Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2015

Roc Oil Company Limited

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Contents

Directors' Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC') have pleasure in submitting the Directors' Report for the financial year ended 31 December 2015.

Directors

The names and particulars of the Directors of the Company at any time during the year ended 31 December 2015 and up to the date of this report are:

Mr Banglong Zhang
Chairman & Non-Executive Director – Appointed Chairman 20 November 2015

Mr Zhang is currently assistant to the President of Fosun Group and is the President of Fosun Mineral Resources Group. He was Managing Director of Fosun Mineral Resources Division from March 2013 to June 2015. Prior to this time, Mr Zhang held senior management roles with Zhaojin Mining Co.Ltd, Guangdong Maikete Group Textile Co. Ltd and China Yangzi Group Co. Ltd. Mr Zhang is also a director of Hainan Mining Shareholding Co. Ltd. Mr Zhang holds an Executive Master of Business Administration from Cheung Kong Graduate School of Business and is a Senior Gold Analyst.

Mr Anthony Neilson MBA BCom CA FFin
Chief Executive Officer & Executive Director – Appointed 6 February 2015

Mr Neilson joined ROC in 2007 as Chief Financial Officer. He has over 20 years' experience in accounting and finance, including fourteen years in the upstream and downstream oil and gas industry. Prior to joining ROC, Mr Neilson held senior finance management roles in Caltex Australia, as well as working in banking for Credit Suisse First Boston and as a Chartered Accountant with Arthur Andersen.

Mr Nigel D R Hartley FCA, BSc
Independent Non-Executive Director - Appointed 1 June 2012

Mr Hartley is a non-executive Director of High Peak Royalties Ltd and a former non-executive Director of Austin Exploration Limited. Mr Hartley holds a degree in economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and had a 20 year career at Oil Search Limited between 1991 and 2011, during which time he held various senior financial and executive general manager positions (including 12 years as Chief Financial Officer). His final position at Oil Search Limited was as Executive General Manager Sustainability. Prior to his career at Oil Search Limited, Mr Hartley held financial positions at Rio Tinto and Niugini Mining and was a manager with the accounting and audit firm Peat, Marwick, Mitchell & Co.

Mr Christopher C Hodge MSc, DIC, FFin, MAICD
Independent Non-Executive Director - Appointed 7 September 2010

Mr Hodge is a qualified geologist and petroleum geophysicist with extensive experience both in Australia and overseas. In addition to a variety of senior technical roles, he has held managerial positions in major petroleum exploration and production companies and played significant roles in substantially growing their asset bases through a mix of exploration and acquisition. Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently a Director of ASX-listed Xstate Resources Limited and the E&P Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists and holds a Graduate Diploma in Applied Finance and Investment.

Dr Yuanlin Jiang
Country Manager Malaysia & Executive Director – Appointed 10 November 2014

Dr Jiang was appointed a non-executive director of ROC on 10 November 2014 and later joined ROC as Country Manager – Malaysia in January 2016. He leads Fosun Group's North American energy sector acquisition business and provides strategic advice to Fosun group's global oil and gas acquisition and management arm. Dr Jiang is familiar with the petroleum industry in the US, Mexico, and China.

Before joining Fosun group, Dr Jiang worked in a variety of roles in ORl International. His last role was leading a large multi-discipline advisory team and guiding the development of the giant Ku-Maloob-Zaap field in Mexico. Prior to that, Dr Jiang worked for BP and served in senior technical roles in a number of offshore and unconventional assets.

Dr Jiang holds a Ph.D. and a Masters in Petroleum Engineering, both from Stanford University. He also holds a bachelor degree in fluid mechanics from the University of Science and Technology of China. Dr Jiang has been a member of the Society of Petroleum Engineers since 2002.

Mr Can (Robin) Wang

Non-Executive Director – Appointed 14 March 2016

Mr Wang is the Chief Financial Officer of the Fosun Group. Mr. Wang joined the Fosun Group in November 2012, worked as the general manager of Investment Management Department, deputy CFO and general manager of Financial Planning & Analysis Department, general manager of Chairman & President Office, and general manager of Investment Management & Strategy Center. Prior to joining the Fosun Group, Mr Wang worked in Kingdee Software (China) Co., Ltd., PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and China Lodging Group, Limited (NASDAQ: HTHT). Mr Wang graduated from Anhui University in June 1997 and received an EMBA degree from China Europe International Business School(CEIBS) in September 2014. Mr Wang is also a non-practicing member of Chinese Institute of Certified Public Accountants (CICPA).

Mr Qunbin Wang

Non-Executive Director – Appointed 10 November 2014

Mr Wang was one of the founders of the Fosun Group. Mr Wang has been a director of the Fosun Group since its establishment. Prior to joining the Fosun Group, Mr Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr Wang holds various positions including honorary chairman of the Shanghai BioPharmaceutics Industry Association, chairman of The Huzhou Chamber of Commerce in Shanghai and vice chairman of the China Chamber of International Commerce.

Mr Jianfeng (Andrew) Liu

Chief Financial Officer & Executive Director – Appointed 20 November 2015. Resigned 11 March 2016.

Mr Liu joined ROC from Fosun Energy Group as Chief Financial Officer in 2014.

Prior to joining Fosun, Mr Liu worked for CNOOC Ltd in key managerial positions; overseeing the startup of their US office and implementing large scale transactions for both offshore deep water and onshore shale gas assets.

Mr Liu has extensive experience in global M&A transactions, spanning the world's most prolific oil & gas geographic areas such as North Sea, Gulf of Mexico, Persian Gulf, Niger Delta, Andes Mountain and Argentina Sea.

Mr Liu holds an MBA and LLM from Boston College in the USA; Master of Law from China University of Politics and Law, and BA in accounting and finance from Central University of Finance and Economics.

Directors of the Company who resigned during the financial year are listed below

Mr Bin Zhao

Chairman & Non-Executive Director – Appointed Chairman 28 October 2014. Resigned 20 November 2015.

Mr Zhao has been the President of Fosun Energy Group since 2011. Prior to this time Mr Zhao held senior positions with Shanxi Power and Shanxi Jinneng Corporation, among others. Mr Zhao is a senior economist and engineer, and an adjunct professor at Shanxi University of Finance.

Mr Yao Xu

Independent Non-Executive Director - Appointed 10 November 2014. Resigned 20 November 2015

Mr Xu is the Group General Counsel (International) and the General Manager of International Legal Department of Fosun group. Mr Xu joined Fosun Group in 2010. Prior to this, Mr Xu was an associate of a top tier US law firm. Mr Xu is a senior legal expert specialising in international transactions, and is registered as a lawyer in the State of New York, US.

Directors' Report

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) and attendance during the financial year:

	Directors		Remuneration Committee		Nomination Committee		Audit and Risk Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	B	A	B
Mr Bin Zhao[1]	4	3	-	-	-	-	-	-	2	-
Mr Banglong Zhang[3]	3	3	-	-	-	-	-	-	2	-
Mr N D R Hartley	7	7	-	-	-	-	1	1	2	2[5]
Mr C C Hodge	7	7	-	-	-	-	-	-	2	2
Mr A M Neilson[4]	7	7	-	-	-	-	1	1[5]	2	1,1[5]
Mr Jianfeng Liu[3]	7	3,4[5]	-	-	-	-	-	-	2	1,1[5]
Mr Qunbin Wang[2]	7	2	-	-	-	-	-	-	-	-
Dr Yuanlin Jiang[2]	7	6	-	-	-	-	1	1	2	2
Mr Yao Xu[1]	5	2	-	-	-	-	1	1	2	1[5]

Notes:

A Number of meetings held during the time that the Director held office during the financial year.

B Number of meetings attended.

1. Resigned 20 November 2015.
2. Appointed 10 November 2014.
3. Appointed 20 November 2015.
4. Appointed 6 February 2015.
5. Number of meetings attended as observer.

Principal Activities

The consolidated entity's principal activities during 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 loss of the consolidated entity for the financial year after income tax was US$31.3 million (2014: profit of US$49.5 million).

Dividends

A fully franked dividend of US$7.5 million (2014: Nil) was recommended by the Directors and paid on 20 November 2015 in respect of the financial year ended 31 December 2015.

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 Discussion and Analysis of Financial Statements on pages 8 to 10.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the nature of the activities or state of affairs of the consolidated entity during the financial year.

Subsequent Events

No events have arisen since the end of the financial year that have 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.

Future Developments

Business strategy

ROC's goal is to be a leading energy company, with a presence in and focus on China, South East Asia and Australia.

The Company aims to deliver these objectives by:

- Sustaining and optimising the value of existing ROC assets through safe and reliable operations;
- enhancing organisational capabilities to deliver our strategic commitments;
- selectively identifying and pursuing acquisition of compatible growth assets;
- capitalising on our existing relationships and regional presence; and
- maintaining financial strength and optimizing capital and liquidity management to support investment and sustainable growth.

ROC aims to deliver growth whilst preserving our goals of zero harm to people, minimising our impact on the environment, supporting the communities in which we operate and building a motivated and engaged workforce.

Key projects and opportunities being pursued during the 2016 financial year include:

- China
  + continue with feasibility study for Beibu Gulf Phase II development plan for WZ-12-8 East and finalising the 12-8m development plan;
  + reviewing the seismic for two exploration blocks in the Pearl River Basin (South China);
  + pursuing acquisition of existing producing assets.
- Malaysia
  + Final Development Plan study relating to D35/D21/J4 Project Phase 2;
  + completing drilling campaign for the D35/D21/J4 Project minimum work commitments; and
  + assessing current exploration licence rounds.
- Australia
  + reviewing and optimising current acreage and looking for opportunities to complement the existing portfolio.

In the current low oil price environment the focus and objective of the Company is to pursue a range of new business opportunities to grow the Company whilst maintaining a prudent and disciplined approach to financial management. ROC will pursue growth initiatives from its existing portfolio of exploration and development assets as well as new opportunities where it is value accretive and where we have the balance sheet capacity to support future development expenditures.

Share Rights and Options

As at the date of this Directors' Report, there are no options or rights granted over unissued ordinary shares of ROC.

Indemnification of Directors and Officers

The Company's Constitution provides that the Company indemnifies, on a full indemnity basis and to the full extent permitted by law, all past and present directors, executives and secretaries of all the companies in the Group, for all losses or liabilities incurred by the person as an officer of a Company in the Group.

The Constitution also permits the Company to purchase and maintain a directors' and officers' insurance policy. During the year, the Company paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts. A condition of the contracts is that the nature of the liability indemnified and premium payable is not disclosed.

Directors' Report

The Company has also entered into Deeds of Access, Insurance and Indemnity with each of the Directors referred to in this report that held office during the year and certain senior executives of the Group indemnifying each against all liabilities incurred in their capacity as an officer of the Company to the full extent permitted by law.

Proceedings

As at the date of this report the Company is not aware of any proceedings brought on behalf of the Company or instituted against the Company.

Rounding

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998 and, in accordance with that Class Order, amounts in this report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 8.

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* and forms part of the financial statements.

On behalf of the Directors:

Mr Banglong Zhang
Chairman

Mr A M Neilson
Director and Chief Executive Officer

Sydney, 14 March 2016

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Auditor's Independence Declaration to the Directors of Roc Oil Company Limited

As lead auditor for the audit of Roc Oil Company Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Roc Oil Company Limited and the entities it controlled during the financial year.

Ernst & Young

Trent van Veen
Partner
14 March 2016

Discussion and Analysis of Financial Statements

This discussion and analysis is provided to assist readers in understanding the financial statements for the financial year ended 31 December 2015.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net loss after income tax of US$31.3 million (2014: profit of US$49.5 million). The Group's gross profit was US$16.4 million (2014: US$88.0 million).

Included in the overall result were items relating to:

- An impairment of Oil and Gas assets of US$11.6 million (after tax impairment of US$26.6 million);
- Exploration expense of US$13.8 million;
- Impairment of the investment in BC Petroleum Sdn Bhd ('BCP') of US$4.8 million; and
- Profit on the sale of Roc Oil (GB) Limited and Roc Oil (GB Holdings) Limited of US$9.7 million.

Sales and Production Growth

The Group recorded reliable performance from its producing assets, with working interest production of 3.3 MMBOE (9,051 BOEPD) (2014:3.7 MMBOE; 10,035 BOEPD), down 10% compared to the prior year due to natural decline. Of the total working interest production, 0.5 MMBBL (16%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's Production Sharing Contracts. ROC's closing balance economic interest 2P reserves at 31 December 2015 was 10.5 MMBOE.

Oil and gas sales revenue of US$130.5 million (2014: US$275.9 million) was generated from sales volumes of 2.8 MMBOE (2014: 3.1 MMBOE), which achieved an average realised oil price of US$49.02/BBL (2014: US$94.24/BBL). Operating costs of US$114.1 million (2014: US$187.8 million) comprised production costs of US$49.3 million (US$14.92/BOE), amortisation costs of US$62.5 million (US$18.91/BOE), and special oil income levy, supplemental taxes and royalty of US$2.9 million and stock movements of US$0.6 million.

Exploration Expensed

Exploration and evaluation expenditure of US$15.2 million (2014: US$15.3 million) was incurred during the period, attributable to one exploration well in Block 09/05 and new venture costs. In accordance with the Company's successful efforts accounting policy, US$13.8 million (2014: US$9.2 million) in exploration costs were expensed and written-off during the period.

Impairments

Included in this result were impairment write-downs of assets of US$16.4 million (US$31.4 million after tax).

The impairment asset write-downs were made mainly as a result of the significantly lower oil price environment at year end, with spot oil prices at year end down 35% from 31 December 2014. The write-down are in relation to the Zhao Dong assets (US$11.6m before tax, US$26.6 million after tax) and the investment in BCP of US$4.8 million (before and after tax)

Income Tax

An income tax expense of US$17.1 million (2014: US$23.9 million) was incurred during the period, which included a current income tax expense of US$3.5 million, current PRRT of US$1.0 million and a prior year overprovision of US$0.2 million and a deferred tax expense of US$12.8 million (as a result of oil and gas impairments of US$15.0m, asset timing differences of US$12.1m offset by tax losses recognised of US$14.4 million).

The net tax paid during the year was US$8.5 million (2014: $34.4 million).

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$34.9 million (2014: US$112.0 million). During the year, funds were primarily used for development expenditure of US$35.3 million (2014: US$42.8 million), investment in bonds US$37.7 million (2014: Nil), and exploration expenditure initially capitalised US$7.8 million (2014:US$12.8) offset by proceeds from the sale of UK subsidiaries US$13.7 million (2014: Nil).

Discussion and Analysis of Financial Statements

CORPORATE ACTIVITY

Health, Safety and Environment ('HSE')

ROC had no lost time injuries or other recordable injury during 2015. No Tier 1 or Tier 2 process safety events occurred.

Implementation of our updated HSE Management Systems, additional HSE Expectations and our Asset Integrity Management system progressed as we continue to pursue HSE excellence. A corporate HSE audit was conducted at our Cliff Head operation.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$49.3 million in production costs (2014: US$68.7 million) and US$51.2 million (2014: US$26.4 million) in development expenditure during 2015. Development costs primarily related to the development of D35/D21/J4, the ongoing development drilling at the Zhao Dong Fields and one appraisal well in Beibu Gulf.

Zhao Dong Oil Fields, Bohai Bay, Offshore China

ROC's working interest in oil production from the C and D Fields (24.5%), the C4 unitised field (11.667%) and Zhanghai Block (39.2%) averaged 3,187 BOPD, down 15% compared to the previous year as a result of natural field decline.

Development expenditure of US$14.5 million (2014: US$21.2 million) was incurred. A total of nine wells were drilled during 2015 and the annual production target was achieved.

Cliff Head Oil Field, WA-31-L, Offshore Western Australia (42.5% and Operator)

ROC's working interest in oil production from the Cliff Head Field averaged 643 BOPD, down 20% compared to the previous year due to natural decline.

Blane Oil Field, North Sea (12.5%) and Enoch Oil and Gas Field, North Sea (12%)

ROC's working interest in oil production from the Blane Oil Field averaged 330 BOPD until the end of September 2015 after which both assets were sold to Faroe Petroleum (U.K.) Limited in September 2015. Enoch remained shut-in for the period up to the sale.

D35/D21/J4, Offshore Malaysia (ROC: 30% & Project Development Manager)

ROC's working interest in oil production from the D35/D21/J4 Fields averaged 3,132 BOPD, up 15% compared to the previous year.

Development expenditure of US$28.9 million (2014: US$4.7 million) was incurred.

The six well drilling program commenced on 18 October and is expected to be completed by 1H16. Work is in progress on the Integrated Field Development Plan submission during 2016 for Phase 2 drilling and development.

WZ 6-12 and WZ 12-8 West Oil Field Development, Beibu Gulf, Offshore China (19.6%)

ROC's working interest in oil production from the Beibu Field averaged 1,841 BOEPD, down 16% compared to last year due to natural decline.

Exploration and Appraisal

The Group incurred US$15.2 million (2014: US$15.3 million) in exploration and evaluation expenditure during 2015.

Balai Cluster Risk Service Contract ('SFRSC'), Offshore Sarawak, Malaysia (48%)

PETRONAS and BCP have mutually agreed to terminate the Balai Cluster SFRSC, effective 1 December 2015.

In consideration of the termination by mutual agreement of the parties, PETRONAS agreed to settle and satisfy the remaining payment to BCP amounting to $136.4 million. The payment will be made in cash by PETRONAS over two payments.

Block 09/05, Bohai Bay (60% and Operator)

The second commitment well, QK12-3-1D, was spudded on 22 September and plugged and abandoned after no hydrocarbons were encountered.

The 09/05 PSC ended at the end of the first phase on 31 December 2015 with all commitments completed.

Discussion and Analysis of Financial Statements

Beibu Gulf, Offshore China (40% and Operator)

An appraisal well on WZ12-8M was drilled in November/December. A pilot well (WZ12-8W-A6P1) intersected good quality T42 sand close to the Oil Water Contact, defining the South East extent of the field. A horizontal production sidetrack (WZ12-8W-A6H) intersected oil pay of 521 meters. The well was completed, tied into the WZ12-8W system and brought into production on 12 December 2015.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Sales revenue		**130,459**	**275,887**
Operating costs		(114,068)	(187,840)
Gross profit		**16,391**	**88,047**
Other income	*3*	307	1,987
Gain on sale of exploration and development assets		-	32,597
Gain on sale of sale of subsidiary		9,691	-
Foreign currency translation reserve loss on sale of subsidiary		(405)	-
Exploration expensed and written off	*10*	(13,848)	(9,254)
Impairment of oil and gas assets	*9*	(11,563)	(10,006)
Impairment of investment in associate company		(4,807)	(2,300)
Other costs	*4*	(8,579)	(24,378)
Finance costs	*5*	(1,353)	(3,379)
(Loss)/Profit before income tax		**(14,166)**	**73,314**
Income tax expense	*6*	(17,098)	(23,861)
Net (loss)/profit		**(31,264)**	**49,453**
Other comprehensive gain			
Foreign currency translation reserve loss on sale of subsidiary		405	-
Other comprehensive gain net of tax		**405**	**-**
Total comprehensive (loss)/profit		**(30,859)**	**49,453**

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 US$'000	2014 US$'000
Current assets			
Cash assets	*7*	72,608	106,409
Trade and other receivables		20,614	40,032
Inventories		1,312	1,234
Other financial assets	*8*	32,802	-
Total current assets		**127,336**	**147,675**
Non-current assets			
Oil and gas assets	*9*	137,818	179,383
Exploration and evaluation expenditure	*10*	5,514	6,679
Property, plant and equipment	*11*	272	244
Deferred tax assets	*6*	3,318	21,131
Other financial assets	8	4,556	-
Investments in associate companies		65,472	70,279
Total non-current assets		**216,950**	**277,716**
Total assets		**344,286**	**425,391**
Current liabilities			
Trade and other payables	*13*	33,190	40,037
Current tax liabilities	*6*	237	5,904
Provisions	*14*	6,010	9,425
Total current liabilities		**39,437**	**55,366**
Non-current liabilities			
Long Term Liabilities		3,750	7,500
Deferred tax liabilities	*6*	1,161	13,333
Provisions	*14*	18,602	29,514
Total non-current liabilities		**23,513**	**50,347**
Total liabilities		**62,950**	**105,713**
Net assets		**281,336**	**319,678**
Equity			
Share capital	*15*	734,150	734,150
Accumulated losses		(478,127)	(439,380)
Other reserves		25,313	24,908
Total equity		**281,336**	**319,678**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	Inflow/ (Outflow) 2015 US$'000	Inflow/ (Outflow) 2014 US$'000
Cash flows from operating activities			
Cash generated from operations		58,312	161,936
Payments for exploration and evaluation expenses		(5,652)	(2,873)
Net financing costs		(358)	(1,548)
Payments made for abandonment costs		(8,896)	(12,955)
Payments for non-production phase for BMG		-	1,824
Income taxes and PRRT paid		(8,495)	(34,436)
Net cash generated from operating activities		**34,911**	**111,948**
Cash flows from investing activities			
Payments for plant and equipment		(265)	(172)
Payments for development expenditure		(35,263)	(42,750)
Payments for exploration and evaluation expenditure initially capitalised		(7,835)	(12,826)
Proceeds from sale of exploration and development assets		13,681	-
Related party transaction – Loan		7,483	(8,396)
Related party transaction – Dividend		(7,483)	-
Investment in Bonds	8	(37,679)	-
Investment in associate company		-	(5,376)
Net cash used in investing activities		**(67,361)**	**(69,520)**
Net (decrease)/increase in cash held		**(32,450)**	**42,428**
Cash at beginning of financial year		106,409	65,140
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,351)	(1,159)
Cash at end of financial year	7	**72,608**	**106,409**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Foreign Currency Translation Reserve US$'000	Total US$'000
Balance at 1 January 2014	**734,150**	**(488,833)**	**14,913**	**6,025**	**266,255**
Total comprehensive profit/(loss) net of tax	-	49,453	-	-	49,453
Share-based payments	-	-	3,970	-	3,970
Balance at 31 December 2014	**734,150**	**(439,380)**	**18,883**	**6,025**	**319,678**
Total comprehensive profit/(loss) net of tax	-	(31,264)	-	405	(30,859)
Dividend payment	-	(7,483)	-	-	(7,483)
Balance at 31 December 2015	**734,150**	**(478,127)**	**18,883**	**6,430**	**281,336**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards and interpretations and other mandatory professional reporting requirements. The financial report has been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value.

The financial report is presented in USD. All values are rounded to the nearest thousand dollars (US$'000) unless otherwise stated under the option available to the Company under the ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

The financial statements were authorised for issue on 14 March 2016 by the Board.

Statement of compliance

The Group has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 January 2014.

The Group is a for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statement for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporation Act 2001*.

The adoption of AASB 1053 and AASB 2010-2 allowed Roc Oil Company Limited to remove a number of disclosures. There were no other impacts on the current or prior year financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. 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 Group are eliminated in full.

Oil and gas assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. 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, on a unit-of-production basis. Costs are amortised only once production begins.

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

Exploration and evaluation expenditure

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. An area of interest refers to an individual geological area which is considered to constitute a favourable environment for the presence of an oil or gas field, usually represented by an individual oil or gas field.

The successful efforts method requires all exploration and evaluation expenditure in relation to an area of interest to be expensed in the period it is incurred, except the costs of successful wells, the costs of acquiring interests in new exploration assets and pre-development costs where the rights to the tenure of the area of interest are current and the expenditure either:

- is expected to be recovered through sale or successful development and exploitation of the area of interest; or
- relates to an exploration discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet complete, or additional appraisal work is underway or planned.

Pending assessment of the results of a well, the costs are initially capitalised then expensed or remain capitalised, depending on a review of the results in accordance with successful efforts accounting criteria.

When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to oil and gas assets.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on 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 Group. The following estimated useful lives are used in the calculation of depreciation in the current and prior year:

- plant and equipment — 2 – 10 years;
- leasehold improvements — 2 –10 years; and
- motor vehicles under finance leases — 2 –5 years.

Leases of plant and equipment, under which the Group 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 Group.

Operating leases are not capitalised. Payments made under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal instalments over the term of the lease.

Oil and gas stock and materials inventories

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, decommissioning 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 the 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 utilising an average cost basis.

Under/overlift

Lifting or offtake arrangements for oil produced in jointly-owned operations are such that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of cost and net realisable value. Overlift is recognised as a liability at the current market price of oil. The net movement in underlift and overlift is recognised in the Consolidated Statement of Comprehensive Income in operating costs.

Financial Assets

Financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the Consolidated Statement of Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired.

Investments

Investments in subsidiaries are carried at cost less any impairment in value.

Provision for restoration

Provision for restoration is recognised when there is a legal or constructive commitment to do so. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. Where no restoration asset exists, the corresponding adjustment is recognised in the Consolidated Statement of Comprehensive Income. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

accordance with local conditions and requirements. This asset is subsequently depleted on a unit-of-production basis. Changes in the estimates of commercial reserves or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

The unwinding of the effect of discounting on the restoration provision is included within finance costs.

Cash and cash equivalents

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

Investments in associate companies

The Group's investments in its associate companies are accounted for under the equity method of accounting in the consolidated financial statements. An associate company is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate companies are used by the Group to apply the equity method. The reporting dates of the associate companies and the Group are identical and both use consistent accounting policies.

The investments in the associate companies are carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate companies, less any impairment in value. The Consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate companies.

Trade receivables

Trade receivables are recognised and carried at amortised cost less impairment.

Impairment

At each reporting date, the Group assesses whether there is any indication that an asset, other than inventories and deferred tax assets, may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income whenever the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the value in use, the estimated discounted future cash flows based on management's expectations are used.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Consolidated Statement of Comprehensive Income, net of any amortisation that would have been charged since the impairment.

Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable and the provision can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date.

Revenue

Sales

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

Sales revenue represents amounts invoiced, excluding 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 Group to reduce future oil and gas price exposure.

Interest

Interest is recognised as the interest accrues to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

Finance costs

Finance costs are recognised as an expense when incurred and are calculated using the effective interest rate method. This method amortises the transaction costs over the term of the borrowing.

Share-based payment transactions

Share-based compensation benefits are provided to employees via the Long Term Incentive Plan, the Short Term Incentive Plan, the Employee Share Option Plan and the Executive Share Option Plan. Both share option plans have now been discontinued and no new issues under either of these plans will occur.

These equity-settled transactions with employees are measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Monte Carlo simulation technique. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to market performance.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable in respect of taxable profits. It is calculated by using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Tax for the current and prior periods is recognised as a liability to the extent that it is unpaid.

Deferred tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred income tax liability is recognised for all taxable temporary differences except where:

- the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associate companies and interests in joint operations, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Comprehensive Income.

Where deferred tax arises from the initial accounting for a business combination, it is taken into account in the determination of goodwill.

Petroleum Resource Rent Tax

Petroleum Resource Rent Tax ('PRRT') is accounted for as income tax.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

Goods and services tax

Revenue, expenses and assets are recognised net of amounts of GST, except where the amount of GST incurred is not recoverable from the taxation authority in which case the GST is recognised as part of the item of expenditure.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in United States dollars, which is ROC's functional currency.

ROC has identified USD as its functional and presentation currency for the following reasons:

- a significant portion of ROC's activity is denominated in US$;
- a significant portion of ROC's assets and liabilities is denominated in US$; and
- USD is primarily the global currency used in the oil industry.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Group companies

The results and financial position of Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to equity. When a foreign operation is sold, a proportionate share of such exchange differences is recognised in the Consolidated Statement of Comprehensive Income, as part of the gain or loss on sale.

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 it is 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. Provisions for annual leave in respect of services provided by employees up to the reporting date expected to be settled within 12 months, are measured using remuneration levels expected to apply at the time of settlement.

Provisions for annual leave and long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Interests in joint arrangements

Interests in joint operations, where there is joint control, have been reported in the financial statements by including the Group's share of assets and liabilities of the joint operation and its share of any income and expenses incurred.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Notes to the Consolidated Financial Statements

Note 2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under

the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Further details of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Significant accounting judgements

Exploration and evaluation

The Group's accounting policy for exploration and evaluation assets is set out at Note 1. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Consolidated Statement of Comprehensive Income.

(b) Significant accounting estimates and assumptions

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

Restoration obligations

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more details regarding the policy in respect of the provision for restoration, refer to Note 1

Reserve estimates

Estimates of recoverable quantities of proved and probable reserves reported include judgmental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of amortisation charged to the Consolidated Statement of Comprehensive Income. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

Note 3. Other Income

	2015 US$'000	2014 US$'000
Interest income – external	307	110
Sundry income	-	1,877
	307	**1,987**

Notes to the Consolidated Financial Statements

Note 4. Other Costs

	2015 US$'000	2014 US$'000
Operating lease expenses	604	1,321
Depreciation	69	787
General and administration costs	5,637	18,119
Share-based payments	-	3,969
Net foreign currency loss	2,269	182
	8,579	**24,378**

Note 5. Finance Costs

Unwinding of discount – restoration provision	925	931
Other finance costs	428	2,448
	1,353	**3,379**

Note 6. Tax

(a) Composition of income tax

Income tax charge – current period	(3,549)	(22,736)
Income tax credit – prior period	200	(2,626)
PRRT – current period	(983)	(6,781)
Deferred income tax – current period	(14,017)	2,416
Deferred income tax – PRRT	1,251	5,866
Income tax expense	**(17,098)**	**(23,861)**

(b) Recognised tax liabilities and assets

	2015 Current Tax Liabilities US$'000	2015 Net Deferred Income Tax Liabilities US$'000	2014 Current Tax Liabilities US$'000	2014 Net Deferred Income Tax Liabilities US$'000
Opening balance	(5,904)	7,798	(8,258)	(484)
(Charged)/credited	(4,332)	(12,766)	(32,143)	8,282
Cash payments	8,495	-	34,436	-
Asset sold	514	7,807	-	-
Translation gain	990	(682)	61	-
	(237)	**2,157**	**(5,904)**	**7,798**

Notes to the Consolidated Financial Statements

Note 6. Tax *continued*

Deferred income tax at 31 December relates to the following:

	Consolidated Statement of Financial Position	
	2015 US$'000	**2014 US$'000**
(i) Deferred tax assets		
Asset timing differences	(2,633)	17,726
Tax losses recognised	5,951	-
Provisions	-	3,405
Net deferred tax assets	**3,318**	**21,131**
(ii) Deferred tax liabilities		
Asset timing differences	(1,584)	(16,531)
Provisions	560	4,586
PRRT	(137)	(1,388)
Net deferred tax liabilities	**(1,161)**	**(13,333)**
Total net deferred tax asset /(liabilities)	**2,157**	**7,798**

(c) Tax losses

Tax losses not recognised – revenue	**77,970**	**68,894**

Income tax reconciliation

The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:

	2015 US$'000	2014 US$'000
(Loss) / Profit before income tax	(14,166)	73,214
Prima facie income tax Benefit/(expense) calculated as 30% of profit before income tax	4,250	(21,964)
Tax effect of adjustments		
Non-deductible expenses	(2,591)	940
Non-assessable income	2,368	-
Overseas tax rate differential	(2,366)	(2,069)
Prior year over provision	-	2,626
Deferred tax asset written off	(10,974)	-
Tax losses not brought into account	(5,284)	1,104
PRRT	-	(4,502)
Other	(2,501)	4
Income tax expense	**(17,098)**	**(23,861)**

Note 7. Cash Assets

Cash and cash equivalents	72,608	106,409
	72,608	**106,409**

Notes to the Consolidated Financial Statements

Note 8. Other Financial Assets - Bonds

	2015 US$'000	2014 US$'000
Investment in Bonds – Current	32,802	-
Investment in Bonds – Non Current	4,556	-
	37,358	**-**

In the period, ROC invested surplus cash in coupon bonds. On 20 July 2015 ROC acquired US$5m semi-annual 6.125% coupon bond of counterparty Seadrill Limited. The Seadrill bond matures on 15 September 2017.

On 29 December 2015, ROC acquired EUR$30m annual 3.3% coupon bond of counterparty Xingtao Assets Limited, a related party to ROC and subsidiary of Fosun International Limited. The Xingtao bond is subject to a call or put option applicable on 9 October each year, and matures on 9 October 2022.

These financial assets are non-derivative financial assets, initially recognised at fair value, and carried at amortised cost. These assets generate a fixed interest income for the Group. The carrying value of these assets may be affected by changes in the credit risk of the counterparties.

Note 9. Oil and Gas Assets

	US$'000
Costs	
At 31 December 2014	909,119
Development expenditure incurred	51,240
Increase in restoration asset	3,634
Transferred from exploration asset	2,546
Asset acquisition	-
Asset disposal	(110,172)
At 31 December 2015	856,367
Accumulated amortisation	
At 31 December 2014	(729,736)
Charge	(62,460)
Asset disposal	85,210
Net impairment of assets	(11,563)
At 31 December 2015	**(718,549)**
Net book value at 31 December 2015	**137,818**
Net book value at 31 December 2014	179,383

The impairment loss of US$11.6 million represents the write-down of Zhao Dong asset to recoverable amount as a result of lower oil prices.

On 5 November 2015, ROC completed the sale of Roc Oil (GB Holdings) Limited and Roc Oil (GB) Limited to Faroe Petroleum plc, which includes the Blane and Enoch fields. ROC received consideration of US$17m plus US$2m production performance payment for Blane oil field, less Working capital. ROC recorded a gain on the sale of US$9.7m in the period.

Notes to the Consolidated Financial Statements

Note 10. Exploration and Evaluation Expenditure

	2015 US$'000	2014 US$'000
Opening balance	6,679	587
Expenditure incurred	15,229	15,346
Expenditure transferred to asset under development	(2,546)	-
Amounts expensed and written-off	(13,848)	(9,254)
	5,514	**6,679**

The ultimate recovery of the capitalised exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the commercial sale of the relevant areas of interest.

Note 11. Plant and Equipment

Costs		
Opening balance	2,333	8,149
Expenditure incurred	265	173
Disposal	(168)	(5,989)
Costs at 31 December	**2,430**	**2,333**
Accumulated depreciation		
Opening balance	(2,089)	(7,291)
Charge	(69)	(787)
Disposal	-	5,989
Accumulated depreciation at 31 December	**(2,158)**	**(2,089)**
Net book value	**272**	**244**

Note 12. Controlled Entities

	Country of Incorporation	Ownership and Voting Interest 2015 %	Ownership and Voting Interest 2014 %
Name of entity			
Parent entity			
Roc Oil Company Limited	Australia		
Controlled entities			
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil (Gippsland) Pty Limited	Australia	100[(3)]	-
Roc Oil International Holdings Pty Ltd	Australia	100	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Anzon Energy Pty Limited	Australia	100	100
Roc Oil (VIC) Pty Limited	Australia	100	100
Roc Oil (Exploration No. 1) Pty Limited	Australia	100[(2)]	100

Notes to the Consolidated Financial Statements

Note 12. Controlled Entities *continued*

	Country of Incorporation	Ownership and Voting Interest 2015 %	Ownership and Voting Interest 2014 %
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Tasman) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	100
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	100
Roc Oil (Sarawak) Sdn Bhd	Malaysia	100	100
Roc Oil Holdings (Cayman Islands) Company	Cayman Islands	100	100
Roc Oil (Bohai) 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 (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Limited	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (Myanmar International Holdings) Company	Cayman Islands	-(2)	100
Roc Oil (Myanmar Holdings) Pte Ltd	Singapore	-(2)	100
Roc Oil (Myanmar) Pte Ltd	Singapore	-(2)	100
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (GB Holdings) Limited	United Kingdom	-(1)	100
Roc Oil (GB) Limited	United Kingdom	-(1)	100
Roc Oil (North Sea) Limited	United Kingdom	100	100
Roc Oil (Chinguetti) B.V.	Netherlands	100	100

1. Sold during the period.
2. Liquidated during the period.
3. Incorporated during the period.

Note 13. Trade and Other Payables

	2015 US$'000	2014 US$'000
Trade and other payables	23,353	3,251
Accrued liabilities	9,837	34,900
Stock overlift	-	1,886
	33,190	**40,037**

Notes to the Consolidated Financial Statements

Note 14. Provisions

	Employee Benefits US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2014	2,457	36,482	38,939
Additions	1,152	3,634	4,786
Disposal	-	(9,264)	(9,264)
Unwinding of discount		894	894
Utilised	(1,858)	(8,896)	(10,754)
Translation adjustments	11	-	11
Balance at 31 December 2015	**1,762**	**22,850**	**24,612**
Current – 2015	871	5,139	6,010
Non-current – 2015	891	17,711	18,602
Total 2015	**1,762**	**22,850**	**24,612**
Current – 2014	1,125	8,300	9,425
Non-current – 2014	1,332	28,182	29,514
Total 2014	**2,457**	**36,482**	**38,939**

The employee benefits provisions relate to annual leave and long service leave.

The restoration provisions relate to the estimated costs associated with the restoration of sites.

Note 15. Share Capital

	2015 Number of Shares	2014 Number of Shares	2015 US$'000	2014 US$'000
Balance at beginning of financial year	687,618,400	686,461,740	734,150	734,150
Issue of shares pursuant to the exercise of rights under the Long Term Incentive Plan	-	1,156,660	-	-
Balance at end of financial year	**687,618,400**	**687,618,400**	**734,150**	**734,150**

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Note 16. Related Party Disclosures

The ultimate parent

The ultimate parent of the Group is Fosun International Limited.

Dividend to parent company

During the year a dividend of US$7,483,000 was paid to Transcendent Resources Limited.

Loan to key management personnel ('KMP')

No loans have been made to the KMP other than advances made for the purpose of meeting business expenses incurred in performing their duties. No interest is being charged on these amounts.

The aggregate of compensation of the KMPs of the Group is set out below:

	2015 US$	2014 US$
Total Compensation	**1,463,979**	**8,193,085**

Notes to the Consolidated Financial Statements

Note 17. Commitments for Expenditure

(a) Capital commitments

	2015 US$	2014 US$
Not longer than one year		
Joint operations	15,640	10,600
Longer than one year but not longer than five years		
Joint operations	55,760	63,000
	71,400	**73,600**

(b) Operating lease expenditure commitments

Not longer than one year	903	1,697
Longer than one year but not longer than five years	1,429	768
Longer than five years	-	-
	2,332	**2,465**

Note 18. Joint Operations

The Group has an interest (rounded to two decimal places) in the following joint operations as at 31 December 2015:

Country	Block	Principal Activities	Interest 2015 %	Interest 2014 %
Australia	WA-31-L (Cliff Head)	Oil production	42.50	42.50
	L14 (Jingemia)	Oil production	0.25	0.25
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas development/production	40.00/19.60(1)	40.00/19.60(1)
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.67(2)	24.50/11.67(2)
	Chenghai and Zhanghai Blocks	Oil appraisal/development	80.00/39.20(3)	80.00/39.20(3)
	Pearl River Block 03/33	Exploration	100.00(6)	-
	Pearl River Block 16/07	Exploration	100.00(6)	-
	Block 09/05 (Bohai Bay)	Oil and gas exploration	-(7)	60.00
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	-(4&5)	15.24/12.50(4)
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	-(4&5)	15.00/12.00(4)
Malaysia	D35/D21/J4	Oil and gas development/production	30.00	30.00

Notes:

1. Interest in field development post-government back-in.
2. Unitised interest in the C4 Field.
3. Interest in development/production following government back-in.
4. Unitised interest in producing Blane and Enoch Fields.
5. Sold during the period.
6. Awarded during the year.
7. Relinquished during the year.

The Group's interest in the joint operations is accounted for via recognition of the Group's share of assets, liabilities, revenue and expenses.

Notes to the Consolidated Financial Statements

Note 19. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country of Incorporation	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December	
				2015 %	2014 %
Croft Exploration Limited	UK	Dormant	31 December	50	50
BC Petroleum Sdn Bhd	Malaysia	Development/ appraisal	31 December	48	48

The Group's interest in the associate companies is accounted for using the equity accounting method.

Note 20. Contingent Liabilities

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

Note 21. Information Relating to Roc Oil Company Limited ('parent entity')

	2015 US$'000	2014 US$'000
Current assets	194,722	160,607
Total assets	230,418	183,918
Current liabilities	1,432	2,955
Total liabilities	2,324	4,288
Net assets	**228,094**	**179,630**
Share capital	734,150	734,150
Accumulated losses	(594,522)	(642,986)
Share equity reserve	18,882	18,882
Foreign currency translation reserve	69,584	69,584
Total equity	**228,094**	**179,630**
Net profit/(loss) of the parent entity	48,464	(44,908)
Total comprehensive profit/(loss) of the parent entity	48,464	(44,908)

Note 22. Subsequent Events

No events have arisen since the end of the financial year that have 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 future financial years.

Notes to the Consolidated Financial Statements

Note 23. Additional Company Information

The Company is a public company and is incorporated in Australia and operates in Australia and overseas.

The registered office and principal place of business is:

Level 12

20 Hunter Street
Sydney NSW 2000
Australia.

Telephone number: +61 2 8023 2000

ABN: 32 075 965 856

Directors' Declaration

The Directors declare that:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirement and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors:

Mr Banglong Zhang
Chairman

Mr A M Neilson
Director and Chief Executive Officer

Sydney, 14 March 2016

Building a better
working world

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Independent auditor's report to the members of Roc Oil Company Limited

Report on the financial report

We have audited the accompanying financial report of Roc Oil Company Limited, which comprises the consolidated statement of financial position as at 31 December 2015 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Ernst & Young

Trent van Veen
Partner
14 March 2016

ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD/A$ or cents	Australian currency
BBL(s)	Barrel(s), an oil barrel is equivalent to 0.159 cubic metres
BCP	BC Petroleum Sdn Bhd
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
Economic interest	The working interest share of production which is adjusted for production that is delivered to host governments under the petroleum contracts.
Group	Parent entity and its subsidiaries
GST	Goods and services tax
HSE	Health, Safety & Environment
IFRS	International Financial Reporting Standards
MMBBL	One million barrels of oil
MMBOE	One million barrels of oil equivalent
NGL	Natural gas liquid
Possible reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Proved reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
PRRT	Petroleum Resource Rent Tax
PSC	Production Sharing Contract
Reserves	Are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied
ROC	Roc Oil Company Limited
UK	United Kingdom
USD/US$ or cents	United States currency
1P	Proven reserves
2P	Proved and probable reserves
3P	Proved and probable and possible