ASX Listing Rule 4.3A

Appendix 4E

Financial Year Ended 31 December 2010

This information should be read in conjunction with ROC's 2010 Financial Report which is enclosed.

Name of Entity

Roc Oil Company Limited

ABN or Equivalent Company Reference

32 075 965 856

Results For Announcement To The Market

				US$'000
Revenues from ordinary activities	Increase	15%	To	235,428
Loss from ordinary activities after tax attributable to members	Decrease	69%	To	(35,937)
Net loss for the period attributable to members	Decrease	69%	To	(35,937)

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the final dividend	N/A
Payment date for the final dividend	N/A

A review of the consolidated entity's operations during the year is included in the attached Financial Report.

Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2010

Roc Oil Company Limited

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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 2010.

Directors

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

Mr Andrew J Love *BCOM, FCPA, MAICD*
(Non-Executive Director, Chairman) - Appointed 5 February 1997

Mr Love is Chairman of the Board of Directors of ROC and a Fellow of The Institute of Chartered Accountants in Australia. Mr Love is Deputy Chairman of Riversdale Mining Ltd and is a Director of Charter Hall Office Management Ltd. In the last three years, Mr Love has been a Non-Executive Director of Lend Lease Primelife Ltd, Eircom Holdings Ltd and the Museum of Contemporary Art. Mr Love is a member of the Remuneration and Nomination Committee, the Audit and Risk Management Committee and from 27 January until 4 November 2010 was a member of the Health, Safety and Environment Committee.

Mr William G Jephcott *BCOM, FCPA, FAICD*
(Non-Executive Director, Deputy Chairman) - Appointed 5 February 1997

Mr Jephcott is an investment banker who specialises in merger and acquisition advice. He also has experience in the financing and structuring of major resource projects, including those in the oil and gas industry. Since July 2006, Mr Jephcott has been Special Advisor to Gresham Partners Limited. He is Chairman of New South Wales Rugby Union Limited. Previously, Mr Jephcott was Vice-Chairman, Investment Banking Group for Merrill Lynch International (Australia) Limited, Non-Executive Chairman of Engin Limited and a Director of Parbury Limited. Mr Jephcott is Chairperson of the Audit and Risk Management Committee and Chairperson of the Remuneration and Nomination Committee.

Mr Sidney J Jansma, Jr *MBA*
(Non-Executive Director) - Appointed 17 March 1998

Mr Jansma began his career in the oil and gas industry in 1959 working for his father's private oil company. In 1978, Mr Jansma purchased the company from his father, and during the ensuing 19 years the company grew to become the third largest Antrim gas producer in Michigan. In 1997, Mr Jansma merged his company with Dominion Resources, Inc., where he remained as President and Chief Executive Officer of Dominion Midwest Energy, Inc, a wholly-owned subsidiary of Dominion Resources, Inc. Mr Jansma founded Wolverine Gas and Oil Corporation and explores for oil and gas in the United States—most notably in the State of Utah where he has discovered over 100 million barrels since 2004. Mr Jansma has served as a member of the Board of Governors of the Independent Petroleum Association of America and Chairman of both its Tax and Environmental Committees. In addition, he has served on the Board of the American Petroleum Institute. He currently serves on the Board and Executive Committee of Calvin Theological Seminary in Grand Rapids, Michigan. Mr Jansma is Chairperson of the Health, Safety and Environment Committee.

Mr Robert C A Leon
(Non-Executive Director) - Appointed 3 December 2008

Mr Leon is a French national with over 30 years of experience in business and government administration. From 2002 until the merger with ROC in 2008, Mr Leon was a Non-Executive Director of Anzon Energy Pty Limited (formally Anzon Energy Limited) and from 2006 until the takeover by ROC, he was a Non-Executive Director of Roc Oil (VIC) Pty Limited (formerly Anzon Australia Pty Limited). Mr Leon is also a Director of the Mandarin Oriental Hotel Group and Bridgeport Energy Limited. In 1996, Mr Leon co-founded Qualis, a diversified industrial group based in France, of which he is a co-manager. He was Chief Executive Officer of Arnault Group between 1986 and 1997, during which time he managed numerous strategic acquisitions, disposals and financial transactions. Prior to a career in business, Mr Leon held several positions in the French Government administration. He holds degrees in political science and economics, and is a graduate of École Nationale d'Administration in France. Mr Leon is a member of the Audit and Risk Management Committee.

Mr Graham D Mulligan *BSC, DIPACC, FAIM, MAICD*
(Non-Executive Director) - Appointed 7 September 2010

Mr Mulligan is the principal of International Infrastructure Ventures Pty Ltd, an independent consulting company which specialises in providing advisory services to major projects in infrastructure, transport and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure and transport industries. This included over 16 years with the listed New Zealand Oil & Gas Limited Group as both a Director and senior executive.

Mr Mulligan has held a number of other senior executive roles, including Chief Executive Officer of Port of Brisbane Corporation and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration Association of New Zealand, is currently a Director of Chalmers Limited and until recently was a Director of Transpacific Industries Group Ltd. Mr Mulligan is a member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee.

Mr Christopher C Hodge *MSc, DIC, FFin*
(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. Most recently, Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently the Exploration & Production Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia, the Society of Exploration Geologists and the American Association of Petroleum Geologists. Mr Hodge is a member of the Health, Safety and Environment Committee.

Ms Leanne Nolan *BEc, LLB (Hons), LLM*
(Company Secretary) - Appointed 29 August 2008

Ms Nolan is General Counsel and Company Secretary of ROC. Ms Nolan joined the Company in March 1998 and holds Bachelors of Economics and Laws (Hons) and Master of Law from the University of Sydney. Prior to joining ROC, Ms Nolan held the position of Corporate Counsel with Ampolex Limited and prior to that was employed as a solicitor with Freehills.

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

Mr Bruce F Clement *BSc, BEng (Hons), MBA*
(Executive Director and Chief Executive Officer) - Appointed Executive Director on 1 July 2007 and Chief Executive Officer on 24 September 2008. Resigned on 29 October 2010.

Mr Clement joined ROC in 1997 and held the positions of Commercial Manager, Company Secretary, Chief Financial Officer and Chief Operating Officer before being appointed Chief Executive Officer on 24 September 2008. Mr Clement resigned as a Director and Chief Executive Officer of the Company with effect from 29 October 2010 .

Mr John Mebberson

Mr Mebberson joined ROC in 1998. He was appointed General Manager Exploration in May 2007 and resigned with effect from 12 November 2010.

Mr David Minns

Mr Minns was appointed General Counsel and Joint Company Secretary on 7 April 2010 and resigned with effect from 12 November 2010.

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 and Nomination Committee		Audit and Risk Management Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	B
Mr A J Love	11	11	1	1	3	3	2	1(4)
Mr W G Jephcott	11	10	1	1	3	3	2	2(1)
Mr B F Clement(2)	9	9	1	1(1)	3	3(1)	2	2(1)
Mr S J Jansma, Jr	11	9	-	-	3	1(1)	3	3
Mr R C A Leon	11	11	-	-	3	2	-	-
Mr G D Mulligan(3)	4	4	-	-	-	-	1	1(1)
Mr C C Hodge(3)	4	4	-	-	-	-	1	1

A Number of meetings held during the time that the Director held office during the financial year.
B Number of meetings attended.
(1) Number of meetings attended as observer.
(2) Resigned on 29 October 2010.
(3) Appointed 7 September 2010.
(4) Appointed 27 January 2011, resigned 4 November 2011.

Directors' Report

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 net loss of the consolidated entity for the financial year after income tax was US$35.9 million (2009: net loss of US$115.4 million).

Dividends

No dividends have been paid or declared since the end of the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 31 December 2010.

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 15 to 19.

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

On 23 February 2011, Mr Alan Linn was appointed as Chief Executive Officer.

No other 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

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations, is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has been omitted from this Directors' Report.

Remuneration Report (Audited)

This section of the Directors' Report is prepared in accordance with section 300A of the *Corporations Act 2001*. Where appropriate, information which is included in other parts of the Annual Financial Report is included in this report by reference.

The objective of the Company's remuneration framework is to attract and retain suitably qualified personnel who are motivated to achieve ROC's business objectives and to ensure the interests of employees are aligned with the interests of shareholders.

The Remuneration and Nomination Committee of the Board is responsible for making recommendations to the Board on remuneration policies applicable to Board members and employees of the Company, including compensation arrangements for senior executives, fees for Non-Executive Directors and the Long Term Incentive Plan ('LTI') and Short Term Incentive Plan ('STI'). Senior executive performance reviews and succession planning are also considered by the Remuneration and Nomination Committee.

Remuneration levels for Directors and senior executives of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration and Nomination Committee evaluates the appropriateness of remuneration packages, given trends in comparative companies and the objectives of the Company's remuneration strategy.

Remuneration packages typically include remuneration and performance-based incentives in the form of performance rights. During 2010, ROC introduced a performance-based STI cash bonus plan and a new performance-based LTI share rights plan.

Further details of the Company's remuneration policy and practices will be included in the Corporate Governance Statement in the Annual Report.

Remuneration of Directors and Specified Executives

Australian and International Financial Reporting Standards and the *Corporations Act 2001* require ROC to make disclosure regarding remuneration of 'Key Management Personnel'. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly. In addition, the *Corporations Act 2001* requires ROC to make certain disclosures in respect of the five highest paid executives below Board level. In accordance with the above requirements, the remuneration paid Key Management Personnel ('Specified Executives') and Directors in respect of the 2010 financial year is disclosed in this Report.

The consolidated entity's reporting currency is USD and the amounts shown in this Report are in USD unless otherwise stated. A majority of the Directors and Specified Executives are paid in Australian dollars. As a result, the USD amounts shown are affected by foreign currency movements between years. The exchange rate used is the average for the period. The AUD/USD average rate used for 2010 was 0.9197 (2009: 0.7917).

The following table sets out the remuneration of Directors and Specified Executives for the financial year ended 31 December 2010:

	Short Term			Post-Employment	Equity Compen-sation			
	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options/Rights US$	Termination Benefits US$	Total US$	Percentage Performance Related %
Non-Executive Directors								
Mr A J Love	104,988	-	-	-	-	-	104,988	-
Mr W G Jephcott	73,778	-	-	6,599	-	-	80,377	-
Mr S J Jansma, Jr	50,985	-	-	-	-	-	50,985	-
Mr R C A Leon	50,985	-	-	-	-	-	50,985	-
Mr G D Mulligan	21,556	-	-	1,940	-	-	23,496	-
Mr C C Hodge	21,556	-	-	1,940	-	-	23,496	-
Executive Director								
Mr B F Clement(1) Chief Executive Officer	603,333	82,775	10,936	52,773	41,824	249,398	1,041,039	12.0
Total Directors	**927,181**	**82,775**	**10,936**	**63,252**	**41,824**	**249,398**	**1,375,366**	**9.1**
Specified Executives								
Mr R Morris President, Roc Oil (China) Company	788,822	50,000	178,791	43,126	39,154	-	1,099,893	8.1
Mr A S Linn Acting Chief Executive Officer(2)	456,677	32,190	80,373	41,105	163,240	-	773,585	25.3
Mr A Neilson Chief Financial Officer	345,187	36,789	12,171	22,394	64,544	-	481,085	21.1
Ms L Nolan(3) General Counsel and Company Secretary	273,327	27,592	10,052	22,394	29,614	-	362,979	15.8
Mr J Mebberson(4) General Manager Exploration	281,494	32,190	10,794	26,700	(47,647)	340,297	643,828	N/A
Mr D Minns(5) General Counsel and Joint Company Secretary	178,888	22,993	2,120	17,930	-	151,754	373,685	6.2
Total Specified Executives	**2,324,395**	**201,754**	**294,301**	**173,649**	**248,905**	**492,051**	**3,735,055**	**12.1**
Total Directors and Specified Executives	**3,251,576**	**284,529**	**305,237**	**236,901**	**290,729**	**741,449**	**5,110,421**	**11.3**

(1) Mr B F Clement resigned as a Director and Chief Executive Officer on 29 October 2010 but continued to be employed by the Company for the full year.

(2) Mr A S Linn was appointed Acting Chief Executive Officer on 29 October 2010 and Chief Executive Officer on 23 February 2011.

(3) Ms L Nolan was appointed General Counsel on 12 November 2010 and was previously employed by the Company. Her remuneration has been disclosed for a 12 month period.

(4) Mr J Mebberson resigned on 12 November 2010 and forfeited his performance options. Any share-based payment expressed previously recognised under AASB 2 *Share-based Payment* in respect to the options has been reversed.

(5) Mr D Minns was appointed on 7 April 2010 and resigned on 12 November 2010.

Directors' Report

Remuneration Report (Audited) *continued*

Remuneration of Directors and Specified Executives continued

The following table sets out the remuneration of Directors and Specified Executives for the year ended 31 December 2009:

	Short Term			Post-Employment	Equity Compensation			
	Salary and Fees US$	Cash Bonus[(4)] US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options US$	Termination Benefits US$	Total US$	Percentage Performance Related %
Non-Executive Directors								
Mr A J Love	137,558	-	-	-	-	-	137,558	-
Mr W G Jephcott	118,756	-	-	5,344	-	-	124,100	-
Mr S J Jansma, Jr	35,627	-	-	-	-	-	35,627	-
Mr R C A Leon	35,627	-	-	-	-	-	35,627	-
Executive Directors								
Mr B F Clement Chief Executive Officer	472,645	150,423	14,879	47,264	80,110	-	765,321	30.1
Mr D Paterson[(1)] President, Roc Oil (China) Company	697,271	289,618	105,059	32,099	(138,943)	29,570	1,014,674	14.9
Total Directors	**1,497,484**	**440,041**	**119,938**	**84,707**	**(58,833)**	**29,570**	**2,112,907**	**18.0**
Specified Executives								
Ms S Ford[(2)] General Counsel and Company Secretary	471,360	-	56,575	21,868	(117,867)	121,749	553,685	N/A
Mr A S Linn Chief Operating Officer	345,915	79,170	55,938	31,567	135,747	-	648,337	33.2
Mr J Mebberson General Manager Exploration	277,095	-	14,879	24,939	38,647	-	355,560	10.9
Mr R Morris[(3)] President, Roc Oil (China) Company	766,608	-	149,091	54,785	18,209	-	988,693	1.8
Mr A Neilson Chief Financial Officer	238,302	87,087	14,879	20,584	69,195	-	430,047	36.3
Total Specified Executives	**2,099,280**	**166,257**	**291,362**	**153,743**	**143,931**	**121,749**	**2,976,322**	**10.4**
Total Directors and Specified Executives	**3,596,764**	**606,298**	**411,300**	**238,450**	**85,098**	**151,319**	**5,089,229**	**13.6**

(1) Mr D Paterson resigned on 31 July 2009 and forfeited his performance options. Any share-based payment expressed previously recognised under AASB 2 *Share-based Payment* in respect to the options has been reversed. The cash bonus relates to the successful completion of the expanded Zhao Dong project.

(2) Ms S Ford resigned on 31 October 2009 and forfeited her performance options. Any share-based payment expressed previously recognised under AASB 2 *Share based Payment* in respect to the options has been reversed.

(3) Mr R Morris was appointed as President of Roc Oil (China) Company on 1 August 2009. Mr Morris was previously employed by the Company and his remuneration has been disclosed for a 12 month period.

(4) Short term cash performance bonuses relate to individual achievements for work performed from 1 January 2008 to the end of 1Q 2009.

In accordance with AASB 2 *Share-based Payment*, the Company has calculated the attributable value of rights and options for the year using the Monte Carlo simulation technique. Under this technique, the share price is randomly simulated under risked neutral conditions and parameters. The simulation is repeated numerous times to produce a distribution of the payoff at expiry. The value is taken as the average payoff amounts calculated discounted back to the valuation date. The value is amortised over the vesting period.

Non-Executive Directors' Remuneration

The Company's Constitution specifies that the aggregate remuneration of Non-Executive Directors will be determined by a general meeting. At the Annual General Meeting held in 2005, shareholders approved total remuneration for all Non-Executive Directors of up to A$500,000 per annum. Fees are set based on review of external market information in relation to fees paid to Non-Executive Directors of comparable companies.

Non-Executive Directors' fees for the 2010 financial year were a total of US$323,848. Remuneration for Executive and Non-Executive Directors is set out in the table above. No additional fees are paid for sitting on Board Committees.

Non-Executive Directors do not receive any incentive-based remuneration or employee share rights or options and do not receive any retirement benefits other than statutory entitlements.

Directors' Interests

As at the date of this Directors' Report, the relevant interests of the current Directors in the fully paid shares and share options of the Company were:

	Ordinary Shares Fully Paid	Options
Non-Executive Directors		
Mr A J Love	589,521	-
Mr W G Jephcott	1,117,300	-
Mr S J Jansma, Jr	2,000,000	-
Mr R C A Leon	1,510,000	-
Mr G D Mulligan	25,000	-
Mr C C Hodge	50,000	-
Executive Director		
Mr B F Clement(1)	281,126	550,000

(1) As per the Director's Final Interest Notice.

Executive Directors' and Specified Executives' Remuneration

This section of the Remuneration Report provides specific disclosures in relation to remuneration for the Executive Directors and Specified Executives.

Mix of Remuneration

Remuneration levels are competitively set to attract, motivate and retain appropriately qualified and experienced executives capable of discharging their responsibilities. The Remuneration and Nomination Committee is responsible for determining and reviewing the appropriate level and structure of remuneration for the Executive Directors and Specified Executives. The Remuneration and Nomination Committee Charter can be found on the Company's website at www.rocoil.com.au.

Remuneration consists of the following key elements:

- fixed remuneration (base salary, superannuation and non-monetary benefits); and
- variable remuneration:
  - STI in the form of a cash bonus; and
  - LTI in the form of an Executive Share Option Plan (historically) and performance rights in the form of the Long Term Incentive plan.

Directors' Report

Remuneration Report (Audited) *continued*

Fixed Remuneration

Fixed remuneration consists of base salary (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual performance, Company performance and relative comparative remuneration in the market including, where appropriate, review of externally provided remuneration data.

The Company has employment contracts with Executive Directors and Specified Executives. The employment contracts do not provide a fixed expiry date. Employment of Executive Directors and Specified Executives may be terminated by either party with up to six months' written notice.

Other than the Chief Executive Officer whose termination benefits are described below, if employment of any Executive Director or Specified Executive terminates or the Executive Director or Specified Executive resigns within three months of a material diminution of the executive's job contract, status, responsibility or authority, the executive is entitled to a payment in lieu of notice equivalent to the aggregate base remuneration paid to the executive over the previous 12 months. A substantial diminution will be deemed to have occurred if the Company ceases to be listed on the ASX and the Executive Director or Specified Executive ceases to be part of the executive team. If the employment of the Executive Director or Specified Executive is terminated for cause, the Company will have no further obligations other than the amount of base pay due to the executive through to the termination date plus any unpaid amounts of accrued leave.

Service Agreement – A S Linn

The appointment of Mr Linn as Chief Executive Officer, commencing on 23 February 2011, is for a minimum term of three years but may be terminated earlier under the terms of employment.

Fixed component

Mr Linn will be paid an initial base component of A$790,000 per annum, which includes salary, superannuation paid at the rate of 9%, all non-cash benefits and any fringe benefits tax if applicable. The base component will be reviewed annually at the end of each financial year with any increase effective 31 December consistent with the Company's practice for all employees.

Variable components

Short Term Benefits

Mr Linn's short term performance benefit for a particular year can represent up to 42% of the fixed remuneration component for that year.

The actual short-term performance benefit awarded will be determined at the discretion of the Board based on the Company's performance against annual performance targets and achievement of particular performance objectives by Mr Linn.

The extent to which Mr Linn is entitled to receive any bonus will be assessed at the same time the bonuses are generally assessed for employees of the Company, usually at the beginning of the year following the performance year, which will be early 2012 for the 2011 calendar year.

Long Term Benefits

Mr Linn will be granted long term performance benefits in a form of 1,500,000 performance rights. The Board will issue the rights under the Long Term Incentive Plan after the current close period has ended.

Termination

Either the Company or Mr Linn may terminate the agreement by giving six months' notice. If the Company terminates other than for cause within 12 months of a material diminution or Mr Linn resigns within 3 months of a material diminution, the Company will pay Mr Linn 12 months' base salary and statutory entitlements (inclusive of any payment in lieu of notice). Material diminution means a substantial diminution of Mr Linn's job content, status, responsibilities and/or authority arising by either the Company being removed from the ASX or the Board directing (without Mr Linn's consent) a substantial proportion of staff and consultants who report to him to no longer do so.

Service Agreement – R Morris

In addition to the above terms and conditions applicable to Specified Executives, Mr Ron Morris, President, Roc Oil (China) Company, (appointed 1 August 2009), is based in Beijing and is responsible for managing the Company's China operations. In recognition of his position in China, in addition to receiving his base salary Mr Morris receives a total allowance equal to 35% of his base salary and a goods and services allowance of US$2,000 per month. The Company is also responsible for housing and utility costs in Beijing and payment of local Chinese taxes. In addition to standard leave entitlements, Mr Morris is entitled to five weeks' annual leave, together with business class air fares for Mr Morris and his spouse and dependants, and a per diem payment of US$100 for the first two days.

Variable Remuneration

Existing Awards

Short Term Incentive Plan ('STI')

The STI is an "at risk" cash-based incentive paid on an annual basis for performance during a given financial year. The incentive is paid at the discretion of the Board and is based on a percentage of fixed remuneration.

A short term performance benefit of up to 42% of fixed remuneration can be awarded to the Chief Executive Officer and Specified Executives subject to achievement of particular objectives for the individual and/or the Company. The performance objectives of both the Company and individuals are determined in advance each year by the Board for the Company and the Chief Executive Officer; and by the Chief Executive Officer for Specified Executives. The objectives may vary from year to year and between individuals, but will reflect both financial and operational goals of the Company.

The Remuneration and Nomination Committee will assess the extent to which performance objectives were met for the Chief Executive Officer and Specified Executives after the close of the relevant period.

Long Term Incentive Plan ('LTI')

The LTI is an "at risk" equity-based incentive plan designed to generate performance-based awards of share rights that may be converted into fully paid ordinary shares in the Company on satisfaction of the performance conditions and Board approval. The LTI is designed to reward efforts, attract and retain suitably qualified staff and promote long term growth in shareholder value.

Features of the plan include:

- the grant of rights to acquire fully paid ordinary shares in the Company, at no cost to a participant;
- the number of rights granted is based on an employee's level in the Company and individual and/or Company performance;
- the rights will only become exercisable if certain performance conditions are met within defined periods;
- there will be three tiers of rights with separate vesting criteria:
  - Tier One – absolute Total Shareholder Return ('TSR'),
  - Tier Two – relative TSR; and
  - Tier Three – retention;
- the vesting period will be three years, except for the first issue which has the option to be two years or as determined by the Board;
- there is no re-testing of performance conditions; and
- the rights lapse when the participant ceases to be employed by ROC other than in certain circumstances relating to death, injury, permanent disability, redundancy, retirement or sale of business.

Tier One - absolute TSR

- Vesting will occur subject to the satisfaction of the performance condition which relates to the TSR growth of ROC measured over the performance period.
- The values for TSR are calculated on a 60 day volume weighted average price ('VWAP') of ROC shares:

TSR Growth over Performance Period Annualised	Vesting
< 6%	0%
6%-9%	25%-50% pro rata
9%-12%	51%-100% pro rata
>12%	100%

Directors' Report

Remuneration Report (Audited) *continued*

Variable Remuneration continued

***Existing Awards** continued*

<u>Tier Two - relative TSR</u>

- Vesting will occur subject to the satisfaction of the performance condition which relates to a relative TSR test over the performance period.
- The TSR of ROC will be ranked against a subset of conventional oil and gas companies in the S&P/ASX 300 Energy Index as determined by the Board from time to time.
- The values for TSR are calculated on a 60 day VWAP of the respective company share prices.

ROC Position in Comparator Group	Vesting
Below median (50th percentile)	0%
Median (50th percentile) - Upper Quartile (75th percentile)	50%-100% pro rata
Upper Quartile (>75th percentile)	100%

<u>Tier Three - retention</u>

- Vesting will be subject to the participant being continuously employed by the Group throughout the performance period.
- The number of rights granted under Tier Three cannot exceed 20% of the total grant.

Previous Awards (replaced by STI and LTI in 2010)

The Company's Remuneration Policy linked remuneration of the Executive Directors and Specified Executives to the individual's and Company's performance. These benefits were an "at risk" bonus provided through participation in the Executive Share Option Plan and award of performance bonuses.

Short term cash performance bonuses were generally awarded at the end of each financial year at the discretion of the Remuneration and Nomination Committee and were generally related to an individual's contribution to the achievement of particular objectives and/or the performance of the Company.

In the case of the Chief Executive Officer, specific goals were set at the commencement of each year and payment of a bonus was assessed against achievement of the specified goals. The goals which were set and reviewed annually relate to the performance objectives and goals of the Company.

Long term performance benefits in the form of executive share options have historically been granted to senior executives based on an individual's contribution to the achievement of particular objectives and/or the performance of the Company.

The ability to exercise options under the Executive Share Option Plan is subject to continuity of employment and certain share and industry peer group performance hurdles. Under the rules of the Executive Share Option Plan, 30% of the options granted vest after two years. An additional 30% vest after three years and the remaining 40% vest after four years. Options expire six years after they are granted. Of the options granted to an employee, 50% are performance options and only exercisable if certain share performance benchmarks are met and 50% are price options which require share price performance measures to be met.

Performance options may only be exercised if, between the date of vesting and the date of exercise, the performance hurdles are satisfied. The performance hurdles provide that ROC TSR must be benchmarked against industry performance.

TSR is the total of:

- dividends and capital returns paid to shareholders between the issue date of the executive options and the date the performance hurdle is measured; and
- the difference between the VWAP for the sale of ROC shares on the ASX in the 90 days before the issue date and the VWAP for the sale of shares on the ASX in the 90 days before the date on which the performance hurdle is measured,

expressed as a percentage of the VWAP for the sale of shares on the ASX in the 90 days before the issue date.

The performance hurdle requires that ROC's TSR must be more than:

- 100% of the percentage increase in the S&P/ASX 200 Energy Index at any time after the vesting date for 50% of the relevant performance options to be exercised;
- 110% of the percentage increase in the S&P/ASX 200 Energy Index at any time after vesting for 75% of the relevant performance options to be exercised; and
- 120% of the percentage increase in the S&P/ASX 200 Energy Index at any time after the vesting date for 100% of the performance options to be exercised.

The exercise price of the price options is calculated as 115%, 122.5% and 130% of the VWAP for the sale of Roc shares on the ASX in the 90 days before the issue date.

Equity-based Remuneration

In relation to Directors and Specified Executives, details of share rights granted during the year and share options vested are set out below:

	No. of Rights Granted	Grant Date	Fair Value per Right at Grant Date A$	Vesting Date	No. of Options Vested in the Current Year	% of Total Options Vested
Director						
Mr B F Clement	-	-	-	-	220,000	40%
Specified Executive						
Mr J Mebberson[(1)]	-	-	-	-	21,000	-
Mr A S Linn	120,000	29 March 2010	0.24	29 March 2012	165,000	100%
	1,250,000	12 November 2010	0.32	12 November 2013		
	250,000	12 November 2010	0.29	12 May 2011		
Mr R Morris	140,000	29 March 2010	0.24	29 March 2012	200,000	100%
	500,000	12 November 2010	0.32	12 November 2013		
Mr A Neilson	120,000	29 March 2010	0.24	29 March 2012	111,000	65%
	400,000	12 November 2010	0.32	12 November 2013		
Ms L Nolan	70,000	29 March 2010	0.24	29 March 2012	94,000	57%
	400,000	12 November 2010	0.32	12 November 2013		

(1) Mr J Mebberson resigned during the year and all his options were forfeited.

Details of the value of rights granted to Directors and Specified Executives in 2010 as part of remuneration are set out below. No rights or options were exercised. No value was attributable to options that lapsed during the year.

	Value of Rights Granted in 2010 A$	Remuneration Consisting of Options/Rights Expensed for the year
Director		
Mr B F Clement	-	4.0%
Specified Executives		
Mr A S Linn	501,300	21.1%
Mr R Morris	193,600	3.6%
Mr A Neilson	156,800	13.4%
Ms L Nolan	144,800	8.2%

Directors' Report

Shares under Option

During the financial year, the Company granted 7,518,000 rights over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 7,488,000 performance rights and 9,283,000 options, comprising 3,611,500 employee share options and 5,671,500 executive share options granted over unissued ordinary shares of ROC under the LTI Plan, Employee Share Option Plan and the Executive Share Option Plan. Refer to Note 24 to the financial statements for further details of the rights and options outstanding. During the financial year, no ordinary shares were issued as a result of exercise of either rights or options. Since the end of the financial year, no ordinary shares were issued as a result of exercise of share rights and options and no options have been granted.

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

Indemnification of Directors and Officers

An insurance policy has been put in place by the Company for the benefit of past and present Directors of the Company and the executive officers, Directors and secretaries of all Australian group companies. Under this policy, the insurance company has agreed to indemnify these Directors and officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. The terms of the insurance prohibit disclosure of the nature of the liability and the amount of the premium.

The Company has agreed to indemnify the Directors and officers of the Company against any liability to another person other than the Company or a related body corporate for an act or omission that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or legal costs arising from certain events.

Rounding

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

Corporate Governance

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

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

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

Details of the Company's corporate governance practices will be included in the Corporate Governance Statement in the Annual Report.

Audit and Risk Management

During the financial year, Mr W G Jephcott (Chairman), Mr A J Love, Mr R C A Leon and Mr G D Mulligan were members of the Company's Audit and Risk Management Committee. It is responsible for monitoring the operational and financial aspects of the Company's activities and considers recommendations and advice of internal and external advisors on the operational and financial risks of ROC. The Committee evaluates senior management's assessment of risk and its recommendations in relation to the management of that risk, including hedging policies.

Environmental Performance

The consolidated entity is subject to Commonwealth and State regulations and legislation in Australia. There is similar legislation that governs international operations. The consolidated entity is also a party to various Production Sharing Contracts and exploration and development licences in the countries in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. Based upon an environmental monitoring system, the consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. The Directors are not aware of any material breaches of the environmental obligations of the consolidated entity's contracts or licences. In addition, the Board has established a Health, Safety and Environment Committee. The Committee's responsibility is to ensure that occupational health, safety and environmental standards of the Company's operations are maintained at a level equal to, or above, accepted industry standards and that the Company complies with applicable legislation in the jurisdictions in which it operates.

Auditor and Non-Audit Services

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year. During the financial year, ROC paid its auditor, Ernst & Young, Australia, the following amount for material non-audit services, excluding services for the June 2010 interim review:

- tax compliance and accounting advice US$400,327.

The Directors have considered the position and, in accordance with advice received from the Audit and Risk Management Committee, are satisfied that the provision of these services is compatible with the standards of auditor independence imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in the relevant professional statement, including reviewing and auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 58.

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

On behalf of the Directors:

Mr A J Love
Chairman

Mr W G Jephcott
Deputy Chairman

Sydney, 24 February 2011

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ROC OIL COMPANY LIMITED

In relation to our audit of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner

Sydney, 24 February 2011

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 2010.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net loss after income tax of US$35.9 million (2009: net loss US$115.4 million). The Group's trading profit was US$69.1 million (2009: US$35.4 million).

Included in this result were significant items relating to: net impairment write-down of assets of US$7.6 million (US$16.7 million after tax); BW Offshore litigation settlement of US$16.0 million; non-cash foreign currency translation reserve loss on liquidation of subsidiary of US$9.5 million; offset by unrealised hedging gains of US$3.9 million and a profit on the sale of WA-351-P of US$15.8 million. After adjustment for these items, the normalised after tax loss for the Group was US$13.4 million, which included exploration expensed of US$20.5 million.

The net impairment asset write-down was made as a result of the reserve downgrade arising from the field moving into a non-production phase at Basker-Manta-Gummy ('BMG') totalling US$44.2 million, offset by a write-back of a prior year impairment to Zhao Dong of US$36.6 million.

Sales and Production Growth

The Group recorded solid performance from its producing assets, with working interest production of 3.1 MMBOE (8,483 BOEPD) (2009: 3.7 MMBOE), down 15% compared to the prior year. Of the total working interest production, 0.2 MMBBL (6.6%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's Production Sharing Contracts. The Group's production was 99% oil.

Oil and gas sales revenue of US$235.4 million (2009: US$204.4 million) was generated from sales volumes of 3.0 MMBOE (2009: 3.6 MMBOE). This amount is predominantly oil sales of US$233.7 million, which achieved an average realised price of US$78.60/BBL (2009: US$56.88/BBL) before hedging, a discount of US$0.90/BBL (1.1%) to the Brent oil price average of US$79.50/BBL for 2010.

Operating costs of US$166.3 million (2009: US$169.0 million) comprised production costs of US$67.7 million (US$21.87/BOE), amortisation costs of US$76.9 million (US$24.84/BOE), Chinese levies and special taxes of US$17.3 million and stock movements of US$4.4 million.

Exploration Expensed

Exploration and evaluation expenditure of US$25.6 million (2009: US$8.5 million) was incurred during the period, mainly in connection with drilling exploration and appraisal wells in Mauritania, Angola and New Zealand. In accordance with the Company's successful efforts accounting policy, US$20.5 million (2009: US$7.1 million) in exploration costs were expensed during the period.

Income Tax

An income tax expense of US$42.5 million (2009: expense US$11.7 million) was recognised during the period, with a current year income tax expense of US$35.8 million mainly in relation to taxable income generated by Blane, Enoch and Zhao Dong and a deferred tax expense of US$7.5 million, arising mainly from the recognition of deferred tax in relation to PRRT.

The total tax paid during the year was US$29.0 million, relating to the Zhao Dong and UK assets.

Financial Ratios

Basic loss per share for the year was US$0.05 based on a weighted average number of fully paid ordinary shares on issue of 713,154,560.

Hedging

Consistent with ROC's oil price hedging strategy, as at 31 December 2010 ROC held Brent oil price swap contracts for approximately 0.9 MMBBL at an average price of US$63.71/BBL for the period to 31 December 2011. During the period, 1.2 MMBBL of oil price derivatives were settled, resulting in a cash outflow of US$13.0 million. At the end of the period, the mark-to-market position of ROC's remaining oil price hedge book was a US$27.3 million liability (2009: US$32.8 million liability). The movement in this mark-to-market position between periods has resulted in ROC reporting a total unrealised hedging gain for 2010 of US$3.9 million. The total hedging loss for the period was US$9.1 million (2009: loss of US$36.9 million).

Discussion and Analysis of Financial Statements

Consolidated Statement of Financial Position

During the period, total assets increased to US$384.3 million (2009: US$354.2 million) and total liabilities increased to US$242.3 million (2009: US$186.4 million).

Oil and gas assets increased to US$247.6 million (2009: US$244.6 million) during the period, mainly resulting from a net impairment write-down of asset values of US$7.6 million and amortisation of US$76.9 million, offset by an increase in the restoration provision of US$42.6 million, US$28.5 million development expenditure incurred and the transfer of US$16.4 million from exploration expenditure.

At 31 December 2010, ROC's net cash position was approximately US$31.3 million (2009: US$17.9 million), consisting of cash assets held of US$81.0 million (2009: US$67.1 million), offset by debt of US$49.7 million (2009: US$49.2 million). At year end, the total loan facilities available to ROC were US$50.0 million relating to the remaining portion of the 2007 borrowing base facility. The Company has commenced refinancing of its current facility maturing in August 2011. The Company has currently received credit approved term sheets from banks totalling US$90 million for a facility maturing in June 2015. This debt facility is not yet complete and financial close is expected in 2Q 2011 and is subject to finalisation of bank syndication and legal review.

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$58.4 million (2009: US$91.4 million) for the period. The funds were primarily used for development expenditure of US$27.6 million (2009: US$87.8 million) and exploration and evaluation expenditure initially capitalised of US$16.3 million (2009: US$4.6 million).

CORPORATE ACTIVITY

Health, Safety, Environment and Community

During 2010, ROC increased focus on asset integrity issues, particularly for equipment with the potential to cause major accidents in the event of failure. Hydrocarbon containment and electrical equipment integrity in hazardous areas were critical focus issues. A ROC Asset Integrity Management Expectation was issued and will be used by all operations as a basis for performing gap analysis and developing specific Asset Integrity Management Improvement Plans for facilities.

Three Lost Time Injuries were sustained during 2010 (two at Zhao Dong and one at BMG), compared to one Lost Time Injury in 2009. ROC's 2010 Recordable Injury Frequency Rate (including Lost Time Injuries, medical treatment injuries and restricted work injuries) was 15% below the Australian Petroleum Production and Exploration Association (*'APPEA') five year average. ROC recorded 2.02 million man-hours worked during 2010.

Appointment of Non-Executive Directors

Mr Graham D Mulligan and Mr Christopher C Hodge were appointed as Non-Executive Directors of ROC, effective 7 September 2010.

Appointment of Chief Executive Officer ('CEO')

On 23 February 2011, the Board appointed Mr Alan Linn as CEO. Prior to this appointment, Mr Linn had been Acting CEO since the resignation of Mr Bruce Clement on 29 October 2010. The Board conducted an international search for a permanent Chief Executive Officer, which included both external and internal candidates.

Change of Other Personnel

Mr David Minns (General Counsel and Joint Company Secretary appointed on 7 April 2010) and Mr John Mebberson (General Manager Exploration) elected to resign effective 12 November 2010. Ms Leanne Nolan continues in her position as Company Secretary and has been appointed as General Counsel.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$67.7 million in production expenditure (2009: US$64.9 million) and US$28.5 million in development expenditure during 2010 (2009: US$63.7 million). Development expenditure primarily related to the ongoing development drilling at the Zhao Dong fields.

Zhao Dong C and D Oil Fields, Bohai Bay, Offshore China (ROC: 24.5% and Operator)

Gross oil production averaged 16,999 BOPD (ROC: 4,165 BOPD); down 5% compared to the previous year. Despite the loss of approximately 35 days of production at the start of 2010 due to extreme winter weather conditions (the worst recorded in 40 years), ongoing development drilling throughout 2010 assisted in Zhao Dong achieving the 2010 production target.

Development expenditure of US$24.7 million was incurred. The 2010 drilling programme of 21 wells (14 producers and seven injectors) was successfully completed during the year on schedule and under budget. In addition to the drilling programme, nine well interventions and workovers were undertaken, including two electric submersible pump ('ESP') changes and the conversion of a production well to an injector.

A gas sales agreement was finalised and executed with PetroChina on 5 February 2010. Following the commissioning of a gas pipeline, gas sales commenced on 9 December 2010 and averaged 4.1 MMSCFD through to the end of the year. Gas sales will eliminate the need for offshore gas flaring during normal operations.

Zhao Dong C4 Oil Field, Bohai Bay, Offshore China (ROC: 11.575% unitised and Operator)

Gross oil production averaged 1,914 BOPD (ROC: 222 BOPD) for the year; up 15% compared to the previous year. Ongoing development drilling offset interruptions to production caused by severe winter weather conditions and the failure of a power cable from the Zhao Dong facilities in 1Q 2010.

Development expenditure of US$3.0 million was incurred, with the drilling of three new production wells and workovers on two existing wells.

Gas sales from the C4 Field commenced on 9 December 2010 and averaged 1.0 MMSCFD through to the end of the year.

Cliff Head Oil Field, WA-31-L, Offshore Western Australia (ROC: 37.5% and Operator)

Gross oil production averaged 4,045 BOPD (ROC: 1,517 BOPD), up 4% compared to the previous year due to the successful completion of workovers in 4Q 2009 and 1Q 2010 that replaced ESP at the Cliff Head-6 and Cliff Head-10 production wells. During the year planning continued for another workover to install a higher-rate ESP at the Cliff Head-12 production well. Workover operations were initiated in early January 2011.

On 5 February 2011, the Cliff Head project celebrated five years operations without a Lost Time Injury.

Blane Oil Field, North Sea (ROC: 12.5%)

Gross production averaged 9,327 BOEPD (ROC: 1,166 BOEPD), down 19% compared to the previous year. The field was shutdown for planned maintenance on the production system downstream of the Blane facilities throughout June. Planned repair work on the gas lift pipeline shut down the field for a further 35 days in 3Q 2010. Gas lift was reinstated on 18 October 2010.

Enoch Oil and Gas Field, North Sea (ROC: 12%)

Gross production averaged 4,110 BOEPD (ROC: 493 BOEPD), down 37% compared to the previous year primarily due to natural field decline and facility limitations that interrupted and restricted gas lift supply from the Brae host platform. While repairs to the Brae platform's gas lift supply system caused 18 days of lost production during 3Q 2010, gas lift was successfully reinstated on 23 October 2010.

BMG Oil and Gas Fields, VIC/L26, VIC/L27 and VIC/L28, Offshore Victoria (ROC: 30% and Operator)

For the period from 1 January 2010 to 19 August 2010, gross oil production averaged 3,507 BOPD (ROC: 1,052 BOPD).

The field has been offline since 19 August 2010 and in 4Q 2010 preparations commenced to enter the field into a Non-Production Phase ('NPP'). While production operations utilising the Crystal Ocean FPSO and the Basker Spirit shuttle tanker have been suspended, the vessels will be required to complete the field preparations for the NPP. NPP activities are expected to be competed in 3Q 2011 subject to approvals and vessel availability. The field was offline for approximately 11 weeks between the start of 2010 and 19 August due to repair and maintenance requirements.

The joint venture continues to evaluate options for the Phase-2 gas development.

Chinguetti Oil Field, PSC Area B, Offshore Mauritania (ROC: 3.25%)

Gross oil production averaged 7,814 BOPD (ROC: 254 BOPD), down 28% compared to the previous year primarily due to natural field decline.

Discussion and Analysis of Financial Statements

OPERATIONAL OVERVIEW *continued*

Production and Development *continued*

WZ 6-12 and WZ 12-8 West Oil Field Development (Block 22/12 Petroleum Contract), Beibu Gulf, Offshore China (ROC: 19.6%)

Commercial terms for the Beibu Gulf project were agreed during the year and a Supplemental Development Agreement ('SDA') to the Petroleum Contract was signed by the joint venture and CNOOC Limited on 24 August 2010. The SDA outlines the commercial terms, as well as arrangements regarding facility integration and the sharing of services and personnel. The SDA confirmed that CNOOC Limited will take a 51% participating interest in and operate the project.

Overall Development Plan ('ODP') documentation was submitted to CNOOC Limited for internal and external expert reviews in 3Q 2010 and CNOOC Limited approval was received in January 2011. Early development preparation activities such as preliminary engineering design work and bidding for long-lead equipment are underway.

On 14 February 2011, ROC announced that the joint venture parties and the Joint Management Committee (which includes CNOOC Limited) have approved the Final Investment Decision ('FID'). As a result, 2P reserves of 24 MMBBL will be booked for the project (ROC: 4.7 MMBBL).

Exploration and Appraisal

The Group incurred US$25.6 million in exploration and evaluation expenditure during 2010 (2009: US$8.5 million).

WA-286-P and WA-31-L, Perth Basin, Offshore Western Australia (ROC: 37.5% and Operator)

Following the completion of prospectivity studies (including reprocessing of 3D seismic data), the joint venture withdrew its application for the renewal of WA-286-P and the permit expired on 30 November 2010.

In WA-31-L, the reprocessing of a 220km 2D seismic survey and the interpretation of 3D seismic data was completed during the year. Additional reserves potential on the western flank of the Cliff Head field is being assessed based on revised seismic interpretation and depth mapping.

WA-351-P, Carnarvon Basin, Offshore Western Australia (formerly ROC: 20%)

In December 2010, ROC agreed to sell its 20% interest in WA-351-P to Woodside Energy Ltd for US$15.8 million subject to working capital adjustments. On 18 January 2011, Tap (Shelfal) Pty Ltd ('Tap')(a wholly-owned subsidiary of Tap Oil Limited), an existing joint venture party, gave notice to Roc Oil (WA) Pty Limited of the exercise of its rights of pre-emption on the sale of ROC's interest to Woodside Energy Ltd. The sale to Tap (is on the same terms and conditions as the previously proposed sale to Woodside Energy Ltd) is subject to normal industry terms and conditions, including the receipt of relevant government approvals.

WA-381-P and WA-382-P, Vlaming Basin, Offshore Western Australia (formerly ROC: 20% and Operator)

An application to withdraw from both WA-381-P and WA-382-P was made on 15 March 2010 and ROC's withdrawal from both permits was effective 27 April 2010.

VIC/P49, Gippsland Basin, Offshore Victoria (formerly ROC: 20%)

The VIC/P49 permit expired effective 15 April 2010.

PEP38524, Offshore Taranaki, New Zealand (ROC: 20%)

Exploration expenditure of US$6.8 million was incurred during the year.

Roc Oil (Tasman) Pty Limited, a wholly-owned subsidiary of ROC, farmed into PEP38524 during 2Q 2010 and contributed towards the cost of the Tuatara-1 exploration well to earn a 20% participating equity interest in the permit.

Tuatara-1 spudded on 28 July 2010 and was drilled to a total measured depth of 1,911 metres. Non-commercial oil shows were reported between 1,790 and 1,850 metres and the rig was released on 20 August 2010. Geological and geophysical analyses of the Tuatara-1 well are being completed ahead of a permit-wide prospectivity review. New Zealand Government approval has been requested by the joint venture to continue into the optional permit term (1 October 2010 to 31 March 2012) with a 25% relinquishment.

PEP52181, Offshore Taranaki, New Zealand (ROC: 50% and Operator)

The New Zealand Ministry of Economic Development granted PEP52181 to ROC and its joint venture partners during 2Q 2010. The permit contains the Kaheru prospect, which is on trend with the Rimu oil and gas field and Kauri gas and condensate field. The five-year work programme includes an exploration well (Kaheru-1) by the end of year three. Reprocessing of the Kaheru 3D seismic dataset continues and completion is planned during 1H 2011. The joint venture is awaiting New Zealand Government approval on an application to extend permit acreage by 140km^2.

PEP38259, Canterbury Basin, Offshore New Zealand (ROC: 15%)

During the year, the Operator (AWE (New Zealand) Pty Limited) reviewed the interpretation of the Barque structure, using the most recent 2D seismic data. The Barque prospect is a potentially large gas and condensate play. An extension of the drilling commitment date by two years to August 2012 has been requested from the New Zealand Government to allow for the evaluation of rig availability and drilling costs for the Barque prospect, with an additional work programme of 500km 2D seismic reprocessing.

Cabinda South Block, Onshore Angola (ROC: 10%)

Exploration expenditure of US$4.1 million was incurred during the year.

Castanha-1 exploration well production testing was completed during 1Q 2010. The production test recovered 33º API to surface from the pre-salt Chela Formation, with a maximum flow rate of 2,275 BOPD through a 5/8 inch choke. The extended well test on Coco-1 was also concluded and the well suspended, with none of the five zones tested exhibiting natural hydrocarbon flow.

The Castanha-2 appraisal well commenced drilling on 28 July 2010 and was drilled to a total measured depth of 2,448 metres. Initial evaluations indicated that the well encountered a gross hydrocarbon column of 21 metres in the Chela Formation. The well was suspended and production testing is planned in 1Q 2011.

The Castanha-3 appraisal well commenced drilling on 20 September 2010. The Castanha-3 ST-1 appraisal well was drilled to a total measured depth of 2,525 metres and initial evaluation indicated that the well encountered a gross hydrocarbon column of approximately seven metres in the Chela Formation. The well was suspended and production testing is planned in 1Q 2011.

The Castanha-4 appraisal well commenced drilling on 14 November 2010 and was drilled to a total measured depth of 2,343 metres. Initial evaluations indicated that the well encountered a gross hydrocarbon column of approximately 15 metres in the Chela Formation. The well was suspended and production testing is planned in 1Q 2011.

Acquisition commenced in late September 2010 of a 169km^2 3D seismic programme (overlapping the north of the Castanha discovery) to define new exploration leads and assist with mapping of the Castanha discovery. Completion of the survey was delayed until 1Q 2011 due to adverse weather.

Offshore Mauritania (ROC: 2%-5.49%)

Exploration expenditure of US$6.5 million was incurred.

The Cormoran-1 exploration well in Block 7 (ROC: 4.95%) commenced drilling on 18 September 2010 and was drilled to a total true vertical depth of 4,695 metres subsea and was plugged and abandoned as a gas discovery. The well encountered several hydrocarbon columns in the various target objectives. A drill stem test was undertaken across a 33 metre interval (between 3,679 and 3,712 metres) in the Lower Pelican Group and flowed at stabilised rates of up to 22 to 24 MMSCFD on a 32/64 inch choke. The Operator considers that higher rates could have been obtained had flow not been constrained by sand production.

The Government of Mauritania granted an extension to the Block C2 PSC to 21 December 2011 with optional further extensions.

Belo Profond Block, Offshore Madagascar, Mozambique Channel (ROC: 75% and Operator) and Juan de Nova Maritime Profond Block, Offshore French Territory, Mozambique Channel (ROC: 75% and Operator)

Exploration expenditure of US$2.0 million was incurred. Planning for a potential 8,000km 2D seismic survey was undertaken during the year.

Block H, Offshore Equatorial Guinea (ROC: 37.5% and Technical Operator)

Exploration expenditure of US$0.4 million was incurred during the year on drilling planning activities. The Government of Equatorial Guinea approved a one year extension to the current term of Block H to 3 February 2012.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Sales revenue	*4*	235,428	204,483
Operating costs	*5*	(166,308)	(169,073)
Trading profit		**69,120**	**35,410**
Other income	*6*	2,351	16,812
Profit on sale of WA-351-P		15,750	-
Net derivative losses		(9,066)	(36,983)
Exploration expensed	*7*	(20,517)	(7,115)
Net impairment of oil and gas assets	*16*	(7,610)	(82,155)
Litigation settlement – BW Offshore		(16,000)	-
Foreign currency translation reserve loss on liquidation of subsidiary		(9,527)	-
Loss on investment in listed securities		-	(5,616)
Other costs	*8*	(13,678)	(13,105)
Finance costs	*9*	(4,304)	(10,923)
Profit/(loss) before income tax		**6,519**	**(103,675)**
Income tax expense	*10*	(42,456)	(11,715)
Net loss		**(35,937)**	**(115,390)**
Other comprehensive income			
Foreign currency translation reserve loss on liquidation of subsidiary		9,527	-
Cash flow hedges transferred to trading profit		38	(85)
Other comprehensive income/(losses) net of tax		9,565	(85)
Total comprehensive loss		**(26,372)**	**(115,475)**
Basic loss per share - cents	*25*	(5.0)	(17.9)
Diluted loss per share - cents	*25*	(5.0)	(17.9)

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	2010 US$'000	2009 US$'000
Current assets			
Cash assets	*11*	80,960	67,079
Trade and other receivables	*12*	45,428	16,686
Inventories	*15*	3,554	7,045
Total current assets		**129,942**	**90,810**
Non-current assets			
Oil and gas assets	*16*	247,564	244,630
Exploration and evaluation expenditure	*17*	4,867	16,129
Property, plant and equipment	*18*	1,975	1,386
Deferred tax assets	*10*	-	1,266
Total non-current assets		**254,406**	**263,411**
Total assets		**384,348**	**354,221**
Current liabilities			
Bank loans	*19*	49,692	-
Trade and other payables	*21*	25,179	21,536
Current tax liabilities	*10*	14,786	8,054
Derivatives	*14*	27,317	15,162
Provisions	*22*	31,495	1,363
Total current liabilities		**148,469**	**46,115**
Non-current liabilities			
Bank loans	*19*	-	49,229
Long term liabilities		-	72
Deferred tax liabilities	*10*	34,392	28,213
Derivatives	*14*	-	17,668
Provisions	*22*	59,485	45,121
Total non-current liabilities		**93,877**	**140,303**
Total liabilities		**242,346**	**186,418**
Net assets		**142,002**	**167,803**
Equity			
Share capital	*23*	744,201	744,201
Accumulated losses		(622,723)	(586,786)
Other reserves		20,524	10,388
Total equity		**142,002**	**167,803**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

	Note	Inflow/ (Outflow) 2010 US$'000	Inflow/ (Outflow) 2009 US$'000
Cash flows from operating activities			
Cash generated from operations	*11*	106,908	138,465
Derivatives (paid)/received		(12,963)	12,688
Payments for exploration and evaluation expenses		(7,967)	(6,813)
Interest received		2,498	1,421
Finance cost paid		(1,039)	(7,386)
Income taxes paid		(29,000)	(47,025)
Net cash generated from operating activities		**58,437**	**91,350**
Cash flows from investing activities			
Payments for plant and equipment		(1,300)	(246)
Payments for development expenditure		(27,634)	(87,760)
Payments for exploration and evaluation expenditure initially capitalised		(16,296)	(4,572)
Proceeds from sale of Nexus shares		-	18,508
Proceeds from sale of 10% of BMG		-	32,251
Proceeds from sale of other assets		1,864	974
Net cash used in investing activities		**(43,366)**	**(40,845)**
Cash flows from financing activities			
Proceeds from share issues	*23*	-	76,621
Share issue expenses	*23*	-	(2,362)
Bank loan advances		-	1,000
Bank loan repayments		-	(121,000)
Loan to associate company		(42)	(2)
Net cash used in financing activities		**(42)**	**(45,743)**
Net increase in cash held		**15,029**	**4,762**
Cash at beginning of financial year		67,079	54,260
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,148)	8,057
Cash at end of financial year	***11***	**80,960**	**67,079**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2010

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Foreign Currency Translation Reserve US$'000	Hedge Reserve US$'000	Total US$'000
Balance at 1 January 2009	669,942	(471,396)	8,430	1,183	(899)	207,260
Total comprehensive loss net of tax	-	(115,390)	-	-	(85)	(115,475)
Transactions with owners						
Issue of share capital	76,621	-	-	-	-	76,621
Share issue costs	(2,362)	-	-	-	-	(2,362)
Share-based payments	-	-	1,759	-	-	1,759
Total transactions with owners	**74,259**	**-**	**1,759**	**-**	**-**	**76,018**
Balance at 1 January 2010	744,201	(586,786)	10,189	1,183	(984)	167,803
Total comprehensive loss net of tax	-	(35,937)	-	9,527	38	(26,372)
Transactions with owners						
Share-based payments	-	-	571	-	-	571
Total transactions with owners	**-**	**-**	**571**	**-**	**-**	**571**
Balance at 31 December 2010	**744,201**	**(622,723)**	**10,760**	**10,710**	**(946)**	**142,002**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

(a) 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 98/0100. The Company is an entity to which the Class Order applies.

The financial statements were authorised for issue on 24 February 2011 by the Board.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards. The financial report, comprising the consolidated financial statements and notes thereto, also complies with International Financial Reporting Standards.

Due to an amendment in AASB 107 *Cash Flow Statements*, the Group has changed the classification of exploration and evaluation expenditure in the Consolidated Statement of Cash Flows such that only exploration and evaluation that results in the initial recognition of an exploration and evaluation asset is included in investing activities. Exploration and evaluation expenditure that is expensed as incurred is classified in operating activities.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the reporting period ending 31 December 2010 and are not expected to have a material impact.

(c) 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.

(d) 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.

(e) 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.

(f) Property, 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:

- 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.

(g) 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.

(h) 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.

(i) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Consolidated Statement of Comprehensive Income.

(j) Investments

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

(k) 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. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in 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.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

(l) Cash and cash equivalents

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

(m) Investment in associate companies

The Group's investment in its associate companies is 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 investment in the associate companies is 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.

(n) Trade and other receivables

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

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Share-based payment transactions

Share-based compensation benefits are provided to employees via the Long 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.

The dilutive effect, if any, of outstanding options and share rights is reflected as additional share dilution in the computation of earnings per share.

(t) 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 ventures, 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.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

(t) Income tax *continued*

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. ROC is the head entity in the tax consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand-alone taxpayer' approach. Current tax liabilities and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

Petroleum Resource Rent Tax

Petroleum Resource Rent Tax is accounted for as income tax.

(u) 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.

(v) Derivative financial instruments

Derivative contracts are entered into to limit the financial exposure of the entity in relation to commodity prices. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or is redesignated to discontinue hedge accounting. At that time, any cumulative gain or loss recognised in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(w) 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 USD;
- a significant portion of ROC's assets and liabilities are denominated in USD; 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.

(x) 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.

(y) Interest in joint venture operations

Interests in joint venture 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 venture and its share of any income and expenses incurred.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

(z) Goodwill

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 acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Note 2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with A-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 other various 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(e). 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.

The carrying amount of exploration and evaluation expenditure as at 31 December 2010 was US$4.9 million (2009: US$16.1 million).

(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.

The carrying value of oil and gas assets as at 31 December 2010 was US$247.6 million (2009: US$244.6 million).

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 judgemental 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(k).

Reserve estimates

Estimates of recoverable quantities of proven and probable reserves reported include judgemental 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. Financial Risk Management Objectives and Policies

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies approved by the Board, which provide written principles on the use of financial derivatives.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and commodity price risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange and interest rate risk and assessments of market forecasts for foreign exchange rates, interest rates and commodity prices. Monitoring of specific debtor balances is undertaken to manage credit risk and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Notes to the Consolidated Financial Statements

Note 3. Financial Risk Management Objectives and Policies *continued*

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments.

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

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

The Group does not hold any credit derivatives to offset its credit exposure.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are assessed for each individual customer and are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis, with the result being that the Group's exposure to bad debts is not significant. Currently, there are no material receivables that are in arrears.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

For the financial year ended 31 December 2010

Consolidated (US$'000)	**6 months or less**	**6 months–1 year**	**1–3 year(s)**	**Total**
Trade and other payables	25,179	-	-	25,179
Bank loans	315	50,053	-	50,368
Derivatives	20,779	6,640	-	27,419
	46,273	**56,693**	**-**	**102,966**

For the financial year ended 31 December 2009

Consolidated (US$'000)	**6 months or less**	**6 months–1 year**	**1–3 year(s)**	**Total**
Trade and other payables	21,536	–	–	21,536
Bank loans	450	450	50,675	51,575
Derivatives	7,090	8,592	17,459	33,141
	29,076	**9,042**	**68,134**	**106,252**

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

Market risk

AASB 7 *Financial Instruments: Disclosures* requires disclosures that categorise assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets, Level 2 inputs are observable inputs other than quoted prices, and Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy for the financial assets and liabilities accounted for as at 31 December 2010 consisted of the oil price derivatives as disclosed in Note 14 which have been classified as Level 2. There were no Level 1 or Level 3 financial assets or liabilities as at 31 December 2010, and there were no movements between any of the levels during the period.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Management Committee.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities.

The majority of the Group's cash flows are denominated in USD; however, the Group is exposed to certain non-USD cash balances. As at 31 December 2010 the non-USD cash balances amounted to A$4.1 million. The impact on the loss for the year assuming a +10% or -10% change in the foreign exchange rate would be US$0.5 million.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash assets (refer to Note 11) and long term debt obligations and the level of debt (refer to Note 19).

A change of 100 basis points per annum in interest rates at the reporting date would have increased or decreased profit and loss for the year by US$0.3 million (2009: US$0.2 million). This analysis assumes that all other variables remain constant. As a result, the Group's exposure to interest rate risk is minimal.

Commodity price risk

The Group is exposed to the movement in commodity prices, primarily the movement in oil price. In order to manage this exposure and its effect on sales revenue, the Group has entered into certain derivative instruments, in relation to the commodity price of a proportion of its forecast production.

These derivatives tend to be priced using benchmarks which correlate as far as possible to the underlying oil revenue (refer to Note 14).

At 31 December 2010, the Group had a US$27.3 million derivative liability (2009: US$32.8 million liability) arising from approximately 0.9 MMBBL of Brent oil price swaps which represents approximately 5.4% of its proved and probable reserves.

The following sensitivity is based on the crude oil price risk exposures for derivatives in existence at the balance date. Had the crude oil price moved, as illustrated below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

		Post-Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
		2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Judgement of reasonably possible movements					
Consolidated					
Crude oil price	+US$10/BBL	(8,727)	(20,065)	–	–
Crude oil price	-US$10/BBL	8,727	20,065	–	–

Notes to the Consolidated Financial Statements

Note 3. Financial Risk Management Objectives and Policies *continued*

Fair value of financial instruments

The Directors consider that the carrying amounts of the financial assets and liabilities recorded in the financial statements approximate their fair values unless otherwise stated.

The fair values are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on an active liquid market is determined with reference to the quoted price; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Capital management

The Group's objective when managing capital is to maintain an efficient capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders. Capital requirements are determined based on rolling forecasts of operating and capital expenditure cash flows which are based on assumptions on oil prices, production and exploration and development capital costs. The Group manages its capital (debt plus equity) by maintaining adequate banking facilities and other funding and adjusting discretionary capital expenditure as appropriate.

	2010 US$'000	2009 US$'000
Note 4. Sales Revenue		
Oil	233,713	203,852
NGL	1,573	33
Gas	180	513
Hedging (loss)/gain	(38)	85
	235,428	**204,483**
Note 5. Operating Costs		
Production costs	67,708	64,935
Amortisation	76,921	90,959
Movement in stock and over/(under)lift	4,352	6,423
Chinese special levy	17,327	6,756
	166,308	**169,073**
Note 6. Other Income		
Interest income - external	2,351	1,568
Profit on sale of 10% of BMG	-	5,744
Profit from sale of other assets	-	2,396
Net foreign currency gains	-	6,031
Other	-	1,073
	2,351	**16,812**

	2010 US$'000	2009 US$'000

Note 7. Exploration Expensed

	2010 US$'000	2009 US$'000
Angola	518	(401)
Australia	802	747
China	-	1,218
Equatorial Guinea	393	598
Mozambique Channel	2,030	889
Mauritania	6,473	1,607
United Kingdom	-	52
New Zealand	6,702	187
Other	3,599	2,218
	20,517	**7,115**

Note 8. Other Costs

	2010 US$'000	2009 US$'000
Operating lease expenses	872	1,754
Depreciation	711	693
Other administration costs	9,282	10,160
Share-based payments	571	498
Net foreign currency loss	2,242	-
	13,678	**13,105**

Note 9. Finance Costs

	2010 US$'000	2009 US$'000
Interest expensed on bank loans	677	3,745
Unwinding of discount – restoration provision	2,932	1,973
Other finance costs	695	5,205
	4,304	**10,923**

Notes to the Consolidated Financial Statements

Note 10. Income Tax

	2010 US$'000	2009 US$'000
(a) Composition of income tax		
Income tax charge – current period	(35,818)	(32,224)
Income tax credit/(charge) – prior period	807	(2,937)
Deferred income tax – current period	4,181	5,979
Deferred income tax – PRRT	(11,626)	17,467
Income tax expense	**(42,456)**	**(11,715)**

(b) Recognised deferred tax assets and liabilities

	2010 Current Tax Liabilities US$'000	2010 Deferred Income Tax US$'000	2009 Current Tax Liabilities US$'000	2009 Deferred Income Tax US$'000
Opening balance	(8,054)	(26,947)	(17,233)	(50,393)
(Charged)/credited to income	(35,011)	(7,445)	(35,161)	23,446
Cash payments	29,000	-	47,025	-
Translation loss	(721)	-	(2,685)	-
	(14,786)	**(34,392)**	**(8,054)**	**(26,947)**

Deferred income tax at 31 December relates to the following:

	Statement of Financial Position 2010 US$'000	Statement of Financial Position 2009 US$'000
(i) Deferred tax assets		
Accelerated depreciation for tax purposes	-	1,266
Net deferred tax assets	**-**	**1,266**
(ii) Deferred tax liabilities		
Accelerated depreciation for tax purposes	(28,466)	(30,988)
Provisions	5,222	2,775
PRRT	(11,626)	-
Other	478	-
Net deferred tax liabilities	**(34,392)**	**(28,213)**
Total net deferred tax liabilities	**(34,392)**	**(26,947)**

	2010 US$'000	2009 US$'000
(c) Tax losses		
Tax losses not recognised	**104,063**	**76,736**

(d) Income tax reconciliation

The prima facie income tax (expense)/benefit on pre-tax accounting loss reconciles to income tax expense in the financial statements as follows:

	2010 US$'000	2009 US$'000
Profit/(loss) before income tax	**6,519**	**(103,675)**
Prima facie income tax (expense)/benefit calculated as 30% of profit/(loss) before income tax	(1,956)	31,103
Tax effect of adjustments		
Non-deductible expenses	(5,779)	(10,270)
Non-assessable income	51	15
Overseas tax rate differential	(5,474)	(5,366)
Prior year over/(under) provision	807	(2,937)
Tax losses not brought into account	(19,816)	(18,874)
Deferred tax assets not recognised	-	(24,120)
PRRT	(11,626)	17,467
Other	1,337	1,267
Income tax expense	**(42,456)**	**(11,715)**

(e) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. ROC is the head entity in the tax consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand-alone taxpayer' approach. Current tax liabilities and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

Notes to the Consolidated Financial Statements

Note 11. Cash Assets

	2010 US$'000	2009 US$'000
Cash and cash equivalents	80,960	67,079
	80,960	**67,079**

Included in cash assets is US$1,306,035 (2009: US$2,510,441) which is subject to a charge in favour of PC Mauritania I Pty Ltd relating to liabilities arising under the contract for lease of the *Berge Helene* FPSO vessel to be used for production from the Chinguetti Oil Field.

Reconciliation of net profit/(loss) before tax to cash generated from operations		
Net profit/(loss) before tax	6,519	(103,675)
Add/(less) non-cash items		
Amortisation	76,921	90,959
Net impairment of oil and gas assets	7,610	82,155
Loss on investment in listed securities	-	5,616
Depreciation	711	693
Other provisioning	1,566	628
Net foreign currency losses /(gains)	2,242	(6,031)
Loss/(gain) from sale of assets	136	(2,396)
Profit on sale of 10% of BMG	-	(5,744)
Profit on sale of WA-351-P	(15,750)	-
Foreign currency translation reserve loss on liquidation of subsidiary	9,527	-
Share-based payments	571	498
Add/(less) non-operating items		
(Gain)/loss on derivatives	9,104	36,898
Interest income	(2,351)	(1,568)
Finance costs	4,304	10,923
Exploration expensed	20,517	7,115
Changes in net assets and liabilities		
(Increase)/decrease in current trade and other receivables	(17,606)	17,956
Decrease in inventories	3,491	2,830
(Decrease)/increase in trade and other payables	(604)	1,608
Cash generated from operations	**106,908**	**138,465**

Note 12. Current Trade and Other Receivables

Trade receivables	26,452	10,275
Receivable from sale of WA-351-P	15,750	-
Other receivables	3,226	6,411
	45,428	**16,686**

Note 13. Information Relating to Roc Oil Company Limited (the 'parent entity')

	2010 US$'000	2009 US$'000
Current assets	6,645	54,195
Total assets	92,590	154,148
Current liabilities	3,097	2,253
Total liabilities	3,931	3,267
Net assets	**88,659**	**150,881**
Share capital	744,201	744,201
Accumulated losses	(735,886)	(673,093)
Share equity reserve	10,760	10,189
Foreign currency translation reserve	69,584	69,584
Total equity	**88,659**	**150,881**
Net loss of the parent entity	**(62,793)**	**(133,123)**
Total comprehensive loss of the parent entity	(62,793)	(133,123)

The Company's present intention is to provide the necessary financial support for all Australian incorporated controlled entities, whilst they remain controlled entities, as is necessary for each company to pay all debts when they become due.

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries in relation to finance obligations under the loan facility referred to in Note 19.

Note 14. Derivatives

		2010 US$'000	2009 US$'000
At fair value:			
Oil price swaps		(27,317)	(32,830)
Total liabilities		**(27,317)**	**(32,830)**
Liabilities	– current liabilities	(27,317)	(15,162)
	– non-current liabilities	-	(17,668)
Total liabilities		**(27,317)**	**(32,830)**

The Group uses a number of derivative instruments to mitigate the commodity price risk associated with its underlying oil revenues. These instruments include oil price swaps. These derivatives will tend to be priced using pricing benchmarks which correlate as far as possible to the underlying oil revenues.

At 31 December 2010, the remaining hedge positions from 1 January 2011 to 31 December 2011 are 875,997 Brent oil price swaps, at a weighted average Brent price of US$63.71/BBL.

Note 15. Inventories

	2010 US$'000	2009 US$'000
Oil and gas stock	3,554	7,045
	3,554	**7,045**

Note 16. Oil and Gas Assets

	Producing Assets US$'000	Assets under Development US$'000	Total US$'000
Costs			
Balance at 1 January 2009	862,516	-	862,516
Development expenditure incurred	63,740	-	63,740
Sale of 10% of BMG	(59,673)	-	(59,673)
Increase in restoration asset	15,573	-	15,573
Costs at 31 December 2009	**882,156**	**-**	**882,156**
Development expenditure incurred	28,536	-	28,536
Increase in restoration asset	42,554	-	42,554
Transfer from exploration and evaluation expenditure	-	16,375	16,375
Costs at 31 December 2010	**953,246**	**16,375**	**969,621**
Accumulated amortisation			
Balance at 1 January 2009	(495,959)	-	(495,959)
Charge for the year	(90,959)	-	(90,959)
Net impairment of assets (see note (a) below)	(82,155)	-	(82,155)
Sale of 10% of BMG	31,547	-	31,547
Accumulated amortisation at 31 December 2009	**(637,526)**	**-**	**(637,526)**
Charge for the year	(76,921)	-	(76,921)
Net impairment of assets (see note (b) below)	(7,610)	-	(7,610)
Accumulated amortisation at 31 December 2010	**(722,057)**	**-**	**(722,057)**
Net book value at 31 December 2010	**231,189**	**16,375**	**247,564**
Net book value at 31 December 2009	244,630	-	244,630

Impairment

Impairment tests are performed when there is an indication of impairment. Each oil and gas producing asset is considered a separate cash-generating unit.

The asset valuations are based on cash flow forecasts using 2P reserves. The key assumptions used in the cash flow forecasts include the following:

- oil price: forward market for two years and US$70/BBL thereafter; and
- discount rates: the post-tax discount rate of 10% per annum.

(a) The net impairment for 2009 was attributable to:

(i) a reversal of a prior year impairment of US$26.8 million (US$20.1 million post tax) for the Zhao Dong Oil Field as a result of the discounted cash flow, using a pre-tax discount rate of 14% per annum, improving due to higher oil prices compared to year end 2008. This was as a result of the oil price increasing;

(ii) an impairment of US$98.8 million in the carrying value of the BMG Fields as a result of the discounted cash flows being lower than the carrying value, using a pre-tax discount rate of 16% per annum. This is as a result of the 2P reserves being reduced by 4.5 MMBBL; and

(iii) an impairment of US$10.1 million in the carrying value of the Chinguetti Oil Field as a result of the discounted cash flow being lower than the carrying value using a pre-tax discount rate of 13% per annum. This is as a result of an increase in restoration costs and the 2P reserves being reduced by 0.2 MMBBL.

(b) The net impairment for 2010 is attributable to:

(i) an impairment of US$44.2 million in the carrying value of BMG (net of restoration and suspension provisions) as a result of the discounted cash flows being lower than the carrying value, using a pre-tax discount rate of 16% per annum. This is as a result of the 2P reserves being reduced by 0.7 MMBBL to zero. No value has been attributed to any future gas project; and

(ii) a reversal of a prior year impairment of US$36.6 million (US$27.5 million post tax) for the Zhao Dong Oil Field as a result of the discounted cash flow, using a pre-tax discount rate of 14% per annum. This is as a result of higher oil prices and an increase in 2P reserves by 0.9 MMBBL.

Asset valuations, based on cash flow projections, use a range of assumptions that are subject to change. Accordingly, losses are sensitive to reasonable possible changes in key assumptions. The impairment reversal that would arise from a possible change in key assumptions (all other assumptions remaining the same) is shown below:

– a 10% decrease in prevailing oil prices would result in a lower impairment reversal of US$22.7 million; and
– a 1% increase in the post-tax discount rate would result in a lower impairment reversal of US$3.1 million.

Note 17. Exploration and Evaluation Expenditure

	2010 US$'000	2009 US$'000
Opening balance	16,129	14,720
Expenditure incurred	25,630	8,524
Expenditure transferred to assets under development	(16,375)	-
Amounts expensed	(20,517)	(7,115)
	4,867	**16,129**

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 18. Property, Plant and Equipment

Costs		
Opening balance	5,961	7,415
Expenditure incurred	1,300	240
Disposals	-	(1,694)
Costs at 31 December	**7,261**	**5,961**
Accumulated depreciation		
Opening balance	(4,575)	(5,000)
Charge	(711)	(693)
Disposals	-	1,118
Accumulated depreciation at 31 December	**(5,286)**	**(4,575)**
Net book value	**1,975**	**1,386**

Notes to the Consolidated Financial Statements

Note 19. Bank Loans

	2010 US$'000	2009 US$'000
(a) Current		
Secured bank loan	49,692	-
(b) Non-current		
Secured bank loan	-	49,229
Total	**49,692**	**49,229**

(c) Terms and conditions

Secured bank loan

The four year amortising loan, maturing in August 2011, has been provided by Commonwealth Bank of Australia, BOS International (Australia) Limited and Société Genérale Australia Branch.

The annual interest rate is USD LIBOR plus a fixed margin. The effective interest rate is 1.45% per annum.

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2010 US$'000	2009 US$'000
Total loan facilities:		
Secured bank loans	50,000	90,000
Facilities used at reporting date:		
Secured bank loans	50,000	50,000
Facilities unused at reporting date:		
Secured bank loan	-	40,000

The Company has commenced refinancing of its current facility maturing in August 2011. The Company has currently received credit approved term sheets from banks totalling US$90 million for a facility maturing in June 2015. This debt facility is not yet complete and financial close is expected in 2Q 2011 and is subject to finalisation of bank syndication and legal review.

(e) Assets mortgaged as security

Secured bank loan

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries giving security in relation to the loan facility from Commonwealth Bank of Australia, BOS International (Australia) Limited and Société Genérale Australia Branch. Roc Oil (Finance) Pty Limited has granted charges over all its assets and ROC has granted a 'featherweight' charge in favour of Commonwealth Bank of Australia as security trustee. In addition, the shares and proceeds accounts of the following ROC subsidiaries have been mortgaged to CBA Corporate Services (NSW) Pty Ltd, which subsidiaries are the entities that hold the producing assets: Roc Oil (WA) Pty Limited, Roc Oil (Bohai) Company and Roc Oil (GB) Limited. The net book value of Roc Oil (Finance) Pty Limited and the entities in which shares have been mortgaged is US$153.8 million.

(f) Foreign exchange, interest rate and liquidity risks

Information regarding foreign exchange, interest rate and liquidity risks of the bank loans is set out in Note 3.

(g) Fair value

The fair value of the Group borrowings was US$49,182,000 (2009: US$49,115,000).

Note 20. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2010 %	Ownership and Voting Interest 2009 %
Parent entity			
Roc Oil Company Limited	Australia	100	100
Controlled entities			
Roc Oil (Gobi) Pty Ltd	Australia	-	100
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (China) Pty Limited	Australia	-	100
Roc Oil (Madagascar) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Elixir Corporation 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	100
Roc Oil (Ventures) Pty Limited	Australia	100	-
Roc Oil (Taranaki) Pty Limited	Australia	100	-
Roc Oil (Tasman) Pty Limited	Australia	100	-
Anzon Energy Mauritius	Mauritius	100	100
Anzon Investments Limited	Mauritius	100	100
Anzon Africa Limited	Mauritius	100	100
PT Anzon Energy Indonesia	Indonesia	100	100
Roc Oil (New Zealand) Limited	New Zealand	100	100
Anzon Energy Nigeria Limited	Nigeria	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 (Casamance) Company	Cayman Islands	100	100
Roc Oil (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Ltd	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (Maboque) Company	Cayman Islands	100	100
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (GB Holdings) Limited	United Kingdom	100	100
Roc Oil (GB) Limited	United Kingdom	100	100
Roc Oil (North Sea) Limited	United Kingdom	100	-
Roc Oil (Chinguetti) B.V.	Netherlands	100	100

Note 21. Current Trade and Other Payables

	2010 US$'000	2009 US$'000
Trade payables	12,867	13,609
Accrued liabilities	6,331	4,752
Amount owing to associate companies	685	758
Stock overlift	3,125	2,264
Other	2,171	153
	25,179	**21,536**

Note 22. Provisions

	Employee Benefits US$'000	Office Rent US$'000	Suspension Costs US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2010	2,305	627	-	43,552	46,484
Additions during the year	642	-	13,300	29,254	43,196
Unwinding of discount	-	-	-	2,932	2,932
Utilised	(1,076)	(606)	-	(261)	(1,943)
Translation adjustments	332	(21)	-	-	311
Balance at 31 December 2010	**2,203**	**-**	**13,300**	**75,477**	**90,980**
Current – 2010	1,369	-	13,300	16,826	31,495
Non-current – 2010	834	-	-	58,651	59,485
Total 2010	**2,203**	**-**	**13,300**	**75,477**	**90,980**
Current – 2009	1,363	-	-	-	1,363
Non-current – 2009	942	627	-	43,552	45,121
Total 2009	**2,305**	**627**	**-**	**43,552**	**46,484**

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

The office rent provision relates to the lease contract of an unoccupied office where no rental income is being received. The lease was surrendered during 2010.

The restoration provisions relate to the estimated costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the asset. The additions during the year primarily include US$9.4 million relating to Zhao Dong as a result of a change in government legislation and US$17.7 million in relation to additional costs in BMG.

The provision for suspension relates to BMG and the decision for the field to enter into the non-production phase. It largely consists of remaining contractual costs which have crystallised as a result of early termination of production.

Note 23. Share Capital

	2010 Number of Shares	2009 Number of Shares	2010 US$'000	2009 US$'000
Balance at beginning of financial year	713,154,560	588,031,673	744,201	669,942
Shares issued	-	125,122,887	-	74,259
Balance at end of financial year	**713,154,560**	**713,154,560**	**744,201**	**744,201**

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

Note 24. Employee Benefits

(a) Long Term Incentive Plan ('LTI')

The LTI is an "at risk" equity-based incentive plan designed to generate performance-based awards of share rights that may be converted into fully paid ordinary shares in the Company on satisfaction of performance conditions and Board approval.

Features of the LTI include:

- the grant of rights to acquire fully paid ordinary shares in the Company, at no cost to a participant;
- the number of rights granted is based on an employee's level in the Company and individual and/or Company performance;
- the rights will only become exercisable if certain performance conditions are met within defined periods;
- there will be three tiers of rights with separate vesting criteria:
  - Tier One - vesting will occur subject to the satisfaction of the performance condition which relates to the Total Shareholder Return ('TSR') growth of ROC measured over the performance period,
  - Tier Two - vesting will occur subject to the satisfaction of the performance condition which relates to a relative TSR test over the performance period against a subset of conventional oil and gas companies, and
  - Tier Three - vesting will be subject to a participant being continuously employed by the Group throughout the performance period. The number of rights granted under Tier Three cannot exceed 20% of the total grant;
- there is no re-testing of performance conditions; and
- the rights lapse when a participant ceases to be employed by ROC other than in certain circumstances relating to death, injury, permanent disability, redundancy, retirement or sale of business.

A summary of the rights granted under the LTI is as follows:

Grant Date	Vesting Date	Opening Balance 1 Jan 10	Granted	Exercised	Cancelled	Closing Balance 31 Dec 10	ROC Share Price at Date of Issue A$
29 March 2010	29 March 2012	-	2,073,000	-	(30,000)	2,043,000	$0.36
12 November 2010	12 November 2013	-	5,195,000	-	-	5,195,000	$0.43
12 November 2010	12 May 2011	-	250,000	-	-	250,000	$0.43
		-	7,518,000	-	(30,000)	7,488,000	

The fair value of the rights has been calculated using the at the grant date and allocated to each reporting period from grant date to vesting date. The rights outstanding at 31 December 2010 have a fair value in the range of A$0.24 and A$0.32, and a weighted average remaining contractual life of 2.3 years.

Note 24. Employee Benefits *continued*

(a) Long Term Incentive Plan ('LTI') *continued*

The fair value of the rights have been calculated using the Monte Carlo simulation technique with the following assumptions for each grant date:

	29 March 2010	12 November 2010
Share price	A$0.36	A$0.43
Share price volatility	60%	60%
Risk free rate per annum	5.0%	5.2%
6 month risk free rate per annum	N/A	4.8%
Dividend yield per annum	0%	0%
Share price correlation between companies	30%	30%

The rights granted during the year are subject to service conditions and non-market performance conditions. Non market performance conditions are not taken into account in the grant date fair value measurement.

(b) Employee Share Option Plan and Executive Share Option Plan

The Company has two share option plans, the Employee Share Option Plan and the Executive Share Option Plan. These plans have been replaced in 2010 by the LTI and no new issues under either option plans will occur. The details of the option plans are set out below:

Employee Share Option Plan

Under the Employee Share Option Plan, the options granted vest after two years. Options expire five years after they are granted.

The exercise price of the options is the price of the sale of shares on the ASX on the day of the grant.

Options may be exercised two years after the date the option was granted. If there is a change of control of the Company, all unexercised options will become immediately exercisable.

The following table reconciles the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

	Number of Options	2010 Weighted Average Exercise Price A$	Number of Options	2009 Weighted Average Exercise Price A$
Balance at beginning of financial year	4,011,500	1.26	5,596,100	1.36
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(400,000)	1.06	(1,539,600)	1.59
Lapsed	-	-	(45,000)	1.48
Balance at end of financial year	**3,611,500**	**1.29**	**4,011,500**	**1.26**
Exercisable	**3,611,500**	**1.29**	**881,500**	**3.05**

The range of exercise prices at the end of the financial year is between A$0.54 and A$3.10 per share, with a weighted average remaining contractual life of 2.4 years.

Executive Share Option Plan

Under the rules of the Executive Share Option Plan, 30% of the options granted vest after two years. An additional 30% vest after three years and the remaining 40% vest after four years. Options expire six years after they are granted. Of the options granted to an employee, 50% are performance options and are only exercisable if certain share performance benchmarks are met and 50% are price options which require share price performance measures to be met.

The exercise price of performance options is calculated as the volume weighted average price for sale of ROC shares on the ASX in the 90 days before the grant date. The exercise price for price options is calculated as 115%, 122.5% and 130% of this price respectively over the vesting period.

		2010		2009
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of financial year	7,787,100	2.78	12,290,900	2.84
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(1,179,400)	2.89	(4,503,800)	2.94
Lapsed	(936,200)	1.58	-	-
Balance at end of financial year	**5,671,500**	**2.96**	**7,787,100**	**2.78**
Exercisable	**2,200,000**	**2.94**	**1,377,400**	**2.48**

The weighted average share price for share options exercised in 2010 was nil (2009: nil).

The range of exercise prices at the end of the financial year is between A$0.65 and A$4.25 per share, with a weighted average remaining contractual life of 2.2 years.

(c) Superannuation plans

The Company makes contributions to complying accumulation type superannuation plans nominated by individual employees. The Company contributes at least the amount required by law. The amount recognised as an expense was US$1,176,000 for the financial year ended 31 December 2010 (2009: US$1,204,000).

(d) Employee benefits expensed

	2010 US$'000	2009 US$'000
Salaries and wages	14,740	12,895
Share-based payments	571	498
Other associated personnel costs	2,441	3,311
	17,752	**16,704**

Salaries and wages and other associated personnel costs are allocated to various income statement categories based on the nature of the expenditure.

Notes to the Consolidated Financial Statements

Note 25. Loss per Share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year, adjusted by the effects of dilutive options and share rights.

The following table reflects the share data used in the total operations' basic and diluted loss per share computations:

	2010 Number of Shares	2009 Number of Shares
Weighted average number of ordinary shares for basic loss per share	713,154,560	646,173,601
Effect of dilution:		
Share options/rights	-	-
Adjusted weighted average number of ordinary shares for diluted loss per share	713,154,560	646,173,601
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted loss per share	-	-
Weighted average number of shares that were not included in the calculation of loss per share as they are anti-dilutive	2,320,668	-

Note 26. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and in determining the allocation of resources.

The operating segments identified by management are based on each individual oil and gas field. Discrete pre-tax financial information about each of these fields is reported to the Chief Executive Officer on a monthly basis.

For the financial year ended 31 December 2010

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Exploration	Other	Total
Sales revenue	21,363	43,210	35,023	15,313	8,113	112,417	-	(11)	235,428
Production costs	29,621	11,674	5,126	1,378	3,164	16,727	-	18	67,708
Amortisation	6,189	9,987	9,191	3,258	1,467	46,826	-	3	76,921
Segment results(1)	(17,091)	21,549	20,262	10,003	2,327	32,101	-	(31)	69,120
Impairment/(write-back) of oil and gas assets	44,248	-	-	-	-	(36,638)	-	-	7,610
Capital expenditure incurred	1,405	-	(336)	(162)	(11)	27,640	25,630	-	54,166
Segment assets	2,106	50,374	44,236	9,765	5,147	150,303	4,867	16,693	283,491
Non-current restoration provision	26,618	7,440	3,521	2,092	9,318	9,662	-	-	58,651

(1) Total segment results ('trading profit') is reconciled to net profit before income tax on the Consolidated Statement of Comprehensive Income.

For the financial year ended 31 December 2009

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Exploration	Other	Total
Sales revenue	30,569	30,273	30,740	16,290	6,254	90,243	-	114	204,483
Production costs	31,505	9,567	3,400	1,602	3,226	15,616	-	19	64,935
Amortisation	15,744	9,740	11,362	5,208	3,285	45,616	-	4	90,959
Segment results(1)	(18,192)	10,966	17,001	9,499	(645)	16,690	-	91	35,410
Impairment/(write-back) of oil and gas assets	98,780	-	-	-	10,139	(26,764)	-	-	82,155
Capital expenditure incurred	40,859	-	294	(4)	284	22,307	8,524	-	72,264
Segment assets	22,352	59,610	54,243	14,650	3,211	108,782	16,129	-	278,977
Non-current restoration provision	24,516	6,985	3,902	1,649	6,500	-	-	-	43,552

(1) Total segment results ('trading profit') is reconciled to the loss before income tax on the Consolidated Statement of Comprehensive Income.

In assessing the segment performance on a monthly basis, the Executive Committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the Executive Committee views as directly attributing to the performance of the segment. These assets include cash, trade receivables, inventories and oil and gas assets.

During the financial year ended 31 December 2010, all oil and gas sales have been made to various international oil companies. For each segment, with the exception of Chinguetti, sales have been made to individual customers.

Reconciliation of segment operating assets to total assets:

	2010 US$'000	2009 US$'000
Segment operating assets	283,491	278,977
Cash assets	76,781	61,947
Receivables	18,976	8,381
Deferred tax assets	-	1,266
Property, plant and equipment	1,975	1,386
Stock overlift	3,125	2,264
Total assets per the Consolidated Statement of Financial Position	**384,348**	**354,221**

Notes to the Consolidated Financial Statements

Note 27. Related Party Disclosures

ROC and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are generally conducted on normal terms and conditions.

Details of related party transactions and amounts are set out in:

- Note 20 as to investments in controlled entities;
- Note 21 as to amounts owing to associate companies;
- Note 30 as to investments in associate companies; and
- Note 32 as to disclosures relating to Key Management Personnel.

Note 28. Commitments for Expenditure

	2010 US$'000	2009 US$'000
(a) Capital commitments		
Not longer than one year		
Joint ventures	11,870	20,257
Longer than one year but not longer than five years		
Joint ventures	-	11,458
	11,870	**31,715**
(b) Operating expenditure commitments		
Not longer than one year	3,356	11,762
Longer than one year but not longer than five years	5,680	6,260
Longer than five years	2,239	-
	11,275	**18,022**

Note 29. Joint Ventures

The Group has an interest (rounded to two decimal places) in the following joint ventures as at 31 December 2010:

Country	Block	Principal Activities	Interest 2010 %	Interest 2009 %
Australia	WA-286-P	Oil and gas exploration	-	37.50
	WA-31-L (Cliff Head)	Oil production	37.50	37.50
	WA-351-P	Oil and gas exploration	- (1)	20.00
	L14 (Jingemia)	Oil production	0.25	0.25
	VIC/L26; VIC/L27; VIC/L28 (BMG)	Oil production	30.00	30.00
	VIC/P49	Oil and gas exploration	-	20.00
New Zealand	PEP38259	Oil and gas exploration	15.00	15.00
	PEP38524	Oil and gas exploration	20.00	-
	PEP52181	Oil and gas exploration	50.00	-
Equatorial Guinea	Block H	Oil and gas exploration	37.50	37.50
Mauritania	Area A	Oil and gas exploration	4.16	4.16
	Area B (Chinguetti)	Oil and gas exploration/production	3.69/3.25(2)	3.69/3.25(2)
	Area C Block 2	Oil and gas exploration	5.49	5.49
	Area C Block 6	Oil and gas exploration	5.00	5.00
	Block 1	Oil and gas exploration	2.00	2.00
	Block 7	Oil and gas exploration	4.95	4.95
Mozambique Channel	Belo Profond (Madagascar)	Oil and gas exploration	75.00	75.00
	Juan de Nova Maritime Profond (France)	Oil and gas exploration	75.00	75.00
Angola	Cabinda South Block	Oil and gas exploration	10.00	10.00
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas pre-development	40.00/19.6(3)	40.00
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.58(4)	24.50/11.58(4)
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50(5)	15.24/12.50(5)
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00(5)	15.00/12.00(5)

Note:

(1) Sold subject to joint venture and government approval.

(2) Interest in producing Chinguetti Oil and Gas Field post-government back-in.

(3) Interest in field development post-government back-in.

(4) Unitised interest in the C4 Field.

(5) Unitised interest in producing Blane and Enoch Fields.

The Group's share of net working interest production from the above joint ventures during the financial year was 3,096,414 BOE (2009: 3,662,349 BOE).

The following amounts represent the Group's interest in assets and liabilities in the above joint venture operations. The amounts are included in the financial statements as follows:

Notes to the Consolidated Financial Statements

Note 29. Joint Ventures *continued*

	2010 US$'000	2009 US$'000
Current assets	4,179	5,364
Non-current assets	252,431	260,758
Total assets	**256,610**	**266,122**
Current liabilities	37,940	10,691
Non-current liabilities	58,651	43,552
Total liabilities	**96,591**	**54,243**

Exploration expenditure commitments and contingent liabilities in respect of joint venture operations are detailed in Note 28 and Note 33 respectively.

Note 30. Associate Companies

Details of investments in associate companies are as follows:

				Beneficial Interest in Ordinary Shares at 31 December		Book Value of Ordinary Shares at 31 December		Contribution to Consolidated Loss	
Name of Associate Company	Country of Incorporation	Principal activity	Balance Date	2010 %	2009 %	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Croft (UK) Limited	UK	Holding company	31 December	50	50	-	-	-	-
Croft Oil & Gas plc	UK	Holding company	31 December	50	50	-	-	-	-
Croft Exploration Limited	UK	Dormant	31 December	50	50	-	-	-	-
Croft Offshore Oil Limited	UK	Dormant	31 December	50	50	-	-	-	-

Note 31. Remuneration of Auditors

	2010 US$	2009 US$
Amounts due to and recoverable by the auditor of the parent entity:		
Audit and review of the financial report	292,098	338,052
Tax compliance and accounting advice	400,327	376,583
	692,425	714,635
Amounts due to related practices of Ernst & Young, Australia for:		
Audit and review of the financial report	34,586	53,442
	727,011	**768,077**

Ernst & Young, Australia was the auditor for the Company in 2010.

Note 32. Key Management Personnel Disclosures

(a) Details of Key Management Personnel

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Deputy Chairman (Non-Executive)
Mr B F Clement	Executive Director and Chief Executive Officer (resigned 29 October 2010)
Mr S J Jansma, Jr	Director (Non-Executive)
Mr R C A Leon	Director (Non-Executive)
Mr G D Mulligan	Director (Non-Executive) (appointed 7 September 2010)
Mr C C Hodge	Director (Non-Executive) (appointed 7 September 2010)
Mr A S Linn	Chief Operating Officer, Acting Chief Executive Officer (appointed 29 October 2010) and Chief Executive Officer (appointed 23 February 2011)
Mr J Mebberson	General Manager Exploration (resigned 12 November 2010)
Ms L Nolan	General Counsel and Company Secretary (appointed as General Counsel on 12 November 2010)
Mr R Morris	President, Roc Oil (China) Company
Mr A Neilson	Chief Financial Officer
Mr D Minns	General Counsel and Joint Company Secretary (appointed 7 April 2010, resigned 12 November 2010).

(b) Remuneration

(i) Remuneration policy

The Remuneration and Nomination Committee is responsible for determining and reviewing the appropriate level and structure of remuneration of the Senior Management Team. Executive remuneration is set at levels and structured to attract, motivate, reward and retain good performers to drive the business effectively. Further details of the Company's remuneration policy are set out in the Remuneration Report section of the Directors' Report.

The Company has a LTI and a Short Term Incentive Plan ('STI'). Under these plans, executives are issued performance rights to subscribe for ordinary shares in the Company at the discretion of the Directors and can be awarded cash bonuses under the STI. These plans provide an incentive to the Senior Management Team to achieve significant long term growth in the Company's share price. Previously, options were issued under the Executive Share Option Plan. This plan has now been discontinued. For details, refer to Note 24 and the Directors' Report.

(ii) Remuneration of Key Management Personnel

The aggregate of compensation of the Key Management Personnel of the Group is set out below:

	2010 US$	2009 US$
Short term employee benefits	3,841,342	4,614,362
Post-employment benefits	236,901	238,450
Share-based payments	290,729	85,098
Termination payments	741,449	151,319
	5,110,421	**5,089,229**

Remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs AUS 5.4 to AUS 25.7.2 are disclosed in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

Note 32. Key Management Personnel Disclosures *continued*

(c) Option/Right holdings

2010	1 Jan 2010 Balance at Beginning of Financial Year	Rights Granted as Remuneration	Options/Rights Exercised	Rights/Options Lapsed	31 Dec 2010 Balance at End of Financial Year	Vested at 31 Dec 2010	Exercisable at 31 Dec 2010
Mr B F Clement	680,000	-	-	(130,000)	550,000	550,000	225,000
Mr A S Linn	550,000	1,620,000	-	-	2,170,000	165,000	82,500
Mr A Neilson	370,000	520,000	-	-	890,000	171,000	85,500
Mr J Mebberson	330,000	-	-	(330,000)	-	-	-
Ms L Nolan	220,000	470,000	-	(40,000)	650,000	166,000	113,000
Mr R Morris	200,000	640,000	-	-	840,000	200,000	200,000
Mr D Minns	-	-	-	-	-	-	-
	2,350,000	**3,250,000**	**-**	**(500,000)**	**5,100,000**	**1,252,000**	**706,000**

2009	1 Jan 2009 Balance at Beginning of Financial Year	Executive Share Options Granted as Remuneration	Options Exercised	Options Lapsed	31 Dec 2009 Balance at End of Financial Year	Vested at 31 Dec 2009	Exercisable at 31 Dec 2009
Mr B F Clement	680,000	-	-	-	680,000	460,000	235,000
Mr D Paterson	450,000	-	-	(450,000)	-	-	-
Ms S Ford	622,600	-	-	(622,600)	-	-	-
Mr A S Linn	550,000	-	-	-	550,000	-	-
Mr J Mebberson	330,000	-	-	-	330,000	94,000	47,000
Mr R Morris	200,000	-	-	-	200,000	-	-
Mr A Neilson	370,000	-	-	-	370,000	60,000	30,000
	3,202,600	**-**	**-**	**(1,072,600)**	**2,130,000**	**614,000**	**312,000**

(d) Shareholdings

2010	1 Jan 2010 Balance at Beginning of Financial Year	Change on Exercise of Options/Rights	Net Change from On-Market Transactions	31 Dec 2010 Balance at End of Financial Year
Mr A J Love	589,521	-	-	589,521
Mr W G Jephcott	1,117,300	-	-	1,117,300
Mr B F Clement	181,126	-	100,000	281,126(1)
Mr S J Jansma, Jr	644,641	-	1,355,359	2,000,000
Mr R C A Leon	1,221,212	-	288,788	1,510,000
Mr G D Mulligan	-	-	25,000	25,000
Mr C C Hodge	-	-	50,000	50,000
Mr A S Linn	-	-	-	-
Mr J Mebberson	10,500	-	-	10,500(1)
Ms L Nolan	-	-	-	-
Mr R Morris	-	-	300,000	300,000
Mr A Neilson	5,000	-	6,500	11,500
Mr D Minns	-	-	-	-(1)
	3,769,300	**-**	**2,125,647**	**5,894,947**

(1) At date of resignation.

2009	1 Jan 2009 Balance at Beginning of Financial Year	Change on Exercise of Options/Rights	Net Change from On-Market Transactions	31 Dec 2009 Balance at End of Financial Year
Mr A J Love	561,353	–	28,168	589,521
Mr W G Jephcott	1,117,300	–	–	1,117,300
Mr B F Clement	160,000	–	21,126	181,126
Mr S J Jansma, Jr	644,641	–	–	644,641
Mr D Paterson	157,000	–	–	157,000(1)
Mr R C A Leon	1,221,212	–	–	1,221,212
Ms S Ford	–	–	–	–
Mr A S Linn	–	–	–	–
Mr J Mebberson	10,500	–	–	10,500
Mr A Neilson	5,000	–	–	5,000
Mr R Morris	–	–	–	–
	3,877,006	**–**	**49,294**	**3,926,300**

(1) As per the Director's Final Interest Notice.

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(e) Loans and other transactions

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

Notes to the Consolidated Financial Statements

Note 33. Contingent Liabilities

Under a sale and purchase agreement dated 29 December 1997, by which Roc Oil (GB) Limited acquired an interest in the Blane Oil Field (Block 30/3a), a royalty of 22% of the company's share of production from the field is payable. No royalty becomes payable on any oil produced from the field until the total cumulative production has reached 15 MMBBL (produced to date 13.9MMBBL) of oil and thereafter the royalty is due on the company's share of oil produced in excess of 2,000 BOPD (gross). The company is not yet liable to pay this royalty due to the contingent nature of production reaching the threshold rates in the future; however, the company has estimated a potential contingent liability of US$13.0 million at 31 December 2010 (2009: US$10.6 million).

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

Note 34. Subsequent Events

On 23 February 2011, Mr Alan Linn was appointed as Chief Executive Officer.

No other 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.

Note 35. Additional Company Information

The Company is a public company listed in Australia on the ASX and incorporated in Australia and operates in Australia and overseas.

The registered office and principal place of business is:

Level 18, 321 Kent Street
Sydney NSW 2000
Australia.

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 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b);

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2010.

On behalf of the Directors:

Mr A J Love
Chairman

Mr W G Jephcott
Deputy Chairman

Sydney, 24 February 2011

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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 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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.

Auditor's Opinion

In our opinion:

1. the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position at 31 December 2010 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Roc Oil Company Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner

Sydney, 24 February 2011

Additional Information

ROC RESERVES ANALYSIS (UNAUDITED)

Summary Proved and Probable Working Interest Reserves	MMBBL	BCF	Total MMBOE
Opening balance	13.9	0.2	13.9
Reserve revisions	5.4	(0.2)	5.4
Production	(3.1)	-	(3.1)
Closing balance	16.2	-	16.2

Analysis of Proved and Probable Reserves	MMBBL	BCF	Total MMBOE
Zhao Dong (C and D Fields)	5.7	–	5.7
Zhao Dong (C4 Field)	0.4	–	0.4
Beibu	4.7	-	4.7
Cliff Head	2.8	–	2.8
Chinguetti	0.2	–	0.2
Blane	1.8	–	1.8
Enoch	0.6	-	0.6
Closing balance	16.2	-	16.2

Note:
1 MMBOE = 6 BCF

In accordance with ASX Listing Rules, the reserves information in this report is based upon information compiled, reviewed and signed off by Mr Neil Seage, Bachelors of Engineering (Hons) and Arts; Master of Business Administration; Chief Reservoir Engineer, Roc Oil Company Limited. Mr Seage has at least five years' relevant experience within the sector and consents to the information in the form and context in which it appears.

ROC LICENCES AT 31 DECEMBER 2010 (UNAUDITED)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-31-L	Cliff Head	37.50	Roc Oil (WA) Pty Limited
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	VIC/L26, VIC/L27, VIC/L28	BMG	30.00	Roc Oil (VIC) Pty Limited
New Zealand	PEP38259		15.00	AWE (New Zealand) Pty Ltd
	PEP38524		20.00	AWE (New Zealand) Pty Ltd
	PEP52181		50.00	Roc Oil (Taranaki) Pty Limited
Equatorial Guinea	Block H		37.50	Roc Oil (Equatorial Guinea) Company (Technical Operator)
Mauritania	Area A	Banda	4.16	PC Mauritania I Pty Ltd
	Area B	Chinguetti, Tiof, Tiof West, Tevét	3.69/3.25[(1)]	PC Mauritania I Pty Ltd
	Area C Block 2		5.49	Tullow Mauritania Limited
	Area C Block 6		5.00	PC Mauritania I Pty Ltd
	Block 1		2.00	Dana Petroleum (E&P) Limited
	Block 7	Pelican	4.95	Dana Petroleum (E&P) Limited
Mozambique Channel	Belo Profond (Madagascar)		75.00	Roc Oil (Madagascar) Pty Limited
	Juan de Nova Maritime Profond (France)		75.00	Roc Oil Company Limited
Angola	Cabinda South Block		10.00	Pluspetrol Angola Corporation
China	Beibu Gulf Development Areas	WZ 6-12, WZ 12-8	40.00/19.6[(2)]	Roc Oil (China) Company/ CNOOC Limited
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58[(3)]	Roc Oil (Bohai) Company
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50[(4)]	Talisman Energy (UK) Limited
	P219 (Block 16/13a and e)	Enoch, J1	15.00/12.00[(4)]	Talisman North Sea Limited

Note:

(1) Interest in producing Chinguetti Oil and Gas Field post-government back-in.

(2) Interest in field development post-government back-in.

(3) Unitised interest in the C4 Field.

(4) Unitised interest in producing Blane and Enoch Fields.

Glossary and Definitions

A-IFRS	Australian equivalents to International Financial Reporting Standards.
API	The American Petroleum Institute unit of measurement that denotes how heavy or light (the gravity) a petroleum liquid is compared to water - the lower the API number the heavier the oil.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
AUD/A$ or cents	Australian currency.
BBL(s)	Barrel(s), oil barrel is equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
BMG	Basker-Manta-Gummy
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.
FPSO	Floating production and storage and offloading vessel.
Group	Parent entity and its subsidiaries.
GST	Goods and services tax.
MM	Millions.
MMBBL	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
MMSCFD	One million standard cubic feet of natural gas per day.
NGL	Natural gas liquid.
probable reserves	Probable reserves are less certain than proved reserves and can be estimated with a degree of certainty sufficient to indicate they are more likely to be recovered than not. Note that probable reserves have not been risked.
proved reserves	Proved reserves can be estimated with reasonable certainty to be recoverable under current economic conditions. Current economic conditions include prices and costs prevailing at the time of the estimate. Proved reserves may be developed or undeveloped.
PRRT	Petroleum Resource Rent Tax.
PSC	Production Sharing Contract.
ROC	Roc Oil Company Limited.
UK	United Kingdom.
USD/US$ or cents	United States currency.
2D	Two dimensional.
3D	Three dimensional.
2P	Proved and probable reserves.