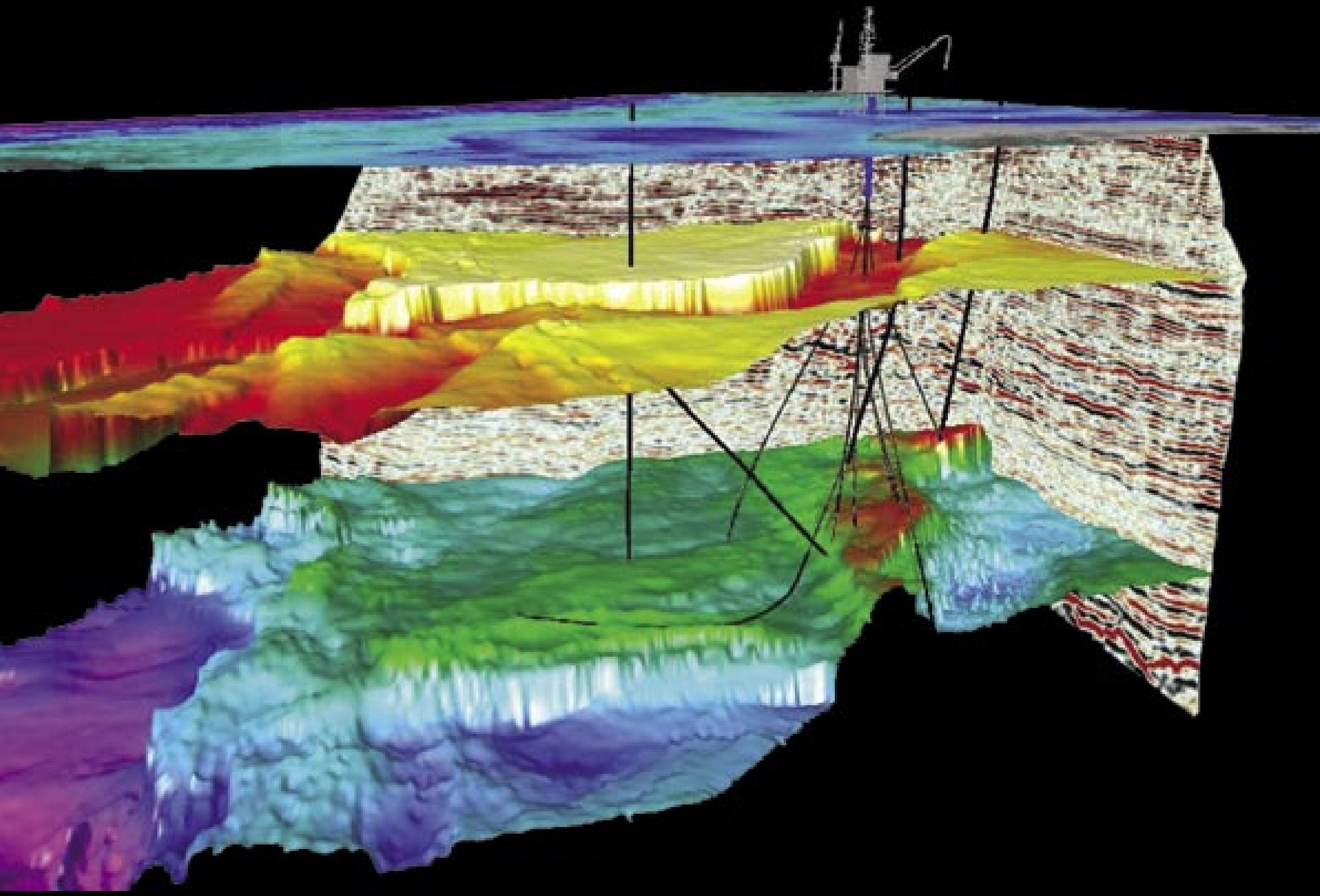
Roc Oil Company Limited
Annual Report 2003
ABN 32 075 965 856



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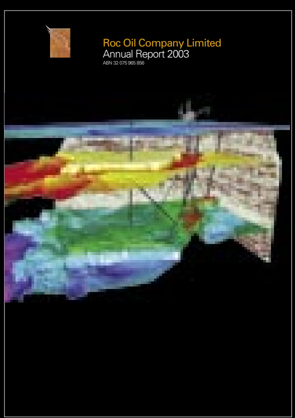
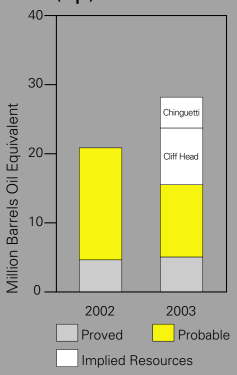
Annual General Meeting
11.00am, Wednesday 19 May 2004
The Museum of Sydney
Cnr Phillip & Bridge Streets
Sydney NSW 2000



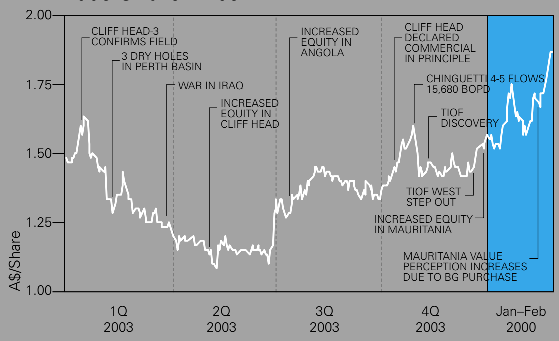
Front Cover
If the potential development of the Cliff Head Oil Field in the northern part of the offshore Perth Basin, Western Australia proceeds it will be a 'first' for the oil and gas exploration production industry in that region. The development will have been made possible only as a result of ROC and its co-venturers applying modern exploration and appraisal techniques to an area which had been judged previously as being too difficult and/or too poorly prospective, to warrant significant industry activities. Subject to the development proceeding, the area will become Australia's fourth commercial offshore oil producing region after the Bass Strait, the Northwest Shelf and the Timor Sea. The front cover of ROC's 2003 Annual Report graphically illustrates some of the technologies relevant to the discovery and potential development of the Cliff Head Oil Field. As such, the illustration is meant to provide a stark contrast to the illustration on the back cover.

To make a lot of money for all our shareholders

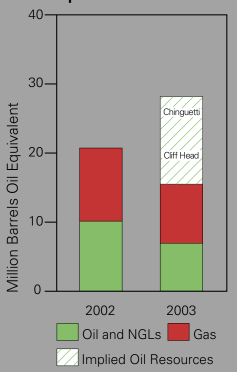
Proved And Probable (2p) Reserves



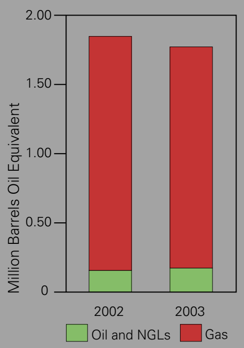
2003 Share Price



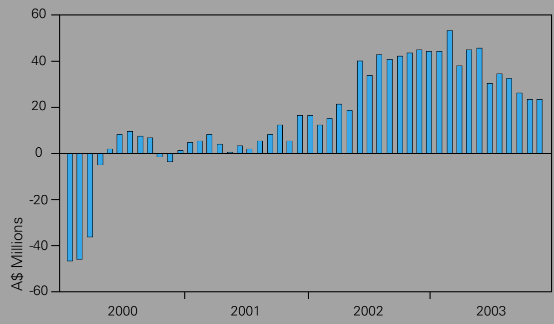
Gas V Oil 2p Reserves



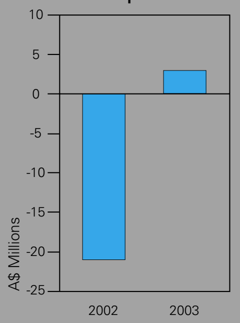
Production



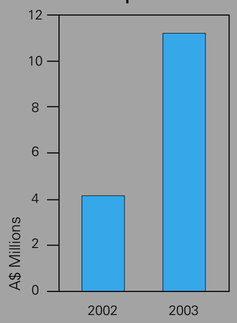
Net Cash Assets



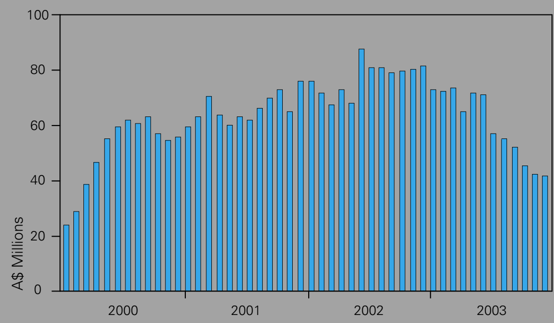
Net Profit/(Loss) After Income Tax Expense



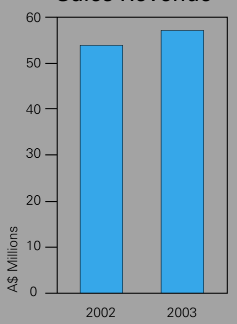
Underlying Profit After Income Tax Expense



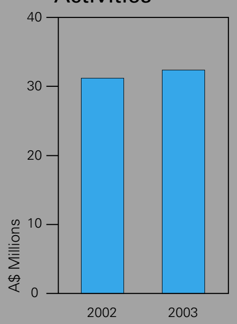
Gross Cash Assets



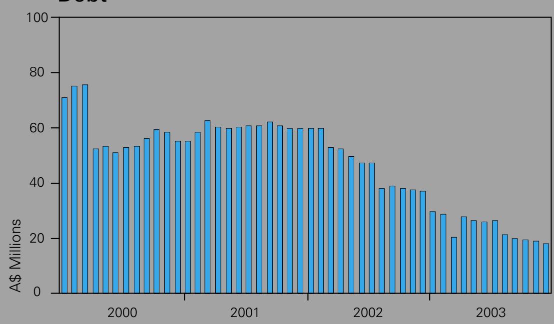
Sales Revenue



Cash Flow From Operating Activities



Debt



In my review in last year's Annual Report I referred to volatile oil and gas prices and a stock market which was difficult and, generally, negative, at least as far as the oil and gas sector was concerned. During 2003 and early 2004, oil and gas industry and market conditions improved. More analysts adopted a positive view with regard to the likelihood of stronger oil prices in the near term and the investment community provided more support to the independent oil and gas sector than had been apparent during the previous several years. As a result of this improved business environment and a number of specific operational events, 2003 was a very good year for ROC.

It is not often that a company can start a year by operating a well that flowed 3,000 BOPD, from an offshore area that had previously not produced any hydrocarbons, and end it by participating in a couple of significant discoveries in a part of offshore West Africa which, until a few years ago, had been regarded as rank wildcat, frontier acreage. Fortunately, that is what happened to ROC in the offshore Perth Basin, Western Australia and deep water offshore Mauritania.

As we are all aware, during 2003 there were moments of global economic uncertainty, largely driven by the war in Iraq and the war against terrorism. During such times, it is important for companies, particularly those active in the international arena, to maintain their business focus. That is exactly what ROC has done. While local and global market perceptions ebbed and flowed, ROC went about its business totally focused on its core strategy. As we move through early 2004, this strategy appears to be working well with a significant rerating in ROC's share price from a low of $1.07 in May 2003 to $1.86 at end February 2004.

Because ROC operates most of its core assets, the Company experienced a significant corporate expansion during 2003 which culminated in a major Sydney office move in early 2004. Whenever a company undergoes rapid growth, it is always difficult to retain the entrepreneurial spirit that characterised it at an earlier stage of its development. However, ROC's management is very conscious of this challenge and, so far, it has successfully avoided the more obvious pitfalls that are associated with accelerated corporate growth. In particular, ROC's entire workforce, including its Directors and Advisors, understand very clearly that activity should never be confused with achievement.

As ROC emerges as an international operating company, it inevitably takes on more and more responsibility with regard to managing health, safety and environmental matters, including interaction with local communities. Each year that passes generates a number of specific real life examples of ROC's attitude towards such issues. All of these events convincingly demonstrate that the emphasis which the Company places on such matters is entirely appropriate and absolutely aligned with the best long term interests of all of ROC shareholders.

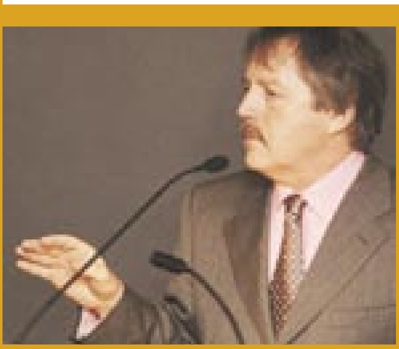
Corporate Governance has been a particular focus of the business and regulatory community over the last 12 months. Your Board and management have conducted a complete review of the governance of your Company to ensure that it complies with best practice and has implemented the relatively few necessary changes to reflect current practice.

During 2004, the challenges for ROC will increase as it implements its international drilling and development programmes, which should see at least 10 wells and, perhaps, as many as 17 wells, mostly operated by ROC, drilled in Australia, China, Equatorial Guinea, Mauritania and onshore UK as well as the potential development of the Cliff Head Oil Field and the Chinguetti Oil Field. Operations like these are designed to expose ROC's shareholders to significant wealth creation while at the same time mitigating the Company's downside risk exposure to any single negative well result. This balanced, organic approach has allowed the Company to grow its asset base and, if the Company's drilling and development programmes during the next 12-18 months realise their potential, this growth will continue and real value will be delivered to ROC shareholders.

Andrew Love

Andrew Love
Chairman

Chief Executive Officer's Report



When a publicly-listed oil and gas company experiences a year such as the one that ROC did during 2003, the CEO's contribution to the Annual Report is often liberally sprinkled with words like 'positive' and 'encouraging', woven into a text that is heavy with references to 'upside potential' and 'future promise'. ROC's activities during 2003 would certainly justify the use of such language, but the end result would still be little more than 'corporate wallpaper': pleasant enough to look at, but providing little real insight as to exactly where the Company considers itself to be with regard to achieving its stated goal – to make a lot of money for all shareholders.

Because ROC's many, very real, achievements during 2003 are referred to elsewhere in this Annual Report, shareholders may find it more useful if this part of the Report focuses on what the Company has failed to achieve. ROC has not yet made a company-transforming discovery and it is yet to conclusively demonstrate that a company-transforming asset exists within its portfolio. In this regard, our corporate journey is continuing and, although great progress has been made, we are still some way from our destination.

Fortunately, within ROC's current portfolio there may well be one or more areas which, with the passage of time and the application of technology, will reveal themselves as having the capacity to transform the Company during the next year or two. There's no shortage of potential candidates for this role of company-transformer: Another, larger, exploration success in the offshore Perth Basin. Mauritania maintaining its very high exploration success rate. A first time oil discovery in ROC's Block in the Rio Muni Basin, offshore Equatorial Guinea. The conceptual prospectivity of ROC's block onshore Angola being transformed into a real oil discovery in an area which has been untouched by exploration for more than 30 years. Another Saltfleetby-sized gas discovery at Willows-1, or elsewhere onshore UK. A similar sized gas development at Totara, onshore New Zealand. A cluster development with collective reserves considerably in excess of 50 MMBO, in the Beibu Gulf, offshore China. Any one of those events would have a very positive impact on ROC and, from an industry perspective, that is not a bad looking portfolio of assets for a company to look to for future growth.

ROC's international portfolio has taken a number of years to construct. During this time, ROC has had to answer occasional queries regarding the wisdom of a Sydney-based company, largely owned by Australian investors, trying to carve out a business niche in the global oil and gas arena. Lately, there have been fewer queries in this regard. In fact, there has been the occasional comment from local and overseas shareholders and potential investors that they appreciate the international exposure ROC provides. For example, we are now asked less frequently about why ROC has such small interests in areas offshore Mauritania and more often about the value of those interests.

One of the reasons ROC continues to have a portfolio which may be considered to be geographically diverse is because its initial exploration efforts in these particular areas have met with success, rather than failure. In the past, we have demonstrated that as soon as it becomes clear that an asset is failing to perform it is divested. Over a period of time, one or more of the current areas may emerge as a dominant, cornerstone, property, but at the moment it is too early to say which one will achieve that stand-out status. Until then, all of them need to be worked hard until their full potential has been defined.

The fundamental components of an oil and gas company's upstream business can be made to sound quite complicated. Certainly, many aspects of our industry require an enormous range of diverse skills. However, the essence of the business remains simple and can be distilled down to two key elements: gaining access to the right opportunities and the right people. The oil and gas industry is still one of the few businesses in which a company can transform itself simply by drilling the right well properly in the right place at the right time. The only way a company can do this is if it has a workforce that works both hard and smart.

During 2003, ROC and its workforce continued to grow, driven by good drilling results and an increasing workload generated by the progress made by the Company's different projects. However, just as the Chairman's Review points out that activity should not be confused with achievement, everybody at ROC fully realises that growth for growth's sake is not a goal – and that is why, although growth is gratifying, we consider it more important to deliver value to shareholders.

Dr John Doran

Production

The Saltfleetby Gas Field, effectively the Company's sole source of revenue, continued to perform very satisfactorily with raw gas production passing the 50 BCF mark on 29 December 2003, almost exactly four years after production start-up.

UK gas prices continued to strengthen to occasional record levels.

Potential Field Development

The ROC-operated Cliff Head Oil Field was declared commercial-in-principle and a Front End Engineering and Design contract was awarded; a 'first' for the offshore Perth Basin, Western Australia.

Following a 15,680 BOPD flow from the fourth well in the field, the Chinguetti Oil Field was declared commercial-in-principle and a preliminary Development Plan prepared; a 'first' for offshore Mauritania.

Exploration

A significant new field discovery well and a successful 8 km step-out well were drilled on the Tiof/Tiof West feature, 25 km north of Chinguetti.

The rank wildcat Pelican-1 exploration well in Block 7, approximately 150 km north of Chinguetti, discovered a significant amount of gas in an area which is essentially unexplored.

Finance and Administration

$3.0 million net profit after tax, a $24.0 million turnaround compared to a $21.0 million net loss after tax for the 2002 financial year. The net profit equates to 2.7 cents per share.

$11.2 million underlying profit, up $7.1 million (173%) on the comparable result for 2002.

$31.0 million trading profit, up $6.3 million (26%) on 2002.

$57.3 million sales revenue, up $3.3 million (6%) on 2002, despite adverse foreign exchange currency movements and 4% lower production.

$32.4 million cash flow from operating activities, up $1.2 million (4%) on 2002, equates to $0.30/share and a year-end price to cash flow ratio of 5:1.

Year-end cash assets, $41.6 million, down $40.0 million (49%) compared to end-2002.

Record low year-end bank debt, $18.1 million (US$13.6 million), $19.0 million (51%) less than equivalent end-2002 figure providing ROC with a 10.4% debt:equity ratio.

Mr Bruce Clement was promoted from Chief Financial Officer to Chief Operating Officer.

Acquisitions

ROC's interests in PSCs A and B, offshore Mauritania, increased to 4.15% and 3.69% respectively following a joint pre-emption with its co-venturers of a proposed sale by Agip Mauritania BV.

Elsewhere offshore Mauritania, ROC acquired options over 3.5% and 3% of Blocks 7 and 8 respectively.

ROC increased its equity in the Cliff Head Oil Field to 37.5% through the acquisition of the 7.5% interest owned by a co-venturer.

ROC acquired an option, which was exercised in early 2004, over a 7.5% interest owned by a participant in the WA-226-P Joint Venture in the northern part of the offshore Perth Basin.

Through the exercise of an option, ROC acquired a 50% interest in, and operatorship of, the newly awarded WA-349-P in the offshore Perth Basin permit.

ROC made a strategic purchase of 0.25% of EP413 which contains a producing oil field and is immediately adjacent to ROC's offshore Perth Basin acreage.

ROC increased its equity in the Cabinda South Block, onshore Angola, to 60% following the purchase of a co-venturer which held a 15% interest.

Subsequent to year end, ROC acquired a 40% interest in, and operatorship of, PEP38767 in the onshore Taranaki Basin, providing the Company with a first-time entry into New Zealand.

Divestments

ROC continued to rationalise its portfolio of undeveloped assets in the UK North Sea through an agreement to sell its 12.3% in the undeveloped Ettrick Field for US$2.8 million.

ROC received net sale proceeds of approximately A$1 million as a result of selling its drilling rig previously located in Mongolia to an affiliate of the Romanian National Oil Company for use in Kazakhstan.

Portfolio

During 2003, ROC continued to concentrate on consolidating its position in its core areas.

In particular, the Company was able to increase its interest in the Cliff Head Oil Field, offshore Western Australia, and the Chinguetti and Tiof/Tiof West oil fields, offshore Mauritania. In both cases the transactions were undertaken away from the glare of a public industry auction and, in both cases, events which occurred subsequent to the effective dates of the agreements would suggest that the considerations paid were attractive from ROC's point of view.

ROC also built up its interest in the exploration areas near to and/or on broad regional trend from the Cliff Head and Chinguetti oil fields. Through this process the Company's contiguous net acreage holding in the offshore Perth Basin increased to 2,697,240 acres/10,915.36 sq km. Similarly, ROC's net acreage offshore Mauritania increased to 591,354 acres/2,393.13 sq km. By any definition these acreage holdings provide ROC with a very large coverage which should allow the Company to derive tangible benefit from any subsequent discoveries in either the offshore Perth Basin or deepwater Mauritania.

In a similar context, in mid 2003, ROC also increased its equity in the Cabinda South Block, onshore Angola, from 45% to 60% through the acquisition of one of its co-participants. Again the transaction did not involve an industry auction process.

ROC also acquired an interest in EP413 in part of the onshore Perth Basin, adjacent to some of the Company's offshore Perth Basin holdings. This aquisition, while small, will be particularly relevant to ensuring an understanding of the market for Perth Basin Oil.

After spending two years focused on its core portfolio areas, in early 2004 ROC acquired an interest in a new country when it was awarded an onshore block in the Taranaki Basin, New Zealand.

1 Onshore UK
2 UK North Sea
3 Mauritania
4 Equatorial Guinea
5 Angola
6 China
7 Australia
8 New Zealand

Activities

During 2003, ROC participated in the drilling of 14 wells, including six as Operator. The Company also acquired 4,961 km of 2D seismic and 1,211 sq km of 3D seismic, of which 31% and 57% were respectively acquired as Operator.

Behind these 'dry' statistics is the emergence of a small, independent oil and gas company with an unusually strong emphasis on international operating activities.

ROC does not seek to operate all its assets because that would clearly be impractical, but, where appropriate, it does seek to operate its core assets. This attitude to business is consistent with one of ROC's strategic objectives: to establish itself as a small, independent oil and gas company with a big company operating capacity, well beyond that which its corporate size would suggest, but with a much lower cost structure and a very different outlook.

Operating assets, particularly in overseas locations, is hard work, but ROC believes that developing and maintaining such operations provides the Company with a passport to many more new venture opportunities than would otherwise be the case.

ROC'S 2003 SEISMIC ACQUISITION SUMMARY

	Country	Survey	ROC Acreage	Type	Environment	Date Start - Finish	Km Acquired	Sq km Acquired	ROC's Equity (%)	Operator
OFFSHORE	AUSTRALIA	Macallan	WA-226-P	3D	Offshore	28 Apr - 24 May '03	-	521.56	7.50	Origin
		Cliff Head	WA-286-P	3D	Offshore	23 Oct - 1 Nov '03	-	30.40	37.50	ROC
		Vicki / Angela	WA-325-P, WA-327-P	3D	Offshore	25 Nov - 31 Dec '03	-	659.00	37.50	ROC
		Lilian	WA-286-P, TP/15	2D	Offshore	2 Nov - 11 Nov '03	729.00	-	37.50, 20.00	ROC
		MaryAnn	WA-325-P	2D	Offshore	11 Nov - 17 Nov '03	825.50	-	37.50	ROC
						Total - Australia	1,554.50	1,210.96		
	MAURITANIA	Tichit	PSCs A, B, C6	2D	Offshore	15 Sep - 27 Oct '03	3,406.20	-	2.70, 2.40, 5.00	Woodside
						Total Acquisition	**4,960.70**	**1,210.96**		

ROC'S WORKING INTERESTS

ONSHORE UK PERMIT SUMMARY - 19 March 2004

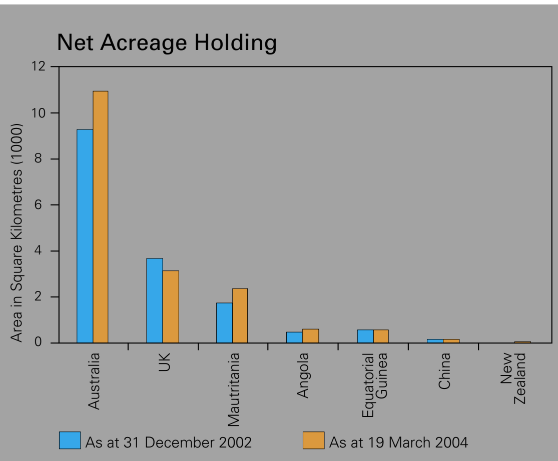
	Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)
ONSHORE	EXL 251		97.50	265.22	258.59
	EXL 252		97.50	166.00	161.85
	PEDL 002[1]		5.00	240.34	12.02
	PEDL 003		100.00	171.20	171.20
	PEDL 004[2]		100.00	87.54	87.54
	PEDL 005	Saltfleetby and Keddington	100.00	545.42	545.42
	PEDL 028		100.00	200.00	200.00
	PEDL 030		100.00	203.55	203.55
	PEDL 032		100.00	169.63	169.63
	PEDL 033		100.00	245.50	245.00
	PEDL 075		100.00	132.50	132.50
	PEDL 076[3]		100.00	66.36	66.36
	PEDL 127		100.00	828.15	828.15
	Total			**3,320.91**	**3,081.81**

1 Free carried interest, operated by Star Energy (East Midlands) Limited.
2 Relinquished in full by notice 2 January 2004, effective 3 April 2004.
3 Relinquished in full by notice 2 January 2004, effective 7 September 2004.

UK NORTH SEA PERMIT SUMMARY - 19 March 2004

	Licence	Field	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)	Operator
OFFSHORE	P240 (Block 14/30a)		0.02115 ORRI[1]	71.60	N/A	EnCana (UK) Limited
	P240 (Block 16/22)		0.1057 NPI[2]	217.99	N/A	Texaco North Sea UK Company
	P111 (Block 30/3a)	Blane	15.2446[3]	46.60	7.10	Paladin Resources
	P219 (Block 16/13a)	Enoch/J1	15.0000	65.20	9.78	Paladin Resources
	P272 (Block 20/7a)		12.4020[4]	20.00	2.48	EnCana (UK) Limited
	P273 (Blk 20/3a)	Moray Firth Ettrick	6.3890[4]	73.00	4.66	EnCana (UK) Limited
	P317 (Block 20/2a)	1) Ettrick Main 2) Unitised Ettrick	14.2810[4] 12.3080[4]	73.00	10.43	EnCana (UK) Limited
	P755 (Block 30/22b)		12.0000	115.00	13.80	Kerr McGee North Sea (UK) Ltd
	Total			**392.80**	**48.25**	

1 Overriding Royalty Interest.
2 Net Profit Interest.
3 Excludes pre-Tertiary sequences.
4 ROC's interest to be sold to Encana (UK) Limited and pre-empting parties, effective 1 July 2003. Sale to be completed 1H 2004.



ROC'S 2003 DRILLING SUMMARY

Country	Well Name	Field / Prospect	ROC Acreage	Environment	Well Type	Spud Date	Rig Release Date	Type	m MD	Result	ROC Equity - Earning (%)	ROC Equity - Paying (%)	Operator
AUSTRALIA	Cliff Head-3	Cliff Head	WA-286-P	Offshore	Appraisal	6 Jan '03	15 Jan '03	Vertical	1,408.00	Oil	30.00	30.00	ROC
AUSTRALIA	CH3-ch1	Cliff Head	WA-286-P	Offshore	Appraisal	15 Jan '03	31 Jan '03	Sidetracked core hole	1,375.00	Oil	30.00	30.00	ROC
AUSTRALIA	Twin Lions-1	Twin Lions	TP/15	Offshore	Exploration	1 Feb '03	10 Feb '03	Vertical	1,570.00	Dry	20.00	20.00	ROC
AUSTRALIA	Mentelle-1	Mentelle	WA-286-P	Offshore	Exploration	11 Feb '03	18 Feb '03	Vertical	1,510.00	Dry	30.00	30.00	ROC
AUSTRALIA	Vindara-1	Vindara	WA-286-P	Offshore	Exploration	19 Feb '03	27 Feb '03	Vertical	1,755.00	Dry	30.00	30.00	ROC
AUSTRALIA	Cliff Head-4	Cliff Head	WA-286-P	Offshore	Appraisal	3 Mar '03	13 Mar '03	Deviated	1,598.00	Oil	30.00	30.00	ROC
UK	20/7a-D	Squirrel	P272	Offshore	Exploration	9 Mar '03	26 Mar '03	Vertical	2,715.00	Dry	12.40	12.40	EnCana
UK	Saltfleetby-7, 7y, 7z	Saltfleetby	PEDL 005	Onshore	Gas - Dev. Oil - Appraisal	11 Jul '03	24 Dec '03	Deviated	3,164.00	Gas, Completed	100.00	100.00	ROC
AUSTRALIA	Jingemia 2	Jingemia	EP-413	Onshore	Appraisal	24 Aug '03	16 Sep '03	Deviated	2,781.00	Plugged Back	0.25	0.25	Origin
MAURITANIA	Chinguetti 4-5	Chinguetti	PSC B, Block 4	Offshore	Appraisal / Early Dev	4 Sep '03	28 Oct '03	Vertical	2,605.00	Oil, Suspended	2.40	2.40	Woodside
AUSTRALIA	Jingemia 3	Jingemia	EP-413	Onshore	Appraisal	17 Sep '03	29 Sep '03	Deviated	2,625.00	Water Injector, Completed	0.25	0.25	Origin
MAURITANIA	Chinguetti 4-6	Tiof	PSC B, Block 4	Offshore	Exploration	27 Oct '03	15 Nov '03	Vertical	2,870.00	Gas, Oil	2.40	2.40	Woodside
MAURITANIA	Chinguetti 5-1	Poune	PSC B, Block 5	Offshore	Exploration	16 Nov '03	7 Dec '03	Vertical	3,285.00	Dry	2.40	2.40	Woodside
MAURITANIA	Pelican 1	Pelican	PSC D, Block 7	Offshore	Exploration	30 Nov '03	29 Dec '03	Vertical	3,825.00	Gas, Plugged, Suspended	5.50	5.50	Dana
MAURITANIA	Chinguetti 4-7	Tiof West	PSC B, Block 4	Offshore	Step-out Exploration	9 Dec '03	21 Dec '03	Vertical	2,991.00	Gas, Oil	2.40	2.40	Woodside

ROC'S WORKING INTERESTS

NON-UK ASSETS - 19 March 2004

Country	Block	Field / Discovery	Gross Area (sq km)	ROC's Net Area (sq km)	ROC's % Interest	Agreement Type	Operator
AUSTRALIA	WA-286-P	Cliff Head	14,515	5,443.13	37.50	Exploration Permit	Roc Oil (WA) Pty Ltd
	TP/15		1,307	261.40	20.00	Exploration Permit	Roc Oil (WA) Pty Ltd
	WA-325-P		6,015	2,255.63	37.50	Exploration Permit	Roc Oil (WA) Pty Ltd
	WA-327-P		6,472	2,427.00	37.50	Exploration Permit	Roc Oil (WA) Pty Ltd
	EP-413	Jingemia	547	1.37	0.25	Exploration Permit	Origin Energy Developments Pty Ltd
	WA-226-P [1]		1,985	148.90	7.50	Exploration Permit	Origin Energy Developments Pty Ltd
	WA-349-P [2]		756.00	378.00	50.00	Exploration Permit	Roc Oil (WA) Pty Ltd
		Sub-Total	31,597.00	10,915.36			
EQUATORIAL GUINEA	H/15 and H/16		1,652.00	578.20	35.00	Production Sharing Contract	Roc Oil (EG) Company (Technical Manager)
MAURITANIA	Area A - Block 3 and Shallow Blocks 4 and 5	Banda	10,461.00	434.65	4.155	Production Sharing Contract	Woodside Mauritania Pty Ltd
	Area B - Deepwater Blocks 4 and 5	Chinguetti, Tiof / Tiof West	7,915.00	292.30	3.693	Production Sharing Contract	Woodside Mauritania Pty Ltd
	Area C - Block 2		6,682.00	213.80	3.20	Production Sharing Contract	Woodside Mauritania Pty Ltd
	Area C - Block 6		5,832.00	291.60	5.00	Production Sharing Contract	Woodside Mauritania Pty Ltd
	Area D - Block 1		5,248.00	105.00	2.00	Production Sharing Contract	Dana Petroleum (E&P) Ltd
	Area D - Block 7		13,469.00	740.80	5.50	Production Sharing Contract	Dana Petroleum (E&P) Ltd
	Area D [3] - Block 8		15,750.00	315.00	2.00	Production Sharing Contract	Dana Petroleum (E&P) Ltd
		Sub-Total	65,357.00	2,393.13			
ANGOLA	Onshore Cabinda South PSA		1073.00	643.80	60.00	Production Sharing Contract	Roc Oil (Cabinda) Company
CHINA	Block 22/12 Beibu Gulf		456.00	182.40	40.00	Production Sharing Contract	Roc Oil (China) Company
NEW ZEALAND	PEP 38767		43.75	17.50	40.00	Exploration Permit	Roc Oil (New Zealand) Pty Ltd
Total			**100,178.80**	**14,730.43**			

1 Awaiting Joint Venture and Government approval
2 Awaiting Government approval
3 ROC has an option to acquire a further 3%

Perth Basin

During 2003, ROC, as Operator, drilled five wells in the offshore Perth Basin with mixed results. The two appraisal wells in the Cliff Head Oil Field were successful but none of the three exploration wells found significant hydrocarbons.

Both appraisal wells proved substantial gross oil columns and each found an Oil Water Contact consistent with that defined in the discovery and earlier appraisal sidetrack well. The first of the two appraisal wells CH-3-ch1 flowed 33° API oil at a stabilised rate of 3,000 BOPD, constrained by surface facilities. The flow was achieved via a downhole electrical submersible pump, which ROC believes is one of the rare times, possibly the only time, that this technology has been successfully utilised for an appraisal well offshore Australia.

In July 2003, ROC acquired from Arc Energy NL an additional 7.5% of WA-286-P, which contains the Cliff Head Oil Field, to take its interest to 37.5%. The initial cash consideration was A$9 million, with additional payments of up to A$3.7 million to be made subject to certain reserve levels being achieved.

In October 2003, ROC and its co-venturers unanimously agreed that the Cliff Head Oil Field was commercial-in-principle and a Front End Engineering and Design ('FEED') contract was awarded to Worley Engineering Pty Limited. The contract award was based on approximately 90 MMBO barrels of oil being in place at Cliff Head which, with an estimated 23% recovery factor, will allow approximately 21 MMBO of 2P reserves to be produced over the field's life. Production will be via an unmanned offshore platform in approximately 17 m of water with a 14 km pipeline to shore-based facilities.

The expectation is that Cliff Head FEED studies will be completed during the 2Q2004 and a final investment decision will be made once the regulatory process has been finalised, probably in August 2004, with first oil predicted to flow by end-2005.

In October 2003, a potentially very important 32 sq km 3D seismic survey was acquired over the Cliff Head Oil Field. As of early 2004, the data were being interpreted. Preliminary results suggest that there will not be a dramatic change to the recoverable reserves but the configuration of the external reservoir boundaries and internal reservoir architecture will be better understood because of the 3D data.

ROC further increased its presence in the offshore Perth Basin through the addition of 7.5% and 50% interests in WA-226-P and WA-349-P respectively. Both transactions were via a low/no cost option arrangement. In December 2003, the WA-349-P option was exercised and in March 2004 the WA-226-P option was exercised.

In order to maximise its technical and commercial understanding of the region, particularly the dynamics of oil sales in the northern Perth Basin, ROC also acquired a 0.25% interest in EP413 which contains the Jingemia Oil Field.

The 3,000 BOPD oil flow from the Cliff Head Oil Field Production Test in January 2003 was a 'first' for the offshore Perth Basin, Western Australia.

Saltfleetby Gas Field

During 2003, the Saltfleetby Gas Field, for all practical purpose ROC's sole source of revenue, performed very well – as it has done each year since ROC brought it on to production in late-1999. At end-2003, independent engineering consulting firm, Helix-RDS, estimated initial 2P recoverable gas reserves at Saltfleetby to be 90 bcf, almost 110% more than the equivalent reserve estimate when ROC acquired the then undeveloped asset.

Total 2003 Saltfleetby production was 9.6 bcf of gas and 0.15 mmbbls condensate. The gas production was 5% less than 2002, due to a combination of natural field decline and slightly longer shut-in periods during 2002. On 29 December, Saltfleetby raw gas production passed the 50 bcf mark.

The out-performance of Saltfleetby gas production over the last four years coincided with a continuing strengthening of UK gas prices. This has allowed ROC to negotiate annual increases in its gas sales contract price with Innogy plc which reflect the robust UK gas market. By way of example, the October-November 2003 spot gas prices were the highest since the field began production and almost 40% higher than the spot prices for the same period in 2002.

While the production side of ROC's UK operations performed very well during 2003, the Company's drilling operation at Saltfleetby-7 encountered a number of very challenging mechanical difficulties. The Saltfleetby-7 well commenced drilling in July 2003, but did not reach total depth until November 2003. The main problem encountered related to the need to drill through the main Westphalian gas reservoir which, as predicted, was partially pressure depleted because of communication with producing wells elsewhere in the field. The problem was resolved by the innovative use of an expanded liner which, ROC believes, is one of the very rare times that an Australian company has utilised this technology.

The potential Namurian reservoir in Saltfleetby-7 proved to be unusually tight at the bottom hole location. By early 2004, presumed mechanical difficulties had prevented the well from being completed in the main Westphalian gas reservoir. The well is scheduled for workover in 2Q2004.

As the Saltfleetby Gas Field reaches a mature stage in its productive life it is anticipated that more workovers will be required more frequently. In this regard ROC is fortunate that it owns a drilling rig which provides it with more flexibility with regard to the cost and timing of these operations than would otherwise be the case.

In March 2003, an exploration well tested the Squirrel Prospect (ROC: 12.4%) in the UK North Sea but it was plugged and abandoned without encountering significant hydrocarbons.

ROC continued to monetise its undeveloped North Sea assets which it has long described as being peripheral to the Company's future. In December 2003, ROC reached an agreement with Encana (UK) Limited to sell its interest in three UK North Sea licences for a cash consideration of $4.2 million which allowed ROC to book an after tax profit of $1.3 million. The divestment of this asset removed 3.5 MMBO of probable undeveloped reserves from ROC's reserve inventory.

Another day dawns at the Saltfleetby Gas Field in Lincolnshire, UK. The field, the largest onshore gas field in Britain, produced its 50 billionth cubic foot of gas a little more than 4 years after ROC brought it on to production in December 1999.

Since 1998, ROC has been dealing with Chinese companies with regard to oil industry matters initially in relation to the export of its Mongolian oil production into China. By 2001, as a result of these transactions, ROC had formed a view that the Chinese oil and gas business was fast changing and that the country could provide opportunities for a small independent oil company such as ROC. In February 2002, this logic caused ROC to acquire a 25% interest in Block 22/12 in the Beibu Gulf, offshore China, through an essentially unpromoted farmin arrangement. Within a month ROC had participated in the Wei-6-12-1 exploration well which made a small oil discovery that is potentially commercial, subject to other oil fields, which have already been discovered within the block, being collectively developed. In April 2002, ROC was appointed operator of Block 22/12 and within a few months had increased its equity to 40% and had started acquiring a 3D seismic survey which covered most of the block.

During 2003, interpretation of the 3D seismic confirmed a number of previously recognised prospects and leads and generated some new potential drill targets. The seismic data quality is excellent and ROC has been able to apply specialised AVO and amplitude seismic processing techniques based on the Company's experience in other parts of the world, particularly offshore West Africa.

By end 2003, ROC had contracted the Nanhai-IV drilling rig to drill at least one exploration and one appraisal well and, perhaps as many as five wells altogether, during 1Q2004. Unfortunately, release of the designated rig to ROC has been delayed due to operations at its current location taking considerably longer than expected. The Nanhai IV rig is now anticipated to commence its drilling programme in Block 22/12 in April 2004.

Since ROC first became interested in China in the late 90s, the dramatic growth of the country's economy has become widely recognised as being vital, not only to China's future, but also to the global economy. As a consequence of this accelerated growth, China's thirst for oil has also increased dramatically so that the country which was, as recently as 1993, a net oil exporter has become a significant importer of oil to the extent that it is now the second largest oil importer in the world after the United States. China is also forecast to become one of the world's major gas importers in the near future. Given this national and global context ROC finds it surprising that there are very few small independent oil companies actively operating in China although perhaps this is explained by the length of time it takes to formulate a close-up view of the Chinese oil industry and its complexities and also the amount of effort that is required to establish and maintain appropriate working relations with various parts of that industry.

ROC firmly believes that if its 2004 drilling programme in China is successful, that country will become a very important core area for the Company and a place where it will be able to build a significantly bigger business above and beyond the number of barrels of oil that may be discovered, developed and produced in Block 22/12.

In November 2003, ROC, as operator for and on behalf of the Block 22/12 Joint Venture in the Beibu Gulf offshore China, contracted the Nanhai IV jack-up rig to drill at least two, and perhaps as many as five, back-to-back wells during late 2003/early 2004. This mixed exploration and appraisal drilling programme will go a long way towards determining the near term commercial potential of the Block.

Together with the offshore Perth Basin, deep water Mauritania was one of the focal points of the Company's activities during 2003. As with the Perth Basin, ROC's activities in Mauritania concentrated upon increasing its interests in this region, as detailed elsewhere in this Annual Report

Between August and year-end, ROC participated in five wells offshore Mauritania, all but one of which encountered significant hydrocarbons.

The Chinguetti-4-5 combined appraisal/early development well flowed up to 15,680 BOPD and produced 77,000 barrels of oil during a six day extended test period prior to being suspended as a potential future oil production well. This was the fourth well on the Chinguetti feature and it played a big part in the Joint Venture's decision, in January 2004, that the Chinguetti Oil and Gas Field was commercial-in-principle. It is anticipated that a final investment decision for the Chinguetti Oil and Gas Field will be made in 2Q2004.

During the October – December 2003 period, the Tiof oil discovery and the successful Tiof West step-out well, both encountered significant oil columns within the Tiof/Tiof West Tertiary channel sand system. Analysis of the pressure data from the two wells suggests that the two oil columns are likely to be in direct communication. It is expected that the Tiof/Tiof West field will be subject to an aggressive appraisal drilling programme during late 2004, designed to determine its commercial potential which could be substantially in excess of the Chinguetti Oil Field.

In November 2003, the Chinguetti-5-1 (Pouné) well in Block 5 of PSC B, tested a Cretaceous sand play but it was plugged and abandoned without significant oil shows.

In late 2003, Agip Mauritania BV ('Agip') agreed to sell its 35% interest to the other four participants (including ROC) in PSC Areas A and B. As a result, ROC's interest in PSC Area A, which contains part of the Banda Oil and Gas Field, increased from 2.7% to 4.155%, while its interest in PSC Area B, which contains the Chinguetti and Tiof Oil Fields as well as part of the Banda Oil and Gas Field, increased from 2.4% to 3.693%. ROC's share of the total up-front cost of the transaction was approximately US$3.6 million, including adjustments for costs incurred which was funded from its cash assets.

Also in November 2003, the Pelican-1 exploration well started drilling in Block 7, operated by Dana Petroleum plc ('Dana'), approximately 150 km north of the Chinguetti Oil Field in approximately 1,700 m water depth. The well was located on the high point of a large structure and penetrated a gross interval of approximately 300 m through which a number of gas filled sands, some with good oil shows, were intermittently developed. Within the well, individual sands are generally thin with variable reservoir characteristics, but occasionally they are in the range of 5-10 m thick with excellent reservoir quality. The well was plugged and abandoned as a regionally significant gas discovery.

The 15,680 BOPD oil flow from the Chinguetti 4-5 combined appraisal-development well confirmed deep water offshore Mauritania as a significant emerging oil province.

Source: Woodside Petroleum Ltd

Equatorial Guinea

Interpretation of the 1,400 sq km 3D seismic survey acquired by ROC in Blocks H15 and H16 (collectively 'Block H') in 2001 was finalised during 2003. The seismic is very high quality and has been optimally processed for AVO and attribute analysis. At least six diverse prospects have been identified and it is planned to drill the first exploration well in the area in mid-2004. The anticipated target is a stratigraphically defined Tertiary Channel sand prospect called Bravo, in the southern part of Block H, with an estimated 2P mean recoverable reserve potential of approximately 116 MMBO. The prospect, located in approximately 1,500 m of water, would represent a stand-alone development if the well confirms the mean reserve estimate. However, there are a number of other prospects in the vicinity of Bravo, so a discovery there could also trigger a substantially larger collective development within Block H.

Angola

During 2003 ROC continued its assessment of the Cabinda South Block, onshore Angola, with a view to deciding when it would be appropriate to activate the PSC. In mid-2003, as part of this process, ROC and its co-venturer, Force Petroleum, contracted London-based Control Risk Limited to undertake an on-the-ground security survey in liaison with ROC's representatives. In ROC's opinion, the results of this survey are encouraging.

In August 2003, ROC increased its equity in the Cabinda South Block to 60% by purchasing a 15% additional interest via the acquisition of Lacula Oil Company Limited ('Lacula'). In a separate transaction, ROC also acquired an option to purchase an overriding royalty which attaches to Lacula's 15% working interest.

If the Cabinda South Block PSC is triggered, it will be a milestone for Angola's onshore oil and gas exploration industry because the area has not been subjected to any exploration since 1972, although more than four billion barrels of oil reserves have been discovered immediately offshore since that time, where current production is approximately 500,000 BOPD.

Angola is undergoing reconstruction following the end of the 30 year civil war. As offshore oil production platforms pump oil to shore based facilities in Cabinda, ROC is giving consideration to starting onshore exploration after a 30 year hiatus.

Corporate Governance

In March 2003, the ASX Corporate Governance Council ('Council') released its 'Principles of Corporate Governance and Best Practice Recommendations' ('Recommendations').

The Board is of the view and supports the Council's comment that good Corporate Governance structures encourage companies to create value and provide accountability and control systems commensurate with the risks involved in operating its business.

ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the 28 Recommendations in the reporting period. Listed companies must identify the Recommendations that have not been followed and provide reasons for the Company's decisions.

Over the past year, the Company has reviewed the developments in contemporary thinking about Corporate Governance principles and processes, both in Australia and overseas and refined a framework for ensuring compliance with legal requirements and best practice which it believes is consistent with ROC's business.

ROC considers that its governance practices comply with the 28 Recommendations. In addition, as required by the Recommendations, ROC has posted, or is in the process of posting, copies of its Corporate Governance Practices to its website. Once this process is completed, stakeholders will be able to review ROC's Corporate Governance Practices. The Board will continue to monitor developments in contemporary thinking about Corporate Governance principles and processes to ensure that ROC continues to maintain the highest standards of Corporate Governance.

ROC endeavours to stay right up to date with the latest developments in corporate governance best practice and regulatory requirements. Fortunately, because of ROC's existing corporate governance practices, the latest regulatory requirements have not resulted in the Company requiring radical changes to its governance policies and practices.

Wherever ROC operates, it interfaces with local communities and as such, it continuously deals with a broad range of health, safety and environmental matters. All the various stakeholders in ROC's different projects have an understandable concern about these issues. The details vary enormously depending upon the location and the nature of the local community which can range from the rock lobster industry, offshore Western Australia and farmers in eastern England to Chinese fishermen in the Beibu Gulf. Despite the diverse nature of these situations, ROC always tries to view each from the other party's perspective and, whenever possible, it endeavours to respond positively to the needs of these communities within which it works.

ROC's area of operations in the offshore Perth Basin is on the annual migration route of the Humpback Whale. The Company has been able to work with a number of scientific groups in an effort to better understand the migratory habits of these creatures. As part of this process, ROC funded a programme that involved tagging whales so that their movements through seismic survey areas could be precisely tracked by satellite. Importantly, the whale's immune response process results in the tags being expelled, or sloughed off, over a period of time.

ROC in an International Context

During 2003, ROC was active in six countries: Australia, England, Mauritania, Equatorial Guinea, Angola and China. Within two months of the end of 2003, ROC added a seventh country to this list: New Zealand. These countries are culturally, ethnically, linguistically, religiously and politically diverse but ROC believes that all the individuals and communities with which ROC comes into contact share at least one common feature – they all expect the Company to respect their rights. That is what ROC tries to do wherever it operates. That is why, wherever ROC is active, it always tries to behave as a guest in that community.

The diversity of ROC's global operations may not appeal to all investors, but it reflects accurately the intrinsic international nature of the Company and distinguishes ROC from many other companies in Australia and elsewhere in the world.

French

ROC dans un contexte international

En 2003, ROC était présent dans six pays : l'Australie, l'Angleterre, la Mauritanie, la Guinée équatoriale, l'Angola et la Chine. Fin 2003, en deux mois, ROC a ajouté un septième pays à cette liste : la Nouvelle-Zélande. Si ces pays sont divers sur le plan culturel, ethnique, linguistique, religieux et politique, ROC est convaincu que tous les individus et les communautés avec lesquels il entre en contact ont au moins un dénominateur commun : ils escomptent tous que la société respecte leurs droits. C'est ce que ROC tente de faire partout où il exerce ses activités : là où ROC est présent, il essaie se comporter en hôte de cette communauté.

La diversité des activité internationales de ROC peut ne pas attirer tous les investisseurs ; toutefois, elle reflète précisément la nature intrinsèque de la société et distingue ROC d'un grand nombre de sociétés comparables en Australie et ailleurs.

Mandarin

在国际大背景下运作的 ROC

2003 年间，ROC 活跃在六个国家：澳大利亚、英格兰、毛里塔尼亚、赤道几内亚、安哥拉和中国。2003 年终前的两个月中，ROC 的清单上又添加了第七个国家：即新西兰。这些国家在文化、种族、语言、宗教和政治等方面各不相同，但 ROC 相信，ROC 接触到的各种各样的个人和社会至少都有一个共同的特点 - 他们都期望公司能够尊重他们的权利。ROC 在其运作的任何地区都力图做到这一点。无论 ROC 活跃在什么地方，它永远力求在该社会保持其宾客的身份。

ROC 国际作业的多样化也许不会令所有的投资商欣赏，但这种多样化准确地反映了公司的本质，使其有别于澳大利亚和世界其他地方的许多同类公司。

Spanish

ROC en un contexto internacional

Durante 2003, ROC realizó actividad en seis países: Australia, Inglaterra, Mauritania, Guinea Equatorial, Angola y China. En los dos últimos meses de 2003, ROC agregó a esta lista un nuevo país: Nueva Zelandia. Estos países se distinguen por su diversidad cultural, étnica, lingüística, religiosa y política, pero ROC cree que todas las personas y comunidades con que ROC entra en contacto comparten por lo menos una característica común: todas esperan que la Compañía respete sus derechos. Esto es lo que ROC trata de hacer sea donde sea que sea que opere. Sea donde sea que ROC realiza actividad, siempre trata de comportarse como un huésped de esa comunidad.

Puede ser que la diversidad de las operaciones internacionales de ROC no atraiga a todos los inversores, pero refleja con exactitud la naturaleza intrínseca de la Compañía y distingue a ROC de muchas compañías comparables en Australia y todo el resto del mundo.

Portuguese

A empresa ROC num contexto internacional

Durante o ano de 2003, a Empresa ROC funcionou activamente em seis países: Austrália, Inglaterra, Mauritânia, Guiné Equatorial, Angola e China. Dois meses antes do fim do ano de 2003, a ROC adicionou um sétimo país a esta lista: a Nova Zelândia. Estes países são diferentes relativamente a aspectos culturais, étnicos, linguísticos, religiosos e políticos, mas a ROC acredita que os indivíduos e as comunidades, com que tem colaborado, partilham pelo menos de uma característica em comum – todos esperam que a Empresa respeite os seus direitos. É isso que a ROC tenta fazer em qualquer local onde funcione. Seja onde for que a empresa ROC se encontre activa, tenta sempre comportar--se como convidada no seio dessa comunidade.

A diversidade entre as operações internacionais da Empresa ROC pode não agradar a todos os empresários, mas reflecte precisamente a natureza intrínseca da Empresa e faz com que a ROC se saliente entre muitas companhias semelhantes na Austrália e noutros países.

Arabic

ROC على نطاق عالمي

خلال ٢٠٠٣ نشطت أعمال ROC في ستة بلدان: أستراليا، إنكلترة، موريتانيا، غينيا الاستوائية، أنغولا والصين. وقبل شهرين من نهاية العام ٢٠٠٣، أضافت ROC بلداً سابعاً إلى القائمة وهو: نيوزيلندة. إنّ هذه البلدان تختلف عن بعضها البعض من النواحي الثقافية والإثنية واللغوية والدينية والسياسية، غير أنّ ROC تؤمن بأن جميع الأشخاص والمجتمعات التي تتعامل معها ROC لديها قاسم مشترك واحد على الأقل، وهو أن الجميع يتوقعون من الشركة احترام حقوقهم؛ وهذا ما تحاول ROC القيام به أينما عملت. ففي أي بلد تنشط فيه أعمال ROC تحاول دائماً التصرف كضيف على مجتمع هذا البلد.

إنّ التعددية الدولية لأعمال ROC قد لا تستقطب جميع المستثمرين، لكنها تعكس بدقة جوهر طبيعة الشركة وتميّزها عن العديد من الشركات المشابهة في أستراليا وفي مناطق أخرى من العالم.

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 2003.

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), 50

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), 53

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), 57

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), 72

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), 51

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 Foods Pty Ltd. Mr Dobinson is also a non-executive director in a number of other public companies.

Mr Sidney J Jansma Jr *MBA*
(Non-Executive Director), 60

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), 47

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 November 2003, Mr Jolliffe left Cargill and now works as a financial consultant.

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	9	2	1	1	3	2
Number of meetings attended						
Mr A J Love	8	2	1	1	N/A	N/A
Mr W G Jephcott	9	2	1	1	N/A	N/A
Dr R J P Doran	8	N/A	1	N/A	N/A	2
Mr R J Burgess	9	N/A	N/A	1	N/A	N/A
Mr R Dobinson	8	N/A	N/A	N/A	2	N/A
Mr S J Jansma Jr	8	N/A	N/A	1	3	N/A
Mr A C Jolliffe	9	2	N/A	1	N/A	N/A

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 profit of the consolidated entity for the financial year after income tax expense was $2,976,689 (2002: net loss $20,994,221).

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 2003.

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 35.

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 39 to the Annual Financial Report have occurred.

Except for the matters referred to in Note 39, 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 2003.

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	–	4,050	49,050
Mr R J Burgess	35,000	–	–	35,000
Mr R Dobinson	35,000	–	3,150	38,150
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)	457,787	43,635	561,422

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	127,860(7)	47,671

All of the above options vested on 5 August 2001.

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
Mr Jolliffe ceased to be an employee of Cargill Financial Markets plc, which holds 4,898,598 ordinary shares and 669,220 options over ordinary shares.

Directors' and 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 2003.

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 Contributions $	Options $	Total $
Mr C Way	General Manager Operations	295,000	26,550	28,066	349,616
Mr B Clement	Chief Operating Officer	285,000	25,650	3,021	313,671
Dr K Hird	General Manager Business Development	249,876	33,075	1,606	284,557
Mr W Jamieson	General Manager Exploration	224,730	20,226	15,293	260,249
Mr N Seage	Senior Reservoir Engineer	210,000	18,900	259	229,159

Notes:

(1) Base remuneration includes base salary.

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

The Company has adopted the Australian Securities and Investment Commission guidelines on valuing options for Directors and Executives and accordingly has calculated the attributable value of options for the year using the Black-Scholes option pricing model. The options value has been calculated as at the date of issue using the following assumptions: risk-free rate of interest, 5-7%; volatility of share price, 40-50%; dividend yield, nil; and expected life of the options from grant date to expiry date, 5 years.

Options over Unissued Ordinary Shares

Details of the Employee Share Option Plan are disclosed in Note 23(b) to the Annual Financial Report.

During or since the end of the financial year, no options (2002: 80,000) were issued to the Directors or the five most highly remunerated officers of the Company. The number of options issued during the 2003 financial year and to the date of the Annual Financial Report, and the total number of options held, by officers who are not Directors, as at the date of the Annual Financial Report are as follows:

	Number of Options Issued during Financial Year	Issuing Entity	Total Number of Options Held at Date of this Report
Officers			
Mr B Clement	Nil	ROC	600,000
Mr W Jamieson	Nil	ROC	230,000
Dr K Hird	Nil	ROC	201,000
Mr N Seage	Nil	ROC	110,000
Mr C Way	Nil	ROC	80,000

During or since the end of the financial year, the Company granted 50,500 options over unissued ordinary shares of ROC under the Employee Share Option Plan.

As at the date of this Directors' Report, there were 3,530,650 options (representing 3.21% 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
$2.00	60,000	15 July 2004
$2.00	905,000	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	1,179,000	10 January 2006
$1.65	35,000	26 July 2006
$1.26	184,000	17 December 2006
$1.45	90,000	29 May 2007
$1.39	340,200	29 July 2007
$1.41	255,000	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	30,500	29 January 2008

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

There remain 1,963,821 options available for issue under the Employee Share Option Plan.

During the 1999 financial year, the Company granted options to shareholders over unissued ordinary shares of ROC, 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. Subsequent to 31 December 2003 Mr A J Love stepped down as Chairman of the Audit Committee and Mr W G Jephcott was appointed Chairman.

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 Operating Officer, General Manager Finance 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

In March 2003, the ASX Corporate Governance Council issued its Principles of Good Corporate Governance and Best Practice Recommendations ('the Recommendations'). ROC is currently finalising its governance policies to ensure consistency with the Recommendations. Procedures and processes consistent with the Recommendations will be implemented prior to the issue of the Company's 2003 Annual Report.

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, 25 February 2004

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

Key Points

The consolidated entity recorded a net profit after income tax expense of $3.0 million (compared with a net loss after income tax expense of $21.0 million for the prior financial year). The result included income tax expense of $8.1 million on a profit before tax of $11.1 million.

At 31 December 2003, the consolidated entity was in a sound financial position with net cash assets of $23.5 million after accounting for cash assets of $41.6 million and interest bearing liabilities of $18.1 million.

Sales revenue for the 2003 financial year was $57.3 million, with the majority received from gas and condensate sales from the Saltfleetby Gas Field. Notwithstanding lower production, sales revenue was up from $54.0 million in the 2002 financial year as a direct result of higher prices. However, the full value of higher prices was diluted by adverse foreign exchange movements.

Total production for the financial year was 1.78 million BOE (4,868 BOEPD). Gas production from the Saltfleetby Gas Field was 9.6 BCF of gas or 26.4 MMSCFD, down 5% on the prior financial year production of 10.1 BCF (27.8 MMSCFD). The average price received for gas sales from Saltfleetby (including hedging) was $5.62 per MCF compared with $4.93 per MCF in the 2002 financial year. During the 2003 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 2003 to 30 September 2004 represented an increase of approximately 5% on the existing contract gas. During 2003, approximately 46% 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 one BCF based on the reserves assessment as at 31 December 2003 by Helix RDS Limited, the independent reserves expert. Gas production from the field during the first month of 2004 was 22.0 MMSCFD.

During the financial year ROC accepted an offer for US$2.8 million (A$4.2 million) cash on the sale of its interest in the UK North Sea Ettrick Block along with the UK North Sea Block 20/7a. The sale was effective 1 July 2003.

ROC experienced good exploration results during 2003, participating in three oil and gas discoveries offshore Mauritania and successfully appraising both the Cliff Head Oil Field, offshore Western Australia, and the Chinguetti Oil Field, offshore Mauritania. The Company also participated in drilling three unsuccessful exploration wells offshore Western Australia and one offshore Mauritania. Successful appraisal wells were drilled in both Western Australia and Mauritania leading to subsequent declaration of “in principle” commerciality for both the Cliff Head and Chinguetti Oil Fields.

During the financial year, ROC participated in the drilling of five exploration and appraisal wells in the Perth Basin, offshore Western Australia. Two successful appraisal wells were drilled on the Cliff Head Oil Field (ROC: 30%) with one of the wells undergoing a production test and both wells being cored through the main part of the reservoir interval. The CH-3-ch1 appraisal well flowed oil at stabilised rates up to 3,000 BOPD, constrained by surface facilities, during a production test conducted via a down hole electric submersible pump. This was the first flow of oil to surface in the offshore Perth Basin and represented a significant step in the field’s journey towards commerciality. Unsuccessful exploration wells were drilled on the Twin Lions-1 prospect (ROC: 20% interest, 40% funding), Mentelle-1 prospect (ROC: 30%) and Vindara-1 prospect (ROC: 30%).

Engineering work on development concepts and reservoir evaluation of the Cliff Head Oil Field continued during the financial year. On 14 October 2003 the WA-286-P Joint Venture unanimously agreed that the Cliff Head Oil Field was ‘commercial-in-principle’ based on a 2P estimate of 21 MMBO recoverable and that the Front End Engineering and Design (FEED) study should commence immediately. The FEED contract was subsequently awarded to Worley Pty Limited. The provisional estimate for capital expenditure associated with development of the Cliff Head Oil Field is in the order of $140 million. This figure will be defined much more precisely through the FEED process. A preliminary Field Development Plan has been presented to the Western Australian Department of Industry and Resources and an application for the declaration of location of the field was lodged on 19 December 2003.

In late October 2003, a 30 sq km 3D seismic survey was shot over the Cliff Head Oil Field so as to optimise development well design. This was followed in November/December 2003 with a 3D seismic survey acquired over 657 sq km in WA-325-P and WA-327-P. This 3D seismic work was augmented by extensive 2D seismic (1,554.5 km) and aeromagnetic surveys (3,520 sq km) shot over the Perth Basin.

During the 2003 financial year, ROC acquired ARC Energy NL’s (‘ARC’) 7.5% interest in WA-286-P, which contains the Cliff Head Oil Field, increasing the Company’s interest in the permit to 37.5%. The consideration paid by ROC consisted of an initial payment of $9.0 million cash with additional payments up to a maximum of $3.75 million, to be made subject to certain reserve levels being achieved. In addition, ROC acquired a 0.25% interest in EP413 for $0.2 million. Those purchase prices have been included in exploration expenditure capitalised.

During the 2003 financial year, ROC participated in the drilling of five wells, offshore Mauritania. The first well, the Chinguetti-4-5 combined appraisal and development well in Area B, encountered net oil pay of 38 m and subsequently flowed at rates of up to 15,680 BOPD in production tests.

Following the substantial oil flow from the production test of this well a ‘discovery bonus’ obligation to the original vendors of ROC’s Mauritanian interests was triggered. The bonus comprised a cash payment of US$1.015 million and the issue of 1,363,383 ordinary ROC shares. This payment and the value of issued shares have been included as acquisition costs in exploration expenditure capitalised.

Two exploration wells were drilled on the Tiof prospect (some 25 km north of the Chinguetti Oil Field). The Chinguetti-4-6 (Tiof) exploration well encountered a gross gas column of 49.5 m overlying a gross oil column of 38.5 m in good quality reservoirs. The Chinguetti-4-7 (Tiof West) step out exploration well situated 8 km to the west of Chinguetti-4-6 (Tiof) encountered a gross gas column of approximately 4 m overlying a gross oil column of approximately 120 m. The top of the hydrocarbon bearing interval was intersected down-dip from the top of the hydrocarbon bearing interval of the Chinguetti-4-6 (Tiof) discovery well. Preliminary analysis of the pressure data indicates these wells are likely to be in direct pressure communication and further appraisal drilling will be required to assess the significance of these discoveries.

The Chinguetti-5-1 exploration well (Pouné) in PSC Area B, approximately 48 km north of the Chinguetti Oil Field, was also drilled. The well failed to encounter any significant hydrocarbons and was plugged and abandoned.

The Pelican-1 well in Block 7 (operated by Dana), located 150 km north of the Chinguetti Oil Field, penetrated a gross interval of approximately 30 metres through which a number of gas-filled Palaeocene sands, some with good oil shows, were intermittently developed. The well was plugged and suspended as a gas discovery.

ROC has secured options to increase its interests in Blocks 7 and 8 offshore Mauritania from 2% to 5.5% and from 2% to 5.0% respectively. ROC exercised the Block 7 option on 19 January 2004.

During the second half of the financial year a 2D seismic survey (3,406 km) was acquired in PSCs A and B offshore Mauritania. In addition, Dana Petroleum plc, Operator of Block 1, carried out a 1,342 sq km 3D seismic survey in the central part of the block.

On 6 January 2004, the PSC B Joint Venture announced that the Chinguetti Oil Field had been declared commercial in principle and that a Field Development Plan would be submitted to the Mauritanian Government.

During the financial year, ROC, together with its co-venturers, agreed to pre-empt, on a pro rata basis, the proposed sale by Agip/ENI of its 35% interest in each of PSC Area A, which contained the Banda discovery, and PSC Area B, which contains the Chinguetti and Tiof discoveries. As a result, ROC's interest in Area A will increase from 2.7% to 4.155% and in Area B from 2.4% to 3.693%. The cost to ROC after working capital adjustments was US$3.8 million. Modest additional contingent payments up to a total of US$0.6 million net to ROC may be made subject to certain exploration, development and production success milestones being achieved. The cost of this acquisition has been included in exploration expenditure capitalised.

Onshore UK, the Saltfleetby-7 appraisal/development well was drilled during the 2003 financial year and the Old Hills exploration well was drilled subsequent to year end.

The Saltfleetby-7 well was designed to test the gas potential of the Namurian reservoir below the main Westphalian reservoir and to act as an extra drainage point for production from the Westphalian. Despite logging indicating gas in the Namurian reservoir, commercial production could not be established in the Namurian reservoir so the well was completed as a production well in the Westphalian reservoir.

The Saltfleetby-7 well was also designed to intersect a potential oil accumulation in the Brinsley Abdy Formation located above the gas reservoir. The well intersected the target sand and ROC is currently reviewing options for further appraising and, if merited, developing this potential oil accumulation.

The Old Hills well encountered a sub-commercial oil discovery and was plugged and abandoned. Well costs incurred up to 31 December 2003 along with other costs in that area of interest in 2003 (totalling $1.0 million) were expensed. Historic capitalised costs in relation to that area of interest ($1.5 million) were written off as of 31 December 2003.

ROC also participated in the drilling of the UK North Sea Block 20/7a exploration well (Squirrel prospect), which was unsuccessful.

In the third quarter of the financial year, the Beibu Gulf Joint Venture approved a two firm and three contingent well drilling programme. The firm wells consist of one appraisal well (Wei 12-8-3) on the 12-8 Oil Field and one exploration well (Wei 12-7-1) on the 12-7 Prospect. Due to delays in rig availability, this drilling programme is not anticipated to commence until March 2004.

Consolidated Statement of Financial Performance

The consolidated entity recorded a net profit after income tax expense of $3.0 million for the financial year, from a trading profit of $31.0 million, a profit before tax of $11.1 million and income tax expense of $8.1 million.

The trading profit of $31.0 million for 2003 was achieved from sales revenue of $57.3 million. Operating costs totalled $26.3 million for the financial year, comprising production costs of $10.9 million and amortisation and restoration expenses of $15.4 million.

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

	2003 $ million	2002 $ million
Sales revenue	57.3	54.0
Trading profit	31.0	24.7
Net interest income (expense)	1.1	0.2
Net foreign currency losses	(5.8)	(0.1)
Exploration expenditure expensed and written off	(8.5)	(13.8)
Provision for write down of development assets	–	(5.1)
Profit (loss) on sale of non-core UK assets	2.6	(0.4)
Profit on sale of non-current assets	0.8	–
Other (including administration costs and other provisions)	(10.1)	(10.7)
Profit (Loss) Before Income Tax Expense	11.1	(5.2)
Income tax expense	(10.6)	(9.9)
Provision for capital gains tax no longer required	3.5	–
Capital gains tax on sale of UK North Sea assets	(2.3)	–
Restatement of UK deferred income tax liability	–	(4.5)
Provision for deferred income tax liability no longer required	1.3	(1.4)
Total Income Tax Expense	(8.1)	(15.8)
Net Profit (Loss) After Income Tax Expense	3.0	(21.0)

Exploration expenditure expensed during the financial year primarily relates to the unsuccessful exploration wells drilled in the Perth Basin ($3.3 million), UK ($2.3 million) and Mauritania ($0.4 million), and to exploration costs with respect to the Company's activities in Angola where the PSC has not yet been triggered.

Exploration expenditure written off relates to other capitalised exploration costs in relation to areas of interest in the UK ($1.7 million) where no further exploration work is planned.

Income tax expense relates exclusively to income tax on UK operations. Whilst the trading profit generated in the UK is subject to UK income tax (30% UK Corporation Tax plus a supplementary tax of 10% on UK oil company profits), 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.

Net provisions for capital gains tax and deferred tax totalling $4.8 million were released during the financial year. These provisions were made in relation to disposal of non-core UK assets. Following finalisation of relevant income tax returns, $3.5 million of these provisions are no longer required, and the other $1.3 million release relates to deferred income tax for liabilities attached to the UK North Sea asset disposal in the financial year and the release of deferred income tax liabilities attached to areas of interest in the UK where no further exploration work is planned.

The profit after income tax expense of $3.0 million was affected 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.

	2003 $ million	2002 $ million
Net Profit (Loss) After Income Tax Expense	3.0	(21.0)
Adjusted for after tax effect of:		
Net foreign exchange losses	6.3	–
Exploration expenditure expensed and written off	7.8	13.7
Provision for capital gains tax no longer required	(3.5)	–
Capital gains tax on sale of UK North Sea assets	2.3	–
Provision for write down of development assets	–	5.1
(Profit) loss on sale of non-core UK assets	(2.6)	1.8
Profit on sale of non-current assets	(0.8)	–
Restatement of UK deferred income tax liability	-	4.5
Provision for deferred income tax liability no longer required	(1.3)	–
Adjusted Profit After Income Tax Expense	11.2	4.1

Consolidated Statement of Financial Position

During the financial year, total assets decreased from $270.9 million to $244.9 million, total liabilities decreased from $89.0 million to $71.3 million and total equity decreased from $181.9 million to $173.7 million. In addition to the changes resulting from production operations, the major net changes in the Statement of Financial Position resulted from development and exploration expenditure, part repayment of the US$ syndicated bank loan and movements in the foreign currency translation reserve.

Exploration expenditure of $46.3 million, of which $39.5 million is reflected in the Consolidated Statement of Financial Position, was incurred during the financial year, with major expenditure in the following areas of interest:

- **The Perth Basin offshore Western Australia ($23.4 million):** The consolidated entity undertook drilling of the Cliff Head-3 and Cliff Head-4 appraisal wells and Twin Lions-1, Mentelle-1 and Vindara-1 exploration wells. Significant 2D and 3D seismic, along with aeromagnetic survey data, was acquired over the Perth Basin and Cliff Head Oil Field and interpretation of this in conjunction with previous surveys was progressed. Engineering and field work continued on the Cliff Head Oil Field and a declaration of commerciality was made in the last quarter of 2003. Expenditure includes acquisition costs of $9.3 million associated with the acquisition of ARC Energy NL's 7.5% interest in WA-286-P along with the separate acquisition of 0.25% interest in EP413.

- **Mauritania ($14.2 million):** The consolidated entity's share of costs included interpretation of the seismic data sets acquired in 2002, which culminated in the drilling of a multi-well exploration and appraisal campaign in the second half of the year. The regional 2D 'Tichit' seismic survey was acquired in the final quarter and feasibility studies on the development of the Chinguetti Oil Field were progressed with the Joint Venture declaring the field commercial in December 2003. The costs include accrued acquisition costs of $5.1 million in relation to the Agip/ENI pre-emption, as well as $3.4 million related to the payment of the Elixir Corporation Pty Ltd 'discovery bonus' settled by payment of $1.4 million in cash and the issue of 1,363,383 ordinary shares of the Company.
- **United Kingdom ($4.3 million):** The consolidated entity participated in the drilling of the UK North Sea Block 20/7a (Squirrel prospect) in March 2003 and in January 2004 the Old Hills well onshore UK. Other activity in the UK was evaluation work to mature prospects to a drillable status.
- **Equatorial Guinea ($1.7 million):** The consolidated entity completed geophysical studies and advanced pre-drilling technical studies.
- **China ($2.0 million):** The consolidated entity continued with interpretation of 3D seismic acquired during 2003, for the purpose of validation of existing leads and prospects as well as identifying new leads. Planning of the 12-8 Oil Field appraisal well and the 12-7 Prospect exploration well, along with contingent drilling locations, was completed. Work continued on the evaluation of development concepts for the 12-8 Oil Field, ahead of the above appraisal drilling.
- **Angola ($0.7 million):** The consolidated entity completed the Security Risk Assessment Study and advanced preparations for the start of on-the-ground activities. Expenditure includes acquisition costs in relation to an additional 15% interest in the Cabinda South Block.

Additions to development expenditure of $12.1 million were incurred during the financial year in the UK. This expenditure primarily relates to development activities at the Saltfleetby Gas Field, in particular drilling the Saltfleetby-7 well.

Interest bearing liabilities of $18.1 million as at 31 December 2003 relates to the US$ syndicated bank loan in the UK (US$13.6 million) which is secured against the UK assets. This loan is due to be repaid in July 2004.

The market capitalisation of the Company was $168.1 million as at 31 December 2003, based on the financial year end 2003 closing market price of $1.53 per fully paid ordinary share and 109,889,439 fully paid ordinary shares on issue.

Consolidated Statement of Cash Flows

Cash flow from operating activities was $32.4 million. The major cash flows from operating activities included gross receipts from the sale of oil, NGLs and gas in the UK of $66.8 million and payments to suppliers and employees of $24.9 million.

Cash assets decreased by $40.0 million over the financial year and as at 31 December 2003 the consolidated entity held a cash and short term deposit balance of $41.6 million.

The consolidated entity's operating 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 $51.0 million. The major investments during the financial year were the payments for development expenditure ($10.0 million) and payments for exploration expenditure ($36.1 million). Also included in investing activities was $1.9 million received from the sale of non-current assets.

Net cash used in financing activities was represented by bank loan repayments of $12.1 million (US$7.5 million) during the financial year.

Financial Ratios

Basic earnings per share for the financial year were 2.7 cents, based on a weighted average number of fully paid ordinary shares on issue of 108,787,527.

Cash flow from operating activities for the financial year was $32.4 million, or 29.5 cents per share, up $1.2 million on the prior financial year.

The debt to equity ratio as at 31 December 2003 was 10.4%. Based on cash assets of $41.6 million and interest bearing liabilities of $18.1 million, the consolidated entity held net cash assets of $23.5 million as at 31 December 2003.

Hedging

Oil price

The consolidated entity did not undertake any oil price hedging 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 2004 and provides the consolidated entity with a gas price hedge over that period. Approximately 46% of the consolidated entity's gas production during the financial year was sold under the contract at the contract price.

In addition to the Innogy contract, the consolidated entity entered into gas price hedging contracts for the financial year for a total volume of 0.8 BCF of gas. The hedging contracts were financially settled monthly and receipts under the contracts totalled $711,100 during the financial year.

The consolidated entity has gas hedging in place at 31 December 2003 covering 0.4 BCF of 2004 gas sales from the Saltfleetby Gas Field. As at 31 December 2003, the mark-to-market unrealised, unrecognised loss of these hedges was $374,970.

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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Deloitte Touche Tohmatsu

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ROC OIL COMPANY LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, accompanying notes to the financial statements, and the Directors' declaration for both Roc Oil Company Limited '(the Company') and the consolidated entity, for the financial year ended 31 December 2003 as set out on pages 37 to 75. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia 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.

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 made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2003 and of their performance for the 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, 25 February 2004

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountant's Scheme under the Professional Standards Act 1994 (NSW).

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, 25 February 2004

Statement of Financial Performance

For the financial year ended 31 December 2003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Revenue from Ordinary Activities					
Revenue from operating activities	*2(a)*	59,835	56,331	14,734	33,365
Revenue from non-operating activities	*2(a)*	6,057	33,080	–	–
		65,892	89,411	14,734	33,365
Expenses from ordinary activities	*2(b)*	(54,008)	(92,937)	(17,585)	(23,630)
Borrowing costs expensed	*2(c)*	(804)	(1,688)	(35)	(11)
Profit (Loss) from Ordinary Activities before Income Tax Expense		**11,080**	**(5,214)**	**(2,886)**	**9,724**
Income tax expense relating to ordinary activities	*4*	(8,104)	(15,780)	–	–
Net Profit (Loss) after Income Tax Expense		**2,976**	**(20,994)**	**(2,886)**	**9,724**
(Decrease) increase in foreign currency translation reserve arising on translation of foreign self-sustaining controlled operations	*24*	(13,175)	238	–	–
Total Revenue and Expense Adjustments Attributable to Members of Roc Oil Company Limited and Recognised Directly in Equity		(13,175)	238	–	–
Total Changes in Equity other than Those Resulting from Transactions with Owners as Owners		**(10,199)**	**(20,756)**	**(2,886)**	**9,724**
Basic earnings per share (cents per share)	*25*	2.7	(19.3)		
Diluted earnings per share (cents per share)	*25*	2.7	(19.3)		

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

As at 31 December 2003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Current Assets					
Cash assets	*28(a)*	41,553	81,538	20,329	50,978
Inventories	*5(a)*	2,025	1,619	–	–
Receivables	*6*	13,430	11,476	2,777	197
Other financial assets	*7*	14	17	–	–
Other	*8*	2,019	2,676	126	130
Total Current Assets		59,041	97,326	23,232	51,305
Non-Current Assets					
Development expenditure	*9*	68,572	87,476	–	–
Exploration expenditure	*10*	114,839	83,513	–	–
Receivables	*11*	91	141	82,002	54,602
Other financial assets	*12*	103	295	102,995	103,187
Inventories	*5(b)*	78	50	–	–
Property, plant and equipment	*14*	2,198	2,103	811	766
Total Non-Current Assets		185,881	173,578	185,808	158,555
Total Assets		244,922	270,904	209,040	209,860
Current Liabilities					
Payables	*16*	17,948	13,284	1,769	1,983
Interest bearing liabilities	*17(a)*	18,094	18,676	–	–
Current tax liabilities	*18*	8,558	6,082	–	–
Provisions	*19*	637	567	637	567
Total Current Liabilities		45,237	38,609	2,406	2,550
Non-Current Liabilities					
Interest bearing liabilities	*17(b)*	–	18,447	–	–
Deferred tax liabilities	*20*	22,143	26,821	–	–
Deferred income		87	–	–	–
Provisions	*21*	3,800	5,131	252	–
Total Non-Current Liabilities		26,030	50,399	252	–
Total Liabilities		71,267	89,008	2,658	2,550
Net Assets		**173,655**	**181,896**	**206,382**	**207,310**
Equity					
Contributed equity	*23*	203,192	201,234	203,192	201,234
(Accumulated losses) retained profits	*3*	(37,168)	(40,144)	3,190	6,076
Reserves	*24*	7,631	20,806	–	–
Total Parent Entity Interest and Total Equity		**173,655**	**181,896**	**206,382**	**207,310**

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

Statement of Cash Flows

For the financial year ended 31 December 2003

		CONSOLIDATED		COMPANY	
	Note	Inflows (Outflows) 2003 $'000	Inflows (Outflows) 2002 $'000	Inflows (Outflows) 2003 $'000	Inflows (Outflows) 2002 $'000
Cash Flows from Operating Activities					
Receipts from customers		66,752	65,771	–	–
Payments to suppliers and employees		(24,943)	(28,189)	(5,763)	(5,854)
Tariffs and other receipts		50	261	–	–
Dividends received		–	–	13,885	32,177
Interest received		1,782	1,859	807	1,324
Interest paid (net of capitalised amounts)		(599)	(1,385)	–	–
Bank charges		(219)	(309)	(35)	(11)
Income taxes paid		(4,772)	(2,958)	–	–
Other taxes paid		(5,648)	(3,889)	(3)	(18)
Net cash provided by operating activities	*28(b)*	**32,403**	**31,161**	**8,891**	**27,618**
Cash Flows from Investing Activities					
Payment for plant and equipment		(1,378)	(859)	(559)	(502)
Payment for development expenditure		(9,973)	(7,406)	(61)	(4)
Payment for exploration expenditure		(36,079)	(29,860)	(303)	(734)
Recoupment of exploration expenditure		–	239	–	169
Payment for development studies		(772)	(384)	(707)	(384)
Payment for operated joint venture exploration expenditure		(13,134)	(2,850)	–	–
Reimbursement from operated joint venture operations		11,800	3,944	–	–
Amounts paid to associate company		–	(65)	–	–
Amounts received from associate company		13	607	–	–
Payment for the acquisition of controlled entities	*28(d)*	(1,630)	–	–	–
Payment for materials inventory		(1,413)	(415)	–	–
Proceeds from sale of development assets held for sale	*28(e)*	–	30,735	–	–
Proceeds on sale of current assets		–	99	–	–
Proceeds from sale of non-core offshore UK assets	*28(e)*	261	2,750	–	–
Proceeds from sale of other non-current assets		1,601	–	–	–
Payment for security deposits on operating leases		(76)	(75)	(76)	(74)
Loan to other entities		–	(30)	–	(30)
Payment for listed and unlisted shares		(198)	(222)	(198)	(222)
Net cash used in investing activities		**(50,978)**	**(3,792)**	**(1,904)**	**(1,781)**
Cash Flows from Financing Activities					
Bank loan repayments		(12,100)	(17,614)	–	–
Reimbursement of funds to controlled entities		–	–	13,444	11,161
Provision of funds to controlled entities		–	–	(43,288)	(33,055)
Net cash used in financing activities		**(12,100)**	**(17,614)**	**(29,844)**	**(21,894)**
Net (Decrease) Increase in Cash Held		**(30,675)**	**9,755**	**(22,857)**	**3,943**
Cash at Beginning of Financial Year		81,538	76,123	50,978	50,655
Effect of exchange rate changes on the balance of cash held in foreign currencies		(9,310)	(4,340)	(7,792)	(3,620)
Cash at End of Financial Year	*28(a)*	**41,553**	**81,538**	**20,329**	**50,978**

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.

(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.

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes mandatory and elective elements, is applicable to Roc Oil Company Limited.

As at the date of this report the Directors have not made a decision whether or not to elect to be taxed as a single entity. Accordingly, the financial effect of the implementaiton of the elective elements of the tax consolidation system on Roc Oil Company Limited has not been recognised in the financial statements.

(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 2 – 10 years.

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.

(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.

Note 1. Statement of Accounting Policies

(continued)

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 benefits

Liability to employees for annual leave and long service leave is provided for when it is probable that settlement will be required and they are capable of being measured reliably. 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 expected to be settled within 12 months, is measured using remuneration levels expected to apply at the time of settlement.

Provision for long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to balance date.

In accordance with AASB1028 'Employee Benefits', on 1 January 2003 the consolidated entity changed its policy for recognising provision for annual leave. Under the new policy the amount of provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at balance date. The effect of this change in accounting policy was to decrease net profit after income tax expense by $24,838.

Equity-based compensation arrangements are not recognised in the financial statements.

(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.

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 2. Revenue, Expenses and Losses by Function					
Profit (loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance:					
(a) Revenue from Ordinary Activities					
Revenue from operating activities					
Sales revenue	– Oil	693	1,044	–	–
	– NGLs	4,238	4,210	–	–
	– Gas	52,356	48,766	–	–
	– EP413 test oil	17	–	–	–
		57,304	54,020	–	–
Other revenue		644	419	–	–
Interest income: controlled entities		–	–	–	301
Interest income: other entities		1,887	1,892	849	1,030
Dividends from controlled entities		–	–	13,885	32,034
Total revenue from operating activities		**59,835**	**56,331**	**14,734**	**33,365**
Revenue from non-operating activities					
Proceeds on sale of development assets held for sale (refer Note 2(e))		261	32,973	–	–
Proceeds on sale of current assets		–	107	–	–
Proceeds on sale of non-core offshore UK assets (refer Note 2(e))		4,195	–	–	–
Proceeds on disposal of other non-current assets		1,601	–	–	–
Total revenue from non-operating activities		**6,057**	**33,080**	**–**	**–**
Total revenue from ordinary activities		**65,892**	**89,411**	**14,734**	**33,365**
(b) Expenses					
Operating costs (Cost of sales)					
Production costs		10,933	12,273	–	–
Amortisation expense		15,028	16,757	–	–
Restoration expense		343	319	–	–
EP413 test oil production costs (refer (i) below)		17	–	–	–
Total operating costs		26,321	29,349	–	–
Depreciation of non-current assets					
Plant and equipment		983	850	463	368
Leasehold improvements		51	7	51	7
Motor vehicles under finance lease		9	18	–	–
Total depreciation of non-current assets		1,043	875	514	375
Exploration expenditure written off					
Mongolia		–	8,967	–	–
Senegal		–	2,473	–	–
United Kingdom		1,732	–	–	–
Total exploration expenditure written off		1,732	11,440	–	–

Note:

(i) Revenue from sale of test oil production from wells in EP413 pending a development decision has 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 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
(b) Expenses *(continued)*				
Exploration expenditure expensed				
Mongolia	(192)	2	–	–
United Kingdom	2,332	124	–	–
Australia	3,270	1,180	–	–
Mauritania	439	879	–	–
Angola	695	–	–	–
Other	258	146	32	(168)
Transfer of test oil sales revenue to exploration expenditure expensed (refer (i) above)	(17)	–	–	–
Total exploration expenditure expensed	6,785	2,331	32	(168)
Operating lease rental expenses	665	674	538	527
Transfer to provision: employee benefits	322	164	322	164
Cost of non-current assets sold and associated transaction costs	759	–	–	–
Cost of development assets sold and associated transaction costs (refer Note 2(e))	1,845	33,328	–	–
Devaluation of development assets to recoverable amount (refer Note 2(e))	–	5,080	–	–
Provision for write down on loan owing by other entities	(452)	396	(452)	396
Provision for write down on shares in unlisted entity (2001: listed entity) to recoverable amount	138	147	138	147
Provision for write down of non-current intercompany receivables	–	–	3,415	13,716
Net foreign currency losses (refer Note 2(d))	5,841	85	7,379	3,602
General and administrative costs	9,009	9,068	5,699	4,871
Total Expenses from Ordinary Activities	**54,008**	**92,937**	**17,585**	**23,630**
(c) Borrowing Costs Expensed				
Interest expense – on bank loan	606	1,396	–	–
Other borrowing costs	198	292	35	11
Total borrowing costs expensed	**804**	**1,688**	**35**	**11**
(d) Gains (Losses)				
Net foreign currency gains (losses)				
US$ syndicated bank loan in the UK	2,140	4,300	–	–
Other (including cash and short term deposits)	(7,981)	(4,385)	(7,379)	(3,602)
Total net foreign currency losses	**(5,841)**	**(85)**	**(7,379)**	**(3,602)**
Profit (loss) on sale of development assets held for sale (refer Note 2(e))	261	(355)	–	–
Profit on sale of non-core offshore UK assets (refer Note 2(e))	2,350	–	–	–
Net profit on disposal of other non-current assets (refer Note 2(e))	842	–	–	–
Loss on sale of current assets	–	(133)	–	–
(e) Significant Items				
Sale of development assets held for sale (refer (i) below)				
Proceeds on sale	261	32,973	–	–
Cost of development assets sold	–	(32,133)	–	–
Associated transaction costs	–	(1,195)	–	–
Loss on sale of development assets held for sale	**261**	**(355)**	**–**	–

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 2. Revenue, Expenses and Losses by Function *(continued)*				
(e) Significant Items *(continued)*				
Sale of non-core offshore UK assets (refer (ii) below)				
Proceeds on sale	4,195	–	–	–
Cost of assets sold	(1,722)	–	–	–
Associated transaction costs	(123)	–	–	–
Profit on sale of non-core offshore UK assets	**2,350**	**–**	**–**	**–**
Devaluation of development assets to recoverable amount	–	(5,080)	–	–
Sale of other non-current assets				
Proceeds on sale	1,601	–	–	–
Cost of assets sold	(8)	–	–	–
Associated transaction costs	(751)	–	–	–
Profit on sale of other non-current assets	**842**	**–**	**–**	**–**

Note:

(i) During the early part of the 2002 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. During the financial year, ROC's wholly-owned subsidiaries also received additional working capital adjustments of $261,352 agreed with the purchasers of its 12.5% interest in the Kyle Oil and Gas Field.

(ii) During the financial year, Roc Oil (UK) Limited entered into an agreement with a third party to sell its interests in Licences P272, P273 and P317, which contain ROC's interest in the undeveloped Ettrick Oil and Gas Field. This sale was effective 1 July 2003 and consideration for the sale was $4,195,384.

(f) Revision of Accounting Estimates

During the 2003 financial year the average amortisation rate was $8.46 per BOE (2002: $9.08 per BOE).

Subsequent to the end of the 2003 financial year the Saltfleetby Gas Field reserves were revised upwards by one BCF. The effect of this revision is not reflected in the financial statements due to materiality.

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 3. Accumulated Losses				
(Accumulated losses) retained profits at beginning of financial year	(40,144)	(19,150)	6,076	(3,648)
Net profit (loss) attributable to members of Roc Oil Company Limited	2,976	(20,994)	(2,886)	9,724
(Accumulated losses) retained profits at end of financial year	**(37,168)**	**(40,144)**	**3,190**	**6,076**
Note 4. Income Tax Expense				
The prima facie income tax expense (credit) on pre-tax accounting profit (loss) reconciles to income tax expense in the financial statements as follows:				
Profit (loss) from ordinary activities	11,080	(5,214)	(2,886)	9,724
Prima facie income tax expense (credit) calculated as 30% of profit (loss) from ordinary activities	3,324	(1,564)	(866)	2,917
Tax effect of permanent and other differences				
Non-deductible expenses	121	35	120	4,150
Non-deductible amortisation	565	758	–	–
Overseas tax rate differential	2,618	1,723	–	–
Dividend income not assessable	–	–	(4,165)	(9,610)
Provision for capital gains tax no longer required	(3,617)	–	–	–
Capital gains tax on sale of UK North Sea assets	2,316	1,861	–	–
Provision for write down on development assets held for sale, to realisable value	–	2,002	–	–
Provision for income tax no longer required	(239)	(473)	–	–
Adjustment to deferred tax liability for tax rate change (UK supplementary tax)	–	4,456	–	–
Provision for deferred income tax no longer required	(1,304)	–	–	–
Other	66	288	–	75
Quarantined expenditure	7	3,474	12	(43)
Timing differences and tax losses not brought to account as a future income tax benefit (refer note (a))	4,247	3,220	4,899	2,511
Income tax expense relating to ordinary activities	**8,104**	**15,780**	**–**	**–**
Future income tax benefit not brought to account as assets:				
Quarantined expenditure	24,831	26,074	2,973	3,243
Tax losses – revenue	14,197	5,550	4,805	3,119
	39,028	**31,624**	**7,778**	**6,362**

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 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 5. Inventories				
(a) Current				
Materials inventory, at cost	1,903	1,484	–	–
Oil and gas stock, at cost	122	135	–	–
	2,025	**1,619**	**–**	**–**
(b) Non-current				
Materials inventory, at cost	78	50	–	–
	78	**50**	**–**	**–**
Note 6. Current Receivables				
Trade receivables	7,719	10,736	139	86
Amount owing by controlled entities	–	–	1,573	–
Security deposits	208	8	208	8
Interest receivables	76	59	2	29
Employee advances and advance to a Director (refer Note 27(a))	45	58	45	58
Other receivables (refer note (a))	5,382	615	810	16
	13,430	**11,476**	**2,777**	**197**

Note:

(a) Other receivables include an amount of US$2.8 million being proceeds on the sale of the UK North Sea Licenses P272, P273 and P317.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 7. Other Financial Assets				
Government bonds, at cost	14	17	–	–
	14	**17**	**–**	**–**
Note 8. Other Current Assets				
Prepayments	2,019	2,676	126	130
	2,019	**2,676**	**126**	**130**

Note 9. Development Expenditure

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'003	COMPANY 2002 $'000
Areas in which production has commenced				
Balance at beginning of financial year	113,801	111,429	–	–
Expenditure incurred	12,144	3,098	–	–
Net foreign exchange losses arising on translation of foreign self-sustaining controlled operations	(11,544)	(726)	–	–
	114,401	113,801	–	–
Accumulated amortisation	(53,074)	(38,046)	–	–
	61,327	75,755	–	–
Areas in development stage				
Balance at beginning of financial year	11,721	15,435	–	–
Expenditure incurred	11	1,411	–	–
Provision for write down to recoverable amount (refer note (a))	–	(5,080)	–	–
Disposals	(2,716)	–	–	–
Net foreign exchange losses arising on translation of foreign self-sustaining controlled operations	(1,771)	(45)	–	–
	7,245	11,721	–	–
Balance at end of financial year	**68,572**	**87,476**	–	**–**

Note:

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

During the financial year the operator of the fields sold its interest to a new party. The new operator has advised that it has acquired the fields and will perform further evaluation work with the intent to bring them to development. Given the limited progress achieved since the change in operator, the Directors consider that the above recoverable amount is the appropriate measure for the carrying value for the assets.

In the 2003 financial year, subsequent to the disposal of P272, P273 and P317 (containing the undeveloped Ettrick Oil and Gas Field), a cash offer was made for the balance of ROC's UK North Sea development assets, which was not accepted by the Company. This offer was not significantly above the carrying value of these assets so no provision was reversed against the carrying value of the remaining assets.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 10. Exploration Expenditure				
Deferred expenditure in exploration and evaluation stages				
Balance at beginning of financial year	83,513	66,946	–	19,059
Acquisitions	17,813	–	–	–
Disposals	(106)	–	–	–
Expenditure incurred	21,702	27,692	–	–
Transfers to controlled entities	–	–	–	(19,059)
Expenditure written off	(1,732)	(11,440)	–	–
Net foreign exchange gains arising on translation of foreign self-sustaining controlled operations	(6,351)	315	–	–
Balance at end of financial year	**114,839**	**83,513**	**–**	**–**
Note 11. Non-Current Receivables				
Loan owing by other entities	–	452	–	452
Amount owing by controlled entities	–	–	127,350	96,410
Provision for write down to recoverable amount	–	(452)	(45,348)	(42,385)
	–	–	82,002	54,477
Other receivable	91	16	–	–
Security deposits (refer note (a))	–	125	–	125
	91	**141**	**82,002**	**54,602**

Note:

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

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 12. Other Non-Current Financial Assets				
Shares in unlisted controlled entities, at cost	–	–	102,892	102,892
Shares in an unlisted entity, at cost (refer note (a))	333	442	333	442
Provision for write down on shares in unlisted entity to recoverable amount	(230)	(147)	(230)	(147)
	103	**295**	**102,995**	**103,187**

Note:

(a) Shares held in Osprey Oil and Gas Limited represent 13% of the issued share capital of that company. Dr R J P Doran is a non-executive director of Osprey Oil and Gas Limited.

Note 13. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2003 %	Ownership and Voting Interest 2002 %
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	Cayman Islands	100	100
Roc Oil (Angola) Limited(1)	Cayman Islands	100	–
Lacula Oil Company Limited(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(2)	United Kingdom	–	100
Roc Oil (BEL) Limited(2)	United Kingdom	–	100
Roc Canada Inc	Canada	100	100

Note:

(1) Controlled entity acquired during the financial year.

(2) Roc Oil (EMOG) Limited and Roc Oil (BEL) Limited were placed into voluntary liquidation prior to 31 December 2003, and as such they are not controlled entities of Roc Oil (Europe) Limited as at 31 December 2003.

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.

Subsequent to 31 December 2003, the Company acquired a new subsidiary in the Netherlands, Roc Oil (Chinguetti) BV, which holds a 1.455% interest in Area A offshore Mauritania and a 1.293% interest in Area B offshore Mauritania, acquired by ROC pursuant to the Agip/ENI pre-emption.

	CONSOLIDATED			
	Plant and Equipment $'000	Plant and Equipment under Finance Lease $'000	Leasehold Improvements $'000	Total $'000
Note 14. Property, Plant and Equipment				
Gross carrying amount				
Balance as at 31 December 2002	4,890	101	320	5,311
Additions	1,383	–	12	1,395
Disposals	(48)	(37)	–	(85)
Net foreign exchange losses arising on translation of foreign self-sustaining controlled operations	(453)	(22)	–	(475)
Balance as at 31 December 2003	5,772	42	332	6,146
Accumulated depreciation				
Balance as at 31 December 2002	(2,861)	(72)	(275)	(3,208)
Depreciation expense	(983)	(9)	(51)	(1,043)
Disposals	40	37	–	77
Net foreign exchange gains arising on translation of foreign self-sustaining controlled operations	218	8	–	226
Balance as at 31 December 2003	(3,586)	(36)	(326)	(3,948)
Net book value				
As at 31 December 2002	**2,029**	**29**	**45**	**2,103**
As at 31 December 2003	**2,186**	**6**	**6**	**2,198**

	COMPANY		
	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
Note 14. Property, Plant and Equipment			
Gross carrying amount			
Balance as at 31 December 2002	2,299	320	2,619
Additions	547	12	559
Disposals	(8)	–	(8)
Balance as at 31 December 2003	2,838	332	3,170
Accumulated depreciation			
Balance as at 31 December 2002	(1,578)	(275)	(1,853)
Depreciation expense	(463)	(51)	(514)
Disposals	8	–	8
Balance as at 31 December 2003	(2,033)	(326)	(2,359)
Net book value			
As at 31 December 2002	**721**	**45**	**766**
As at 31 December 2003	**805**	**6**	**811**

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'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.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 16. Current Payables				
Trade payables	4,129	6,563	129	427
Accrued liabilities	6,733	4,295	395	325
Amount owing to third party (refer note (a))	5,062	–	–	–
Amount owing to associate company	2,024	2,426	–	–
Amount owing to controlled entities	–	–	1,245	1,231
	17,948	**13,284**	**1,769**	**1,983**

Note:

(a) Amount owing to third parties includes costs associated with the pre-emption of the Agip/ENI interests in the Mauritanian PSC Area A.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 17. Interest Bearing Liabilities				
(a) Current				
Bank loan (refer (i) below)	18,094	18,676	–	–
	18,094	**18,676**	**–**	**–**
(b) Non-current				
Bank loan (refer (i) below)	–	18,447	–	–
	–	**18,447**	**–**	**–**

Details of facilities

(i) Bank loan

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

Final Maturity	Currency	Amount US$'000	Amount Drawn as at 31 December 2003 US$'000
31 July 2004	United States dollars	20,000 (2002: 40,000)	13,570 (2002: 21,020)

Note:

The syndicated bank loan bears interest at the relevant interbank reference rate plus 1.15%. The syndicated bank loan drawn as at 31 December 2003 and 31 December 2002 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 26. Restrictions are imposed by the facility with regard to the ability to dispose of all or any part of these assets.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 18. Current Tax Liabilities				
Income tax payable	8,558	6,082	–	–
	8,558	**6,082**	**–**	**–**
Note 19. Current Provisions				
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits	637	567	637	567
	637	**567**	**637**	**567**
Note 20. Deferred Tax Liabilities				
Deferred income tax	22,143	26,821	–	–
	22,143	**26,821**	**–**	**–**
Note 21. Non-Current Provisions				
Leave and retirement	252	–	252	–
Restoration	3,548	5,131	–	–
	3,800	**5,131**	**252**	**–**

	CONSOLIDATED Employee Benefits	CONSOLIDATED Restoration	COMPANY Employee Benefits	COMPANY Restoration
Note 22. Provisions				
Balance at 31 December 2002	567	5,131	567	–
Additional provisions recognised	771	381	771	–
Reductions from payments/other sacrifices of future economic benefits	(449)	(1,147)	(449)	–
Net foreign exchange gains arising on translation of foreign self-sustaining controlled operations	–	(817)	–	–
Balance at 31 December 2003	**889**	**3,548**	**889**	**–**
Current (Note 19)	637	–	637	–
Non-Current (Note 21)	252	3,548	252	–
	889	**3,548**	**889**	**–**

Note 23. Contributed Equity				
109,889,439 (2002: 108,526,056) fully paid ordinary shares	203,192	201,234	203,192	201,234

	2003 Number of Shares	2002 Number of Shares	2003 $'000	2002 $'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	108,526,056	108,526,056	201,234	201,234
Shares issued	1,363,383	–	1,958	–
Balance at end of financial year	**109,889,439**	**108,526,056**	**203,192**	**201,234**

Note 23. Contributed Equity *(continued)*

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 2003 was $1.53 (2002: $1.48).

(a) Shares issued during the financial year

During the financial year, the Company issued 1,363,383 (2002: Nil) fully paid ordinary shares as part of the consideration for the Elixir Corporation Pty Ltd 'discovery bonus'.

(b) Employee Share Option Plan

During the financial year, options to purchase ordinary shares were issued to employees or expired as follows:

Grant Date	Expiry Date	Exercise Price	Number of options at beginning of the financial year	Number of options issued during the financial year	Number of options cancelled or expired during the financial year	Number of options at the end of the financial year
17 March 1998	17 March 2003	$1.85	435,000	–	435,000	–
5 June 1998	10 June 2003	$3.33	435,000	–	435,000	–
25 August 1998	2 September 2003	$3.33	105,000	–	105,000	–
19 April 1999	15 January 2004	$3.33	16,740	–	–	16,740
19 April 1999	15 January 2004	$3.48	5,320	–	–	5,320
19 April 1999	29 July 2004	$3.48	82,850	–	–	82,850
30 July 1999	15 July 2004	$2.00	60,000	–	–	60,000
30 July 1999	19 July 2004	$2.00	1,025,000	–	120,000	905,000
1 March 2000	1 March 2005	$1.16	50,000	–	–	50,000
1 June 2000	1 June 2005	$1.34	30,000	–	–	30,000
1 September 2000	1 September 2005	$1.47	100,000	–	–	100,000
10 January 2001	10 January 2006	$1.25	1,256,000	–	77,000	1,179,000
26 July 2001	26 July 2006	$1.65	35,000	–	–	35,000
17 December 2001	17 December 2006	$1.26	256,000	–	72,000	184,000
29 May 2002	29 May 2007	$1.45	90,000	–	–	90,000
29 July 2002	29 July 2007	$1.39	373,500	–	33,300	340,200
4 September 2002	4 September 2007	$1.41	405,000	–	150,000	255,000
23 October 2002	23 October 2007	$1.41	30,000	–	–	30,000
4 December 2002	4 December 2007	$1.43	30,000	–	–	30,000
24 December 2002	24 December 2007	$1.42	129,100	–	–	129,100
29 January 2003	29 January 2008	$1.51	–	50,500	20,000	30,500

Options may be exercised at any time after two years from the date the Company was admitted to the official list of ASX or, if the option is granted after the Company was admitted to the official list of ASX, two years after the date the option was granted. If there is a change of control of the Company after listing, all unexercised options will become immediately exercisable. No options were exercised during the financial year.

Share options carry no voting rights or rights to dividends.

The total options offered under the Employee Share Option Plan shall not exceed 5% of the Company's issued share capital at any time. As at 31 December 2003, there was a total of 3,552,710 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.

Note 23. Contributed Equity *(continued)*

(c) Shareholder options

During the 2003 financial year, the Company issued no options to shareholders (2002: Nil) over unissued ordinary shares.

During the 1999 financial year, the Company granted options to shareholders over unissued ordinary shares of ROC, 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	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 24. Reserves				
Foreign currency translation				
Balance at beginning of financial year	20,806	20,568	–	–
Translation of foreign self-sustaining controlled operations	(13,175)	238	–	–
Balance at end of financial year	**7,631**	**20,806**	**–**	**–**

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	
	2003	2002
Note 25. Earnings Per Share		
Basic earnings per share (cents per share)	2.7	(19.3)
Diluted earnings per share (cents per share)	2.7	(19.3)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	108,787,527	108,526,056
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (refer note (a))	108,883,825	108,526,056

Note:

(a) Earnings used for calculation of both basic and diluted earnings per share was net profit after tax for both 2003 and 2002 respectively.

There are 1,486,888 options that are dilutive potential ordinary shares. Of these 96,298 are assumed to have been issued for nil consideration and are therefore included in the number of shares for the calculation of diluted earnings per share.

There are an additional 10,368,276 options that are potential ordinary shares that are not dilutive as they have an exercise price in excess of market value.

In the 2002 financial year there were no options that were dilutive as their exercise prices were in excess of market value.

Note 26. 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 EP413 in Australia, pending a development decision, has been credited to sales revenue, and an amount based on such revenue has been charged to cost of sales and credited against exploration expenditure expensed, so as to record a zero net margin on such production.

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
2003						
Sales to customers outside the consolidated entity	57,287	17	–	–	–	57,304
Other revenue from entities outside the consolidated entity	4,496	512	1,662	31	1,887	8,588
Total segment revenue	**61,783**	**529**	**1,662**	**31**	**1,887**	**65,892**
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**

Note 26. Segment Information *(continued)*

Segment Results	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2003						
Segment Results	29,390	(3,248)	855	(1,212)	–	25,785
Interest income	–	–	–	–	1,887	1,887
Borrowing costs expensed	–	–	–	–	(804)	(804)
Net foreign currency losses	–	–	–	–	(5,841)	(5,841)
Other expenditure (including general and administrative costs)	–	–	–	–	(9,947)	(9,947)
Consolidated entity profit (loss) from ordinary activities before income tax expense	29,390	(3,248)	855	(1,212)	(14,705)	11,080
Income tax expense	–	–	–	–	(8,104)	(8,104)
Consolidated entity profit (loss) from ordinary activities after income tax expense	29,390	(3,248)	855	(1,212)	(22,809)	2,976
Net (loss) profit	**29,390**	**(3,248)**	**855**	**(1,212)**	**(22,809)**	**2,976**

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	–	–	–	–	(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)
Net (loss) profit	**19,317**	**(1,408)**	**(9,100)**	**(3,514)**	**(26,289)**	**(20,994)**

Note 26. Segment Information *(continued)*

Segment Other	United Kingdom $'000	Australia $'000	East Asia $'000	West Africa $'000	Unallocated $'000	Total $'000
2003						
Segment Assets	111,851	29,537	8,738	50,517	44,279	244,922
Segment Liabilities	11,931	2,994	128	7,419	48,795	71,267
Other Segment Information:						
Acquisition of property, plant and equipment and other non-current assets (excluding investments)	14,125	20,115	1,958	15,474	1,395	53,067
Depreciation of non-current assets	–	–	–	–	1,043	1,043
Amortisation expense	15,028	–	–	–	–	15,028
Significant non-cash expenses (other than depreciation and amortisation) included in segment results:						
Exploration expenditure (previously capitalised) written off	(1,732)	–	–	–	–	(1,732)
Reversal of provision for restoration	1,101	–	–	–	–	1,101
Significant revenues or expenses:						
Profit on sale of non-core offshore UK assets	2,611	–	–	–	–	2,611
Profit on sale of non-current assets	17	–	825	–	–	842

Note 26. 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)

	CONSOLIDATED AND COMPANY	
	2003 $	2002 $
Note 27. 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 29(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 2002 financial year and there were no material contracts involving Directors' interests existing as at 31 December 2003.		
(iii) There were no loans to Directors entered into during the 2003 financial year and there were no loans to Directors outstanding as at 31 December 2003, except for an advance amount of $15,401 (2002: $41,189) 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.		
Advance repayments received	–	4,546

(iv) Directors' shareholding

During the 2003 financial year, no fully paid ordinary shares (2002: Nil) were issued to Directors and their Director-related entities by the Company.

Directors' shareholding details as at the end of the 2003 financial year are as follows:

	CONSOLIDATED AND COMPANY	
	2003 Number	2002 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	4,518,295
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[(1)]	127,860	5,026,458
	11,154,117	**16,052,715**

(v) Directors' interest in options over ordinary shares

During the 2003 financial year, no options over unissued ordinary shares (2002: 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	
	2003 Number	2002 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	152,571
Mr S J Jansma Jr	999,640	999,640
Mr A C Jolliffe[(1)]	47,671	716,891
	1,325,783	1,995,003

Note:

(1) Mr Jolliffe ceased to be an employee of Cargill Financial Markets plc, which holds 4,898,598 shares and 669,220 options over ordinary shares.

Note 27. Related Party Disclosures *(continued)*

(vi) Other transactions of directors of controlled entities

Mr M de Vietri was a director of Elixir Corporation Pty Ltd and resigned on 18 November 2003. During the 2003 financial year, Mr M de Vietri received remuneration of $10,182 (2002: $12,962) and superannuation of $916 (2002: $1,388) as a director of Elixir Corporation Pty Ltd.

Mr M de Vietri, as a vendor of Elixir Corporation Pty Ltd, received a share in a 'discovery bonus' by way of a Successive Option Deed paid in relation to the commercial flow of oil from the consolidated entity's Mauritanian assets, comprising of US$609,000 and 818,030 ordinary shares of Roc Oil Company Limited.

(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 2003 financial year is disclosed in Note 2.

During the 2003 financial year and the 2002 financial year, the Company provided accounting and technical services, at cost plus an appropriate mark-up, to the United Kingdom controlled entities.

During the 2003 financial year and the 2002 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 2002 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 2003 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 2003 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 32 respectively.

Interests in joint ventures are set out in Note 31.

Note 28. Notes to the Statement of Cash Flows

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'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	6,360	9,327	2,946	1,134
Short term deposits	35,193	72,211	17,383	49,844
Cash assets	**41,553**	**81,538**	**20,329**	**50,978**
(b) Reconciliation of net profit (loss) after income tax expense to net cash flows provided by operating activities				
Net profit (loss) after income tax expense	2,976	(20,994)	(2,886)	9,724
Amortisation expense	15,028	16,757	–	–
Depreciation of non-current assets	1,043	875	514	375
Devaluation of development assets to recoverable amount	–	5,080	–	–
Provision for write down of non-current intercompany receivables	–	–	3,415	13,716
Restoration expense	343	319	–	–
Provision for employee benefits	322	164	322	164
Provision for write down of shares in unlisted entity to recoverable amount	138	147	138	147
Provision (reversal) for write down on loan owing by other entities	(452)	396	(452)	396
Net foreign currency (gains) losses	(2,135)	3,605	7,889	3,746
Increase (decrease) in net deferred income tax liability	(326)	12,599	–	–
Loss on sale of development assets held for sale	–	355	–	–
Profit on sale of non-core onshore UK assets	(2,611)	–	–	–
Net loss (profit) on disposal of other non-current assets	(842)	–	–	–
Net loss on sale of current assets	–	133	–	–
Items classified as investing/financing activities:				
Exploration expenditure expensed	6,785	2,331	32	(168)
Exploration expenditure written off	1,732	11,440	–	–
Development studies expensed	747	384	746	384
Changes in net assets and liabilities, net of effects from acquisition of controlled entities:				
(Increase) decrease in assets:				
Current receivables	971	2,440	(819)	(34)
Other current assets	933	(326)	4	128
Non-current receivables/materials inventory	3	315	–	–
Increase (decrease) in liabilities:				
Current trade payables/accrued liabilities	4,095	(3,472)	(12)	(960)
Current provisions	3,653	(1,387)	–	–
Net cash provided by operating activities	**32,403**	**31,161**	**8,891**	**27,618**

(c) Non-cash financing and investing activities

(i) During the 2003 financial year a 'discovery bonus' was paid to the vendors of Elixir Corporation Pty Ltd following the flow of commercial oil in the consolidated entity's Mauritanian assets. This bonus comprised a cash payment of US$1,015,000 and the issue of 1,363,383 ordinary ROC shares.

Note 28. Notes to the Statement of Cash Flows *(continued)*

(d) Controlled entities acquired

On 12 August 2003, Roc Oil (Cabinda) Company acquired 100% of Roc Oil (Angola) Limited, formerly known as Baker Hughes NG Limited and Lacula Oil Company Limited, for a consideration of US$125,000.

During the financial year, Roc (Mauritania) Limited paid to the vendors of Elixir Corporation Pty Ltd a 'discovery bonus' that included cash consideration of $1,442,619.

	2003 $'000	2002 $'000
(e) Disposal of business		
During the 2002 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. During the 2003 financial year working capital adjustments of $261,352 were received.		
Details of the disposals and deferred settlement are as follows:		
Consideration		
Cash	**261**	**32,973**
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
Profit (loss) on sale before income tax expense	261	(355)
Transaction costs on sale	–	1,195
Consideration	**261**	**32,973**
Cash inflow from disposal		
Cash consideration	261	34,680
Transaction costs	–	(1,195)
Cash inflow	**261**	**33,485**

(f) Loan facilities available

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

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	COMPANY 2003 $	COMPANY 2002 $
Note 29. Directors' and Executives' Remuneration				
(a) Directors' remuneration				
The Directors of the Company during the 2003 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 (2002: 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).				
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:			818,622	797,146
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:	818,622	797,146		

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

	COMPANY 2003 Number	COMPANY 2002 Number
$30,000 – $39,999	4	4
$40,000 – $49,999	1	1
$60,000 – $69,999	1	1
$540,000 – $549,999	–	1
$560,000 – $569,999	1	–

(b) Executives' remuneration

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

	CONSOLIDATED AND COMPANY 2003 $	CONSOLIDATED AND COMPANY 2002 $
Total income received, or due and receivable, from the parent entity, other entities within the consolidated entity and related entities by executive officers:	2,386,012	2,047,626

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

	CONSOLIDATED AND COMPANY 2003 Number	CONSOLIDATED AND COMPANY 2002 Number
$160,000 – $169,999	1	–
$190,000 – $199,999	–	1
$210,000 – $219,999	1	–
$220,000 – $229,999	1	–
$230,000 – $239,999	–	1
$240,000 – $249,999	–	1
$250,000 – $259,999	–	1
$260,000 – $269,999	1	–
$270,000 – $279,999	–	1
$280,000 – $289,999	1	–
$310,000 – $319,999	1	1
$340,000 – $349,999	1	–
$540,000 – $549,999	–	1
$560,000 – $569,999	1	–

An executive officer is a person who is 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 (2002: Nil) retirement allowance paid to directors of the Company and controlled entities during the 2003 financial year, being amounts that are required to be approved by the Company in a general meeting.

	CONSOLIDATED		COMPANY	
	2003 $'003	2002 $'000	2003 $'000	2002 $'000
Note 30. 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	300	442	300	202
	300	442	300	202
(ii) Seismic acquisition				
Not longer than one year	920	–	–	–
	920	–	–	–
(iii) Drilling				
Not longer than one year	8,322	33	–	–
	8,322	33	–	–
(iv) Joint venture				
Not longer than one year	2,658	8,509	–	–
	2,658	8,509	–	–
	12,200	**8,984**	**300**	**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	1,030	816	787	527
Longer than one year and not longer than five years	4,049	1,144	3,255	101
Longer than five years	2,337	724	1,886	–
	7,416	**2,684**	**5,928**	**628**
(c) Other expenditure commitments				
Some entities within the consolidated entity have commitments for exploration expenditure arising from obligations to government, to perform minimum exploration work and expend minimum amounts of money on 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	8,532	8,403	–	–
Longer than one year but not longer than five years	13,452	19,309	–	–
	21,984	**27,712**	**–**	**–**

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 2003, the amount will be included in both categories (a) and (c) above.

Note 31. Joint Ventures

The consolidated entity has an interest in the following joint venture operations as at 31 December 2003:

(a) 37.5% (2002: 30%) interest in the WA-286-P joint venture offshore Perth, Western Australia, the principal activity being oil exploration, including the drilling of a multi-well drilling programme during the first quarter of 2003 and 2D and 3D seismic surveying activities in late 2003. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(b) 37.5% (2002: 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 2D and 3D seismic surveys. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(c) 37.5% (2002: 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 2D and 3D seismic surveys. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(d) 20% (2002: 20%) interest in the TP/15 joint venture offshore Perth, Western Australia, the principal activity being oil exploration. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(e) 50% (2002: Nil) interest in the WA-349-P joint venture offshore Perth, Western Australia, the principal activity being oil exploration. This interest was acquired on 18 December 2003. The operator of the joint venture is Roc Oil (WA) Pty Limited;

(f) 40% (2002: 40%) interest in the Block 22/12 joint venture in the Beibu Gulf, offshore China, the principal activity being oil exploration, including the interpretation of 421 sq km 3D seismic survey over the block and preparation for an appraisal and exploration programme in early 2004. The operator of the joint venture is Roc Oil (China) Company;

(g) 35% (2002: 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;

(h) 2% to 5.5% (2002: 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 a multi-well exploration and appraisal campaign;

(i) 0.25% (2002: Nil) in EP413 Jingemia Oil Field joint venture offshore Perth, Western Australia, the principal activity being oil exploration and development of the Jingemia Oil Field; and

(j) United Kingdom joint venture operations as at the end of the 2003 financial year as follows:

Joint Venture Operation/Area	Principal Activities	Interest 2003 %	Interest 2002 %
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
P317 (Blk 20/2a) (Ettrick)	Oil and gas development	–	14.281
P273 (Blk 20/3a) (Ettrick)	Oil and gas development and exploration	–	6.39
P272 (Blk 20/7a) (Squirrel)	Oil and gas exploration	–	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 2003 financial year was 462 BBL from EP413 (2002: Nil).

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 31. 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	3,004	7,613	–	–
Trade receivables	183	2,422	–	–
Materials inventory	211	333	–	–
Total Current Assets	3,398	10,368	–	–
Non-Current Assets				
Development expenditure	7,245	11,721	–	–
Exploration expenditure	87,014	49,843	–	–
Total Non-Current Assets	94,259	61,564	–	–
Total Assets	97,657	71,932	–	–
Current Liabilities				
Trade payables	11	3,033	–	–
Accrued liabilities	4,093	1,184	–	–
Total Current Liabilities	4,104	4,217	–	–
Non-Current Liabilities				
Provision for restoration	2,474	4,230	–	–
Total Non-Current Liabilities	2,474	4,230	–	–
Total Liabilities	6,578	8,447	–	–
Net Assets	**91,079**	**63,485**	**–**	**–**

Note:

Exploration expenditure commitments in respect of joint venture operations are detailed in Note 30.

Note 32. 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 2003 %	2002 %	Book Value of Ordinary Shares at 31 December 2003 $'000	2002 $'000	Contribution to Consolidated Profit (Loss) 2003 $'000	2002 $'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	Dormant	31 December	50	50	–	–	–	–
Croft Onshore Oil Limited	UK	Dormant	31 December	50	50	–	–	–	–

Note:

There has been no movement in investments in associate companies during the 2003 financial year. These companies are non-trading and there are no amounts recognised in the Annual Financial Report other than corporate expenses of $13,000.

Note 33. Superannuation Plans

During the 2003 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% (2002: 9%) 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% (2002: 10%) salary of all staff members to the scheme.

	CONSOLIDATED		COMPANY	
	2003 $	2002 $	2003 $	2002 $
Note 34. Remuneration of Auditors				
(a) Auditor of the parent entity				
Auditing the financial report	65,000	69,110	58,000	61,040
Other services	46,000	34,000	46,000	34,000
	111,000	**103,110**	**104,000**	**95,040**
(b) Other auditors				
Auditing the financial report	116,362	154,197	–	–
Other services	–	3,271	–	–
	116,362	**157,468**	**–**	**–**

Note:

Remuneration of international associates of Deloitte Touche Tohmatsu Australia is included under ‘Other auditors’.

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 35. Non-Hedged Foreign Currency Balances				
Australian dollar equivalent of foreign currency receivable or payable balances in the financial statements which are not effectively hedged are as follows:				
United States dollars				
Current assets				
Trade receivables	–	603	–	–
Other receivables	3,902	–	–	–
Amount owing by other entities	410	–	410	–
Non-current assets				
Amount owing by controlled entities	–	–	267	353
Loan owing by other entities	–	452	–	452
Other receivable	–	16	–	–
Current liabilities				
Trade payables	26	537	–	–
Accrued liabilities	2,393	721	–	–
Deferred purchase consideration	5,062	–	–	–
Amount owing to controlled entities	–	–	54	–
UK Pounds				
Current assets				
Trade receivables	6,299	5,818	–	–
Security deposit	8	–	8	–
Non-current assets				
Other receivable	14	–	–	–
Current liabilities				
Trade payables	2,060	–	–	–
Accrued liabilities	4,272	–	–	–
Amount owing to associate company	2,024	2,426	–	–
Amount owing to controlled entities	–	–	1,191	1,983
Canadian dollars				
Current liabilities				
Trade payables	–	17	–	–

Note 36. Contingent Liabilities

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Under the terms of a production sharing contract to which Roc Oil (Cabinda) Company is a party, a 'signature bonus' of US$4.5 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:	6,000	5,961	–	–
Roc Oil (Cabinda) Company acquired a 45% interest in the Cabinda South Block from Fina Oil and Gas Cabinda BV, an affiliate of TotalFinaElf ('TFE'). Under the terms of the agreement with TFE, Roc Oil (Cabinda) Company will be liable for a payment of approximately US$0.7 million once production from the Block commences:	933	1,236	–	–
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:	2,000	2,119	–	–
Roc Oil (Cabinda) Company acquired the 15% participating interest held via Lacula Oil Company Limited in the Cabinda South Block onshore Angola production sharing contract during the 2003 financial year. The prime consideration was a cash payment of US$125,000 at completion. A further payment of US$100,000 will be made to the vendor if approval is received for the first development plan submitted under the production sharing contract:	133	–	–	–
Under an Option and Purchase Agreement dated 20 June 2003 between Roc Oil (Cabinda) Company and private parties in North America, the private parties have agreed to transfer and convey an overriding royalty attaching to the 15% participating interest held via Lacula Oil Company Limited to Roc Oil (Cabinda) Company upon the payment of US$100,000 within 14 days of the Cabinda South Block production sharing contract being triggered and a further US$250,000 within six months from the date of commercial production under the production sharing contract:	467	–	–	–
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' was 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:	–	3,585	–	–

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	COMPANY 2003 $'000	COMPANY 2002 $'000
Note 36. Contingent Liabilities *(continued)*				
Under the terms of the Beibu Block 22/12 Petroleum Contract to which Roc Oil (China) is a party, a 'signature bonus' of US$0.5 million is payable to the China National Offshore Oil Company by the Block 22/12 Joint Venture within 30 days of approval of an Overall Development Plan. ROC's share is therefore US$200,000:	267	353	–	–
Effective 1 April 2003, Roc Oil (WA) Pty Limited acquired ARC Energy NL's ('ARC') 7.5% interest in WA-286-P. In addition to the initial consideration paid, additional payments up to a maximum of $3.75 million are payable to ARC subject to certain 2P reserve levels being achieved:	3,750	–	–	–
Roc Oil (WA) Pty Limited agreed with Norwest Energy NL ('Norwest') to acquire an option over that company's 7.5% working interest in WA-226-P in the Perth Basin, in consideration for funding its share of the Macallan 3D seismic survey and permit fees up to a maximum net cost of $525,000. In the event Roc Oil (WA) Pty Limited chooses to exercise its option, it will be required to pay Norwest a further cash payment of $200,000 prior to the drilling of the next well in that permit. If a discovery is declared commercial, ROC will make a final payment to Norwest of $375,000:	575	–	–	–
Under a Sale and Purchase Agreement with Conoco (U.K.) Theta Limited, Roc Oil (UK) Limited has a contingent liability to Conoco (UK) Theta Limited to make a payment of up to US$1.75 million on production of the nine millionth barrel of oil from the Chestnut Oil Field:	2,333	–	–	–
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:				
Pursuant to the Purchase Agreements under which Roc increased its interests in the Mauritanian assets following the Agip pre-emption, ROC may be required to make additional payments of up to US$568,029. This payment would be triggered in three equal increments upon drilling of a new discovery, grant of an Exclusive Exploitation Authorisation (EEA) by the Mauritanian government, and through sustained production at a rate of 40,000 BOE per day (gross) over a 30 day period from the EEA:	757	–	–	–

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.

	CONSOLIDATED		COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 37. Contingent Assets				
Roc Oil (UK) Limited will receive a £750,000 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. Roc Oil (UK) Limited will also potentially receive up to US$1.7 million on production of the nine millionth barrel of oil from the Chestnut Oil Field, increasing up to US$1.75 million on production of 9.2 million barrels of oil from the Chestnut Oil Field:	4,114	–	–	–
Roc Oil (UK) Limited will receive a US$300,000 production payment from EnCana (UK) Limited, subject to commencement of production from the Ettrick Oil Field prior to 1 January 2006:	400	–	–	–

Note 38. 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 UK pounds (gas sales) and United States dollars (sale of oil and NGLs). 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 2003 and 31 December 2002, the consolidated entity did not have any currency hedge instruments in place.

(c) Commodity price risk

Oil price

As at 31 December 2003, the consolidated entity did not have any oil price hedging in place (2002: Nil).

Gas price

Future gas hedging in place as at 31 December 2003 comprises gas price hedging covering 0.42 BCF (4.59 MMSCFD) of sales gas over the financial period from 1 January 2004 to 31 March 2004 at an average price of 27.35 pence per therm (equivalent to US$5.36/$7.14 per thousand cubic feet as at 31 December 2003 exchange rates). Marking to market the hedges as at 31 December 2003 for disclosure purposes only, the aggregate amount of unrealised unrecognised loss under the future gas price hedges is $374,970.

As at 31 December 2002, gas hedging comprised a gas price hedge 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 was $938,349.

Note 38. Financial Instruments *(continued)*

(d) Interest rate risk

The consolidated entity's only material exposure to interest rate risk as at 31 December 2003 is cash ($6.4 million), short term deposits ($35.2 million) and a US$20.0 million syndicated bank loan facility (drawn down to US$13.6 million) with a maturity of 31 July 2004 which attract on average a variable interest rate of 3.1%, 2.3% and 2.4% per annum respectively.

The consolidated entity's only material exposure to interest rate risk as at 31 December 2002 was cash ($9.3 million), short term deposits ($72.2 million) and a US$40.0 million syndicated bank loan facility (drawn down to US$21.0 million) with a maturity of 31 July 2004 which attracted on average a variable interest rate of 2.0%, 4.0% and 3.0% 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.

(g) Economic Dependancy

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 39. Subsequent Events

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

United Kingdom

Saltfleetby Gas Field

On 21 January 2004 the Saltfleetby-5 well, which had been producing gas at a rate of approximately three MMSCFD, ceased production following a rapid rise in water production. The source of the problem relates to a mechanical failure of the inflatable plugs, set in casing below the main gas reservoir in August 2002, to isolate the deeper water-producing Namurian interval.

ROC intends to mobilise its Explorer Rig to complete a workover of Saltfleetby-5 during the first quarter of 2004. Saltfleetby-7 is also likely to be worked over in an attempt to identify, and hopefully rectify, suspected mechanical problems which caused the well to underperform expectations.

In mid-February 2004 ROC was advised by the operator of the third party owned Theddlethorpe Gas Processing Terminal ('the Terminal') that, due to mechanical failure, the Terminal's gas compression facility was inoperative. Consequently, production from the Saltfleetby Gas Field, onshore UK, was constrained to natural flow at approximately five MMSCFD, a reduction of some 75%. In late February 2004, the operator further advised ROC that a replacement engine for the compressor had been located and compression facilities may be available by early March 2004.

Under the terms of ROC's Gas Sales Agreement with RWE Innogy plc, ROC declared force majeure and volumes of gas delivered from Saltfleetby under the agreement were reduced accordingly. Based on the expected period of constrained gas production, ROC's 2004 operating cash flow is likely to be reduced by approximately $1.2 million.

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 2004 to 30 September 2005. The negotiations have resulted in Roc Oil (UK) Limited securing market related prices which are approximately 18% 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 2003.

Note 39. Subsequent Events *(continued)*

United Kingdom *(continued)*

Old Hills

The Old Hills-1 exploration well, approximately 30 km southeast of Nottingham in the English Midlands, was drilled to a Total Depth of 1,315 metres and wireline logging was completed.

Electric logs run at Total Depth showed no hydrocarbon intervals capable of sustained commercial production.

The well was plugged and abandoned as a sub-commercial oil discovery.

Onshore Taranaki Basin, New Zealand

- The Government of New Zealand has given notice that it intends to offer ROC a 40% interest in PEP38767, in the onshore Taranaki Basin in the North Island of New Zealand.
- PEP38767 contains the Totara-1 well which was drilled in 1987. According to a recent review of mud log data, the well may contain 25 m of previously unrecognised net gas pay in a structure which is believed to have the potential to contain up to 50 to 100 BCF of recoverable gas.
- ROC's anticipated net share of the work programme commitment for the two years is expected to total between US$1 million and US$2 million.

Note 40. Additional Company Information

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

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

As of 15 March 2004 the registered office and principal place of business will change to:

Level 14, 1 Market Street
Sydney NSW 2000
Australia.

(b) The number of employees as at 31 December 2003 was 47 (2002: 47) for Roc Oil Company Limited and 83 (2002: 96) 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 13 February 2004, the Company had on issue 109,889,439 fully paid ordinary shares held by 6,052 shareholders.

All issued fully paid ordinary shares carry one vote per share.

2. Options

As at 13 February 2004, the Company had the following unquoted options on issue:

- 3,530,650 options under the Employee Share Option Plan held by 62 optionholders;
- 7,698,830 options issued to shareholders under the Prospectus dated 21 June 1999 and held by 123 optionholders;
- 1,584,360 employee share options lapsed; and

Options do not carry any voting rights or rights to dividends.

No options were exercised during the financial year.

3. Distribution of Shareholdings as at 13 February 2004

Holding	Shareholders
1 – 1,000	1,760
1,001 – 5,000	2,588
5,001 – 10,000	936
10,001 – 100,000	687
Over 100,000	81
Total	**6,052**
Holding less than a marketable parcel	291

4. Distribution of Shareholder Options and Options Granted under the Employee Share Option Plan as at 13 February 2004

	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	37	13	48	21	123
Employee Share Option Plan						
$2.00 – 15 July 2004	–	–	–	1	–	1
$2.00 – 19 July 2004	–	2	2	13	2	19
$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	–	3	5	15	3	26
$1.65 – 26 July 2006	–	–	–	1	–	1
$1.26 – 17 December 2006	–	–	–	3	–	3
$1.45 – 29 May 2007	–	–	1	1	–	2
$1.39 – 29 July 2007	1	–	4	19	–	24
$1.41 – 4 September 2007	–	–	–	2	1	3
$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 13 February 2004

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	15,369,312	13.99
AMP Limited	6,088,997	5.54
Jenkins Investment Management Pty Ltd	5,537,986	5.04

6. Twenty Largest Shareholders as at 13 February 2004

Shareholder	Number Held	%	Rank
National Nominees Limited	8,400,320	7.64	1
Citicorp Nominees Pty Limited (CFS W/Sale GBL Res Fund A/c)	6,207,570	5.65	2
Citicorp Nominees Pty Limited	5,937,863	5.40	3
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/c)	4,798,029	4.37	4
Westpac Custodian Nominees Limited	4,390,522	4.00	5
Celtic Energy Pty Ltd	4,362,045	3.97	6
Queensland Investment Corporation	4,073,570	3.71	7
AMP Life Limited	3,703,510	3.37	8
J P Morgan Nominees Australia Limited	2,600,215	2.37	9
ANZ Nominees Limited	2,295,443	2.09	10
Mr Maximillian Francesco de Vietri (De Vietri Family A/c)	1,909,927	1.74	11
Mr Sidney John Jansma Jr	1,897,151	1.73	12
Gulf Canada Resources Ltd	1,454,140	1.32	13
Mr Sidney John Jansma III	1,136,735	1.03	14
Ladon Management Pty Ltd	1,018,614	0.93	15
Mango Bay Enterprises Inc	950,000	0.86	16
Cogent Nominees Pty Limited	914,655	0.83	17
Heritage Holding Co LLC	841,494	0.77	18
Espasia Pty Ltd	752,092	0.68	19
Mirrabooka Investments Limited	750,000	0.67	20
Top 20 Total	**58,393,895**	**53.13**	

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 the Financial Report for the year ending 31 December 2003 was performed by Helix-RDS Limited ('HRDS'), 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 HRDS. 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 HRDS on behalf of clients in the North Sea, and for various international oil and gas assets.

HRDS is accepted 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.

$ 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.

Directory

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Luanda

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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
Ms Sheree Ford

Senior Management Team
Mr Edgar Baines,
Managing Director (Roc Oil (UK) Limited)
Mr Bruce Clement,
Chief Operating Officer
Dr R John P Doran,
Chief Executive Officer and Director
Ms Sheree Ford,
General Counsel and Company Secretary
Dr Kevin Hird,
General Manager – Business Development
Mr Wes Jamieson,
General Manager – Exploration
Mr Chris Lowe,
General Manager – Finance
Mr Neil Seage, Senior Reservoir Engineer and Planning Engineer
Mr Chris Way,
General Manager – Operations

Regional Managers
Mr Tim Hargreaves,
Regional Manager East Asia
Mr John Mebberson,
Regional Manager Australia and New Zealand

Representative in Africa
Mr Antonio Vieira

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Mr Chris Way

Stock Exchange
Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000
Australia

The modern oil and gas exploration production industry depends heavily upon technologies which are sometimes referred to as being ‘at the cutting edge’. Whenever possible, ROC tries to utilise such technologies in an optimum manner. However, the Company never loses sight of the fact that, underlying all the ‘whiz-bang’ technological advances which the industry has achieved during the last several years, is the need to have a very thorough understanding of the basic nature of the rocks which generate reservoir oil and gas. A fundamental respect for the basic geology of an area is a vital ingredient of successful exploration. As such, this illustration is meant to provide a stark contrast to the illustration on the front cover.
Image courtesy of PetroSkills