



160

Annual Report 2009



where
are
our
160
people
based
?

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annual reports
are full of stats:
our single most
important is the
number **160.**

This is the number of ROC employees and every one is important. Our people drive the Company: they are our competitive advantage; our strength. ROC believes that an important key to success is a strong corporate culture. Elements of our corporate culture include a no-nonsense, high energy and proactive approach. ROC is an open working environment where our people are valued and their achievements recognised.



our people
ensured
ROC largely
achieved
its goals
in 2009

Andrew Love
Chairman

Chairman's report



Last year, your Board and management laid out a clear plan to rebuild value for shareholders by improving elements of ROC's existing business, maximising production, rebalancing the asset portfolio and exercising disciplined financial management.

Despite very difficult market and economic conditions, the Company made good progress on each of its objectives. The market acknowledged ROC's progress with the share price outperforming the ASX 200, ASX Energy and ASX Small-Cap Resources indices in 2009.

Production was within guidance at 10,034 BOEPD. Through raising equity of US\$77 million and repaying US\$120 million of debt, the Company closed the year with an US\$18 million net cash position. The Angolan acreage was farmed down and ROC sold 10% of the Basker Manta Gummy ('BMG') project. Workovers at the Cliff Head oil field and development drilling at Zhao Dong enhanced the production performance from both assets. Development and exploration expenditures were kept well below US\$100 million.

Having made such good progress, it was both extremely disappointing and frustrating to announce the material downgrade of 2P Reserves for BMG in February 2010 and the associated non-cash asset impairment charge, which, of course, have had a negative impact on ROC's share price.

While it is important to understand the background to this set back and our response to it, shareholders should not overlook the rest of ROC's production,

development and exploration assets and the fact that the Company is in a much improved financial position compared to the start of 2009.

In relation to the BMG project, there are a number of issues to note. During the year, ROC undertook a complex workover and drilling programme, which commenced in June 2009 and was completed in September 2009. The Company also completed an integrated reservoir simulation model. Construction of the model commenced in October 2009 and delivered the first realisation of the field in February 2010. It was only following this detailed work that the Remaining 2P Reserve position became clear. Unfortunately, the initial results of the work show that due to a more complex sequence of oil reservoirs and changes in operating costs within the current economic climate, the production rate for the field is estimated to decline to an economic threshold rate of approximately 3,000 BOPD within two to three years.

In response to this very disappointing outcome, a number of initiatives have been taken:

- the Board has commissioned an independent review of the reserve position by Resource Investment Strategy Consultants ('RISC') to verify the accuracy of ROC's internal modelling;
- an externally resourced team is reviewing the technical and business risk management processes ROC utilises to assess and manage the BMG asset; and
- an internally dedicated team has been established to assess all options for extracting value from the BMG project.

Importantly, even before the BMG reserve downgrade, the Board had already been taking steps to strengthen the Company's executive and technical teams, as well as the Board's own composition.

A particular focus has been to enhance internal skill-sets that address our strategic endeavours in offshore operations, existing asset commercialisation opportunities and risk management processes. The recruitment of an additional Director with oil and gas industry expertise is also a priority.

Notwithstanding the recent challenges presented by BMG, ROC remains a business with an attractive portfolio of income producing assets.

The strategy that proved successful in 2009 will continue to be implemented during 2010: to focus on delivery of the operating budget; to exploit existing reserves; to pursue growth opportunities; to increase exploration activity; and to rebalance the asset portfolio.

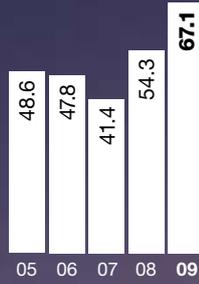
Your Board is confident that this present strategy will yield opportunities and deliver performance to ensure growth beyond 2012.

The Company has commenced a comprehensive re-appraisal of the business plan with regard to business processes, operating assets and development and exploration activities. The aim is to better prioritise future activities and opportunities open to ROC.

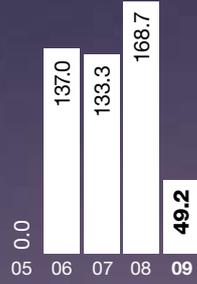
I look forward to updating shareholders on the progress of these activities over the coming year.

what were our key achievements this year ?

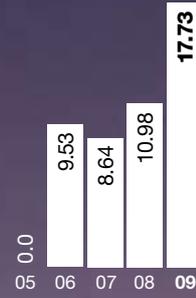




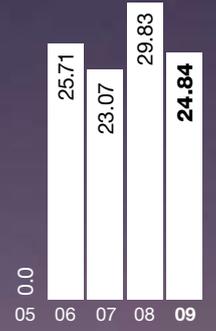
Cash position (US\$m)



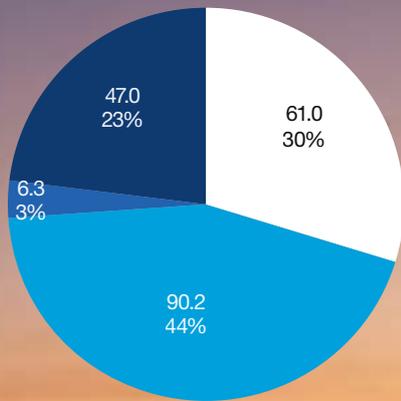
Total debt position (US\$m)



Production costs (US\$/BOE)

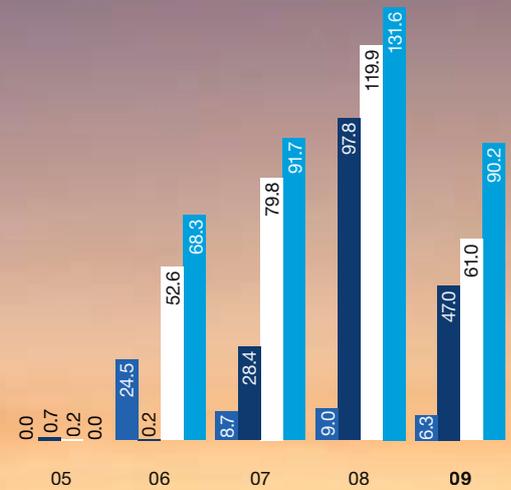


Amortisation costs (US\$/BOE)



2009 revenue – by region (US\$m)

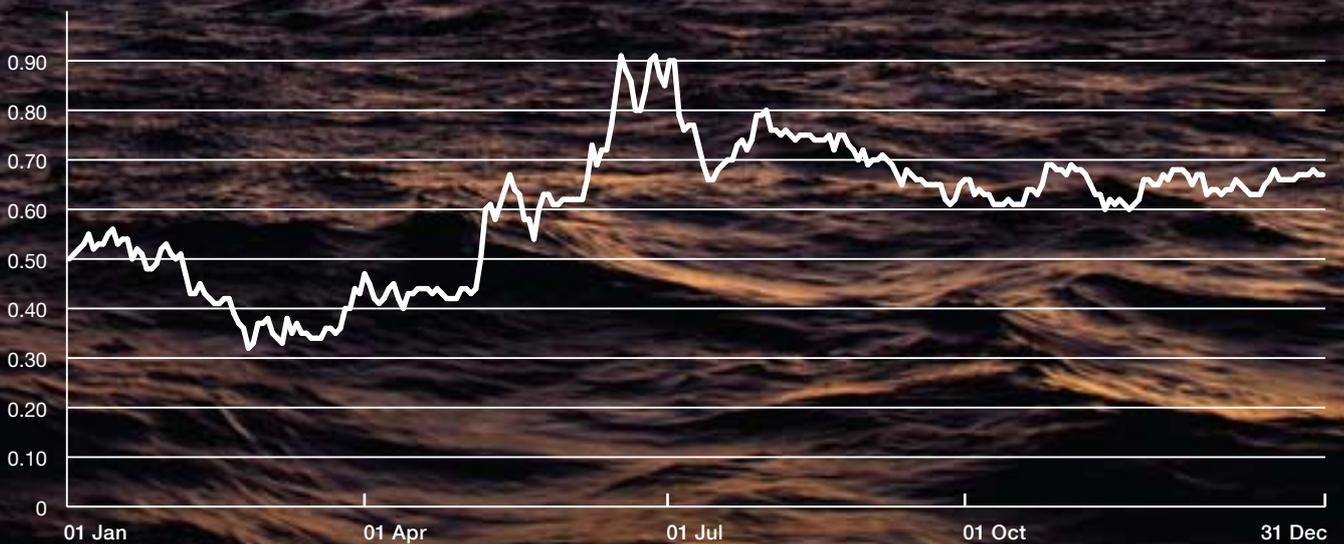
■ Australia ■ China ■ Africa ■ UK



2005–2009 revenue – by region (US\$m)

■ Australia ■ China ■ Africa ■ UK

Share Price 2009 (A\$)



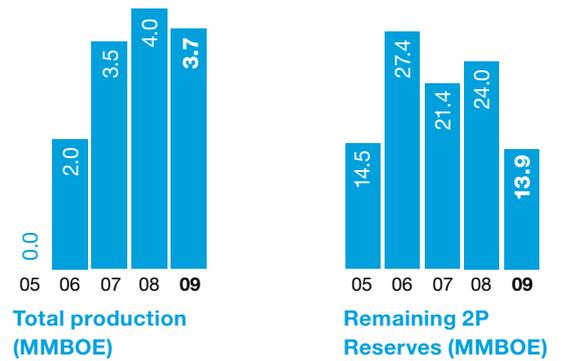


i am just one of 160

Bruce Clement
Chief Executive Officer

During 2009, the Company delivered a good operating performance, meeting our production and expenditure budgets with excellent health, safety, environment and community ('HSEC') results. The Company also successfully implemented a number of corporate and strategic initiatives in a difficult financial environment which, in conjunction with our operating performance, placed ROC in a sound position moving into 2010. Unfortunately, the reserve downgrade at the BMG project in February 2010 overshadowed this performance and led to a significant reduction in the share price. While disappointed with the BMG result, management and the entire ROC team continue to focus on strengthening the Company and improving share price performance.

CEO's report



During 2009, ROC restructured its asset base, reducing both exploration and development expenditure commitments for the year. The Company reduced its participation in the Cabinda Onshore South Block in Angola to a 10% working interest, with a free-carry for expenditure in 2009, and sold 10% of its interest in the BMG project for US\$32.3 million. ROC also raised US\$76.6 million of equity through a successful share placement and share purchase plan. These funds were primarily applied to debt reduction and to fund ongoing development activities.

Importantly at the end of 2009, the Company had significantly strengthened its funding position and held a cash balance of US\$17.9 million with a balanced production base from seven producing fields, forecast to deliver between 8,000 BOEPD and 9,000 BOEPD in 2010.

ROC remained active in exploration, development and production operations in 2009 with tightly managed budgets across the business. The Company delivered 10,034 BOEPD of production during the year, in line with guidance, and achieved an operating cash flow of US\$98 million from an average oil sales price of US\$57 per barrel. While reporting a net loss of US\$115.4 million, ROC recorded a normalised profit of US\$3.7 million despite the lower oil price environment and after adjustment for the BMG asset impairment and other significant items.

As an operator, ROC continued its excellent HSEC performance in 2009. Core business values include ensuring: high personal safety standards; strong technical and operational integrity; minimisation of our environmental footprint; and continuation of our reputation as a good neighbour. The ROC team is proud of its performance in each of these key areas over a sustained period. In 2009, our Lost Time Injury Frequency Rate ('LTIFR') of 0.4 per million man-hours worked continued to be well below industry average and the Company experienced no significant environmental incidents, while operating internationally both onshore and offshore. This annual report includes a sustainability section for the first time to inform shareholders of the Company's non-financial performance and reiterate our commitment to these important elements of our business.

ROC's China operations produced further positive results in 2009. At Zhao Dong, the final element of the new production facilities was installed and the development drilling for the year was completed under budget and within schedule. The total fluid handling capacity for Zhao Dong almost doubled following commissioning of the new production facilities and production from the Zhao Dong fields achieved over 25,000 BOPD at the end of 3Q 2009. On the Beibu Gulf project, the ROC-operated joint venture in partnership with CNOOC successfully completed the technical section of the Overall Development Plan ('ODP').

The project plans to utilise existing CNOOC facilities to host production and this will substantially reduce development costs. At the end of 2009, ROC and CNOOC were completing negotiations on commercial terms for the development, prior to anticipated final approvals by CNOOC and the Chinese Government.

Whilst extremely disappointed with the BMG reserves downgrade and its impact on reported results and the share price, the Board and management remain focused on the Company's stated strategy. ROC will continue to exploit its existing asset base and to seek growth opportunities through our technical and operating capabilities and our established relationships within the industry. Disciplined financial and operational risk management will remain a paramount goal for the Company. Operational performances at Zhao Dong and Cliff Head in 2009, progress on Beibu Gulf project approvals and the recent exploration discovery in Angola all provide the Company with significant positive momentum as the Company moves into 2010.

Executive management team



Bruce Clement – Chief Executive Officer ('CEO') and Executive Director

Bruce was appointed CEO in September 2008. Since joining ROC in 1997, Bruce has held the positions of Chief Operating Officer, Chief Financial Officer, Company Secretary and Commercial Manager. He has 30 years oil and gas industry experience, and has held engineering, project management, commercial and management roles with Exxon and Ampolex.

Alan Linn – Chief Operating Officer ('COO')

Alan was appointed COO in October 2008, having joined ROC in January 2008 as the African Asset Manager. Alan has 29 years of international oil and gas industry experience in operational and joint venture management positions. Alan spent 15 years with Exxon in both downstream and upstream assignments in the UK and USA, before moving to the independent exploration and production sector working for LASMO, Cairn Energy, Tullow and African Arabian Petroleum in senior operational and business management roles.



John Mebberson – General Manager, Exploration

John was appointed General Manager, Exploration in May 2007 and is responsible for exploration and geoscience activities. Since joining ROC in 1998 as a consultant, John has held several technical and management positions including Regional Manager, Australia and Asia. He has over 35 years of oil and gas industry experience, having held geological and management positions at Esso Australia between 1970 and 1992 and as an industry consultant in Australia and Asia.



Ron Morris – President, Roc Oil (Bohai) Company

Ron was appointed President, Roc Oil (Bohai) Company in August 2009, having joined ROC in September 2008 as General Manager, Beibu Operations. He has over 30 years of international oil and gas industry experience (eight of which have been in China) as a petroleum engineer and in executive management positions with Chevron Texaco, OriOx Energy Associates and Momentum Energy. Ron has extensive operational experience, both with new developments and existing fields. He is based in Beijing.



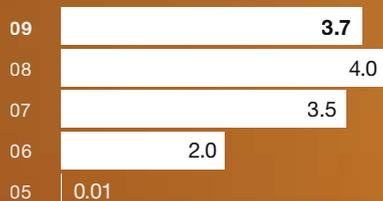
Anthony Neilson – Chief Financial Officer ('CFO')

Anthony was appointed CFO in May 2007. Prior to joining ROC as CFO, Anthony held senior finance management roles in Caltex Australia for five years and has over 15 years experience in accounting and finance.

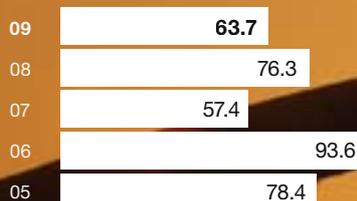
how did our operations do this year?

In summary –

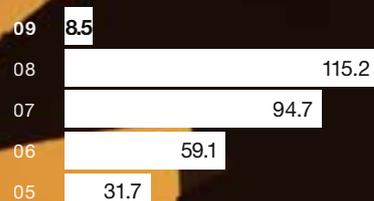
Operationally, 2009 was a year in which ROC achieved its production target, producing 10,034 BOEPD, and managed its operating, development and exploration expenditures within tight budget controls. The Company restructured its asset portfolio, moving the exploration focus from Africa to Australia and Asia, and significantly reduced its exploration expenditure in a challenging financial and industry environment. Workover and development drilling programmes were successfully delivered at BMG, Zhao Dong and Cliff Head in a year during which the Company's excellent HSEC record continued. Despite the disappointing performance of the BMG project and the reserves downgrade in February 2010, the exploration success in Angola with the Castanha-1 well, and the improved production performance from Zhao Dong and Cliff Head have provided a positive start to 2010.



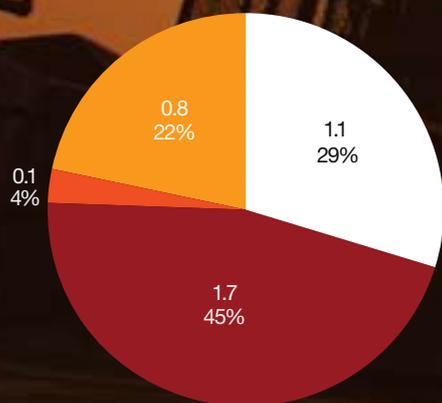
Production – five-year summary (MMBOE)



Development expenditure – five-year summary (US\$m)

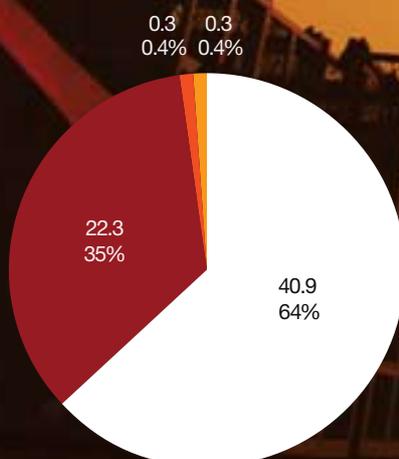


Exploration expenditure – five-year summary (US\$m)



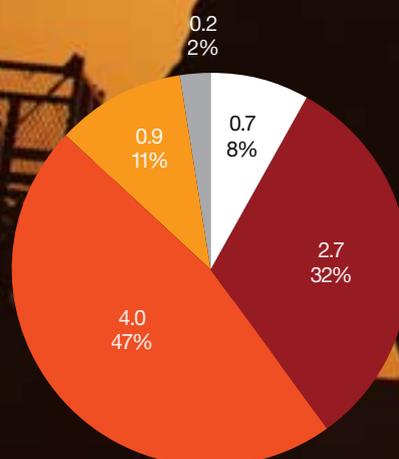
2009 production – by region (MMBOE)

■ Australia ■ China ■ Africa ■ UK



2009 development expenditure – by region (US\$m)

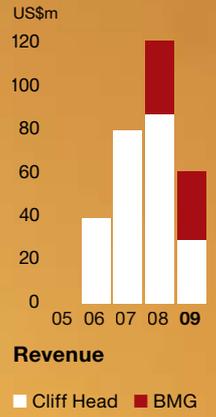
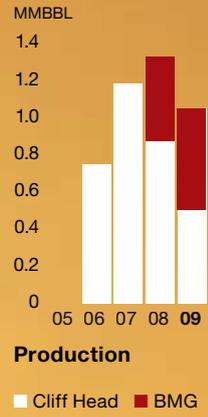
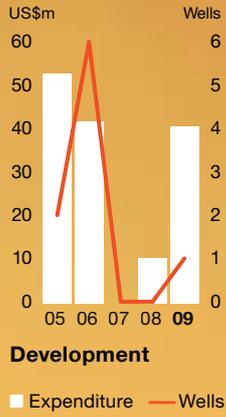
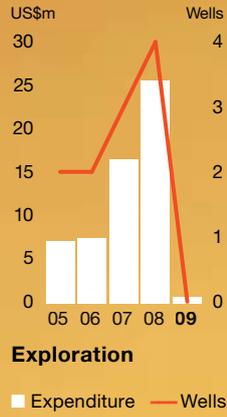
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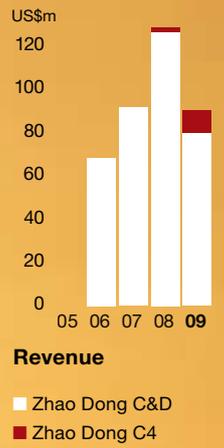
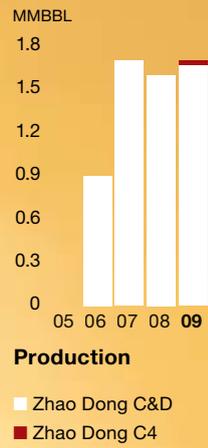
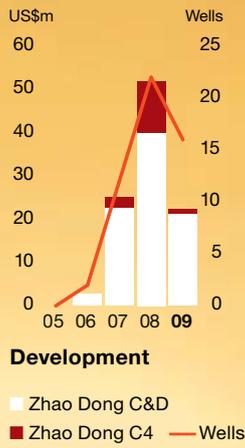
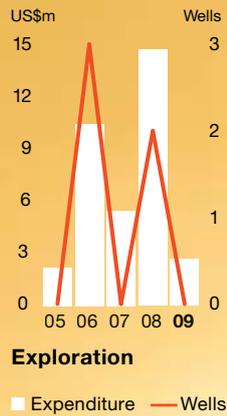
2009 exploration expenditure – by region (US\$m)

■ Australia ■ China ■ Africa ■ Other ■ New Zealand

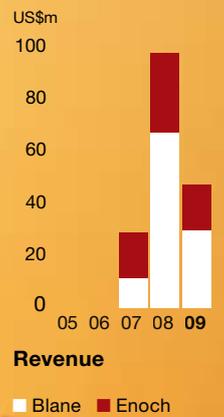
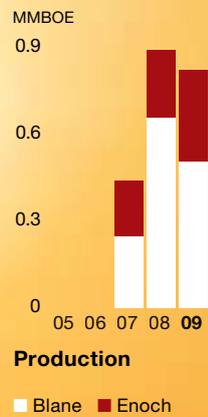
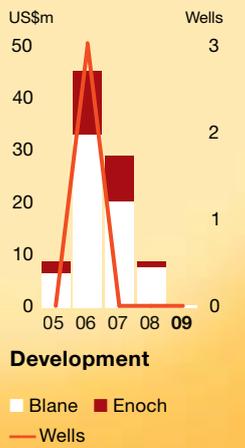
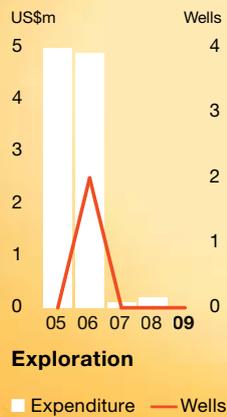
Australia



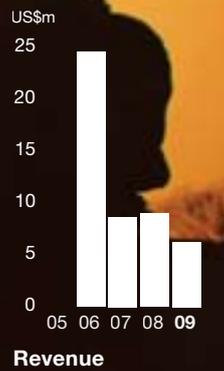
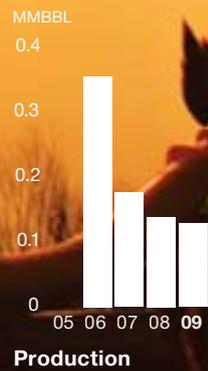
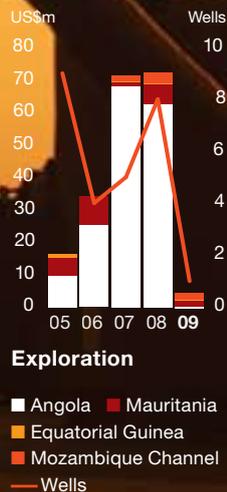
China



UK



Africa



Operational review

Australasia production

BMG

During 2009, the BMG team worked on maintaining production operations whilst completing the implementation of the Phase-1 oil development. Total production for the year from BMG was 1.4 MMBBL. This was significantly below the 2009 budget forecast, due to a number of factors including: increased weather downtime; production interruptions during drilling operations; the FPSO dry docking for inspection and maintenance; and poorer than forecast reservoir performance.

Between July 2009 and September 2009, a development drilling and workover programme was undertaken with the successful drilling and completion of the Basker 7 (B-7) well and the workover and recompletion of the Basker 3 (B-3) well, within schedule and under budget. Both wells were completed with multi-zone selective completions to optimise production and reservoir performance by providing the capability to selectively produce from individual reservoir horizons.

In September 2009, the Crystal Ocean FPSO and the Basker Spirit shuttle tanker departed the field for planned maintenance, installation of a new flare gas compressor and vessel inspection programme. The dry dock work was concluded in late November 2009 and the vessels returned to the field to resume normal production operations and to complete well testing programmes on the B-7 and B-3 wells.

During the year, the BMG subsurface team worked to develop a new, fully integrated reservoir and facility model for the Basker and Manta fields. Well data from the 2009 drilling and workover programme was incorporated into the model, together with historical data from the earlier field development. Following history matching of reservoir performance and model validation, preliminary results from the simulation model became available in February 2010. The results indicated that the combination of poorer than expected well and reservoir performance, limited

facility capacity with higher water and gas production and an increase in operating costs were combining to severely limit the economic oil recovery available from the fields. Based on these results, the Company decided to write down the remaining recoverable reserves for the fields to 3.0 MMBBL at year end 2009 and consequently write down the carrying value of the BMG asset.

Whilst extremely disappointed with the BMG results, ROC believes that the staged development and investment plan for the project has been the correct approach. During 2010, the BMG team will continue to optimise production from the fields and evaluate development opportunities to exploit the oil, gas and condensate resources in the BMG fields.

Cliff Head

The ROC-developed and operated facility at Cliff Head has been producing oil since May 2006 and the operation has been without significant safety or environmental incident since start-up. The field produced a total of 1.4 MMBBL in 2009 and continues to deliver in line with reserve expectations.

A number of operational improvements were implemented in 2009 to enhance field productivity. Two well workovers, designed to replace the existing downhole pump units with higher capacity units, were completed successfully. The results from the workovers have been extremely encouraging and ROC is evaluating further opportunities to undertake similar workovers during 2010.

Cliff Head is now a mature production asset and during 2009 a comprehensive package of survey and inspection work was undertaken, without the need for a facility shutdown, designed to assess the overall integrity of the production facilities. The work is part of ROC's ongoing focus on facility integrity management across the business.





**Cliff Head
has been
producing oil
since 2006
and has
been without
significant
safety or
environmental
incident**

Australasia exploration

2009 was a year of consolidation and optimisation for the ROC exploration team and the exploration portfolio was extensively revised, moving the focus from Africa to Asia and Australasia.

Australia and New Zealand remain a prime exploration focus for ROC, with continued exploration effort in the North Perth and Carnarvon Basins, and near-field opportunity assessment continuing around Cliff Head and BMG. Our New Zealand focus will increase in 2010, with several assets expected to be added to the existing Canterbury Basin equity.

Perth Basin

The prospectivity of WA-286-P was evaluated in conjunction with a work programme proposal for the second renewal of the permit, which requires 50% relinquishment. The Permian reservoir play fairway in the eastern part of the permit, which was successful at the Cliff Head oil field, will be further assessed during 2010 and the Yungarra prospect (mean reserve oil potential of

12 MMBBL) is a possible drilling candidate in 2011. Further evaluation of the Diana 3D survey will be undertaken, including a Pre-Stack Depth Migration project in the vicinity of the Frankland gas discovery made in 2007.

Reprocessing of vintage 2D seismic in the WA-31-L licence in 2010 could identify additional structures in the vicinity of the Cliff Head oil field for possible future drilling.

On the basis of a prospectivity review in 2009, ROC resigned as operator of both WA-381-P and WA-382-P and has given notice of its intention to withdraw from these permits during 2010.

Carnarvon Basin

Interpretation of the Aragon 3D seismic survey in WA-351-P was completed in 2009 and a leads and prospects inventory compiled. The joint venture will complete the technical assessment of the permit and determine the 50% relinquishment pattern during 2010. The permit is considered to hold the potential for gas and condensate prospects in Triassic and Jurassic aged reservoirs, which are generally in the 600 BCF recoverable gas (plus condensate) range.



a number of
Australasian
opportunities
have been
assessed and
ROC is aiming
to add new
assets to
its portfolio

Gippsland Basin

The Operator of VIC/P49 has developed an extension of the established Gippsland Basin petroleum system into the deep water area in the south of the permit. 2D seismic data acquired in 2007 has defined three large leads (Leopard, Leopard North and Tiger) in approximately 2,500 m of water with P50 reserve potential in the 350–500 MMBBL range. In the area adjacent to BMG, the Dusky-1 well remains a possible future drilling candidate to test the southern extension of the Basker Field into VIC/P49.

Canterbury Basin (New Zealand)

The Operator of PEP38259 has worked to enhance the imaging of the 2D seismic survey which was acquired over the Barque lead in early 2009. Results from a Pre-Stack Depth Migration project are expected during 2010. During 2010, the joint venture will consider whether to commit to drill Barque-1, which addresses a mean recoverable gas reserve of 1.3 TCF and 200 MMBBL of associated condensate.

New Ventures

New Ventures planning and analysis has concentrated upon the geographic region between China and New Zealand. A number of opportunities were assessed during the year and ROC is aiming to add new assets to the portfolio in 2010.

ROC and partners applied for an exploration licence in New Zealand's offshore Taranaki Basin, during 2009. The submission of a "Priority in Time" application was for a 232 km² permit which contains the Kaheru prospect, on trend with the Rimu oil/gas and Kauri gas/condensate fields. The proposed work programme for the five-year term would include an exploration well (Kaheru-1) in 2012. The result of the application process is expected during 2010. If granted, ROC will operate the licence with a 50% interest.

China

ROC had a very active and successful 2009 in China. Offshore Bohai Bay, ROC's multicultural Zhao Dong team completed intensive, simultaneous and complex construction, drilling and production activities without significant incident.

During the year, ROC's China team successfully completed the construction and installation of new facilities at Zhao Dong, nearly doubling the oil and water processing capacity, and successfully drilled 16 new development wells within budget. In addition, progress was made towards an integrated asset approach for Chinese projects and a long term China business plan is being developed. The experienced Beijing technical and operational team is now jointly supporting and sharing costs with the Beibu project team. Growth opportunities are also being vigorously pursued in both the Bohai Bay and the Beibu Gulf.

A Zhao Dong gas sales agreement was completed in 2009 and executed in February 2010, which will initiate gas sales revenue in 2010 and eliminate gas flaring during normal operations.

The Beibu Gulf project has moved into the final stage of CNOOC review, with commercial negotiations nearing completion for the agreed development scheme.

Zhao Dong

Zhao Dong HSEC highlights during 2009 included: 1.49 million man-hours without a Lost Time Injury ('LTI') or Recordable Incident; and completion of the Zhao Dong project in September 2009 with over 3 million man-hours with only one LTI (in 2008).

The 2009 drilling operations were completed in August 2009, ahead of plan, and the programme included eight production and three injection wells in the C & D fields, and four production and one injection well in the Extended Reach Area ('ERA').

The drilling team delivered outstanding results: the programme was completed with a 25% cost improvement in the overall programme versus budget. In 2009, an average Zhao Dong well was completed in under 12 days, a 40% efficiency improvement versus 2008.

In 2009, ROC successfully commissioned the second processing platform ('OPB'), the second drilling platform ('ODB') and a high pressure flare structure. OPB was the last of five structures installed as part of the development plans for the Zhao Dong oil fields and its commissioning represented the completion of facility development activities that started in early 2007.

Combined total oil production from the C & D and C4 oil fields was 7.2 MMBBL in 2009, the highest in three years despite the worst winter weather conditions experienced in the fields since production commenced in 2003. Higher than expected production levels were due to the better than forecast performance from wells drilled in 2009, supplemented by the previously shut-in high water cut wells, which were brought back into production after OPB was commissioned.

ROC initiated a continuous improvement process and established action teams to enhance teamwork, operating efficiency and cost effectiveness. ROC also intends to leverage on the Company's Zhao Dong experience and infrastructure to support a long term growth plan in China.



the China team nearly doubled the oil and water processing capacity and successfully drilled 16 new development wells

45
% of ROC total production from China



In 2010, ROC aims to maintain oil production from Zhao Dong at similar volume and rates as 2009. Development plans for 2010 include: to drill up to 24 wells in C4, ERA and the C & D Fields; install low pressure gas compression equipment to start gas sales to shore and eliminate gas flaring; and possibly install a new power cable from onshore to reduce fuel consumption.

Beibu Gulf

Increased cooperation with the CNOOC-Zhanjiang regional office, the CNOOC Research Institute and CNOOC in Beijing continued to yield enhancements on the already positive joint development strategy for the Beibu Gulf Fields.

Progress on the project during 2009 saw several significant milestones achieved. Two separate development areas for the Wei 6-12 North and Wei 6-12 South fields (30.6 km²) and the Wei 12-8 West, Wei 12-8 East and Wei 12-3 fields (51.5 km²) were agreed with CNOOC for future development rights. A joint feasibility study and continuous joint engineering and refinement work were conducted and the development feasibility study completed in August 2009. A joint development concept was agreed that increased investment efficiency and economics for both the ROC-led joint venture and CNOOC by utilising existing CNOOC facilities.

The ODP was initiated with CNOOC-Zhanjiang and the CNOOC Research Institute in September 2009 and the technical section was completed as scheduled on 20 December 2009. Finalisation of the economic section of the ODP is pending completion of commercial negotiations, which are in the final stages with the majority of commercial terms now agreed with CNOOC. In addition, a further extension to the PSA-based business licence was granted to mid-year 2010 to allow for refinement and completion of the ODP for the proven Weizhou oil fields Wei 6-12 (South and North) and Wei 12-8 West and a feasibility study was started in early 2010 to assess the development of the Wei 12-8 East field.

Africa

Consistent with a strategy of asset portfolio rebalancing, ROC successfully farmed down equity in Angola in 2009 and is actively pursuing farm-out opportunities to reduce interests in Equatorial Guinea and the Mozambique Channel blocks. The sale of ROC's minority interest package of Mauritanian assets is also being actively pursued.

Angola

Following the farm-out of a 45% participating interest to Pluspetrol Angola Corporation ("Pluspetrol") and a 5% participating interest to Cuba Petroleo, ROC holds a 10% participating interest in the Cabinda Onshore South Block and was free-carried through the 2009 exploration programme. Pluspetrol assumed operatorship in September 2009. Operations to re-enter Coco-1 (a 2008 oil discovery) for extended well testing commenced in late October 2009 and were completed. The Castanha-1 exploration well commenced drilling in November 2009 and reached Total Depth of 3,400 mBRT in February 2010. The well encountered a gross hydrocarbon column of approximately 15 metres between 2,214 mBRT and 2,229 mBRT, and production testing from a four metre test interval (between 2,217 mBRT and 2,221 mBRT) in the pre-salt Chela Formation flowed 33° API oil at a rate of 2,275 BOPD through a 5/8 inch choke. Planning is in progress for a 140 km² 3D seismic survey commencing in May 2010 to evaluate the block's remaining prospectivity north and east of the Castanha-1 discovery.

Equatorial Guinea

The Government of Equatorial Guinea has formally approved the 2010 work programme and budget. Approval of a one year extension to the exploration term of Block H to February 2011 is expected in 2010. The joint venture is planning for the drilling of the Aleta prospect in 2010, subject to successful conclusion of a farm-out.

UK

Mozambique Channel

Evaluation of available geological and geophysical data was completed in 2009. Planning is in progress for a 2D seismic acquisition programme of over 6,000 km in 2010 to enable more detailed mapping of the most prospective areas. An environmental notice of impact was submitted to the French authorities in November 2009 for the Juan de Nova Block. An environmental permit for the Belo Profond Block was granted in 2008.

Mauritania

ROC participates in six PSCs offshore Mauritania (operated by Petronas, Tullow and Dana), all of which are in, or nearing, their final exploration period. Exploration activity in 2009 focused on assessing remaining prospectivity. Planning has commenced for the possible drilling of Cormoran-1 in Block 7 and Gharabi-1 in Block 6 in 2010.

Chinguetti Oil Field

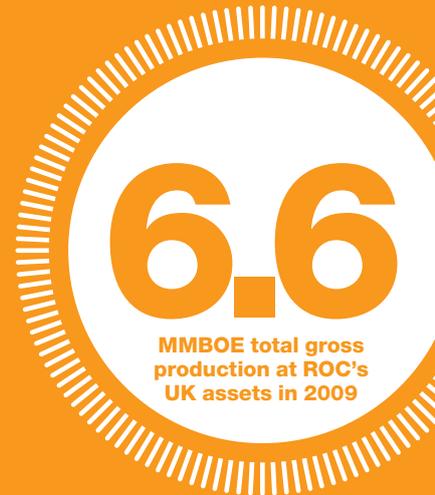
Production from Chinguetti was stable through the year. The field is expected to reach its economic threshold in approximately two years and work on abandonment planning has commenced.

Blane

Blane's two production wells produced a total of 4.2 MMBOE. Reservoir performance was strong and gas lift was implemented during 1Q 2009. Unfortunately, the gas lift system has proven unreliable to date, suffering a number of small subsea leaks during 3Q 2009. A repair plan has been agreed which should return the wells to gas lift operation by 3Q 2010.

Enoch

Enoch's total production was 2.4 MMBOE in 2009. The reservoir continues to perform in line with expectations. Oil production was reduced during 2Q 2009 due to interruptions to the supply gas lift but was steady for the remainder of the year. At the end of the year, the field was producing with gas lift and with minimal water in the production stream.



at Zhao Dong,
the final
element
of the new
production
facilities
was installed,
completing
development
activities that
started in
early 2007

Building a sustainable business

At ROC, we believe sustainability is about driving shareholder value by delivering economic success, environmental stewardship and social responsibility. The long term success of our business requires continuous investment in our technical capabilities, our people, associated communities and the surrounding environment.

0

fatalities

54

% decrease
in LTIFR

3

sponsored
educational
initiatives

0

significant
environmental
incidents

Sustainable business practices have always influenced our Company's policies and have been reflected in ROC's excellent health, safety and environmental record; since listing, ROC has had zero significant environmental incidents, zero fatalities and a Lost Time Injury Frequency Ratio ('LTIFR') that has outperformed the industry average. We are now broadening our reporting to reflect other non-financial areas that underpin our sustainable growth strategy, such as community relations, corporate governance, employee well-being and brand reputation.

This sustainability report will communicate to our external and internal stakeholders our achievements and goals, current position and future plans.

The importance of our stakeholders

Whilst our long term success relies on a business strategy that promotes sustained growth, stakeholder perceptions ultimately determine our credentials and whether we have a licence to operate in the broader community and environment. In order to remain a credible operator, ROC is committed to retaining and attracting a talented workforce. We aim to create strong and lasting relationships with external stakeholder groups. We value the trusted partnerships with the

communities that welcome us, the investors that support us and the governments and regulators that license us. By acting responsibly towards our stakeholders, we are reducing our business risk, minimising our environmental impact, providing a safe and healthy working environment and benefiting the communities where we operate.

Enhancement of shareholder value

ROC is dedicated to building and maintaining a robust and resilient business model to ensure that growth and value creation for our shareholders can be sustained, especially during the recent challenging times.

This year, we established a sustainability framework to enhance our business model. The framework was developed with input from all levels of the business and was approved by the Board. The four attributes we consider fundamental to sustained value creation are:

- ensuring ROC's performance as a reliable and responsible employer;
- continuing our respect for the environment;
- fostering safe and healthy work practices; and
- continuing to be a trusted neighbour in the community.

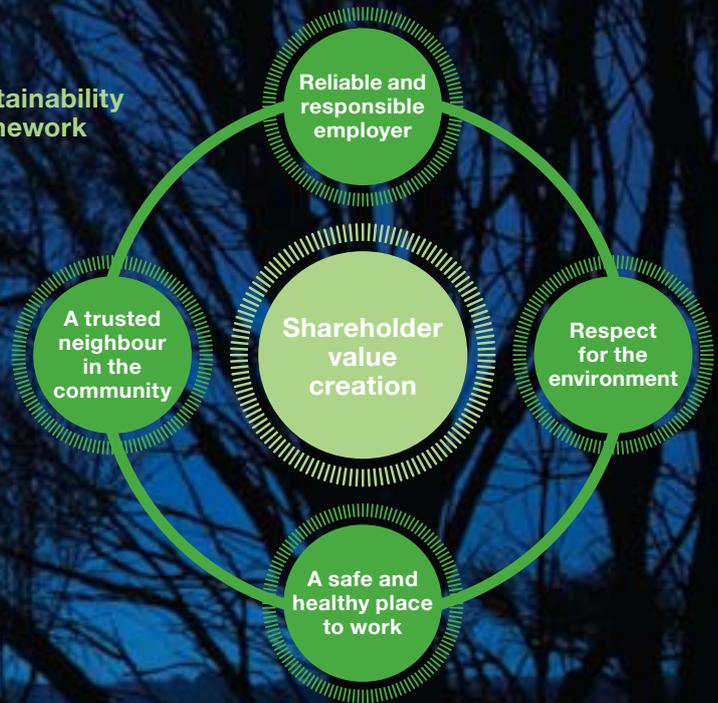
Report methodology

This report was compiled using the GRI G3* and the IPIECA/API* guidelines. The IPIECA/API guidelines are industry specific guidelines that are widely used both within Australia and internationally.

* GRI G3: Global Reporting Initiative, Generation 3

* IPIECA/API: International Petroleum Industry Environmental Conservation Association and the American Petroleum Institute.

Sustainability framework



Achievements and performance

	2009 achievements	2010 objectives	2010 actions
A reliable and responsible employer	<ul style="list-style-type: none"> Developed/rolled out 'Core Values' Developed improved performance-based system of remuneration 	<ul style="list-style-type: none"> Strategically reshape the business; growth in key geographies/assets Improve Corporate Risk Management and Governance Processes Ensure effective capital management and allocation Improve employee satisfaction and capability Achieve correct staff level/expertise to deliver ROC's strategy 	<ul style="list-style-type: none"> Develop Sustainability Policy Complete risk management reviews Conduct employee climate survey Implement Yearly Calendar Training Programme Implement new performance-based remuneration Strengthen team capacities and capabilities
Respect for the environment	<ul style="list-style-type: none"> Zero significant environmental incidents Installed Crystal Ocean FPSO low pressure gas compressor to reduce flaring Conducted Mozambique Channel Environmental Impact Assessment Completed Cliff Head Seagrass and Seabed Monitoring Programme First submission of NGRS reporting on emissions profile 	<ul style="list-style-type: none"> Minimise environmental impact Improve environmental data collection and reporting Reduce greenhouse gas emissions 	<ul style="list-style-type: none"> 10% reduction in reportable/recordable primary containment incidents Report under the Carbon Disclosure Project Utilise first Energy Efficiency Opportunities submission to better understand our carbon footprint and identify ways to improve it Eliminate normal flaring at Zhao Dong with gas sales pipeline project, conserving resources and decreasing greenhouse gas emissions
A safe and healthy place to work	<ul style="list-style-type: none"> Achieved 5% reduction goal in illness/injury rates Completion of Zhao Dong project with one Lost Time Injury Updated HSE management system Continued zero fatalities track record Reduced LTIFR/TRIFR by over 50% Conducted simulation event exercises to test/enhance Emergency Response Procedures 	<ul style="list-style-type: none"> Zero harm to people Improve HSE system reporting Maintain employee health Complete mature asset facility integrity reviews 	<ul style="list-style-type: none"> Continue zero fatalities track record 5% LTIFR/TRIFR reduction versus 2009 Implement new HSE data management system to analyse root causes of near misses and incidents in greater depth Implement new medical screening programme Implement asset integrity reviews and track actions
A trusted neighbour in the community	<ul style="list-style-type: none"> Committed to support Midwest Life Education Centre until 2011 Continued support for Petroleum Club of Western Australia and welcomed Kelmscott High School's competition winners at Cliff Head Continued educational sponsorship of indigenous community 	<ul style="list-style-type: none"> Build on existing relationships with host communities Actively consult with local stakeholders in our operational areas 	<ul style="list-style-type: none"> Review community consultation process to improve local stakeholder engagement Increase frequency of consultation with local fishing communities Continue and expand community sponsorships and investment programmes in education

Key performance indicators

Economic performance	2009	2008	Environmental stewardship	2009	2008
Hydrocarbon production			Greenhouse gas emissions ⁽²⁾		
Total hydrocarbon production from ROC-operated assets ⁽¹⁾ (t)	1,509,941	1,544,658	Tonnes of Carbon Dioxide Equivalent (tCO ₂ -e)	363,370	234,197
Financial performance			Intensity (tCO ₂ -e per t of hydrocarbon production)	0.24	0.15
Market capitalisation at year-end (A\$m)	427.9	205.8	Flared gas		
Sales revenue (US\$m)	205	358	Total flared gas (t)	52,741	50,511
Operating cashflow (US\$m)	98	183	Intensity (t of flared gas per t of hydrocarbon production)	0.03	0.03
Socio-economic distribution			Controlled discharges to water		
Number of employees	160	222	Produced water quantity (m ³)	996,351	732,527
Number of shareholders	26,609	23,740	Total oil in discharged water (t)	53	42
Royalties to government (% of production)	5%	5%	Waste management		
Total income taxes paid (US\$m)	47	40	Total hazardous waste (t)	52	133
Social responsibility	2009	2008	Total non-hazardous waste (t)	5,061	2,235
Health and safety			Energy consumption		
Total man-hours worked ⁽⁶⁾	2,549,973	4,771,213	Total energy consumption (Tj)	4,171	3,514
Medical treatment cases	2	7	Intensity (Tj of energy consumption per t of hydrocarbon production)	0.003	0.002
First aid cases	47	40	Significant environmental incidents		
Lost Time Injury	1	4	Total number of incidents	0	0
Lost Time Injury Frequency Rate	0.39	0.84	Oil spills	0	0
Restricted work cases	0	1	Other spills ⁽³⁾	0	0
Fatalities	0	0	Other incidents ⁽⁴⁾	0	0
Total Recordable Injury Frequency Rate	1.18	2.51	Water usage		
Community			Fresh water use (m ³)	45,056	46,044
Community investment ⁽⁶⁾ (US\$)	219,116	580,274	Fines		
			Total number of fines and penalties	1	0

Glossary:

t = tonne(s)

tCO₂-e = tonne(s) of Carbon Dioxide equivalent

Tj = Tera-joule(s)

m³ = metres cubed

Notes:

- ROC-operated assets include BMG, Zhao Dong and Cliff Head fields. Total hydrocarbon production includes gas that is produced at these assets which is then flared, re-injected or used as feedstock in energy generation activities.
- The increase in reported 2009 figures, such as in greenhouse gas intensity and energy consumption, is largely due to BMG being owned by ROC for a full year in 2009 compared to 2008. Reporting in 2010 will provide more representative comparative performance of the business.
- Other spills refers to non-hydrocarbon spills e.g. chemical spills.
- Other incidents includes dark smoke from flaring and other gas releases.
- The significant decrease in man-hours in 2009 is mostly due to the reduction in construction activity for the facility expansion project at Zhao Dong.
- Community investment decreased in 2009 due to farm-out of Angola and ROC's carry through 2009 activity.

A reliable and responsible employer

We aim to deliver sustained growth in shareholder wealth through continuously improving our operations and creating a business environment that fosters employee development, innovation and good governance.

Economic contribution

A key part of ROC's sustainability strategy is to deliver a strong financial performance which is driven by largely non-financial factors within our business.

The events of the past 12–24 months have resulted in a volatile and extremely challenging operating environment. ROC made a number of changes to its business in 2009, restructuring its asset portfolio, reducing expenditures and implementing new operational and financial risk management practices.

In 2009, ROC delivered US\$204.5 million in revenue, a trading profit of US\$35.4 million and operating cash flow of US\$98.2 million. This was re-invested back into the business through the exploration and development programme of \$72.2 million. ROC also raised US\$77 million in equity and recapitalised its balance sheet, resulting in a net cash position of US\$17.9 million at 31 December 2009.

In 2010, ROC's strategy is to invest in new growth opportunities to increase production, reserves and cash flows for the benefit of our shareholders. Our investment decision-making process will take into account all aspects of our sustainability objectives.

Promotion of integrity

We are committed to upholding our reputation as a company which acts with integrity and honesty. At ROC we are guided by our Code of Business Conduct, our 'Core Values' and our Corporate Governance Policy. All three policies provide the basis for our business approach and our employees' ethos.

Our Core Values

We are a company that:

- cares about and respects our people;
- values honesty and commitment;
- values technical and commercial excellence; and
- respects all its stakeholders

Core Values

This year, ROC formalized its Core Values.

Our Core Values were developed in consultation with our employees, to ensure that they are not just management-instilled words but tangible views reflected by the whole company.

Code of Business Conduct

Our Code of Business Conduct outlines our commitment to ethical behaviour to go beyond basic compliance with laws and regulations. We expect all ROC employees to take personal responsibility for upholding the highest standard of ethical business conduct, no matter the location or situation.

Commitment to good governance

Good governance is the cornerstone of our business. To ensure accountability is embedded in all our actions and decisions, ROC has developed governance structures and established committees to meet the needs of ROC and its stakeholders.

For example, the Board's Remuneration and Nomination Committee sets ROC's remuneration policy according to a merit-based system and is consistent with market expectations. This year, we developed an improved performance-based system of remuneration to include annually agreed goals and objectives for all employees.

The Audit and Risk Committee oversees the risk management system: a structured approach that identifies, monitors and actively manages all risks material to our business and operations.

For more detailed information on these elements of corporate governance, please refer to our corporate governance section on page 32 or visit our website at www.rocoil.com.au.

Our people capability

ROC's goal is to be recognised for its technical and commercial excellence. To achieve this vision, we must retain and foster a skilled workforce and attract future talent.

Annual review process

To ensure our team aligns with corporate objectives, all employees are involved in annual performance reviews to identify areas where an employee has met or exceeded expectations and areas where the employee can develop and improve.

Learning and development

In 2010, we aim to increase our commitment to learning and development by implementing our new 'Yearly Calendar Training Programme'. This programme will identify training opportunities for employees that will assist them in developing and enhancing their skills and technical expertise.

Employee climate survey

ROC is committed to creating a safe work environment, rewarding good performance, fostering personal development and encouraging team spirit. In 2010, we will conduct employee climate surveys to measure the factors contributing to employee retention, well-being, leadership, team spirit, communication, productivity and reputation.



Case study: A word from one of our graduates, Russell Love

During 2007, I worked as an intern for eight months as a Project Engineer Trainee on the Cliff Head field before my final semester of Chemical Engineering at the University of Alberta in Edmonton, Canada. During my internship, I had two substantial projects, both of which were relevant and useful to the business. I was appropriately mentored and enjoyed working with a talented group of professionals. I was also provided the opportunity to complete the projects by applying my own initiative.

Shortly after completing my internship, I was asked to join as a full-time employee following my graduation.

For the past year, I have been working as a Junior Production/Reservoir Engineer on the BMG asset team and studying for my Masters of Petroleum Engineering at University of New South Wales, which ROC has both encouraged and supported.

I genuinely enjoy working here.

In one year, I've learned an immeasurable amount about technical petroleum engineering (both from school and work), offshore/subsea operations, as well as softer skills like presenting, communicating and dealing with joint venture partners.

Development of new talent

Ensuring the future recruitment of skilled employees and the development of existing employees is crucial to our ongoing sustainability. In 2010, we will focus on building team capacity to ensure our resources are efficiently utilised and to develop operational succession planning.

We actively engage with universities to encourage students to consider working at ROC during vacations. These graduates are regularly welcomed onto our teams as full-time employees.

Diversity

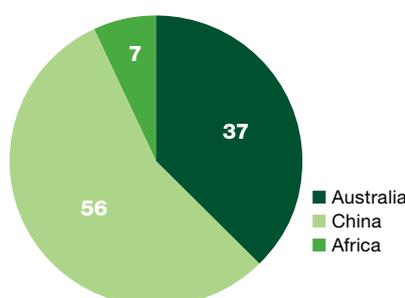
Our policy is to recruit a team based on competence, regardless of sex, age, race or religion. ROC has a diverse workforce and employs locally in the countries in which it operates in an effort to attract the best people in their respective fields.

Diversity encourages diverse ideas, which helps give ROC a competitive advantage in the countries where it operates. Our local staff contribute greatly to ROC's success in challenging environments and provides opportunities for exchanges of ideas within the organisation. We are truly a local operator with an international focus.

Gender breakdown (%)

Location	Male	Female
Australia	57	43
China	72	28
Africa	64	36
Global total	66	34

Geographical breakdown of employees (%)



Respect for the environment

We aim to conserve resources, minimise waste and to enable and support employees and contractors to: adhere to ROC's environmentally responsible work practices; understand and mitigate operational risks and impacts; and minimise these impacts to protect the environment.

Careful attention to the environment

One of our Health, Safety and Environmental ('HSE') Guiding Principles is commitment to responsible environmental stewardship and we strive to ensure that any potential impacts on the environment are minimised and natural resources are conserved where practicable.

We also believe that by paying attention to the environment we are helping to reduce our business risk, decrease costs and enhance productivity.

In 2009, there were six main areas of environmental priority:

- continuing our record of zero significant environmental incidences;
- reducing our greenhouse gas ('GHG') emissions;
- improving our waste management processes;
- improving our resource efficiency;
- contributing to biodiversity conservation; and
- ensuring transparent environmental reporting.

Continuation of our record of zero significant environmental incidents

Throughout 2009, despite conducting major drilling campaigns and development programmes in many remote and challenging settings, we reported another year without any significant environmental incidents. This is an area in which ROC has excelled for over a decade and in which we aim to continue our good track record.



|||||

Case study: Improving our flaring performance in 2009

In the energy industry, produced gas can be burned during a process known as 'flaring', either as a means of disposal or as a safety measure to dissipate the build-up of pressure in facilities. Flaring is the most significant source of GHG emissions worldwide from offshore oil and gas installations.

At ROC, we regularly review and track our progress to ensure flaring is minimal and continually assess alternative strategies that can be implemented to lower flaring levels even further.

At the Crystal Ocean FPSO, we recently installed a new low pressure gas compressor that will significantly reduce the need to flare gas. Installation of the compressor will assist us to safely and cost effectively re-inject the gas or use it as fuel in boilers.

In 2010, we will be implementing a second flaring reduction project at our Zhao Dong operations, where we will be installing a gas pipeline for the purpose of gas export sales.

It is anticipated that these two initiatives will help us significantly reduce our carbon footprint in the future.



We take a stringent approach to reporting incidents and near misses no matter what the severity. In 2009, we reported six environmental incidents involving minor losses of primary containment. Despite their negligible impact, we nevertheless took action to implement controls and procedures to prevent such events from happening again.

Hydrocarbon spills

The risks and consequences of oil spills are serious issues for ROC. Despite never having had a significant spill, we are confident the Company is well prepared to deal with such an event. ROC has implemented Emergency Response Procedures across all business units, which have been developed to ensure our employees and contractors are well trained and prepared to mitigate and manage the effects of any spill.

Emergency response

In order to ensure the Company's emergency response capabilities and systems are effective, ROC held three simulated event exercises in 2009. These simulated events (a helicopter accident at the Cliff Head oil field, an accident causing damage at the BMG project, and an explosion and fire at Zhao Dong

facilities) replicated potential events that would warrant rapid and coordinated responses at operational and corporate levels. The Australian real time exercises were conducted by external consultants and required participation by staff at all levels to address issues such as medical evacuation, oil leak containment, damage mitigation and media response. The Zhao Dong exercise was conducted with State Offshore Administration involvement.

Updating of our waste management process

In 2009, we successfully reduced our production of hazardous waste by 61%. Measures that helped ROC achieve this outcome included: preventative maintenance systems to avoid oil and chemical leakage arising from facility malfunction; ongoing training for offshore staff; and careful collection and storage procedures.

This coming year, we will review our handling of hazardous and non-hazardous waste, particularly in the areas of segregation, recycling and disposal and we plan to develop an improvement plan for waste management across all assets.



Case study: China Green Office Programme

In China, our team has been proactively working on updating their 'office greening' offshore, onshore and in the warehouses this year. While at the office we encourage printing on both sides, re-using printed paper for faxes, recycling paper, switching off all electrical equipment, recycling printer cartridges and establishing special collection points for used batteries which are then sent to a specialist waste vendor.

At our Tanggu base, we have taken significant steps to reduce our carbon footprint with the following:

- electric bikes for transport around the base: where previously, employees used fuel intensive vehicles to travel around the facilities, we have purchased three electric bikes. Estimated savings per bike is one gallon of petrol per day – a total saving of 1,095 gallons per annum;

- electric forklifts: in order to cut down on fuel and greatly decrease the cost of using a diesel powered forklift, we now use an electric forklift. Estimated savings: 10 gallons of petrol per day with an annual saving of 3,650 gallons; and
- warehouse curtain: we have also installed a warehouse curtain for cooler months. Estimated savings for six months of usage: 730 gallons.

In total Tanggu saves 5,475 gallons of petrol per year.

Greenhouse gas emissions

Reduction of our greenhouse gas emissions

Climate change is a prominent issue for both governments and businesses globally. In 2007, Australia's ratification of the Kyoto Protocol confirmed the Government's commitment to address climate change and to introduce regulations that constrain the emission of carbon into our environment.

Despite regulatory uncertainty, ROC aims to limit future potential business risks by continuing to monitor our emissions; seeking opportunities to reduce our overall carbon footprint; and continuing to develop our understanding of the physical, regulatory and financial risks and opportunities associated with climate change.

ROC uses two main key performance indicators for monitoring GHG emissions:

- total amount of GHG emissions calculated in tonnes of carbon dioxide equivalent ('tCO₂-e'); and
- GHG emissions intensity calculated in tCO₂-e per tonne of hydrocarbon produced.

Largely due to the acquisition of the BMG project in September 2008, GHG emissions from our operated ventures increased from a total of 234,197 tCO₂-e in 2008 to 363,370 tCO₂-e in 2009.

Produced formation water

As far as possible, we reduce the amount of produced water released into the environment. At our Zhao Dong and Cliff Head operations, the produced water is generally re-injected back into deep underground reservoir formations.

At BMG, treated formation water is discharged in compliance with regulatory standards.

Improvement of our resource efficiency

At ROC, we strive to improve our energy efficiency in order to conserve valuable resources and reduce GHG emissions. In addition, we realise the major costs involved in the process of oil and gas exploration and production and we aim to make our operations as energy efficient as possible.

To monitor our energy efficiency, we track our direct energy consumption, including gas, diesel and oil used by operations. This year, our energy consumption increased by 19%. The majority of this increase is due to the inclusion of a full year of operational activity at BMG. Energy consumption decreased at Cliff Head and marginally increased at our China facilities.

A key issue for ROC is to ensure that our employees are aware of their own carbon footprint and the part they can play in the reduction of energy usage.

Contribution to biodiversity conservation

At ROC, we understand that our operations can potentially impact local ecosystems and the surrounding environments. We follow stringent international guidelines and have developed specific policies and procedures for all our operations to ensure all biodiversity considerations are met.

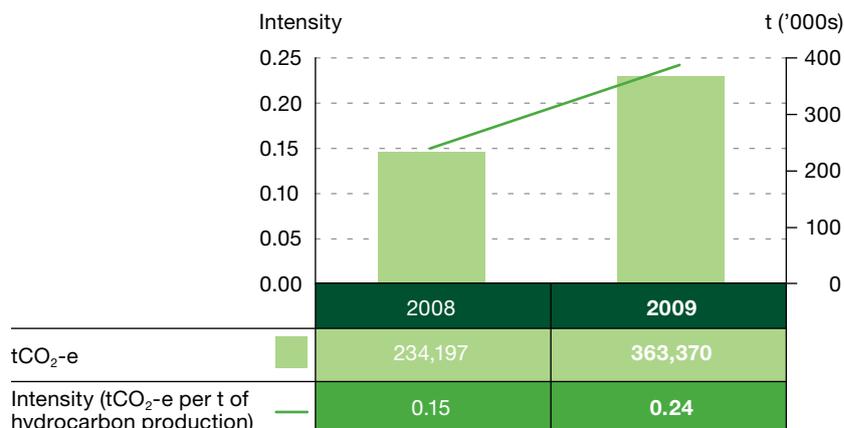
Environmental Impact Assessments ('EIA') are undertaken to evaluate areas of environmental concern associated with an operation and to provide the foundation for ROC's environmental management strategy. In 2009, ROC completed an EIA for the Juan de Nova Block (French Territory) in the Mozambique Channel and also completed a three year project monitoring the rehabilitation of seagrass meadows around the Cliff Head oil field, offshore Western Australia.

Transparent environmental reporting

Wherever we operate we comply with regulations, laws, standards and guidelines that ensure the protection of the environment. We communicate openly with the public, and governmental and non-governmental bodies in a timely and efficient manner.

Greenhouse gas energy reporting

In 2009, we reported our GHG emissions and energy production and consumption under the National Greenhouse and Energy Reporting Act 2007 for the first time. This was useful in helping the Company assess and compare its annual energy efficiency and to identify areas where we can reduce our carbon footprint. While ROC has previously participated in the Carbon Disclosure Project on a non-public basis, in 2010 we look forward to participating fully in this valuable project.



40

seagrass meadows
monitored

Case study: Seagrass and Seabed Monitoring Programme

Over the last three years, ROC has dedicated resources to marine habitat rehabilitation at our Cliff Head facilities. The Cliff Head project comprises: an offshore, unmanned oil production platform located in the Commonwealth Waters; an onshore processing plant; and two subsea pipelines that connect the platform and the onshore processing plant. Offshore, the two subsea pipelines run parallel within 5–30 metres of each other and cross extensive seagrass meadows.

Following advice from the Western Australian Environmental Protection Authority, the Western Australian Minister for the Environment established a set of Ministerial conditions for the site. As a result, ROC formulated a Seagrass and Seabed Monitoring Programme, which began in 2007 and was completed in 2009.

During the 2009 survey, 40 seagrass meadows were monitored. A team of three divers was employed to perform survey work to assess:

- the condition of the seabed (signs of sediment build-up or erosion, and scouring); and
- the type, density and cover of macrophytes (seagrass and algal species) along the edge of, and colonising, the impact area.

In addition, other observations were recorded through video footage, photos, mud maps and detailed notes of each site. These records were used in post-survey analysis to provide comparative information regarding changes in appearance and stability of seagrass meadows.

The results showed that the total seagrass loss attributed to the installation of the pipeline to be within the 'best case scenario' and demonstrated a net recovery of seagrass across the project area since 2007. In three years time, ROC intends to conduct a final survey.

A safe and healthy place to work

We aim to ensure our team goes home safely and we trust in our collective ability to work together to create a safe and healthy place to work.

Excellent safety record

At ROC, health and safety is a key element of all our business decisions. Our employees are our most valuable asset and the Company is dedicated to ensuring their safety.

Since inception, we have had a track record of zero fatalities and have achieved safety performance statistics that are better than both the international and Australian industries.

We aim to continue this track record.

Safety performance

The adjacent graphs show our safety performance compared with the Australian industry, as measured by the Australian Petroleum and Exploration Association ('APPEA').

During 2009, ROC's Total Recordable Injury Frequency Rate ('TRIFR') – all fatalities, restricted work cases and medical treatment cases – improved by 53%, falling from 2.51 to 1.18 per million man hours worked, compared to the industry average of 6.39.

With 2,549,973 hours worked in 2009, we only recorded one LTI, which occurred on the Crystal Ocean FPSO during dry docking work. Whilst the injured person was tightening bolts during maintenance work, he was accidentally struck on the hand with a wrench by a fellow colleague who was assisting him. Despite this incident, our overall LTIFR improved by 54%, falling from 0.84 to 0.39 per million man hours worked, compared to the industry average of 1.27.

A year of change in the HSE arena

Improving health and safety is a constant challenge and we continually look to update and innovate our systems to achieve optimum health and safety performance. In 2009, we upgraded our HSE Management System, Incident Reporting System and Crisis Management Team procedures.

A goal for 2010 is to integrate a new data management system that will help us identify and analyse root causes of incidents in greater depth.

Roll out of a new HSE Management System

We updated our HSE Management System to adopt a continuous improvement process model, aimed at improving accountability and standardising reporting across the Company.

Employee and contractor accountability for safety issues is critical at ROC. Every manager is required to incorporate safety issues into their key performance indicators and annual targets. Safety issues are also an accountability item in every employee's position descriptions and annual performance reviews.

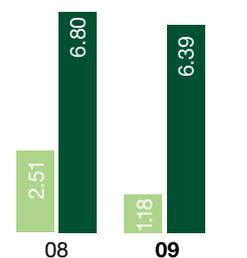
Updated Incident Reporting System

Near misses and high potential incidents are important leading indicators for our business. In 2009, we made improvements to ROC's Incident Reporting System aiming to:

- ensure a consistent and systematic approach to incident reporting, investigation and follow-up to prevent the recurrence of incidents through the prompt implementation of control measures;
- clearly define employee and contractor responsibilities to prepare them to take action at any time so that they can better contribute to the effective performance of operations; and
- ensure that ROC's systems are aligned with the International Association of Oil and Gas Producers standards to provide effective benchmarking of our operational and safety performance.

Safety performance

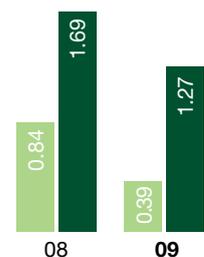
Safety performance	2009	2008
Man-hours	2,549,973	4,771,213
First aid cases	47	40
Medical treatment cases	2	7
Lost Time Injuries	1	4
Restricted work cases	0	1
Fatalities	0	0
TRIFR	1.18	2.51
LTIFR	0.39	0.84



Total recordable injury frequency rate

■ ROC ■ APPEA

* APPEA 2009 data as at 3Q 09. Full year data yet to be released.



Lost time injury frequency rate

■ ROC ■ APPEA

* APPEA 2009 data as at 3Q 09. Full year data yet to be released.



Case study: Fostering talent in China

Roc Oil (Bohai) Company is committed to cultural diversity, performance-based promotion, and support for its 'workforce nationalisation' strategy. ROC achieved all three of these goals with the promotion of Fang Wenyan to the position of Finance Manager. Ms Fang has been a dedicated professional on the Zhao Dong project for over 15 years and now manages five staff.

Employee well-being

At ROC, we aim to look after our employees' well-being to create a more motivated workforce with lower absenteeism and higher productivity.

Every year, employees are encouraged to stay fit and healthy through subsidies for gym membership and other sporting activities.

While at work, we encourage employees to become involved with fitness activities organised during the working week. The Sydney office has a mixed netball team and a mixed soccer team that take part in competitions once a week during the year.

At the Zhao Dong offshore facilities, we initiated a Healthy Eating Programme designed to educate and motivate staff to improve their health.

Health checks

We ensure that all employees have a health check if they are travelling to offshore locations. In China, we have established a system of annual health checks and provide flu vaccines and other inoculations.

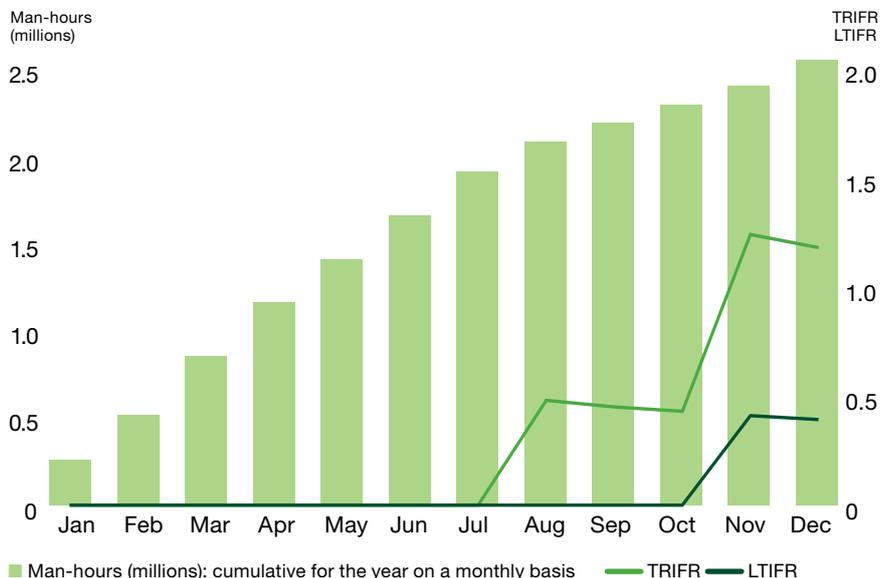
Improving and updating our health policy are goals for 2010. ROC will provide employees the opportunity to undergo a comprehensive medical screening (one every two years between the age of 40–49 and annually for employees aged 50+).

Work-life balance

At ROC, we believe one of the main ways to ensure employee well-being is to provide a work-life balance. One way to encourage this is by accommodating flexible working arrangements where necessary. Beyond the legislative requirements, we have accommodated employees according to their individual circumstances due to child care obligations or illness.

We have several policies that formalise areas where employees typically require help such as: educational sponsorship, maternity leave and salary continuance insurance.

2009 Injury Frequency Rates





35

number of fishing vessels with ROC-upgraded plotters

A trusted neighbour in the community

We aim to leave the community in better shape than before we arrived and help build strong and thriving communities.

Investment in the community

At ROC, we are mindful of the communities in which we operate and endeavour to be a positive force and partner in those communities. In 2009, we made donations to the Blue Sky Healing Home, a charitable organisation for Chinese orphans. We have also donated spare furniture and computers to schools in communities around Beijing and Tanggu.

Although our operational focus has shifted from Africa, ROC is still focused on our community responsibilities and continues to assist social programmes in Equatorial Guinea and Angola.

In 2009, we purchased two ambulances for the Malabo region in Equatorial Guinea. In Angola, in conjunction with joint venture partners, ROC will also sponsor activities associated with World Aids Awareness Day, environmental education for local leaders and the local football club in Chimbuadi.

Development of local relationships

Before we proceed with new projects, ROC engages in dialogue with local communities to understand their concerns and priorities and to develop an understanding of how ROC can partner and assist them.

A strategic objective in 2010 is to improve our community contributions and relationships. This will require a review of our community consultation process to identify areas where we can build on existing local stakeholder engagement.

A focus on education

At ROC, we value the power and benefits of education and it is our main focus for social investment. This year, we participated in several local initiatives, as our case studies show.

Case study: Working with the fishermen

Our facilities at BMG, Cliff Head and Zhao Dong all operate within designated fishing zones. ROC engages with the fishing communities and consults with them on a routine basis. We aim to:

- provide them with updates on production issues and operational activities;
- accommodate their concerns as far as practicable; and
- better educate them on the oil and gas industry and standard industry practices adopted for rehabilitation and decommissioning of facilities.

At the BMG project in Bass Strait, ROC has provided fishing plotter upgrades which incorporate BMG infrastructure locations to assist the fishermen with fishing equipment placement. At Bohai Bay, we support annual shrimp restocking efforts.



Case study: Midwest Life Education Centre

In 2010 and 2011, ROC will be a Gold sponsor of the Midwest Life Education Centre, the largest non-governmental provider of drug and health education programmes. Through their 'Life Education Sessions', they inspire over 750,000 primary and secondary school students each year with the aim to encourage and empower young people to make smart life choices and help develop skills in the areas of effective decision-making, communication, negotiation, peer resistance and refusal in drug related situations in schools across the Midwest Region of Western Australia.

Case study: Petroleum Club of Western Australia

Every year, ROC supports the School Information Programme run by the Petroleum Club – a science-based competition for Year 10 students focusing on the oil and gas industry. The programme is research based and 22 schools take part in producing a study in the areas of exploration, drilling, production, transport, downstream processing and sustainable development.

The winning schools are then awarded prizes and day excursions to on-site locations in order to get first-hand insight into how the petroleum industry works. This year, the winners from Kemlscott High School were awarded an overnight visit to our Cliff Head project.



Non-Executive Directors

Andrew Love – Chairman

Andrew was a founding Director of ROC, having been appointed to the Board in February 1997. Formerly the Chairman of Command Petroleum, Andrew is Deputy Chairman of Riversdale Mining Ltd, a Fellow of The Institute of Chartered Accountants in Australia and a consultant to Ferrier Hodgson, Chartered Accountants. He has more than 30 years experience in corporate recovery, reconstruction and insolvency practice in Australia, particularly in resources industries.



William Jephcott – Deputy Chairman

Will was a founding Director of ROC, having been appointed to the Board in February 1997. An investment banker, Will is a Special Advisor to Gresham Partners Limited and a Director of New South Wales Rugby Limited. He specialises in merger and acquisition advice and also has experience in structuring major resource projects, including in the oil and gas industry.



Sidney Jansma, Jnr

Sid was appointed to the Board in March 1998. Founder and CEO of Wolverine Gas and Oil Corporation (an oil and gas exploration and production company in North America), Sid has over 50 years experience in the oil and gas industry since he began working in his father's private oil company, which he subsequently purchased and expanded. Sid has a broad knowledge of industry issues, has been a member of the Board of Governors of the Independent Petroleum Association of America and currently serves on the Board of the American Petroleum Institute.



Robert Leon

Robert was appointed to the Board in December 2008. He has over 30 years experience in business and government administration, and has managed numerous strategic acquisitions, disposals and financial transactions. Robert is a present Director of the Mandarin Oriental Group of Hotels, the co-founder and co-manager of Qualis (a French-based diversified industrial group) and former CEO of Arnault Group. Robert was a Non-Executive Director of both Anzon Energy Limited and Anzon Australia Limited.



Corporate governance

Compliance with ASX Recommendations

ROC's Board and management have an ongoing commitment to the highest standards of corporate governance. This statement describes how the Company has applied the ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations ("ASX Recommendations") and outlines the main corporate governance practices that the Company had in place throughout the financial year. Further details and all documents mentioned in this statement are available on the Company's website: www.rocoil.com.au under the section "Corporate Governance".

Principle 1: Lay solid foundations for management and oversight

Role and responsibilities of the Board

The Board Charter sets out the functions and responsibilities of the Board. The Board operates in accordance with the Company's Constitution and Board Charter which describe the Board's composition, functions and responsibilities and identify authorities reserved to the Board and those which are delegated to management. The Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the goals.

The responsibilities of the Board include:

- monitoring the strategic and financial objectives and performance;
- monitoring the performance of the Company and Chief Executive Officer;
- monitoring compliance with regulatory requirements;
- overseeing and reviewing risk management strategy;
- evaluating performance of the Board and appointing new Directors to the Board; and
- taking responsibility for corporate governance.

The Board has delegated a number of these responsibilities to the Chief Executive Officer and its Committees, as set out below.

Details of the Board Charter can be obtained from the Company's website.

Management performance evaluation

The Board has established a Performance Evaluation Process. The Board, in conjunction with the Remuneration and Nomination Committee, is responsible for approving

the performance objectives and measures for the Chief Executive Officer and key executives and providing input into the evaluation of performance against them.

The performance of the Board and all key executives, including the Chief Executive Officer, is reviewed annually.

The Performance Evaluation Policy can be found on the Company's website.

Principle 2: Structure the Board to add value

Composition of the Board

The Board currently has five Directors, being one Executive Director and four Non-Executive Directors including the Chairman: Mr A J Love, Mr W G Jephcott, Mr S J Jansma Jr, Mr B F Clement and Mr R C Leon.

Together, the Board members have a broad range of relevant skills, extensive experience and knowledge necessary to guide the Company's business.

Mr D Paterson resigned as a Director on 31 July 2009.

Details of the background, experience and professional skills of each Director are set out in the Directors' Report.

Under the Company's Constitution, one-third of all Directors (other than the Chief Executive Officer) are required to retire by rotation at each Annual General Meeting and any Director who, has been in office for more than three years since his or her election must retire (with the exclusion of the Chief Executive Officer). Those retiring Directors must seek re-election by the shareholders. The Chairman must be considered to be independent and a non-executive.

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. The Non-Executive Directors also meet on a regular basis independently of the Chief Executive Officer and management. The role of the Chairman and Chief Executive Officer are held by different individuals. The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are set out in the Directors' Report.

The shareholders may, by resolution in accordance with appropriate due process in general meeting, remove or replace a Director.

Independence of Directors

All Non-Executive Directors of the Company, including the Chairman, are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. The one Executive Director of the Company is not considered to be independent. The independence of Directors is assessed pursuant to the Company's Policy on Independence of Directors which is based upon the ASX Recommendations and is available on the Company's website. In relation to Director independence, materiality is determined on both a qualitative and quantitative basis.

A review of the Board's own performance is conducted annually with the assistance of the Remuneration and Nomination Committee and external independent advisors where necessary. The evaluation aims to compare the Board's performance with the Board Charter and to set goals and objectives of the Board for the coming year.

Independent advice

Each Director may, with the approval of the Chairman, obtain independent professional advice at the Company's cost, in relation to their position while acting as a Director of the Company to help them carry out their responsibilities. In addition, each Director has unrestricted access to all relevant Company records and information.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including the Remuneration and Nomination Committee, the Audit and Risk Committee, and the Health, Safety and Environment Committee. These committees have written charters which are available on the Company's website.

The Board establishes other Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

Remuneration and Nomination Committee

The Board had previously established the Remuneration and Nomination Committee. The Remuneration and Nomination Committee comprises Mr W G Jephcott (Chairman) and Mr A J Love. It is a policy of the Board that a majority of members of the Remuneration and Nomination Committee be independent Directors. The Committee operates within a Charter which can be found in the Corporate Governance section of the Company's website.

The Committee is responsible for assisting in identifying potential Directors and assisting Directors understand their duties and responsibilities. The Committee

also assists the Board in evaluating the performance of executives, Directors and members of Board Committees and for the implementation of induction procedures for new Board members. The Committee is responsible for reviewing and making recommendations to the Board for the remuneration of the Chief Executive Officer and other key executives. A more detailed description of the process for evaluating the performance of senior executives and the remuneration policy for senior executives is set out in the Remuneration Report.

Audit and Risk Committee

The role of the Audit and Risk Committee is documented in a formal charter approved by the Board. Under its Charter, the Audit and Risk Committee consists of at least three Non-Executive Directors. Mr W G Jephcott (Chairman), Mr A J Love and Mr R C Leon are the current members of the Committee.

The primary role of the Audit and Risk Committee is to provide assistance to the Board in discharging its responsibilities in respect of financial affairs and related matters. The Audit and Risk Committee undertakes this by assisting the Board in relation to the Company's:

- financial management – overseeing the integrity of the financial statements;
- internal control systems – overseeing the effectiveness of the system of internal controls;
- corporate risk management – overseeing the effectiveness of the system of risk management;
- audit and review (internal and external) – overseeing the appointment, remuneration, qualifications, independence and performance of the external auditor and internal audit function and the integrity of the audit process as a whole; and
- consideration and implementation of the recommendation of advisors and management.

It is a policy of the Board that at least three of the Directors on this Committee are Non-Executive. At least one member must have a background in financial reporting and accounting or auditing.

Further detail of the roles, responsibilities, composition and membership requirements are documented in the Audit and Risk Committee Charter, which may be found on the Company's website.

Principle 3: Promote ethical and responsible decision-making

The Company is committed to the principles of efficiency, honesty and fairness in undertaking its activities and seeks to maintain the highest standard of integrity.

Code of Conduct

The Directors' Code of Conduct and Code of Business Conduct guide Directors, officers and employees in relation to the standards that are expected of them. In addition, the Anti-Corruption and Receipt of Gifts Policy establishes the Company's obligations to comply with relevant laws and to conduct its business ethically.

The Company also has a range of internal guidelines, communications and training processes and tools which apply to and support the Code of Business Conduct.

Trading in Company securities by Directors, officers and employees

In addition, the Board has adopted a Share Dealing Code and Share Trading Policy that regulates dealing by officers and employees in shares and other securities issued by the Company. The Policy seeks to ensure that officers and employees are aware of the legal restrictions on trading in Company shares while in possession of unpublished price-sensitive information and establishes a procedure for trading by officers and employees which is consistent with legal requirements in Australia and ensures integrity and market confidence.

Copies of the Directors' Code of Conduct (including the Anti-Corruption and Receipt of Gifts Policy), Code of Business Conduct, Share Dealing Code and Share Trading Policies can be found in the Corporate Governance section of the Company's website.

For details of shares held by Directors, please refer to the Directors' Report and Note 35 to the financial statements.

Conflicts of interest

Directors are required to keep the Board apprised of any potential conflicts of interest they may have with the interests of the Company.

The Company recognises that it has a responsibility to shareholders, employees, clients and the community as a whole and is committed to corporate practices that reflect these responsibilities. The Company requires that the Directors and staff of the Company act in a manner that reflects the highest standards of behaviour and professionalism. It emphasises the need for honesty and integrity in all areas and in particular, in relation to legal compliance, record keeping, conflicts of interest and confidentiality.

The Company's Code of Business Conduct reflects its commitment to business and corporate ethics and recognition of the interests of shareholders. The Code includes the Company's whistleblower policies and procedures. Under that policy, any concerns may be reported to the Chairman of the Audit and Risk Committee of the Board, the Company Secretary or the Company's auditors.

Principle 4: Safeguard integrity in financial reporting

The Audit and Risk Committee reviews the Company's financial information to ensure its accuracy and timeliness. The Committee's functions also include reviewing the Company's accounting policies, overseeing the effectiveness and independence of the external audit, reporting externally and considering risk management and compliance issues.

The Charter of the Audit and Risk Committee details role and responsibilities, composition and structure of the Committee, which can be found on the Company's website in the Corporate Governance section.

In fulfilling its responsibilities, the Audit and Risk Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information.

Ernst & Young was appointed as external auditor of the Company for the 2009 financial year. A copy of the auditor's independence declaration is set out on page 50 of this Annual Report.

The Board received assurance from the Chief Executive Officer and Chief Financial Officer that the Company's records have been properly maintained, comply with the accounting standards and provide a true and fair view of the Company's financial position.

Principle 5: Make timely and balanced disclosure

The Company is committed to open, prompt and regular communication with the market. Under the ASX Listing Rules, the Company has an obligation to inform the market of information that may have a material effect on the price or value of the Company's securities. To meet these obligations, the Board has adopted a Continuous Disclosure Policy which contains policies and procedures designed to ensure accountability at the senior management level for compliance with the disclosure obligations.

All material matters are disclosed to the ASX immediately and such releases are subsequently posted on the Company's website.

The Continuous Disclosure Policy also promotes a high degree of transparency regarding the Company's operations by ensuring that its securities are always trading on a fully informed basis. This allows investors to rely confidently on publicly available information when making investment decisions about the Company's securities.

The Company has also established a Continuous Disclosure Committee which comprises the Chief Executive Officer and the Company Secretary who consult regularly with the Chief Financial Officer. The Company's Continuous Disclosure Policy can be found in the Corporate Governance section of the Company's website.

Principle 6: Respect the rights of shareholders

Shareholder communications

The Board has a primary responsibility to the shareholders. The maintenance of active channels of communication with shareholders forms an integral part of this responsibility. The Company is committed to effective communication with shareholders and other stakeholders. The Company has therefore established a communication strategy, which is available in the Corporate Governance section of the Company's website.

The Company's website is also a key source of information for shareholders. All Company announcements, including presentations, reports and briefings, are posted on the website. In addition, information is communicated via the distribution of the Annual Report, the lodging of a half yearly report with ASIC and ASX and the distribution of notices to all shareholders informing them of shareholder meetings.

The Board encourages shareholder participation at general meetings and will provide for shareholder questions in all meetings. The Company auditors will attend the Annual General Meeting. Shareholders are invited to submit written questions to the auditors (via the Company) concerning the Auditor's Report or the conduct of the Company's audit no later than five business days before the Annual General Meeting. A list of questions will be made available to members at the Annual General Meeting. Shareholders can also ask questions of the auditor at the Annual General Meeting.

Principle 7: Recognise and manage risk

Risk management

The Company understands the need for an effective system of risk oversight, management and internal control. The Board is responsible for the overall control framework of the Company. The Board has delegated to the Audit and Risk Committee the responsibility in relation to the establishment, management and implementation of the Company's key business risks and risk systems.

Management has established and implemented a risk management system for assessing, monitoring and managing all risks, including material business risks, for the consolidated entity. Management has also put in place a number of key policies, processes and independent controls to provide assurance to the Board and the Audit and Risk Committee as to the integrity of the Company's reporting and effectiveness of the Company's systems of internal control and risk management.

During the year, management provided the risk profile on a half yearly basis to the Audit and Risk Committee. Risk reporting includes the status of risks through integrated risk management programmes aimed at ensuring risks are identified, assessed and managed.

The Chief Executive Officer and Chief Financial Officer have stated in writing to the Board that for the financial year ended 31 December 2009, the statements made by them regarding the integrity of the financial statements are founded on a sound system of risk management, internal compliance and control which, in all material respects, implements the policies adopted by the Board and that the risk management and internal compliance and control, to the extent that they relate to financial reporting, are operating effectively and efficiently, in all material respects.

Principle 8: Remunerate fairly and responsibly

The Company is aware that fair remuneration is essential for attracting and retaining talented and motivated Directors and employees who will enhance the Company's performance. The Company is also aware that remuneration should be responsible and that there should be a clear relationship between performance and remuneration.

The Remuneration and Nomination Committee assists the Board by reviewing and approving the Company's policies and practices. The Committee's consideration of reward structures is based on fairness, business and individual performance, legal obligations and high standards of corporate governance.

Further information on remuneration can be found in the Remuneration Report and in the Remuneration and Nomination Committee Charter on the Company's website.

Five year financial summary

	2009 US\$m	2008 US\$m	2007 US\$m	2006 US\$m	2005 US\$m
Production (BOEPD)	10,034	11,023	9,668	5,477	37
Revenue	204.5	358.2	208.5	109.7	0.7
Trading profit/(loss)	35.4	163.8	104.8	28.5	0.2
Reported profit/(loss) after tax	(115.4)	(278.4)	(83.3)	(44.9)	34.7
Cash flow from operations	98.2	182.5	138.1	47.1	(2.9)
Capital expenditure incurred					
– Development	63.7	76.3	57.4	93.6	78.4
– Exploration	8.5	115.2	94.7	59.1	31.7
Net cash/(debt)	17.9	(114.5)	(91.9)	(89.5)	48.7
Total assets	354.2	520.6	607.1	749.7	193.9
Equity	167.8	207.3	289.9	374.1	157.7
Number of Shares (million)	713.2	588.0	298.9	298.2	187.9
Earnings/(loss) per share (cents)	(17.9)	(74.6)	(27.9)	(19.4)	18.7

Note: Figures have been changed to reflect prior year accounting adjustments.

Directors' Report and the Annual Financial Report

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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 2009.

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, a Fellow of The Institute of Chartered Accountants in Australia and a consultant with the firm of Ferrier Hodgson, Chartered Accountants. Mr Love is Deputy Chairman of Riversdale Mining Ltd and was a Non-Executive Director of Eircom Holdings Ltd at 31 December 2009. In the prior three years, Mr Love had been a Non-Executive Director of Lend Lease Primelife Ltd. Subsequent to year end, following a takeover, Mr Love resigned his position as Non-Executive Director of Eircom Holdings Ltd. He is also a Director of the Museum of Contemporary Art. Mr Love is a member of the Remuneration and Nomination Committee and the Audit and Risk 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 also a director 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 Committee and Chairperson of the Remuneration and Nomination Committee.

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

Mr Clement joined ROC in 1997 and held the positions of Commercial Manager, Company Secretary, and Chief Financial Officer before being appointed Chief Operating Officer in 2003. Mr Clement has almost 30 years of oil and gas industry experience, including banking sector exposure, having held engineering and project management, commercial and supervisory roles with Exxon Corporation and Ampolex, before joining AIDC Limited (Australian resource bank). Following the death of Dr Doran in June 2008, Mr Clement assumed the role of Chief Executive Officer and was formally appointed to this position on 24 September 2008.

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. 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, Mr Jansma currently serves on the Board of the American Petroleum Institute and as Chairman of the Board 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 and from 2008 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 Group of Hotels. 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. Since 1 January 2009, Mr Leon has been a member of the Audit and Risk Committee.

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

Ms Leanne Nolan is Senior Lawyer 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 Dennis Paterson BSc, MSc, DIC
(Executive Director and President, Roc Oil (China) Company) - Appointed 23 March 2008, Resigned 31 July 2009

Mr Paterson joined ROC in October 2006 in the capacity of President of Roc Oil (China) Company and was appointed as an Executive Director on 23 March 2008. Mr Paterson resigned on 31 July 2009.

Ms Sheree Ford BA, LLB, GRADIP (RESOURCES LAW), MBA
(Company Secretary) - Appointed 10 November 2003, Resigned 31 October 2009

Ms Ford was General Counsel and Company Secretary of ROC. Ms Ford joined the Company in November 2003 and resigned on 31 October 2009.

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 Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	B
Mr A J Love	11	11	2	2	4	4	-	-
Mr W G Jephcott	11	9	2	2	4	4	-	-
Mr B F Clement	11	11	2	2	4	4 ⁽¹⁾	2	1 ⁽¹⁾
Mr S J Jansma, Jr	11	10	-	-	-	-	2	2
Mr R C A Leon	11	10	-	-	4	3	-	-
Mr D Paterson ⁽²⁾	7	6	-	-	-	-	-	-

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 31 July 2009.

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\$115.4 million (2008: US\$278.4 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 2009.

Directors' report

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 51 to 54.

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

Subsequent to 31 December 2009, no events have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

Future Developments

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, the Employee Share Option Plan and the Executive Share Option Plan. Senior executive performance reviews and succession planning are also considered by the Remuneration and Nomination Committee.

Remuneration levels for Directors and relevant 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 employee and/or executive share options. Given the changing nature of the industry, ROC's business and Government legislative changes, ROC has reviewed both its Long Term Incentive ('LTI') and Short Term Incentive ('STI') plans to ensure they are competitive and appropriate in today's environment. As a consequence of this review, ROC will implement a performance-based STI cash bonus plan and a new performance-based LTI share rights plan. The existing employee and executive options will no longer be issued (refer to *Variable Remuneration* section of this Report).

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 to members of ROC's Executive Committee and Key Management Personnel ('Specified Executives') and Executive Directors in respect of the 2009 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 2009 was 0.7917 (2008: 0.8524).

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

	Short Term			Post - Employment	Equity Compensation	Termination Benefits US\$	Total US\$	Percentage Performance Related %
	Salary and Fees US\$	Cash Bonus ⁽⁴⁾ US\$	Non-Monetary Benefits US\$	Super- annuation US\$	Value of Share Options US\$			
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 (resigned 31 July 2009)	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 (resigned 31 October 2009)	471,360	-	56,575	21,868	(117,867)	121,749	553,685	N/A
Mr A 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 option. 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 option. 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 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.

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 2008:

	Short Term			Post-Employment	Equity Compensation	Termination Benefits US\$	Total US\$	Percentage Performance Related %
	Salary and Fees US\$	Cash Bonus US\$	Non-Monetary Benefits US\$	Super-annuation US\$	Value of Share Options US\$			
Non-Executive Directors								
Mr A J Love	123,087	–	–	3,452	–	–	126,539	–
Mr W G Jephcott	106,550	–	–	5,754	–	–	112,304	–
Mr S J Jansma, Jr	38,358	–	–	–	–	–	38,358	–
Mr R C A Leon (appointed 3 December 2008)	2,919	–	–	–	–	–	2,919	–
Mr A C Jolliffe (resigned 3 December 2008)	38,358	–	–	–	–	–	38,358	–
Dr D Schwebel (resigned 3 December 2008)	35,439	–	–	3,190	–	–	38,629	–
Executive Directors								
Dr R J P Doran Chief Executive Officer (ceased to be a Director on 27 June 2008)	226,373	100,000	18,619	22,905	–	2,248,470	2,616,367	3.8
Mr B F Clement Chief Executive Officer (appointed Chief Executive Officer 24 September 2008)	470,106	–	10,340	42,310	163,324	–	686,080	23.8
Mr D Paterson President, Roc Oil (China) Company	993,197	–	152,916	63,393	131,472	–	1,340,978	9.8
Total Directors	2,034,387	100,000	181,875	141,004	294,796	2,248,470	5,000,532	8.5
Specified Executives								
Ms S Ford General Counsel and Company Secretary	348,713	–	32,562	27,320	96,878	–	505,473	19.2
Dr K Hird General Manager Business Development	337,554	–	10,126	31,079	98,008	–	476,767	20.6
Mr A Linn Chief Operating Officer	309,966	–	–	27,375	84,731	–	422,072	20.1
Mr J Mebberson General Manager Exploration	289,816	–	10,340	26,083	45,680	–	371,919	12.3
Mr A Neilson Chief Financial Officer	247,196	–	–	22,248	84,606	–	354,050	23.9
Total Specified Executives	1,533,245	–	53,028	134,105	409,903	–	2,130,281	19.2
Total Directors and Specified Executives	3,567,632	100,000	234,903	275,109	704,699	2,248,470	7,130,813	11.3

In accordance with AASB 2 *Share-based Payment*, the Company has calculated the attributable value of 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 option payoff at expiry. The option value is taken as the average payoff amounts calculated discounted back to the valuation date. The value of options is amortised over the vesting period of the option.

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 US\$395,850 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 2009 financial year were a total of US\$327,568. 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 options or rights 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
<i>Non-Executive Directors</i>		
Mr A J Love	589,521	–
Mr W G Jephcott	1,117,300	–
Mr S J Jansma, Jr	644,641	–
Mr R C A Leon	1,221,212	–
<i>Executive Director</i>		
Mr B F Clement	181,126	680,000

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 share rights (for future awards).

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 benefit 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 three months' written notice or in the case of the Chief Executive Officer, 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 substantial 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 – B F Clement

Mr Clement has been employed as Chief Executive Officer of the Company since 24 September 2008. His service agreement was signed on 26 February 2009. There is no fixed term to Mr Clement's contract of employment. Under this employment contract, Mr Clement's remuneration comprises a base salary, other benefits, superannuation and discretionary cash bonuses. His remuneration may also include the issue of options under the Executive Share Option Plan or rights under the new LTI Share Rights Plan, subject to ASX Listing Rules requirements.

Remuneration levels are reviewed each year to take into account individual performance as well as the Company's performance. The remuneration may be increased or remain unchanged but may not be decreased as a result of this review unless Mr Clement's role or status within the Company has been diminished. Mr Clement is also required to participate in an annual review of his performance against achievement of specific performance goals, conducted by the Remuneration and Nomination Committee. The outcome of this review is taken into account for the purpose of the annual review of Mr Clement's remuneration and award of bonuses.

The Chief Executive Officer's employment contract includes provision for termination by the Company by giving six months' written notice. Mr Clement may also terminate the contract at any time by giving six months' notice.

If Mr Clement's authority, status or scope of duties within the Company is materially altered or diminished, or he is requested to relocate from Sydney, then Mr Clement may terminate his employment on not less than one month's written notice provided this right is exercised within six months of the change of position. Mr Clement's employment may also be terminated by the Company by not less than three months' notice if Mr Clement is prevented from performing his duties due to illness or incapacity.

Except where Mr Clement resigns or is terminated for cause, the Company is required to pay Mr Clement a lump sum retiring allowance equal to his then base remuneration for the one year preceding the date of termination of the agreement less any payment made in lieu of notice plus an amount equal to 1.5 months' base remuneration for each completed year of service up to a maximum of 12 months' base remuneration. Mr Clement's employment may be terminated with immediate effect for cause. If Mr Clement's employment is terminated for cause, the Company has no further obligations other than to pay any accrued entitlements.

Details of Mr Clement's remuneration are included in the tables supporting the Remuneration Report.

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 a per diem payment of US\$100 for the first two days.

Variable Remuneration

Existing Awards

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

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

In the case of the Chief Executive Officer, specific goals are set at the commencement of each year and payment of a bonus is assessed against achievement of the specified goals. The goals which are 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 achievement of particular objectives and/or the performance of the Company. No executive share options were awarded to the Chief Executive Officer and Specified Executives in 2009.

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 total shareholder return ('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 volume weighted average price ('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 shares on the ASX in the 90 days before the issue date.

Since August 2004, ROC's share price has decreased by 59% compared to the S&P/ASX 200 Energy Index which has increased by 153%.

New Awards Plan

ROC has conducted a review of its remuneration practices during the year to ensure that the Company's practices are competitive and appropriate in the industry and today's environment. As a result of this review, the Company will implement a revised STI cash performance bonus and LTI performance share rights plan. These bonus plans are "at risk" plans based on achievement of particular objectives for the individual and/or the Company. No rights have yet been issued under these plans.

Directors' report

Remuneration Report (Audited) *continued*

Variable Remuneration continued

New 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 45% 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.

New 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 the participant;
- the number of rights granted is based on the 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 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;
- 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.

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 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%

Tier Two - Relative TSR

- 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%

Tier Three - Retention

- Vesting will be subject to 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.

Equity-based Remuneration

In relation to Directors and Specified Executives, no options were granted or exercised during the financial year. No value was attributable for options that lapsed during the year.

Details of the options vested and percentage of remuneration consisting of options in relation to Directors and Specified Executives in 2009 are set out below:

	Vested as at 31 Dec 2009		Remuneration Consisting of Options for the Year
	No.	% of Options Held	%
Executive Directors			
Mr B F Clement	460,000	67.6	10.5
Mr D Paterson	–	–	–
Specified Executives			
Ms S Ford	–	–	–
Mr A Linn	–	–	20.9
Mr J Mebberson	94,000	28.5	10.9
Mr R Morris	–	–	1.8
Mr A Neilson	60,000	16.2	16.1

Shares under Option

During or since the end of the financial year, the Company granted a total of nil options over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 11,798,600 options, comprising 4,011,500 employee share options and 7,787,100 executive share options granted over unissued ordinary shares of ROC under the Employee Share Option Plan and the Executive Share Option Plan. Refer to Note 27 to the financial statements for further details of options outstanding. During the financial year, no ordinary shares were issued as a result of exercise of options under either of the plans. Since the end of the financial year, no ordinary shares were issued as a result of exercise of share options and no options have lapsed or been cancelled.

Optionholders do not have any right, by virtue of the 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.

Directors' report

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 one Executive Director and four 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 set out 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 and Mr R C A Leon were members of the Company's Audit and Risk 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 2009 interim review:

- tax compliance and accounting advice US\$376,583.

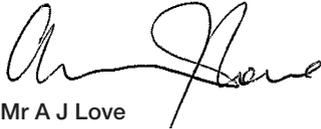
The Directors have considered the position and, in accordance with advice received from the Audit and Risk Committee, are satisfied that the provision of these services is compatible with the standards of auditor independence imposed by the Corporations Act 2001. The Directors are satisfied that the 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 Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine 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 50.

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 B F Clement
Director and Chief Executive Officer

Sydney, 24 February 2010

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 2009, 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.

A stylized, handwritten-style logo for Ernst & Young, with the text 'Ernst & Young' in a cursive font.

Ernst & Young

A handwritten signature in black ink, appearing to read 'M. Elliott'.

Michael Elliott
Partner

Sydney, 24 February 2010

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 2009.

FINANCIAL PERFORMANCE

Statement of Comprehensive Income

The Group reported a net loss after income tax of US\$115.4 million (2008: net loss US\$278.4 million). The Group's trading profit was US\$35.4 million (2008: US\$163.8 million).

Included in this result were significant items relating to: net impairment write down of assets of US\$82.2 million (US\$88.8 million after tax); unrealised hedging losses of US\$30.4 million; a loss on sale of Nexus Energy Limited shares of US\$5.6 million; offset by a profit on the sale of a 10% participating interest in the Basker-Manta-Gummy ('BMG') Oil & Gas Fields of US\$5.7 million. After adjustment for these items, the normalised after tax loss for the Group was US\$3.7 million, which included exploration expensed of US\$7.1 million.

The net impairment asset write down was made as a result of the reserve downgrade at BMG totalling US\$98.8 million, a write down to Chinguetti of US\$10.1 million, offset by a write back of prior year impairments to Zhao Dong of US\$26.8 million.

Sales and Production Growth

The Group recorded solid performance from its producing assets, with working interest production of 3.7 MMBOE (10,034 BOEPD) (2008: 4.0 MMBOE), down 9% compared to the prior year. Of the total working interest production, 0.17 MMBBL (4.7%) 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\$204.4 million (2008: US\$356.8 million) was generated from sales volumes of 3.6 MMBOE (2008: 3.9 MMBOE). This amount is predominantly oil sales of US\$203.9 million, which achieved an average realised price of US\$56.88/BBL (2008: US\$92.06/BBL) before hedging, a discount of US\$4.79/BBL (7.8%) to the Brent oil price average of US\$61.67/BBL for 2009.

Operating costs of US\$169.0 million (2008: US\$194.5 million) comprised production costs of US\$64.9 million (US\$17.73/BOE), amortisation costs of US\$91.0 million (US\$24.84/BOE), Chinese levies and special taxes of US\$6.8 million and stock movements of US\$6.4 million.

Exploration Expensed

Exploration and evaluation expenditure of US\$8.5 million (2008: US\$115.2 million) was incurred during the period, mainly in connection with general studies and Beibu Gulf pre-development work. In accordance with the Company's successful efforts accounting policy, US\$7.1 million (2008: US\$112.7 million) in exploration costs were expensed during the period.

Income Tax

An income tax expense of US\$11.7 million (2008: benefit US\$28.3 million) was recognised during the period, with a current year income tax expense of US\$32.2 million mainly in relation to taxable income generated by Blane, Enoch and Zhao Dong and an underprovision of prior year income tax of US\$2.9 million, offset by a deferred tax benefit of US\$23.4 million, arising mainly from the reversal of prior year PRRT liabilities.

The total tax paid during the year was US\$47.0 million, mainly relating to the Zhao Dong, UK and BMG assets.

Financial Ratios

Basic loss per share for the year was US\$0.179 based on a weighted average number of fully paid ordinary shares on issue of 646,173,601.

Hedging

Consistent with ROC's oil price hedging strategy, as at 31 December 2009 ROC held Brent oil price swap contracts for approximately 2.1 MMBBL at an average price of US\$66.00/BBL for the period to December 2011. During the period, 1.0 MMBBL of oil price derivatives were settled, resulting in a cash inflow of US\$12.7 million. At the end of the period, the mark-to-market position of ROC's remaining oil price hedge book was a US\$32.8 million liability (2008: US\$14.1 million asset), the movement in this mark-to-market position between periods has resulted in ROC reporting a total unrealised hedging and derivative loss for 2009 of US\$30.4 million. The total hedging and derivative loss for the period was US\$36.9 million (2008: gain US\$38.6 million).

Discussion and Analysis of Financial Statements

FINANCIAL PERFORMANCE *continued*

Statement of Financial Position

During the period, total assets decreased to US\$354.2 million (2008: US\$520.6 million), total liabilities decreased to US\$186.4 million (2008: US\$313.3 million), and net assets decreased to US\$167.8 million (2008: US\$207.3 million).

Oil and gas assets decreased to US\$244.6 million (2008: US\$366.6 million) during the period, mainly resulting from impairment write down of asset values of US\$82.2 million, amortisation of US\$91.0 million and sale of 10% of BMG of US\$28.1 million, offset by an increase in the restoration provision of US\$15.6 million and US\$63.7 million development expenditure incurred.

At 31 December 2009, ROC's net cash position was approximately US\$17.9 million, consisting of debt US\$49.2 million (2008: US\$168.7 million), offset by cash assets held of US\$67.1 million (2008: US\$54.3 million). At year end, the total loan facilities available to ROC were US\$90.0 million relating to the remaining portion of the 2007 borrowing base facility.

Statement of Cash Flow

Net cash generated from operating activities was US\$98.2 million (2008: US\$182.5 million) for the period. The funds were primarily used for development expenditure of US\$87.8 million (2008: US\$77.0 million) and exploration expenditure of US\$11.4 million (2008: US\$115.8 million).

Corporate Activity

Sale of 10% interest in BMG to Pertamina

On 27 May 2009, ROC announced the sale of a 10% participating interest in production licences VIC/L26, VIC/L27 and VIC/L28, offshore Victoria, which includes the BMG project, to Pertamina Hulu Energi Australia Pty Ltd, a subsidiary of the Indonesian National Oil Company ('Pertamina'). Total cash consideration received for the sale was US\$32.3 million, which was completed on 18 August 2009. ROC has retained a 30% participating interest and remains Operator of the BMG project.

Equity Capital Raising

On 26 June 2009, ROC raised approximately A\$68.8 million (US\$55.0 million) through a fully underwritten placement of approximately 88.2 million new ordinary shares at an issue price of A\$0.78 per share. On 7 August 2009, ROC also raised an additional A\$26.2 million (US\$21.6 million) through a share purchase plan with existing shareholders, resulting in approximately 36.9 million new ordinary shares being issued at an issue price of A\$0.71 per share.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US\$64.9 million in production expenditure (2008: US\$44.3 million) and US\$63.7 million (2008: US\$76.3 million) in development expenditure. Development expenditure related to the BMG and Zhao Dong fields.

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

Gross oil production averaged 3,854 BOPD (ROC: 1,430 BOPD); ROC's share of BMG production and development expenditure is recorded at 30%, effective 1 June 2009, following the sale of a 10% participating interest to Pertamina.

The primary operational issues that affected production during 2009 were: the drilling and workover programme between mid-June and September; the planned shutdown of the BMG Fields for approximately nine weeks between mid-September and late-November for maintenance and vessel surveys of the Crystal Ocean FPSO and the Basker Spirit shuttle tanker; unscheduled downtime due to poor weather; a flowline blockage in the Basker-6 sidetrack production well; and a shut-in of the B2 production well.

Development expenditure incurred for the period was US\$40.9 million relating to the drilling and workover programme. Basker-5 and Basker-3 well workovers were conducted and the Basker-7 development well was drilled and completed as a producer. During the field shutdown, a flare gas compressor was installed on the Crystal Ocean FPSO, which, subject to regulatory approval, is planned to remove the need for gas flaring during normal operations and Basker-2 well repairs were successfully completed.

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

Gross oil production averaged 3,888 BOPD (ROC: 1,458 BOPD), down 41% compared to the previous year primarily due to workovers to install electric submersible pumps at the Cliff Head-6 and Cliff Head-10 production wells.

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

Gross oil production averaged 17,845 BOPD (ROC: 4,372 BOPD); down 1% compared to the previous year. Production was positively impacted by the commissioning of the second processing platform ('OPB') that increased fluid handling capabilities from 90,000 BFPD to 175,000 BFPD and allowed production to restart from previously shut-in high water cut wells. The commissioning of the OPB represented the completion of facility development activities at Zhao Dong that were started in early 2007 and included the installation of four new platforms and two new pipelines.

Development expenditure of US\$21.6 million was incurred, due to the 2009 drilling programme that included 12 production wells and four injection wells; and completion of facilities expansion.

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

Gross oil production averaged 1,661 BOPD (ROC: 192 BOPD) for the year. Development expenditure of US\$0.7 million was incurred.

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

Gross oil production averaged 11,528 BOEPD (ROC: 1,441 BOEPD), down 17% compared to the previous year primarily due to gas lift and water injection interruptions at the Ula host platform.

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

Gross production averaged 6,567 BOEPD (ROC: 788 BOEPD), up 11% compared to the previous year primarily due to the benefits from the resolution of power generation issues that took place in 4Q 2008.

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

Gross oil production averaged 10,831 BOPD (ROC: 352 BOPD), down 7% compared to the previous year primarily due to natural field decline.

Exploration and Appraisal

The Group incurred US\$8.5 million in exploration and evaluation expenditure during the period, including US\$2.7 million in pre-development expenditure in Beibu Gulf.

Wei 6-12 and Wei 12-8 West Oil Field Development Areas (Block 22/12 Petroleum Contract), Beibu Gulf, Offshore China (ROC: 40% and Operator – subject to Government participation in developments for up to 51%)

Exploration expenditure of US\$2.7 million was incurred. The technical section of the Overall Development Plan ('ODP') for development of the fields was completed as scheduled on 20 December 2009. The economic section of the ODP was pending completion at the end of 2009. Completion of the ODP is planned for 1Q 2010 and should be followed by formal Chinese Government approvals and the Final Investment Decision.

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

Exploration expenditure was incurred on evaluation of the block in preparation for the 2010 permit renewal process.

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

Exploration expenditure of US\$0.7 million was incurred. Interpretation of the 3D Aragon seismic survey (acquired in 2008) was completed, confirming the presence of a large number of leads representing several different play types. A three month permit suspension was granted to 5 April 2010 to enable completion of the permit's technical assessment and determination of the 50% relinquishment pattern.

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

Exploration expenditure was US\$0.4 million. ROC withdrew from the Permits and resigned as Operator of the Permits effective 31 December 2009 pending execution of documentation and regulatory approvals.

Discussion and analysis of financial statements

OPERATIONAL OVERVIEW *continued*

Exploration and Appraisal *continued*

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

On 28 April 2009, Roc Oil (Cabinda) Company, a wholly-owned subsidiary of ROC, executed a farm-out agreement with Pluspetrol Angola Corporation ('Pluspetrol'), a wholly owned subsidiary of Pluspetrol Resources Corporation, for the farm-out of a 45% participating interest in the Cabinda Onshore South Block. Pluspetrol also became operator of the block. In late 2009, Lacula Oil Company Ltd (wholly-owned by ROC) assigned a 5% participating interest to Cuba Petroleo, pending final documentation. ROC retained a 10% participating interest (6.25% paying interest) in the block and was free-carried through the full 2009 work programme, which included testing of the Coco discovery and the drilling of an exploration well.

The Castanha-1 exploration well commenced drilling on 13 November 2009 and encountered a gross hydrocarbon column of approximately 15 metres in the pre-salt section. The Coco-1 extended well test commenced in November 2009 and results indicate that none of the five zones tested exhibited natural hydrocarbon flow. Following the completion of planned production testing at Castanha-1, joint venture participants will review the results from the Coco-1 extended well test and the future potential for the discovery.

Offshore Mauritania (ROC: 2%-5.49%)

Exploration expenditure of US\$1.6 million was incurred. Preparations began for the possible drilling of Gharabi-1 and Cormoran-1 exploration wells during 2010.

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\$2.3 million was incurred. Geological and geophysical work continued and expressions of interest were sent for a potential 2D seismic acquisition programme in 2010.

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

Exploration expenditure of US\$0.6 million was incurred on drilling planning activities and continued farm-out work during the year in preparation for the possible drilling of the Aleta-1 prospect in 2010.

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

Exploration expenditure of US\$0.2 million was incurred on the acquisition and processing of the Barque 2D seismic survey during the year.

Statement of comprehensive income

For the financial year ended 31 December 2009

	Note	CONSOLIDATED		COMPANY	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Sales revenue	4	204,483	358,230	-	-
Operating costs	5	(169,073)	(194,467)	-	-
Trading profit		35,410	163,763	-	-
Other income	6	16,812	4,625	81,690	2,235
Net derivative (losses)/gains		(36,983)	37,201	-	-
Exploration expensed	7	(7,115)	(112,728)	(2,206)	(2,258)
Impairment of exploration	7	-	(77,813)	-	-
Impairment of oil and gas assets	19	(82,155)	(224,796)	-	-
Impairment of goodwill	8	-	(43,790)	-	-
Loss on investment in listed securities		(5,616)	(30,527)	-	-
Other costs	9	(13,105)	(14,495)	(208,742)	(279,691)
Finance costs	10	(10,923)	(8,093)	(3,849)	(35)
Loss before income tax		(103,675)	(306,653)	(133,107)	(279,749)
Income tax (expense)/benefit	11	(11,715)	28,268	(16)	6,051
Net loss		(115,390)	(278,385)	(133,123)	(273,698)
Other comprehensive income					
Foreign currency translation		-	(34,867)	-	-
Cash flow hedges transferred to trading profit		(85)	(1,385)	-	-
Income tax expense on items of other comprehensive income		-	(449)	-	-
Other comprehensive losses net of tax		(85)	(36,701)	-	-
Total comprehensive loss		(115,475)	(315,086)	(133,123)	(273,698)
Basic loss per share - cents	28	(17.9)	(74.6)		
Diluted loss per share - cents	28	(17.9)	(74.6)		

Statement of financial position

As at 31 December 2009

	Note	CONSOLIDATED		COMPANY	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Current assets					
Cash assets	12	67,079	54,260	48,101	6,760
Trade and other receivables	13	16,686	29,235	6,094	7,288
Financial assets available for sale	14	–	24,131	–	–
Derivatives	15	–	16,517	–	–
Inventories	16	7,045	10,562	–	–
Total current assets		90,810	134,705	54,195	14,048
Non-current assets					
Trade and other receivables	17	–	–	56,225	101,569
Other financial assets	18	–	–	42,342	123,782
Derivatives	15	–	2,170	–	–
Oil and gas assets	19	244,630	366,557	–	–
Exploration and evaluation expenditure	20	16,129	14,720	–	–
Property, plant and equipment	21	1,386	2,415	1,386	1,753
Deferred tax assets	11	1,266	16	–	16
Total non-current assets		263,411	385,878	99,953	227,120
Total assets		354,221	520,583	154,148	241,168
Current liabilities					
Bank loans	22	–	80,000	–	30,000
Trade and other payables	24	21,536	38,773	890	1,299
Current tax liabilities	11	8,054	17,233	–	–
Derivatives	15	15,162	–	–	–
Provisions	25	1,363	1,091	1,363	1,091
Total current liabilities		46,115	137,097	2,253	32,390
Non-current liabilities					
Bank loans	22	49,229	88,736	–	–
Long term liabilities		72	206	72	206
Deferred tax liabilities	11	28,213	50,409	–	–
Derivatives	15	17,668	4,548	–	–
Provisions	25	45,121	32,327	942	586
Total non-current liabilities		140,303	176,226	1,014	792
Total liabilities		186,418	313,323	3,267	33,182
Net assets		167,803	207,260	150,881	207,986
Equity					
Share capital	26	744,201	669,942	744,201	669,942
Accumulated losses		(586,786)	(471,396)	(673,093)	(539,970)
Other reserves		10,388	8,714	79,773	78,014
Total equity		167,803	207,260	150,881	207,986

Statement of cash flow

For the financial year ended 31 December 2009

	Note	CONSOLIDATED		COMPANY	
		Inflow/ (Outflow) 2009 US\$'000	Inflow/ (Outflow) 2008 US\$'000	Inflow/ (Outflow) 2009 US\$'000	Inflow/ (Outflow) 2008 US\$'000
Cash flows from operating activities					
Cash generated from/(used in) operations	12	138,465	267,940	(8,061)	(2,428)
Derivatives received/(paid)		12,688	(40,201)	-	-
Interest received		1,421	548	836	167
Finance cost paid		(7,386)	(6,130)	(2,376)	-
Income taxes paid		(47,025)	(39,671)	-	-
Net cash generated from/(used in) operating activities		98,163	182,486	(9,601)	(2,261)
Cash flows from investing activities					
Acquisition of controlled entities	37	-	(5,154)	-	(5,154)
Acquisition of minority interest	37	-	(6,799)	-	(6,799)
Cash balance acquired	37	-	44,073	-	-
Payments for plant and equipment		(246)	(858)	(246)	(854)
Payments for development expenditure		(87,760)	(77,043)	-	-
Payments for exploration expenditure		(11,385)	(115,798)	(2,608)	(2,436)
Proceeds from sale of Nexus shares		18,508	-	-	-
Proceeds from sale of 10% of BMG		32,251	-	-	-
Proceeds from sale of assets		974	15	4	15
Net cash used in investing activities		(47,658)	(161,564)	(2,850)	(15,228)
Cash flows from financing activities					
Proceeds from share issues	26	76,621	29	76,621	29
Share issue expenses	26	(2,362)	-	(2,362)	-
Bank loan advances		1,000	150,000	-	30,000
Bank loan repayments		(121,000)	(115,000)	(30,000)	-
Provision of funds to controlled entities		-	-	1,117	(17,584)
Repayment of debt		-	(38,864)	-	-
Loan to associate company		(2)	(8)	-	-
Net cash (used in)/generated from financing activities		(45,743)	(3,843)	45,376	12,445
Net increase/(decrease) in cash held		4,762	17,079	32,925	(5,044)
Cash at beginning of financial year		54,260	41,437	6,760	11,804
Effect of exchange rate changes on the balance of cash held in foreign currencies		8,057	(4,256)	8,416	-
Cash at end of financial year	12	67,079	54,260	48,101	6,760

Statement of changes in equity

For the financial year ended 31 December 2009

	CONSOLIDATED						
	Share Capital US\$'000	Accumulated Losses US\$'000	Share Equity Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Hedge Reserve US\$'000	Minority Interest US\$'000	Total US\$'000
Balance at 1 January 2008	435,790	(189,081)	5,039	36,050	935	–	288,733
Total comprehensive loss for the period net of tax	–	(278,385)	–	(34,867)	(1,834)	–	(315,086)
Transactions with owners							
Issue of share capital	234,123	–	–	–	–	–	234,123
Minority interest arising on business combination	–	–	–	–	–	106,670	106,670
Purchased minority interest	–	–	–	–	–	(110,600)	(110,600)
Loss on purchase of minority interest	–	(3,930)	–	–	–	3,930	–
Exercise of share options	29	–	–	–	–	–	29
Share-based payments	–	–	3,391	–	–	–	3,391
Total transactions with owners	234,152	(3,930)	3,391	–	–	–	233,613
Balance at 1 January 2009	669,942	(471,396)	8,430	1,183	(899)	–	207,260
Total comprehensive loss for the period net of tax	–	(115,390)	–	–	(85)	–	(115,475)
Transactions with owners							
Shares issued	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 31 December 2009	744,201	(586,786)	10,189	1,183	(984)	–	167,803

	COMPANY						
	Share Capital US\$'000	Accumulated Losses US\$'000	Share Equity Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Hedge Reserve US\$'000	Minority Interest US\$'000	Total US\$'000
Balance at 1 January 2008	435,790	(266,272)	5,039	69,584	–	–	244,141
Total comprehensive loss for the period, net of tax	–	(273,698)	–	–	–	–	(273,698)
Transactions with owners							
Issue of share capital	234,123	–	–	–	–	–	234,123
Minority interest using a business combination	–	–	–	–	–	–	–
Purchased minority interest	–	–	–	–	–	–	–
Loss on purchase of minority interest	–	–	–	–	–	–	–
Exercise of share options	29	–	–	–	–	–	29
Share-based payments	–	–	3,391	–	–	–	3,391
Total transactions with owners	234,152	–	3,391	–	–	–	237,543
Balance at 1 January 2009	669,942	(539,970)	8,430	69,584	–	–	207,986
Total comprehensive loss for the period, net of tax	–	(133,123)	–	–	–	–	(133,123)
Transactions with owners							
Shares issued	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 31 December 2009	744,201	(673,093)	10,189	69,584	–	–	150,881

Notes to the 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 2010 by the Board.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include A-IFRS. The financial report, comprising the financial statements, the ROC ('parent entity') financial statements and notes thereto, also complies with International Financial Reporting Standards.

The Group has adopted AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements (Revised)* and the amended AASB 7 *Financial Instruments: Disclosures*, all effective 1 January 2009. Comparative information has been re-presented so that it also is in conformity with the revised standards. Since the changes in accounting policies only impact presentation aspects, there is no impact on earnings per share.

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 2009 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, or has been proved to exist, 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 under way 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 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 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 frequently 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 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 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.

(l) Cash and cash equivalents

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

Notes to the financial statements

Note 1. Summary of Significant Accounting Policies *continued*

(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 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 Statement of Comprehensive Income, net of any amortisation that would have been charged since the impairment.

(p) Provisions

Provisions are recognised when the Company 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

The Group provides benefits to employees of the Group in the form of share options.

Two share option plans were in place to provide these benefits:

- the Employee Share Option Plan; and
- the Executive Share Option Plan.

As a result of a review of ROC's share-based payment plan, the Company will implement a revised plan in the form of performance share rights. This new plan will replace the share options plans going forward. No performance share rights have yet been issued. Historically, the costs of these equity-settled transactions with employees are measured by reference to the fair value at the date at which the share options are granted. The fair value is determined by an external valuer using a 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 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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the 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 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 consolidation group under Australian taxation law. ROC is the head entity in the tax consolidation group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidation group are recognised in the separate financial statements of the members of the tax consolidation 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 consolidation group are recognised by the Company (as head entity in the tax consolidation group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidation 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 consolidation group in accordance with the arrangement.

(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 Statement of Cash Flow 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 Company and 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 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 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.

(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 are 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.

Notes to the financial statements

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 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 Statement of Comprehensive Income.

The carrying amount of exploration and evaluation assets as at 31 December 2009 is US\$16.1 million (2008: US\$14.7 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 2009 is US\$244.6 million (2008: US\$366.6 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 judgmental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of 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 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 Company and Group have exposure to the following risks from their 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 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 Company and 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 Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim 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 interest rate and foreign exchange risk and assessments of market forecasts for commodity prices, interest rates and foreign exchange rates. 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.

Credit risk

The Company's key credit risk is the risk of default from amounts owed from controlled entities which are assessed for impairment annually (see Note 17).

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets 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.

Notes to the financial statements

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

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 2009

Consolidated (US\$'000)	6 months or less	6 months–1 year	1–3 years	Total
Trade and other payables	21,536	–	–	21,536
Tax liabilities	8,054	–	–	8,054
Borrowings	450	450	50,675	51,575
Derivatives	7,090	8,592	17,459	33,141
	37,130	9,042	68,134	114,306

Company (US\$'000)

Trade and other payables	890	–	–	890
	890	–	–	890

For the financial year ended 31 December 2008

Consolidated (US\$'000)	6 months or less	6 months–1 year	1–3 years	Total
Trade and other payables	38,773	–	–	38,773
Tax liabilities	17,233	–	–	17,233
Borrowings	26,418	55,923	91,935	174,276
Derivatives	–	–	5,663	5,663
	82,424	55,923	97,598	235,945

Company (US\$'000)

Trade and other payables	1,299	–	–	1,299
Borrowings	360	30,138	–	30,498
	1,659	30,138	–	31,797

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

Effective from 1 January 2009 the revisions to AASB 7 *Financial Instruments: Disclosures* has been adopted. The revised standard 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 liability accounted for at fair value as at 31 December 2009 consisted of the oil price derivatives as disclosed in Note 15 which have been classified as Level 2. There were no Level 1 or Level 3 financial assets or liabilities as at 31 December 2009, and 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 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 and Company's cash flows are denominated in USD, however the Group and Company are exposed to certain non-USD cash balances. As at 31 December 2009 the non-USD cash balances amounted to A\$51.5 million. The impact on the loss for the year assuming a +10% or -10% change in the foreign exchange rate would be US\$4.6 million.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash (refer to Note 12) and long term debt obligations and the level of debt (refer to Note 22).

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\$0.2 million (2008: US\$1.5 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 15).

At 31 December 2009, the Group had a US\$32.8 million derivative liability (2008: US\$14.1 million asset) arising from approximately 2.1 MMBBL of oil price swaps which represents approximately 15% 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)		
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000	
Judgement of reasonably possible movements					
Consolidated					
Crude oil price	+US\$10/BBL	(20,065)	(25,059)	-	-
Crude oil price	-US\$10/BBL	20,065	25,059	-	-

Notes to the 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.

Note 4. Sales Revenue

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Oil	203,852	355,213	–	–
NGL	33	981	–	–
Gas	513	651	–	–
Hedging gain	85	1,385	–	–
	204,483	358,230	–	–

Note 5. Operating Costs

Production costs	64,935	44,295	–	–
Amortisation	90,959	120,361	–	–
Movement in stock and over/(under)lift	6,423	5,790	–	–
Chinese special levy	6,756	24,021	–	–
	169,073	194,467	–	–

Note 6. Other Income

Dividend received	–	–	72,000	–
Interest income - external	1,568	465	984	167
Profit on sale of 10% of BMG	5,744	–	–	–
Profit from sale of other assets	2,396	13	4	13
Rental income	–	800	–	–
Net foreign currency gains	6,031	3,339	8,702	2,048
Other	1,073	8	–	7
	16,812	4,625	81,690	2,235

Note 7. Exploration Expensed and Impaired

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Angola	(401)	61,340	–	–
Australia	747	25,781	–	–
China	1,218	12,340	–	–
Equatorial Guinea	598	437	–	–
Madagascar	889	3,643	–	–
Mauritania	1,607	6,767	–	–
United Kingdom	52	162	–	–
Other	2,405	2,258	2,206	2,258
Exploration expensed	7,115	112,728	2,206	2,258
Angola	–	9,974	–	–
China	–	60,172	–	–
Mauritania	–	7,667	–	–
Exploration impaired	–	77,813	–	–
Exploration expensed and impaired	7,115	190,541	2,206	2,258

Note 8. Impairment of Goodwill

Goodwill acquired on acquisition of AEL	–	43,790	–	–
Impairment of goodwill	–	(43,790)	–	–
	–	–	–	–

Goodwill was written off in 2008 based on the discounted cash flow from the BMG Fields (refer to Note 19(a)(ii)).

Note 9. Other Costs

Operating lease expenses	1,754	1,255	902	1,131
Loss from sale of assets	–	20	–	6
Depreciation	693	803	607	630
Impairment of non-current intercompany receivables	–	–	113,815	91,145
Impairment of investments in controlled entities	–	–	83,980	180,860
Other administration costs	10,160	9,026	8,940	2,528
Share-based payments	498	3,391	498	3,391
	13,105	14,495	208,742	279,691

Notes to the financial statements

Note 10. Finance Costs

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Interest expensed on bank loans	3,745	5,593	237	–
Unwinding of discount – restoration provision	1,973	1,092	–	–
Other finance costs	5,205	1,408	3,612	35
	10,923	8,093	3,849	35

Note 11. Income Tax

(a) Composition of income tax

Income tax charge – current period	(32,224)	(78,038)	–	–
Income tax charge – prior period	(2,937)	–	–	–
Deferred income tax – current period	5,979	110,219	(16)	6,051
Deferred tax – PRRT	17,467	(3,913)	–	–
Income tax (expense)/benefit	(11,715)	28,268	(16)	6,051

(b) Amounts transferred from equity

Tax effect on cash flow hedges	–	(449)	–	–
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(c) Recognised deferred tax assets and liabilities

Deferred income tax at 31 December relates to the following:

	STATEMENT OF FINANCIAL POSITION			
	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
(i) Deferred tax assets				
Accelerated depreciation for tax purposes	1,266	(595)	–	(595)
Recognition of tax losses	–	–	–	–
Provisions	–	611	–	611
Derivatives	–	–	–	–
Other	–	–	–	–
Net deferred tax assets	1,266	16	–	16
(ii) Deferred tax liabilities				
Accelerated depreciation for tax purposes	(30,988)	(45,518)	–	–
Provisions	2,775	9,899	–	–
Derivatives	–	(980)	–	–
PRRT	–	(17,482)	–	–
Recognition of tax losses	–	3,445	–	–
Other	–	227	–	–
Net deferred tax liabilities	(28,213)	(50,409)	–	–
Total net deferred tax (liability)/asset	(26,947)	(50,393)	–	16

	2009		2008	
	Provision for Current Income Tax US\$'000	Deferred Income Tax US\$'000	Provision for Current Income Tax US\$'000	Deferred Income Tax US\$'000
Consolidated				
Opening balance	(17,233)	(50,393)	(4,730)	(53,435)
Acquired through business combination	–	–	(30,205)	(59,642)
(Charged)/credited to income	(35,161)	23,446	(78,038)	106,306
Cash payments	47,025	–	39,671	–
Utilisation of tax losses	–	–	51,394	(51,394)
Translation (loss)/gain	(2,685)	–	4,675	7,772
	(8,054)	(26,947)	(17,233)	(50,393)
Company				
Opening balance	–	16	–	4,774
(Charged)/credited to income	–	(16)	–	6,051
Utilisation of tax losses	–	–	–	(10,809)
Translation (loss)/gain	–	–	–	–
	–	–	–	16

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
(d) Tax losses				
Tax losses not recognised	76,736	123,475	30,661	8,447

Notes to the financial statements

Note 11. Income Tax *continued*

(e) Income tax reconciliation

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

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Loss before income tax	(103,675)	(306,653)	(133,107)	(279,749)
Prima facie income tax benefit calculated as 30% of loss before income tax	31,103	91,996	39,932	83,924
Tax effect of adjustments				
Non-deductible expenses	(10,270)	(6,586)	(56,849)	(81,722)
Non-assessable income	15	622	21,600	–
Prior year losses now recognised	–	351	–	4,052
Overseas tax rate differential	(5,366)	(6,882)	–	–
Prior year overprovision	(2,937)	–	–	–
Reversal of prior year losses recognised	–	(1,810)	–	–
Tax losses not brought into account	(18,874)	(43,854)	(4,452)	–
Deferred tax assets not recognised	(24,120)	–	–	–
PRRT	17,467	(3,913)	–	–
Other	1,267	(1,656)	(157)	(203)
Income tax (expense)/benefit	(11,715)	28,268	(16)	6,051

(f) Tax consolidation

ROC and its wholly-owned Australian subsidiaries are a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly-owned subsidiaries on a pro rata basis. In addition, the agreement provides for the allocation of income tax liabilities between entities, should the head entity default on its tax payment obligations.

Note 12. Cash Assets

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Cash and cash equivalents	67,079	54,260	48,101	6,760
	67,079	54,260	48,101	6,760

Included in cash assets is US\$2,510,441 (2008: 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* floating production storage and offloading vessel to be used for production from the Chinguetti Oil Field.

Reconciliation of net loss before tax to net cash flows generated from/(used in) operations

Net loss before tax	(103,675)	(306,653)	(133,107)	(279,749)
<i>Add/(less) non-cash items</i>				
Amortisation	90,959	120,361	-	-
Impairment of assets	82,155	346,399	-	-
Loss on investment in listed securities	5,616	30,527	-	-
Depreciation	693	803	607	630
Impairment of non-current intercompany receivables	-	-	113,815	91,145
Impairment of investments in controlled entities	-	-	83,980	180,860
Provision for employee benefits	628	(530)	628	(530)
Net foreign currency (gains)/losses	(6,031)	(3,339)	(8,702)	(2,048)
(Gain)/loss from sale of assets	(2,396)	7	(4)	(7)
Gain on sale of 10% of BMG	(5,744)	-	-	-
Share-based payments	498	3,391	498	3,391
<i>Add/(less) non-operating items</i>				
(Gain)/loss on derivatives	36,898	(38,586)	-	-
Interest income	(1,568)	(465)	(984)	(167)
Finance costs	10,923	8,093	3,849	35
Exploration expensed	7,115	112,728	2,206	2,258
Dividend income	-	-	(72,000)	-
<i>Changes in net assets and liabilities</i>				
Decrease/(increase) in current trade and other receivables	17,956	(5,948)	1,820	348
Decrease in materials and inventories	2,830	5,164	-	-
Increase/(decrease) in trade and other payables	1,608	(4,012)	(667)	1,406
Net cash generated from/(used in) operations	138,465	267,940	(8,061)	(2,428)

Notes to the financial statements

Note 13. Current Trade and Other Receivables

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Trade receivables	10,275	12,287	-	-
Other receivables	6,411	15,618	6,094	7,288
Stock underlift	-	1,330	-	-
	16,686	29,235	6,094	7,288

Note 14. Financial Assets Available for Sale

Shares in listed entity at cost	-	63,830	-	-
Impairment of assets	-	(30,527)	-	-
Exchange loss	-	(9,172)	-	-
	-	24,131	-	-

In 2008, shares in listed entity comprised 65.7 million shares in Nexus Energy Limited which had been impaired based on the then current share market value.

Note 15. Derivatives

At fair value:

Oil price swaps	(32,830)	10,872	-	-
Oil price puts	-	3,267	-	-
Net (liabilities)/assets	(32,830)	14,139	-	-
Assets – current assets	-	16,517	-	-
– non-current assets	-	2,170	-	-
Total assets	-	18,687	-	-
Liabilities – current liabilities	(15,162)	-	-	-
– non-current liabilities	(17,668)	(4,548)	-	-
Total liabilities	(32,830)	(4,548)	-	-
Total	(32,830)	14,139	-	-

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 and oil price puts. These derivatives will tend to be priced using pricing benchmarks which correlate as far as possible to the underlying oil revenues.

At 31 December 2009, the Group's oil hedge position was summarised as follows:

		2010	2011	Total
Crude oil price swap contracts				
Volume	(BBLs)	1,206,984	875,997	2,082,981
Weighted average Brent oil price	(US\$/BBL)	67.67	63.71	66.00

Note 16. Inventories

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Oil and gas stock	7,045	10,562	-	-
	7,045	10,562	-	-

Note 17. Non-Current Trade and Other Receivables

Amount owing by controlled entities	-	-	543,037	474,566
Less impairment	-	-	(486,812)	(372,997)
	-	-	56,225	101,569

These loans are interest free and at call. During the year, an assessment of the recoverable amount was made and an impairment of US\$113,815,000 was recorded.

Note 18. Other Non-Current Financial Assets

Shares in unlisted controlled entities, at cost	-	-	307,182	304,642
Less impairment	-	-	(264,840)	(180,860)
	-	-	42,342	123,782

Due to the impairment of assets in the underlying subsidiaries, certain shares have been written down to their net equity value.

Notes to the financial statements

Note 19. Oil and Gas Assets

	Producing Assets US\$'000	CONSOLIDATED Assets under Development US\$'000	Total US\$'000	COMPANY Total US\$'000
Costs				
Balance at 1 January 2008	526,792	49,293	576,085	–
Transfer of assets under development to producing assets	49,293	(49,293)	–	–
Assets acquired through business combinations	247,369	–	247,369	–
Development expenditure incurred	76,274	–	76,274	–
Translation loss	(37,616)	–	(37,616)	–
Increase in restoration asset	404	–	404	–
Costs at 31 December 2008	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	–
Accumulated amortisation				
Balance at 1 January 2008	(152,609)	–	(152,609)	–
Charge for the year	(120,361)	–	(120,361)	–
Impairment of assets (see note (a) below)	(224,796)	–	(224,796)	–
Translation gain	1,807	–	1,807	–
Accumulated amortisation at 31 December 2008	(495,959)	–	(495,959)	–
Charge for the year	(90,959)	–	(90,959)	–
Sale of 10% of BMG	31,547	–	31,547	–
Net impairment of assets (see note (b) below)	(82,155)	–	(82,155)	–
Accumulated amortisation at 31 December 2009	(637,526)	–	(637,526)	–
Net book value at 31 December 2009	244,630	–	244,630	–
Net book value at 31 December 2008	366,557	–	366,557	–

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;
- discount rates: the post tax discount rate of 10%.

(a) The impairment for 2008 was attributable to:

- (i) the carrying value of the Zhao Dong Oil Field being greater than the estimated discounted cash flow by US\$119.7 million using a pre-tax discount rate of 14% per annum. This was as a result of the initial net 2P reserves being reduced by 1.5 MMBBL and a reduction in the forecast realised oil price assumptions;
- (ii) the carrying value of the BMG Fields being greater than the discounted cash flow by US\$100.0 million using a pre-tax discount rate of 16% per annum. This is the result of the reduction in the forecast realised oil price assumption; and
- (iii) the carrying value of the Chinguetti Oil Field being greater than the discounted cash flow by US\$5.1 million using a pre-tax discount rate of 13% per annum. This is a result of the initial net 2P reserves being reduced by 0.6 MMBBL and a reduction in the forecast realised oil price assumption.

(b) The net impairment for 2009 is attributable to:

- (i) a reversal of a prior year impairment of US\$26.8 million (US\$20.1 million post tax) for 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.

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 additional impairment loss 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 an additional impairment of US\$23.3 million;
- A 1% increase in the post tax discount rate applies to cash flow projects would result in an additional impairment loss of US\$3.6 million.

Note 20. Exploration and Evaluation Expenditure

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Opening balance	14,720	92,727	–	–
Expenditure incurred	8,524	115,210	2,206	2,258
Proceeds received from joint venture partner	–	(2,676)	–	–
Amounts expensed	(7,115)	(112,728)	(2,206)	(2,258)
Exploration impaired	–	(77,813)	–	–
	16,129	14,720	–	–

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 21. Property, Plant and Equipment

Costs

Opening balance	7,415	7,473	5,723	5,779
Expenditure incurred	240	812	240	799
Disposals	(1,694)	(870)	(2)	(855)
Costs at 31 December	5,961	7,415	5,961	5,723

Accumulated depreciation

Opening balance	(5,000)	(5,045)	(3,970)	(4,188)
Charge for the year	(693)	(803)	(607)	(630)
Disposals	1,118	848	2	848
Accumulated depreciation at 31 December	(4,575)	(5,000)	(4,575)	(3,970)

Net book value	1,386	2,415	1,386	1,753
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Notes to the financial statements

Note 22. Bank Loans

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
(a) Current				
Secured bank loan – (1)	–	50,000	–	–
Secured bank loan – (2)	–	30,000	–	30,000
(b) Non-current				
Secured bank loan – (1)	49,229	88,736	–	–
Total	49,229	168,736	–	30,000

(c) Terms and conditions

Secured bank loan – (1)

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

The annual interest rate is USD LIBOR plus a fixed margin. The effective interest rate is 2.3% per annum.

Secured bank loan – (2)

In 2008, ROC entered into a one year US\$30 million working capital loan facility provided by Commonwealth Bank of Australia. This facility was fully repaid during the year. The effective interest rate was 4.8% per annum.

(d) Financing facilities available

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

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Total loan facilities:				
Secured bank loans	90,000	170,000	–	–
Facilities used at reporting date:				
Secured bank loans	50,000	170,000	–	–
Facilities unused at reporting date:				
Secured bank loan	40,000	–	–	–

(e) Assets mortgaged as security

Secured bank loan – (1)

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 Générale 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 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\$114.2 million.

Secured bank loan – (2)

The Company and AZA are joint borrowers and guarantors in relation to a loan facility with the Commonwealth Bank of Australia.

The shares of the following ROC subsidiaries have been mortgaged: AZA, AEL, Anzon Investments Limited, Roc Oil (Gobi) Pty Ltd and Roc Oil Australia Holdings Pty Ltd. In addition, AZA has granted charges over all its assets in favour of CBA Corporate Services (NSW) Pty Ltd as security trustee.

(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 borrowing is US\$49,115,000 (2008: US\$167,200,000).

Note 23. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2009 %	Ownership and Voting Interest 2008 %
<i>Parent entity</i>			
Roc Oil Company Limited	Australia	100	100
<i>Controlled entities</i>			
Roc Oil (Gobi) Pty Ltd	Australia	100	100
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (China) Pty Limited	Australia	100	100
Roc Oil (Madagascar) Pty Limited (formerly Roc Oil (New Zealand) 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 (formerly Anzon Energy Limited)	Australia	100	100
Roc Oil (VIC) Pty Limited (formerly Anzon Australia Pty Limited)	Australia	100	100
Roc Oil (Exploration No. 1) Pty Limited (formerly Anzon Australia (Exploration (No. 1) Pty Limited)	Australia	100	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 (formerly Anzon 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 (Chinguetti) B.V.	Netherlands	100	100

Notes to the financial statements

Note 24. Current Trade and Other Payables

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Trade payables	13,609	30,604	374	728
Accrued liabilities	4,752	7,332	363	418
Amount owing to associate companies	758	684	–	–
Stock overlift	2,264	–	–	–
Other	153	153	153	153
	21,536	38,773	890	1,299

Note 25. Provisions

	CONSOLIDATED				COMPANY	
	Employee Benefits US\$'000	Office Rent US\$'000	Restoration US\$'000	Total US\$'000	Employee Benefits US\$'000	Total US\$'000
Balance at 1 January 2009	1,677	–	31,741	33,418	1,677	1,677
Additions during the year	1,196	840	15,573	17,609	1,196	1,196
Sale of 10% of BMG	–	–	(5,735)	(5,735)	–	–
Unwinding of discount	–	–	1,973	1,973	–	–
Utilised	(1,082)	(213)	–	(1,295)	(1,082)	(1,082)
Translation adjustments	514	–	–	514	514	514
Balance at 31 December 2009	2,305	627	43,552	46,484	2,305	2,305
Current – 2009	1,363	–	–	1,363	1,363	1,363
Non-current – 2009	942	627	43,552	45,121	942	942
Total 2009	2,305	627	43,552	46,484	2,305	2,305
Current – 2008	1,091	–	–	1,091	1,091	1,091
Non-current – 2008	586	–	31,741	32,327	586	586
Total 2008	1,677	–	31,741	33,418	1,677	1,677

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 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.

Note 26. Share Capital

	2009 Number of Shares	2008 Number of Shares	2009 US\$'000	2008 US\$'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	588,031,673	298,887,006	669,942	435,790
Issue of shares pursuant to exercise of options under the share option plans	–	15,000	–	29
Shares issued	125,122,887	289,129,667	74,259	234,123
Balance at end of financial year	713,154,560	588,031,673	744,201	669,942

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

The Company has two employee share option plans under which options to subscribe for Company shares have been granted to employees and executives. Refer to Note 27.

Note 27. Employee Benefits

(a) 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, the details of which 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 reconciles the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

	2009		2008	
	Number of Options	Weighted Average Exercise Price A\$	Number of Options	Weighted Average Exercise Price A\$
Balance at beginning of financial year	5,596,100	1.36	1,533,600	2.97
Granted	–	–	4,130,000	0.78
Exercised	–	–	–	–
Forfeited	(1,539,600)	1.59	(67,500)	2.75
Lapsed	(45,000)	1.48	–	–
Balance at end of financial year	4,011,500	1.26	5,596,100	1.36
Exercisable	881,500	3.05	1,385,100	2.95

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 3.4 years.

Notes to the financial statements

Note 27. Employee Benefits *continued*

(a) Employee Share Option Plan and Executive Share Option Plan *continued*

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 weighted average price for sale of 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.

	2009		2008	
	Number of Options	Weighted Average Exercise Price A\$	Number of Options	Weighted Average Exercise Price A\$
Balance at beginning of financial year	12,290,900	2.84	10,949,100	3.05
Granted	–	–	2,110,000	1.84
Exercised	–	–	(15,000)	2.85
Forfeited	(4,503,800)	2.94	(753,200)	3.08
Balance at end of financial year	7,787,100	2.78	12,290,900	2.84
Exercisable	3,191,700	2.48	2,426,700	1.77

The weighted average share price for share options exercised in 2009 was nil (2008: A\$2.22).

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 2.9 years.

(b) Superannuation plans

During the 2009 financial year, the Company contributed to accumulation type benefit funds administered by fund managers. The funds cover all Australian domiciled employees of the Company. Employee and employer contributions are based on a fixed percentage of cash salary. The current contribution is 9% (2008: 9%) of employee cash remuneration.

(c) Employee benefits expensed

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Salary and wages	12,895	17,852	9,417	11,089
Termination benefits	1,978	4,427	1,807	2,324
Other benefits	60	112	60	106
Workers' compensation	69	66	69	63
Superannuation	1,204	1,693	798	999
Share-based payments	498	3,391	498	3,391
	16,704	27,541	12,649	17,972

Note 28. 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.

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

	2009	2008
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic loss per share	646,173,601	373,252,930
Effect of dilution:		
Share options	–	–
Adjusted weighted average number of ordinary shares for diluted loss per share	646,173,601	373,252,930
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	–	63,766

Note 29. 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.

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment. These have been classified as "other" in the segment reporting table.

- Derivative gains and losses
- Gains and losses on the sale of investments
- Finance costs
- General and administration expenditure
- Share issues and related expenses
- Income tax expense.

Notes to the financial statements

Note 29. Segment Information *continued*

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 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

(1) Total segment results ('Trading Profit') is reconciled to the net loss before tax on the Statement of Comprehensive Income.

For the financial year ended 31 December 2008

US\$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Exploration	Other	Total
Sales revenue	32,789	88,511	71,799	25,967	9,013	128,673	–	1,478	358,230
Production costs	10,855	9,339	3,371	1,570	3,943	15,191	–	26	44,295
Amortisation	13,650	20,490	13,732	6,062	4,022	62,397	–	8	120,361
Segment results ⁽¹⁾	4,868	58,672	52,539	18,404	1,430	26,406	–	1,444	163,763
Impairment of exploration	–	–	–	–	–	–	77,813	–	77,813
Impairment of oil and gas assets	99,921	–	–	–	5,165	119,710	–	–	224,796
Impairment of goodwill	43,790	–	–	–	–	–	–	–	43,790
Capital expenditure incurred	10,374	–	8,419	502	5,222	51,757	115,210	–	191,484
Segment assets	121,552	69,246	62,644	19,045	22,945	115,965	14,720	–	426,117

(1) Total segment results ('Trading Profit') is reconciled to the net loss before tax on the 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 2009, 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, with sales revenue received from each of these customers representing over 10% of total group sales.

Reconciliation of segment operating assets to total assets:

	CONSOLIDATED	
	2009 US\$'000	2008 US\$'000
Segment operating assets	278,977	426,117
Cash assets	61,947	33,622
Receivables	8,381	15,595
Deferred tax assets	1,266	16
Property, plant and equipment	1,386	2,415
Financial assets available for sale	–	24,131
Hedge assets	–	18,687
Stock overlift	2,264	–
Total assets per the Statement of Financial Position	354,221	520,583

Note 30. 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.

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

- Note 17 as to amounts owing by controlled entities;
- Notes 18 and 23 as to investments in controlled entities;
- Note 24 as to amounts owing to controlled entities and associate companies;
- Note 33 as to investments in associate companies; and
- Note 35 as to disclosures relating to Key Management Personnel.

Note 31. Commitments for Expenditure

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
(a) Capital commitments				
Not longer than one year				
Joint ventures	20,257	62,038	–	–
Longer than one year but not longer than five years				
Joint ventures	11,458	6,482	–	–
	31,715	68,520	–	–
(b) Operating lease rental commitments				
Not longer than one year	11,762	12,202	1,154	697
Longer than one year but not longer than five years	6,260	7,629	194	843
	18,022	19,831	1,348	1,540

Notes to the financial statements

Note 32. Joint Ventures

The Group has an interest (rounded to two decimal places) in the following joint ventures as at 31 December 2009:

Country	Block	Principal Activities	Interest 2009 %	Interest 2008 %
Australia	WA-286-P	Oil and gas exploration	37.50	37.50
	WA-31-L (Cliff Head)	Oil production	37.50	37.50
	WA-351-P	Oil and gas exploration	20.00	20.00
	L14 (Jingemia)	Oil production	0.25	0.25
	WA-381-P	Oil and gas exploration	– ⁽¹⁾	20.00
	WA-382-P	Oil and gas exploration	– ⁽¹⁾	20.00
	VIC/L26	Oil production	30.00	40.00
	VIC/L27	Oil production	30.00	40.00
	VIC/L28	Oil production	30.00	40.00
	VIC/P49	Oil and gas exploration	20.00	20.00
New Zealand	PEP38259	Oil and gas exploration	15.00	15.00
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
	Block 8 (surrendered 21 January 2009)	Oil and gas exploration	–	5.00
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 ⁽³⁾	60.00
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas pre-development	40.00 ⁽⁴⁾	40.00
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.58 ⁽⁵⁾	24.50/11.58 ⁽⁵⁾
Onshore UK	PEDL030 (relinquished 17 March 2009)	Oil and gas exploration	–	100.00
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50 ⁽⁶⁾	15.24/12.50 ⁽⁶⁾
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00 ⁽⁶⁾	15.00/12.00 ⁽⁶⁾

(1) ROC withdrew and resigned as operator effective 31 December 2009 pending final documentation.

(2) Post-government back-in in Chinguetti Oil Field.

(3) ROC has assigned 5% to Cuba Petroleo pending final documentation.

(4) Government has basis in entitlement of up to 51% equity in field development.

(5) Unitised interest in the C4 Field.

(6) 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 3,662,349 BOE (2008: 4,034,473 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:

	CONSOLIDATED		COMPANY	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Current assets	5,364	20,659	-	-
Non-current assets	260,758	381,280	-	-
Total assets	266,122	401,939	-	-
Current liabilities	10,691	33,264	-	-
Non-current liabilities	43,552	31,741	-	-
Total liabilities	54,243	65,005	-	-

Exploration expenditure commitments and contingent liabilities in respect of joint venture operations are detailed in Note 31 and Note 36 respectively.

Note 33. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country where Incorporated	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December		Book Value of Ordinary Shares at 31 December		Contribution to Consolidated Loss	
				2009 %	2008 %	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 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	-	-	-	-

Notes to the financial statements

Note 34. Remuneration of Auditors

	CONSOLIDATED		COMPANY	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
Amounts due to and recoverable by the auditor of the parent entity:				
Audit and review of the financial report	260,815	198,187	260,815	198,187
Fees associated with the acquisition of AZA and AEL	–	227,542	–	227,542
Tax compliance and accounting advice	376,583	159,398	370,446	143,559
	637,398	585,127	631,261	569,288
Amounts due by related practices of Ernst & Young, Australia for:				
Audit and review of the financial report	53,442	103,013	–	–
	690,840	688,140	631,261	569,288

Ernst & Young, Australia was the auditor for the Company in 2009.

Note 35. 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 appointed Chief Executive Officer on 24 September 2008
Mr S J Jansma, Jr	Director (Non-Executive)
Mr D Paterson	Executive Director and President, Roc Oil (China) Company (resigned 31 July 2009)
Mr R C A Leon	Director (Non-Executive)
Ms S Ford	General Counsel and Company Secretary (resigned 31 October 2009)
Mr A Linn	Chief Operating Officer
Mr J Mebberson	General Manager Exploration
Mr R Morris	President, Roc Oil (China) Company (appointed 1 August 2009)
Mr A Neilson	Chief Financial Officer

(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 an Executive Share Option Plan. Under this plan, executives are issued options to subscribe for ordinary shares in the Company at the discretion of the Directors. The plan provides an incentive to the Senior Management Team to achieve significant long term growth in the Company's share price. For details, refer to Note 27 and the Directors' Report.

(ii) *Remuneration of Key Management Personnel*

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

	CONSOLIDATED		COMPANY	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
Short term employee benefits	4,614,362	3,902,535	2,606,715	2,655,670
Post-employment benefits	238,450	275,109	151,566	207,145
Share-based payments	85,098	704,699	205,832	573,227
Termination payments	151,319	2,248,470	121,749	2,248,470
	5,089,229	7,130,813	3,085,862	5,684,512

Remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs AUS 25.4 to AUS 25.7.2 are disclosed in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(c) *Optionholdings*

2009	1 Jan 2009	Executive Share Options Granted as Remuneration	Options Exercised	Options Lapsed	31 Dec 2009	Vested at 31 Dec 2009	Exercisable at 31 Dec 2009
	Balance at Beginning of Financial Year				Balance at End of Financial Year		
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 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

2008	1 Jan 2008	Executive Share Options Granted as Remuneration	Options Exercised	Options Lapsed	31 Dec 2008	Vested at 31 Dec 2008	Exercisable at 31 Dec 2008
	Balance at Beginning of Financial Year				Balance at End of Financial Year		
Dr R J P Doran	300,000	-	-	(300,000)	-	-	-
Mr B F Clement	680,000	-	-	-	680,000	295,000	152,500
Mr D Paterson	450,000	-	-	-	450,000	135,000	67,500
Ms S Ford	442,600	180,000	-	-	622,600	252,900	126,450
Dr K Hird	397,000	30,000	-	-	427,000	173,700	86,850
Mr A Linn	-	550,000	-	-	550,000	-	-
Mr J Mebberson	150,000	180,000	-	-	330,000	52,000	29,000
Mr A Neilson	200,000	170,000	-	-	370,000	-	-
	2,619,600	1,110,000	-	(300,000)	3,429,600	908,600	462,300

Notes to the financial statements

Note 35. Key Management Personnel Disclosures *continued*

(d) Shareholdings

2009	1 Jan 2009 Balance at Beginning of Financial Year	Change on Exercise of Options	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 Linn	–	–	–	–
Mr J Mebberson	10,500	–	–	10,500
Mr R Morris	–	–	–	–
Mr A Neilson	5,000	–	–	5,000
	3,877,006	–	49,294	3,926,300

2008	1 Jan 2008 Balance at Beginning of Financial Year	Change on Exercise of Options	Net Change from On-Market Transactions	31 Dec 2008 Balance at End of Financial Year
Mr A J Love	561,353	–	–	561,353
Mr W G Jephcott	1,117,300	–	–	1,117,300
Dr R J P Doran	4,550,001	–	–	4,550,001 ⁽¹⁾
Mr B F Clement	80,000	–	80,000	160,000
Mr S J Jansma, Jr	444,641	–	200,000	644,641
Mr D Paterson	–	–	157,000	157,000
Mr R C A Leon	–	–	1,221,212	1,221,212
Mr A C Jolliffe	100,000	–	–	100,000 ⁽¹⁾
Dr D Schwebel	30,000	–	–	30,000 ⁽¹⁾
Ms S Ford	–	–	–	–
Dr K Hird	334,018	–	(165,000)	169,018
Mr A Linn	–	–	–	–
Mr J Mebberson	5,500	–	5,000	10,500
Mr A Neilson	–	–	5,000	5,000
	7,222,813	–	1,503,212	8,726,025

(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.

Note 36. 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 10.6 MMBBL) of oil and thereafter 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\$10.6 million at 31 December 2009 (2008: US\$11.6 million).

AZA, a wholly-owned subsidiary of ROC, together with the other participants in the BMG project are currently in dispute in the Federal Court of Australia with BW Offshore Ltd ('BW') in relation to the termination of a Letter of Intent ('LOI') for the supply of a FPSO for the proposed BMG Phase 2 Project. BW is seeking recovery of costs, including costs of terminating third party vendor contracts, in relation to the performance of the initial activities under the LOI. BW has lowered its costs claimed from an initial US\$90.1 million (AZA: US\$36.0 million) to US\$73.8 million (AZA: US\$29.5 million). As part of the sale and purchase agreement for the sale of a 10% participating interest in the BMG Project to Pertamina Hulu Energi Australia Pty Ltd, AZA will retain a 40% liability for the BW dispute and receive the benefit of any successful cross claim.

AZA, on behalf of the BMG Joint Venture, has initiated a cross claim against BW due to the reliance by the BMG Joint Venture on the supply of the FPSO pursuant to the LOI, seeking recovery of drilling related costs in the range of US\$63 million to US\$86 million (AZA: US\$25 million to US\$34 million).

AEL has received notice of a potential dispute in respect of a Heads of Agreement entered into in July 2007. The potential dispute relates to a bid process and no claim has been made.

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 22.

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.

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.

Notes to the financial statements

Note 37. Business Combinations

On 8 September 2008, ROC effectively acquired 100% of the voting shares of AEL, an AIM listed public company based in Australia, by way of a scheme of arrangement between AEL and ROC. AEL's main asset was a 53.05% shareholding of AZA, a then Australian listed company, whose two main assets were a 40% operating interest in the BMG Fields, offshore Gippsland Basin and a 10% shareholding in Nexus Energy Limited, an Australian listed oil and gas company.

The total costs of the acquisition were US\$135.5 million and comprised an issue of equity and the costs directly attributable to the acquisition. The Company issued 145,581,694 ordinary shares with a fair value of US\$0.93 each based on the quoted price of ROC shares at the day of the issue translated at the spot rate.

	Recognised on Acquisition	Carrying Value
	US\$'000	US\$'000
Cash and cash equivalents	44,073	44,073
Trade and other receivables	564	564
Derivatives	525	525
Inventories	9,970	2,632
Oil and gas assets	247,369	220,521
Plant and equipment	–	358
Listed investments	63,830	63,830
Provision for decommissioning	(20,413)	(20,068)
Trade and other payables	(90,284)	(90,284)
Deferred tax liabilities	(59,642)	(30,781)
Minority interest	(106,670)	(128,002)
Fair value of identifiable net assets acquired	89,322	63,368
Goodwill arising on acquisition	43,790	
Total costs of acquisition	133,112	
Costs of acquisition		
Shares issued at fair value	130,323	
Foreign currency translation	(2,365)	
Direct costs relating to acquisition	5,154	
Total costs of acquisition	133,112	
The cash inflow on acquisition is as follows:		
Net cash acquired with the subsidiary	44,073	
Cash paid	–	
Net acquisition cash inflow	44,073	

The goodwill related to the expected synergies existing within the acquired business at the acquisition date.

Subsequent to the approval of the scheme of arrangement with AEL, ROC acquired the minority interest in AZA for US\$110.6 million by way of the issue of 143,547,973 shares with a fair value of US\$0.72 each based on the quoted price of ROC shares at the day of the issue translated at the spot rate and a payment of cash of US\$6.8 million.

From the date of acquisition, the AEL group contributed a loss of US\$87.5 million to the Group for 2008. Financial information for the 12 months to 31 December 2008 has been impracticable to disclose.

Note 38. Subsequent Events

Subsequent to 31 December 2009, no events have arisen 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 39. Additional Company Information

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

The registered office and principal place of business are:

Level 14, 1 Market Street
Sydney NSW 2000
Australia.

Directors' declaration

The Directors declare that:

- (a) the attached financial statements and notes thereto comply with relevant Australian Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001;
- (d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (e) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This Directors' Declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors:



Mr A J Love
Chairman



Mr B F Clement
Director and Chief Executive Officer

Sydney, 24 February 2010

INDEPENDENT AUDITOR'S REPORT TO 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 Statement of Financial Position as at 31 December 2009, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow 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 the 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. 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 financial position of Roc Oil Company Limited and the consolidated entity at 31 December 2009 and of their 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 pages 40 to 47 of the Directors' Report for the year ended 31 December 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style logo for Ernst & Young, with the words 'Ernst & Young' written in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'M. Elliott'.

Michael Elliott

Partner

Sydney, 24 February 2010

Additional information

ROC RESERVES ANALYSIS (UNAUDITED)

Summary Proved and Probable Working Interest Reserves	MMBBL	BCF	Total MMBOE
Opening balance	24.0	0.3	24.0
Sale of 10% of BMG	(1.8)	–	(1.8)
Reserve revisions	(4.7)	–	(4.7)
Production	(3.6)	(0.1)	(3.6)
Closing balance	13.9	0.2	13.9

Analysis of Proved and Probable Reserves	MMBBL	BCF	Total MMBOE
BMG	0.9	–	0.9
Zhao Dong (C and D Fields)	6.1	–	6.1
Zhao Dong (C4 Field)	0.7	–	0.7
Cliff Head	3.1	–	3.1
Chinguetti	0.1	–	0.1
Blane	2.3	–	2.3
Enoch	0.7	0.2	0.7
Closing balance	13.9	0.2	13.9

Note: 1 MMBOE = 6 BCF

ROC has contingent resources of 5.2 MMBBL in Beibu Gulf. Following the downgrade in BMG 2P Reserves in February 2010, contingent resources for the project are being reviewed.

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.

Additional information

ROC LICENCES AT 31 DECEMBER 2009 (UNAUDITED)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-286-P	Frankland, Dunsborough	37.50	Roc Oil (WA) Pty Limited
	WA-31-L	Cliff Head	37.50	Roc Oil (WA) Pty Limited
	WA-351-P		20.00	BHP Billiton Petroleum Pty Limited
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	WA-381-P		– ⁽¹⁾	Roc Oil (WA) Pty Limited
	WA-382-P		– ⁽¹⁾	Roc Oil (WA) Pty Limited
	VIC/L26	BMG	30.00	Roc Oil (VIC) Pty Limited
	VIC/L27	BMG	30.00	Roc Oil (VIC) Pty Limited
	VIC/L28	BMG	30.00	Roc Oil (VIC) Pty Limited
	VIC/P49		20.00	Nexus Energy Services Pty Ltd
New Zealand	PEP38259		15.00	AWE (New Zealand) Pty Ltd
Equatorial Guinea	H/15 and H/16		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 ⁽²⁾	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 ⁽³⁾	Pluspetrol Angola Corporation
China	Beibu Gulf Block 22/12	Wei 6-12, Wei 12-8	40.00 ⁽⁴⁾	Roc Oil (China) Company
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58 ⁽⁵⁾	Roc Oil (Bohai) Company
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50 ⁽⁶⁾	Talisman Energy (UK) Limited
	P219 (Block 16/13a and e)	Enoch, J1	15.00/12.00 ⁽⁶⁾	Talisman North Sea Limited

(1) ROC withdrew and resigned as Operator effective 31 December 2009 pending documentation and government approval.

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

(3) ROC has assigned 5% to Cuba Petroleo pending final documentation.

(4) Government has back-in entitlement of up to 51% equity in field development.

(5) Unitised interest in the C4 Field.

(6) Unitised interest in Blane and Enoch producing fields.

Shareholder information

1. Ordinary Share Capital

As at 5 March 2010, the Company had on issue 713,154,560 fully paid ordinary shares held by 26,050 shareholders.

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

2. Options

As at 5 March 2010, the Company had the following unquoted options: 4,011,500 options under the Employee Share Option Plan held by 84 optionholders and 7,787,100 options under the Executive Share Option Plan held by 34 optionholders.

During the year ended 31 December 2009:

- 1,584,600 employee share options and 4,503,800 executive share options lapsed or were cancelled; and
- nil options issued under the Employee Share Option Plan and nil options under the Executive Option Scheme were exercised.

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

3. Distribution of Share and Option Holders

Holding as at 5 March 2010	Shareholders	Employee Options	Executive Options
1 – 1,000	6,192	–	–
1,001 – 5,000	8,894	16	–
5,001 – 10,000	4,396	13	–
10,001 – 100,000	6,150	46	8
Over 100,000	418	9	26
Total	26,050	84	34
Shareholders holding less than a marketable parcel	7,249	–	–

4. Substantial Shareholders

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
Orbis Investment Management (Aust) Pty Ltd	105,521,202	14.80

Shareholder information

5. Twenty Largest Shareholders as at 5 March 2010

Shareholder	Number Held	%	Rank
HSBC Custody Nominees (Australia) Limited	117,047,375	16.41	1
JP Morgan Nominees Australia Limited	97,443,262	13.66	2
National Nominees Limited	64,208,333	9.00	3
ANZ Nominees Limited <Cash Income A/C>	27,226,063	3.82	4
Citicorp Nominees Pty Limited	20,762,250	2.91	5
Stilix Services Limited	8,844,000	1.24	6
Queensland Investment Corporation	7,697,534	1.08	7
HSBC Custody Nominees (Australia) Limited	7,051,031	0.99	8
Leman Engineering Ltd	5,582,445	0.78	9
RBC Dexia Investor Services Australia Nominees Pty Limited	3,540,093	0.50	10
UBS Nominees Pty Ltd	3,387,367	0.47	11
Lippo Securities Ltd	3,283,000	0.46	12
Mr Steven Joseph Koroknay	2,700,000	0.38	13
AMP Life Limited	2,407,458	0.34	14
Citicorp Nominees Pty Ltd	2,169,263	0.30	15
UBS Wealth Management Australia Nominees Pty Ltd	1,734,848	0.24	16
Cogent Nominees Pty Limited	1,733,549	0.24	17
Share Direct Nominees Pty Ltd	1,500,050	0.21	18
Werft Pty Limited <Walker Group Of Coys>	1,400,000	0.20	19
Jean-Marc Georgy	1,390,225	0.19	20
	381,108,146	53.42	

Glossary and definitions

AEL	Anzon Energy Pty Limited (formerly Anzon Energy Limited).
A-IFRS	Australian equivalents to International Financial Reporting Standards.
AIM	Alternative Investment Market of the London Stock Exchange.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
AUD/A\$ or cents	Australian currency.
AZA	Roc Oil (VIC) Pty Limited (formerly Anzon Australia Pty Limited).
BBL(s)	Barrel(s), oil barrel is equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
BFPD	Barrel of fluid per day.
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.
BMG	Basker Manta Gummy oil and gas fields.
FPSO	Floating, production, storage and offloading vessel.
GHG	Greenhouse gas.
Group	Parent entity and its subsidiaries.
GST	Goods and services tax.
HSEC	Health, safety, environment and community.
LTI	Lost time injury.
LTIFR	Lost time injury frequency rate.
MMBBL/MMBO	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
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.
TCF	One trillion cubic feet of natural gas.
TRIFR	Total recordable injury frequency rate.
UK	United Kingdom.
USD/US\$	United States dollars.
2D	Two dimensional.
3D	Three dimensional.
2P	Proved and probable reserves.

Directory

BOARD OF DIRECTORS

Mr Andrew J Love – Chairman

Mr William G Jephcott – Deputy Chairman

Mr Bruce F Clement – Chief Executive Officer and Executive Director

Mr Sidney J Jansma, Jnr – Director

Mr Robert C A Leon – Director

COMPANY SECRETARY

Ms Leanne Nolan

SENIOR MANAGEMENT AND KEY PERSONNEL

Mr Bruce Clement – Chief Executive Officer and Executive Director

Mr Simon Daniel – Manager, Production and Development, Australia

Mr Olivier Gentizon – Equatorial Guinea/Madagascar Representative

Mr Matthew Gerber – Manager, Investor Relations and External Affairs

Mr Alan Linn – Chief Operating Officer

Mr John Mebberson – General Manager, Exploration

Mr Ron Morris – President, Roc Oil (Bohai) Company

Mr Anthony Neilson – Chief Financial Officer

Ms Leanne Nolan – Company Secretary

Mr Neil Seage – Chief Reservoir and Planning Engineer

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SHARE REGISTRAR

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Services Pty Limited
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Australia

STOCK EXCHANGE

ASX Limited
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