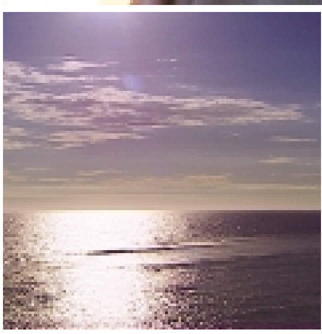
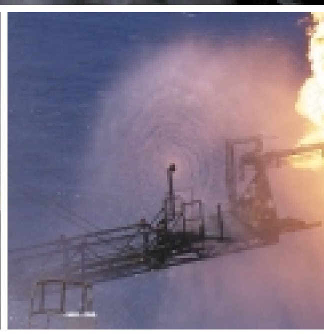
ROC OIL COMPANY LIMITED ANNUAL REPORT 2002 ABN 32 075 965 856





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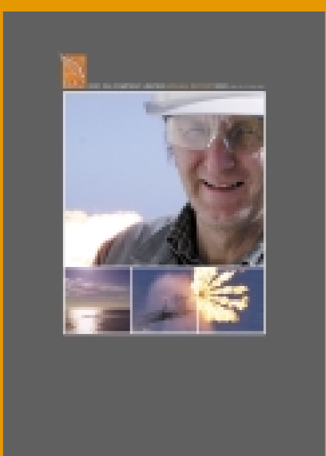


Front Cover

The front cover depicts the 14 month period from December 2001 to February 2003, during which the offshore Perth Basin made the journey from a region that was perceived by many as being poorly prospective for oil, to an area which flowed up to 3,000 BOPD, constrained by surface facilities. While equipment and technology and, to some extent, serendipity all played their part in the exploration and appraisal success story that is the Cliff Head Oil Field, the most vital role was played by the geoscientists and engineers who defined the prospect and delivered the result, confirming, once again, that a company's greatest asset is its people.

Annual General Meeting

11.00am, Thursday 1 May 2003
The Museum of Sydney
Cnr Phillip & Bridge Streets
Sydney NSW 2000

CORPORATE GOAL:

“to make a lot of money for all shareholders”

During a year characterised by volatile oil and gas prices and an uncertain investment environment, ROC remained focused on building a well balanced business. By the end of 2002, the Company was closer to achieving this goal than it had been 12 months earlier. During the two months subsequent to year-end, further progress was made when the CH-3-ch1 appraisal well, in the offshore Perth Basin, flowed oil at rates much higher than expected. That flow was a landmark event for the offshore Perth Basin and also for ROC.

The fact that the Cliff Head Oil Field is being considered as a strong candidate for commercial development just 14 months after being discovered, by ROC's first operated offshore well, highlights an important aspect of the Company's expertise: ROC's capacity to manage operations in diverse environments, ranging from deepwater offshore Equatorial Guinea to the Gobi Desert of Mongolia, is a valuable corporate asset, which provides it with access to opportunities that would otherwise be denied.

In today's stock market environment, many oil and gas companies can claim to be undervalued and ROC is no exception. ROC is not in the business of second guessing market vagaries. Instead, ROC will continue to run its business in the belief that market perceptions will come and go but a company that focuses on getting the industry fundamentals right will, sooner or later, create lasting value for shareholders.

An important element of ROC's strategy since its public listing in August 1999, has been the belief that going back to shareholders for more money to fund existing projects was not the preferred option. This strategy has been successful. At a time when the stock market is difficult, ROC has emerged into 2003 with three fields being considered for potential development and well placed to provide the necessary finance from the Company's existing funds and potential third party project finance.

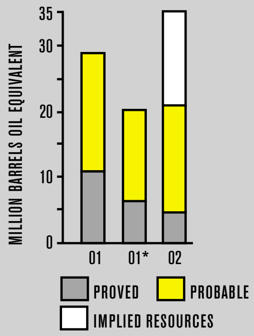
In a perfect world free of capital constraints, all of the Company's production would be retained and appropriate new exploration acreage would still be acquired. However, that is not the world in which ROC lives. In ROC's world, decisions have to be made which require long term judgement as to how future events will unfold. Our judgement has been to try to substantially increase shareholder value, in the medium to longer term, by strengthening ROC's financial position ahead of what has turned out to be a generally negative equity market for many oil and gas stocks. In order to achieve this, the Company has taken the, arguably, higher risk route of monetising peripheral and non-operated production, where ROC had less exposure to upside, and acquiring new exploration projects which offer much more leverage to success. If the current high oil prices become established as a new benchmark for the industry and ROC's recently acquired exploration projects are not developed commercially, this will prove to have been the wrong strategy. If oil prices revert to the levels of a year or more ago and ROC's recent discoveries come on to commercial production, the strategy will have been successful.

During 2003, ROC will face at least two big challenges. It will need to ensure that its fields in Australia, China and Mauritania are approved for commercial development so that real reserves can be added to the Company's reserve base which is currently far too slender. Secondly, ROC will need to identify one or more opportunities with the potential to dramatically alter the Company. ROC has to change from a company achieving fundamental industry-based success, to one which, while continuing to do the fundamental industry things correctly, will also make a lot of money for all ROC shareholders. Given the quality and energy of the workforce which has been forged at ROC during the past several years, there is every reason to believe both of these challenges will be successfully overcome during 2003.

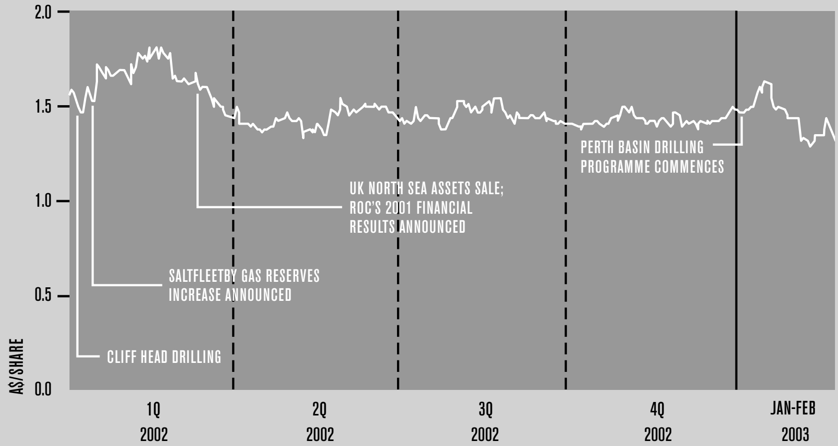
Andrew Love

Andrew Love
Chairman

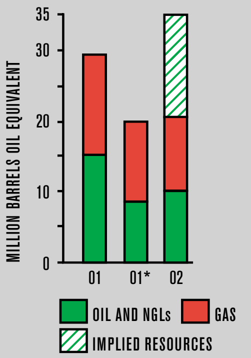
PROVED AND PROBABLE (2P) RESERVES



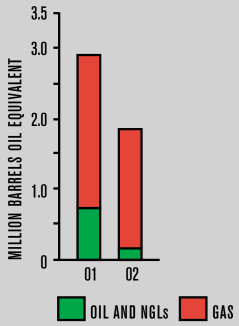
2002 SHARE PRICE



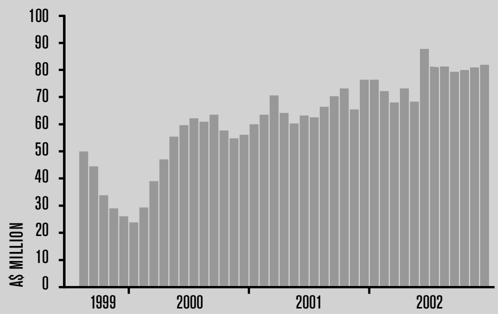
GAS v OIL 2P RESERVES



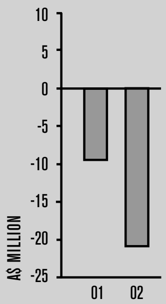
PRODUCTION



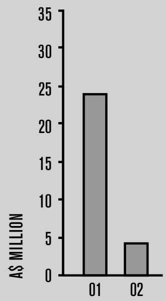
CASH ASSETS



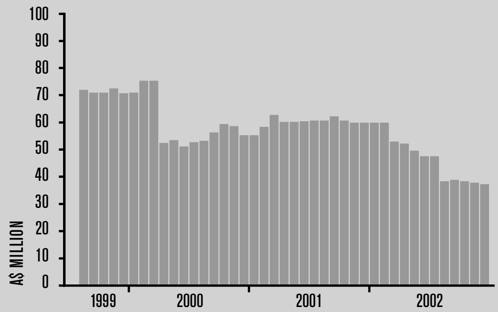
NET LOSS AFTER INCOME TAX EXPENSE



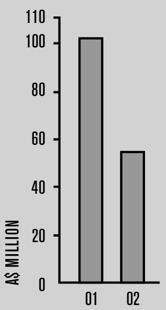
UNDERLYING PROFIT AFTER INCOME TAX EXPENSE



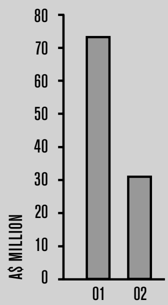
DEBT



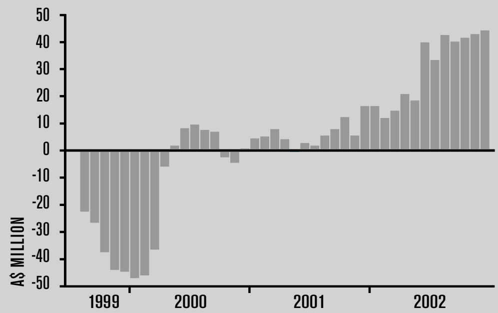
SALES REVENUE



CASH FLOW FROM OPERATING ACTIVITIES



NET CASH ASSETS



*Exclusive of non-core UK asset sales

It has never been easier for a company to distribute information to shareholders – and it has probably never been harder for a company to communicate clearly with shareholders. Investors are confronted with an ocean of data, the sheer mass of which can obscure key facts. Understandably, many investors have also developed a heightened cynicism towards corporate commentary so that they are quick to dismiss much of it as a self-serving, unreliable and misleading exercise in corporate cosmetics. In an attempt to avoid this problem, ROC has tried to confine its comments in this Annual Report to the most critical issues, eschewing superfluous editorial comment, so as to present to its shareholders a view of the Company which is clear, accurate and reliable.

The year under review was very busy. From a fundamental point of view, it was also successful. ROC's core revenue generating asset, the Saltfleetby Gas Field, continued to outperform expectations. Corporate debt was reduced to a record low. Cash reserves rose to a record year end high. New fields were discovered offshore China and Mauritania. Fields discovered in 2001, offshore Australia and Mauritania, were successfully appraised, either during 2002 or shortly after year end. The portfolio was expanded by a carefully judged entry into China and fine-tuned by the sale of underperforming peripheral assets in the UK North Sea and the Company's exit from exploration areas in Mongolia and Senegal. As a result, by early 2003 ROC was contemplating the potential development of oil fields offshore Australia, China and Mauritania, all of which had been discovered in the preceding 20 months. Importantly, ROC is able to view these potential developments from a position of relative financial strength which should, subject to the provision of normal industry project finance at the appropriate time, leave the Company well placed to participate in those developments without the need to raise either fresh capital from shareholders or to farm out.

Despite this fundamental corporate progress, ROC's share price remained essentially flat for most of the 14 month period under review. This means that the Company is yet to achieve its sole goal: to make a lot of money for all shareholders. Until this goal is achieved, it remains the focal point of all of the Company's efforts; everything else is secondary.

Dr John Doran
Chief Executive Officer

Technical/Operational

- The 100%-owned and operated Saltfleetby Gas Field, the revenue engine that drives the Company, continued to outperform expectations with 10.1 BCF of gas being produced during 2002. At the start of 2002, the field was producing 32 MMSCFD, compared to 33 MMSCFD at the beginning of 2001. At the end of 2002, production was about 30 MMSCFD, partly due to a successful, and very cost efficient, coiled tubing completion of Saltfleetby-5 in the main gas reservoir.

- An independent engineering review delivered a fourth consecutive annual increase in Saltfleetby's initial proved and probable recoverable reserves; up 2.1 BCF to 89 BCF. The remaining reserves of 50 BCF exceed the total reserves estimated prior to production start-up in December 1999, despite the production of 39 BCF during the intervening period.

- Proved and probable company-wide remaining reserves of 20.8 MMBOE at end-2002: down 8.9 MMBOE (30%) from end-2001, primarily due to the sale of undeveloped and producing oil reserves in the UK North Sea and production from the Saltfleetby Gas Field.

- Successful exploration and appraisal drilling undertaken offshore Australia, China and Mauritania offers the potential to add in excess of 15 MMBO (72%) to ROC's net proved and probable recoverable reserves inventory, subject to the relevant fields being declared commercial.

- ROC's first well in China resulted in a modest oil discovery in an area where there are four other fields. The subsequent acquisition of 3D seismic has led to the area being considered for commercial development with a decision expected during 2003.

- Two successful appraisal wells drilled on the Chinguetti Oil Field, offshore Mauritania, which was discovered in 2001 by ROC's first well in that country, have led to the field being considered for commercial development with a decision expected during 2003.

- Another, potentially commercial, oil and gas discovery was made offshore Mauritania at the Banda Prospect.

- Production of 5,054 BOEPD, down 2,883 BOEPD (36%), mainly due to the sale of the UK North Sea producing assets.

- Four new operatorships acquired: TP/15, WA-325-P, WA-327-P in the offshore Perth Basin and Block 22/12 in the Beibu Gulf, offshore China.

- As part of a collective Joint Venture rearrangement of equity in the northern offshore Perth Basin permits, WA-325-P and WA-327-P, a wholly owned subsidiary of US-based Apache Energy farmed in for 37.5% with ROC retaining 37.5% and operatorship.

- Exploration activities ceased in Mongolia and Senegal as part of a rebalancing of the portfolio to recognise successes achieved elsewhere, particularly offshore Australia, China and Mauritania.

- Subsequent to year end, CH-3-ch1, an appraisal well, in the offshore Perth Basin, flowed at rates up to 3,000 BOPD constrained by surface facilities. This is the first time that oil has flowed to surface in the offshore Perth Basin. The flow, which was much better than anticipated, augurs well for the potential commercial development of the Cliff Head Oil Field, with a decision expected during 2003.

Financial/Commercial

- Record year-end cash: $81.5 million, up $5.4 million (7%) over end-2001.

- Record low year-end bank debt, $37.1 million (US$21.0 million), $22.6 million (38%) less than equivalent end-2001 figure, providing ROC with a 20% debt:equity ratio. Debt further reduced to US$17.3 million in January 2003.

- Record year-end $44.4 million in net cash assets up $28.0 million (171%).

- $21.0 million net loss after tax, after including the after tax effects of non-core UK asset sales ($1.8 million), development asset write down ($5.1 million), exploration expenditure written off and expensed ($13.7 million) and a one-off non-cash adjustment to deferred income tax liability ($4.5 million). This result compares to a $9.2 million net loss after tax for 2001.

- $4.1 million underlying profit after income tax expense before including non-core UK asset sales, development asset write down, exploration expenditure written off and expensed and a one-off non-cash adjustment to deferred income tax liability; down $19.9 million (83%) on the comparable result for 2001.

- $30.0 million exploration expenditure, 10% less than the prior financial year.

- $24.7 million trading profit, down $23.6 million (49%) on 2001.

- $31.2 million cash flow from operating activities, down $42.1 million (58%) on 2001, equates to $0.29/share and a year-end price to cash flow ratio of 5.1.

- $54.0 million sales revenue, down $48.0 million (47%) on 2001, following the sale of the Company's 12.5% interest in the Kyle Oil and Gas Field and 16% less production from the Saltfleetby Gas Field, partly due to self imposed field shut-ins during periods of low prices.

- $12.5 million EBITDA, down $20.0 million (62%) on 2001.

- Share price $1.48 at end-2002 compared to $1.52 at end-2001.

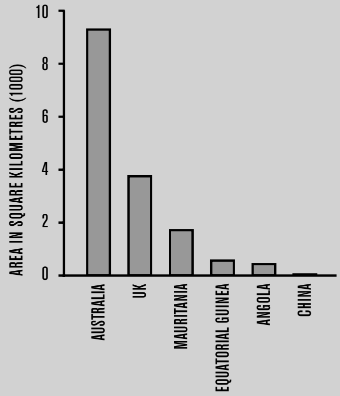
- Market capitalisation $160.6 million at end-2002, compared to $165.0 million at end-2001.

ROC regards portfolio management as a 'conveyor belt' process. At this early stage in the Company's life, established, or potential, oil and gas properties are constantly being acquired, maintained or divested, so as to ensure that ROC accesses a continuous stream of opportunities, running from new venture exploration through to production. This process is expected to lead to a stabilised portfolio which will reflect the improved quality of individual assets and also an optimum overall portfolio balance.

Since ROC became a publicly-listed company in August 1999, the most dramatic changes to its portfolio have been the acquisition of significant exploration acreage offshore Australia, China, Equatorial Guinea and Mauritania, the monetisation of oil producing properties and some undeveloped fields, in the UK, both onshore and in the North Sea, and the divestment of underperforming exploration areas in Morocco, Malta, Mongolia and Senegal. This process has seen a reduction in ROC's production and reserve base and an increase in the quality of its exploration acreage. With this change in portfolio composition comes much greater leverage to success.

ROC continues to be hopeful that the exploration success which the Company has enjoyed in several different countries during the last two years will prove to be a trend, rather than an aberration, and that the fields already discovered and successfully appraised will move towards commercial production. Although it is too early to be dogmatic, ROC is encouraged by the way in which its portfolio management strategy is working.

NET ACREAGE HOLDING



ROC'S WORKING INTERESTS

ONSHORE UK PERMIT SUMMARY - 31 December 2002

Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)
EXL 251		97.50	265.22	258.60
EXL 252		97.50	166.00	161.85
PEDL 002*		5.00	240.34	12.09
PEDL 003		100.00	171.20	171.20
PEDL 004		100.00	87.54	87.54
PEDL 005	Saltfleetby & Keddington	100.00	769.61	769.61
PEDL 028		100.00	400.00	400.00
PEDL 030		100.00	407.10	407.10
PEDL 031		100.00	353.29	353.29
PEDL 032		100.00	339.26	339.26
PEDL 033		100.00	490.00	490.00
PEDL 075		100.00	132.50	132.50
PEDL 076		100.00	66.36	66.36
Total			3,888.42	3,649.40

* PEDL 002 is a carried interest operated by Star Energy Limited.

UK NORTH SEA PERMIT SUMMARY - 31 December 2002

Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)	Operator
P240 (Blk 14/30a)		0.1055 ORRI[1]	71.60	N/A	
P240 (Blk 16/22)		0.5025 NPI[2]	217.99	N/A	
P317 (Blk 20/2a)	Ettrick Main	14.2810	73.00	10.43	Enterprise/Shell
P273 (Blk 20/3a)	Ettrick East Unitised Ettrick	4.1670 12.3080	73.00	3.04	EnCana
P272 (Blk 20/7a)		12.4020	20.00	2.48	EnCana
P111 (Blk 30/3a*)	Blane	15.2446	46.60	7.10	Enterprise/Shell
P219 (Blk 16/13a)	Enoch/J1	15.0000	65.20	9.78	Enterprise/Shell
P755 (Blk 30/22b)		12.0000	115.00	13.80	Kerr McGee
Total			392.80	46.63	

ORRI[1] Overriding Royalty Interest NPI[2] Net Profit Interest * Excludes pre-Tertiary sequences

1 **ONSHORE UK**
Exploration
Appraisal
Production
Development

2 **UK NORTH SEA**
Exploration
Appraisal
Development

3 **MAURITANIA**
Exploration
Appraisal

4 **SENEGAL***
Exploration

5 **EQUATORIAL GUINEA**
Exploration

6 **ANGOLA**
Exploration

7 **AUSTRALIA**
Exploration
Appraisal

8 **QATAR**
Representative office

9 **MONGOLIA***
Exploration

10 **CHINA**
Exploration
Appraisal

ROC'S WORKING INTERESTS

NON-UK ASSETS - 31 December 2002 *Relinguished during 2002

Country	Block	Gross Area (acres)	Gross Area (sq km)	ROC's % Interest	Agreement Type	Operator
AUSTRALIA	WA-286-P TP/15 WA-325-P WA-327-P	3,583,022 298,255 1,490,043 1,600,004	14,500 1,207 6,030 6,475	30.00 20.00 37.50 37.50	Exploration Permit Exploration Permit Exploration Permit Exploration Permit	ROC ROC ROC ROC
	Total	6,971,324	28,212			
EQUATORIAL GUINEA	H/15 and H/16	408,217	1,652	35.00	Production Sharing Contract	ROC (Technical Operator)
MAURITANIA	Area A - Block 3 and Shallow Blocks 4 and 5	2,519,235	10,195	2.70	Production Sharing Contract	Woodside
	Area B - Deepwater Blocks 4 and 5	2,639,081	10,680	2.40	Production Sharing Contract	Woodside
	Area C - Block 2	1,651,155	6,682	3.20	Production Sharing Contract	Woodside
	Area C - Block 6	1,459,649	5,907	5.00	Production Sharing Contract	Woodside
	Area D - Blocks 1, 7 and 8	8,516,968	34,467	2.00	Production Sharing Contract	Dana Petroleum
	Total	16,786,088	67,931			
ANGOLA	Onshore Cabinda South PSA	265,143	1,073	4500	Production Sharing Contract	ROC
CHINA	Beibu Gulf 22/12	112,679	456	40.00	Production Sharing Contract	ROC
Total		24,543,451	99,324			

Eight exploration and appraisal wells were drilled, five of which are judged to have been successful – where 'success' is defined as encountering measurable hydrocarbons which flowed, or would have flowed if tested, at potentially commercial rates.

The Company was also very active with regard to seismic surveys, acquiring 4,771 sq km of 3D seismic and 2,733 km of 2D seismic, most of which was operated by ROC.

By year end, ROC was actively involved in the potential development of newly discovered oil fields offshore Australia, China and Mauritania; in each case, a final decision with regard to commercial development is expected during 2003.

ROC'S 2002 SEISMIC ACQUISITION SUMMARY

	Country	Survey	ROC Acreage	Type	Environment	Date Start - Finish	km / sq km Acquired	ROC's Equity (%)	Operator
OFFSHORE	MAURITANIA	Ouadane	Areas A and B, Blocks 3, 4 and 5	3D	Offshore	22 Feb - 11 May '02	1,175.00	2.40 and 2.70	Woodside
		Coppolani	Area B, Block 5	3D	Offshore	11 Jul - 23 Jul '02	295.00	2.40	Woodside
		Koumbi Saleh	Area C2, Block 2	3D	Offshore	26 May - 10 Jul '02	1,064.00	3.20	Woodside
		Dana 2002 3D	Area D, Block 1	3D	Offshore	12 Oct - 16 Nov '02	1,342.00	2.00	Dana
						3D Total - Mauritania	3,876.00		
	CHINA	Beibu	Block 22/12	3D	Offshore	27 Jul - 3 Sep '02	460.00	25.00*	ROC
	AUSTRALIA	Jean	WA-286-P	2D	Offshore	29 Oct - 30 Oct '02	46.70	30.00	ROC
		Rita	WA-325-P	2D	Offshore	30 Oct - 16 Nov '02	2,106.00	37.50	ROC
		Cheryl	WA-327-P	2D	Offshore	16 Nov - 22 Nov '02	571.50	37.50	ROC
						2D Total - Australia	2,724.20		
ONSHORE	UK	Immingham	PEDL 005 and PEDL 032	3D	Onshore	19 Jan - 20 Feb '02	131.00	100.00	ROC
		Lincs Wolds	PEDL 005 and PEDL 033	3D	Onshore	25 Feb - 24 Apr '02	254.00	100.00	ROC
		Bempton	PEDL 030	3D	Onshore	17 May - 2 Jun '02	50.00	100.00	ROC
						3D Total - UK (3D)	435.00		
	UK	Old Hills	PEDL 003	2D	Onshore	6 Aug - 8 Aug '02	9.00	100.00	ROC

*At the time of the survey. Equity in this area is now 40.00%.

The successful completion of Saltfleetby-5 in the main Westphalian gas reservoir via coiled tubing, another 'first' for the Company, resulted in a 15% increase in gas production for very little incremental cost.

The drillship 'Deepwater Discovery' drilled the Chinguetti appraisal wells and the Banda discovery well during 2002.
Source:
Woodside Petroleum Ltd

3D seismic acquisition onshore UK involves close liaison with the local community.

ROC'S 2002 DRILLING SUMMARY

Country	Well Name	Field / Prospect	Environment	Well Type	Spud Date	Rig Release Date	Type	m MD	Result	ROC Equity Earning (%)	ROC Equity Paying (%)	Operator
MONGOLIA	Mogoi-1	Mogoi	Onshore	Exploration	17 Oct'01	18 Jul'02	Vertical	2,844.00	Dry, P & A	50.00	0	Dongsheng
AUSTRALIA	Cliff Head-2	Cliff Head	Offshore	Appraisal	31 Dec'01	3 Jan'02	Deviated	2,020.00	Oil, P & A	30.00	30.00	ROC
CHINA	Wei 6-12-1	6-12 (Weizhou)	Offshore	Exploration	1 Mar'02	14 Mar'02	Vertical	1,765.00	Oil, P & A	25.00*	25.00	Bligh Oil* and Minerals
MAURITANIA	Chinguetti 4-2	Chinguetti	Offshore	Exploration	30 Jul'02	9 Sep'02	Vertical	2,655.00	Oil, P & A	2.40	2.40	Woodside
MONGOLIA	East Tsagaan Els-1	East Tsagaan Els	Onshore	Exploration	17 Aug'02	15 Oct'02	Deviated	2,082.00	Dry, P & A	50.00	0	Dongsheng
MAURITANIA	Chinguetti 4-3	Banda	Offshore	Exploration	9 Sep'02	25 Sep'02	Vertical	2,609.00	Oil & Gas, P & A	2.70	2.70	Woodside
MAURITANIA	Chinguetti 4-4	Chinguetti	Offshore	Appraisal	26 Sep'02	14 Oct'02	Vertical	2,986.40	Oil, P & A	2.40	2.40	Woodside
MAURITANIA	Chinguetti 6-1	Thon	Offshore	Exploration	20 Oct'02	7 Nov'02	Vertical	3,294.00	Dry, P & A	5.00	3.75	Woodside

*At the time the well was drilled. Equity in this permit is now 40.00%, and ROC has acquired operatorship.

Cliff Head Oil Field, 30% and Operator: Perth Basin, offshore Western Australia

ROC is privileged to be one of the leading players in the northern part of the Perth Basin, offshore Western Australia, at a time when its potential is beginning to emerge after decades of disappointing drilling results.

In early January 2002, the Cliff Head-2 appraisal sidetrack well drilled a 36 metre gross oil column. The appraisal well had been drilled as an immediate follow-up to the discovery well, Cliff Head-1, which encountered five metres of net oil pay in late December 2001, thereby discovering the first oil field in the offshore Perth Basin. Coincidentally, Cliff Head-1 was ROC's first well in Australia and also the first offshore well that the Company had operated anywhere in the world.

In January 2003, CH-3-ch1, a twin sidetrack of the second appraisal well drilled in the Cliff Head Oil Field, flowed to surface at a stabilised rate up to 3,000 BOPD, constrained by surface facilities. The flow was achieved via a down hole electric submersible pump and it is believed that this is the first time that such a technique has been used successfully on an appraisal well, as opposed to a development well, offshore Australia. The flow rate, which was in excess of expectation, was from a near vertical well, although the potential field development currently being considered, will invoke horizontal drilling techniques which should provide even better flow rates.

Drilling in this part of the offshore Perth Basin is relatively straightforward and inexpensive, which augurs well for the potential commercial development of the field. However, that development is dependent upon the results of the various technical studies which are currently under way.
The encouragement which ROC received from the Cliff Head discovery, and first successful appraisal sidetrack well, caused the Company to acquire more acreage on broad regional trend to the north so that, as of December 2002, ROC was the predominant operator and equity holder in this part of the offshore Perth Basin with seven million contiguous operated acres under lease and equities in individual permits ranging from 20% to 37.5%.
If the Cliff Head Oil Field is approved for commercial development in mid-2003, then, in just 18 months, the offshore northern Perth Basin will have made the transition from pure exploration acreage to one of ROC's core development areas.

1999

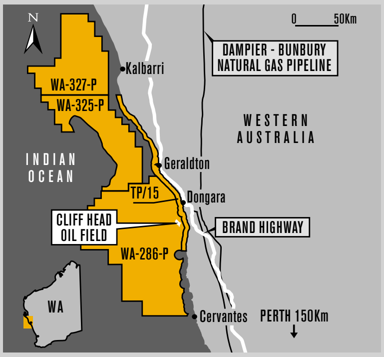
"The offshore Perth Basin does not have any commercial oil or gas production so the somewhat novel play concept being pursued by ROC and its co-venturers has the potential to radically alter the industry's perception of the area – if a discovery is made."
ANNUAL REPORT 1999

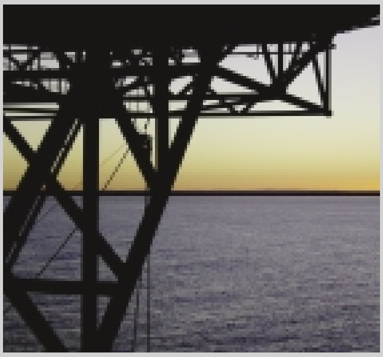
2000

"ROC is proceeding on the basis that the possibility of finding oil is real. ROC's opinion is based on the technical rationale that encourages the belief that an oil, rather than a gas, discovery is possible, despite the fact that, to date, the Perth Basin was seen to be predominantly gas-prone."
ANNUAL REPORT 2000

2001

"Cliff Head-1 to be sidetracked updip after drilling 5 m oil column."
ASX RELEASE 31 DECEMBER 2001





The Cliff Head Oil Field, in the northern part of the offshore Perth Basin, is relatively close to shore.

Seismic acquisition in and around the Cliff Head Oil Field, offshore Western Australia.

2002

"Cliff Head-2 being evaluated at Total Depth after drilling 28.5 m gross vertical oil column."*

ASX RELEASE 3 JANUARY 2002

** Subsequently revised to 36 metre.*

2003

"CH-3-ch1… has production tested at a stabilised rate, constrained by surface facilities, of 3,000 barrels of oil per day ('BOPD') via a 28/64 inch choke and a down hole electrical submersible pump ('ESP')."

ASX RELEASE 28 JANUARY 2003

Saltfleetby Gas Field, 100% and Operator: UK

ROC's UK portfolio falls into two categories: onshore and the North Sea.

Within the UK onshore lies the revenue engine which drives the Company: the Saltfleetby Gas Field. This asset has continually outperformed expectations since ROC brought it onto production in December 1999 when four wells initially produced more than 50 MMSCFD. More than three years later, five wells are producing almost 30 MMSCFD. In a little over three years since Saltfleetby came onto production, it has produced approximately 39 BCF. The 50 BCF of gas reserves that are yet to be produced represent a reserve which is almost 50% more than the total gas reserves estimated at the time the field was first reviewed by ROC in February 1999.

The growth in gas reserves at Saltfleetby is only one part of the story. The field is also a low cost operation which means that about 75% of sales revenue from Saltfleetby represents operating cash flow margin. With UK gas prices significantly higher than gas prices in Australia, this low cost-high return aspect of Saltfleetby provided ROC with a substantial financial benefit during 2002.

The challenge for ROC's onshore exploration effort in the UK is to find another Saltfleetby – or even a field one quarter or one half of that size. With this in mind, ROC acquired 435 sq km of 3D seismic during 2002 and, by the end of the year, that information had been processed and interpreted on a preliminary basis. As a result, ROC has identified two prospects in the South Humber Basin which merit drilling although, at this stage, neither would appear to be of a comparable size to Saltfleetby. However, the fiscal regime and production development economics onshore UK are such that the size of the two prospects identified by the Company offer ROC the potential for a substantial commercial return on its exploration investment – if the wells are successful.

UK NORTH SEA

In early 2002, ROC sold its 12.5% interest in the Kyle Oil and Gas Field, a 14.9% interest in the undeveloped Chestnut Oil Field and a 10.0% interest in a UK North Sea exploration permit for approximately $33 million. Whether or not this was a good and timely move will depend on medium and long term production at the Kyle Oil and Gas Field, future oil price trends and, surprisingly, what happens to ROC in China. This last point is particularly important. ROC's entry into China in early 2002 was via a near ground floor farm-in deal which involved only a modest amount of up front investment but the Company would not have made that move but for the expectation that it could strengthen its financial position by selling the UK North Sea production and development assets.

Following the divestment referred to above, ROC's UK North Sea asset base consists of several undeveloped fields, Enoch, Ettrick, Blane and J-1, together with exploration acreage which includes the Squirrel Prospect which is due to be drilled in 1Q03.

In the long term, ROC's strategy for the UK North Sea is to exit the region at an appropriate point in time, ideally when the inherent value of its exploration acreage and undeveloped fields has been crystallised.

1999

"ROC successfully completed the development of the 50 BCF Saltfleetby Gas Field in the Humber Basin. By year end, Saltfleetby was producing 50 MMSCFD plus condensate."
ANNUAL REPORT 1999

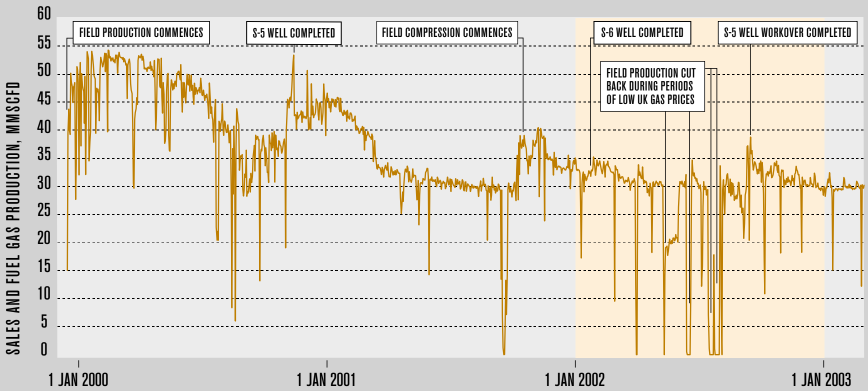
2000

"Strong corporate results were generated by drill bit success at Saltfleetby, better than expected production from that field, a very profitable sale of peripheral oil reserves, and tangible progress with regard to ROC's North Sea interests."
ANNUAL REPORT 2000

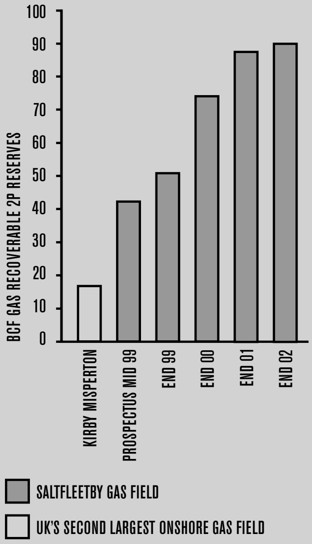
2001

"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."
ANNUAL REPORT 2001

SALTFLEETBY GAS FIELD PRODUCTION HISTORY



SALTFLEETBY FIELD'S PROVED AND PROBABLE (2P) INITIAL RECOVERABLE RESERVE GROWTH AND RELATIVE SIZE



2002

"The Saltfleetby Gas Field… continues to perform strongly. On 4 September 2002, the field produced its billionth cubic metre of gas, equivalent to 35.3 BCF. This translates into an average daily production rate of 35.5 MMSCFD since production started in December 1999."

ASX RELEASE 5 SEPTEMBER 2002

2003

"Total field production, from start-up in late-1999 to end-2002, approximates to 39 BCF, with remaining 2P gas reserves estimated to be 50 BCF, about 16% more than the initial 2P reserve figure calculated prior to field start-up."

ASX RELEASE 20 JANUARY 2003

Beibu Gulf, 40% and Operator: offshore China

ROC regards its 40% equity in, and operatorship of, Block 22/12, offshore China, as a potential entry point into a much bigger oil and gas arena. Whether or not events unfold in this direction, only time will tell. In the meantime, ROC is focused on the job in hand: exploring, appraising and, if appropriate, developing one or more of the five oil fields already identified within the block. Progress to date has been remarkably rapid.

Within six weeks of agreeing to farm-in to Block 22/12 in the Beibu Gulf, ROC had participated in a modest oil discovery. A little over a month later, ROC was formally approved as operator of the block by the relevant government authorities in China. Within seven months of ROC's entry into China, the Company had also acquired a 421 sq km 3D seismic survey and, by year-end, early-stage processing was underway and preliminary interpretation had commenced. The pace of these events offers a powerful counter-argument to the perception that doing business in China is always a slow process. This has certainly not been ROC's experience.

In many regards, Block 22/12 is similar to WA-286-P, which contains the Cliff Head Oil Field in the northern part of the offshore Perth Basin, Western Australia. Both areas are characterised by shallow water, reasonable proximity to shore, and oil which is somewhat viscous and waxy, although still clearly capable of flowing at commercial rates, particularly with horizontal drilling techniques. However, ROC's area in the Beibu Gulf has at least three positive elements which are presently absent from the Company's area in the northern Perth Basin: existing infrastructure, 3D seismic and five known oil accumulations.

ROC believes that the 3D seismic, which it acquired during 3Q02, represents one of two keys to the successful exploration, appraisal and development of Block 22/12. Although interpretation is not yet complete, preliminary results are considered to be encouraging, with a number of potential direct hydrocarbon indicators being identified. As stated elsewhere in this Annual Report, ROC regards the 3D seismic offshore China as a continuous technical journey which started in deepwater offshore Mauritania in 2000 and continued through deepwater Equatorial Guinea in 2001 prior to the techniques being applied to shallow waters offshore China in 2002.

The other key to developing one or more of the five fields within Block 22/12 is successfully concluding discussions with the relevant Government Authorities. It is too early to comment on these discussions, but ROC is optimistic that they will prove to be beneficial to both parties, for at least two reasons. Firstly, the Company has what it considers to be a good relationship with its Chinese counterparts. Secondly, there is a common agenda with both parties wanting to establish commercial oil production as soon as possible.

The speed with which ROC's activities have progressed in China augurs well for a future that, during the next 12 months, will be characterised by the drilling of between one and three exploration and appraisal wells which will, hopefully, lay the foundation for one or more field developments.

FEB 02

"While a dry hole will not have any profound impact upon its finances, a measure of drilling success in the Beibu Gulf will provide ROC with a strategic entry point into a huge and growing energy market that is yet to be fully accessed by smaller western oil companies".

ASX RELEASE 8 FEBRUARY 2002

MAR 02

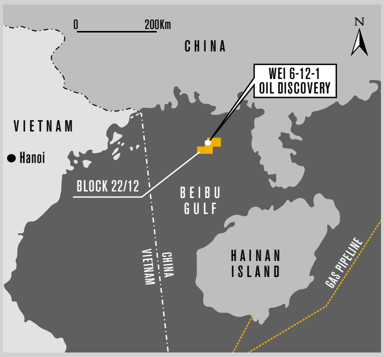
"ROC's first well in China has drilled a 13.5 metre gross oil column with a nine metre net oil pay, with excellent reservoir characteristics and good quality oil. An oil-water contact has not been encountered… the well… is located about 80 metres down dip from the structural high point".

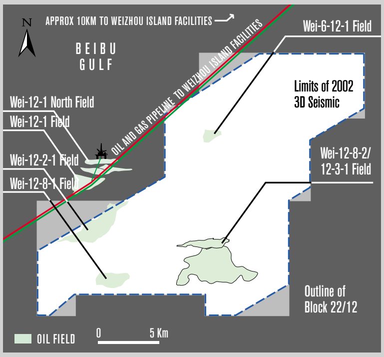
ASX RELEASE 12 MARCH 2002

APR 02

"China National Offshore Oil Corporation… approved the appointment of ROC's wholly-owned subsidiary… as operator of the Block 22/12 Petroleum Contract".

QUARTERLY REPORT TO ASX FOR 1Q02





Location of the oil accumulations in Block 22/12, offshore China.

Wei-6-12-1, ROC's first well in China, provided the Company with a modest oil discovery within six weeks of executing the Farm-in Agreement.

JUL 02

"Working within a very tight, self-imposed timeframe, the Block 22/12 Joint Venture and the relevant Government authorities in China have approved a 421 sq km 3D seismic survey… designed to provide modern 3D seismic coverage over virtually all of the permit area, including the five hydrocarbon accumulations which have previously been discovered".

ASX RELEASE 22 JULY 2002

SEP 02

"The 421 sq km 3D seismic survey… was completed on 3 September 2002… and is expected to provide the basis for the drilling of one or more wells during 2003".

ASX RELEASE

10 SEPTEMBER 2002

DEC 02

"… 3D seismic… quality is good to excellent. We continue to be hopeful that the high-tech seismic techniques we've used in deepwater offshore West Africa will help us to better define the subtle drill targets in our acreage offshore China. The seismic information is currently being interpreted with this degree of optimism… We continue to discuss with the relevant government authorities the concept of the fast track, low cost, collective development of one or more of the oil discoveries which are known to exist in the Block. So far those discussions have been very constructive".

ASX RELEASE 11 DECEMBER 2002

Chinguetti Oil Field, 2.4%: offshore Mauritania

At the moment, ROC's participation in exploration and appraisal activities in deepwater Mauritania is an anomaly within the Company's worldwide portfolio. At first glance, the Company's current equity position (2% to 5%) would seem to be too small to be material. There is, however, another view. During 2002, ROC's interests offshore Mauritania have been at an optimum level for a company of ROC's size, given that the deepwater exploration game offshore Africa is expensive and, typically, has a long lead time between discovery and first production.

In this context, it is worth noting that in the key area around the recently discovered Chinguetti and Banda fields, the joint largest equity holder, Woodside Petroleum Ltd, Australia's premier public-listed oil company, has a 35% interest, approximately 15 times larger than the interest held by ROC. However, in terms of market capitalisation, Woodside is more than 50 times larger than ROC. Therefore, it could be argued that, in a relative sense, Mauritania is more important to ROC than Woodside.

One of the ironies of deepwater Mauritania is that exploration and appraisal success has come quickly. Six wells, drilled within a 20 month period, resulted in two new, potentially commercial, discoveries, two successful appraisal wells, one sub-commercial gas discovery and only one dry hole. Results like these tend to obscure the fact that, prior to the first well in this series, the area could have been accurately described as a virgin/frontier/rank wildcat/high-risk region where one would normally expect early stage exploration drilling to result in many more dry holes than oil wells.

For ROC, the geological realities of offshore Mauritania are very simple. So far, only one Tertiary salt dome has been tested; that resulted in the discovery and successful appraisal of the Chinguetti Oil Field with reported proved and probable reserves estimates in excess of 100 MMBO. There are more than 15 other Tertiary salt features in the general area which are yet to be tested. Only one Tertiary channel play has been tested; that resulted in the Banda Oil and Gas Field with reported proved and probable recoverable reserves estimated to be in the order of 50 MMBO and one trillion cubic feet of gas. There are several other Tertiary channel plays in the general area, which are yet to be tested. This is why ROC believes that deepwater Mauritania is an emerging petroleum province with considerable upside potential.

As a result of its involvement in offshore Mauritania, ROC has also received an added side benefit: direct exposure to high-tech 3D seismic acquisition and processing techniques. In 2001, ROC applied these techniques to its deepwater exploration area in Equatorial Guinea and, in 2002, to its shallow water area offshore China. In both cases, the results are considered to be very encouraging.

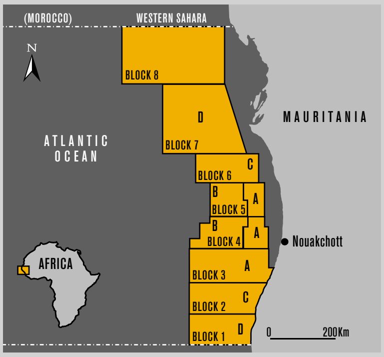
2000

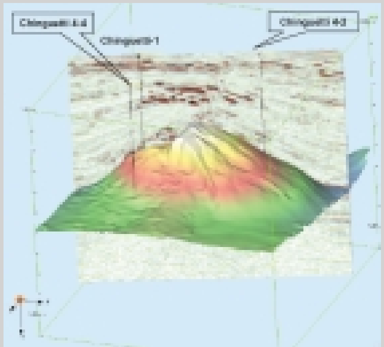
"ROC and all of the shareholders of the privately owned Elixir Corporation Pty Limited ('Elixir') have executed an Option Agreement… with regard to Elixir's exploration acreage offshore Mauritania… at a time of its own choosing during the next three years, ROC has the ability to gain a strategically significant entry into a very large area with an upside potential that could prove to be substantial".
ASX RELEASE 14 APRIL 2000

2001

"Chinguetti-1… encountered several oil bearing sandstones within an 86 metre gross hydrocarbon column".
ASX RELEASE 17 MAY 2001

"We couldn't expect to get a better result from the first modern well drilled in this region. It has been 27 years since the last and only well was drilled… and it was dry… but we will have to wait for more drilling results before being able to comment on the real commercial potential of the area".
ASX RELEASE 23 MAY 2001





The first Tertiary salt feature tested in deep water offshore Mauritania resulted in the discovery of the Chinguetti Oil Field. Within the general area of the field, there are more than 15 other Tertiary salt features yet to be tested.
Source:
Woodside Petroleum Ltd

Chinguetti 4-2 flows oil to the surface – a 'first' for Mauritania.
Source:
Woodside Petroleum Ltd

2002

"A production test of the Chinguetti-4-2 step out exploration well has been completed over the first of two zones within the primary reservoir interval. The oil rate was constrained by sand influx but a maximum rate of 1,560 BOPD and 650 MSCFD through a 30/64" inch choke was recorded".

ASX RELEASE 3 SEPTEMBER 2002

"Log interpretation indicates that the Chinguetti-4-3 exploration well at the Banda Prospect… has intersected a gross hydrocarbon interval of 133 metres, comprising a gross gas column of 110 metres and a gross oil column of 23 metres".

ASX RELEASE 23 SEPTEMBER 2002

"Preliminary evaluation of the wireline log data indicates that (Chinguetti-4-4) has intersected several oil bearing sandstones in the primary objective over a gross hydrocarbon interval of 113.5 metres".

ASX RELEASE 11 OCTOBER 2002

ANGOLA

Since 1998, ROC has been trying to acquire an interest in the South Cabinda Block onshore Angola. In late 2001, after one or two false starts, the Company finally acquired a 45% interest in, and designated operatorship of, the South Cabinda Block Production Sharing Contract ('PSC') from TotalFinaElf. Six months later, the 30 year civil war ended and Angola started the long road towards national reconciliation and rebuilding.

ROC is privileged to be involved with the Angolan oil industry at such a momentous time in the history of that country.

The South Cabinda Block, which has not been explored for 30 years, is considered to be very prospective because it represents the onshore expression of the Lower Congo Basin which is an established world-class petroleum province with four billion barrels of oil reserves identified immediately offshore, where more than 450,000 barrels of oil are produced each day.

In the event that the South Cabinda Block PSC is triggered, ROC and its co-venturers will immediately commence an intense exploration programme involving seismic acquisition and the drilling of several exploration wells.

EQUATORIAL GUINEA

ROC acquired its interest in the H/15 and H/16 Blocks (the 'H Blocks') in the deep water Rio Muni Basin, offshore Equatorial Guinea, in 2000. During 2001, the Company funded the entire cost of a 1,400 sq km 3D seismic survey, which covered all of the relevant areas within the Blocks. Much of 2002 was spent interpreting this seismic information. By the end of 2001 it was clear that there was no shortage of prospective features within the H Blocks. The use of high resolution 3D processing techniques has highlighted a number of seismic anomalies which could be indicative of stratigraphically entrapped hydrocarbons which, separately, or collectively, could contain substantial reserves.

During 2002, negotiations with the relevant government authorities in Equatorial Guinea resulted in the terms of the PSC being improved so that they are now believed to be in line with similar contracts in other parts of the country. As a consequence of this improvement in the terms, and consistent with ROC's announcement to ASX in April 2000 when it acquired its original interest in the H Blocks, the Company's relevant interest reduced from 60% to 35%, although there was no change in ROC's status as 'Technical Manager'.

Also, during 2002, very early stage preparatory work was undertaken with regard to an exploration well which ROC expects to commence drilling in the H Blocks during 2004.

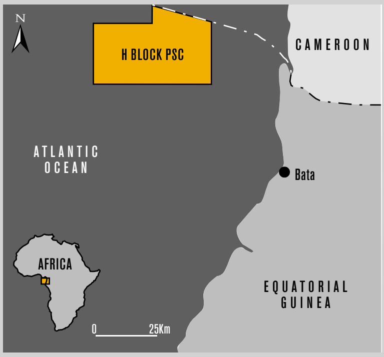
The perceived prospectivity of the H Blocks relates to the series of oil discoveries made by Amerada Hess and its co-venturers in and around the Ceiba Field, some 60 km to the south. This field was discovered in late 1999 and brought onto production 14 months later. This discovery, and those that followed it, has made the deep water Rio Muni Basin one of the two hottest new oil plays along Africa's Atlantic margin – the other one being deep water Mauritania where ROC is also represented.

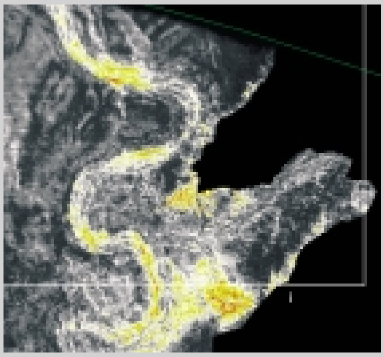
In the event that ROC achieves any degree of success in Equatorial Guinea, there will be many people who could claim responsibility and high on that list, would be Mr Antonio Vieira, ROC's Representative in Africa, who, for the last couple of years, has had day-to-day responsibility for ROC's activities in that part of the world.

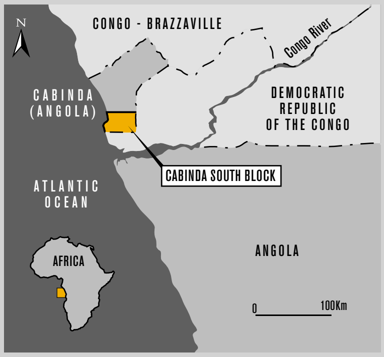
NEW VENTURES

The third aspect of ROC's 'other projects' is its traditional new venture effort which, during the year, resulted in the Company's first time entry into China, as detailed elsewhere in this Report.

As ROC's portfolio of projects evolved, the Company increasingly focused on those areas which it believes offer the most promise and chose to be very circumspect with regard to new ventures, particularly in areas beyond the Company's four core regions. The sole exception to this self-imposed constraint is that the Company remains receptive to new ventures, both of an asset and corporate nature, which offer the potential to radically transform the Company for the benefit of all ROC shareholders.







ROC's 3D seismic, offshore Equatorial Guinea is of sufficiently high resolution to allow the Company to map ancient river channels that lie below many hundreds of metres of water and more than 1,500 metres below the sea bed.

Non-executive Directors, Adam Jolliffe and Ross Dobinson, in discussion with ROC Chairman, Andrew Love.

Corporate governance cannot be measured by the number of pages of text in the relevant corporate manuals, nor by the frequency with which a company publicly extols the virtues of its corporate governance. The only real measurement of corporate governance is by reference to the way a company behaves; it is all about corporate attitude. ROC's attitude to corporate governance is not a hastily bolted together response to the prevailing investment climate but rather the Company's established code of conduct. For example:

- ROC's Directors and Advisors are culturally and geographically diverse internationalists with a wide range of relevant, collective expertise. Six of the seven Directors are non-executives. No Director holds more than one other directorship in a publicly listed company. Non-executive Directors do not accrue retirement benefits, although two of them received statutory 9% superannuation payments in relation to their respective annual Directors' fees of $35,000 and $45,000.

- ROC's non-executive Directors are truly independent. All of them are shareholders in the Company, but none of them are substantial shareholders. Neither are they customers of, or contractors to, ROC. Nor have any of the non-executive Directors held senior management positions with the Company.

- Non-executive Directors have full and unfettered direct access to senior management.

- At least once a year, in association with a Board meeting, the non-executive Directors hold a separate meeting without the Chief Executive Officer being present.

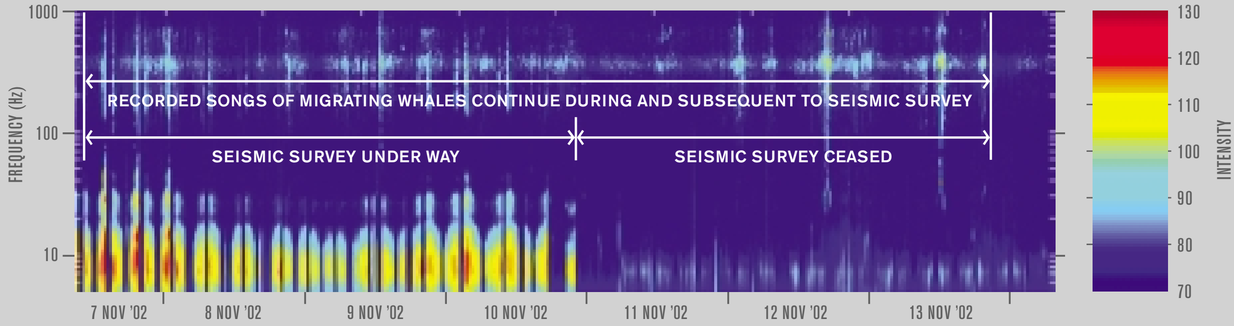
- The Audit Committee, which reports to the Board of Directors, has at least one meeting each year with the Company's external auditors without any of the senior management being present.

- The Company's external auditors do not have any other business relationship with the Company.

- Amongst other Committees which report directly to the Board of Directors, are the Finance and Risk Management Committee and the Occupational Health, Safety and Environment Committee, both of which are administered by senior managers other than the Chief Executive Officer.

- The Employee Share Option Plan ('ESOP') is distributed widely throughout the Company so that all long term employees, with the sole exception of the Chief Executive Officer, are participants in the ESOP. The exercise price of the options reflect the share price which prevailed at the time the options were issued. No employee has more than 800,000 options (less than 1% of the potential fully diluted issued ordinary shares of the Company), the majority of employees individually hold less than 150,000 options.

- During 2002, the Company issued more than 80 ASX releases. In the ASX releases which relate to its drilling activity, ROC refers to relevant technical details such as net pay thicknesses and/or net to gross percentages for wells it is drilling rather than just referring to gross pay intervals which can often be misleading. For similar reasons, ROC does not refer to gross oil columns unless moveable hydrocarbons have been identified. Neither does ROC classify a well as a 'success' unless measurable hydrocarbons have been found which flowed, or which would have flowed if tested, at potentially commercial rates.



Researching the relationship between Perth Basin seismic activity and migrating humpback whales, 7 – 14 November 2002.

Some observers may regard ROC's corporate goal – to make a lot of money for all shareholders – as being too blunt because it does not refer to the, so-called, 'softer issues' such as health, safety and environment. As far as ROC is concerned, a company that does not fully and properly discharge its responsibilities in terms of health, safety and the environment will never make a lot of money for all of its shareholders. All four elements, profitability, health, safety and the environment, are mutually dependent.

During 2002, ROC demonstrated its commitment to health, safety and environment in a number of diverse and very practical ways including:

- The operations in and around the Saltfleetby Gas Field, onshore UK, paid particular attention to the local environment. The aim is to establish the Saltfleetby Gas Field as a showcase example of how the activities of the petroleum industry can be undertaken within a rural setting with negligible disruption to the neighbourhood. In a related context, ROC was pleased to receive, during 2002, formal approval from the Northumberland County Council for the drilling of an exploration well near Hadrian's Wall, a sensitive World Heritage site in the north of England.
- During 2002, ROC conducted several seismic surveys offshore Western Australia which provided the opportunity to gather useful environmental information regarding the interaction between seismic operations and migrating humpback whales. The data collected provided valuable insights as to how whales react to the seismic surveys. Basically, the data, which have been passed on to the environmental community, indicate that there was no reaction. The 'song' of the whales was recorded during and after the seismic was acquired and the results clearly indicate that the whales continued to 'sing' regardless of whether or not any seismic was being acquired.
- When ROC came to exit from Mongolia at the end of 2002, it went to considerable lengths to ensure that the field operations were transferred to the Chinese oil company, Dongsheng Jinggong Petroleum Development Group Co. Limited. This was to ensure the continuing survival of the nearby town of Zuunbayan, as many of its inhabitants had come to depend upon ROC's operations in this remote part of the Gobi Desert.

"… its relatively small, global workforce of approximately 75 people represents 21 nationalities, fluent in 15 languages… "

ROC has interests in six countries: Angola, Australia, China, Equatorial Guinea, Mauritania and the United Kingdom. On this basis alone ROC could be regarded as an international oil company. However, ROC believes that there is a lot more to being an international oil company than simply holding an international portfolio of assets. For ROC, 'internationalism' is a state of corporate mind and an attitude that goes far beyond the geographic location of the Company's portfolio.

What really makes ROC an international oil company is that its relatively small, global workforce of approximately 75 people represents 21 nationalities, fluent in 15 languages and several tribal/regional dialects. With this international outlook, ROC is very comfortable dealing with a wide range of government authorities and different nationalities. The Company regards this ability as being one of its core corporate strengths.

FRENCH // FRANÇAIS

ROC possède des intérêts dans six pays différents : l'Angola, l'Australie, la Chine, la Guinée équatoriale, la Mauritanie et le Royaume-Uni. Sur cette base, ROC pourrait être considérée comme une compagnie pétrolière internationale. Cependant, ROC est convaincue que ce n'est pas uniquement le portefeuille d'actifs internationaux qui fait la compagnie pétrolière internationale. Pour ROC, « l'internationalisme » est un état d'esprit et un comportement d'entreprise qui vont bien au-delà de la situation géographique du portefeuille. Ce qui fait de ROC une véritable compagnie pétrolière internationale est sa taille, relativement réduite, ainsi que sa main d'œuvre, d'environ 75 personnes, représentant 21 différentes nationalités et parlant couramment 15 langues et plusieurs dialectes tribaux ou régionaux. Avec une telle perspective internationale, ROC a toutes compétences pour traiter avec des administrations et des services publics très variés ainsi qu'avec différentes nationalités, ce que la compagnie considère comme l'un de ses atouts majeurs.

MANDARIN // 普通话

ROC 在六个不同国家享有股权，即安哥拉、澳大利亚、中国、赤道几内亚、毛里塔尼亚和联合王国。基于此点，ROC 可视为一家国际性石油公司。但是，ROC 认为，成为国际性的石油公司，远非仅仅拥有国际性的资产组合就能办到。对于 ROC 来说，“国际主义”是一种公司心态，它远远超出了公司资产组合的地理疆界。ROC 之所以成为一家国际性石油公司，是因为其覆盖全球的劳动力相对较小，约 75 人，代表着21个国籍，能流利地讲 15 种语言，以及几种部落/地区方言。ROC 胸怀宽广的国际观，能极为自如地与很大范围内的政府权力机构和不同国籍的人打交道。本公司认为这是其核心公司优点之一。

SPANISH // ESPAÑOL

ROC tiene intereses en seis países distintos: Angola, Australia, China, Guinea Ecuatorial, Mauritania y el Reino Unido. En base a esto, ROC puede ser considerada una compañía petrolera internacional. Sin embargo, ROC considera que ser una compañía petrolera internacional es bastante más que poseer simplemente una cartera internacional de activos. Para ROC, "el internacionalismo" es un estado mental corporativo y una actitud que va más allá de la ubicación geográfica de los intereses de la Compañía. Lo que realmente convierte a ROC en una compañía petrolera internacional es el hecho de que su personal mundial, consistente en un número relativamente pequeño de aproximadamente 75 personas, representa a 21 nacionalidades que hablan con fluidez 15 idiomas y varios dialectos regionales y/o tribales. En este ambiente internacional ROC se encuentra muy a gusto tratando con una amplia gama de autoridades gubernamentales y diferentes nacionalidades, considerando a esta capacidad como una de sus características empresariales esenciales.

PORTUGESE // PORTUGUÊS

A ROC conta com participação de capital em seis países diferentes: Angola, Austrália, China, Guiné Equatorial, Mauritânia e Reino Unido. É nesta base que a ROC pode ser considerada uma companhia petrolífera internacional. Contudo, a ROC acredita que para se ser uma companhia petrolífera internacional, não basta apenas manter uma carteira de títulos activa, mas é necessário muito mais que isso. Para a ROC, "internacionalismo" é um estado de espírito empresarial e uma atitude que se encontra além da localização geográfica da carteira de títulos da Companhia. O que realmente faz da ROC uma companhia petrolífera internacional é o facto de ser composta por um pequeno grupo de aproximadamente 75 funcionários, espalhados por todo o mundo e representando 21 nacionalidades, fluentes em 15 línguas e vários dialectos tribais/regionais. Dentro desta conjuntura internacional, a ROC encontra-se numa posição muito privilegiada ao lidar com um leque variado de agências governamentais e várias nacionalidades, considerando a Companhia que esta capacidade é um dos seus principais pontos fortes no campo empresarial.

ARABIC // عربي

لدى ROC مصالح تجارية في ستة بلدان مختلفة وهي: أنغولا، أستراليا، الصين، غينيا الاستوائية، موريتانيا والمملكة المتحدة، واستناداً إلى ذلك يمكن اعتبار ROC شركة نفط عالمية. غير أنّ تعريف ROC لشركة النفط العالمية هو أكثر من مجرد امتلاك مجموعة أسهم وأملاك عالمية؛ فكلمة «العالمية» بالنسبة لـ ROC تمثّل مفهوماً ومنحى تفكير تجارياً أبعد بكثير من الموقع الجغرافي لما تملكه الشركة. وما يجعل ROC فعلاً شركة نفط عالمية هو أنّ قواها العاملة العالمية، الصغيرة نسبياً والتي يصل عدد أفرادها تقريباً إلى ٧٥ شخصاً، يمثّلون ٢١ جنسية، وهم قادرون على التحدث بطلاقة بخمس عشرة لغة وعدة لهجات قبلية وإقليمية. من هذا المنطلق العالمي فإنّ ROC تتعامل بشكل وافٍ تماماً مع مجموعة كبيرة من السلطات الحكومية والجنسيات المختلفة وتعتبر الشركة أن قدرتها هذه هي بمثابة إحدى قواها التجارية الأساسية.

Directors’ Report and the Annual Financial Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC'), a listed Australian public company, have pleasure in submitting the Directors' Report for the financial year ended 31 December 2002.

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), 49

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), 52

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 non-executive Chairman of Mobile Innovations Limited.

Dr R John P Doran *BSC, MSC, PHD, FAICD*
(Executive Director and Chief Executive Officer), 56

Dr Doran is Chief Executive Officer and a founder Director of ROC. He has more than 30 years' experience in international oil exploration and development characterised by direct involvement with several corporate expansions and/or commercial discoveries and developments in Western Europe, North and West Africa, the Middle East, South and East Asia, West Africa and Australia.

Mr Richard J Burgess *BSC*
(Non-Executive Director), 71

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), 50

Mr Dobinson has a corporate advisory and investment banking background. Since 1999, Mr Dobinson has been Managing Director of TSL Group 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), 59

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), 46

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.

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	Finance and Risk Management Committee	Occupational Health, Safety and Environment Committee	Continuous Disclosure Committee
Number of meetings held	11	3	1	3	1	2
Number of meetings attended						
Mr A J Love	11	3	1	3	N/A	N/A
Mr W G Jephcott	11	3	1	3	N/A	N/A
Dr R J P Doran	11	N/A	N/A	N/A	N/A	2
Mr R J Burgess	11	N/A	N/A	2	N/A	N/A
Mr R Dobinson(1)	11	2	N/A	N/A	1	N/A
Mr S J Jansma Jr(2)	11	N/A	N/A	2	1	N/A
Mr A C Jolliffe(3)	11	1	N/A	3	N/A	N/A

Notes:

(1) Mr Dobinson retired from the Audit Committee on 1 June 2002.

(2) Mr Jansma Jr was appointed to the Finance and Risk Management Committee on 1 June 2002.

(3) Mr Jolliffe was appointed to the Audit Committee on 1 June 2002.

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 $20,994,221 (2001: $9,155,655).

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 2002.

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 32 to 34.

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 Annual Financial Report.

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 2002.

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 been omitted from this Directors' 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	–	3,825	48,825
Mr R J Burgess	35,000	–	–	35,000
Mr R Dobinson	35,000	–	2,975	37,975
Mr S J Jansma Jr	35,000	–	–	35,000
Mr A C Jolliffe	35,000	–	–	35,000
Executive Director				
Dr R J P Doran	60,000 (1)	440,187	40,159	540,346

Note:

(1) These fees are paid by Roc Oil (UK) Limited, a controlled entity of the Company, for Dr Doran's position as Executive Chairman of that company.

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	4,518,295(3)	20,829
Mr R J Burgess	589,870(4)	25,150
Mr R Dobinson	752,092(5)	152,751
Mr S J Jansma Jr	3,875,380(6)	999,640
Mr A C Jolliffe	5,026,458(7)	716,891

Notes:

(1) 491,290 Tangarr Pty Ltd as trustee for Love Family Trust (Mr A J Love – director)
40,980 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) 4,362,045 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
4,898,598 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 Board members and senior executives 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 2002.

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	288,325	24,491	312,816
Dr K Hird	General Manager Business Development	249,513	21,186	270,699
Mr W Jamieson	General Manager Exploration	235,391	19,976	255,367
Mr C Way(2)	General Manager Operations	221,250	19,125	240,375
Mr N Seage	Senior Reservoir Engineer	214,509	18,211	232,720

Notes:

(1) Base remuneration includes base salary.

(2) Mr Way commenced employment with the Company on 1 April 2002.

(3) The terms 'director' and 'officer' have been treated as mutually exclusive for the purpose of this disclosure.

Mr C Way was granted 80,000 options under the Company's Employee Share Option Plan as part of his remuneration.

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 quantified) 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 or since the end of the financial year, an aggregate of 80,000 (2001: 766,000) options were issued to the Directors and five most highly remunerated officers of the Company:

	Number of Options Issued during Financial Year	Issuing Entity	Total Number of Options Held at Date of this Report
Officers			
Mr B Clement	–	ROC	800,000
Mr W Jamieson	–	ROC	350,000
Dr K Hird	–	ROC	216,000
Mr N Seage	–	ROC	230,000
Mr C Way	80,000	ROC	80,000

During or since the end of the financial year, the Company granted 1,129,100 options over unissued ordinary shares of ROC under the Employee Share Option Plan.

As at the date of this Directors' Report, there were 5,061,010 options (representing 4.66% of the issued fully paid ordinary shares of the Company) granted over unissued ordinary shares of ROC under the Employee Share Option Plan at the following exercise prices:

Options over Unissued Ordinary Shares *(continued)*

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	105,000	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	1,025,000	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
$1.45	90,000	29 May 2007
$1.39	394,500	29 July 2007
$1.41	405,000	4 September 2007
$1.41	30,000	23 October 2007
$1.43	30,000	4 December 2007
$1.42	129,100	24 December 2007
$1.51	50,500	29 January 2008

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

365,292 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 statements 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 management 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 A C Jolliffe.

The Committee has direct access to the Company's external 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, Mr S J Jansma 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

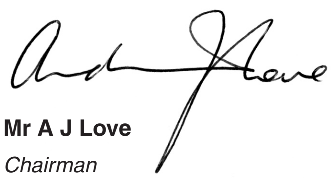
ROC has adopted a policy to ensure it maintains an equal employment opportunity environment and does not tolerate any discrimination or harassment in the workplace.

ASX Corporate Governance Council

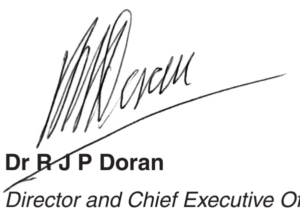
As at the date of this Directors' Report, the ASX Corporate Governance Council had not issued any best practice recommendations.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



Mr A J Love
Chairman



Dr R J P Doran
Director and Chief Executive Officer

Sydney, 14 March 2003

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 $21.0 million (compared with a net loss after income tax expense of $9.2 million for the prior financial year). The result included income tax expense of $15.8 million on a loss before tax of $5.2 million.

At 31 December 2002, the consolidated entity was in a sound financial position with net cash assets of $44.4 million after accounting for cash assets of $81.5 million and interest bearing liabilities of $37.1 million.

Sales revenue for the financial year was $54.0 million, with the majority received from gas and condensate sales from the Saltfleetby Gas Field. Sales revenue was down from $102.0 million in the prior financial year as a result of the sale of the consolidated entity's interest in the producing Kyle Oil and Gas Field, effective 1 January 2002, and lower gas production from the Saltfleetby Gas Field.

Total production for the financial year was 1.8 million BOE (5,054 BOEPD). Gas production from the Saltfleetby Gas Field was 10.1 BCF of gas or 27.8 MMSCFD, down 16% on the prior financial year production of 12.1 BCF (33.1 MMSCFD). The average price received for gas sales from Saltfleetby (including hedging) was $4.93 per MCF compared with $5.29 per MCF in the prior financial year. During the financial year, the contract sales price for Saltfleetby gas was renegotiated with Innogy and the new gas price agreed for the year from 1 October 2002 to 30 September 2003 represented an increase of approximately 50% on the existing contract gas. During 2002, approximately 36% of gas was sold under the contract, with the remainder sold to Innogy under spot and forward block contracts.

The Saltfleetby Gas Field proved and probable initial gas reserves were increased by 2.1 BCF based on the reserves assessment as at 31 December 2002 by Helix RDS Limited, the independent reserves expert. Gas production from the field remains strong during the first quarter of 2003, with production capacity at approximately 30 MMSCFD.

During the financial year, ROC received £8.6 million (approximately $22.7 million) cash from the sale of its 12.5% interest in the Kyle Oil and Gas Field and £3.0 million (approximately $8.0 million) from the sale of its 14.875% interest in the undeveloped Chestnut Oil Field. The sales were effective 1 January 2002.

ROC experienced significant exploration success during 2002, participating in oil discoveries offshore Western Australia, offshore Mauritania and offshore China.

In WA-286-P, in the Perth Basin, offshore Western Australia (ROC: 30% and operator), the Cliff Head-2 appraisal well was drilled via sidetrack from the Cliff Head-1 exploration well during early January 2002 and intersected a 28.5 metre gross vertical oil column, confirming the Cliff Head oil discovery. On 1 May 2002, ROC was appointed operator of the TP/15 joint venture, adjacent to WA-286-P offshore Western Australia. Subsequent to the financial year, during January 2003, the Cliff Head-3 appraisal well was drilled, intersecting a gross vertical oil column of 48 metres. The well was production tested at stabilised rates of up to 3,000 barrels of oil per day on a 28/64 inch choke, successfully demonstrating the productive capacity of the reservoir. A consortium of companies led by the consolidated entity was awarded two exploration blocks in the offshore Perth Basin, WA-325-P and WA-327-P, located immediately north of WA-286-P. After a subsequent farm-out to Apache Northwest Pty Ltd, the consolidated entity holds a 37.5% interest in and is the operator for both blocks. During the financial year, two 2D seismic surveys (2,106 km and 570 km) were acquired in the blocks.

During the financial year, ROC participated in the drilling of four exploration and appraisal wells offshore Mauritania, with interests of between 2.4% and 5% in the wells. Two successful appraisal wells were drilled on the Chinguetti Oil Field (ROC: 2.4%), confirming the northern flank of the field and the eastern extension of the field. The successful exploration well drilled on the Banda prospect (ROC: 2.7%) intersected a 133 metre gross hydrocarbon column, comprising a 110 metre gas column and a 23 metre oil column.

ROC agreed to farm-in to Block 22/12 in the Beibu Gulf, offshore China, during February 2002. For acquiring a 25% interest from Bligh Oil and Minerals NL (now Horizon NL), ROC paid 25% of the costs of drilling an exploration well to test the Wei 6-12 prospect. The well was successfully drilled to a depth of 1,755 metres on 10 March 2002, under a turnkey contract for a 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. During August 2002, ROC increased its equity in the block further, from 25% to 40%, through the acquisition of 10% and 5% interests from Bligh Oil and Minerals NL and Oil Australia Pty Ltd, respectively. A 421 sq km 3D seismic survey was acquired over the block during the second half of the financial year and, as at 31 December 2002, interpretation of the data was in progress.

In the UK, the consolidated entity completed the acquisition, processing and interpretation of 3D seismic surveys in the onshore Humber and Cleveland Basins during the financial year. The data acquired has been used as the basis for defining exploration prospects for a planned multi-well drilling programme in 2003.

In Equatorial Guinea, ROC's joint venture partner, Atlas Petroleum Ltd, was successful in negotiating with the Equatorial Guinea Government improvements to the terms of the production sharing contract for blocks H/15 and H/16 during 2002, which finalised ROC's equity in the blocks at 35%. ROC understands that the revised terms of the PSC are now broadly in line with the terms of PSCs covering other deepwater exploration blocks in Equatorial Guinea.

During the financial year, ROC decided to withdraw from its exploration interests in Senegal (ROC: 46.25%) and Mongolia (ROC: 50%). ROC was free carried through two exploration wells in Mongolia during 2002, neither of which resulted in commercial discoveries. As a result of its withdrawal from the two areas of interest, ROC wrote off capitalised exploration expenditures of $2.5 million for Senegal and $9.0 million for Mongolia.

Consolidated Statement of Financial Performance

The consolidated entity recorded a net loss after income tax expense of $21.0 million for the financial year, from a trading profit of $24.7 million, a loss before tax of $5.2 million and income tax expense of $15.8 million.

The trading profit of $24.7 million for 2002 was achieved from sales revenue of $54.0 million. Operating costs totalled $29.3 million for the financial year, comprising production costs of $12.3 million and amortisation and restoration expenses of $17.0 million.

A summary of the key items contributing to the result is provided as follows:

	2002 $ million	2001 $ million
Sales revenue	54.0	102.0
Trading profit	24.7	48.3
Sundry income	–	3.6
Net interest income/(expense)	0.2	(1.1)
Net foreign currency losses	(0.1)	(2.2)
Exploration expenditure expensed and written off	(13.8)	(0.7)
Provision for write down of development assets	(5.1)	(39.9)
Profit (loss) on sale of non-core UK assets	(0.4)	2.8
Other (including administration costs and other provisions)	(10.7)	(10.6)
Profit (Loss) Before Income Tax Expense	(5.2)	0.2
Income tax expense	(9.9)	(9.3)
Restatement of UK deferred income tax liability	(4.5)	–
Additional capital gains tax on non-core UK asset sales	(1.4)	–
Total Income Tax Expense	(15.8)	(9.3)
Net (Loss) After Income Tax Expense	(21.0)	(9.2)

Exploration expenditure written off during the financial year relates to Mongolia ($9.0 million) and Senegal ($2.5 million) where the consolidated entity has withdrawn from the acreage. Exploration expenditure expensed primarily related to expenditure incurred during 2002 on unsuccessful exploration wells drilled in Mauritania ($0.9 million) and the Perth Basin ($1.2 million).

The $5.1 million provision for write down of development assets relates to the consolidated entity's UK North Sea assets, where the Directors resolved to write down the asset carrying values to their recoverable amounts based on an offer to acquire these assets, received in 2002, which was not accepted by the consolidated entity. The Directors consider this to be the appropriate measure for the carrying value for the assets, given the delays experienced in appraisal and development of the fields following changes in ownership and operatorship of the assets in the second half of 2002. Importantly, the discounted cash flow valuations of the assets as at 31 December 2002, calculated by the independent reserves expert based on the proved and probable reserves for the fields, are in excess of the carrying values for each of the assets.

Income tax expense relates to income tax on UK operations. Whilst the trading profit generated in the UK is subject to UK income tax (existing 30% UK Corporation Tax plus the supplementary tax of 10% on UK oil company profits from 17 April 2002), the majority of other costs, provisions and write offs included in the statement of financial performance are not immediately tax deductible as they were incurred in, or relate to, jurisdictions other than the UK, where the consolidated entity has no income against which to offset the expenditure. As a result, the consolidated entity has incurred an income tax expense, despite recording a loss before income tax expense. In addition, following the increase in UK petroleum taxation during 2002, the consolidated entity's deferred income tax liability has been restated in accordance with Australian Accounting Standards, resulting in an additional charge to income tax expense of $4.5 million for 2002.

The loss after income tax expense of $21.0 million was impacted by a number of one-off items which were recorded during the financial year. Following is a calculation of an adjusted profit after income tax expense, after removing the effect of these one-off items.

	2002 $ million	2001 $ million
Net (Loss) After Income Tax Expense	(21.0)	(9.2)
Adjusted for after tax effect of:		
Exploration expenditure expensed and written off	13.7	0.6
Provision for write down of development assets	5.1	38.4
(Profit) loss on sale of non-core UK assets	1.8	(5.8)
Restatement of UK deferred income tax liability	4.5	–
Adjusted Profit After Income Tax Expense	4.1	24.0

Consolidated Statement of Financial Position

During the financial year, total assets decreased from $303.7 million to $270.9 million, total liabilities decreased from $101.1 million to $89.0 million and total equity decreased from $202.7 million to $181.9 million. In addition to the changes resulting from production operations, the major net changes in the statement of financial position resulted from development and exploration expenditure, part repayment of the US$ syndicated bank loan in the UK and the restatement of non-current tax liabilities.

Exploration expenditure of $30.0 million was incurred during the financial year, with major expenditure in the following areas of interest:

- the United Kingdom ($11.5 million), the consolidated entity completed the planned South Humber Basin 3D seismic acquisition programme, which had been delayed from 2001, and the Bempton 3D seismic survey in the Cleveland Basin;

- China ($6.0 million), the consolidated entity farmed in to Block 22/12 in the Beibu Gulf, offshore China to acquire a 40% interest in the block. An exploration well was drilled in and a 421 sq km 3D seismic survey acquired over the block;
- Mauritania ($5.0 million), primarily the consolidated entity's share of costs associated with the drilling of 4 exploration and appraisal wells and the acquisition of 2D and 3D seismic surveys;
- the Perth Basin offshore Western Australia ($3.9 million), the consolidated entity undertook drilling of the Cliff Head-2 appraisal well in WA-286-P, farmed into TP/15 and undertook preparatory work and planning for the 2003 multi-well drilling programme, and acquired 2D seismic in WA-325-P and WA-327-P;
- Equatorial Guinea ($1.8 million), the consolidated entity completed processing and interpretation of 3D seismic information;
- Mongolia ($1.4 million), the consolidated entity incurred costs in relation to ongoing field operations; and
- Senegal ($0.3 million), the consolidated entity completed processing and interpretation of the acquired 2D seismic data.

Additions to development expenditure of $4.5 million were incurred during the financial year in the UK. This expenditure primarily relates to development activities at the Saltfleetby Gas Field.

Interest bearing liabilities of $37.1 million as at 31 December 2002 relates to the US$ syndicated bank loan in the UK (US$21.0 million) which is secured against the UK assets.

The market capitalisation of the Company was $160.6 million as at 31 December 2002, based on the financial year end 2002 closing market price of $1.48 per fully paid ordinary share and 108,526,056 fully paid ordinary shares on issue.

Consolidated Statement of Cash Flows

Cash flow from operating activities was $31.2 million. The major cash flows from operating activities included gross receipts from the sale of oil, NGLs and gas in the UK of $65.8 million and payments to suppliers and employees of $28.2 million.

Cash assets increased by $5.4 million over the financial year and as at 31 December 2002 the consolidated entity held a cash and short term deposit balance of $81.5 million.

Together with $33.5 million received from the sale of the consolidated entity's non-core UK assets, the consolidated entity's cash flow was primarily used to fund exploration and development activities, servicing and repayment of interest bearing liabilities and increasing cash assets.

Net cash used in investing activities was $3.8 million. The major investments during the financial year were the payments for development expenditure ($7.4 million) and payments for exploration expenditure ($29.9 million). Also included in investing activities was $30.7 million received from the sale of ROC's interests in the Kyle Oil and Gas Field (12.5%) and undeveloped Chestnut Oil Field (14.875%) and $2.8 million received from Star Energy Limited with respect to the second bonus payment associated with the sale of non-core onshore UK assets during the 2000 financial year.

Net cash used in financing activities was represented by bank loan repayments of $17.6 million (US$9.5 million) during the financial year.

Financial Ratios

Basic earnings per share for the financial year were (19.3) cents, based on a weighted average number of fully paid ordinary shares on issue of 108,526,056.

Cash flow from operating activities for the financial year was $31.2 million, or 28.7 cents per share, down $42.1 million on the prior financial year.

The debt to equity ratio as at 31 December 2002 was 20%. Based on cash assets of $81.5 million and interest bearing liabilities of $37.1 million, the consolidated entity held net cash assets of $44.4 million as at 31 December 2002.

Hedging

Oil price

The consolidated entity's oil price hedging for the financial year consisted of 181,000 barrels of oil and hedged at an average Brent oil price of US$25.90 per barrel. The hedging contract was financially settled monthly and was closed out during early April 2002. Receipts under the hedge contract totalled $782,473 during the financial year.

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 and as spot and forward market sales into the UK domestic gas market.

The contract with Innogy fixes the contract price for the period to 30 September 2003 and provides the consolidated entity with a gas price hedge over that period. Approximately 36% 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 entered into gas price hedging contracts for the financial year for a total volume of 1.2 BCF of gas. The hedging contracts were financially settled monthly and receipts under the contracts totalled $1,838,177 during the financial year.

The consolidated entity has gas hedging in place at 31 December 2002 covering 1.2 BCF of 2003 gas sales from the Saltfleetby Gas Field. As at 31 December 2002, the mark-to-market unrealised, unrecognised gain of these hedges was $938,349.

Foreign exchange

The consolidated entity's foreign exchange hedging strategy is to hedge against specific future commitments and identified cash flow exposures.

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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 2002 as set out on pages 36 to 73. 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 and other mandatory professional reporting requirements in Australia 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 2002 and of their performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

J Duivenvoorde
Partner
Chartered Accountants

Sydney, 14 March 2003

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 (including sections 296 and 297 of that Act); 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 made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors:

Mr A J Love
Chairman

Dr R J P Doran
Director and Chief Executive Officer

Sydney, 14 March 2003

STATEMENT OF FINANCIAL PERFORMANCE

For the financial year ended 31 December 2002

		CONSOLIDATED		COMPANY	
	Note	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Revenue from Ordinary Activities					
Revenue from operating activities	2(a)	56,331	105,323	33,365	49,702
Revenue from non-operating activities	2(a)	33,080	6,527	–	7
		89,411	111,850	33,365	49,709
Expenses from ordinary activities	2(b)	(92,937)	(108,201)	(23,630)	(7,894)
Borrowing costs expensed	2(c)	(1,688)	(3,499)	(11)	(26)
(Loss) Profit from Ordinary Activities before Income Tax Expense		**(5,214)**	**150**	**9,724**	**41,789**
Income tax expense relating to ordinary activities	4	(15,780)	(9,306)	–	–
Net (Loss) Profit after Income Tax Expense		**(20,994)**	**(9,156)**	**9,724**	**41,789**
Increase in foreign currency translation reserve arising on translation of foreign self-sustaining controlled operations	23	238	10,748	–	–
Total Revenue and Expense Adjustments Attributable to Members of Roc Oil Company Limited and Recognised Directly in Equity		238	10,748	–	–
Total Changes in Equity other than Those Resulting from Transactions with Owners as Owners		**(20,756)**	**1,592**	**9,724**	**41,789**
Basic earnings per share (cents per share)	24	(19.3)	(8.5)		
Diluted earnings per share (cents per share)	24	(19.3)	(8.5)		

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2002

		CONSOLIDATED		COMPANY	
	Note	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Current Assets					
Cash assets	*27(a)*	81,538	76,123	50,978	50,655
Inventories	*5*	1,619	1,360	–	–
Receivables	*6*	11,476	17,136	197	3,645
Other financial assets	*7*	17	74	–	12
Other	*8*	2,676	33,531	130	246
Total Current Assets		97,326	128,224	51,305	54,558
Non-Current Assets					
Development expenditure	*9*	87,476	105,574	–	–
Exploration expenditure	*10*	83,513	66,946	–	19,059
Receivables	*11*	141	845	54,602	21,960
Other financial assets	*12*	295	–	103,187	102,892
Inventories	*5*	50	63	–	–
Property, plant and equipment	*14*	2,103	2,095	766	639
Deferred tax asset	*15*	–	–	–	–
Total Non-Current Assets		173,578	175,523	158,555	144,550
Total Assets		270,904	303,747	209,860	199,108
Current Liabilities					
Payables	*16*	13,284	17,851	1,983	1,119
Interest bearing liabilities	*17*	18,676	22,760	–	–
Current tax liabilities	*18*	6,082	3,907	–	–
Provisions	*19*	567	403	567	403
Total Current Liabilities		38,609	44,921	2,550	1,522
Non-Current Liabilities					
Interest bearing liabilities	*17*	18,447	36,979	–	–
Deferred tax liabilities	*20*	26,821	14,222	–	–
Provisions	*21*	5,131	4,973	–	–
Total Non-Current Liabilities		50,399	56,174	–	–
Total Liabilities		89,008	101,095	2,550	1,522
Net Assets		**181,896**	**202,652**	**207,310**	**197,586**
Equity					
Contributed equity	*22*	201,234	201,234	201,234	201,234
(Accumulated losses) retained profits	*3*	(40,144)	(19,150)	6,076	(3,648)
Reserves	*23*	20,806	20,568	–	–
Total Parent Entity Interest and Total Equity		**181,896**	**202,652**	**207,310**	**197,586**

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2002

	Note	CONSOLIDATED		COMPANY	
		Inflows (Outflows) 2002 $'000	Inflows (Outflows) 2001 $'000	Inflows (Outflows) 2002 $'000	Inflows (Outflows) 2001 $'000
Cash Flows from Operating Activities					
Receipts from customers		65,771	120,369	–	–
Payments to suppliers and employees		(28,189)	(34,726)	(5,854)	(4,862)
Tariffs and other receipts		261	61	–	–
Dividends received		–	–	32,177	56,655
Interest received		1,859	2,409	1,324	1,307
Interest paid (net of capitalised amounts)		(1,385)	(3,898)	–	–
Bank charges		(309)	(350)	(11)	(25)
Income taxes paid		(2,958)	(572)	–	–
Other taxes paid		(3,889)	(9,962)	(18)	(32)
Net cash provided by operating activities	*27(b)*	31,161	73,331	27,618	53,043
Cash Flows from Investing Activities					
Payment for plant and equipment		(859)	(1,165)	(502)	(416)
Payment for development expenditure		(7,406)	(19,378)	(4)	–
Payment for exploration expenditure		(29,860)	(25,315)	(734)	(12,774)
Recoupment of exploration expenditure		239	–	169	–
Payment for development studies		(384)	(1,921)	(384)	(681)
Payment for operated joint venture exploration expenditure		(2,850)	(2,792)	–	–
Reimbursement from operated joint venture operations		3,944	2,926	–	–
Amounts paid to associate company		(65)	(95)	–	–
Amounts received from associate company		607	5,309	–	–
Payment for the acquisition of controlled entities	*27(d)*	–	(4,124)	–	–
Payment for materials inventory		(415)	–	–	–
Proceeds from sale of development assets held for sale	*27(e)*	30,735	–	–	–
Proceeds on sale of current assets		99	–	–	–
Proceeds from sale of non-core onshore UK assets	*27(e)*	2,750	5,770	–	–
Proceeds from disposal of other non-current assets		–	18	–	3
Saltfleetby incremental reserves payment		–	(15,450)	–	–
(Payment) refund for security deposits on operating leases		(75)	67	(74)	67
Loan to other entities		(30)	(571)	(30)	(571)
Payment for listed and unlisted shares		(222)	(44)	(222)	–
Refund of deposit for dataroom access		–	135	–	–
Net cash used in investing activities		(3,792)	(56,630)	(1,781)	(14,372)
Cash Flows from Financing Activities					
Bank loan repayments		(17,614)	–	–	–
Other payments		–	(16)	–	–
Reimbursement of funds to controlled entities		–	–	11,161	6,309
Provision of funds to controlled entities		–	–	(33,055)	(19,808)
Net cash used in financing activities		(17,614)	(16)	(21,894)	(13,499)
Net Increase in Cash Held		9,755	16,685	3,943	25,172
Cash at Beginning of Financial Year		76,123	55,886	50,655	23,900
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,340)	3,552	(3,620)	1,583
Cash at End of Financial Year	*27(a)*	**81,538**	**76,123**	**50,978**	**50,655**

The accompanying notes form an integral part of these 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 is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, relevant 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 and gas price hedge contracts entered into by the consolidated entity to reduce future oil and gas 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 on a prospective basis.

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:

• 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 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 associate companies have been accounted for using the equity method in the consolidated 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, other financial assets, 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 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 the restoration of 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 joint venture operations, 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 are included in the statement of cash flows on a gross basis.

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

Note 2. Revenue, Expenses and Losses by Function

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

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	COMPANY 2002 $'000	COMPANY 2001 $'000
(a) Revenue from Ordinary Activities				
Revenue from operating activities				
Sales revenue – Oil	1,044	26,160	–	–
– NGLs	4,210	5,971	–	–
– Gas	48,766	68,619	–	–
– Mongolian test oil	–	1,262	–	–
	54,020	102,012	–	–
Other revenue	419	927	–	–
Interest income: controlled entities	–	–	301	13
Interest income: other entities	1,892	2,384	1,030	1,282
Dividends from controlled entities	–	–	32,034	48,407
Total revenue from operating activities	**56,331**	**105,323**	**33,365**	**49,702**
Revenue from non-operating activities				
Proceeds on sale of development assets held for sale (refer Note 2(e))	32,973	–	–	–
Proceeds on sale of current assets	107	–	–	–
Proceeds on sale of non-core onshore UK assets (refer Note 2(e))	–	2,869	–	–
Proceeds on disposal of other non-current assets	–	18	–	7
Sundry income (2001: Claymore sale in associate company, refer Note 2(e))	–	3,640	–	–
Total revenue from non-operating activities	**33,080**	**6,527**	**–**	**7**
Total revenue from ordinary activities	**89,411**	**111,850**	**33,365**	**49,709**
(b) Expenses				
Operating costs (Cost of sales)				
Production costs	12,273	22,127	–	–
Amortisation expense	16,757	29,699	–	–
Restoration expense	319	670	–	–
Mongolian test oil production costs (refer (i) below)	–	1,262	–	–
Total operating costs	29,349	53,758	–	–
Depreciation of non-current assets				
Plant and equipment	850	801	368	365
Leasehold improvements	7	62	7	62
Motor vehicles under finance lease	18	14	–	–
Total depreciation of non-current assets	875	877	375	427
Exploration expenditure written off				
Mongolia	8,967	–	–	–
Senegal	2,473	–	–	–
Total exploration expenditure written off	11,440	–	–	–

Note:

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

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
(b) Expenses *(continued)*				
Exploration expenditure expensed				
Mongolia	2	1,553	–	–
United Kingdom	124	276	–	–
Australia	1,180	–	–	–
Mauritania	879	–	–	–
Other	146	138	(168)	138
Transfer of test oil sales revenue to exploration expenditure expensed (refer (i) above)	–	(1,262)	–	–
Total exploration expenditure expensed	2,331	705	(168)	138
Operating lease rental expenses	674	722	527	515
Transfer to provision: employee entitlements	164	98	164	98
Provision for write down on development assets held for sale, to realisable value (refer Note 2(e))	–	39,881	–	–
Cost of development assets sold and associated transaction costs (refer Note 2(e))	33,328	–	–	–
Devaluation of development assets to recoverable amount (refer Note 2(e))	5,080	–	–	–
Provision for write down on loan owing by other entities	396	63	396	63
Provision for write down on shares in unlisted entity (2001: listed entity) to recoverable amount	147	30	147	30
Provision for write down of non-current intercompany receivables	–	–	13,716	1,840
Net foreign currency losses (refer Note 2(d))	85	2,235	3,602	340
General and administrative costs	9,068	9,832	4,871	4,443
Total Expenses from Ordinary Activities	**92,937**	**108,201**	**23,630**	**7,894**
(c) Borrowing Costs Expensed				
Interest expense – on bank loan	1,396	3,194	–	–
– on finance leases	–	1	–	–
Other borrowing costs	292	304	11	26
Total borrowing costs expensed	**1,688**	**3,499**	**11**	**26**
(d) Gains (Losses)				
Net foreign currency gains (losses)				
US$ syndicated bank loan in the UK	4,300	(1,496)	–	–
Other (including cash and short term deposits)	(4,385)	(739)	(3,602)	(340)
Total net foreign currency losses	**(85)**	**(2,235)**	**(3,602)**	**(340)**
Loss on sale of development assets held for sale (refer Note 2(e))	(355)	–	–	–
Profit on sale of non-core onshore UK assets (refer Note 2(e))	–	2,847	–	–
Net (loss) profit on disposal of other non-current assets	–	(3)	–	2
Net loss on sale of current assets	(133)	–	–	–
(e) Significant Items				
Sale of development assets held for sale (refer (i) below)				
Proceeds on sale	32,973	–	–	–
Cost of development assets sold	(32,133)	–	–	–
Associated transaction costs	(1,195)	–	–	–
Loss on sale of development assets held for sale	**(355)**	–	–	–

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
(e) Significant Items *(continued)*				
Sale of non-core onshore UK assets (refer (iii) below)				
Proceeds on sale	–	2,869	–	–
Cost of assets sold	–	–	–	–
Associated transaction costs	–	(22)	–	–
Profit on sale of non-core onshore UK assets	**–**	**2,847**	**–**	**–**
Provision for write down on development assets held for sale, to realisable value (refer (i) below)	–	(39,881)	–	–
Devaluation of development assets to recoverable amount (refer (ii) below)	(5,080)	–	–	–
Sundry income (2001: Claymore sale in associate company, refer (iv) below)	–	3,640	–	–

Notes:

(i) During the early part 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 were effective 1 January 2002 and the consideration for the sales totalled $32,973,280. 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 based on these sale agreements. Roc Oil (UK) Limited will receive a further £750,000 (approximately $2.1 million at 31 December 2002 exchange rates) production payment, subject to the further development of the Chestnut Oil Field, from the purchaser of its interest in that field. No part of the £750,000 production payment has been included in the statement of financial performance at this time, given it is contingent on the development of the Chestnut Oil Field.

(ii) Devaluation of UK North Sea development assets to recoverable amount as at 31 December 2002. Refer Note 9 for further details.

(iii) During the 2000 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 received a second cash bonus during the financial year in relation to the sale of the non-core onshore UK assets, as the average Brent oil price exceeded US$18.50 per barrel for the period from 1 March 2001 to 28 February 2002, and the Welton Oil Field achieved certain minimum production targets. An estimate of this second bonus of $2,847,288 (approximately £1.0 million) had been included in the statement of financial performance in the prior financial year.

(iv) During the prior financial year, Croft Exploration Limited, 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 in the prior financial year associated with the recognition of the write back of the provision for doubtful debt against the receivable from the Croft (UK) Limited group of companies as part of the 29 July 1999 acquisition of Morrison Middlefield Resources Limited by ROC.

(f) 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 increase consolidated amortisation expense in the financial year by $1,568,446 or $0.87 per BOE from the original estimate of $15,146,992 or $8.42 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 $9.08 per BOE (2001: $8.42 per BOE).

During the prior 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 prior 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 prior 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 prior financial year by $1,228,996 or $1.90 per BOE from the original estimate of $7,071,839 or $10.95 per BOE.

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 3. Accumulated Losses				
(Accumulated losses) at beginning of financial year	(19,150)	(9,994)	(3,648)	(45,437)
Net (loss) profit attributable to members of Roc Oil Company Limited	(20,994)	(9,156)	9,724	41,789
(Accumulated losses) retained profits at end of financial year	**(40,144)**	**(19,150)**	**6,076**	**(3,648)**
Note 4. Income Tax Expense				
The prima facie income tax (credit) expense on pre-tax accounting (loss) profit reconciles to income tax expense in the financial statements as follows:				
(Loss) profit from ordinary activities	(5,214)	150	9,724	41,789
Prima facie income tax (credit) expense calculated as 30% of (loss) profit from ordinary activities	(1,564)	45	2,917	12,537
Tax effect of permanent and other differences				
Non-deductible expenses	35	558	4,150	711
Non-deductible amortisation	758	1,414	–	–
Overseas tax rate differential	1,723	–	–	–
Sale of non-core onshore UK assets	–	(157)	–	–
Dividend income not assessable	–	–	(9,610)	(14,522)
Other non-assessable income	–	(1,092)	–	–
Capital gains tax on sale of UK North Sea assets	1,861	–	–	–
Provision for write down on development assets held for sale, to realisable value	2,002	10,405	–	–
Provision for income tax no longer required	(473)	–	–	–
Adjustment to deferred tax liability for tax rate change (UK supplementary tax)	4,456	–	–	–
Provision for deferred income tax no longer required	–	(2,967)	–	–
Other	288	(355)	75	–
Quarantined expenditure	3,474	345	(43)	135
Timing differences and tax losses not brought to account as a future income tax benefit (refer note (a))	3,220	1,110	2,511	1,139
Income tax expense relating to ordinary activities	**15,780**	**9,306**	**–**	**–**
Future income tax benefit not brought to account as assets:				
Quarantined expenditure	26,074	17,659	3,243	9,843
Tax losses – revenue	5,550	2,741	3,119	2,661
	31,624	**20,400**	**6,362**	**12,504**

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		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 5. Inventories				
(a) Current				
Materials inventory, at cost	1,484	966	–	–
Oil and gas stock, at cost	135	394	–	–
	1,619	**1,360**	**–**	**–**
(b) Non-current				
Materials inventory, at cost	50	63	–	–
	50	**63**	**–**	**–**
Note 6. Current Receivables				
Trade receivables	10,736	14,106	86	68
Amount owing by controlled entities	–	–	–	3,507
Security deposits	8	5	8	–
Interest receivables	59	9	29	9
Employee advances and advance to a Director (refer Note 26(a))	58	61	58	61
Amount owing by associate company	–	21	–	–
Other receivables (refer note (a))	615	2,934	16	–
	11,476	**17,136**	**197**	**3,645**
Note:				
(a) Other receivables in the prior financial year included $2,913,587 representing the additional bonus payment from the sale of non-core onshore UK assets that was received during March 2002.				
Note 7. Other Financial Assets				
Listed shares, at cost	–	46	–	–
Listed shares, at market value	–	12	–	12
Government bonds, at cost	17	16	–	–
	17	**74**	**–**	**12**
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	2,676	1,207	130	246
Plant and equipment not yet in use, at cost	–	191	–	–
	2,676	**33,531**	**130**	**246**

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 9. Development Expenditure				
Areas in which production has commenced				
Balance at beginning of financial year	111,429	142,303	–	–
Acquisitions	–	5,279	–	–
Expenditure incurred	3,098	19,061	–	–
Transfer to Other Current Assets (refer Note 8)	–	(63,180)	–	–
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	(726)	7,966	–	–
	113,801	111,429	–	–
Accumulated amortisation	(38,046)	(21,290)	–	–
	75,755	90,139	–	–
Areas in development stage				
Balance at beginning of financial year	15,435	33,228	–	–
Expenditure incurred	1,411	2,289	–	–
Transfer to Other Current Assets (refer Note 8)	–	(21,924)	–	–
Provision for write down to recoverable amount (refer note (a))	(5,080)	–	–	–
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	(45)	1,842	–	–
	11,721	15,435	–	–
Balance at end of financial year	**87,476**	**105,574**	**–**	**–**

Notes:

(a) A provision for a write down of $5,080,020 in the carrying value of ROC's UK North Sea development assets at 31 December 2002, to the recoverable amount of the assets, has been made by the Directors. The recoverable amount used represents an offer to acquire the assets, received by ROC during the financial year, which was not accepted by the Company. However, the Directors consider that the provision for write down to recoverable amount is appropriate, given the status of development activities on these assets as at 31 December 2002.

Following the acquisition of one of the joint venture partners, the operatorship of each joint venture was changed and, during the second half of the financial year, the new operator advised that it has no plans for progressing the development of the assets during 2003. Given the consequential delay in development activity on the assets, the Directors consider that the above recoverable amount is the appropriate measure for the carrying value for the assets.

(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 that Accounting Standard, the consolidated entity reverted to the cost basis of measurement. The Directors 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 in the prior financial year did not affect the carrying amount of capitalised development expenditure recorded in the financial statements.

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 10. Exploration Expenditure				
Deferred expenditure in exploration and evaluation stages				
Balance at beginning of financial year	66,946	34,260	19,059	9,585
Acquisitions	–	8,261	–	–
Expenditure incurred	27,692	23,242	–	10,874
Transfers to controlled entities	–	–	(19,059)	–
Recoupment	–	–	–	(1,400)
Expenditure written off	(11,440)	–	–	–
Net foreign exchange gains arising on translation of foreign self-sustaining controlled operations	315	1,183	–	–
Balance at end of financial year	**83,513**	**66,946**	**–**	**19,059**
Note 11. Non-Current Receivables				
Loan owing by other entities	452	472	452	472
Amount owing by controlled entities	–	–	96,410	49,710
Provision for write down to recoverable amount	(452)	(63)	(42,385)	(28,280)
	–	409	54,477	21,902
Other receivable	16	378	–	–
Security deposits (refer note (a))	125	58	125	58
	141	**845**	**54,602**	**21,960**
Note:				
(a) A security deposit has been lodged for the provision of operating lease rental space in Sydney.				
Note 12. Other Financial Assets				
Shares in unlisted controlled entities, at cost	–	–	102,892	102,892
Shares in an unlisted entity, at cost (refer note (a))	442	–	442	–
Provision for write down on shares in unlisted entity to recoverable amount	(147)	–	(147)	–
	295	**–**	**103,187**	**102,892**

Note:

(a) Shares held in Osprey Oil and Gas Limited represent 13% of the issued share capital of that company.

Note 13. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2002 %	Ownership and Voting Interest 2001 %
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	Australia	100	100
Roc Oil (Middle East) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Limited	Australia	100	100
Roc Oil International Holdings Pty Limited	Australia	100	100
Elixir Corporation Pty Ltd	Australia	100	100
Roc Oil Holdings (Cayman Islands) Company	Cayman Islands	100	100
Roc Oil (China) Company	Cayman Islands	100	100
Roc Oil (Cabinda) Company	Cayman Islands	100	100
Roc Oil (Mauritania) Company	Cayman Islands	100	100
Roc Oil (Casamance) Company	Cayman Islands	100	100
Roc Oil (Equatorial Guinea) Company(1)	Cayman Islands	100	–
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (UK) Limited	United Kingdom	100	100
Roc Oil (PPL) Limited	United Kingdom	100	100
Roc Oil (CEL) Limited	United Kingdom	100	100
Roc Oil (EMOG) Limited	United Kingdom	100	100
Roc Oil (BEL) Limited	United Kingdom	100	100
Roc Canada Inc.	Canada	100	100

Note:

(1) Controlled entity incorporated 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, Elixir Corporation Pty Ltd and Roc Oil (Cabinda) Company, 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.

Note 14. Property, Plant and Equipment

	CONSOLIDATED			
	Plant and Equipment $'000	Plant and Equipment under Finance Lease $'000	Leasehold Improvements $'000	Total $'000
Gross carrying amount				
Balance as at 31 December 2001	4,087	72	283	4,442
Additions	862	–	37	899
Disposals	(18)	–	–	(18)
Net foreign exchange (losses) gains arising on translation of foreign self-sustaining controlled operations	(41)	29	–	(12)
Balance as at 31 December 2002	4,890	101	320	5,311
Accumulated depreciation				
Balance as at 31 December 2001	(2,043)	(36)	(268)	(2,347)
Depreciation expense	(850)	(18)	(7)	(875)
Disposals	18	–	–	18
Net foreign exchange gains (losses) arising on translation of foreign self-sustaining controlled operations	14	(18)	–	(4)
Balance as at 31 December 2002	(2,861)	(72)	(275)	(3,208)
Net book value				
As at 31 December 2001	**2,044**	**36**	**15**	**2,095**
As at 31 December 2002	**2,029**	**29**	**45**	**2,103**

Note 14. Property, Plant and Equipment

	COMPANY		
	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
Gross carrying amount			
Balance as at 31 December 2001	1,852	283	2,135
Additions	465	37	502
Disposals	(18)	–	(18)
Balance as at 31 December 2002	2,299	320	2,619
Accumulated depreciation			
Balance as at 31 December 2001	(1,228)	(268)	(1,496)
Depreciation expense	(368)	(7)	(375)
Disposals	18	–	18
Balance as at 31 December 2002	(1,578)	(275)	(1,853)
Net book value			
As at 31 December 2001	**624**	**15**	**639**
As at 31 December 2002	**721**	**45**	**766**

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 15. Deferred Tax Asset				
Future income tax benefit				
Tax losses – revenue	235	–	–	–
Timing differences (refer note (a))	(235)	–	–	–
	–	**–**	**–**	**–**
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.				
Note 16. Current Payables				
Trade payables	6,563	11,755	427	510
Accrued liabilities	4,295	4,290	325	609
Amount owing to associate company	2,426	1,806	–	–
Amount owing to controlled entities	–	–	1,231	–
	13,284	**17,851**	**1,983**	**1,119**
Note 17. Interest Bearing Liabilities				
(a) Current				
Bank loan (refer (i) below)	18,676	22,756	–	–
Finance lease liabilities (refer (ii) below)	–	4	–	–
	18,676	**22,760**	**–**	**–**
(b) Non-current				
Bank loan (refer (i) below)	18,447	36,979	–	–
	18,447	**36,979**	**–**	**–**

Details of facilities

(i) Bank loan

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

Final Maturity	Currency	Amount US$'000	Amount Drawn as at 31 December 2002 US$'000
31 July 2004	United States dollars	40,000 (2001: 50,000)	21,020 (2001: 30,500)

The syndicated bank loan bears interest at the relevant interbank reference rate plus 1.15%. The syndicated bank loan drawn as at 31 December 2002 and 31 December 2001 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 liabilities

Finance leases covered motor vehicles in the United Kingdom, which were secured by the assets leased.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	COMPANY 2002 $'000	COMPANY 2001 $'000
Note 18. Current Tax Liabilities				
Income tax payable	6,082	3,907	–	–
	6,082	**3,907**	**–**	**–**
Note 19. Current Provisions				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements	567	403	567	403
	567	**403**	**567**	**403**
Note 20. Deferred Tax Liabilities				
Deferred income tax	26,821	14,222	–	–
	26,821	**14,222**	–	–
Note 21. Non-Current Provisions				
Restoration	5,131	4,973	–	–
	5,131	**4,973**	**–**	**–**
Note 22. Contributed Equity				
108,526,056 fully paid ordinary shares	**201,234**	**201,234**	**201,234**	**201,234**

	2002 Number of Shares	2001 Number of Shares	2002 $'000	2001 $'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	108,526,056	105,994,060	201,234	197,597
Shares issued	–	2,531,996	–	3,637
	108,526,056	108,526,056	201,234	201,234
Share issue costs	–	–	–	–
Balance at end of financial year	**108,526,056**	**108,526,056**	**201,234**	**201,234**

All issued fully paid ordinary shares carry one vote per share and carry the right to dividends.

The market price of the Company's fully paid ordinary shares as at 31 December 2002 was $1.48 (2001: $1.52).

(a) Shares issued during the financial year

During the financial year, the Company issued Nil (2001: 2,531,996) fully paid ordinary shares. Shares issued during the prior financial year were used as part of the consideration for the Elixir Corporation Pty Ltd acquisition (refer Note 27(d)).

(b) Employee Share Option Plan

During the financial year, the Company issued a total 1,078,600 options over unissued ordinary shares to staff (90,000 exercisable at $1.45 per share; 394,500 exercisable at $1.39 per share; 405,000 exercisable at $1.41 per share; 30,000 exercisable at $1.41 per share; 30,000 exercisable at $1.43 per share; and 129,100 exercisable at $1.42 per share) under the Employee Share Option Plan.

During the prior 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.

Note 22. Contributed Equity *(continued)*

(b) Employee Share Option Plan *(continued)*

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. As at 31 December 2002, there was a total of 5,010,510 options over unissued ordinary shares issued under the Employee Share Option Plan.

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 (2001: 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

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 23. Reserves				
Foreign currency translation				
Balance at beginning of financial year	20,568	9,820	–	–
Translation of foreign self-sustaining controlled operations	238	10,748	–	–
Balance at end of financial year	**20,806**	**20,568**	**–**	**–**

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	
	2002	2001
Note 24. Earnings Per Share		
Basic earnings per share (cents per share)	(19.3)	(8.5)
Diluted earnings per share (cents per share)	(19.3)	(8.5)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	108,526,056	107,430,014
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	refer note (a)	refer note (a)

Note:

(a) There are 2,770,600 options that are potential ordinary shares that are not dilutive and therefore have not been used in the calculation of diluted earnings per share. Additionally, all other options are not potential ordinary shares as they have an exercise price in excess of market value.

Note 25. Segment Information

Primary Reporting – Geographical Segments

The consolidated entity's risks and returns are affected predominantly by differences in the geographical areas in which it operates: therefore, geographical segments is considered its primary reporting format.

Secondary Reporting – Business Segments

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

Segment Accounting Policies

Segment accounting policies are the same as the consolidated entity's policies.

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

Composition of Each Geographical Segment

East Asia comprises areas of interest in China and Mongolia.

West Africa comprises areas of interest in Equatorial Guinea, Mauritania, Angola and Senegal.

Segment Revenue	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2002						
Sales to customers outside the consolidated entity	54,020	–	–	–	–	54,020
Other revenue from entities outside the consolidated entity	32,973	254	146	27	1,991	35,391
Total segment revenue	**86,993**	**254**	**146**	**27**	**1,991**	**89,411**
2001						
Sales to customers outside the consolidated entity	100,750	–	1,262	–	–	102,012
Other revenue from entities outside the consolidated entity	7,239	119	27	68	2,385	9,838
Total segment revenue	**107,989**	**119**	**1,289**	**68**	**2,385**	**111,850**

Note 25. Segment Information *(continued)*

Segment Results	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2002						
Segment Results	19,317	(1,408)	(9,100)	(3,514)	–	5,295
Interest income	–	–	–	–	1,892	1,892
Borrowing costs expensed	–	–	–	–	(1,688)	(1,688)
Net foreign currency (losses) gains	–	–	–	–	(85)	(85)
Other expenditure (including general and administrative costs)	–	–	–	–	(10,628)	(10,628)
Consolidated entity (loss) profit from ordinary activities before income tax expense	19,317	(1,408)	(9,100)	(3,514)	(10,509)	(5,214)
Income tax expense	–	–	–	–	(15,780)	(15,780)
Consolidated entity (loss) profit from ordinary activities after income tax expense	19,317	(1,408)	(9,100)	(3,514)	(26,289)	(20,994)
Extraordinary items	–	–	–	–	–	–
Net (loss) profit	**19,317**	**(1,408)**	**(9,100)**	**(3,514)**	**(26,289)**	**(20,994)**

2001						
Segment Results	15,293	(69)	(438)	(715)	(1,221)	12,850
Interest income	–	–	–	–	2,384	2,384
Borrowing costs expensed	–	–	–	–	(3,499)	(3,499)
Net foreign currency (losses) gains	–	–	–	–	(2,235)	(2,235)
Other expenditure (including general and administrative costs)	–	–	–	–	(9,350)	(9,350)
Consolidated entity profit (loss) from ordinary activities before income tax expense	15,293	(69)	(438)	(715)	(13,921)	150
Income tax expense	–	–	–	–	(9,306)	(9,306)
Consolidated entity (loss) profit from ordinary activities after income tax expense	15,293	(69)	(438)	(715)	(23,227)	(9,156)
Extraordinary items	–	–	–	–	–	–
Net (loss) profit	**15,293**	**(69)**	**(438)**	**(715)**	**(23,227)**	**(9,156)**

Note 25. Segment Information *(continued)*

Segment Other	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2002						
Segment Assets	136,760	17,836	6,987	35,059	74,262	270,904
Segment Liabilities	(13,044)	(2,792)	(1,237)	(1,908)	(70,027)	(89,008)
Other Segment Information:						
Acquisition of property, plant and equipment and other non-current assets (excluding investments)	16,279	3,228	7,419	6,174	–	33,100
Depreciation of non-current assets	–	–	–	–	(875)	(875)
Amortisation expense	(16,757)	–	–	–	–	(16,757)
Significant non-cash expenses (other than depreciation and amortisation) included in segment results:						
Provision for write down on development assets to recoverable amount	(5,080)	–	–	–	–	(5,080)
Exploration expenditure (previously capitalised) written off	–	–	(8,967)	(2,473)	–	(11,440)
Significant revenues or expenses:						
Provision for write down on development assets to recoverable amount	(5,080)	–	–	–	–	(5,080)
Exploration expenditure (previously capitalised) written off	–	–	(8,967)	(2,473)	–	(11,440)

Note 25. Segment Information *(continued)*

Segment Other	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2001						
Segment Assets	182,817	6,711	8,227	31,307	74,685	303,747
Segment Liabilities	(19,347)	(1,658)	(735)	(1,487)	(77,868)	(101,095)
Other Segment Information:						
Acquisition of property, plant and equipment and other non-current assets (excluding investments)	31,950	3,423	2,856	21,026	–	59,255
Depreciation of non-current assets	–	–	–	–	(877)	(877)
Amortisation expense	(29,699)	–	–	–	–	(29,699)
Significant non-cash expenses (other than depreciation and amortisation) included in segment results:						
Provision for write down on development assets held for sale, to realisable value	(39,881)	–	–	–	–	(39,881)
Significant revenues or expenses:						
Profit on sale of non-core onshore UK assets	2,847	–	–	–	–	2,847
Provision for write down on development assets held for sale, to realisable value	(39,881)	–	–	–	–	(39,881)
Sundry income (Claymore sale in associate company)	3,640	–	–	–	–	3,640

	CONSOLIDATED AND COMPANY 2002 $	2001 $

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 2002.

(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 2002, except for an advance amount of $41,189 (2001: $31,520) 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 2002 $	2001 $
Advance repayments received	4,546	60,000

(iv) Directors' shareholding

During the financial year, no fully paid ordinary shares (2001: 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 2002 Number	2001 Number
Mr A J Love	645,690	645,690
Mr W G Jephcott	644,930	644,930
Dr R J P Doran	4,518,295	4,788,960
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	5,026,458	3,845,952
	16,052,715	15,142,874

(v) Directors' interest in options over ordinary shares

During the financial year, no options over unissued ordinary shares (2001: 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:

	CONSOLIDATED AND COMPANY 2002 Number	2001 Number
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	152,571	143,102
Mr S J Jansma Jr	999,640	999,640
Mr A C Jolliffe	716,891	716,831
	1,995,003	1,985,474

Note 26. Related Party Disclosures *(continued)*

(vi) Other transactions of directors of the Company and Director-related entities

Messrs A J Love, W G Jephcott and R J Burgess and Dr R P J Doran were directors of Flaming Cliffs Pty Limited and Darcy Petroleum Pty Limited. During the prior financial year, the Company provided legal and taxation services at cost of $4,050 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. During the financial year, he received remuneration of $12,962 (2001: $3,704) and superannuation of $1,388 (2001: $296) as a director of Elixir Corporation Pty Ltd. He also received $Nil (2001: $5,475) for consulting services provided to the consolidated entity on normal commercial terms and conditions.

During the prior financial year, plant and equipment held by Elixir Corporation Pty Ltd was sold to Mr M 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 and the prior financial year, the Company provided accounting and technical services, at cost plus an appropriate mark-up, to the United Kingdom controlled entities.

During the financial year, Roc Oil (Europe) Limited provided commercial services to the Company, at cost plus an appropriate mark-up.

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

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 controlled entities is set out in Note 11.

(c) Other related parties

Amounts receivable from, payable to and ordinary shares held in associate companies 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	
	2002 $'000	2001 $'000	2002 $'000	2001 $'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	9,327	4,692	1,134	1,820
Short term deposits	72,211	71,431	49,844	48,835
Cash assets	81,538	76,123	50,978	50,655
(b) Reconciliation of net (loss) profit after income tax expense to net cash flows provided by operating activities				
Net (loss) profit after income tax expense	(20,994)	(9,156)	9,724	41,789
Amortisation expense	16,757	29,699	–	–
Depreciation of non-current assets	875	877	375	427
Provision for write down on development assets held for sale, to realisable value	–	39,881	–	–
Devaluation of development assets to recoverable amount	5,080	–	–	–
Provision for write down of non-current intercompany receivables	–	–	13,716	1,840
Restoration expense	319	670	–	–
Provision for employee entitlements	164	98	164	98
Provision for write down of shares in unlisted entity to recoverable amount	147	–	147	–
Provision for write down on loan owing by other entities	396	63	396	63
Net foreign currency losses	3,605	2,235	3,746	326
Increase in net deferred income tax liability	12,599	7,317	–	–
Preference dividend receivable from a controlled entity	–	–	–	8,248
Loss on sale of development assets held for sale	355	–	–	–
Profit on sale of non-core onshore UK assets	–	(2,847)	–	–
Sundry income (2001: Claymore sale in associate company)	–	(3,640)	–	–
Net loss (profit) on disposal of other non–current assets	–	3	–	(2)
Net loss on sale of current assets	133	–	–	–
Items classified as investing/financing activities:				
Exploration expenditure expensed	2,331	1,967	(168)	138
Exploration expenditure written off	11,440	–	–	–
Development studies expensed	384	1,953	384	713
Changes in net assets and liabilities, net of effects from acquisition of controlled entities:				
(Increase) decrease in assets:				
Current receivables	2,440	3,731	(34)	(302)
Other current assets	(326)	(957)	128	(37)
Non-current receivables/materials inventory	315	–	–	–
Increase (decrease) in liabilities:				
Current trade payables/accrued liabilities	(3,472)	190	(960)	(258)
Current provisions	(1,387)	1,247	–	–
Net cash provided by operating activities	**31,161**	**73,331**	**27,618**	**53,043**

(c) Non-cash financing and investing activities

(i) During the prior 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 was not reflected in the prior financial year 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 prior financial year statement of cash flows.

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 in the prior financial year were as follows:

	CONSOLIDATED 2002 $'000	2001 $'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 Oil Company Limited 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 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 were effective 1 January 2002 and the consideration for the sales totalled $32,973,280. 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 based on these sale agreements.

During the 2000 financial year, the consolidated entity sold a number of non-core onshore UK assets, effective 1 March 2000, including the Welton Oil Field and the Welton Gathering Centre. ROC's UK subsidiaries received a second cash bonus during the financial year in relation to the sale of the non-core onshore UK assets, as the average Brent oil price exceeded US$18.50 per barrel for the period from 1 March 2001 to 28 February 2002, and the Welton Oil Field achieved certain minimum production targets. An estimate of this second bonus of $2,847,288 (approximately £1.0 million) had been included in the statement of financial performance in the prior financial year.

Details of the disposals and deferred settlement are as follows:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000
Consideration		
Cash	32,973	–
Deferred settlement	–	2,869
Total	**32,973**	**2,869**
Book value of assets and liabilities disposed of		
Current assets		
Development assets held for sale, at realisable value	32,133	–
Net assets disposed	32,133	–
(Loss) profit on sale before income tax expense	(355)	2,847
Transaction costs on sale	1,195	22
Consideration	**32,973**	**2,869**
Cash inflow from disposal		
Cash consideration	34,680	5,792
Transaction costs	(1,195)	(22)
Cash inflow	**33,485**	**5,770**

(f) Financing facilities

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

(g) Cash balance not available for use

As at 31 December 2001, ABN AMRO Bank NV held a short term deposit of US$300,000 (or $587,544). This deposit had been held as security against a bank guarantee issued by ABN AMRO Bank NV to The Republic of Senegal. ABN AMRO Bank NV had issued an irrevocable bank guarantee to guarantee fulfilment by Roc Oil (Casamance) Company of its initial exploration period work programme in accordance with the contract between Roc Oil (Casamance) Company and The Republic of Senegal. The short term deposit was repaid in full during the financial year.

	CONSOLIDATED		COMPANY	
	2002 $	2001 $	2002 $	2001 $
Note 28. Directors' and Executives' Remuneration				
(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 and A C Jolliffe (2001: 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:			797,146	783,087
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:	797,146	783,087		

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

	COMPANY	
	2002 Number	2001 Number
$30,000 – $39,999	4	4
$40,000 – $49,999	1	1
$50,000 – $59,999	–	1
$60,000 – $69,999	1	1
$460,000 – $469,999	–	1
$540,000 – $549,999	1	–

(b) Executives' remuneration

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

	CONSOLIDATED AND COMPANY	
	2002 $	2001 $
Total income received, or due and receivable, from the parent entity, other entities within the consolidated entity and related entities by executive officers:	2,047,626	1,577,739

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

	CONSOLIDATED AND COMPANY	
	2002 Number	2001 Number
$160,000 – $169,999	–	1
$190,000 – $199,999	1	1
$230,000 – $239,999	1	2
$240,000 – $249,999	1	–
$250,000 – $259,999	1	–
$270,000 – $279,999	1	–
$280,000 – $289,999	–	1
$310,000 – $319,999	1	–
$460,000 – $469,999	–	1
$540,000 – $549,999	1	–

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

(c) Superannuation and retirement payments

There was $Nil (2001: $Nil) retirement allowance paid to directors of the Company and controlled entities during the financial year, being amounts that are required to be approved by the Company in a general meeting.

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 29. Commitments for Expenditure				
(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	442	525	202	–
	442	525	202	–
(ii) Seismic acquisition				
Not longer than one year	–	4,241	–	–
	–	4,241	–	–
(iii) Drilling				
Not longer than one year	33	533	–	–
	33	533	–	–
(iv) Joint venture				
Not longer than one year	8,509	1,203	–	–
	8,509	1,203	–	–
	8,984	**6,502**	**202**	**–**
(b) Operating lease rental commitments				
Non-cancellable operating lease rentals for United Kingdom sites, offices in Sydney and the United Kingdom, motor vehicles in Sydney and plant and equipment, not provided for in the financial statements and payable:				
Not longer than one year	816	643	527	380
Longer than one year and not longer than five years	1,144	525	101	44
Longer than five years	724	756	–	–
	2,684	**1,924**	**628**	**424**
(c) Finance lease rental commitments				
Finance leases cover motor vehicles in the United Kingdom, which are secured by the assets leased:				
Not longer than one year	–	4	–	–
Total commitments under finance leases	–	4	–	–
Future finance charges	–	–	–	–
	–	**4**	**–**	**–**
Represented by:				
Current lease liability (refer Note 17)	–	4	–	–
	–	**4**	**–**	**–**

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 29. Commitments for Expenditure *(continued)*				
(d) 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 work exploration licence areas. The commitments existing at the end of the financial year 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	8,403	11,133	–	215
Longer than one year but not longer than five years	19,309	11,100	–	7,624
	27,712	**22,233**	**–**	**7,839**

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.

Where exploration expenditure included in this category relates to an existing contract for expenditure and/or signed AFEs as at 31 December 2002, the amount will be included in both categories (a) and (d) above.

Note 30. Joint Ventures

The consolidated entity has an interest in the following joint venture operations as at 31 December 2002:

(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 appraisal well during January 2002 and preparation for the multi-well drilling programme during the first quarter of 2003. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(b) 37.5% interest in the WA-325-P joint venture offshore Perth, Western Australia, the principal activity being oil exploration, including the acquisition and processing of a 2D seismic survey. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(c) 37.5% interest in the WA-327-P joint venture offshore Perth, Western Australia, the principal activity being oil exploration, including the acquisition and processing of a 2D seismic survey. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(d) 20% interest in the TP/15 joint venture offshore Perth, Western Australia, the principal activity being oil exploration, including the preparation for the drilling of an exploration well during the first quarter of 2003. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(e) 40% interest in the Block 22/12 joint venture in the Beibu Gulf, offshore China, the principal activity being oil exploration, including the drilling of an exploration well during March 2002 and acquisition of 421 sq km 3D seismic survey over the block. The operator of the joint venture is Roc Oil (China) Company;

(f) 35% interest in the Blocks H/15 and H/16 Rio Muni joint venture offshore Equatorial Guinea, the principal activity being oil exploration, including interpretation of 1,402 sq km of 3D seismic data and evaluation of data related to the contract area. The technical manager of the joint venture is Roc Oil (Equatorial Guinea) Company;

(g) 2% to 5% interests in various joint ventures, offshore Mauritania, within Blocks 1-8, the principal activity being oil exploration, including the acquisition of seismic data and drilling of exploration and appraisal wells;

(h) 50% interest in the 97 PSC joint venture, the principal activity of which was oil exploration in the Gobi Desert, Mongolia. The operator of the joint venture is Roc Oil (Gobi) Pty Limited;

(i) 46.25% interest in the Casamance joint venture offshore southern Senegal, the principal activity being oil exploration. Effective 31 December 2002, the joint venture allowed the PSC for Casamance Blocks I, II and III to lapse in good standing. The operator of the joint venture is Roc Oil (Casamance) Company; and

(j) United Kingdom joint venture operations as at the end of the financial year as follows:

Joint Venture Operation/Area	Principal Activities	Interest 2002 %	Interest 2001 %
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	12.0
P748 (Blk 29/2c) (Kyle)	Oil and gas development	–	12.5
P354 (Chestnut Oil Field)	Oil and gas development	–	14.875
P317 (Blk 20/2a) (Ettrick)	Oil and gas development	14.281	14.281
P273 (Blk 20/3a) (Ettrick)	Oil and gas development and exploration	6.39	6.39
P272 (Blk 20/7a) (Squirrel)	Oil and gas exploration	12.402	12.402
P219 (Blk 16/13a) (Enoch and 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 above joint ventures during the financial year was Nil.

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 30. Joint Ventures *(continued)*				
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	7,613	1,935	–	–
Trade receivables	2,422	3,293	–	–
Development assets, net	–	32,133	–	–
Materials inventory	333	–	–	–
Total Current Assets	10,368	37,361	–	–
Non-Current Assets				
Development expenditure	11,721	15,435	–	–
Exploration expenditure	49,843	44,428	–	19,059
Total Non-Current Assets	61,564	59,863	–	19,059
Total Assets	71,932	97,224	–	19,059
Current Liabilities				
Trade payables	3,033	2,822	–	327
Accrued liabilities	1,184	2,064	–	–
Total Current Liabilities	4,217	4,886	–	327
Non-Current Liabilities				
Provision for restoration	4,230	4,251	–	–
Total Non-Current Liabilities	4,230	4,251	–	–
Total Liabilities	8,447	9,137	–	327
Net Assets	**63,485**	**88,087**	**–**	**18,732**

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 2002 %	2001 %	Book Value of Ordinary Shares at 31 December 2002 $'000	2001 $'000	Contribution to Consolidated Profit (Loss) 2002 $'000	2001 $'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.

Note 32. Superannuation Plans

During the financial year, the Company contributed to accumulation type 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 9% (2001: 8%) of employee cash remuneration.

In the United Kingdom, 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% (2001: 10%) salary of all staff members to the scheme.

Note 33. Remuneration of Auditors

	CONSOLIDATED		COMPANY	
	2002 $	2001 $	2002 $	2001 $
(a) Auditor of the parent entity				
Auditing the financial report	69,110	61,000	61,040	57,000
Other services	34,000	30,500	34,000	30,500
	103,110	**91,500**	**95,040**	**87,500**
(b) Other auditors				
Auditing the financial report	154,197	100,167	–	–
Other services	3,271	16,144	–	832
	157,468	**116,311**	**–**	**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

	CONSOLIDATED		COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Australian dollar equivalent of foreign currency receivable or payable balances in the financial statements which are not effectively hedged are as follows:				
United States dollars				
Current assets				
Trade receivables	603	2,389	–	–
Non-current assets				
Amount owing by controlled entities	–	–	353	392
Loan owing by other entities	452	409	452	409
Other receivable	16	378	–	–
Current liabilities				
Trade payables	537	517	–	–
Accrued liabilities	721	–	–	–
Pounds				
Current assets				
Trade receivables	5,818	4,236	–	–
Amount owing by controlled entities	–	–	–	2,666
Amount owing by associate company	–	21	–	–
Current liabilities				
Trade payables	–	–	–	56
Amount owing to associate company	2,426	1,806	–	–
Amount owing to controlled entities	–	–	1,983	–
Canadian dollars				
Current liabilities				
Trade payables	17	100	–	–

Note 35. Contingent Liabilities

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	COMPANY 2002 $'000	COMPANY 2001 $'000
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 commence on-the-ground exploration activities in the production sharing contract area:	5,961	6,610	–	–
Under the terms of a production sharing contract to which Roc Oil (Equatorial Guinea) Company 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. Roc Oil (Equatorial Guinea) Company's share is:	2,119	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 Pty 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 Oil Company Limited fully paid ordinary shares, based on the value of Roc Oil Company Limited fully paid ordinary shares at the time the bonus is paid. The potential bonus has not been included in Note 27(d):	3,585	3,976	–	–
Roc Oil Company Limited provided a parent company guarantee to a maximum of US$5.2 million to Ensco Australia Pty Limited ('Ensco') guaranteeing the performance of its wholly owned subsidiary, Roc Oil (WA) Pty Limited, under the drilling contract between Roc Oil (WA) Pty Limited and Ensco.	9,184	–	9,184	–
Roc Oil Company Limited received parent company guarantees or cash provided in lieu of guarantee of US$2.97 million from its co-venturers in the WA-286-P joint venture and TP/15 joint venture with respect to the above drilling contract between Roc Oil (WA) Pty Limited and Ensco.				
The claim by a contractor to an unincorporated joint venture to which a controlled entity in the consolidated entity was a party has been assumed by the purchasers of the interest in that joint venture, effective 1 January 2002. No losses were incurred by the consolidated entity:	–	–	–	–

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 revenue 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 Directors of Roc Oil Company Limited.

(b) Foreign exchange risk

The consolidated entity's sales revenue is mainly denominated in United States dollars (sale of oil and NGLs) and pounds (gas sales). The exposure of sales revenue 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 and part of its short term deposits in United States dollars and the consolidated entity's operating, development and exploration costs for the United Kingdom business being incurred primarily in pounds.

Hedging is undertaken against specific future commitments only. As at 31 December 2002 and 31 December 2001, the consolidated entity did not have any currency hedge instruments in place.

(c) Commodity price risk

Oil price

As at 31 December 2002, the consolidated entity did not have any oil price hedging in place.

As at 31 December 2001, oil price hedging comprised 181,000 BBLS over the financial period from 1 January 2002 to 30 June 2002 and had been hedged at a Brent oil price of US$25.90 per barrel. Contracts were settled monthly in United States dollars and the hedging contract was closed out during early April 2002. Receipts under the hedge totalled $782,473 during the financial year.

Gas price

Future gas hedging in place as at 31 December 2002 comprises gas price hedging covering 1.2 BCF (4.55 MMSCFD) of sales gas over the financial period from 1 January 2003 to 30 September 2003 at an average price of 21.86 pence per therm (equivalent to US$3.85/$6.81 per thousand cubic feet as at 31 December 2002 exchange rates). Marking to market the hedges as at 31 December 2002 for disclosure purposes only, the aggregate amount of unrealised unrecognised gain under the future gas price hedges is $938,349.

As at 31 December 2001, gas hedging comprised 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 a price of 25.05 pence per therm (equivalent to US$4.00/$7.83 per thousand cubic feet as at 31 December 2002 exchange rates). Contracts were financially settled monthly.

(d) Interest rate risk

The consolidated entity's only material exposure to interest rate risk as at 31 December 2002 is cash ($9,327,607), short term deposits ($72,210,826) and a US$40,000,000 syndicated bank loan facility (drawn down to US$21,019,974) with a maturity of 31 July 2004 which attract on average a variable interest rate of 2.0%, 4.0% and 3.0% per annum respectively.

The consolidated entity's only material exposure to interest rate risk as at 31 December 2001 was cash ($4,692,147), short term deposits ($71,430,744) 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 2.5%, 3.8% and 5.3% 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.

Note 37. Economic Dependency

There are in existence long term contracts for the processing of gas and NGLs in the United Kingdom through the Conoco gas processing terminal at Theddlethorpe and the sale of gas to Innogy, 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:

Perth Basin

Roc Oil (WA) Pty Limited, operator for and on behalf of the WA-286-P joint venture, drilled two appraisal wells and two exploration wells. The Cliff Head-3 appraisal well reached a total depth of 1,408 metres below rotary table and encountered a 48 metre gross vertical oil column. A sidetracked appraisal well was completed in the Cliff Head-3 well to a total depth of 1,375 metres below rotary table and was production tested at a stabilised rate, constrained by surface facilities, of up to 3,000 barrels of oil per day via a 28/64 inch choke and a downhole electric submersible pump. The Cliff Head-4 appraisal well reached a total depth of 1,598 metres below rotary table and encountered a 31 metre gross vertical oil column and was successfully cored. The Mentelle-1 and Vindara-1 exploration wells reached a total depth of 1,570 metres and 1,700 metres respectively below rotary table but neither exploration well encountered significant hydrocarbons and they were plugged and abandoned as dry exploration wells.

Roc Oil (WA) Pty Limited, operator for and on behalf of the TP/15 joint venture, drilled an exploration well. The Twin Lions-1 exploration well reached a total depth of 1,570 metres below rotary table but did not encounter hydrocarbons and was plugged and abandoned as a dry exploration well.

Gas Price Hedging

During January 2003, ROC, through wholly owned subsidiaries in the UK, entered into forward sale contracts with Innogy for the sale of gas from the Saltfleetby Gas Field as follows:

Period	Volume	Price
6 January 2003 to 31 January 2003	25,000 therms/day	25.10 pence per therm
1 March 2003 to 31 March 2003	50,000 therms/day	18.75 pence per therm
1 April 2003 to 30 June 2003	25,000 therms/day	15.25 pence per therm

Saltfleetby Gas Sales Contract

ROC's wholly owned UK subsidiary, Roc Oil (UK) Limited, and Innogy have successfully completed gas price negotiations for the sale of gas from ROC's 100% owned and operated Saltfleetby Gas Field, onshore UK, under the existing gas sales contract between the two parties, for the period from 1 October 2003 to 30 September 2004. The negotiations have resulted in Roc Oil (UK) Limited securing market related prices which are approximately 5% higher than current contract gas prices. Apart from the change in the contract gas price, the terms of the gas sales contract with Innogy remain unchanged.

The financial effect of these events has not been recognised in the financial statements for the financial year ended 31 December 2002.

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 2002 was 47 (2001: 35) for Roc Oil Company Limited and 96 (2001: 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.

1. Ordinary Share Capital

As at 24 February 2003, the Company had on issue 108,526,056 fully paid ordinary shares held by 5,465 shareholders.
All issued fully paid ordinary shares carry one vote per share.

2. Options

As at 24 February 2003, the Company had the following unquoted options on issue:

- 5,061,010 options under the Employee Share Option Plan held by 76 optionholders; and
- 7,698,830 options issued to shareholders under the Prospectus dated 21 June 1999 and held by 101 optionholders.

Options do not carry any voting rights.

3. Distribution of Shareholdings as at 24 February 2003

Holding	Shareholders
1 – 1,000	1,726
1,001 – 5,000	2,269
5,001 – 10,000	763
10,001 – 100,000	619
Over 100,000	88
Total	**5,465**
Holding less than a marketable parcel	371

4. Distribution of Shareholder Options and Options Granted under the Employee Share Option Plan as at 24 February 2003

	Holding and Number of Optionholders					
	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	Over 100,000	Total
Shareholder Options	4	38	10	51	21	124
Employee Share Option Plan						
$1.85 – 17 March 2003	–	1	1	5	1	8
$3.33 – 10 June 2003	–	3	1	4	1	9
$3.33 – 2 September 2003	–	–	–	4	–	4
$3.33 – 15 January 2004	–	–	–	1	–	1
$3.48 – 15 January 2004	–	–	1	–	–	1
$2.00 – 15 July 2004	–	–	–	1	–	1
$2.00 – 19 July 2004	–	2	2	16	2	22
$3.48 – 29 July 2004	–	–	–	1	–	1
$1.16 – 1 March 2005	–	–	–	1	–	1
$1.34 – 1 June 2005	–	–	–	1	–	1
$1.47 – 1 September 2005	–	–	–	3	–	3
$1.25 – 10 January 2006	–	4	5	18	3	30
$1.65 – 26 July 2006	–	–	–	1	–	1
$1.26 – 17 December 2006	–	–	–	5	–	5
$1.45 – 29 May 2007	–	–	1	1	–	2
$1.39 – 29 July 2007	1	–	5	22	–	28
$1.41 – 4 September 2007	–	–	–	2	2	4
$1.41 – 23 October 2007	–	–	–	1	–	1
$1.43 – 4 December 2007	–	–	–	1	–	1
$1.42 – 24 December 2007	–	–	–	9	–	9
$1.51 – 29 January 2008	–	–	–	3	–	3

5. Substantial Shareholders as at 24 February 2003

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

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
Commonwealth Bank of Australia	16,769,831	15.45

6. Twenty Largest Shareholders as at 24 February 2003

Shareholder	Number Held	%	Rank
Westpac Custodian Nominees Limited	6,634,276	6.11	1
Citicorp Nominees Pty Limited	6,145,082	5.66	2
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	6,091,033	5.61	3
Citicorp Nominees Pty Limited (CFS W/Sale GBL Res Fund A/c)	5,524,439	5.09	4
Queensland Investment Corporation	4,916,175	4.53	5
National Nominees Limited	4,618,508	4.26	6
AMP Life Limited	4,533,078	4.18	7
Celtic Energy Pty Ltd	4,362,045	4.02	8
RBC Global Services Australia Nominees Pty Limited	2,643,665	2.44	9
J P Morgan Nominees Australia Limited	2,031,240	1.87	10
Mr Sidney John Jansma Jr	1,897,151	1.75	11
Cogent Nominees Pty Limited	1,705,471	1.57	12
Gulf Canada Resources Ltd	1,454,140	1.34	13
Mr Sidney John Jansma III	1,136,735	1.05	14
Mr Maximillian Francesco de Vietri	1,091,897	1.01	15
Mango Bay Enterprises Inc	950,000	0.88	16
Heritage Holding Co LLC	841,494	0.78	17
F H Nominees Pty Ltd	757,400	0.70	18
ANZ Nominees Limited	756,400	0.70	19
Mirrabooka Investments Limited	750,000	0.69	20
Top 20 Total	**58,840,229**	**54.24**	

STATEMENT AND CONSENTS REGARDING HYDROCARBON RESERVES REFERRED TO IN THIS ANNUAL REPORT

The evaluation of Roc Oil Company Limited's onshore United Kingdom hydrocarbon reserves for this Annual Report was performed by Helix 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 R Hartley of RDS. Mr Hartley is a Technical editor for the Society of Petroleum Engineers and has over 30 years of various petroleum engineering experience in Australia, Asia and Europe. He attended Imperial College, London, graduating with a Bachelor of Science degree in Petroleum Engineering and has subsequently co-authored a number of technical publications. In his capacity as former Regional Director and now Director of the London office, 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 APA Petroleum Engineering 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 R Hartley 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.

$ or cents	Australian currency.
acre	Unit of land measurement, 1 sq km is equivalent to 247.105 acres.
Adjusted Profit After Income Tax Expense	Profit (loss) after income tax expense after excluding development asset write downs, exploration expenditure expensed and written off, profit (loss) on sale of non-core UK assets and one-off adjustment to deferred income tax liability.
ASX	Australian Stock Exchange Limited.
BBLS	Barrels, equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
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.
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.
GST	Goods and Services Tax.
implied resources	Oil and gas volumes which have been discovered, but for which a decision on commercial development has not yet been made and which have not yet been classified as proved or probable reserves.
Innogy	Innogy plc.
km	Kilometres.
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	UK pence (£0.01).
pound or £	UK pounds.
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.
trading profit	Sales revenue net of production costs, amortisation expense and restoration expense.
TVD	True vertical depth.
sq km	Square kilometres.
UK	United Kingdom.
US$	United States dollars.
2D	Two dimensional.
3D	Three dimensional.
2P	Proved and probable reserves.

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SHARE REGISTRAR

Computershare Investor Services
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia

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

Mr Ahmed E Seddiqi Al-Emadi
Dr A A Al-Quaiti

COMPANY SECRETARY

Mr Robert Gerrard

SENIOR MANAGEMENT TEAM

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

REGIONAL MANAGERS

Mr Tim Hargreaves, Regional Manager East Asia
Mr John Mebberson, Perth Basin Coordinator
Dr John Warburton, Regional Manager West Africa

REPRESENTATIVE IN AFRICA

Mr Antonio Vieira

ACKNOWLEDGEMENTS

Photography
Mr David Ioconno (Australia)
Kamara Photographic Studio (UK)
Mr Jim Blackburn
Mr John Brumby
Mr Shaun Hingerty
Dr Ann-Marie Scott

STOCK EXCHANGE

Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000
Australia

The distinctive 'Leaning Trees of Greenough' are a response to the strong, salt-laden winds which blow across the flat country on the edge of the Indian Ocean near Dongara, Western Australia, offshore from which ROC and its co-venturers have discovered the Cliff Head Oil Field. This species of tree, *Eucalyptus camaidulensis*, more commonly referred to as the Red River Gum, illustrates the dramatic relationship that can exist between nature and the prevailing climate in this part of the world. In this sense, these trees offer a fine example of how, in a challenging environment, a combination of resilience and adaptation can enable organic growth to survive and thrive – which is exactly what ROC is trying to achieve.