proceeds on sale or farm-out of an area within an exploration area of interest are offset against the carrying value of the particular area involved. Where the total carrying value of an area has been recouped in this manner, the balance of farm-out proceeds is brought to account as non-operating activities revenue.

Where it is established that economically recoverable reserves exist in a particular area of interest, the carrying amount attributable to that area is classified as a development and production interest. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field in each area of interest, on a unit-of-production basis. Subject to the Directors' satisfaction that economically recoverable reserves exist and where commercial production has not yet commenced, costs incurred in an area in relation to those reserves are accumulated and amortised when commercial operations begin.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior financial period adjustments and are dealt with prospectively.

Costs of borrowing for major development projects are capitalised in accordance with AASB1036 'Borrowing Costs' until the commencement of production and are then amortised over the life of the field on a unit-of-production basis.

h) Property, plant and equipment

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Plant and equipment is depreciated on a straight line basis so as to write down these assets to their estimated residual values over their estimated useful lives to the consolidated entity.

The following estimated useful lives are used in the calculation of depreciation:

• Buildings	20 years;
• Plant and equipment	2-10 years;
• Motor vehicles under finance leases	2-5 years; and
• Leasehold improvements	Term of the respective operating leases.

Depreciation of onshore facilities is calculated using a unit-of-production basis, which will proportionately amortise the assets over the life of the reserves of the area of interest.

Leases of plant and equipment, under which the consolidated entity assumes substantially all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised and depreciated over their estimated useful lives to the consolidated entity.

Operating leases are not capitalised. Payments made under operating leases are charged to the statement of financial performance in equal instalments over the term of the lease.

i) Oil and gas stock and materials inventory

Oil and gas stock is valued at the lower of cost and net realisable value. Cost comprises a relevant proportion of all fixed and variable production, overhead, restoration and amortisation costs. Net realisable value is determined on the basis of selling prices less expenses to be incurred in transport, pipeline tariffs, handling and royalties, to the point in time where product passes to the purchaser.

Stocks of materials and spare parts are carried at the lower of cost and net realisable value, with cost primarily determined by the first-in-first-out method and the remainder utilising an average cost basis.

j) Investments

Investments in controlled entities are carried at cost or, where the Directors believe the carrying amount of an investment is greater than its recoverable amount, then that investment is written down, via a provision, to its recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when declared by controlled entities.

Investments in associates have been accounted for using the equity method in the consolidated financial statements.

Notes to and forming part of the financial statements

Note 1. Statement of Accounting Policies *(continued)*

k) Recoverable amount of non-current assets

The statement of financial position categories of development expenditure, exploration expenditure, receivables, investments, materials inventory, property, plant and equipment and deferred tax asset are each considered separate classes of non-current assets.

Exploration expenditure is capitalised and carried forward in accordance with AASB1022 'Accounting for the Extractive Industries' as detailed in Note 1(g) above.

Deferred tax assets are carried forward in accordance with AASB1020 'Accounting for Income Tax (Tax-Effect Accounting)' as detailed in Note 1(d) above.

In accordance with AASB1010 'Recoverable Amount of Non-Current Assets', the carrying value of each asset in each of the non-current classes of assets, except for exploration expenditure, is reviewed by the Directors every six months to determine whether it is in excess of its recoverable amount. Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The net cash inflows from the continued use and subsequent disposal of each such asset have been used in determining the recoverable amount of each non-current asset. The relevant cash flows have not been discounted to their present values.

l) Employee entitlements

Liability to employees for annual leave is provided for. All employment related on-costs (including payroll tax and superannuation contributions) are included in the calculation of the required provision. Provision for annual leave in respect of services provided by employees up to balance date is measured using remuneration levels current at balance date.

m) Provision for abandonment and restoration

A provision for significant abandonment and restoration is accumulated by charging to the statement of financial performance the expected expenditure to be incurred on cessation of each area of interest. The provision is calculated so that at the end of operations the provision will be adequate to meet net abandonment and restoration costs, including the required removal of facilities, the abandonment of wells and restoring affected areas. Such provision recognises the estimated future abandonment and restoration obligations incrementally over the life of the proved and probable reserves on a unit-of-production basis. Estimates of the future restoration obligation are based on current legal requirements and technology and are determined in current dollars on an undiscounted basis. The adequacy of the provision for abandonment and restoration is reassessed every six months. Changes in cost estimates do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

n) Joint ventures

Interests in joint venture operations have been reported in the financial statements by including the consolidated entity's share of assets employed in the joint venture operation, the share of liabilities incurred in relation to joint venture operations and the share of any expenses incurred in relation to joint venture operations in their respective classification categories.

o) Financial instruments included in assets

Trade receivables are initially recorded at the amount of contracted sale proceeds. All other receivables are recorded at amounts due. Receivables are recognised inclusive of applicable GST and value-added taxes.

The net amount of GST and value-added taxes recoverable from the relevant taxation authority is included as part of receivables.

Marketable securities are carried at the lower of cost and net realisable value.

p) Financial instruments included in liabilities

Borrowings are recorded at their principal amount. Interest is charged as an expense as it accrues at the contracted rate.

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services, whether or not invoiced. Payables are recognised inclusive of applicable GST and value-added taxes.

The net amount of GST and value-added taxes payable to the relevant taxation authority is included as part of payables.

q) Financial instruments included in equity

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement.

Contributed equity is recorded at the value of consideration paid. The costs of issuing shares are offset against contributed equity.

r) Statement of cash flows

Cash is defined as cash at bank and on hand and money market investments readily convertible to cash.

Cash flows have been allocated among operating, investing and financing activities. These categories appropriately classify the consolidated entity's activities.

s) Comparative amounts

The consolidated entity has adopted the presentation and disclosure requirements of Accounting Standards AASB1018 'Statement of Financial Performance', AASB1034 'Financial Report Presentation and Disclosure' and AASB1040 'Statement of Financial Position' for the first time in the preparation of this Annual Financial Report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

Note 2. Revenue, Expenses and Losses by Function

Profit (loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance:

		CONSOLIDATED		COMPANY	
		2001 $'000	2000 $'000	2001 $'000	2000 $'000
a) Revenue from Ordinary Activities					
Revenues from operating activities					
Sales revenue	– Oil	26,160	11,882	–	–
	– NGL	5,971	7,385	–	–
	– Gas	68,619	69,410	–	–
	– Mongolian test oil	1,262	2,175	–	–
		102,012	90,852	–	–
Other revenue		927	542	–	–
Interest income: other entities		2,384	2,844	1,282	1,283
Interest income: controlled entities		–	–	13	766
Dividends from controlled entities		–	–	48,407	2,864
Total revenue from operating activities		105,323	94,238	49,702	4,913
Revenues from non-operating activities					
Proceeds on sale of non-core onshore UK assets		2,869	62,256	–	–
Sundry income (Claymore sale in associate)		3,640	–	–	–
Proceeds on disposal of other non-current assets		18	331	7	–
Total revenue from non-operating activities		6,527	62,587	7	–
Total revenue from ordinary activities		111,850	156,825	49,709	4,913
b) Expenses					
Operating costs (Cost of sales)					
Production costs		22,127	18,834	–	–
Amortisation expense		29,699	31,778	–	–
Restoration expense		670	365	–	–
Mongolian test oil production costs (refer (i) below)		1,262	2,175	–	–
Total operating costs		53,758	53,152	–	–
Depreciation of non-current assets					
Buildings		–	3	–	–
Plant and equipment		801	1,033	365	414
Leasehold improvements		62	108	62	108
Motor vehicles under finance lease		14	25	–	–
Total depreciation of non-current assets		877	1,169	427	522
Borrowing costs expensed					
Interest expense	– on loans	3,194	4,900	–	–
	– on finance leases	1	8	–	–
Other borrowing costs		304	440	26	24
Less borrowing costs capitalised		–	–	–	–
Total borrowing costs expensed		3,499	5,348	26	24

Notes to and forming part of the financial statements

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
b) Expenses *(continued)*				
Exploration expenditure expensed				
Mongolia	1,553	9,850	–	–
United Kingdom	276	614	–	–
Other	138	621	138	413
Transfer of test oil sales revenue to exploration expenditure expensed (refer (i) below)	(1,262)	(2,175)	–	–
Total exploration expenditure expensed	705	8,910	138	413
Note: i) Revenue from sale of test oil production from wells in Mongolia pending a development decision has been credited to sales revenue, but an amount based on such revenue has been charged to cost of sales and credited against exploration expenditure expensed, so as to record a zero net margin on such production.				
Exploration expenditure written off				
Mongolia	–	7,604	–	–
Morocco	–	3,079	–	3,079
United Kingdom	–	411	–	–
Total exploration expenditure written off	–	11,094	–	3,079
Mongolia inventory materials written off	–	3,793	–	–
Operating lease rental expenses	722	746	515	392
Transfer to provision: employee entitlements	98	82	98	82
Provision for write down on loan owing by other entities	63	–	63	–
Provision for write down of non-current intercompany receivables	–	–	1,840	19,328
Other expenditure (including general and administrative costs)	9,819	7,671	4,468	4,216
c) Gains (Losses)				
Net foreign currency gains (losses)				
US$ syndicated bank loan in the UK	(1,496)	(6,023)	–	–
Other (including cash and short term deposits)	(739)	3,571	(340)	2,953
Total net foreign currency gains (losses)	(2,235)	(2,452)	(340)	2,953
Profit on sale of non-core onshore UK assets (refer Note 2(d))	2,847	22,670	–	–
Net profit (loss) on disposal of non-current assets	(3)	171	2	–

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
d) Significant Items				
Sale of non-core onshore UK assets (refer (i) below)				
Proceeds on sale	2,869	62,256	–	–
Cost of assets sold	–	(39,023)	–	–
Associated transaction costs	(22)	(563)	–	–
Profit on sale of non-core onshore UK assets	2,847	22,670	–	–
Provision for write down on development assets held for sale, to realisable value (refer (ii) below)	(39,881)	–	–	–
Sundry income (Claymore sale in associate) (refer (iii) below)	3,640	–	–	–

Notes:

i) During the prior financial year, ROC's wholly owned UK subsidiaries sold a number of non-core onshore UK assets, effective 1 March 2000, including the Welton Oil Field and the Welton Gathering Centre. The sale realised sales proceeds of $62,256,040 (approximately £23.9 million) during that financial year, including a cash bonus, producing a profit of $22,670,186.

ROC's UK subsidiaries will receive a second cash bonus during the 2002 financial year in relation to the sale of the non-core onshore UK assets, if the average Brent oil price exceeds US$18.50 per barrel for the period from 1 March 2001 to 28 February 2002, subject to the Welton oil fields achieving certain minimum production targets. An estimate of this second bonus of $2,847,288 (approximately £1.0 million) has been included in the statement of financial performance.

ii) Subsequent to the end of the financial year, Roc Oil (UK) Limited entered into agreements with third parties to sell its interests in two development assets: its 12.5% interest in the Kyle Oil and Gas Field and its 14.875% interest in the Chestnut Oil Field. The sales are effective 1 January 2002 and the consideration for the sales totals $33.0 million. As part of the review of the carrying value of development assets at 31 December 2001, the Directors decided to write down the carrying value of these two development assets to their net realisable value.

iii) On 5 October 2001, Croft Exploration Limited ('Croft'), a company owned 50% by ROC's wholly owned subsidiary Roc Oil (Europe) Limited and 50% by Bow Valley Petroleum (UK) Limited, executed a Sale and Purchase Agreement with a company in the Talisman group to sell for £2.76 million (approximately $7.8 million, ROC share $3.9 million) its 0.921% (0.461% net ROC) interest in the producing Claymore Oil Field, effective 1 January 2001. The transaction was completed on 7 December 2001. As a result of this transaction, an amount of $3,639,980 was recorded as sundry income associated with the recognition of the write back of the provision for doubtful debt against the receivable from the Croft group of companies as part of the 29 July 1999 acquisition of Morrison Middlefield Resources Limited by ROC.

e) Revision of Accounting Estimates

During the financial year, the proved and probable reserves estimate for the Saltfleetby Gas Field was revised upwards and the forecast future capital expenditure necessary to develop the proved and probable reserves was revised upwards. The net financial effect of these revisions was to decrease consolidated amortisation expense in the current financial year by $2,154,682 or $0.97 per BOE from the original estimate of $23,474,546 or $10.59 per BOE.

During the financial year, the proved and probable reserves estimate for the Kyle Oil and Gas Field was revised downwards and the forecast future capital expenditure necessary to develop the proved and probable reserves was revised upwards. The net financial effect of these revisions was to increase consolidated amortisation expense in the current financial year by $1,228,966 or $1.90 per BOE from the original estimate of $7,071,839 or $10.95 per BOE.

Assuming the Saltfleetby Gas Field production asset is held until the end of its estimated economic life, on a unit-of-production basis amortisation expense in future financial periods will be $8.42 per BOE.

Notes to and forming part of the financial statements

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 3. Accumulated Losses				
Accumulated losses at beginning of financial year	(9,994)	(25,077)	(45,437)	(25,246)
Net profit (loss) attributable to members of Roc Oil Company Limited	(9,156)	15,083	41,789	(20,191)
Accumulated losses at end of financial year	(19,150)	(9,994)	(3,648)	(45,437)
Note 4. Income Tax Expense				
The prima facie income tax expense on pre-tax accounting profit (loss) reconciles to income tax expense in the financial statements as follows:				
Profit (loss) from ordinary activities	150	22,661	41,789	(20,191)
Prima facie income tax expense (credit) calculated as 30% (2000: 34%) of profit (loss) from ordinary activities	45	7,705	12,537	(6,865)
Tax effect of permanent and other differences				
Non-deductible expenses	558	86	711	6,657
Non-deductible amortisation	1,414	87	–	–
Overseas tax rate differential	–	(1,010)	–	–
Sale of non-core onshore UK assets to Star Energy Limited (financial year ended 31 December 2000 included $406,135 of capital losses, not previously accounted for, recognised on sale)	(157)	(7,103)	–	–
Dividend income not assessable	–	–	(14,522)	(974)
Other non-assessable income	(1,092)	–	–	–
Provision for write down on development assets held for sale, to realisable value	10,405	–	–	–
Provision for deferred income tax no longer required	(2,967)	–	–	–
Other	(355)	(370)	–	–
Quarantined expenditure	345	4,125	135	223
Timing differences and tax losses not brought to account as a future income tax benefit (refer note (a))	1,110	4,058	1,139	959
Income tax expense relating to ordinary activities	9,306	7,578	–	–
Future income tax benefit not brought to account as assets:				
Quarantined expenditure	17,659	14,373	9,843	7,358
Tax losses – revenue	2,741	1,816	2,661	1,724
	20,400	16,189	12,504	9,082

Note:

a) The taxation benefits of quarantined expenditure and tax losses not brought to account will only be obtained if:
- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by tax legislation are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 5. Inventories				
a) Current				
Materials inventory, at cost	966	489	–	–
Oil and gas stock, at cost	394	267	–	–
	1,360	756	–	–
b) Non-current				
Materials inventory, at cost	63	49	–	–
	63	49	–	–
Note 6. Current Receivables				
Trade receivables	14,106	19,517	68	35
Amount owing by controlled entities	–	–	3,507	5,145
Security deposits	5	–	–	–
Interest receivables	9	34	9	34
Employee advances and advance to a Director (refer Note 26)	61	114	61	114
Amount owing by associate (Croft)	21	–	–	–
Other receivables (refer note (a))	2,934	5,567	–	–
	17,136	25,232	3,645	5,328

Note:

a) Other receivables include $2,913,587 (2000: $5,246,452) representing the additional bonus payment from the sale of non-core onshore assets in the UK to Star Energy Limited expected to be received during March 2002 (2000: received during March 2001).

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 7. Current Investments				
Listed shares, at cost (refer note (a))	46	–	–	–
Listed shares, at market value (refer note (a))	12	42	12	42
Government bonds, at cost	16	16	–	–
	74	58	12	42

Note:

a) Listed shares are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 8. Other Current Assets				
Development assets held for sale, at cost	82,804	–	–	–
Accumulated amortisation	(8,468)	–	–	–
Provision for write down to realisable value	(42,203)	–	–	–
	32,133	–	–	–
Prepayments	1,207	724	246	179
Plant and equipment not yet in use, at cost	191	–	–	–
	33,531	724	246	179

Notes to and forming part of the financial statements

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 9. Development Expenditure				
Areas in which production has commenced				
At cost	111,429	–	–	–
At 2000 Directors' valuation	–	142,303	–	–
Accumulated amortisation	(21,290)	–	–	–
	90,139	142,303	–	–
Areas in development stage				
At cost	15,435	–	–	–
At 2000 Directors' valuation	–	33,228	–	–
	15,435	33,228	–	–
	105,574	175,531	–	–

Notes:

a) The 2000 Directors' valuation had been performed on the basis of anticipated discounted cash flows from development expenditure. The valuation was not made in accordance with a regular policy of revaluation. Potential capital gains tax was not taken into account in the revaluation of development expenditure. In accordance with AASB1010 'Recoverable Amount of Non-Current Assets', the balance of accumulated amortisation existing as at the revaluation date was credited to the assets to which it relates.

b) In accordance with AASB1041 'Revaluation of Non-Current Assets', on 1 January 2001 the consolidated entity changed its policy on accounting for development expenditure capitalised. In accordance with the new Standard, the consolidated entity has reverted to the cost basis of measurement. The Directors have deemed the carrying amount of development expenditure capitalised as at 1 January 2001 to be cost for financial reporting purposes. Accordingly, the change in accounting policy does not affect the carrying amount of development expenditure capitalised recorded in the financial statements.

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 10. Exploration Expenditure				
Deferred expenditure in exploration and evaluation stages				
Balance at beginning of financial year	34,260	34,955	9,585	3,178
Acquisitions	8,261	–	–	–
Expenditure incurred during financial year	23,242	13,508	10,874	9,771
Disposals	–	(3,663)	–	–
Recoupment	–	(1,121)	(1,400)	(285)
Expenditure written off	–	(11,094)	–	(3,079)
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	1,183	1,675	–	–
	66,946	34,260	19,059	9,585
Note 11. Non-Current Receivables				
Amount owing by associate	–	1,971	–	–
Loan owing by other entities	472	361	472	361
Amount owing by controlled entities	–	–	49,710	32,804
Provision for write down	(63)	–	(28,280)	(26,378)
	409	2,332	21,902	6,787
Other receivable	378	–	–	–
Security deposits (refer note (a))	58	125	58	125
	845	2,457	21,960	6,912

Note:

a) A security deposit has been lodged for the provision of operating lease rental space in Sydney.

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 12. Non-Current Investments				
Shares in unlisted controlled entities, at cost (refer note (a))	–	–	102,892	106,829
	–	–	102,892	106,829

Note:

a) The decrease in the value of shares in unlisted controlled entities between financial years represents the receipt of pre-acquisition dividends of $3,936,762 from Roc Oil (Europe) Limited.

Note 13. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest % 2001	Ownership and Voting Interest % 2000
Parent entity			
Roc Oil Company Limited	Australia		
Controlled entities			
Roc Oil (Gobi) Pty Limited	Australia	100	100
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (China) Pty Limited (3)	Australia	100	100
Roc Oil (Middle East) Pty Limited (1)	Australia	100	–
Roc Oil Australia Holdings Pty Limited	Australia	100	100
Roc Oil International Holdings Pty Limited	Australia	100	100
Elixir Corporation Pty Ltd (2)	Australia	100	–
Roc Oil Holdings (Cayman Islands) Company	Cayman Islands	100	100
Roc Oil (China) Company (1)	Cayman Islands	100	–
Roc Oil (Cabinda) Company	Cayman Islands	100	100
Roc Oil (Mauritania) Company (4)	Cayman Islands	100	100
Roc Oil (Casamance) Company	Cayman Islands	100	100
Roc Oil (Falklands) Limited	UK	100	100
Roc Oil (Europe) Limited	UK	100	100
Roc Oil (UK) Limited	UK	100	100
Roc Oil (PPL) Limited	UK	100	100
Roc Oil (CEL) Limited	UK	100	100
Roc Oil (EMOG) Limited	UK	100	100
Roc Oil (BEL) Limited	UK	100	100
Roc Canada Inc.	Canada	100	100

Notes:

(1) Controlled entities incorporated during the financial year.
(2) Effective date of acquisition was 29 May 2001.
(3) Roc Oil (IRPA) Pty Limited changed its name to Roc Oil (China) Pty Limited during the financial year.
(4) Roc Oil (Equatorial Guinea) Company changed its name to Roc Oil (Mauritania) Company during the financial year.

The Company's present intention is to provide the necessary financial support for Roc Oil (Gobi) Pty Limited, Roc Oil (WA) Pty Limited, Roc Oil (China) Pty Limited, Roc Oil (Middle East) Pty Limited, Roc Oil Australia Holdings Pty Limited, Roc Oil International Holdings Pty Limited and Elixir Corporation Pty Ltd whilst they remain controlled entities, as is necessary for each company to pay all debts as and when they become due and to pay all debts incurred in the foreseeable future.

Notes to and forming part of the financial statements

	CONSOLIDATED				
	Plant and Equipment $'000	Plant and Equipment under Finance Lease $'000	Leasehold Improvements $'000	Plant and Equipment not Yet in Use $'000	Total $'000
Note 14. Property, Plant and Equipment					
Gross carrying amount					
Balance as at 31 December 2000	2,902	68	278	191	3,439
Additions	1,114	–	5	–	1,119
Disposals	(49)	–	–	–	(49)
Acquisitions	4	–	–	–	4
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	116	4	–	–	120
Other – transfer to current (refer Note 8)	–	–	–	(191)	(191)
Balance as at 31 December 2001	4,087	72	283	–	4,442
Accumulated depreciation					
Balance as at 31 December 2000	(1,219)	(19)	(206)	–	(1,444)
Additions	(801)	(14)	(62)	–	(877)
Disposals	29	–	–	–	29
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	(52)	(3)	–	–	(55)
Balance as at 31 December 2001	(2,043)	(36)	(268)	–	(2,347)
Net book value					
As at 31 December 2000	1,683	49	72	191	1,995
As at 31 December 2001	2,044	36	15	–	2,095

	COMPANY		
	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
Note 14. Property, Plant and Equipment			
Gross carrying amount			
Balance as at 31 December 2000	1,471	278	1,749
Additions	411	5	416
Disposals	(30)	–	(30)
Balance as at 31 December 2001	1,852	283	2,135
Accumulated depreciation			
Balance as at 31 December 2000	(888)	(206)	(1,094)
Additions	(365)	(62)	(427)
Disposals	25	–	25
Balance as at 31 December 2001	(1,228)	(268)	(1,496)
Net book value			
As at 31 December 2000	583	72	655
As at 31 December 2001	624	15	639

	CONSOLIDATED		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Note 15. Deferred Tax Asset				
Future income tax benefit				
Tax losses – revenue	–	5,113	–	–
Timing differences (refer note (a))	–	(4,594)	–	–
	–	519	–	–

Note:

a) Revenue tax losses have been reduced by timing differences which are expected to reverse within the financial periods during which tax losses will remain available.

	CONSOLIDATED		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Note 16. Current Payables				
Trade payables	11,755	10,634	510	322
Accrued liabilities	4,290	4,223	609	643
Amount owing to associate (Croft)	1,806	–	–	–
Deferred purchase consideration (refer note (a))	–	14,287	–	–
	17,851	29,144	1,119	965

Note:

a) Prior to completing the acquisition of Morrison Middlefield Resources Limited, the vendor, 2M Energy Corp ('2M'), and two controlled entities of Roc Oil (Europe) Limited entered into an Incremental Reserves Payment Agreement ('Agreement') relating to reserves attributable to the interests held by those controlled entities in the Saltfleetby Gas Field. Under the terms of this Agreement, 2M received a payment of £250,000 for each BCF of proved and probable sales gas reserves attributable to the Saltfleetby Gas Field in excess of 30 BCF but up to a maximum of 50 BCF ('excess reserves'), plus £1.50 for each barrel of NGLs associated with the excess reserves. The excess reserves were determined by an independent engineer as at 14 December 2000, being 12 months following the start of production from the Saltfleetby Gas Field. Deferred purchase consideration of $15,449,756 (£5,332,835) was paid on 16 March 2001, based on the excess reserves.

Notes to and forming part of the financial statements

	Consolidated 2001 $'000	Consolidated 2000 $'000	Company 2001 $'000	Company 2000 $'000
Note 17. Interest Bearing Liabilities				
a) Current				
Bank loan (i)	22,756	–	–	–
Finance lease liabilities (ii)	4	18	–	–
	22,760	18	–	–
b) Non-current				
Bank loan (i)	36,979	55,053	–	–
Finance lease liabilities (ii)	–	4	–	–
	36,979	55,057	–	–

Details of facilities

i) Bank loan

The consolidated entity has access to the following committed loan facility:

Final Maturity	Currency	Amount US$'000	Amount Drawn as at 31 December 2001 and 31 December 2000 US$'000
31 July 2004	United Stated dollars	50,000	30,500

The bank loan bears interest at the relevant interbank reference rate plus 1.15%. The bank loan drawn as at 31 December 2001 and 31 December 2000 is denominated in United States dollars and is not hedged.

The aggregate amount outstanding is secured by a fixed and floating charge over the assets of Roc Oil (Europe) Limited, Roc Oil (UK) Limited and Roc Oil (CEL) Limited and is subject to compliance with certain minimum cover ratios based on semi annual cash flow calculations performed by the banking syndicate. The carrying amount of these United Kingdom assets is set out in Note 25. Restrictions are imposed by the facility with regard to the ability to dispose of all or any part of these assets.

ii) Finance lease

Finance leases cover motor vehicles in the UK, which are secured by the assets leased.

	Consolidated 2001 $'000	Consolidated 2000 $'000	Company 2001 $'000	Company 2000 $'000
Note 18. Current Tax Liabilities				
Income tax payable	3,907	2,490	–	–
	3,907	2,490	–	–
Note 19. Current Provisions				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements	403	308	403	305
	403	308	403	305
Note 20. Deferred Tax Liabilities				
Deferred income tax	14,222	6,674	–	–
	14,222	6,674	–	–

	Consolidated 2001 $'000	Consolidated 2000 $'000	Company 2001 $'000	Company 2000 $'000
Note 21. Non-Current Provisions				
Restoration	4,973	6,353	–	–
	4,973	6,353	–	–
Note 22. Contributed Equity				
108,526,056 (2000: 105,994,060) fully paid ordinary shares	201,234	197,597	201,234	197,597

	2001 Number of Shares	2000 Number of Shares	2001 $'000	2000 $'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	105,994,060	105,994,060	197,597	197,597
Shares issued	2,531,996	–	3,637	–
	108,526,056	105,994,060	201,234	197,597
Share issue costs	–	–	–	–
Balance at end of financial year	108,526,056	105,994,060	201,234	197,597

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

The market price of the Company's ordinary shares as at 31 December 2001 was $1.52 (31 December 2000: $1.20).

a) Shares issued during the financial year

During the financial year, the Company issued 2,531,996 (2000: Nil) fully paid ordinary shares. Shares issued during the financial year were used as part of the consideration for the Elixir Corporation Pty Ltd acquisition (refer Note 27(c)).

b) Employee Share Option Plan

During the financial year, the Company issued a total 1,565,000 options over unissued ordinary shares to staff (1,274,000 exercisable at $1.25 per share; 35,000 exercisable at $1.65 per share; and 256,000 exercisable at $1.26 per share) under the Employee Share Option Plan.

During the prior financial year, the Company issued a total of 180,000 options over unissued ordinary shares to staff (50,000 exercisable at $1.16 per share; 30,000 exercisable at $1.34 per share; and 100,000 exercisable at $1.47 per share) under the Employee Share Option Plan.

Options may be exercised at any time after two years from the date the Company is admitted to the official list of ASX or, if the option is granted after the Company is admitted to the official list of ASX, two years after the date the option is granted, unless there is a change of control of the Company after listing, whereby all unexercised options will become immediately exercisable.

The total options offered under the Employee Share Option Plan shall not exceed 5% of the Company's issued capital at any time.

No remuneration expense is recognised in respect of employee options issued under the Employee Share Option Plan.

c) Shareholder options

During the financial year, the Company issued no options to shareholders (2000: Nil) over unissued ordinary shares.

During the 1999 financial year, the Company granted options to shareholders over unissued ordinary shares, as set out in the following table, pursuant to the Prospectus dated 21 June 1999, none of which have been exercised:

Date of Grant	Number of Ordinary Shares under Option	Issue and Exercise Price	Date First Exercisable	Expiry Date
29 June 1999	7,698,830	$2.30	5 August 2001	5 August 2004

Notes to and forming part of the financial statements

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 23. Reserves				
Foreign currency translation				
Balance at beginning of financial year	9,820	(1,284)	–	–
Translation of foreign self-sustaining controlled operations	10,748	11,104	–	–
Balance at end of financial year	20,568	9,820	–	–

Note:

a) Exchange differences relating to the translation of foreign self-sustaining controlled operations are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(e).

	CONSOLIDATED 2001	CONSOLIDATED 2000
Note 24. Earnings Per Share		
Basic earnings per share (cents per share)	(8.5)	14.2
Diluted earnings per share (cents per share)	(8.5)	13.8
Weighted average number of ordinary shares used in the calculation of basic earnings per share	107,430,014	105,994,060
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	refer to note (a)	116,405,478

Note:

a) The diluted earnings per share calculation for the financial year is not materially different to basic earnings per share.

Note 25. Segment Information

i) Industry segments

The consolidated entity operates predominantly in one industry, namely exploration, evaluation, development and production of hydrocarbons.

ii) Geographic segments

Geographic Segments	Sales Revenue[a] 2001 $'000	Sales Revenue[a] 2000 $'000	Segment Revenue 2001 $'000	Segment Revenue 2000 $'000	Result[c] 2001 $'000	Result[c] 2000 $'000	Total Assets 2001 $'000	Total Assets 2000 $'000
United Kingdom	100,750	88,677	109,080	153,294	7,087	46,984	206,144	255,100
Australia	–	–	1,401	1,321	(4,181)	(1,270)	56,779	25,740
Middle East/other	–	–	–	–	(1,551)	(309)	436	–
Falkland Islands	–	–	–	–	–	299	–	–
Africa	–	–	68	–	(595)	(3,921)	31,987	11,151
Mongolia[b]	1,262	2,175	1,301	2,210	(610)	(19,122)	8,401	5,476
	102,012	90,852	111,850	156,825	150	22,661	303,747	297,467

Notes:

a) Sales revenue arises from sales outside the consolidated entity.

b) Revenue from sale of test oil production from wells in Mongolia pending a development decision has been credited to sales revenue, but an amount based on such revenue has been charged to cost of sales and credited against exploration expenditure expensed, so as to record a zero net margin on such production.

c) Profit (loss) from ordinary activities before income tax expense.

Note 26. Related Party Disclosures

a) Directors

i) The names of the persons holding the position of Director of the Company during the financial year are set out in Note 28(a).

ii) Apart from the details disclosed in this note, no Director has entered into a material contract with the parent entity or the consolidated entity since the end of the prior financial year and there were no material contracts involving Directors' interests existing as at 31 December 2001.

iii) There were no loans to Directors entered into during the financial year and there were no loans to Directors outstanding as at 31 December 2001, except for an advance amount of $31,520 (2000: $82,370) owing by Dr R J P Doran to the Company for the purpose of meeting business expenses incurred in connection with performing services as the Chief Executive Officer. No interest is being charged on the amount.

	CONSOLIDATED AND COMPANY 2001 $	CONSOLIDATED AND COMPANY 2000 $
Advance repayments received	60,000	3,970

iv) Directors' shareholding

During the financial year, no fully paid ordinary shares (2000: Nil) were issued to Directors and their director-related entities by the Company. Directors' shareholding details as at the end of the financial year are as follows:

	CONSOLIDATED AND COMPANY 2001 Number	CONSOLIDATED AND COMPANY 2000 Number
Mr A J Love	645,690	545,690
Mr W G Jephcott	644,930	644,930
Dr R J P Doran	4,788,960	4,773,960
Mr R J Burgess	589,870	589,870
Mr R Dobinson	752,092	752,092
Mr S J Jansma Jr	3,875,380	3,875,380
Mr A C Jolliffe	3,845,952	127,860
Mr B C Hung [1]	–	50,000
	15,142,874	11,359,782

Note:

(1) Resigned as a Director on 16 February 2001.

(v) Directors' interest in options over ordinary shares

During the financial year, no options over unissued ordinary shares (2000: Nil) were issued to Directors and their director-related entities by the Company. Directors' option details as at the end of the financial year are as follows:

	2001	2000
Mr A J Love	25,231	25,231
Mr W G Jephcott	54,691	54,691
Dr R J P Doran	20,829	20,829
Mr R J Burgess	25,150	25,150
Mr R Dobinson	143,102	143,102
Mr S J Jansma Jr	999,640	999,640
Mr A C Jolliffe	716,831	47,671
Mr B C Hung [1]	–	350,000
	1,985,474	1,666,314

Note:

(1) Mr B C Hung's options were issued to him under the Company's Employee Share Option Plan prior to him being appointed as a Director of the Company. Mr B C Hung resigned as a Director on 16 February 2001. The options were subsequently cancelled on 23 February 2001 without having been exercised.

Notes to and forming part of the financial statements

Note 26. Related Party Disclosures *(continued)*

vi) Other transactions of Directors of the parent entity and director-related entities

Messrs A J Love, W G Jephcott and R J Burgess and Dr R P J Doran are directors of Flaming Cliffs Pty Limited and Darcy Petroleum Pty Limited. During the financial year, the Company provided legal and taxation services at cost of $4,050 (2000: taxation services $1,468) to Flaming Cliffs Pty Limited and Darcy Petroleum Pty Limited.

vii) Other transactions of directors of controlled entities

Mr M de Vietri is a director of Elixir Corporation Pty Ltd. Since 29 July 2001, he has received remuneration of $3,704 and superannuation of $296 as a director of Elixir Corporation Pty Ltd. He also received $5,475 for consulting services provided to the consolidated entity on normal commercial terms and conditions.

Elixir Corporation Pty Ltd plant and equipment was sold on 24 July 2001 to Mr de Vietri, a director of Elixir Corporation Pty Ltd, for a consideration of $2,879 on normal commercial terms and conditions.

b) Controlled entities

Interests in controlled entities are disclosed in Note 13.

Transactions with controlled entities and related entities

i) Overseas controlled entity transactions

Loans transacted by the Company with overseas controlled entities in the consolidated entity are on a commercial basis and are eliminated on consolidation. Loans are unsecured. Interest revenue brought to account by the Company in relation to these loans during the financial year is disclosed in Note 2.

During the financial year, the Company provided accounting and technical services, at cost plus an appropriate mark-up, to the United Kingdom controlled entities.

Roc Oil Company Limited plant and equipment was sold to Roc Oil (Europe) Limited for a consideration of $4,026 during the financial year.

Receivable from Roc Oil (Europe) Limited related to dividends on preference shares. Dividends accrue from day to day at 7.5% per annum and become payable on 30 June in respect of the preceding year. Dividend revenue disclosed in Note 2 has been accrued from the date of acquisition of Roc Oil (Europe) Limited.

The amount receivable from overseas controlled entities is set out in Note 6 and Note 11.

These transactions are eliminated on consolidation.

ii) Australian controlled entity transactions

During the financial year, the Company provided accounting and administration services, at no cost, to other entities in the wholly owned Australian group.

Other transactions that occurred during the financial year between entities in the wholly owned Australian group were advancement of intercompany loans at Nil interest rate and no fixed term for repayment. Loans are unsecured. These transactions are eliminated on consolidation. The amount receivable from Australian controlled entities is set out in Note 11.

c) Other related parties

Amounts receivable from, payable to and ordinary shares held in associates are set out in Note 6, Note 16 and Note 31 respectively.

Interests in joint ventures are set out in Note 30.

Note 27. Notes to the Statement of Cash Flows

	CONSOLIDATED		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
a) Reconciliation of cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash	4,692	2,272	1,820	1,606
Short term deposits	71,431	53,614	48,835	22,294
Cash assets	76,123	55,886	50,655	23,900
b) Reconciliation of net profit (loss) after income tax expense to net cash flows provided by (used in) operating activities				
Net profit (loss) after income tax expense	(9,156)	15,083	41,789	(20,191)
Amortisation expense	29,699	31,778	–	–
Depreciation of non-current assets	877	1,169	427	522
Provision for write down on development assets held for sale, to realisable value	39,881	–	–	–
Provision for write down of non-current intercompany receivables	–	–	1,840	19,328
Restoration expense	670	365	–	–
Provision for employee entitlements	98	82	98	82
Provision for write down on amount owing by other entities	63	–	63	–
Net foreign currency losses (gains)	2,235	2,453	326	(2,964)
Write off of materials inventory	–	3,793	–	–
Increase (decrease) in net deferred tax liability	7,317	5,088	–	–
Changes in net assets and liabilities, net of effects from acquisition of controlled entities:				
Preference dividend receivable from a controlled entity	–	–	8,248	(2,864)
Profit on sale of non-core onshore UK assets	(2,847)	(22,670)	–	–
Sundry income (Claymore sale in associate)	(3,640)	–	–	–
Net loss (profit) on disposal of other non-current assets	3	(171)	(2)	–
Items classified as investing/financing activities:				
Exploration expenditure expensed	1,967	11,085	138	419
Exploration expenditure written-off	–	11,094	–	3,079
Development studies expensed	1,953	800	713	360
(Increase) decrease in assets:				
Current receivables	3,731	(7,834)	(302)	285
Other current assets	(957)	560	(37)	(121)
Increase (decrease) in liabilities:				
Current trade payables	2,924	3,593	(187)	240
Current accrued liabilities	(2,734)	(2,810)	(71)	30
Current provisions	1,247	2,424	–	–
Net cash provided by (used in) operating activities	73,331	55,882	53,043	(1,795)

c) Non-cash financing and investing activities

i) During the financial year, the consolidated entity acquired a 1.25% interest in the Kyle Oil and Gas Field from an associate company, effective 1 January 2001, in part satisfaction of a receivable with the associate company. This acquisition is not reflected in the statement of cash flows.

ii) On 29 May 2001, Roc Oil International Holdings Pty Limited acquired Elixir Corporation Pty Ltd. Part of the acquisition consideration was through the issue of 2,531,996 Roc Oil Company Limited fully paid ordinary shares to the vendors. This part of the acquisition consideration was not reflected in the statement of cash flows.

iii) During the prior financial year, the Company received shares, in a listed entity, with an aggregate fair value of $42,170 for no cash consideration. This resulted from an agreement for work undertaken in Yemen.

Notes to and forming part of the financial statements

Note 27. Notes to the Statement of Cash Flows *(continued)*

d) Controlled entities acquired

On 29 May 2001, Roc Oil International Holdings Pty Limited acquired 100% of the issued and outstanding shares in Elixir Corporation Pty Ltd. The acquisition was settled on 7 June 2001.

Details of the acquisition were as follows:

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000
Fair value of net assets of entity acquired		
Current assets		
Cash assets	92	–
Non-current assets		
Exploration expenditure	8,261	–
Property, plant and equipment	4	–
Current liabilities		
Trade payables	(16)	–
Other liabilities	(488)	–
Net assets acquired	7,853	–
Consideration		
Cash consideration	4,066	–
Ancillary acquisition costs	150	–
ROC fully paid ordinary shares issued to the vendors (refer Note 22)	3,637	–
Consideration	7,853	–
Outflow of cash to acquire entity, net of cash acquired		
Cash consideration	4,066	–
Less cash balances acquired	(92)	–
Ancillary acquisition costs	150	–
Outflow of cash	4,124	–

Note 27. Notes to the Statement of Cash Flows *(continued)*

e) Disposal of business

During the prior financial year, the consolidated entity sold its Welton Oil Field, including the Welton Gathering Centre, and various onshore exploration licences. Details of the disposal are as follows:

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000
Consideration		
Cash	–	57,010
Deferred settlement	2,869	5,246
Total	2,869	62,256
Book value of assets and liabilities disposed of		
Current assets		
Materials inventory	–	1,097
Non-current assets		
Development expenditure	–	25,611
Exploration expenditure	–	3,663
Property, plant and equipment	–	11,947
Non-current liabilities		
Restoration provision	–	(3,295)
Net assets disposed	–	39,023
Profit on sale before income tax expense	2,847	22,670
Transaction costs on sale	22	563
Consideration	2,869	62,256
Cash inflow from disposal		
Cash consideration	5,792	57,056
Income tax credit received (payable to UK tax authorities)	–	1,451
Transaction costs	(22)	(563)
Cash inflow	5,770	57,944

f) Financing facilities

Refer Note 17 for details of the loan facilities available to the consolidated entity.

g) Cash balance not available for use

ABN AMRO Bank NV short term deposit of US$300,000 (or $587,544) (2000: US$300,000 or $541,516). This deposit is held as security against a bank guarantee issued by ABN AMRO Bank NV to The Republic of Senegal. ABN AMRO Bank NV has issued an irrevocable bank guarantee to guarantee fulfilment by Roc Oil (Casamance) Company of its initial exploration period work program in accordance with the contract between Roc Oil (Casamance) Company and The Republic of Senegal.

Note 28. Directors' and Executives' Remuneration

	CONSOLIDATED 2001 $	CONSOLIDATED 2000 $	COMPANY 2001 $	COMPANY 2000 $
a) Directors' remuneration				
The Directors of the Company during the financial year were: Mr A J Love, Dr R J P Doran and Messrs W G Jephcott, R J Burgess, R Dobinson, S J Jansma Jr, A C Jolliffe and B C Hung (2000: Mr A J Love, Dr R J P Doran and Messrs W G Jephcott, R J Burgess, R Dobinson, S J Jansma Jr, A C Jolliffe and B C Hung).				
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the Company, directly or indirectly, by the Company or by any related party:			783,087	1,180,094
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party:	783,087	1,180,094		

The number of Directors of the Company whose total income falls within each successive $10,000 band of income:

	COMPANY 2001 Number	COMPANY 2000 Number
$30,000 – $39,999	4	4
$40,000 – $49,999	1	1
$50,000 – $59,999	1	–
$60,000 – $69,999	1	1
$440,000 – $449,999	–	1
$460,000 – $469,999	1	–
$470,000 – $479,999	–	1

b) Executives' remuneration

The income of executives who work wholly or mainly outside Australia is not included in this disclosure.

	CONSOLIDATED AND COMPANY 2001 $	CONSOLIDATED AND COMPANY 2000 $
Total income received, or due and receivable, from the parent entity, other entities within the consolidated entity and related entities by executive officers:	1,577,739	1,882,989

The number of executive officers whose total income falls within each successive $10,000 band of income (commencing at $100,000):

	CONSOLIDATED AND COMPANY 2001 Number	CONSOLIDATED AND COMPANY 2000 Number
$160,000 – $169,999	1	–
$190,000 – $199,999	1	1
$230,000 – $239,999	2	2
$280,000 – $289,999	1	1
$440,000 – $449,999	–	1
$460,000 – $469,999	1	–
$470,000 – $479,999	–	1

An executive officer is a person who is directly accountable and responsible to the Chief Executive Officer and/or Executive Committee for the strategic direction and operational management of the parent entity and includes persons on boards of controlled entities, and the Chief Executive Officer and Executive Director.

c) Superannuation and retirement payments

There was $Nil (2000: $Nil) retirement allowance paid to directors of the Company and controlled entities, being amounts that have been previously approved by the Company in a general meeting, during the financial year.

Note 29. Commitments for Expenditure

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
a) Capital expenditure commitments				
Contracts for expenditure and/or signed Authorities for Expenditure ('AFEs') in relation to assets which are not provided for in the financial statements:				
i) Plant and equipment				
Not longer than one year	525	105	–	–
	525	105	–	–
ii) Seismic acquisition				
Not longer than one year	4,241	343	–	–
	4,241	343	–	–
iii) Drilling				
Not longer than one year	533	–	–	–
	533	–	–	–
iv) Joint venture				
Not longer than one year	1,203	2,657	–	–
	1,203	2,657	–	–
	6,502	3,105	–	–
b) Operating lease rental commitments				
Non-cancellable operating lease rentals for UK sites, offices in Sydney and the UK, parking spaces in Sydney, motor vehicles in Sydney and plant and equipment, not provided for in the financial statements and payable:				
Not longer than one year	643	1,129	380	426
Longer than one year and not longer than five years	525	1,183	44	431
Longer than five years	756	450	–	–
	1,924	2,762	424	857
c) Other expenditure commitments				
Some entities within the consolidated entity have commitments for exploration expenditure arising from obligations to government, to perform minimum exploration work and expend minimum amounts of money on such work exploration licence areas. The commitments existing at balance date attributable to the consolidated entity, which are not provided for in the financial statements, are expected to fall due as follows:				
Not longer than one year	11,133	22,593	215	7,568
Longer than one year but not longer than five years	11,100	19,989	7,624	7,361
	22,233	42,582	7,839	14,929

Estimates for the future exploration expenditure commitment to government are based on estimated well and seismic costs, which will change as actual drilling locations and seismic surveys are organised, and are determined in current dollars on an undiscounted basis. The exploration obligation may vary significantly as a result of renegotiations with the relevant parties.

Note:
Where exploration expenditure included in this category relates to an existing contract for expenditure and/or signed AFEs as at 31 December 2001, the amount will be included in both categories (a) and (c) above.

Notes to and forming part of the financial statements

Note 29. Commitments for Expenditure *(continued)*

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
d) Finance lease rental commitments				
Finance leases cover motor vehicles in the UK, which are secured by the assets leased:				
Not longer than one year	4	19	–	–
Longer than one year but not longer than five years	–	4	–	–
Total commitments under finance leases	4	23	–	–
Future finance charges	–	(1)	–	–
	4	22	–	–
Represented by:				
Current lease liability (refer Note 17)	4	18	–	–
Non-current lease liability (refer Note 17)	–	4	–	–
	4	22	–	–

Note 30. Joint Ventures

The consolidated entity has an interest in the following joint venture operations:

a) 30% interest in the WA-286-P joint venture offshore Perth, Western Australia. The principal activity being oil exploration, including the drilling of an exploration well during December 2001. The operator of the joint venture is Roc Oil (WA) Pty Limited;

b) 46.25% interest in the Casamance Blocks I, II and III joint venture offshore southern Senegal. The principal activity being oil exploration and comprising regional geological review, reprocessing of a minimum 3,000 kilometres existing 2D seismic data and acquisition of 1,523 kilometres of new 2D seismic data. The operator of the joint venture is Roc Oil (Casamance) Company;

c) 60% interest in the Blocks H15 and H16 offshore Rio Muni joint venture Equatorial Guinea. The principal activity being oil exploration and comprising regional geological review, the acquisition of 1,402 sq kilometres of 3D seismic data, evaluation of all data related to the contract area and drilling of a well in the future. The technical manager of the joint venture is Roc Oil Company Limited;

d) 50% interest in the 97 PSC joint venture, the principal activity of which was oil exploration in the Gobi Desert, Mongolia. A small volume of test oil production produced during the financial year was wholly attributable to Roc Oil (Gobi) Pty Limited. The operator of the joint venture is Roc Oil (Gobi) Pty Limited;

e) 2.0% to 5.0% interests in various oil exploration joint ventures, offshore Mauritania, within Blocks 1-8; and

f) UK joint venture operations as at the end of the financial year as follows:

Joint Venture Operation/Area	Principal Activities	Interest 2001 %	Interest 2000 %
Humber/East Midlands Basin			
EXL251	Oil and gas exploration	97.5	97.5
EXL252	Oil and gas exploration	97.5	97.5
North Yorkshire			
PEDL002 (Eskdale)	Oil and gas exploration	5.0	5.0
UK North Sea			
P755 (Blk 30/22b)	Oil and gas exploration	12.0	10.0
P748 (Blk 29/2c) (Kyle)	Oil and gas development	12.5	11.25
P354 (Chestnut Oil Field)	Oil and gas development	14.875	29.75
P317 (Blk 20/2a) (Ettrick)	Oil and gas development	14.281	14.281
P273 (Blk 20/3a) (Ettrick)	Oil and gas development	4.167	4.167
P272 (Blk 20/7a) (Ettrick)	Oil and gas development	12.402	12.402
P219 (Blk 16/13a) (Enoch & J1)	Oil and gas development	15.0	15.0
P111 (Blk 30/3a) (Blane)	Oil and gas development	15.2446	15.2446

The consolidated entity's share of production from the relevant joint venture is detailed in the discussion and analysis of the financial statements as detailed on page 34.

Note 30. Joint Ventures *(continued)*

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
The following amounts represent the consolidated entity's interest in assets and liabilities employed in the above joint venture operations. The amounts are included in the financial statements under their respective categories:				
Current Assets				
Cash assets	1,935	113	–	–
Receivables	3,293	–	–	–
Development expenditure	32,133	–	–	–
Prepayments	–	262	–	–
Total Current Assets	37,361	375	–	–
Non-Current Assets				
Development expenditure	15,435	83,289	–	–
Exploration expenditure	44,428	12,465	19,059	9,585
Total Non-Current Assets	59,863	95,754	19,059	9,585
Total Assets	97,224	96,129	19,059	9,585
Current Liabilities				
Trade payables	2,822	1,713	327	126
Accrued liabilities	2,064	–	–	–
Total Current Liabilities	4,886	1,713	327	126
Non-Current Liabilities				
Provisions	4,251	5,614	–	–
Total Non-Current Liabilities	4,251	5,614	–	–
Total Liabilities	9,137	7,327	327	126
Net Assets	88,087	88,802	18,732	9,459

Note:

i) Exploration expenditure commitments in respect of joint venture operations are detailed in Note 29.

Note 31. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country where Business Carried On	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December 2001 %	Beneficial Interest in Ordinary Shares at 31 December 2000 %	Book Value of Ordinary Shares at 31 December 2001 $'000	Book Value of Ordinary Shares at 31 December 2000 $'000	Contribution to Consolidated Profit (Loss) 2001 $'000	Contribution to Consolidated Profit (Loss) 2000 $'000
Croft (UK) Limited	UK	Holding company	31 December	50	50	–	–	–	–
Croft Oil and Gas plc	UK	Holding company	31 December	50	50	–	–	–	–
Croft Exploration Limited	UK	Oil and gas exploration	31 December	50	50	–	–	–	–
Croft Onshore Oil Limited	UK	Dormant	31 December	50	50	–	–	–	–

Note:

a) There has been no movement in investments in associate companies during the financial year.

Notes to and forming part of the financial statements

Note 32. Superannuation Plans

During the financial year, the Company contributed to accumulation benefit funds administered by fund managers. The funds cover all Australian domiciled employees of the Company. Employee and employer contributions are based on a fixed percentage of cash salary. The current contribution is 8% (2000: 8%) of employee cash remuneration.

In the UK, Roc Oil (UK) Limited operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the consolidated entity in an independently administered fund. Roc Oil (UK) Limited contributes 10% (2000: 10%) of all staff salary to the scheme.

Note 33. Remuneration of Auditors

	CONSOLIDATED		COMPANY	
	2001 $	2000 $	2001 $	2000 $
a) Auditor of the parent entity				
Auditing the financial statements	61,000	59,000	57,000	54,000
Other services	30,500	27,500	30,500	27,500
	91,500	86,500	87,500	81,500
b) Other auditors				
Auditing the financial statements	100,167	187,002	–	–
Other services	16,144	73,193	832	–
	116,311	260,195	832	–
c) Related practice of the parent entity auditor				
Other services	–	–	–	–
	–	–	–	–

Note:

i) Remuneration of international associates of Deloitte Touche Tohmatsu Australia is included under 'Other auditors'.

Note 34. Non-Hedged Foreign Currency Balances

Australian dollar equivalent of foreign currency receivable or payable balances in the financial statements which are not effectively hedged are as follows:

	CONSOLIDATED		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
United States dollars				
Current assets				
Trade receivables	2,389	–	–	–
Non-current assets				
Trade receivables	378	–	–	–
Amount owing by controlled entities	–	–	392	–
Loan owing by other entities	409	361	409	361
Current liabilities				
Trade payables	517	–	–	191
Accrued liabilities	–	1,424	–	–
British pounds				
Current assets				
Trade receivables	4,236	–	–	–
Amount owing by controlled entities	–	–	2,666	–
Amount owing by associate	21	–	–	–
Non-current assets				
Amount owing by associate	–	1,971	–	–
Current liabilities				
Trade payables	–	–	56	–
Amount owing to associate	1,806	–	–	–
Deferred purchase consideration	–	168	–	–
Canadian dollars				
Current liabilities				
Trade payables	100	–	–	–

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Note 35. Contingent Liabilities				
Under the terms of a production sharing contract to which Roc Oil (Cabinda) Company is a party, a signature bonus of US$3.375 million is payable to the Angolan Government by the company upon agreement between the joint venture and the Government that it is appropriate to resume on-the-ground exploration activities in the production sharing contract area:	6,610	–	–	–
Under the terms of a production sharing agreement to which Roc Oil Company Limited is a party, a discovery bonus of US$1.5 million is payable to the Equatorial Guinea Government on declaration of a commercial discovery within the production sharing contract area:	2,938	–	2,938	–
Upon the first flow of oil at a rate in excess of 2,000 BOPD, or the declaration of a commercial gas discovery/commercial field, within acreage held by Elixir Corporation Pty Ltd at the time of acquisition of that company by Roc Oil International Holdings Limited, a discovery bonus will be payable to the vendors of Elixir Corporation Pty Ltd. The discovery bonus represents an amount of US$2.03 million and is payable as 50% cash and 50% as ROC fully paid ordinary shares, based on the value of ROC fully paid ordinary shares at the time the bonus is paid. The potential bonus has not been included in Note 27(d):	3,976	–	–	–
A controlled entity in the consolidated entity is party to a claim by a contractor to an unincorporated joint venture to which the entity is a party. The Directors believe that the claim can be successfully defended and therefore no losses will be incurred:	–	–	–	–

In accordance with normal oil and gas industry practice, the consolidated entity has entered into joint venture operations and farm-in agreements with other parties for the purpose of exploring and developing its licence interests. If a party to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the interest in the licence held by the defaulting party may be redistributed to the remaining joint venturers.

Note 36. Financial Instruments

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1.

Use of derivative financial instruments is subject to procedures and limits approved by the Board of Directors.

b) Foreign exchange risk

The consolidated entity's sales revenues are mainly denominated in United States dollars (oil and NGL sales) and British pounds (gas sales). The exposure of these revenues to fluctuations in $/US$ and $/£ exchange rates is mitigated to some extent by the natural currency hedges that exist due to the consolidated entity holding its external debt in United States dollars and the consolidated entity's operating costs for the UK business being incurred primarily in British pounds.

Hedging is undertaken against specific future commitments only. As at 31 December 2001 and 31 December 2000, the consolidated entity did not have any currency hedge instruments in place.

c) Commodity price risk

Oil price

As at 31 December 2001, future oil price hedging in place comprises 181,000 BBLS over the financial period from 1 January 2002 to 30 June 2002 at a Brent oil price of US$25.90 per barrel. Marking to market the hedges as at 31 December 2001 for disclosure purposes only, the aggregate amount of unrealised unrecognised gains under the future oil price hedges is $2,387,300. Contracts are settled monthly against the average price of the pricing month (in United States dollars).

As at 31 December 2000, oil price hedging comprised 383,000 BBLS over the financial period from 1 May 2001 to 31 December 2001 and had been hedged at a Brent oil price of U$24.54 per barrel. Contracts were settled monthly against the average price of the pricing month (in United States dollars).

Gas price

Future gas hedging in place as at 31 December 2001 comprises a gas price hedge covering 0.4 BCF (4.55 MMSCFD) of sales gas over the financial period from 1 January 2002 to 31 March 2002 at an average price of 25.05 pence per therm (equivalent to US$4.00/$7.83 per thousand cubic feet as at 31 December 2001 exchange rates). Marking to market the hedges as at 31 December 2001 for disclosure purposes only, the aggregate amount of unrealised unrecognised losses under the future gas price hedges is $147,100.

As at 31 December 2000, gas hedging comprised 1.7 BCF (4.55 MMSCFD) of sales gas over the whole of the 2001 financial year at an average price of 23.1 pence per therm (equivalent to US$3.75/$6.77 per thousand cubic feet as at 31 December 2000 exchange rates).

d) Interest rate risk

The consolidated entity's only material exposure to interest rate risk as at 31 December 2001 is cash ($4,692,147), short term deposits ($71,430,744) and a US$50,000,000 bank loan facility (drawn down to US$30,500,000) with a maturity of 31 July 2004 which attract on average a variable interest rate of 2.5%, 3.8% and 5.3% per annum respectively.

The consolidated entity's only material exposure to interest rate risk as at 31 December 2000 was cash ($2,271,891), short term deposits ($53,614,292) and a US$50,000,000 syndicated bank loan facility (drawn down to US$30,500,000) with a maturity of 31 July 2004 which attracted on average a variable interest rate of 5.2%, 5.7% and 7.9% per annum respectively.

The consolidated entity did not use any derivative financial instruments to hedge its syndicated bank loan facility.

e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

f) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in the financial statements.

Notes to and forming part of the financial statements

Note 37. Economic Dependency

There are in existence long term contracts for the processing of gas and NGLs in the UK through the Conoco gas processing terminal at Theddlethorpe and the sale of gas to Innogy plc (formerly Northern Electric & Gas Limited), but otherwise the Directors believe there is no economic dependency.

Note 38. Subsequent Events

Since the end of the financial year, the following material events have occurred:

- during early January 2002, Roc Oil (UK) Limited and Roc Oil (CEL) Limited entered into gas price hedging contracts covering 0.4 BCF (4.55 MMSCFD) of sales gas from the Saltfleetby Gas Field over the financial period from 1 April 2002 to 30 June 2002 at a price of 20.15 pence per therm;
- the Cliff Head-2 sidetrack appraisal well in WA-286-P, which began drilling on 31 December 2001, was plugged and abandoned on 4 January 2002. Interpretation of the log and data indicated the presence of a 28.5 metre gross vertical oil column. Future appraisal work is currently being evaluated;
- on 17 January 2002, Roc Oil (WA) Pty Limited exercised its option to acquire a 20% interest in TP/15 from AWE (Perth Basin) Pty Ltd by paying 40% of the cost of the next well to be drilled in that permit;
- ROC, through a wholly owned subsidiary, agreed to farm-in to Block 22/12 in the Beibu Gulf, offshore China. In consideration for acquiring the 25% interest, ROC will pay 25% of the costs of drilling an exploration well to test the 6-12 prospect. The well was successfully drilled to a depth of 1,755 metres on 10 March 2002, under a turnkey contract for an estimated dry hole cost of US$4.0 million. The well intersected a 13.5 metre gross vertical oil column, with a 9 metre net vertical oil pay, 80 metres down dip from the structural high point. Based on the well results, ROC plans to exercise its option to acquire a 25% interest in the permit by providing Bligh Oil and Minerals NL ('Bligh') with an amount in the order of US$750,000 which reflects a reimbursement of Bligh's pre-drill costs and prepayment of some of Bligh's future permit administration costs; and
- subsequent to the end of the financial year, Roc Oil (UK) Limited entered into agreements with third parties to sell its interests in two development assets: its 12.5% interest in the Kyle Oil and Gas Field and its 14.875% interest in the Chestnut Oil Field. The sales are effective 1 January 2002 and the consideration for the sales totals $33.0 million. As part of the review of the carrying value of development assets at 31 December 2001, the Directors decided to write down the carrying value of these two development assets to their net realisable value.

Note 39. Additional Company Information

a) Roc Oil Company Limited is a listed public company, incorporated and operating in Australia and overseas.

The registered office and principal place of business is:
Level 16, 100 William Street
Sydney NSW 2011
Australia.

b) The number of employees as at 31 December 2001 was 35 for Roc Oil Company Limited and 75 for the consolidated entity. The number of employees includes both full time employees and part time employees measured on a full time equivalent basis.

Shareholder Information

1 Ordinary Share Capital

As at 28 February 2002, the Company had on issue 108,526,056 fully paid ordinary shares held by 5,805 shareholders. All issued fully paid ordinary shares carry one vote per share.

2 Options

As at 28 February 2002, the Company had the following options on issue:

- 3,941,910 options under the Employee Share Option Plan held by 36 optionholders; and
- 7,698,830 options issued to shareholders under the Prospectus dated 21 June 1999 and held by 46 optionholders.

3 Distribution of Shareholdings as at 28 February 2002

Holding	Shareholders
1 – 1,000	1,879
1,001 – 5,000	2,453
5,001 – 10,000	800
10,001 – 100,000	584
Over 100,000	89
Total	5,805
Holding less than a marketable parcel	22

4 Substantial Shareholders as at 28 February 2002

The following shareholders have advised that they are a substantial shareholder:

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
Colonial Limited / Commonwealth Bank of Australia	7,399,560	6.82

5 Twenty Largest Shareholders as at 28 February 2002

Shareholder	Number Held	%	Rank
Citicorp Nominees Pty Limited	7,399,560	6.82	1
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	6,542,634	6.03	2
Westpac Custodian Nominees Limited	5,203,115	4.79	3
Citicorp Nominees Pty Limited (CFS W/Sale GBL Res Fund A/C)	4,926,058	4.54	4
Celtic Energy Pty Limited	4,632,710	4.27	5
National Nominees Limited	4,270,991	3.94	6
Queensland Investment Corporation	4,034,335	3.72	7
RBC Global Services Australia Nominees Pty Limited	3,363,835	3.10	8
AMP Life Limited	2,665,836	2.46	9
HE Sheikh Hamad Bin Jassim Bin Jabor Al-Thani	2,600,000	2.40	10
Mr Sidney John Jansma Jr	1,897,151	1.75	11
Gulf Canada Resources Ltd	1,454,140	1.34	12
Mr Maximillian Francesco de Vietri	1,440,897	1.33	13
Mr Sidney John Jansma III	1,136,735	1.05	14
J P Morgan Nominees Australia Limited	1,115,872	1.03	15
Mango Bay Enterprises Inc	950,000	0.88	16
ANZ Nominees Limited	914,820	0.84	17
F H Nominees Pty Ltd	861,948	0.79	18
Heritage Holding Co LLC	841,494	0.78	19
Merrill Lynch (Australia) Nominees Pty Ltd	801,000	0.74	20
Top 20 Total	57,053,131	52.60	

Statement and Consents Regarding Hydrocarbon Reserves Referred To in this Report

The evaluation of Roc Oil Company Limited's onshore United Kingdom hydrocarbon reserves for this Annual Report was performed by Broeig RDS Limited ("RDS"), an independent international energy consultancy based in Aberdeen, Scotland and is based on and accurately reflects information compiled by or under the supervision of Mr J Rapach of RDS. Mr Rapach is a Director of the Society of Petroleum Engineers in Aberdeen and has 21 years of petroleum engineering experience. He attended the University of Pittsburgh, graduating with a Bachelor of Science degree in Chemical Engineering (Magna Cum Laude) and a Master of Science degree in Petroleum Engineering. In his capacity as Principal Petroleum Engineer, he has managed reserves and field evaluations for RDS on behalf of clients in the North Sea, and for various international oil and gas assets.

RDS is accredited by the London Stock Exchange as having competent persons to perform independent valuations and has performed various evaluations for a number of clients throughout the world.

The evaluation of Roc Oil Company Limited's offshore United Kingdom (North Sea) hydrocarbon reserves for this Annual Report was performed by Adams Pearson Associates Inc. ("APA") and is based on and accurately reflects information compiled by or under the supervision of Mr Hank Baird. Mr Baird is a Petroleum Engineer employed by APA. He attended the University of Alberta and graduated with a Bachelor of Science Degree Geology (Honours 1973) and a Master of Science Degree Petroleum Engineering in 1978. Mr Baird is a registered Professional Engineer and Professional Geologist in the Province of Alberta, Canada. Mr Baird has in excess of 25 years' experience in petroleum engineering studies relating to Canadian and international oil and gas properties. APA has considerable experience in the valuation of both producing and undeveloped reserves.

Each of RDS and APA and Messrs J Rapach and H Baird have consented to the inclusion in this Annual Report of the hydrocarbon reserves evaluations based on the information compiled by them in the form and context in which they appear.

Glossary and Definitions

$	Australian dollar.
acre	Unit of land measurement. 1 sq km is equivalent to 247.105 acres.
ASX	Australian Stock Exchange Limited.
BBLS	Barrels, equivalent to 0.159 cubic metres.
BCF	One billion cubic feet, of natural gas.
Bligh	Bligh Oil and Minerals NL.
BOE	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalence at the time.
BOEPD	Barrel of oil equivalent per day.
BOPD	Barrel of oil per day inclusive of NGLs.
BCPD	Barrel of condensate per day.
C$	Canadian dollar.
CNOOC	China National Offshore Oil Corporation.
Dongsheng	Dongsheng Jinggong Petroleum Development Group Company Limited.
EBITDA	Earnings before interest, tax, depreciation and amortisation. Calculated as profit from ordinary activities before income tax expense, net interest expense, depreciation, amortisation and restoration expense.
EBITDAX	EBITDA adjusted for asset sales, write down of development assets, exploration expenditure expensed or written off.
EWT	Extended Well Test.
FPSO	Floating Production Storage and Offloading facility.
GST	Goods and Services Tax.
Gulfstream	Gulfstream Canada Resources Limited.
Innogy	Innogy plc (formerly Northern Electric & Gas Limited).
IPO	Initial Public Offering.
km	Kilometre.
m	Metre.
MCF	One thousand cubic feet of natural gas.
MM	Millions.
MMBO	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
MMSCFD	One million standard cubic feet of natural gas per day.
NGLs	Natural gas liquids.
pence	British pence (£0.01).
£	British pound.
Probable Reserves	Probable reserves are less certain than proved reserves and can be estimated with a degree of certainty sufficient to indicate they are more likely to be recovered than not. Note that probable reserves have not been risked.
Proved Reserves	Proved reserves can be estimated with reasonable certainty to be recoverable under current economic conditions. Current economic conditions include prices and costs prevailing at the time of the estimate. Proved reserves may be developed or undeveloped.
PSC	Production sharing contract.
therm	Calorific heating value of gas.
TVD	True vertical depth.
sq km	Square kilometre.
UK	United Kingdom.
Underlying Profit After Tax	Profit after income tax expense after excluding profit from asset sales, provision for write down of development assets and exploration expenditure expensed or written off.
US$	United States dollar.
2D	Two dimensional.
3D	Three dimensional.
2P	Proved and probable reserves.

Notes

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BOARD OF DIRECTORS
Mr Andrew J Love, Chairman
Mr William G Jephcott, Deputy Chairman
Dr R John P Doran, Chief Executive Officer and Director
Mr Richard J Burgess, Director
Mr Ross Dobinson, Director
Mr Sidney J Jansma Jr, Director
Mr Adam C Jolliffe, Director

ADVISORS TO THE BOARD
Ahmed E Seddiqi Al-Emadi
Dr A A Al-Quaiti
Mr Bob Bryson

COMPANY SECRETARY
Mr Robert Gerrard

EXECUTIVE COMMITTEE
Mr Edgar Baines, Managing Director (Roc Oil (UK) Limited)
Mr Bruce Clement, Chief Financial Officer
Dr R John P Doran, Chief Executive Officer and Director
Mr Robert Gerrard, General Counsel and Company Secretary
Dr Kevin Hird, General Manager - Business Development
Mr Wes Jamieson, General Manager - Exploration
Mr Neil Seage, Senior Reservoir Engineer
Mr Chris Way, General Manager - Operations

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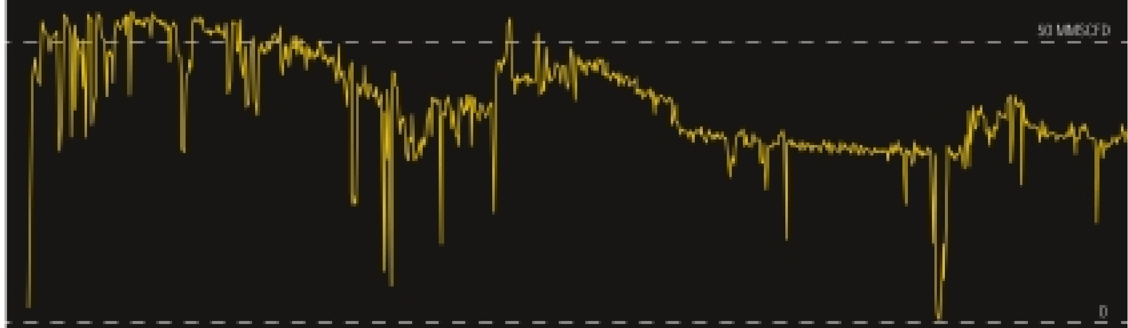

The graph represents the production history of Saltfleetby Gas Field, onshore UK, December 1999 - February 2002, showing relatively gentle decline.

SOME DISTANCE TRAVELLED, A LOT FURTHER TO GO…