ROC OIL COMPANY LIMITED
ACN 075 965 856

REPORT TO THE AUSTRALIAN STOCK EXCHANGE (ASX)
Activities for the Quarter Ended 30 September 1999

OVERVIEW

Listing

Roc Oil Company Limited ("ROC" or "the Company") was publicly listed on ASX on 5 August 1999.

Funding

Of the $150 million raised by the Company through its Initial Public Offering ("IPO") $117.5 million was used to fund the acquisition of the UK assets of Morrison Middlefield Resources Limited ("MMRL") and to pay fees associated with that transaction and other costs related to the IPO process.

Context

The quarterly results presented in this review include the results from ROC's UK assets for the 63 days from the date of their acquisition, 29 July 1999, to Quarter-end, as well as the results for the full three month period for ROC's other assets. As a result of the timing of the MMRL transaction and the IPO, it is very difficult to make meaningful comparisons between the results for the Quarter under review and previous quarters. However, shareholders may find it useful if comparisons are drawn between the Quarterly figures presented herein and the internal estimates and Independent Experts' predictions used to construct the forecasts referred to in ROC's Prospectus dated 21 June 1999. Therefore, wherever practical, these comparisons are highlighted in this Quarterly Report. It should be emphasised that the level of internal forecast detail referred to in this report is much greater than the details provided in the Prospectus which could only present a summary of the detailed internal forecast upon which the published forecasts were based.

Total Sales Revenue

Total Gross Sales Revenue for the Quarter was $4.9 million which is $1.1 million (30%) more than the internal estimates used to derive the Prospectus forecast. The better than forecast result is largely because the figure for the Quarter under review includes $1.1 million from the sale and export to China of test oil produced by ROC in Mongolia. When the Prospectus was prepared the timing of the Mongolian sales export process was unclear and, therefore, no provisions were made for the receipt of revenue from such activities.

UK Sales Revenue

The Gross UK Sales Revenue for the Quarter was $3.7 million. This is in line with the internal predictions upon which the Prospectus forecast was based. For reasons referred to below, UK oil revenues were marginally ($200,000) down on expectations as a result of lower production. However, this slight shortfall was effectively offset by higher than forecast oil prices and increased revenue from third party tariffs and electricity sales.

UK Production

UK oil production for the Quarter was 156,000 bbls (2,476 BOPD), 36,700 bbls (583 BOPD/19%) lower than the forecasts upon which the Prospectus was based. There are two main reasons for this variance. Two onshore wells, Keddington-1 and Cold Hanworth-1, had mechanical and/or water-production problems. Also, the start of an anticipated appraisal and development drilling program was deferred pending the results of ROC's detailed technical reviews of the Welton, Cold Hanworth and Keddington fields.

Hedging

As detailed in the Prospectus, prior to the sale of its UK assets to ROC, MMRL put in place an oil hedging program. As a result, 2,000 BOPD of ROC's oil production was effectively forward sold from April 1999 to end 1999 at a Brent oil price of US$13.00/bbl (approximately equivalent to US$14.50/bbl WTI at the time). This price does not include the small premium received for ROC's onshore UK oil production due to a quality differential in relation to Brent marker crude. The balance of ROC's UK oil production above 2,000 BOPD has been sold on the spot market at an average price for the Quarter of US$22.45/bbl excluding the premium. This spot sale price is about US$10.00/bbl higher than the US$12.50/bbl August to December oil price forecast used as the basis for the ROC Prospectus and this has helped to offset the impact of the lower than expected oil production.

Other UK Revenue

Revenue received from electricity generation and sales and from the processing of third party crude oil in the UK during the Quarter totalled $0.45 million, $170,000 (63%) above the internal estimates used to derive the Prospectus forecast.

Mongolian Production

During the Quarter ROC continued to intermittently produce test oil from the East Gobi Basin in Mongolia and to periodically export this oil to China. In this context, approximately 41,000 bbls were exported to China from 1999 test production and existing inventory. The US dollar sale price was calculated with reference to prevailing international oil prices. The total revenue received from oil export to China is relatively modest ($1.4 million anticipated for calendar 1999) but the process clearly demonstrates that ROC has established a successful oil sale and export system between Mongolia and China which has been characterised by timely payment in US dollars by the Chinese purchasers of ROC's oil.

Expenditure

ROC's net expenditure on exploration and development work programmes during the Quarter totalled $10.7 million divided almost equally between the two different types of activities. Development expenditure was entirely related to the Saltfleetby Gas Field Project, whilst most of the exploration expenditure related to a large seismic survey in Mongolia.

Working Capital

As of 30 September 1999 ROC's working capital was $37.1 million (representing current assets less current liabilities) including cash and short term deposits of $44.3 million. As of Quarter-end total external debt for the Company was US$46.0 million drawn against the Barclays Capital non-current loan facility.

Saltfleetby Development

The Company's core development project, the 100%-owned Saltfleetby Gas Field, proceeded essentially on budget and on schedule. First gas is expected to flow from the field during November1999, generally in line with the Prospectus forecast.

Saltfleetby Drilling

Saltfleetby-4 commenced drilling on 4 July 1999 and reached a total depth of 3,168 m (2,303 m true vertical depth) including a 300 m horizontal section through the gas reservoir. The well was completed as a future gas producer. Drilling results were in line with expectations.

Saltfleetby Testing

All four Saltfleetby gas wells were tested during the Quarter in preparation for full scale gas production in November. On 4 July Saltfleetby-3 flowed gas on a short duration test at a surface-facility-constrained rate of up to 16 mmscf/d and 517 barrels of condensate per day (BCPD) through a 36/64 inch choke. On 12 September Saltfleetby-2 flowed gas at a rate of 10.1 mmscf/d with 319 BCPD on a 32/64 inch choke. In late September Saltfleetby-1U tested gas at a rate of 13.5 mmscf/d and 490 BCPD on a 36/64 inch choke. Also, in late September, Saltfleetby-4, the most recent well drilled in the field, but previously untested, flowed gas at rates in the order of 15 mmscf/d and 445 BCPD on a 40/64 inch choke. Flow rates from all four wells were in line with expectations.

UK 3D Seismic

The 55 sq km 3D Salteast Seismic Survey located immediately east of the Saltfleetby Gas Field, was acquired during September.

UK 2D Seismic

The 30 km 2D Bag Enderby Seismic Survey commenced in late September and was completed after Quarter-end. The Bag Enderby lead lies approximately 18 km southwest of the Saltfleetby Gas Field.

Kyle Field Development

Construction and commissioning problems at the Banff Ramform Floating Production and Storage Facility (Banff FPSO), managed by PGS Floating Production (UK) Limited ("PGS") on behalf of the Banff Joint Venture which is operated by Conoco (UK) Ltd ("Conoco"), had a knock-on effect with regard to the likely timing of first oil from the Kyle Oilfield in which ROC holds a 12.5% interest. First oil had been expected to flow through the Banff FPSO in December 1999, but, although the situation remains fluid, currently available information suggests to ROC that, for purposes of its 2000 Budget, the Company would be prudent to assume that, contrary to the Prospectus forecast, first oil will not flow from Kyle before late 2000.

Kyle Field Upside

A continuing integrated subsurface review of the Kyle Field by the Joint Venture operator, Ranger Oil (UK) Limited ("Ranger"), has highlighted the potential for the recoverable oil reserves at Kyle to be greater than the Independent Expert's estimate upon which the ROC Prospectus was based. In order to determine whether or not this upside potential is real, and also to optimise development planning, the Kyle Joint Venture is considering drilling, in early 2000, an appraisal well on the northeastern side of the Kyle structure although the Joint Venture is yet to approve this drilling strategy.

Mongolian Seismic

The 1,035 km Jochi Seismic Survey in Mongolia commenced acquisition on 19 August 1999 and was completed after Quarter-end with record acquisition rates up to 27 km/day being achieved. A preliminary review of the early, field processed, data suggests that the survey will achieve its objective of better defining leads identified by ROC from its 1998 regional seismic survey and pre-existing seismic data.

Board

As part of ROC's transition from an unlisted public company to a publicly listed company three Board changes were announced during the Quarter. Douglas Manner, Chief Operating Officer with Gulf Canada Resources Limited ("Gulf Canada") stepped down from the Board because of his need to focus on his executive duties with Gulf Canada. Mr Bob Boyson stepped down from the Board in order to take up the position of Technical Adviser to ROC's Board. Mr Bun Hung, ROC's General Manager Legal & Administration, was appointed to the Board on 23 September 1999.

SUMMARY STATISTICS

1.1 Production (Net)

	Sept '99 Qtr
OIL	BBLS
UK – Onshore	145,416
UK – Offshore	10,584
Total	156,000
Average Production (bbl/day)	2,476

For the UK assets the figures are based on the 63 day period from the UK asset acquisition date of 29 July 1999 to Quarter-end.

Excludes Mongolian test oil production.

1.2 Sales Revenue

	Sept '99 Qtr
Sales Revenue	$,000
UK	3,297
Other UK Revenue	449
Mongolian Test Production	1,123
Total	4,869

For the UK assets the figures are based on the 63 day period from the UK asset acquisition date of 29 July 1999 to Quarter-end. For ROC's other assets the figures are for the full three month period.

Revenue from Mongolian test oil production is credited to turnover, but an amount based on such revenue is charged to cost of sales and credited against exploration costs so as to record a zero net margin on such production.

1.3 Expenditure

	Sept '99 Qtr $,000
Exploration: mainly Mongolian Seismic	5,408
Development: mainly Saltfleetby Project	5,336
Total	10,744

For the UK assets the figures are based on the 63 day period from the UK asset acquisition date of 29 July 1999 to Quarter-end. For ROC's other assets the figures are for the full three month period.

1.4 Drilling Activity

During the Quarter ROC successfully drilled, completed and tested Saltfleetby-4 and also successfully tested the three other wells in the Saltfleetby Gas Field. Details are provided elsewhere in this report.

1.5 Seismic Activity

During the Quarter ROC conducted three seismic surveys: a 30 km 2D survey and a 55 sq.km 3D survey, both onshore UK, and a 1035 km 2D survey in Mongolia. All three surveys were completed on schedule and within budget as detailed elsewhere in this report.

1. PRODUCTION

2.1 Oil & Condensate Production

2.1.1 UK Onshore (ROC 100%)

ROC's UK production for the Quarter was 156,000 bbls (2,476 BOPD), 36,700 bbls (583 BOPD/19%) lower than the forecast upon which the Prospectus was based.

The reasons for the production shortfall has been highlighted in a number of ROC's weekly releases to ASX although, for completeness and ease of shareholder reference, background details are reiterated below.

Production from Keddington-1 was disrupted by an unscheduled workover when the Electric Submersible Pump ("ESP") became blocked with sand from a reservoir stimulation operation undertaken prior to ROC's acquisition of the asset. The Keddington well has since been returned to production and, subsequent to Quarter-end, it has been producing at a rate of approximately 110 BOPD. The current production rate at Keddington is still less than Prospectus forecast due to increased water cut. An engineering study was carried out which concluded that the most likely cause of the increased water production is communication being established between the fractures caused by the March 1998 fracture stimulation and a natural fracture system associated with a nearby fault. Consideration is being given to increasing oil production from the Keddington Field by drilling a side-track from the existing well to a new horizontal well location nearer the crest of the Keddington structure. The precise timing of this well will depend upon the rate of production decline at Keddington-1.

Following removal of an ESP, which had become blocked by formation water scale, Cold Hanworth-1 experienced a further increase in water cut to 70% during the Quarter. Average field production was approximately 20 BOPD which is 100 BOPD (83%) less than the Independent Expert's forecast upon which the Prospectus was based. Further development of the field has been deferred pending receipt of additional information regarding the water encroachment mechanism.

In the Prospectus the Independent Expert took the view that it was likely that additional wells would be drilled at Keddington and Cold Hanworth in the near term as a consequence of which production from those fields was expected to progressively increase during 3Q99 to a level in the order of 1,000 BOPD. The mechanical and/or production problems encountered at both Keddington-1 and Cold Hanworth-1 have not encouraged ROC to implement the appraisal and development drilling program because the Company prefers to gain a better insight into the fields and their potential before progressing the development. As a result of this decision production from Keddington and Cold Hanworth for the balance of 1999 and 2000 is now expected to be below the Prospectus forecast and, as a consequence of this, the associated level of capital expenditure is also expected to be correspondingly lower.

Production from the onshore Welton Field declined during the Quarter by approximately 150 BOPD (6%) due to natural decline and ROC's decision to defer the implementation of a program of workovers designed to increase oil production, pending receipt of the results of a detailed engineering review which is expected to be completed during 4Q99.

2.1.2 UK North Sea (Claymore 0.460% and Blenheim 0.341%)

The net contribution to ROC's oil production from it's UK North Sea fields was 10,584 bbls (168 BOPD), approximately 800 bbls (13 BOPD/7.5%) below the Independent Expert's estimate upon which the Prospectus forecast was based. Production from the Claymore Field, representing more than 90% of ROC's total North Sea production for the Quarter, exhibited very little decline. Production from the Blenheim Field has continued to decline throughout 1999. As expected, the Blenheim Field is approaching abandonment although ROC's 0.341% interest in the field means that the Company's exposure to abandonment costs is very limited.

2.2 Gas Production

With the exception of gas associated with oil production, the Company did not produce any gas during the Quarter under review. The associated gas produced was used to generate electricity at the Welton Gathering Centre. This is consistent with ROC's Prospectus forecast that first gas would not flow from the Saltfleetby Gas Field prior to November 1999.

3. DEVELOPMENT

3.1 UK Onshore

3.1.1 Saltfleetby Gas Field (ROC 100%)

During the Quarter development of the Saltfleetby Gas Field proceeded according to schedule and budget. Details have been provided in ROC's weekly releases to ASX. First gas is still expected to flow during November compared to the Prospectus forecast of 1 November 1999.

The Saltfleetby-4 development well commenced drilling on 4 July 1999 and was completed on schedule and budget on 6 September. The well incorporated a 300 m horizontal gas reservoir section. In late September Saltfleetby-4 tested gas at rates in the order of 15 mmscf/d and 445 BCPD on a 40/64 inch choke. Also, on 4 July Saltfleetby-3 flowed gas on a short duration test at a rate, constrained by surface facilities, up to 16 mmscf/d and 517 BCPD through a 36/64 inch choke. On 12 September Saltfleetby-2 flowed gas at a rate of 10.1 mmscf/d with 319 BCPD per day on a 32/64 inch choke. In late September Saltfleetby-1U tested gas at a rate of 13.5 mmscf/d and 490 BCPD on a 36/64 inch choke. Flow rates from all four wells were in line with expectations.

The construction of the 8 km, 10 inch diameter pipeline connecting the Saltfleetby Field to the Theddlethorpe Gas Terminal and the 6 inch diameter in-field pipelines, were completed during September, approximately two weeks ahead of schedule. By the end of September, prefabricated process skids had been delivered to the Saltfleetby well sites and hook-up and commissioning activities had started. Construction work on the reception facilities within the gas terminal has also proceeded on schedule.

3.1.2 Eskdale Gas Field (ROC 100%)

Various commercial options for the possible early exploitation of the gas reserves were reviewed by a third party consulting company. The review concluded that, subject to reservoir performance, commercialisation of the reserves may be achieved by direct sale of gas into the local pipeline network or by the generation and sale of electricity. Both options require a lead time of up to 12 to 18 months. It was also concluded that a short term production test would be essential in order for ROC to better understand potential reservoir deliverability and that no further financial commitment to development should be made until the results of that test are known. Detailed discussions with the local National Park Authority, concerning the scope of the possible development and its environmental impact, were also considered to be essential prior to any investment in a development well. ROC's Prospectus did not anticipate any production from Eskdale in 1999 or 2000.

3.2 UK North Sea

3.2.1 Kyle Oil Field (ROC 12.5%)

During 2Q99, the Kyle Joint Venture, led by its operator Ranger, continued to work towards first oil from Phase I of the two-stage development by late 1999 via the installation of subsea flowlines and umbilicals to be tied into the nearby Banff Field. This development plan included a planned tie back in July 1999 of the Kyle production riser to the Banff FPSO which is managed by PGS on behalf of the Banff Group, operated by Conoco.

However, during July, PGS indicated that work on board the Banff FPSO was subject to delay due to construction and commissioning problems at the Banff facilities. Consequently, the installation of the Kyle production riser was deferred. During August, discussions with PGS, and engineering planning by Ranger, indicated that the most likely first oil date for Kyle production via Banff would be in 2000.

When it became apparent that the development of the Kyle Field via the Banff FPSO could be delayed into 2000, the Kyle Joint Venture began to review alternative development schemes which would still allow production to be achieved by the end of 1999. These schemes included early production systems which did not depend on access to the Banff FPSO. By end

September, a screening study had been completed and detailed studies of two possible options were being progressed. Concurrently, Ranger continued discussions with PGS and Conoco, aimed at facilitating an early entry to Banff.

2. EXPLORATION

4.1 UK Onshore (ROC 77-100%, generally 100%)

ROC has interests in 21 onshore permits which collectively cover 5,337 sq km/1.3 million acres of Eastern England. The Company believes that this area has considerable exploration potential. As a first step towards realising this potential ROC initiated a thorough technical review of the prospectivity of the area and also conducted two seismic surveys during the Quarter under review.

4.1.1 The Area East of the Saltfleetby Gas Field (ROC 100%)

The 55 sq.km 3D Salteast Seismic Survey has been completed between the Saltfleetby Gas Field and the East Lincolnshire coastline. Recording began on 6 September and was completed within budget 20 days later. The programme was designed to define the eastern edge of the Saltfleetby Gas Field and to further detail an exploration lead to the northeast of the field. Seismic processing was nearing completion at Quarter-end and interpretation was scheduled to commence in late October.

4.1.2 Seventh Round Licence Areas (ROC 100%)

During the Quarter the Littleborough lead, 2.5 km northeast of the small South Leverton Field, was remapped using recently purchased seismic data and, subject to further review, it may be considered as part of ROC's 2000 drilling program. Littleborough's potential attraction relates to the size and nature of the structure and its proximity to the Beckingham and Gainsborough fields which have reportedly produced over 5 mmbo, most of which was from a depth of less than 1,000 m, although four other reservoirs also reported to be productive down to a depth of 1,371 m.

4.1.3 Eighth Round Licence Areas (ROC 100%)

A purchase request for 1,123 km of 2D seismic over this area has been made to the UK Onshore Geophysical Library and the first batch of data, comprising 653 km, has been received. ROC now has all the available seismic coverage over the area immediately to the south of the Saltfleetby and Keddington fields. This is believed to be an area of considerable exploration potential and it has been designated as a priority for technical review.

4.1.4 CGUK Area (ROC 97.5%)

During the Quarter ROC finalised an agreement to evaluate the oil and gas potential of three licences held by Coal Gas UK Limited ("CGUK") for the exploitation of mine vent and coal bed methane gas. According to this agreement, ROC will have a 97.5% interest in any conventional hydrocarbons discovered within the licences, whilst CGUK will retain the mine vent gas and coal bed methane gas rights. The evaluation of the licences will be completed by mid-2000 when a forward programme for the area is scheduled to be proposed to the UK Department of Trade and Industry. Existing seismic has also been purchased over the CGUK areas with 137 km of 2D being received during the Quarter. An additional 651 km of 2D data is expected to be received by year-end.

4.2 International Areas other than UK

4.2.1 Morocco (ROC 100%)

Processing of the 829 km Al Marmoutha Seismic Survey, acquired in 2Q99, and the reprocessing of 1,250 km of older seismic data, was largely completed during the Quarter. These data are located over the leads identified in the ROC Prospectus. Interpretation of the new data has been initiated with completion expected before year end.

4.2.2 Mongolia (ROC 100%)

The 1,035 km Jochi Seismic Survey, in Mongolia's Gobi Desert, commenced acquisition on 19 August and was completed after Quarter-end. The acquisition contractor, a joint venture between the French seismic company Compagnie Generale de Geophysique (CGG) and a Mongolian-managed company, also acquired ROC's 1,435 km Temujin Seismic Survey in 1998. The average daily acquisition rate for the Jochi Survey was approximately 21 km/day, with the highest daily rate being 27 km compared to an average of about 14 km/day last year and a high of almost 22 km/day. The primary objective of the survey was to detail leads identified by ROC’s 1998 Temujin survey and pre-existing data. Geochemical sampling was conducted along the seismic traverses to assist in analysis of the area’s prospectivity. It is expected that processing of the new data will be completed by year end.

4.2.3 Malta (ROC 75%)

A trial seismic data inversion, consisting of 200 km of data from existing 2D and 3D surveys, was undertaken during the Quarter. The Danish company Odegaard A/S was selected as the processing contractor. The term of the current Study Agreement expires on 4 November and discussions are in progress with the Maltese authorities to determine whether or not ROC will retain its rights to the acreage.

4.2.4 Australia (ROC Farmin Options)

In September ROC agreed to enter into a Farmin Agreement with Premier Oil Australia Pty Ltd (“Premier Oil”) by which ROC can earn an interest from Premier Oil of between 30% and 75% in WA-286-P and 10% and 25% in TP/15. Both permits are located in the offshore Perth Basin some 300 km north of Perth and immediately west of the onshore Dongara, Beharra Springs and Woodada gas fields and the Mt Horner oil field. ROC’s obligation is to fund, subject to agreed cost limits, Premier Oil’s portion of the Michelle Seismic Survey which was acquired after Quarter-end. The survey is designed to mature several large leads into drillable prospects, with the intention that the first well will be drilled during 2H2000.

4.2.5 Senegal (ROC 92.5%)

ROC's representatives visited the Senegalese capital, Dakar, during the Quarter and executed a second Memorandum of Understanding (“MOU”) covering the offshore Casamance area. The Senegalese authorities have been very co-operative, providing ROC with additional 2D seismic data and information from relevant wells. The area is located to the south of the area covered by ROC's first MOU and immediately north of an offshore area which is jointly administered by Senegal and Guinea – Bissau and which contains the Dome Flore oil accumulation. The Dome Flore discovery is associated with salt diapirism similar to that which is present in the Casamance area. At end September ROC was progressing negotiations with the Senegalese authorities concerning the Casamance area.

5. POST QUARTER EVENTS

5.1 Saltfleetby Development

As of end-October the Saltfleetby Development Project was essentially complete, as detailed in ROC's latest release to ASX dated 27 October 1999. Prior to soil settlement causing a minor misalignment of pipework within the Theddlethorpe Gas Plant, ROC had been advised by the Contractor that first gas could flow during late October, slightly ahead of the 1 November date referred to in ROC's Prospectus. However, as a consequence of the settlement and the likely timing of the remedial work, it is now anticipated that first gas will not flow from the Saltfleetby Field until late November.

5.2 North Sea Fields (ROC 4.2%-15.2%)

In late October, a series of Joint Venture meetings took place with regard to three of ROC's North Sea Oil Fields: Kyle, Ettrick and Blane. Relevant details have been provided in ROC's latest release to ASX dated 27 October 1999 but, for convenience and ease of shareholder reference, a summary of the key points is provided below:

5.2.1 The Kyle Oil Field (ROC 12.5%)

Confirmation was received that if the Kyle Oil Field is produced via the Banff FPSO, first oil production will be delayed into 2000, possibly late 2000. Because of the requirement for contractual agreements and Government approvals for an alternative development plan, and also for reasons relating to logistics and weather windows, it is ROC's view that even if an early production system is utilised at Kyle it would not be prudent for the Company to expect first oil to flow before 2Q2000. A continuing technical review of the Kyle Field by the Joint Venture operator, Ranger, has illustrated the possibility that the field's recoverable oil reserves may be larger than previously indicated. The key step towards determining whether this larger reserve scenario is real would be the drilling of a well on the northeastern flank of the Kyle structure which is an area to which no reserves were ascribed by the Independent Expert's report in the Prospectus. ROC's current view is that the northeastern well should be drilled as soon as practical, preferably during 1Q2000, although the Kyle Joint Venture is yet to agree on a forward drilling strategy.

5.2.2 The Blane Oil Field (ROC 15.2%)

A continuing technical review of the Blane Field has highlighted the possibility that it may have a tilted oil-water contact ("OWC") in which case the field's reserves could be larger and the potential field development could be simpler than was envisaged by the Independent Expert's report in ROC's Prospectus. That report invoked the - then consensus - view that separate OWCs exist within the Blane Field as a result of reservoir compartmentalisation. Subject to the results of the continuing review, the Blane Joint Venture may consider drilling another well in the field within the next 18 months rather than in 2005 which was the assumption used in ROC's Prospectus.

5.2.3 The Ettrick Oil Field (ROC 4.2%)

Following the initiation of a detailed review of the subsurface database by the operator of the Ettrick Joint Venture, ROC has formed the view that it would not be prudent for the Company to assume an extended well test will be undertaken at Ettrick prior to the end of next year. If this revised schedule eventuates it will represent a variance from the Independent Expert's forecast in the Prospectus which envisaged an EWT at Ettrick in 2000.

5.3 Senegal (ROC 92.5%)

On 22 October ROC executed an agreement with the Government of Senegal whereby it acquired a 92.5% interest in an offshore Production Sharing Contract (PSC) in which the Government holds the balance of equity. Relevant details were provided in ROC's most recent release to ASX on 27 October but, again for shareholder convenience, a synopsis is provided below:

- On 22 October 1999 ROC's representatives executed a Production Sharing Contract (PSC) with the Government of Senegal, subject to formal ratification by the President of Senegal which is expected to be received prior to year end. The PSC covers an area in excess of 8,000 sq.km extending about 100 km offshore from the Senegalese coast. The Senegalese fiscal regime and the PSC terms are very attractive. The area is considered to be prospective for a number of reasons, not least of which is its proximity to known oil accumulations which are thought to be geologically analogous to structures recognised within ROC's PSC.

5.4 Offshore Perth Basin Farmouts (ROC Farmin Options)

Following the execution of a Farmin Agreement with Premier Oil on 11 October 1999 ROC has held discussions with two Perth-based companies with regard to constructing an optimum Joint Venture for exploring the relevant areas in the offshore Perth Basin. Again, details have been provided in ROC's latest release to ASX dated 27 October 1999. Therefore, the following comments represent only a summary of the key points of the transactions:

- Through their separate agreements with ROC, Woodside Energy Limited ("Woodside") and Arc Energy NL ("Arc") will each acquire an option over WA-286-P and, in Arc's case, TP/15. The commercial terms of the transactions between ROC and Woodside and ROC and Arc are essentially similar and both are comparable to the farmin agreement between ROC and Premier Oil. All three transactions are part of ROC's strategy whereby the Company, in conjunction with Premier Oil, wishes to construct a well-balanced joint venture for discovering and, hopefully, developing fields in this part of the Perth Basin.

5.5 Legal

At the time of the acquisition of MMRL's UK assets MMRL disclosed that one of its subsidiaries, Candecca Resources Limited (now renamed Roc Oil UK Limited (ROC UK)), had issued a writ against Patria Resources Limited ("Patria"), a Canadian-based company. The writ claimed that invoices totalling £73,312.56 remained unpaid from a contract under which ROC UK had provided drilling services to Patria with regard to that company's Cropwell Butler-1 well. On 11 October 1999, in response to an application by ROC UK to have Patria's defence struck out, Patria gave notice of its intention to file an amended defence and counter claim in the sum of £581,062.25 for alleged misrepresentation and breach of contract and/or negligence. On 13 October 1999 the English court ruled that before Patria is permitted to file its proposed amended defence and counter claim it must pay into the court, prior to 29 October 1999, an amount equivalent to the full amount of ROC's claim. If such amount is paid by Patria, the court will then hold a case management conference and set a timetable and directions for the trial. ROC believes that should a counter claim be lodged by Patria it will be without foundation and ROC would oppose any such counter claim with all vigour whilst continuing to pursue its original claim against Patria with equal vigor.

5.6 Website

During late October, as part of it's continuing effort to improve communications to and from shareholders, ROC established a website ***(www.rocoil.com.au).*** This facility should ensure that all shareholders are fully informed of the company's activities in a timely manner. For example, ROC will post all of it's public announcements on the website immediately after they have been released into the public domain by ASX. The website will also provide a medium for Shareholders to communicate more easily with the company.

6. CEO'S REPORT

During the 12 weeks which have elapsed since ROC publicly listed on the Australian Stock Exchange (ASX) and the date of this report (28 October 1999) the Company has had a mixture of good, bad and indifferent news. This is not an uncommon experience for active resource stocks. Generally, in such circumstances, it is the bad news that grabs the attention. In ROC's case, the bad news has fallen into the three categories.

- Operational decisions made by unrelated third parties are expected to delay the start of oil production from the Kyle Field (ROC 12.5%) in the North Sea.

- In Australia, the energy sector started to decline in mid-July when an almost unprecedented disconnection occurred between sector sentiment and oil prices which continued to rise after that date. During the period between ROC's IPO on 5 August and Quarter-end the Australian Energy Index declined 7%, the Australian Mid-Cap Oil Index[1] declined 17% and ROC's share price declined 10%. Over the same period the Australian Share Index (the All Ordinaries) declined 4.5%.

[1] An informal index made up of the five Australian listed pure oil and gas exploration and production companies which had market capitalisations between $100 million and $1.5 billion as of ROC's 5 August 1999 listing date.

- There were minor operational and production problems at two of ROC's small oilfields onshore UK. The problems are relatively inconsequential in their own right, but they may be more significant in the longer term because of possible implications regarding future production from these fields during the balance of 1999 and 2000.

The good news has been more varied and, generally, of a longer term nature. Therefore, the good news has had less impact on ROC's short term share price than the bad news.

Good news items include the satisfactory progress made with regard to the Company's core development project, the Saltfleetby Gas Field in the UK, and the very successful integration of the former MMRL personnel and ROC's workforce in Sydney.

Fortunately, the flow of news, good, bad or indifferent, doesn't recognise calendar quarters. Therefore, since quarter-end, ROC has continued to receive good and, potentially good, news including the acquisition of new exploration acreage offshore Senegal, West Africa; the acquisition of an option over two exploration permits offshore Western Australia and the possibility that continuing sub-surface reviews of some of ROC's North Sea fields may lead to reserve upgrades in the longer term which could cause appraisal drilling activity to be undertaken earlier than Prospectus forecast.

ROC's total gross revenue figure for the Quarter – up $1.1 million/30% on the internal estimates used to construct the Prospectus forecast – is a good example of the strength which a company can derive from a diverse portfolio in which, at any given point in time, certain assets will out perform expectations thereby offsetting the effect of any under-performing assets.

Until it achieves exploration success in Mongolia ROC will not consider the sale and export of Mongolian oil to China as a sustainable long term activity. Therefore the company does not expect it's revenue for the next Quarter to reflect any sale of Mongolian test oil. Because of this ROC's revenue for 4Q99 is not expected to exceed Prospectus forecast. Therefore, perhaps surprisingly, ROC's Board and Management would suggest to shareholders that the better than anticipated sales revenue reported for the September 1999 Quarter should really be regarded in the longer term as an "indifferent" news item.

ROC's Board and Management are not in any way blasé about ROC's share price performance but we believe that shareholders pay us to run the Company without undue reference to short term fluctuations and market sentiment. On occasions, in previous corporate lives, most of ROC's Board and Management have experienced variations on the current theme of a declining share price and down-trending sector sentiment. We have learnt that the key issue is not how far a company's share price falls in the short term but how high it bounces in the longer term. In ROC's case, the height of the bounce will be measured according to three main criteria:

- The speed and efficiency with which the Company transforms its probable oil reserves, particularly in the UK North Sea, into proven producing reserves. To achieve this goal in an optimum timeframe, ROC will need to encourage its various co-venturers to implement an active appraisal drilling programme during 2000.

- The success with which the Company implements its strategy of drilling high potential exploration wells in its non-UK portfolio whilst, at the same time, protecting the Company and its shareholders from unpalatable financial exposure.

- The timing of first gas from the Saltfleetby Gas Field and the field's production performance thereafter.

Prior to its IPO, ROC was a very active, unlisted, public company. This enabled ROC to hit the corporate deck running once it was publicly listed: hence the high level of activity immediately after the IPO. This activity level may have obscured the fact that ROC, as a new-born company, still needed a brief period to settle itself down within a skittish market sector - and that is exactly what ROC has been doing during the Quarter under review. From here forward the Company expects to enter a sequential growth phase as various fields, currently under development and/or appraisal, move towards production during the next 18 months.

FURTHER INFORMATION

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Definitions:

"bbls"	means barrels
"BOPD"	means barrels of oil per day
"BCPD"	means barrels of condensate per day
"mmscf/d"	means million standard cubic feet per day
mmbo	means one million barrels of oil
"OWC"	means oil-water contact
"Quarter"	means the period from 1 July 1999 to 30 September 1999
"ROC"	means Roc Oil Company Limited