

# QUARTERLY ACTIVITY REPORT



## ACTIVITIES FOR THE FIRST QUARTER ENDING 31 MARCH 2014

### HIGHLIGHTS

- ROC and Horizon Oil Limited have today announced an all scrip proposed merger of equals
- Production 7,933 BOEPD
- Divested entire 50% interest in BMG, net profit on sale of ~US\$32 million (before and after tax)
- Awarded PSC for shallow water Block M07 in the Moattama basin, offshore Myanmar
- Balai Cluster Field Development Plan approved for the Bentara field
- Subsequent to Quarter end, announced the completion of a farm-in to a Malaysian PSC which includes three producing offshore fields D35, D21 and J4

### CEO COMMENTS

ROC has delivered a very positive first Quarter, completing a number of its strategic objectives, in addition to delivering a safe, productive and profitable first Quarter. Key deliverables included the divestment of our full interest in the BMG assets; the award of Block M07, offshore Myanmar and the Field Development Plan (FDP) approval for the Bentara field. Subsequent to the end of the Quarter, ROC was also able to announce the farm-in to a Production Sharing Contract (PSC) for three producing fields (D35, D21 and J4) with redevelopment potential, offshore Malaysia.

Overall production in the Quarter was 7,933 BOEPD a decrease of 10% to production in 4Q13. The decrease is mainly attributed to lower production from Zhao Dong and Beibu through natural decline and Blane oil production following host platform downtime.

Core assets continue to produce reliably, providing strong cash flow from operations, and underpinning the business' capacity to fund value growth projects.

Work on our 09/05 exploration licence, offshore Bohai Bay, is progressing ahead of schedule, with planning and procurement for the exploration drilling programme in 2H14 underway.

In March BC Petroleum (BCP) received FDP approval from PETRONAS for the development of the Bentara oil field within the Balai Cluster.

Subsequent to the end of the first Quarter ROC also concluded a farm-in to a Malaysian PSC which includes three producing fields (D35, D21 and J4). The offshore fields are an excellent fit for our business and fully aligned with our regional development strategy. The fields will become cornerstone development assets within our growth portfolio and contain material in place oil and gas volumes. The overall field recovery is expected to benefit significantly from the introduction of secondary and tertiary recovery technologies. The fields provide a portfolio of immediately bookable reserves plus contingent and prospective resources, and materially add to and extend the production life ROC's reserves and resources inventory.

We continue to pursue business development opportunities in Myanmar. As announced in March, ROC was notified by the Myanmar Ministry of Energy (MOE) of the successful award of a PSC for shallow

water Block M07 in the Moattama basin. M07 plays to our core capabilities in offshore shallow water exploration and development, and offers the potential for exploration led growth close to producing fields and existing infrastructure.

In line with our strategy to progressively increase our business focus in South East Asia and China we have recently finalised our exit from non-core assets, including Block H Equatorial Guinea and the BMG fields in Bass Strait. The sale of the BMG asset generated a profit of ~US\$32 million; released personnel for new projects and mitigated a significant future abandonment obligation.

ROC's continuing focus on HSEC and asset integrity performance has helped produce another Quarter with no significant process or personnel safety incidents.

**Alan Linn**  
CEO and Executive Director

### PROPOSED MERGER WITH HORIZON OIL

ROC and Horizon Oil Limited have today announced an all scrip proposed merger of equals. For further details regarding the proposed merger, please refer to our ASX announcement earlier today.

### FINANCIAL SUMMARY

- Total working interest production for 1Q14 of 0.714 MMBOE (7,933 BOEPD); down 12% compared to 0.815 MMBOE (8,853 BOEPD) in 4Q13 mainly attributed to a decrease in production from Beibu, Zhao Dong due to natural decline and Blane oil production from downtime at host platform.
- Of the total working interest production in the Quarter 0.04 MMBBL (6%) was delivered to host governments (4Q13: 0.07 MMBBL).
- The decrease in production was offset by a movement in crude stock position and overlift positions from the previous Quarter, which resulted in the sales volumes of 0.713 MMBOE; up 9% compared to 4Q13 (0.657 MMBOE).
- Total sales revenue of US\$75.4 million up 9%; compared to US\$69.0 million in 4Q13.
- Average realised oil price of US\$105.62/BBL, in line with 4Q13. Brent averaged \$108.21/bbl for 1Q14.

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- At 31 March 2014 ROC had net cash of US\$88.1 million (4Q13: US\$65.1 million) with undrawn debt facilities of US\$80.0 million.
- Exploration and development expenditure was US\$3.9 million (4Q13: US\$11.8m) plus additional BCP equity funding of US\$2.9 million (4Q13: US\$5.3m).

## Production

Oil Production (working interest; BBL)	1Q2014	4Q 2013	YTD 2014	% Change (4Q13 to 1Q14)
Beibu	235,144	267,188	235,144	(12%)
Blane	49,333	81,204	49,333	(39%)
Cliff Head	85,084	89,373	85,084	(5%)
Enoch	-	-	-	N/A
Zhao Dong	342,237	373,188	342,237	(8%)
<b>Total Oil Production</b>	<b>711,798</b>	<b>810,953</b>	<b>711,798</b>	<b>(12%)</b>
Blane (NGL Production)	2,131	3,554	2,131	(40%)
<b>Total Production (BOE)</b>	<b>713,929</b>	<b>814,507</b>	<b>713,929</b>	<b>(12%)</b>
<b>Average Rate (BOEPD)</b>	<b>7,933</b>	<b>8,853</b>	<b>7,933</b>	<b>(10%)</b>

## Summary of oil sales

	1Q 2014		4Q 2013		YTD 2014	
	BBL	US\$'000	BBL	US\$'000	BBL	US\$'000
Beibu	219,567	23,245	86,737	9,379	219,567	23,245
Blane	90,609	9,930	-	(33)	90,609	9,930
Cliff Head	86,360	9,363	249,487	26,074	86,360	9,363
Enoch	-	-	-	-	-	-
Zhao Dong	316,916	32,818	321,126	33,533	316,916	32,818
<b>Total Oil Sales</b>	<b>713,452</b>	<b>75,356</b>	<b>657,350</b>	<b>68,953</b>	<b>713,452</b>	<b>75,356</b>
Blane (NGL's)	-	-	-	-	-	-
<b>Total Sales (BOE)</b>	<b>713,452</b>	<b>75,356</b>	<b>657,350</b>	<b>68,953</b>	<b>713,452</b>	<b>75,356</b>

## Exploration and development expenditure incurred

	1Q 2014 US\$'000	4Q 2013 US\$'000	YTD 2014 US\$'000
<b>Exploration</b>			
China	55	(3,629) <sup>(1)</sup>	55
Other (includes New Ventures)	640	2,628	640
<b>Total Exploration</b>	<b>695</b>	<b>(1,001)</b>	<b>695</b>
<b>Development</b>			
Zhao Dong	3,137	12,868	3,137
Beibu	79	(44)	79
<b>Total Development</b>	<b>3,216</b>	<b>12,824</b>	<b>3,216</b>
<b>Total Exploration &amp; Development</b>	<b>3,911</b>	<b>11,823</b>	<b>3,911</b>

Note 1: Included in exploration incurred is US\$5.2 million which Horizon Oil Limited has paid ROC for past costs pursuant to the Block 09/05 farm out option agreement. See ASX release issued on 10 October 2013 – "Completion of 09/05 3D Seismic and Licence Farmdown Option" for further details.

# QUARTERLY ACTIVITY REPORT



## PRODUCTION

### Beibu Gulf, offshore China (ROC: 19.6%)

Gross oil production averaged 13,330 BOPD (ROC: 2,613 BOPD) down 10% from the previous Quarter due to natural field decline. Performance is being assessed so appropriate reservoir management can be used to stabilise production. Five wells remain on natural flow.

### Zhao Dong Oil Fields, Bohai Bay, offshore China (C & D Oil Fields ROC: 24.5% & Operator, C4 Oil Field ROC: 11.667% unitised & Operator, Zhenghai ROC: 39.2% & Operator)

Gross oil production averaged 16,492 BOPD (ROC: 3,803 BOPD); down 6% from 4Q13. The lower production figure is the result of natural decline during the planned winter shutdown of drilling activities. Production rates will improve following the resumption of drilling and workover activity.

### D35/D21/J4, Offshore Malaysia (ROC: 50% & Project Development Manager)

Subsequent to Quarter end, ROC announced the farm-in to a PSC which includes three fields D35, D21 and J4. The transaction is effective from 1 January 2014, with production to be reported from 2Q14. The value of revenue less costs and taxes in 1Q14 will be represented as a working capital adjustment and form part of the completion accounts currently being finalised and expected to be reflected in the 1H14 accounts.

### Cliff Head Oil Field, WA-31-L, Offshore Western Australia (ROC: 42.5% & Operator)

Gross oil production averaged 2,224 BOPD (ROC: 945 BOPD); down 3% from the previous Quarter. Cliff Head continues to perform in line with expectations.

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

Gross oil production averaged 4,385 BOPD (ROC: 548 BOPD); down 38% from the previous Quarter following downtime on the Ula platform caused by unavailability of compression during part of January and repair to storm damage in February. Production was in line with expectations in March.

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

Restoration works were completed on Enoch. Poor weather delayed rig demobilisation which was completed in January. Production is expected to resume during 2Q14.

## DEVELOPMENT

### Basker-Manta-Gummy (BMG) Oil and Gas Fields (ROC 50% and operator)

On 31 March ROC announced that it signed a Sale and Purchase Agreement to sell its entire 50% participating interest in the BMG field to Cooper Energy Limited (ASX: COE).

Upon completion, ROC will receive an upfront cash consideration of A\$1 million (subject to working capital adjustments) and a A\$5 million contingent

consideration, subject to first hydrocarbons from a commercial development.

The sale of the interest includes the transfer of all remaining ROC BMG liabilities and operatorship to COE, resulting in a reversal of ROC's full abandonment obligation, resulting in an after tax profit of ~US\$32 million (subject to working capital adjustment).

The sale is effective 1 January 2014 and is subject to regulatory approval.

## EXPLORATION AND APPRAISAL

### Block 09/05, Bohai Bay, offshore China (ROC: 100% & Operator)

Seismic processing of the 3D data is completed and interpretation is progressing well. Planning for exploration drilling programme in the 2H14 is underway, pre-permitting and procurement of long lead items progressing with rig tender processes underway.

### Balai Cluster Risk Service Contract (RSC), offshore Sarawak, Malaysia (ROC: 48%)

BCP, the 48% owned company incorporated to operate and manage the Balai Cluster Risk Service Contract (RSC), has received approval of the FDP from PETRONAS for the initial phase in the development of the Bentara Oil Field within the Balai Cluster.

### Equatorial Guinea (ROC: 20%)

The Minister of Mines, Industry and Energy of Equatorial Guinea has not extended the Block H permit; consequently the PSC expired on 2 February 2014.

## Myanmar

In March ROC was notified by the Myanmar Ministry of Energy (MOE) of the successful award of a PSC for shallow water Block M07 in the Moattama basin, offshore Myanmar.

The PSC award is subject to finalisation of terms with the MOE and ROC Board approval. ROC will hold a 59.375% interest and operate the licence on behalf of the Joint Venture (JV) Participants.

The block award includes a provision for the JV to undertake an 18 month Environmental Impact Assessment and Study Period, following which it has an option to proceed into a three year exploration work programme.

This approximately 13,000 square kilometre Block is located in shallow water depths of between 15-50 meters in the gas and condensate prone Moattama basin, offshore Myanmar at the mouth of the Irrawaddy delta. The Block is 160 kilometres East of the 6.5 Tcf Yadana gas field and 110 kilometres North East of the 1.5 Tcf Zawtika gas field.

The Moattama basin is Myanmar's most prolific offshore hydrocarbon province, with existing production from two offshore fields and a third field close to production commencement. Production is typically from stacked Miocene clastic reservoirs.

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ROC continues to actively pursue attractive farm-in opportunities for onshore acreage near to existing infrastructure. Entry into Myanmar remains aligned with ROC's wider strategic objective to identify and secure material exploration, appraisal and field re-development opportunities in established petroleum provinces across South East Asia.

## CORPORATE

ROC will hold its Annual General Meeting on Tuesday 27 May 2014 at the Australian National Maritime Museum, 2 Murray Street, Darling Harbour, Sydney at 11:00am. A recording of the AGM will be available on ROC website at [www.rocoil.com.au](http://www.rocoil.com.au)

## DEFINITIONS

BBL(S)	barrel(s)
BCP	BC Petroleum Sdn Bhd
BOE	barrels of oil equivalent (6 MSCF = 1 BOE)
BOPD	barrels of oil per day
BOEPD	barrels of oil equivalent per day
CNOOC	China National Offshore Oil Company Ltd
EPV	Early Production Vessel
EWT	Extended Well Tests
FDP	Field Development Plan
FID	Final Investment Decision
HSEC	Health, Safety, Environment, Communities
LTI	lost time injury
MMBBL	million barrels
MMBOE	million of barrels of oil equivalent
NGL	natural gas liquids
NPP	non-production phase
PSC	Production Sharing Contracts
PUQB	Processing, Utility and Quarters
Quarter	the period 1 January to 31 March 2014
ROC	Roc Oil Company Limited and includes, where the context requires, its subsidiaries
RSC	Risk Service Contract
YTD	year to date

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*In accordance with ASX Listing Rules, the information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Bill Billingsley (Chief Reservoir Engineer and a full time employee of ROC). Mr Billingsley BSc (Chem) MSc (Petroleum Engineering) DIC (Imperial College) is a member of the Society of Petroleum Engineers and has more than 18 years relevant experience within the petroleum industry. The reserves and resources information in this presentation has been issued with the prior written consent of Mr Billingsley in the form and context in which it appears.*

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## FURTHER INFORMATION

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