ASX Listing Rule 4.3A

Appendix 4E

Financial Year Ended 31 December 2012

This information should be read in conjunction with ROC's 2012 Financial Report which is enclosed.

Name of Entity

Roc Oil Company Limited

ABN or Equivalent Company Reference

32 075 965 856

Results For Announcement To The Market

				US$'000
Revenues from ordinary activities	Decrease	15%	To	242,067
Profit from ordinary activities after tax attributable to members	Increase	120%	To	60,954
Net profit for the period attributable to members	Increase	120%	To	60,954

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the final dividend	N/A	
Payment date for the final dividend	N/A	

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

Roc Oil Company Limited

Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2012

This page is intentionally blank.

Contents

Directors' Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC') have pleasure in submitting the Directors' Report for the financial year ended 31 December 2012.

Directors

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

Mr Andrew J Love BCom, FCA, MAICD

Independent Non-Executive Director, Chairman - Appointed 5 February 1997

Mr Love is Chairman of the Board of Directors of ROC and a Fellow of The Institute of Chartered Accountants in Australia. Mr Love is Chairman of Lemur Resources Limited. In the last three years, Mr Love has been Deputy Chairman of Riversdale Mining Ltd and a Non-Executive Director of Charter Hall Office Management Ltd. Mr Love is a member of the Remuneration Committee and the Audit and Risk Committee and is Chair of the Nomination Committee.

Mr Alan S Linn CEng, MIChemE

Chief Executive Officer and Executive Director - Appointed 27 February 2012

Mr Linn joined ROC in January 2008 as Asset Manager - Africa and in October 2008 was appointed Chief Operating Officer. Mr Linn was appointed as Acting Chief Executive Officer on 29 October 2010 and was appointed as Chief Executive Officer on 23 February 2011. Mr Linn is a chartered chemical engineer with 30 years of international operational and joint venture management experience in both the upstream and downstream oil sectors.

Mr Linn spent 15 years working with EXXON/Mobil in both downstream and upstream assignments in the UK and USA before moving into the independent E & P oil sector working internationally for LASMO, Cairn Energy and Tullow in senior operational and business management roles. Before joining ROC, Mr Linn was Operations Director for African Arabian Petroleum, a privately-owned E & P company headquartered in Dubai. Based in Tunisia, Mr Linn was responsible for all operational and engineering activities within the business' African focused portfolio.

Mr Robert C A Leon MPS, MEcon, ENA

Independent Non-Executive Director - Appointed 3 December 2008

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

Mr Graham D Mulligan BSc, Dip Acc, FAIM, MAICD

Independent Non-Executive Director - Appointed 7 September 2010

Mr Mulligan is the principal of International Infrastructure Ventures Pty Ltd, an independent consulting company which specialises in providing advisory services to major projects in infrastructure, transport and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure, transport and resources industries. This included over 16 years with the listed New Zealand Oil & Gas Limited Group as both a Director and senior executive. Mr Mulligan has held a number of other senior executive roles, including Chief Executive Officer of Port of Brisbane Corporation and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration Association of New Zealand, is currently a Director of Chalmers Limited and has held director roles with other listed companies. Mr Mulligan is a member of the Remuneration Committee, the Nomination Committee and the Audit and Risk Committee.

Mr Christopher C Hodge MSc, DIC, FFin, MAICD

Independent Non-Executive Director - Appointed 7 September 2010

Mr Hodge is a qualified geologist and petroleum geophysicist with extensive experience both in Australia and overseas. In addition to a variety of senior technical roles, he has held managerial positions in major petroleum exploration and production companies and played significant roles in substantially growing their asset bases through a mix of exploration and acquisition. Most recently, Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently the Exploration & Production ('E & P') Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists. Mr Hodge is Chair of the Health, Safety and Environment Committee.

Mr R Michael Harding MSc (Mech Eng)

Independent Non-Executive Director - Appointed 1 June 2012

Mr Harding is the Chairman of Downer EDI Limited and a Non-Executive Director of Santos Limited and Transpacific Industries Group Ltd (with effect from 1 March 2013) as well as being the former Chairman of Clough Limited (2006 - 2010) and a former Non-Executive Director of Arc Energy Limited (2003 - 2007). Mr Harding holds a Master of Science degree and had a 25 year career at BP plc between 1978 and 2003. He held various project and business management positions at BP plc, which provided upstream sector experience in the United Kingdom, South Korea, Western Australia, former USSR, PNG, Malaysia and Thailand. His final position at BP plc was as President and General Manager of BP Exploration Australia. Mr Harding is a former Vice-Chairman and council member of the Australian Petroleum Production and Exploration Association ('APPEA'). Mr Harding is Chair of the Remuneration Committee and is a member of the Nomination Committee and the Audit and Risk Committee.

Mr Nigel D R Hartley BSc, FCA

Independent Non-Executive Director - Appointed 1 June 2012

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

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

Mr William G Jephcott BCom, FCPA, FAICD

Independent Non-Executive Director, Deputy Chairman - Appointed 5 February 1997 - Resigned 12 December 2012

Mr Jephcott is an investment banker who specialises in merger and acquisition advice. He also has experience in 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. Previously, Mr Jephcott was Vice-Chairman, Investment Banking Group for Merrill Lynch International (Australia) Limited, Chairman of New South Wales Rugby Union Limited, Non-Executive Chairman of Engin Limited and a Director of Parbury Limited and Ignite Energy Resources Limited. Mr Jephcott was Chair of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee prior to his resignation on 12 December 2012.

Mr Sidney J Jansma, Jr MBA

Independent Non-Executive Director - Appointed 17 March 1998 - Resigned 17 May 2012

Mr Jansma is President and Chief Executive Officer of Dominion Midwest Energy, Inc, a wholly-owned subsidiary of Dominion Resources, Inc and was the founder of Wolverine Gas and Oil Corporation. 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. He has also served on the Board of the American Petroleum Institute. He currently serves on the Board and Executive Committee of Calvin Theological Seminary in Grand Rapids, Michigan. Mr Jansma was Chair of the Health, Safety and Environment Committee prior to his resignation on 17 May 2012.

Directors' Report

continued

Company Secretary

Ms Leanne Nolan **BEc, LLB (Hons), LLM**

Company Secretary - Appointed 29 August 2008

Ms Nolan is General Counsel and Company Secretary of ROC. Ms Nolan joined the Company in March 1998 and holds Bachelors of Economics and Laws (Hons) and Masters 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.

Ms Jacquie Shanahan **BA, LLB**

Assistant Company Secretary - Appointed 30 January 2012

Ms Shanahan is Legal Counsel and Assistant Company Secretary. Ms Shanahan joined the Company in October 2011 and holds Bachelors of Arts and Laws from The University of Queensland. Prior to joining ROC, Ms Shanahan was involved in the review and monitoring of corporate governance reporting for the ASX, was a senior associate in the corporate commercial practice area at Corrs Chambers Westgarth and was employed as in-house legal counsel for a private company involved in developing sustainable energy projects.

Directors' Interests

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

	Ordinary Shares Fully Paid
Non-Executive Directors	
Mr A J Love	689,521
Mr W G Jephcott	1,117,300(1)
Mr S J Jansma, Jr	6,000,000(2)
Mr R C A Leon	1,510,000
Mr G D Mulligan	25,000
Mr C C Hodge	100,000
Mr R M Harding	-
Mr N D R Hartley	12,500
Executive Director	
Mr A S Linn	148,000

(1) As at date of resignation – 12 December 2012.

(2) As at date of resignation – 17 May 2012.

Directors' Meetings

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

	Directors		Remuneration Committee		Nomination Committee		Audit and Risk Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	B	A	B
Mr A J Love	10	9	4	4	1	1	3	2	-	-
Mr W G Jephcott(1)	10	9	4	4	1	1	2	2	-	-
Mr S J Jansma, Jr(2)	5	3	-	-	-	-	-	-	2	2
Mr R C A Leon	10	9	-	-	-	-	3	2	-	-
Mr G D Mulligan	10	10	4	4	1	1	3	3	-	-
Mr C C Hodge	10	10	-	1(5)	-	-	-	-	3	3
Mr A S Linn(3)	9	9	-	1(5)	-	-	-	2(5)	-	2(5)
Mr R M Harding(4)	5	4	-	1(5)	-	-	2	1	-	-
Mr N D R Hartley(4)	5	5	-	-	-	-	2	2	-	-

A Number of meetings held during the time that the Director held office during the financial year.
B Number of meetings attended.
(1) Resigned 12 December 2012.
(2) Resigned 17 May 2012.
(3) Appointed 27 February 2012.
(4) Appointed 1 June 2012.
(5) Number of meetings attended as observer.

Principal Activities

The consolidated entity's principal activities during the course of the financial year were oil and gas exploration, development and production. There were no significant changes in the nature of those activities during the financial year.

Results

The net profit of the consolidated entity for the financial year after income tax was US$61.0 million (2011: US$27.7 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 2012.

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 31 to 34.

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.

Directors' Report

continued

Subsequent Events

No events have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

Future Developments

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.

Share Rights and Options

During the financial year, the Company granted 1,000,000 performance rights over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 11,219,000 performance rights and 3,378,000 options (comprising 1,878,000 employee share options and 1,500,000 executive share options) granted over unissued ordinary shares of ROC under ROC's Long Term Incentive Plan, Employee Share Option Plan and Executive Share Option Plan. Refer to Note 24 to the financial statements for further details of the rights and options outstanding. During the financial year, 729,200 ordinary shares were issued as a result of vesting of performance rights. Since the end of the financial year, no ordinary shares were issued as a result of vesting of performance rights or options and no performance rights or options have been granted.

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

Indemnification of Directors and Officers

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

The Company has entered into deeds of indemnity to indemnify directors, secretaries and certain executives of the Company against all liabilities incurred in the course of or arising out of their employment with the Company and its related companies except where the liability results wholly or in part from serious wilful misconduct by the Director, secretary or executive.

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.

Remuneration Report

The Remuneration Report is set out on pages 11 to 29 and forms part of the Directors' Report for the financial year ended 31 December 2012.

Corporate Governance

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

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

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

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

Audit and Risk Management

During the financial year, Mr W G Jephcott (Chair up to 12 December 2012), Mr A J Love, Mr R C A Leon, Mr G D Mulligan, Mr R M Harding (from 1 June 2012) and Mr N D R Hartley (from 1 June 2012 and Chair from 12 December 2012) were members of the Company's Audit and Risk Committee. The Audit and Risk Committee 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 the Company. 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:

- tax compliance and accounting advice US$336,598.

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;
- none of the services undermines the general principles relating to auditor independence as set out in the relevant professional statement, including reviewing and auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards; and
- the non-audit services provided, particularly in relation to tax compliance advice to the internal tax accounting team, are seen as a cost effective and valuable resource to the Company. Expenditure levels vary from year to year depending upon activity levels and regulatory reviews. In addition, with the Company's extensive global operations, comprehensive tax advice across all jurisdictions is regarded as essential. In the circumstances, the Company's auditors are regarded as the most appropriate to provide this advice.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 30.

Directors' Report

continued

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 A S Linn
Director and Chief Executive Officer

Sydney, 27 February 2013

Introduction to Remuneration Report

This introduction to the 2012 Remuneration Report does not form part of ROC's statutory Remuneration Report. It should be read in conjunction with the Remuneration Report which follows this introduction and which provides disclosures in accordance with ROC's statutory obligations and with relevant accounting standards.

ROC's stated corporate strategy through 2011 and 2012 was and remains designed to generate and drive value growth opportunities in the South East Asian region and particularly in China and Malaysia. The Board is confident the strategy to focus on regional core development areas will support long term shareholder growth and returns. In this introduction, the Board seeks to outline briefly the progress of the strategy in 2012; and why the strategy differentiates ROC from its peer group and, as a consequence, why in part ROC's reported costs associated with remuneration are key to ROC's focused growth strategy and the progress but not directly comparable with its Australian peers. Concluding this introduction to the 2012 Remuneration Report is a summary of the Board's intentions in relation to remuneration strategy in 2013.

2012 Strategy Success

In 2012, ROC's corporate strategy has resulted in positive progress in a number of key areas of ROC business:

- Share Price – increased 73% for 2012. This exceeded both the ASX 200 Energy Index return of -3% and also the average return from ROC's peer group of 17% for 2012;
- Profits – second successive year of record profit of US$61 million after tax;
- Net Cash – year end net cash position of $57 million and an undrawn debt facility available;
- Production – 2012 production at 6,445 BOEPD in line with stated market guidance; and
- Potential future growth opportunities – Balai Cluster in Malaysia commenced pre-development activities and relationships within Malaysian national oil company PETRONAS developed further. In China, Beibu Gulf exploration was successfully completed with commercial discoveries; additionally the Beibu development project is on schedule and nearing completion; in Bohai Bay, a new exploration block was awarded; and relationships with national oil companies, China National Offshore Oil Corporation ('CNOOC') and PetroChina have been further developed and enhanced.

The Board recognises that this success and the ongoing realisation of opportunities in China and South East Asia are directly attributable to the significant corporate presence in the target regions and the calibre of individuals with the skills and experience to consolidate ROC's regional presence and drive and secure existing and future value growth opportunities. The national oil companies ROC deals with regionally are cognisant of the benefits of regionally-based leaders and their presence in both China and Malaysia has created a number of material growth opportunities during 2012.

Differentiation to Peer Group

ROC's strategy and business model differentiate it from the Australian small-mid cap oil and gas peer group in a number of ways:

- ROC is a full cycle offshore operator of exploration and production assets. The scale and operating capability of ROC's overseas operations is unlike many of ROC's Australian small-mid cap peers.
- In addition to established offshore operations in Australia:
  - China represented 66% of Company production in 2012, growing to potentially 80% in 2013;
  - ROC operates approximately 22,500 BOEPD on behalf of joint venture partners;
  - China and South East Asia, mainly Malaysia, represented the majority of ROC's growth opportunities in 2012 and with ongoing success, this will expand in 2013; and
  - ROC's Beijing office is its largest with approximately 80 staff onshore and over 150 offshore. Malaysia has approximately 90 staff both with ROC and through our joint venture operating company, BC Petroleum Sdn Bhd. Sydney is head office with approximately 35 people looking after the Company regionally and Australian operations; there is also a small office in Perth.
- Key executives and technical/operations management are resident in the regions. Secondments have been in place in China for the past five years with Mr Ron Morris and more recently, in 2011 the Chief Executive Officer, Mr Alan Linn, and the Chief Operating Officer, Mr Rolf Stork, relocated to Malaysia and, following positive progress, that commitment to international operation was increased with relocation of a number of other senior executives in 2012.
- By necessity, the key executives and technical/operations management seconded into the relevant regions are very experienced (>20 years on average) with skill sets that are valued within the industry and typically include significant international operating experience.

Introduction to Remuneration Report

continued

Differentiation to Peer Group (continued)

- A critical role of strong expatriate teams in the regions is to provide the leadership to build and strengthen the managerial and operational skills of the local teams who comprise, in all regional operations, the majority of the employees. In December 2012 the regional work force was split in the proportion of expatriates to nationals in each region as follows:
  - China – expatriate 8%, Chinese nationals 92%; and
  - Malaysia (including joint venture operations) – expatriate 31%, Malaysian nationals 69%.

Value of Expatriate Costs

As a consequence of ROC's regional strategy, which the Board views as key element to success and value growth, there are incremental business costs flowing from the expatriate secondment of executives.

The Board views these costs as a strategic investment in business growth. The costs typically include upfront relocation costs and the ongoing secondment costs necessary to retain executives within the international marketplace in which ROC operates. ROC designs expatriate packages to ensure executives are no worse off financially regarding family, education and security versus their host country environment. With success, both remuneration and expatriate costs will typically be shared with our joint venture partners resulting in an overall reduction of corporate overhead incurred by ROC. This is very much the case for both Rolf Stork and Ron Morris where ROC receives approximately 65% recovery on their full remuneration package from joint venture partners.

The Board acknowledges that the inclusion of expatriate benefits results in remuneration levels for key management personnel which appear high relative to the Australian peer group. ROC is competing in an international market for talent and to do so needs to remunerate accordingly.

ROC's ability to recruit and retain high calibre resources gives it an edge in building a regional business and also in ensuring there is risk mitigation in our risk growth of regional business units and provides business development support through strong local relationships and regional partners. It is recognised that the regional deployment of senior executives and senior technical professionals reduces business risk by developing good technical understanding of the local geology and "on the ground" management understanding of the optimum route to develop the business securely.

The international-calibre professionals within ROC typically have strong track records in developing national technical teams and management. Long term success in this key area underpins the Company's ability to grow regionally and also helps deliver cost management by ensuring that locally recruited business teams benefit from active technical development. In the longer term, core regional national employees are being developed into management roles. We are at the early stages of this business-building process. It follows that as local talent succession occurs, key objectives are met and ROC's profile, value growth and reputation in various regions are recognised as entrenched. Success allows expatriates to return to or move with ROC to the next value growth opportunity.

The Board endorses the remuneration levels required to support the expatriate secondments and ROC's commitment to grow shareholder value by building on the business strategy in Asia.

Review of Remuneration Strategy in 2013

Within the context of the Company's corporate strategy the Board, through the Remuneration Committee, is overseeing a review of aspects of ROC's remuneration strategy in 2013 and in particular the performance criteria and conditions associated with "at risk" components of senior executive remuneration. In reviewing both the Short Term Incentive ('STI') and Long Term Incentive ('LTI') plans, consideration will be given to latest trends and market practice with a view to ensuring that ROC's STI and LTI plans are aligned with current best practice. This is expected to involve the introduction of a deferred equity component for STIs and changes to the performance conditions for LTIs.

Other than in relation to the Chief Executive Officer, Mr Alan Linn, these proposed changes to the STI and LTI will apply to the Company and individual performance in the 2013 financial year and to STI and LTIs awarded/paid in early 2014 and future years.

In relation to the Chief Executive Officer, it is proposed that changes made to the STIs and LTIs paid or awarded to Mr Linn will apply from 1 January 2013 and to STIs and LTIs awarded or paid in early 2013. Any equity components requiring shareholder approval will be subject to shareholder approval at the 2013 Annual General Meeting.

Full details of the changes to the remuneration arrangements for Mr Linn and other senior executives will be disclosed in the 2013 Remuneration Report.

Remuneration Report

This Remuneration Report for the year ended 31 December 2012 outlines the key management personnel remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* ('Act') and its regulations. The disclosures in this Remuneration Report have been audited as required by section 308(3C) of the Act.

What is in this Remuneration Report?

This Remuneration Report is presented under the following sections:

1. Response to Vote Against 2011 Remuneration Report
2. Key Management Personnel
3. Remuneration Policy and Link to Company Performance
4. The Board's Role in Remuneration and Remuneration Governance
5. Description and Statutory Details of Non-Executive Director Remuneration in 2012
6. Description of Senior Executive Remuneration
7. Company Performance and Remuneration Outcomes for Senior Executives in 2012
8. Statutory Details of Executive Remuneration in 2012
9. Summary of Senior Executive Contractual Arrangements.

1. Response to Vote Against 2011 Remuneration Report

At the Company's 2012 Annual General Meeting, the Company received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. As such, the Company recorded what is known as a "First Strike" under the new executive remuneration laws which came into effect under amendments to the Act in 2011.

At the time of the "First Strike" in May 2012, the Company's corporate and remuneration strategies were already in place for 2012. In this respect, the Board was not in a position to make any direct changes to strategy or remuneration for the reporting period.

In response to the "First Strike", the Board has taken the following action:

- remuneration consultant Aon Hewitt has been retained by the Remuneration Committee to undertake a comprehensive compensation review across the organisation globally;
- the Remuneration Committee is conducting a full review of performance criteria and conditions associated with the short term and long term incentive plans to ensure that ROC's STI and LTI plans are aligned with latest trends and current best practice. Some of these changes may be implemented in 2013; others will take time to design and implement and will be integrated into the remuneration arrangements for 2014 and beyond;
- the contractual arrangements of the Chief Executive Officer, Mr Alan Linn are currently being renegotiated and the intention is that the terms of the STI and LTI applicable to Mr Linn are to change with effect from 1 January 2013;
- the Chairman and a member of the Board's Remuneration Committee initiated engagement with proxy advisors to discuss the Board's response to the "First Strike" and how the Board was addressing the issues and concerns raised by proxy advisors on the 2011 Remuneration Report;
- in this 2012 Remuneration Report more detailed disclosures have been included for the payment of STIs to senior executives and the evaluation process undertaken when assessing these awards; and
- in the introduction to this Remuneration Report the Board has provided explanation for the strategies supporting the levels of remuneration paid to senior executives and in particular the senior executives on secondment.

Remuneration Report

continued

1. Response to Vote Against 2011 Remuneration Report (continued)

Specifically, in response to the criticism of the Chief Executive Officer, Mr Alan Linn's total remuneration in 2011 compared with that of his peers, the Board notes that a significant portion of the increase in Mr Linn's total remuneration in 2011 was attributable to his relocation and secondment in Malaysia. Whilst secondment costs remain a component of Mr Linn's total remuneration in 2012 (which may again be considered relatively high in comparison to that of his peers), the Board continues to believe that total remuneration for Mr Linn, and all other senior executives on secondments in Asia, is appropriate and warranted. The Board notes that Mr Linn's fixed remuneration component decreased in 2012 from that in 2011.

The Board also notes that the Remuneration Committee is currently in the process of renegotiating Mr Linn's contractual arrangements and in particular those components of Mr Linn's remuneration that are linked to Company and individual performance.

At the date of this report, the new terms of contract have not yet been finalised. As soon as all terms are settled, the details will be released to the market.

Any equity components of Mr Linn's remuneration will be subject to shareholder approval at the Company's next Annual General Meeting ('AGM'), and details of any proposed grants will be disclosed in the notice of meeting. Full details of Mr Linn's agreed new remuneration structure, and the proposed changes for other senior executives, will be disclosed in the 2013 Remuneration Report.

2. Key Management Personnel

For the purpose of this report Key Management Personnel ('KMP') of the Company are defined as those persons having authority and responsibility for planning directing and controlling the major activities of the Company directly or indirectly.

The following have been identified as KMP for the purpose of this Remuneration Report:

Non-Executive Directors

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Director (Non-Executive) (resigned 12 December 2012)
Mr S J Jansma, Jr	Director (Non-Executive) (resigned 17 May 2012)
Mr R C A Leon	Director (Non-Executive)
Mr G D Mulligan	Director (Non-Executive)
Mr C C Hodge	Director (Non-Executive)
Mr R M Harding	Director (Non-Executive) (appointed 1 June 2012)
Mr N D R Hartley	Director (Non-Executive) (appointed 1 June 2012)

Chief Executive Officer and Executive Director

Mr A S Linn	Chief Executive Officer (appointed 23 February 2011) and Executive Director (appointed 27 February 2012)

Senior Executives

Mr R Morris	President - Roc Oil (China) Company
Mr R B Stork	Chief Operating Officer
Mr A Neilson	Chief Financial Officer
Ms L Nolan	General Counsel and Company Secretary
Dr P Eliet	General Manager – Exploration, Geoscience & Business Development (appointed 13 September 2012).

In this report, a reference to senior executive includes the Chief Executive Officer and Executive Director, Mr Alan Linn.

3. Remuneration Policy and Link to Company Performance

Remuneration Policy

In 2012, the key business strategy of the Company was to focus the Company's growth in Asia generally and Malaysia and China specifically. The oil and gas market in these regions is a highly competitive and with a high degree of employment mobility across the sector. Within this context the Company's remuneration policy is designed to:

- align the interests of employees and shareholders by linking individual and Company performance with remuneration outcomes;
- reward employees for financial and non-financial performance aligned with business objectives; and
- drive behaviour and focus performance in alignment with business objectives by setting key performance measures and targets for individuals and the Company aligned with these objectives.

Link to Performance

The Company's remuneration policy for senior executives is to reward performance by:

- attracting motivating and retaining high performing individuals focused on achieving the Company's objectives by offering fixed remuneration to align with the respective roles and responsibilities in the market in which the executive is located;
- linking the reward of senior executives with "at risk" incentives based on short term performance goals aligned and linked with Company goals and objectives which are set and reviewed annually; and
- aligning the longer term "at risk" incentive rewards with expectations and outcomes that match shareholder objectives and interests by:
  - measuring longer term performance against shareholder return over the same period;
  - benchmarking shareholder return against a peer group of comparator companies;
  - assessing the performance over a longer period of time (three years); and
  - giving equity-based rather than cash-based rewards as Long Term Incentives.

Currently the remuneration policy makes no provision for clawback in the event of over-payment of a senior executive in the event of a material misstatement or omission in the Company accounts. In relation to STI and LTI opportunities for 2013 and beyond, it is intended that the Board will have a broad absolute discretion to determine that some or all of an executive's incentive opportunity or unvested equity awards may be forfeited if adverse circumstances have occurred that affect the performance or reputation of the Company.

Expatriate costs should be considered separate from fixed remuneration and performance-based incentives. The structure and amount of expatriate benefits are reflective of additional living costs and circumstances specific to the international location to which the executive is assigned. The impact of assigning senior executives to key locations should be reflected in long term value creation.

The Company's remuneration policy in relation to Non-Executive Directors is to apply a level of remuneration determined having regard to the Company's need to retain appropriately experienced and qualified directors and in accordance with competitive pressures in the marketplace. Remuneration levels for Non-Executive Directors are designed to attract and retain directors, motivate directors to achieve the Company's business objectives and to align the interests of directors with the long term interests of shareholders. Non-Executive Directors are not provided with performance-based incentives and are expected to acquire or accumulate an equity interest in the Company over their term of office.

Remuneration Report

continued

4. The Board's Role in Remuneration and Remuneration Governance

The Board has responsibility for making decisions about the remuneration of KMP. The Board engages with shareholders, management and other stakeholders as required to update and improve Company remuneration policies and practices and ensure remuneration practices are aligned with Company strategy and objectives.

In January 2012, the Board adopted an updated suite of corporate governance documents including a stand-alone Remuneration Committee Charter. A consequence of this was that a separately constituted Remuneration Committee of the Board was established where formerly a combined Remuneration and Nomination Committee existed.

Remuneration Committee

The Remuneration Committee comprises three independent Non-Executive Directors and meets throughout the year. Details of the Remuneration Committee meetings and attendance are outlined in the Directors' Report.

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

Remuneration levels are reviewed annually by the Remuneration Committee through a process that evaluates the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy. Fixed remuneration levels and remuneration packages are benchmarked against independently provided remuneration data of comparable Australian and energy and resources companies to ensure salary packages are reasonable and competitive but not excessive. The Company participates in industry forums and maintains an ongoing monitor of trends and developments within the broad and specific market. Total reward potential is targeted to provide the opportunity to earn top percentile rewards against the relevant industry benchmarks for outstanding performance against personal and business objectives set.

Further details of the Company's remuneration policy will be included in the Corporate Governance statement in the Annual Report and copies of the Remuneration Committee Charter and Remuneration Policy are available at www.rocoil.com.au.

Remuneration Consultant

In 2012, the Remuneration Committee engaged an independent remuneration consultant Aon Hewitt ('Consultant') to review the Company's remuneration programs and practices and provide benchmarking of fixed and "at risk" remuneration. Further advice has been sought in relation to STI and LTI plans, expatriate arrangements and other contemporary good governance remuneration practices.

The Consultant has made recommendations in relation to a range of remuneration matters including remuneration recommendations for KMP.

The Consultant was paid $87,450 for the review of remuneration and $19,822 for all other services provided in the reporting period.

The members of the Remuneration Committee liaised directly with the Consultant and management was only involved to the extent of providing factual information to the Consultant. In this regard, the Remuneration Committee and the Board are satisfied that the remuneration recommendations made by the Consultant were made free from undue influence by any of the KMP to whom the recommendations related.

5. Description and Statutory Details of Non-Executive Director Remuneration in 2012

The Company's Constitution specifies that the aggregate remuneration of Non-Executive Directors will be determined by a general meeting. At the 2011 AGM, shareholders approved total remuneration for all Non-Executive Directors of up to A$750,000 per annum. Fees are set based on review of external market information in relation to fees paid to non-executive directors of comparable companies.

Non-Executive Directors' fees for the 2012 financial year were a total of US$610,535.

There has been no change to the base fees paid to Non-Executive Directors between 2011 and 2012. The amounts paid in 2011 and 2012 in Australian dollars are as follows:

- Chairman AUD 110,000;
- Deputy Chairman AUD 90,000; and
- Non-Executive Directors AUD 75,000.

No additional fees are paid for sitting on Board committees.

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

The Remuneration Committee has made no recommendations to the Board in 2012 to increase Non-Executive Director remuneration.

The following table sets out the remuneration of the Non-Executive Directors for the financial years ended 31 December 2012 and 2011. All of the Non-Executive Directors 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 2012 was 1.0359 (2011: 1.0318).

				Short Term	Post Employment	Equity Compensation		
		Fees	Cash bonus	Non-Monetary benefits	Super-annuation	Value of Share Rights/Options	Total	Percentage Performance Related
Non-Executive Directors		US$	US$	US$	US$	US$	US$	%
Mr A J Love	**2012**	**113,949**	**-**	**-**	**10,255**	**-**	**124,204**	**-**
	2011	113,498	-	-	5,107	-	118,605	-
Mr W G Jephcott(1)	**2012**	**93,231**	**-**	**-**	**8,391**	**-**	**101,622**	**-**
	2011	92,862	-	-	8,358	-	101,220	-
Mr S J Jansma, Jr(1)	**2012**	**38,846**	**-**	**-**	**-**	**-**	**38,846**	**-**
	2011	77,385	-	-	-	-	77,385	-
Mr R C A Leon	**2012**	**77,693**	**-**	**-**	**-**	**-**	**77,693**	**-**
	2011	77,385	-	-	-	-	77,385	-
Mr G D Mulligan	**2012**	**77,693**	**-**	**-**	**6,992**	**-**	**84,685**	**-**
	2011	77,385	-	-	6,965	-	84,350	-
Mr C C Hodge	**2012**	**77,693**	**-**	**-**	**6,992**	**-**	**84,685**	**-**
	2011	77,385	-	-	6,965	-	84,350	-
Mr R M Harding(2)	**2012**	**45,321**	**-**	**-**	**4,079**	**-**	**49,400**	**-**
	2011	-	-	-	-	-	-	-
Mr N D R Hartley(2)	**2012**	**45,321**	**-**	**-**	**4,079**	**-**	**49,400**	**-**
	2011	-	-	-	-	-	-	-
Total	**2012**	**569,747**	**-**	**-**	**40,788**	**-**	**610,535**	
	2011	515,900	-	-	27,395	-	543,295	

(1) Mr W G Jephcott resigned as a Non-Executive Director on 12 December 2012. Mr S J Jansma, Jr resigned as a Non-Executive Director on 17 May 2012.

(2) Two Non-Executive Directors were appointed on 1 June 2012.

Remuneration Report

continued

6. Description of Senior Executive Remuneration

This section details the remuneration structure for senior executives (including the Chief Executive Officer and Executive Director) that applied to remuneration paid in 2012. Note: the changes foreshadowed to the Chief Executive Officer and other senior executives remuneration do not apply to remuneration paid in 2012. These changes will apply to remuneration granted to the Chief Executive Officer from 2013 and other senior executives from 2014.

Remuneration mix

<table>
<tr><td>What is the balance between fixed and “at risk” remuneration?</td><td>The remuneration structure and packages offered to senior executives for the period were:
• fixed remuneration; and
• performance based remuneration consisting of an “at risk” component which may be offered at the discretion of the Board and comprising:
– Short Term Incentive - an annual cash bonus set as a percentage of base salary linked to Company and individual performance (‘STI’); and
– Long Term Incentive – grant of rights convertible to equity on the attainment of performance conditions measured over an extended period (‘LTI’).
In 2012, the actual paid or expensed “at risk” performance-based remuneration comprised on average 20% of total remuneration paid to senior executives.</td></tr>
</table>

Fixed remuneration

<table>
<tr><td>What is fixed remuneration?</td><td>Fixed remuneration consists of base salary (which is calculated on a total cost basis and includes any tax charges related to employee benefits), as well as employer contributions to superannuation funds.</td></tr>
<tr><td>How is fixed remuneration reviewed?</td><td>• Fixed remuneration levels are reviewed annually through a process that considers external data and takes into account the overall performance of the Company and the senior executive to ensure that remuneration is appropriate and competitive in the markets the senior executive is located. There is no contractual requirement or expectation that any adjustments will be made.
• In determining fixed remuneration of senior executives, the Remuneration Committee has regard to the following:
– top quality leaders in the competitive oil and gas sector with the ability to operate in a complex business environment across diverse geographies and cultures can command a premium relative to the pay of executives of similar companies of similar size whose business is predominantly locally focused;
– independently-provided market remuneration data of comparable Australian and energy and resources companies provides a reference in setting fixed remuneration and determining executive pay structures. However, the Company needs to actively compete for highly skilled exploration and production executives in a global market. The commercial and practical reality is that the benchmarking of some of our executives is by necessity qualitative and subjective based upon the judgement of the Remuneration Committee with a prudent approach to both the cost and the retention risk; and
– rewarding and retaining the senior executives with the requisite experience so as not to lose them in the competitive oil and gas sector.</td></tr>
</table>

Short Term Incentive

<table>
<tr><td>What is the STI?</td><td>The STI is a cash payment assessed and paid annually to senior executives and other eligible employees following the end of the Company’s financial year and measured on individual and Company performance over the preceding 12 month period.</td></tr>
</table>

What is the purpose of the STI Plan?	The purpose of the STI plan is to drive performance of annual business plans and objectives at both an individual and corporate level to achieve shareholder value. The STI forms part of ROC's performance-based remuneration system and provides "at risk" incentives based on short term performance goals aligned and linked with Company goals and objectives.
How does the STI link to ROC's objectives?	ROC objectives are set by the Board on an annual basis and key performance measures are set annually for all employees and senior executives to support the Company objectives. The STI is linked to ROC objectives in that it is not triggered or payable unless the relevant employee has met or exceeded the key performance measures outlined in their individual performance plans set annually. Any STI payable is also subject to the Board's assessment of the performance of the Company against the Company objectives set for the relevant year.
What are the performance conditions?	The performance conditions are Company performance conditions and individual performance conditions. Measurement of performance of both sets of conditions influence the STI payable. ***Company Performance*** The Company performance conditions reflect the financial and operational goals of the Company that are essential to meeting the Company's short and long term strategy and building shareholder value. The Board sets these strategic goals annually and built within each goal are specific annual objectives or targets against which the Board can measure Company performance. For the purpose of the STI, the Board rates Company performance at the end of the financial year against each strategic goal set, the level of achievement of each objective or target within each strategic goal and the weightings attributed to the individual goals and objectives Details of the 2012 strategic goals and the weightings attributed to each are set out in section 7, together with the actual Company performance against these goals. ***Individual Performance*** Individual performance conditions are set for each employee at the commencement of the financial year as part of the each individual's performance management plan. These performance conditions are partly specific to each individual's role and responsibilities and partly aligned to achieving the strategic goals of the Company and in particular achieving the Company objectives or targets set for the relevant year. It is inappropriate to outline specific performance conditions for senior executives in this report but the typical performance measures for individuals would include meeting key operational objectives relating mainly to: • production targets; • health, safety and environment measures; • people measures; • expenditure controls • profitability; and • business development and value growth.

Remuneration Report

continued

6. Description of Senior Executive Remuneration (continued)

Short Term Incentive (continued)

Are there different performance levels?	Different performance levels apply to both assessment of individual and Company performance in relation to the award of an STI. Performance levels for individuals are set in a range from below expectations (1/5) to exceed expectations (5/5). An individual must achieve a performance rating of at least 2/5 to receive a minimum STI. Company performance levels are assessed by the Board at the end of the financial year with the rating attributed to Company performance based on achievement of objectives or targets in the relevant year. The Company performance rating is used as a multiplier to the individual performance rating to determine the level of STI actually payable. Maximum STI would only ever be payable if the individual performance level was rated as exceeds expectations and the assessment of the Company performance by the Board was at the highest level and exceeded expectations for the targets set.
What is the value of the STI award that can be earned?	The maximum STI payment amount is set as a proportion of the base salary of the individual employee. Higher level roles attract an increased % of base salary payable as STI. The maximum percentages of base salary payable as STIs are as set out in the following table. These maximums are only achievable if both the individual performance rating and the Company performance rating are at the maximum levels:

Roles	Maximum STI as % of Base - 2012
Chief Executive Officer	57%
Executive Committee	42%
Senior Managers, Senior Professionals	32%
Professionals, Team Leaders	22%
Front-Line Employees, Administrative and Support Staff	19%

	Details of amounts of STI paid in 2012 and amounts forfeited are set out in section 7.
How are the performance conditions assessed?	Calculation of the STI payment is based on a combination of two performance components – individual and Company performance. The individual performance component is determined by the employee's performance rating achieved through the ROC performance management system. Individual performance ratings are calibrated by the executive team and, as appropriate, the performance rating is adjusted to allow further distinction between individual performances. The Company performance STI outcome is based on the Board's assessment of performance against a range of targets that contribute to ROC strategy. These objectives will vary each year. The Company's objectives for 2012 are outlined above and in section 7. The Board makes a decision on the final company performance rating based on overall performance against these areas and against a range of strategic targets. The maximum Company rating in any year is 5/5. Once the Company performance rating is determined by the Board, an individual's STI is then calculated by reference to the individual's own performance rating and as a percentage of salary.

Long Term Incentive

What is the LTI?	The LTI is an equity-based plan that provides for a reward that varies with Company performance over three year measures of performance.
What is the purpose of the LTI?	The purpose of the LTI plan is to focus performance on drivers of long term shareholder value over a three year period so that over emphasis is not put on achieving short term performance to the detriment of longer term growth. The LTI forms part of ROC's performance-based remuneration system and provides "at risk" incentives based on longer term performance goals aligned and linked with Company goals and objectives.
How does the LTI link to ROC's key objectives?	The LTI links to ROC's key objectives by aligning long term "at risk" incentive rewards with expectations and outcomes that match shareholder objectives and interests by: • measuring longer term performance against shareholder return over the same period; • benchmarking shareholder return against that of a peer group of comparator companies; • assessing the performance over a longer period of time (three years); and • giving equity-based rather than cash-based rewards as LTIs.
What equity-based grants are given and are there plan limits?	The LTI provides for the grant of performance rights convertible to shares on vesting if performance conditions are met. If the performance conditions are met, recipients of the performance rights are entitled to receive one share in ROC for every vested performance right. Once a right vests, the holder is unconditionally entitled to the underlying share without taking any further action. Subject to a number of conditions, the Board may not issue performance rights under the LTI plan if immediately following the grant, the number of shares the subject of the grant of the right when aggregated with all other rights on issue could exceed 5% of the total number of issued shares in the Company at the time of issue of the rights.
What are the performance conditions?	Three types of performance rights can be granted or awarded under the ROC LTI plan. The distinguishing feature of each right is that different performance conditions apply to the vesting of each type of right granted. The different rights that can be granted are: • **Tier One Rights** – these are subject to an actual Total Shareholder Return ('TSR') performance condition; • **Tier Two Rights** – these are subject to a relative TSR performance condition; and • **Tier Three Rights** – these are subject to a retention of service condition. Regardless of performance conditions that apply, no right will vest unless the Board in its absolute discretion is also satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company during the relevant performance period. An award of performance rights may consist of any combination of tiers of rights provided that no award of rights can comprise more that 20% of Tier Three Rights. Unless otherwise stated an award of rights would be 40% Tier One Rights, 40% Tier Two Rights and 20% Tier Three Rights. Performance and service conditions attached to each tier are as follows: • ***Tier One Rights*** Vesting of Tier One Rights is subject to a performance condition, and, except for initial rights granted in 2010 which were for two years, will occur three years after grant, to the extent that the performance condition is met and if the employee is still employed. Tier One Rights which have not vested at the end of the performance period will lapse.

Remuneration Report

continued

6. Description of Senior Executive Remuneration (continued)

Long Term Incentive (continued)

The performance condition for Tier One Rights will relate to the TSR growth of ROC measured over the performance period and be calculated based on compounded annual rates. The percentage of Tier One Rights that vest will be determined as follows:

TSR Growth over Performance Period Based on Annual Growth Rates	% of Rights Vesting
<6%	0%
6% - 9%	Pro rata from 25% to 50%
9% - 12%	Pro rata from 51% to 100%
>12%	100%

'Total shareholder return' or 'TSR' means the total of:

- all dividends and capital returns paid to shareholders in the period between the date of grant of the right and the date the performance condition is measured; and
- the difference between the volume weighted average price for sales of ROC ordinary shares ('Shares') on the ASX in the 60 trading days before the date on which the performance condition is measured and the volume weighted average price for sales of the Shares on the ASX in the 60 trading days before the date of grant,

expressed as a percentage of the volume weighted average price for sales of the Shares on the ASX in the 60 trading days before the date of grant (with the volume weighted average price for sales of the Shares adjusted if necessary to take account of any reorganisation of capital occurring before the date on which the performance condition is measured), where "trading day" has the meaning given to that term in the ASX Listing Rules.

- ***Tier Two Rights***
  Vesting of Tier Two Rights will be subject to a performance condition, and, except for initial rights granted in 2010 which were for two years, will occur three years after grant, to the extent that the performance condition is met and if the employee is still employed. Tier Two Rights which have not vested at the end of the performance period will lapse.

  The performance condition for Tier Two Rights will be a relative TSR test. The TSR of ROC will be ranked against that of a subset of conventional oil and gas exploration and development companies in Australia (including ROC) and other companies in the S&P/ASX 300 Energy Index list as determined by the Board from time to time at the beginning of the performance period ('Comparator Group'). The TSR calculations will be based on all dividends and capital returns paid to shareholders in the performance period, and the difference between the volume weighted average daily closing share prices in the 60 days immediately preceding the start and the 60 days immediately preceding the end of the performance period expressed as a percentage. The extent to which Tier Two Rights will vest is determined by reference to the position of the Company in the Comparator Group as calculated in accordance with the following ranking table:

Position of Company in Comparator Group	% of Rights Vesting
Below Median	0%
Median	50%
Between Median and Upper Quartile	Pro rata from 50% to 100%
Upper Quartile and above	100%

	• *Tier Three Rights* Vesting of Tier Three Rights will be subject to a service condition only. Tier Three Rights will vest provided that the employee has been continuously employed by the Company throughout the performance period and is employed by the Company on the vesting date. Tier Three Rights which have not vested at the end of the performance period will lapse. Tier Three Rights must not exceed 20% of the total number of rights comprising an award.
Why choose these performance conditions?	At the time of establishing the ROC LTI plan in 2010, performance hurdles based on absolute TSR and relative TSR against comparable companies was regarded as an appropriate way to align senior executive remuneration with shareholder value. Likewise, the service condition only on the Tier Three Rights was regarded as an appropriate way to retain key individuals. A review of Comparator Group's LTI plans was also conducted to ensure there was appropriate benchmarking conducted and ROC's plan was not misaligned with the industry. These measures are under review in 2013.
Hedging of rights or options	The Company prohibits executives from entering into arrangements to protect the value of unvested LTI or option awards. The prohibition includes entering into contracts to hedge their exposure to rights or options granted as part of their remuneration package.
Leaving Employment	Subject to some exceptions such as death, injury, permanent disability, retirement or redundancy and at the discretion of the Board, a right will normally lapse if the employee ceases to be employed by the Company.
Lapse of Rights	If performance conditions are not met on the vesting date applicable to the performance right, the performance right will lapse.
Effect of change of control	In the event of a change of control in the Company before the vesting date of a performance right, the Board reserves the right to exercise its discretion for early vesting of the right. In exercising its discretion the Board is required to take account of the extent to which performance conditions have or have not been met since the date of the grant of the performance right.

Previous Executive and Employee Share Option Plans

Prior to the introduction of the STI and LTI in 2010, the Company's remuneration policy included participation in an Executive Share Option Plan and an Employee Share Option Plan. Options granted under these plans continue to exist but no further options are granted under these plans. Any options vesting under these plans in the 2012 financial year to executives are outlined in tables below.

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 the Company's TSR must be benchmarked against industry performance.

Remuneration Report

continued

6. Description of Senior Executive Remuneration (continued)

Previous Executive and Employee Share Option Plans (continued)

The performance hurdle requires that the Company'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 volume weighted average price for the sale of shares on the ASX in the 90 days before the issue date.

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.

7. Company Performance and Remuneration Outcomes for Senior Executives in 2012

ROC remuneration policy is designed to align the interests of employees and shareholders by linking individual and Company performance with remuneration outcomes; reward employees for financial and non-financial performance aligned with business objectives; and drive behaviour and focus performance in alignment with business objectives by setting key performance measures and targets for individuals and the Company aligned with these objectives.

Following is a table outlining Company performance against stated objectives in 2012 and a graph indicating relative share price performance in the same period. Following that is a summary of the senior executives' fixed, STI and LTI remuneration in 2012.

Company Performance in 2012

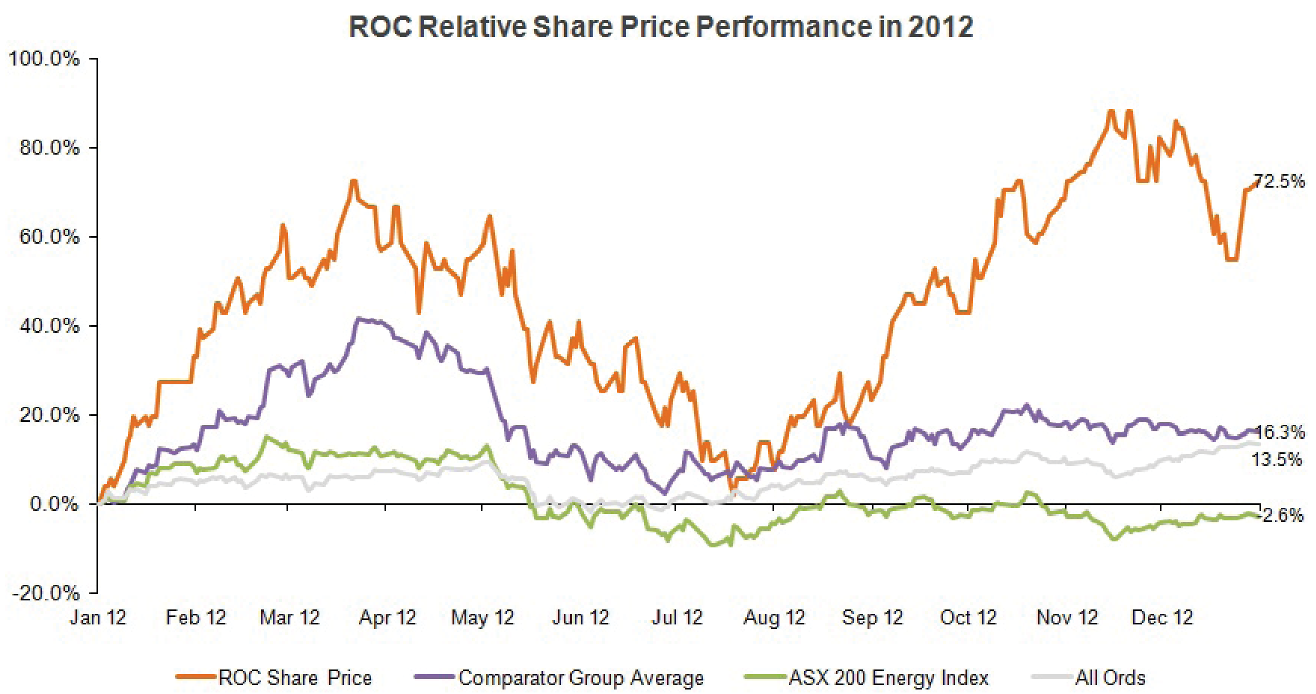
Goal	Weighting	Objectives	Outcome
Generate Opportunities	17.5%	Focus on appraisal/ development opportunities	Met expectations with Balai Cluster pre-development and Beibu Gulf exploration completed and development commenced and on track.
		Identify new exploration opportunities	Met expectations with new China 09/05 exploration block (Bohai Bay) awarded in 2012. Other South East Asia targets have been reviewed and screened during 2012 with opportunities identified for further development in 2013.
Capture Value	27.5%	Achieve reserve growth from existing assets	Met expectations with 2P reserve upgrade of 2.4 MMBOE achieved to 15.0 MMBOE in total: • reserve replacement of 100% of current year production; • Beibu Gulf exploration success with additional reserves; and • reserve optimisation at other assets occurring.
		Deliver reserve growth from new opportunities in focus region	Actively pursuing growth opportunities.

Goal	Weighting	Objectives	Outcome
Deliver Excellence	27.5%	Meet production target (6,000 7,000 BOEPD)	Met expectations with 2012 production of 6,445 BOEPD.
		Control costs across the business (opex ~US$17/BOE; capex <US$140 million)	Exceeded expectations with all costs controlled across the business. Opex ahead of target at US$15/BOE; total capex of $109 million consisting of E & D spend of $94 million plus BMG NPP of $15 million.
		Continue to build upon positive health, safety and environment ('HSE'), community and sustainability performances	ROC set high HSE targets for 2012. Whilst these were not all met, ROC continued its strong HSE performance with all metrics better than APPEA industry averages.
		Continue portfolio rebalancing in line with regional growth strategy	Met expectations with NZ exit completed and Africa divestment of Mauritania completed with US$10 million profit.
Fiscal Discipline	27.5%	Deliver continued profitability	Exceeded expectation with a continuing and record profit of US$61 million after tax.
		Optimise capital structure and secure funding for new projects	Exceeded expectations with year-end net cash position of US$57 million and an undrawn debt facility available.

Following assessment of the Company performance in accordance with the above objectives, the Board takes into account the share price performance over the year as a final overriding factor:

Share Price	Used by Board as key determining factor	Deliver positive share price performance on absolute and comparative basis	Exceeded expectations with share price increasing 73% for 2012 and top quartile performance against peer group for 2012.

As set out in the graph below, the Company's share price increased by 73% in 2012 outperforming each of the ASX 200 Energy Index, the All Ordinaries Index and the Comparator Group.



Remuneration Report

continued

7. Company Performance and Remuneration Outcomes for Senior Executives in 2012

(continued)

Below is a table setting out Company earnings and ROC year-end closing share price for the last five years:

	2012	2011	2010	2009	2008
Net profit/(loss) after tax (US$'million)	61.0	27.7	(35.9)	(115.4)	(278.4)
Share Price (31 December)	44¢	25.5¢	41¢	67¢	50¢

Taking all of the above into account the Board concluded that the Company performance in 2012 was exceptional and attributed it with an overall performance rating of 4/5.

Fixed Remuneration Outcomes for Senior Executives in 2012

Following the 2011 year end all senior executives were reviewed in accordance with:

- the ROC performance management plan and their performance measured against the specific goals and objectives that had been set for them at the commencement of 2011; and
- ROC remuneration policy and benchmarking processes.

On conclusion of these performance reviews, senior executive remuneration was set for 2012.

As explained in the introduction to this report, significant increases in fixed remuneration are acknowledged in relation to China and Malaysian expatriated senior executives. These increases can partly be attributed to industry benchmarking in Asia as well as performance. In the case of Mr Stork and Ms Nolan, there was also an adjustment to take account their new responsibilities and wider scope of work resulting from their move to Asia.

Mr Morris's remuneration was adjusted in 2012 to reflect the change in position and the additional responsibilities and wider scope and span of control following increased activities in China.

It is noted that the fixed remuneration of the Chief Executive Officer, Mr Alan Linn, decreased in 2012. This reduction was a result of an agreed reduction in fixed remuneration as well as some readjustment to non-monetary benefits.

STI Outcomes for Senior Executives in 2012

All senior executives' performance was assessed as being eligible for an STI paid in 2012.

The following table shows the amount of STIs paid to senior executives in 2012 based on 2011 performance criteria. The percentages forfeited are a result of both Company performance objectives and personal performance objectives not being met in 2011. No amounts of STI vest in future years.

	Included in Remuneration US$	% of Maximum STI Paid in the Year	% of Maximum STI Forfeited in the Year
Mr A S Linn	181,283	53	47
Mr R Morris	113,949	65	35
Mr R B Stork	41,436	60	40
Mr A Neilson	134,667	81	19
Ms L Nolan	124,308	71	29

LTI Outcomes for Senior Executives in 2012

No LTIs were awarded to senior executives in 2012 other than to Dr P Eliet who was granted 500,000 performance rights in September 2012 on commencement of employment.

No terms of any options or rights granted to senior executives have been modified during 2012.

The table below details the options and rights over ordinary shares in the Company that were granted as remuneration to each senior executive up to 31 December 2012 as well as details on options and rights that vested during 2012 and any historical share options vested or lapsed.

	Grant Date	Fair Value A$	Exercise price A$	Rights/ Options on 1 Jan 2012	Issued	Exercised	Lapsed	Rights/ Options on 31 Dec 2012	Vested	Exercis-able(1)	Date Rights/ Options First Vesting
Mr A Linn	19/05/2008	1.14	2.28	400,000	-	-	-	400,000	400,000	200,000	19/05/2010
	23/12/2008	0.22	0.73	150,000	-	-	-	150,000	150,000	75,000	23/12/2010
	29/03/2010	0.24	-	120,000	-	(48,000)	(72,000)	-	-	-	29/03/2012
	12/11/2010	0.32	-	1,250,000	-	-	-	1,250,000	-	-	12/11/2013
	7/03/2011	0.29	-	1,500,000	-	-	-	1,500,000	-	-	7/03/2014
	16/12/2011	0.20	-	500,000	-	-	-	500,000	-	-	16/12/2014
				3,920,000	**-**	**(48,000)**	**(72,000)**	**3,800,000**	**550,000**	**275,000**	
Mr R Morris	23/12/2008	0.23	0.54	200,000	-	-	-	200,000	200,000	200,000	23/12/2010
	29/03/2010	0.24	-	140,000	-	(56,000)	(84,000)	-	-	-	29/03/2012
	12/11/2010	0.32	-	500,000	-	-	-	500,000	-	-	12/11/2013
	16/12/2011	0.20	-	400,000	-	-	-	400,000	-	-	16/12/2014
				1,240,000	**-**	**(56,000)**	**(84,000)**	**1,100,000**	**200,000**	**200,000**	
Mr R Stork	16/12/2011	0.20	-	600,000	-	-	-	600,000	-	-	16/12/2014
Mr A Neilson	10/05/2007	1.34	3.43	200,000	-	-	-	200,000	200,000	100,000	10/05/2009
	19/05/2008	1.14	2.28	20,000	-	-	-	20,000	20,000	10,000	19/05/2010
	23/12/2008	0.22	0.73	150,000	-	-	-	150,000	150,000	75,000	23/12/2010
	29/03/2010	0.24	-	120,000	-	(48,000)	(72,000)	-	-	-	29/03/2012
	12/11/2010	0.32	-	400,000	-	-	-	400,000	-	-	12/11/2013
	16/12/2011	0.20	-	650,000	-	-	-	650,000	-	-	16/12/2014
				1,540,000	**-**	**(48,000)**	**(72,000)**	**1,420,000**	**370,000**	**185,000**	
Ms L Nolan	7/03/2006	1.15	2.85	30,000	-	-	(30,000)	-	-	-	7/03/2008
	31/12/2006	0.98	3.59	70,000	-	-	(70,000)	-	-	-	31/12/2008
	19/05/2008	1.14	2.28	20,000	-	-	-	20,000	20,000	20,000	19/05/2010
	23/12/2008	0.23	0.54	60,000	-	-	-	60,000	60,000	60,000	23/12/2010
	29/03/2010	0.24	-	70,000	-	(28,000)	(42,000)	-	-	-	29/03/2012
	12/11/2010	0.32	-	400,000	-	-	-	400,000	-	-	12/11/2013
	16/12/2011	0.20	-	650,000	-	-	-	650,000	-	-	16/12/2014
				1,300,000	**-**	**(28,000)**	**(142,000)**	**1,130,000**	**80,000**	**80,000**	
Dr P Eliet	13/09/2012	0.30	**-**	**-**	**500,000**	**-**	**-**	**500,000**	**-**	**-**	13/09/2015

Note:

(1) These exercisable options relate to price options which have vested. The existing performance options granted in prior years, which have vested at December 2012, are not currently capable of exercise as the Group absolute TSR relative to the performance of the ASX 200 Energy Index from the respective grant date has not been achieved.

Remuneration Report

continued

7. Company Performance and Remuneration Outcomes for Senior Executives in 2012 (continued)

LTI Outcomes for Senior Executives in 2012 (continued)

Details of the total value of the rights/options granted and/or exercised to senior executives in 2012 as part of remuneration are set out in the table below. No value was attributable to options that lapsed during the year.

	Value of Rights Granted in 2012 A$	Value of Rights Exercised in 2012 A$	Remuneration consisting of Rights/Options Expensed for the year %
Mr A S Linn	-	19,680	20.0
Mr R Morris	-	22,960	4.1
Mr R B Stork	-	-	5.3
Mr A Neilson	-	19,680	11.3
Ms L Nolan	-	11,480	8.9
Dr P Eliet	150,000	-	6.1

The following table shows the shares issued on exercise of rights for the year ended 31 December 2012:

	No. of Shares Issued	Paid per Share A$	Unpaid per Share A$
Mr A S Linn	48,000	-	-
Mr R Morris	56,000	-	-
Mr A Neilson	48,000	-	-
Ms L Nolan	28,000	-	-

8. Statutory Details of Senior Executive Remuneration in 2012

The consolidated entity's reporting currency is USD and the amounts shown in this report are in USD unless otherwise stated. A majority of senior 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 2012 was 1.0359 (2011:1.0318).

The table below outlines the remuneration of senior executives for year ended 31 December 2012 and 2011:

				Short Term	Post Employment	Equity Compensation		
		Salary	Cash Bonus(6)	Non-Monetary Benefits	Super-annuation	Value of Share Rights/Options	Total	Percentage Performance Related
Executive Directors		US$	US$	US$	US$	US$	US$	%
Mr A S Linn(1)	**2012**	**766,971**	**181,283**	**364,430**	**-**	**328,841**	**1,641,525**	**31.1**
	2011	798,172	144,865	416,163	46,130	356,271	1,761,601	28.4
Senior Executives								
Mr R Morris(2)	**2012**	**1,154,967**	**113,949**	**254,101**	**-**	**65,827**	**1,588,844**	**11.3**
	2011	780,420	254,625	210,966	-	73,483	1,319,494	24.9
Mr R B Stork(3)	**2012**	**497,232**	**41,436**	**153,844**	**44,751**	**40,984**	**778,247**	**10.6**
	2011	414,702	-	77,475	14,858	1,789	508,824	0.4
Mr A Neilson	**2012**	**442,417**	**134,667**	**14,928**	**25,897**	**78,479**	**696,388**	**30.6**
	2011	392,085	98,063	14,388	24,368	80,487	609,391	29.3
Ms L Nolan(4)	**2012**	**496,353**	**124,308**	**185,624**	**23,862**	**81,090**	**911,237**	**22.5**
	2011	407,962	71,318	63,575	26,437	57,760	627,052	20.6
Dr P Eliet(5)	**2012**	**221,369**	**-**	**20,012**	**-**	**15,609**	**256,990**	**6.1**
	2011	-	-	-	-	-	-	-
Total	**2012**	**3,579,309**	**595,643**	**992,939**	**94,510**	**610,830**	**5,873,231**	**20.5**
	2011	2,793,341	568,871	782,567	111,793	569,790	4,826,362	23.6

Note:

(1) Included in Mr Linn's 2011 remuneration are costs associated with secondment to Malaysia from 1 September 2011. Mr Linn was not an Executive Director during 2011.

(2) Mr Morris works predominantly for the Zhao Dong and Beibu joint ventures and a large percentage of his remuneration costs are recovered from the respective joint venture partners. The amount disclosed is 100% of his remuneration.

(3) From 1 September 2011, 80% of Mr Stork's remuneration costs are charged directly to BC Petroleum Sdn Bhd. The amount disclosed is 100% of his remuneration.

(4) Included in Ms Nolan's salary is an amount of $36,736 in 2012 as relocation allowance when she commenced her secondment in Malaysia. In 2011, a component of Ms Nolan's non-monetary benefits comprised initial relocation costs associated with the secondment to Malaysia.

(5) Dr Eliet commenced employment with ROC on 13 September 2012. Most of Dr Eliet's secondment costs are paid as salary not as non-monetary benefits. Included in Dr Eliet's salary is an amount of $35,000 paid to Dr Eliet as a relocation allowance when he commenced his secondment to Malaysia.

(6) Cash Bonus is the amount paid in 2012 in respect of the 2011 performance year.

Remuneration Report

continued

9. Summary of Senior Executive Contractual Arrangements

The Company has employment contracts with all executive senior executives ('Service Agreements').

A number of senior executives have entered into Secondment Agreements in relation to secondments in Malaysia and China. The Secondment Agreements provide that the Company is responsible for certain specified costs associated with the relocation and secondment ('Secondment Agreement Costs') including:

- relocation costs;
- assignment allowances;
- housing and utilities costs;
- expatriate family medical insurance;
- cost of schooling for dependent children until completion of high school;
- agreed flights;
- local car and transport costs; and
- applicable taxes.

Unless otherwise stated, the Service Agreements do not provide for a fixed expiry date. Where Secondment Agreements are in place the Secondment Agreement provides that the Company may terminate the secondment, leaving just the Service Agreement in place, by giving 30 days' written notice at any time. The Secondment Agreement will also terminate in the event of termination of the Service Agreement.

Some Service Agreements include a provision that if employment of the senior executive terminates other than for cause within 12 months of a material diminution or the senior executive resigns within three months of a material diminution, the Company will pay the senior executive 12 months' base salary and statutory entitlements (inclusive of any payment in lieu of notice). Material diminution means a substantial diminution of the senior executive's job content, status, responsibilities and/or authority arising by either the Company being removed from the ASX or the Board directing (without the senior executive's approval) a substantial proportion of staff and consultants who report to them to no longer do so ('Material Diminution Termination Payment').

Other than in cases where termination occurs as a result of, injury, permanent disability, retirement or redundancy and, at the discretion of the Board, any unvested LTI performance awards are forfeited.

Alan Linn

Mr Linn was appointed as Chief Executive Officer on 23 February 2011 and as Executive Director on 27 February 2012. Mr Linn's Service Agreement provides for a minimum term of three years. Mr Linn's Secondment Agreement is for a period of up to three years with effect from 31 August 2011 ('Existing Service Agreement'). Mr Linn has a Material Diminution Termination Payment provision in his Existing Service Agreement. Mr Linn's Existing Service Agreement is currently being renegotiated by the Remuneration Committee.

Under Mr Linn's Existing Service Agreement, annual fixed remuneration of US$766,971 is payable comprising a base salary and superannuation. The total fixed remuneration is reviewable annually but without obligation to increase the amount. In addition to fixed remuneration, Mr Linn is entitled to participation in the Company STI and LTI plans. Under the Existing Service Agreement, the STI payable to Mr Linn is up to a maximum 57% of fixed remuneration comprised of up to 42% of the maximum STI based on the Board's assessment of the Company's performance and Mr Linn's performance, and up to 15% of the maximum STI based on the Board's assessment of Mr Linn's performance against specific key performance indicators agreed between the Chairman and Mr Linn at the commencement of 2012. No arrangements exist under the Existing Service Agreement for any specific annual entitlement to an award of LTIs. Mr Linn is entitled to Secondment Agreement Costs as non-monetary benefits under the Existing Service Agreement.

As an Executive Director, any equity to be issued or LTIs granted to Mr Linn in the future will be subject to shareholder approval.

Ron Morris

Mr Morris's appointment as President, Roc Oil (China) Company commenced on 1 August 2009. Other than provision for six months' salary in lieu of notice, there is no entitlement to any payment on termination.

Mr Morris's current annual fixed remuneration of US$1,154,967 comprises base salary, taxes, superannuation and specified Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation to increase the amount. In addition, Mr Morris is entitled to participation in the Company STI and LTI. In recognition of Mr Morris's position managing the Company's China operations, Mr Morris is also entitled to Secondment Agreement Costs as non-monetary benefits.

Rolf Stork

Mr Stork's appointment as Chief Operating Officer commenced on 1 September 2011. Mr Stork's Service Agreement contemplated a secondment to Malaysia to comprise 80% of Mr Stork's employment, with the remaining 20% based in Sydney. The secondment arrangement to Malaysia is for a period up to three years. Mr Stork has a Material Diminution Termination Payment provision in his Service Agreement.

Mr Stork's current annual fixed remuneration of US$497,232 comprises base salary, superannuation and some Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation to increase the amount. In addition, Mr Stork is entitled to participation in the Company STI and LTI. Mr Stork is also entitled to Secondment Agreement Costs as non-monetary benefits.

Eighty percent of Mr Stork's costs are charged directly to BC Petroleum Sdn Bhd (an associate company of ROC) as a result of a back-to-back secondment arrangement.

Anthony Neilson

Mr Neilson's appointment as Chief Financial Officer commenced on 30 April 2007. No termination payments are applicable to Mr Neilson's Service Contract; however, a "Change of Control" Agreement entered in 2010 provides for the payment of 12 months' base salary in the event of a diminution of duties resulting from a change of control in the Company as outlined in that agreement.

Mr Neilson's current annual fixed remuneration is US$442,417 comprising base salary plus superannuation. The base salary is reviewable annually without obligation to increase the amount. In addition, Mr Neilson is entitled to participation in the Company STI and LTI.

Leanne Nolan

Ms Nolan's appointment as General Counsel commenced on 12 November 2010. The Secondment Agreement recently entered is for a period of up to two years with effect from 1 January 2012. Ms Nolan has a Material Diminution Termination Payment provision in her Service Agreement.

Ms Nolan's current annual fixed remuneration of US$496,353 comprises base salary, superannuation and some Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation to increase the amount. In addition, Ms Nolan is entitled to participation in the Company STI and LTI. Ms Nolan is also entitled to Secondment Agreement Costs as non-monetary benefits.

Pierre Eliet

Dr Eliet's appointment as General Manager Exploration, Geoscience & Business Development commenced on 13 September 2012. Dr Eliet's Service Agreement contemplates a secondment arrangement to Malaysia for a period up to two years or such further period as is agreed. Other than provision for three months' salary in lieu of notice and, in the event of redundancy, a redundancy payment calculated in accordance with the minimum requirements of the *Fair Work Act 2009 (Cth)*, there is no entitlement to any payment on termination of employment.

Dr Eliet's current annual fixed remuneration is US$628,908 comprising a base salary, taxes, superannuation and most Secondment Agreement Costs payable as cash. The base salary component of the fixed remuneration is reviewable annually without obligation to increase the amount. In addition, Dr Eliet is entitled to participate in the Company STI and LTI. During the term of secondment arrangement in Malaysia Dr Eliet is entitled to standard expatriate executive benefits, car and driver and expatriate medical insurance as non-monetary benefits. All other Secondment Agreement Costs are included in fixed remuneration.

Auditor's Independence Declaration

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

In relation to our review of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Trent van Veen
Partner

Sydney, 27 February 2012

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 2012.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net profit after income tax of US$61.0 million (2011: net profit US$27.7 million). The Group's trading profit was US$106.2 million (2011: US$108.0 million).

Included in the overall result were items relating to:

- profit on sale of Mauritanian assets of US$10.3 million;
- foreign currency translation reserve gain of US$4.6 million as a result of liquidation of a dormant company;
- a prior year overprovision in income tax of US$15.7 million; offset by
- an increase in the restoration provision for BMG of $3.4 million; and
- exploration expense of US$18.1 million.

Basic earnings per share for the year were 8.9 cents based on a weighted average number of fully paid ordinary shares on issue of 682,992,485 shares.

Sales and Production Growth

The Group recorded solid performance from its producing assets, with working interest production of 2.4 MMBOE (2011: 2.7 MMBOE), down 14% compared to the prior year. Of the total working interest production, 0.2 MMBBL (9.6%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's Production Sharing Contracts. ROC's closing balance 2P reserves at 31 December 2012 was 15.0 MMBOE, including reserve additions of 2.4 MMBBL after allowing for 2012 production, representing a 100% reserve replacement for 2012.

Oil and gas sales revenue of US$242.1 million (2011: US$285.8 million) was generated from sales volumes of 2.1 MMBOE (2011: 2.6 MMBOE), which achieved an average realised oil price of US$113.60/BBL (2011: US$110.93/BBL) before hedging, a premium of 1.5% to the Brent oil price which averaged US$111.67/BBL for 2012.

Operating costs of US$135.9 million (2011: US$177.9 million) comprised production costs of US$35.7 million (US$15.14/BOE), amortisation costs of US$70.9 million (US$30.04/BOE), Chinese special oil income levy and royalty of US$31.9 million offset by stock movements of US$2.5 million.

Exploration Expensed

Exploration and evaluation expenditure of US$29.0 million (2011: US$15.9 million) was incurred during the period, attributable to drilling exploration and appraisal wells in China and new venture activities. In accordance with the Company's successful efforts accounting policy, US$18.1 million (2011: US$13.5 million) in exploration costs were expensed during the period, mainly relating to the impairment of the H-2 well in Zhao Dong and new venture costs.

Income Tax

An income tax expense of US$21.8 million (2011: US$52.9 million) was incurred during the period, which included: an income tax expense of US$33.5 million and current PRRT of US$17.3 million offset by a prior year overprovision of US$15.7 million and a deferred income tax credit of US$13.3 million relating to timing differences.

The total tax paid during the year was US$47.0 million (2011: $54.0 million), relating to Zhao Dong, UK assets and PRRT in Australia.

Hedging

At 31 December 2012, ROC held no Brent oil price swap contracts. During the period, 0.150 MMBBL of oil price derivatives were settled, resulting in a cash outflow of US$0.7 million.

Discussion and Analysis of Financial Statements

continued

FINANCIAL PERFORMANCE (continued)

Consolidated Statement of Financial Position

During the period, total assets increased to US$368.8 million (2011: US$352.9 million) and total liabilities decreased to US$150.2 million (2011: US$191.3 million). As a result, net assets increased to US$218.6 million (2011: US$161.6 million).

Oil and gas assets increased to US$237.3 million (2011: US$218.3 million) during the period, mainly as a result of $65.3 million development expenditure incurred, a transfer of successful exploration to assets under development of US$11.0 million and an increase in the restoration costs of US$14.6 million offset by amortisation of US$70.9 million.

At 31 December 2012, ROC's net cash position was US$56.8 million (2011: US$26.5 million), consisting of cash assets held of US$56.8 million (2011: US$39.6 million) with no debt drawn (2011: US$13.1 million). At year end, the loan facility available to ROC was US$91.0 million relating to the remaining portion of the loan facility with Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation, maturing in June 2015.

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$126.3 million (2011: US$43.4 million). The funds were primarily used for development expenditure of US$59.4 million (2011: US$35.4 million) and exploration and evaluation expenditure initially capitalised of US$19.4 million (2011: US$5.7 million). Proceeds received from sale of exploration and development assets were US$1.8 million.

CORPORATE ACTIVITY

Health, Safety and Environment (HSE)

ROC is disappointed to report its first recorded Lost Time Injury across the business for two years. The low potential incident occurred at the Cliff Head facility which had been operating LTI free for six years. ROC has a track record of performing ahead of industry averages measuring safety and environmental performance and we recognise that this must remain a key focus across our business. We will continue to pursue the highest standards and continue working towards an incident free workplace. Operations in China and at our BMG asset achieved two years without a lost time injury in December 2012.

During the year we updated our HSE Management System and made further good progress in implementing our Asset Integrity Management System at Cliff Head and Zhao Dong. ROC also reviewed and updated its incident management plans for all its operations.

Senior Management Appointments

Dr Pierre Eliet joined ROC in September 2012 as General Manager – Exploration, Geoscience & Business Development and will be based in Kuala Lumpur, Malaysia.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$35.7 million in production costs (2011: US$46.9 million), US$65.3 million (2011: US$30.8 million) in development expenditure and $15.4 million incurred on BMG NPP during 2012. Development costs primarily related to the development of Beibu and the ongoing development drilling at the Zhao Dong Fields.

Zhao Dong Oil Fields, Bohai Bay, Offshore China

ROC's working interest in oil production from the C and D Fields (24.5% and operator), the C4 unitised field (11.575% and operator) and Zhanghai Block (39.2% and operator) averaged 4,352 BOPD, down 6% compared to the previous year as a result of natural field decline and planned shutdown activity.

Development expenditure of US$26.7 million (2011: US$27.4 million) was incurred. A total of 14 producer wells and three injector wells were drilled during 2012.

Successful development drilling has resulted in 1.3 MMBBL additional 2P reserves being added to the Zhao Dong Field.

During the period, a second appraisal well (H-2) in the Zhanghai Block was drilled to the expected total depth and a liner run to secure the well before suspending operations because of severe weather conditions. The well came in below pre-drill expectation and as a result US$10.3 million of the costs incurred to 31 December 2012 were expensed. Further testing will occur in 1Q2013.

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

ROC's working interest in oil production from the Cliff Head field averaged 1,306 BOPD, up 15% compared to the previous year as a contamination incident in 2011 interrupted production in the previous year.

Blane Oil Field, North Sea (12.5%)

ROC's working interest in oil production from the Blane field averaged 668 BOEPD, down 47% compared to the previous year.

The decrease in production was attributable to several planned and unplanned shutdowns during the year. The shutdowns included a planned maintenance shutdown in March, and a major upgrade to the Ula host platform safety systems with gas lift unavailable during this period. Further to this, production from the Blane Field was shut in from early September to late November due to a safety incident on the host Ula platform which was unrelated to the Blane Field. The field is now fully operational.

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

ROC's working interest in gross production averaged 25 BOEPD, down 91% compared to the previous year primarily due to the Enoch Field being shut in for the majority of the year (since late January) due to mechanical and subsea issues, and the field is expected to remain shut in for the remainder of 2013.

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

The Beibu Gulf development project continued on schedule and within budget as activities ramped up during the year. Final government approval was granted by the National Development and Reform Commission ('NDRC') in 3Q2012 and the facilities were nearing completion at year end. This included installation of the pipeline, fabrication and installation of two well head platforms and the installation of the PUQB. Final hook-up and commissioning work commenced in December. The development drilling programme is underway and first oil targeted during 1Q 2013. The project expects plateau production later in 2013.

The successful completion of the exploration/appraisal campaign in the Beibu Gulf (offshore China) resulted in three discoveries and delivered incremental reserves to ROC of 0.7 MMBBLS.

BMG Oil and Gas Fields, VIC/L26, VIC/L27 and VIC/L28, Offshore Victoria (37.5% and Operator)

BMG completed Non-Production Phase ('NPP') activities during the year, including the offshore deconstruct engineering and well intervention, the removal of the Crystal Ocean's detachable turret mooring from the field and the trenching of a subsea flowline in the field. These activities were successfully undertaken without experiencing a Lost Time Injury or significant loss of containment incident. The evaluation of options for a separate Phase-2 gas development continues.

ROC expects to hold a 37.5% interest in BMG, following the withdrawal of CIECO Exploration and Production (Australia) Pty Ltd from the BMG Joint Venture in December 2012, subject to regulatory approval. ROC's share of cash paid for NPP activities during year was US$12.1 million.

Discussion and Analysis of Financial Statements

continued

OPERATIONAL OVERVIEW (continued)

Exploration and Appraisal

The Group incurred US$29.0 million (2011: US$15.9 million) in exploration and evaluation expenditure during 2012.

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

The Balai Cluster comprises a cluster of four marginal fields: Balai, Bentara, Spaoh and West Acis, which are located offshore Sarawak in water depths of approximately 60 metres. An incorporated joint venture company, BC Petroleum Sdn Bhd ('BCP') was incorporated to manage the Risk Service Contract ('RSC'). The shareholders in BCP are ROC 48%, DIALOG Group 32% and PETRONAS Carigali 20%. ROC accounts for its investment in BCP under the equity method of accounting.

The pre-development activities in 2012 included the conversion of the Early Production Vessel, onshore fabrication and offshore installation of four well head platforms, and the commencement of appraisal drilling activities in September, with the presence of hydrocarbons confirmed at both the Bentara-2 and Balai-2 wells. In May, BCP also secured project financing (debt facility for US$162 million) for the pre-development phase of the RSC.

On successful completion of the pre-development phase and agreement on the economic viability of the fields, BCP will submit a field development plan and progress to development of the fields or will be compensated with reimbursement of agreed costs.

During 2012, ROC directly contributed funds of US$17.4 million to BCP for pre-development phase activities relating to the Balai Cluster RSC.

Block H, Offshore Equatorial Guinea (20%)

Following ROC's farm-out agreement in 2011, ROC has a free carry through one exploration well. The joint venture partners have received an extension to the permit to February 2014. A detailed technical review is being carried out to develop further prospects in Block H with the drilling of an exploration well not expected to start prior to 4Q2013. An option is also in place for White Rose Energy Ventures (Equatorial Guinea) Limited to acquire ROC's remaining 20% interest in Block H for US$16.1 million prior to the spud of any exploration well.

Block 09/05, Bohai Bay (100% and Operator)

Consistent with ROC's growth strategy to boost long term reserves, ROC was awarded a prospective 335 km^2 exploration Block 09/05 with CNOOC for a 100% operated interest in Bohai Bay in May. The block is close to the existing ROC operated Zhao Dong infrastructure.

ROC views the Block as having good potential. Geotechnical work is in progress with planned 3D seismic testing and two exploration wells targeted over the next three years. A farm-out process continues.

Divestments and Withdrawals

During 2012, ROC divested or withdrew from the following assets:

Offshore Mauritania

ROC had interests of between 2.00% and 5.49% in offshore Mauritanian blocks, including a 3.25% interest in the producing Chinguetti Oil Field. The effective date of the sale was 1 January 2011. The transaction was completed during 2012 after all necessary approvals were obtained. ROC received total net cash proceeds of $1.8 million and booked an after-tax net profit of $10.3 million.

Juan de Nova Maritime Profond Block, Offshore French Territory, Mozambique Channel

ROC has agreed to sell its 75% interest in the Juan de Nova Maritime Profond Block, located in the French Exclusive Economic zone off the coast of Juan de Nova Island (Mozambique Channel), to South Atlantic Petroleum JDN SAS, a wholly-owned subsidiary of South Atlantic Petroleum Limited, for US$8.0 million subject to working capital adjustments. The effective date of the sale is 1 July 2011. The agreement is subject to necessary government approvals. At 31 December 2012, these approvals were still outstanding and completion of the sale is anticipated to take place during 1Q2013.

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

ROC issued a withdrawal notice and resigned as operator effective 18 May 2012. Formal government approval was granted on 15 June 2012.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Sales revenue	*4*	**242,067**	**285,831**
Operating costs	*5*	(135,917)	(177,864)
Trading profit		**106,150**	**107,967**
Other income	*6*	3,967	193
Gain on sale of exploration and development assets		10,315	40
Net derivative losses		(878)	(13,140)
Exploration expensed	*7*	(18,081)	(13,548)
Reversal of prior period impairment of oil and gas assets	*16*	-	18,633
Provision for restoration		(3,379)	-
Foreign currency translation reserve gain on liquidation of subsidiary		4,649	-
Impairment of exploration asset		-	(484)
Other costs	*8*	(13,413)	(12,987)
Finance costs	*9*	(6,595)	(6,003)
Profit before income tax		**82,735**	**80,671**
Income tax expense	*10*	(21,781)	(52,924)
Net profit		**60,954**	**27,747**
Other comprehensive income			
Foreign currency translation reserve gain on liquidation of subsidiary		(4,649)	-
Cash flow hedges transferred to trading profit		-	946
Other comprehensive (loss)/income net of tax		**(4,649)**	**946**
Total comprehensive profit attributable to members		**56,305**	**28,693**
Basic earnings per share – cents	*25*	8.9	3.9
Diluted earnings per share – cents	*25*	8.8	3.9

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
Current assets			
Cash assets	*11*	56,783	39,624
Trade and other receivables	*12*	25,474	67,335
Inventories	*15*	658	2,305
Derivatives	*14*	-	1,318
Total current assets		**82,915**	**110,582**
Non-current assets			
Oil and gas assets	*16*	237,292	218,342
Exploration and evaluation expenditure	*17*	1,094	1,169
Property, plant and equipment	*18*	1,080	1,678
Deferred tax assets	*10*	13,021	5,115
Investments in associate companies	*30*	33,422	15,999
Total non-current assets		**285,909**	**242,303**
Total assets		**368,824**	**352,885**
Current liabilities			
Trade and other payables	*21*	36,088	48,136
Current tax liabilities	*10*	9,944	21,195
Provisions	*22*	10,868	13,091
Total current liabilities		**56,900**	**82,422**
Non-current liabilities			
Bank loan	*19*	-	13,082
Deferred tax liabilities	*10*	26,406	31,777
Provisions	*22*	66,869	63,995
Total non-current liabilities		**93,275**	**108,854**
Total liabilities		**150,175**	**191,276**
Net assets		**218,649**	**161,609**
Equity			
Share capital	*23*	734,150	734,150
Accumulated losses		(534,022)	(594,976)
Other reserves		18,521	22,435
Total equity		**218,649**	**161,609**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	Inflow/(Outflow) 2012 US$'000	Inflow/(Outflow) 2011 US$'000
Cash flows from operating activities			
Cash generated from operations	*11*	190,336	176,166
Derivatives paid		(676)	(42,792)
Payments for exploration and evaluation expenses		(5,449)	(11,249)
Interest received		3,965	151
Finance costs paid		(2,866)	(3,473)
Payments for non-production phase for BMG		(12,099)	(21,451)
Income taxes and PRRT paid		(46,950)	(53,958)
Net cash generated from operating activities		**126,261**	**43,394**
Cash flows from investing activities			
Payments for plant and equipment		(104)	(498)
Payments for development expenditure		(59,401)	(35,379)
Payments for exploration and evaluation expenditure initially capitalised		(19,404)	(5,711)
Proceeds from sale of exploration and development assets		1,779	20,518
Adjustment/(payment) for acquisition of additional 5% interest in Cliff Head		551	(2,664)
Investment in associate	*30*	(17,423)	(15,999)
Net cash used in investing activities		**(94,002)**	**(39,733)**
Cash flows from financing activities			
Share buy-back payments	*23*	-	(10,051)
Bank loan repayments		(15,000)	(50,000)
Bank loan advances		-	15,000
Net cash used in financing activities		**(15,000)**	**(45,051)**
Net increase/(decrease) in cash held		**17,259**	**(41,390)**
Cash at beginning of financial year		39,624	80,960
Effect of exchange rate changes on the balance of cash held in foreign currencies		(100)	54
Cash at end of financial year	*11*	**56,783**	**39,624**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Foreign Currency Translation Reserve US$'000	Hedge Reserve US$'000	Total US$'000
Balance at 1 January 2011	**744,201**	**(622,723)**	**10,760**	**10,710**	**(946)**	**142,002**
Cancellation of shares	(10,051)	-	-	-	-	(10,051)
Total comprehensive profit net of tax	-	27,747	-	-	946	28,693
Transactions with owners: share-based payments	-	-	965	-	-	965
Balance at 31 December 2011	**734,150**	**(594,976)**	**11,725**	**10,710**	**-**	**161,609**
Total comprehensive profit net of tax	-	60,954	-	(4,649)	-	56,305
Transactions with owners: share-based payments	-	-	735	-	-	735
Balance at 31 December 2012	**734,150**	**(534,022)**	**12,460**	**6,061**	**-**	**218,649**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

The financial statements were authorised for issue on 27 February 2013 by the Board.

(b) Statement of compliance

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

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 ended 31 December 2012 and are not expected to have a material impact.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits and losses arising within the Group are eliminated in full.

(d) Oil and gas assets

Development expenditure is stated at cost less accumulated depletion and any impairment in value. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field, on a unit-of-production basis. Costs are amortised only once production begins.

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

(e) Exploration and evaluation expenditure

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

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

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

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

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

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(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 in the current and prior year:

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

Leases of plant and equipment, under which the Group assumes substantially all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised and depreciated over their estimated useful lives to the Group.

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

(g) Oil and gas stock and materials inventories

Oil and gas stock is valued at the lower of cost and net realisable value. Cost comprises a relevant proportion of all fixed and variable production, overhead, decommissioning and amortisation costs. Net realisable value is determined on the basis of selling prices less expenses to be incurred in transport, pipeline tariffs, handling and royalties, to the point in time where the product passes to the purchaser.

Stocks of materials and spare parts are carried at the lower of cost and net realisable value, with cost primarily determined by the first-in-first-out method utilising an average cost basis.

(h) Under/overlift

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

(i) Available-for-sale securities

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

(j) Investments

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

(k) Provision for restoration

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

(m) Investments in associate companies

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

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

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

(n) Trade receivables

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

(o) Impairment

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

Calculation of recoverable amount

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

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

(p) Provisions

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

(q) Revenue

Sales

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

Sales revenue represents amounts invoiced, excluding GST or value added taxes, in respect of sales to purchasers.

Sales revenue is stated net of the impact of oil and gas price hedge contracts entered into by the Group to reduce future oil and gas price exposure.

Interest

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

Dividends

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

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(r) Finance costs

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

(s) Share-based payment transactions

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

(t) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Tax consolidation

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

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

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

Petroleum Resource Rent Tax

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

(u) Goods and services tax

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

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

(v) Derivative financial instruments

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

Cash flow hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(v) Derivative financial instruments (continued)

Embedded derivatives

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

(w) Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

Group companies

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

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

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

(x) Employee benefits

Liability to employees for annual leave and long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably. All employment related on-costs (including payroll tax and superannuation contributions) are included in the calculation of the required provision. Provisions for annual leave in respect of services provided by employees up to the reporting date expected to be settled within 12 months, are measured using remuneration levels expected to apply at the time of settlement.

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

(y) Interest in joint venture operations

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

(z) Goodwill

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

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

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

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

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

Note 2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

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

(a) Significant accounting judgements

Exploration and evaluation

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

(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.

Notes to the Consolidated Financial Statements

continued

Note 2. Significant Accounting Judgements, Estimates and Assumptions (continued)

(b) Significant accounting estimates and assumptions (continued)

Restoration obligations

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

Reserve estimates

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

Note 3. Financial Risk Management Objectives and Policies

Overview

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

Liquidity risk

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

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

For the financial year ended 31 December 2012

Consolidated (US$'000)	6 months or less	6 months - 1 year	1 - 4 year(s)	Total
Trade and other payables	36,088	-	-	36,088
	36,088	**-**	**-**	**36,088**

For the financial year ended 31 December 2011

Consolidated (US$'000)	6 months or less	6 months - 1 year	1 - 4 year(s)	Total
Trade and other payables	48,136	-	-	48,136
Bank loan	282	282	16,410	16,974
	48,418	**282**	**16,410**	**65,110**

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.

Notes to the Consolidated Financial Statements

continued

Note 3. Financial Risk Management Objectives and Policies (continued)

Market risk

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

The fair value hierarchy for the financial assets and liabilities accounted for as at 31 December 2012 consisted of the oil price derivatives as disclosed in Note 14 which have been classified as Level 2. There were no Level 1 or Level 3 financial assets or liabilities as at 31 December 2012, and there were no movements between any of the levels during the period.

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

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

Foreign currency risk

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

The majority of the Group's cash flows are denominated in USD; however, the Group is exposed to certain non-USD cash balances. As at 31 December 2012, the non-USD cash balances amounted to US$26.6 million. The impact on the profit for the year assuming a +10% or -10% change in the foreign exchange rate would be US$2.7 million (2011: US$0.8 million).

Interest rate risk

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

A change of 100 basis points per annum in interest rates at the reporting date would have increased or decreased profit for the year by US$0.1 million (2011: US$0.3 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 enters into certain derivative instruments, in relation to the commodity price of a proportion of its forecast production from time to time in accordance with the Board approved hedging policy.

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

At 31 December 2012, the Group had no derivatives (2011: US$1.3 million asset).

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 profit and equity would have been affected as follows:

		Post-Tax Profit Higher/Lower		Equity Higher/Lower	
		2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Judgement of reasonably possible movements					
Consolidated					
Crude oil price	+US$10/BBL	-	(1,492)	-	-
Crude oil price	-US$10/BBL	-	1,492	-	-

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.

	2012 US$'000	2011 US$'000
Note 4. Sales Revenue		
Oil	240,786	286,757
NGL	1,281	20
Hedging loss	-	(946)
	242,067	**285,831**

Notes to the Consolidated Financial Statements

continued

	2012 US$'000	2011 US$'000
Note 5. Operating Costs		
Production costs	35,710	46,885
Amortisation	70,871	84,500
Movement in stock and overlift	(2,536)	3,341
Royalty and other levies	31,872	43,138
	135,917	**177,864**

Note 6. Other Income

Interest income external	3,967	193
	3,967	**193**

Note 7. Exploration Expensed

Africa	(298)	5,052
China	12,105	-
Other	6,274	8,496
	18,081	**13,548**

Note 8. Other Costs

Operating lease expenses	950	681
Depreciation	810	795
General and administration costs	10,310	9,965
Share-based payments	735	965
Net foreign currency loss	608	581
	13,413	**12,987**

Note 9. Finance Costs

Interest expensed on bank loans	607	510
Unwinding of discount – restoration provision	3,684	3,632
Other finance costs	2,304	1,861
	6,595	**6,003**

Note 10. Income Tax

(a) Composition of income tax

	2012 US$'000	2011 US$'000
Income tax charge – current period	(33,457)	(54,334)
Income tax credit/(charge) – prior period	15,688	(346)
PRRT – current period	(17,289)	(5,974)
Deferred income tax – current period	11,259	13,395
Deferred income tax – change in tax rate	-	(5,401)
Deferred income tax – PRRT	2,018	(264)
Income tax expense	**(21,781)**	**(52,924)**

The prior period adjustment relates mainly to Research & Development and timing differences.

(b) Recognised tax liabilities and assets

	2012 Current Tax Liabilities US$'000	2012 Deferred Income Tax Liabilities US$'000	2011 Current Tax Liabilities US$'000	2011 Deferred Income Tax Liabilities US$'000
Opening balance	(21,195)	(26,662)	(14,786)	(34,392)
(Charged)/credited to income	(35,059)	13,277	(60,654)	7,730
Cash payments	46,950	-	53,958	-
Asset sold	(403)	-	-	-
Translation loss	(237)	-	287	-
	(9,944)	**(13,385)**	**(21,195)**	**(26,662)**

Deferred income tax at 31 December relates to the following:

	2012 US$'000	2011 US$'000
(i) Deferred tax assets		
Asset timing differences	8,980	2,550
Provisions	4,041	2,565
Net deferred tax assets	**13,021**	**5,115**
(ii) Deferred tax liabilities		
Asset timing differences	(20,261)	(22,862)
Provisions	3,726	2,975
PRRT	(9,871)	(11,890)
Net deferred tax liabilities	**(26,406)**	**(31,777)**
Total net deferred tax liabilities	**(13,385)**	**(26,662)**

Notes to the Consolidated Financial Statements

continued

Note 10. Income Tax (continued)

	2012 US$'000	2011 US$'000
(c) Tax losses		
Tax losses not recognised - revenue	68,944	84,999

(d) Income tax reconciliation

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

	2012 US$'000	2011 US$'000
Profit before income tax	**82,735**	**80,671**
Prima facie income tax expense calculated as 30% of profit before income tax	(24,821)	(24,201)
Tax effect of adjustments		
Non-deductible expenses	(1,497)	(4,231)
Non-assessable income	4,489	-
Overseas tax rate differential	(1,198)	(10,713)
Prior year over/(under) provision	15,688	(346)
Tax losses not brought into account	(2,257)	(8,566)
PRRT	(15,270)	(6,238)
Other	3,085	1,371
Income tax expense	**(21,781)**	**(52,924)**

(e) Tax consolidation

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

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

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

	2012 US$'000	2011 US$'000
Note 11. Cash Assets		
Cash and cash equivalents	56,783	39,624
	56,783	**39,624**

	2012 US$'000	2011 US$'000
Reconciliation of net profit before tax to cash generated from operations		
Net profit before tax	82,735	80,671
Add/(less) non-cash items		
Amortisation	70,871	84,500
Reversal of prior period impairment of oil and gas assets	-	(18,633)
Provision for restoration costs	3,379	-
Depreciation	810	795
Other provisioning	146	445
Net foreign currency loss	608	581
Gain on sale of oil and gas exploration and development assets	(10,315)	(40)
Foreign currency translation reserve gain on liquidation of subsidiary	(4,649)	-
Share-based payments	735	965
Add/(less) non-operating items		
Net derivative losses	878	14,086
Interest income	(3,967)	(193)
Finance costs	6,595	6,003
Exploration expensed	18,081	13,548
Impairment of exploration asset	-	484
Changes in net assets and liabilities		
Decrease/(increase) in current trade and other receivables	43,204	(35,517)
Decrease in inventories	1,647	1,249
(Decrease)/increase in trade and other payables	(20,422)	27,222
Cash generated from operations	**190,336**	**176,166**

Note 12. Trade and Other Receivables

Trade receivables	16,991	51,561
Other receivables	8,483	15,774
	25,474	**67,335**

Notes to the Consolidated Financial Statements

continued

	2012 US$'000	2011 US$'000
Note 13. Information Relating to Roc Oil Company Limited ('parent entity')		
Current assets	185,538	10,063
Total assets	224,048	107,134
Current liabilities	3,324	3,424
Total liabilities	4,552	4,536
Net assets	**219,496**	**102,598**
Share capital	734,150	734,150
Accumulated losses	(596,697)	(712,860)
Share equity reserve	12,459	11,724
Foreign currency translation reserve	69,584	69,584
Total equity	**219,496**	**102,598**
Net profit of the parent entity	116,163	23,026
Total comprehensive profit of the parent entity	116,163	23,026

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

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries in relation to finance obligations under the loan facility referred to in Note 19. The Company has provided a parent company guarantee to Petroliam Nasional Berhad (PETRONAS) guaranteeing the performance of the obligation of its 48% interest in Balai Cluster Risk Service Contract.

Note 14. Derivatives

	2012 US$'000	2011 US$'000
At fair value:		
Oil price swaps	-	1,318
	-	**1,318**

Note 15. Inventories

	2012 US$'000	2011 US$'000
Oil and gas stock	658	2,305
	658	**2,305**

Note 16. Oil and Gas Assets

	Producing Assets US$'000	Assets under Development US$'000	Total US$'000
Costs			
Balance at 1 January 2011	953,246	16,375	969,621
Development expenditure incurred	27,260	3,496	30,756
Increase in restoration asset	3,777	-	3,777
Acquisition cost	2,112	-	2,112
Costs at 31 December 2011	**986,395**	**19,871**	**1,006,266**
Development expenditure incurred	26,667	38,609	65,276
Increase in restoration asset	8,542	6,056	14,598
Transfer from exploration and evaluation expenditure	-	10,973	10,973
Asset disposal	(46,575)	-	(46,575)
Costs at 31 December 2012	**975,029**	**75,509**	**1,050,538**
Accumulated amortisation			
Balance at 1 January 2011	(722,057)	-	(722,057)
Charge for the year	(84,500)	-	(84,500)
Reversal of prior period impairment of oil and gas assets (see note (a) below)	18,633	-	18,633
Accumulated amortisation at 31 December 2011	**(787,924)**	**-**	**(787,924)**
Charge for the year	(70,871)	-	(70,871)
Asset disposal	45,549	-	45,549
Accumulated amortisation at 31 December 2012	**(813,246)**	**-**	**(813,246)**
Net book value at 31 December 2012	**161,783**	**75,509**	**237,292**
Net book value at 31 December 2011	198,471	19,871	218,342

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$90/BBL (2011: US$85/BBL) thereafter; and
- discount rates: the post-tax discount rate of 10% per annum.

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

(a) In 2011 the reversal of prior period impairment was attributable to a reversal of a prior year impairment of US$18.6 million (US$14.0 million post tax) for the Zhao Dong Oil Field as a result of the discounted cash flow, using a pre-tax discount rate of 14% per annum, improving due to higher oil prices and a favourable change in the Chinese special oil income levy compared to year end 2010.

Notes to the Consolidated Financial Statements

continued

	2012 US$'000	2011 US$'000
Note 17. Exploration and Evaluation Expenditure		
Opening balance	1,169	4,867
Expenditure incurred	28,979	15,917
Expenditure transferred to assets under development	(10,973)	-
Amounts expensed	(18,081)	(13,548)
Assets sold	-	(5,583)
Impairment of exploration asset	-	(484)
	1,094	**1,169**

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

Note 18. Property, Plant and Equipment

	2012 US$'000	2011 US$'000
Costs		
Opening balance	7,759	7,261
Expenditure incurred	212	498
Costs at 31 December	**7,971**	**7,759**
Accumulated depreciation		
Opening balance	(6,081)	(5,286)
Charge	(810)	(795)
Accumulated depreciation at 31 December	**(6,891)**	**(6,081)**
Net book value	**1,080**	**1,678**

	2012 US$'000	2011 US$'000
Note 19. Bank Loans		
(a) Secured bank loan - maturing June 2015	–	13,082
Total	**–**	**13,082**

(b) Terms and conditions

Secured bank loan

The amortising facility, maturing in June 2015, has been provided by Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation.

The annual interest rate is USD LIBOR plus a fixed margin. The effective interest rate is 3.74% per annum.

(c) Financing facilities available

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

Total loan facilities:	91,000	110,000
Facilities used at reporting date:	-	15,000
Facilities unused at reporting date:	91,000	95,000

(d) Assets mortgaged as security

Secured bank loan

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries (which have also given guarantees) and related hedging agreements in relation to the loan facility from Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation. Roc Oil (Finance) Pty Limited has granted a first registered fixed and floating charge over all its assets and undertakings and the Company has granted a first registered featherweight floating charge over all its assets and undertakings in favour of CBA Corporate Services (NSW) Pty Limited as security trustee. In addition, the shares of the following ROC subsidiaries have been mortgaged to CBA Corporate Services (NSW) Pty Limited: Roc Oil (WA) Pty Limited, Roc Oil (Bohai) Company, Roc Oil (China) Company and Roc Oil (GB) Limited. Roc Oil (GB) Limited has also granted a charge over its proceeds account to CBA Corporate Services (NSW) Pty Limited as security trustee. The net book value of Roc Oil (Finance) Pty Limited and the entities in which shares have been mortgaged is US$198.5 million.

(e) Foreign exchange, interest rate and liquidity risks

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

(f) Fair value

The fair value of the Group borrowings was US$Nil (2011: US$15,000,000).

Notes to the Consolidated Financial Statements

continued

Note 20. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2012 %	Ownership and Voting Interest 2011 %
Parent entity			
Roc Oil Company Limited	Australia		
Controlled entities			
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (Madagascar) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Elixir Corporation Pty Ltd	Australia	–(1)	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Anzon Energy Pty Limited	Australia	100	100
Roc Oil (VIC) Pty Limited	Australia	100	100
Roc Oil (Exploration No. 1) Pty Limited	Australia	100	100
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Taranaki) Pty Limited	Australia	100	100
Roc Oil (Tasman) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	100
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	100
Anzon Energy Mauritius	Mauritius	100	100
Anzon Investments Limited	Mauritius	100	100
Anzon Africa Limited	Mauritius	100	100
PT Anzon Energy Indonesia	Indonesia	100	100
Roc Oil (New Zealand) Limited	New Zealand	–(1)	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	–(1)	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	–(1)	100
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (GB Holdings) Limited	United Kingdom	100	100
Roc Oil (GB) Limited	United Kingdom	100	100
Roc Oil (North Sea) Limited	United Kingdom	100	100
Roc Oil (Chinguetti) B.V.	Netherlands	100	100

(1) Liquidated during the period.

Note 21. Current Trade and Other Payables

	2012 US$'000	2011 US$'000
Trade and other payables	21,369	30,847
Accrued liabilities	13,126	12,072
Stock overlift	1,593	5,217
	36,088	**48,136**

Note 22. Provisions

	Employee Benefits US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2012	2,661	74,425	77,086
Additions	1,772	22,351	24,123
Disposals	-	(10,173)	(10,173)
Unwinding of discount	-	3,684	3,684
Utilised	(1,626)	(15,410)	(17,036)
Translation adjustments	53	-	53
Balance at 31 December 2012	**2,860**	**74,877**	**77,737**
Current – 2012	1,632	9,236	10,868
Non-current – 2012	1,228	65,641	66,869
Total 2012	**2,860**	**74,877**	**77,737**
Current – 2011	1,548	11,543	13,091
Non-current – 2011	1,113	62,882	63,995
Total 2011	**2,661**	**74,425**	**77,086**

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

The restoration provisions relate to the estimated costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the asset. The additions during the year relates to re-determination of the abandonment provision for Cliff Head, Zhao Dong and Beibu. The utilised amount of US$15.4 million relates to cost incurred to suspend the BMG project. The legislation in China also requires the provision for abandonment to be paid over the remaining life of the field; accordingly, US$6.3 million abandonment provision for Zhao Dong and Beibu is shown in current.

Notes to the Consolidated Financial Statements

continued

	2012 Number of Shares	2011 Number of Shares	2012 US$'000	2011 US$'000
Note 23. Share Capital				
Balance at beginning of financial year	682,506,352	713,154,560	734,150	744,201
Issue of shares pursuant to the exercise of rights under the Long Term Incentive Plan	729,200	100,000	-	-
Cancellation of shares pursuant to the Company's on-market share buy-back	-	(30,748,208)	-	(10,051)
Balance at end of financial year	**683,235,552**	**682,506,352**	**734,150**	**734,150**

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

Note 24. Employee Benefits

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

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

Features of the LTI include:

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

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

Grant Date	Vesting Date	Opening Balance 1 Jan 2012	Granted	Exercised	Lapsed/ Cancelled	Closing Balance 31 Dec 2012	ROC Share Price at Date of Issue A$
29 March 2010	29 March 2012	1,895,000	-	(729,200)	(1,165,800)	-	0.36
12 November 2010	12 November 2013	4,980,000	-	-	(801,000)	4,179,000	0.43
7 March 2011	7 March 2014	1,500,000	-	-	-	1,500,000	0.39
16 December 2011	16 December 2014	5,475,000	-	-	(935,000)	4,540,000	0.27
29 February 2012	1 March 2015	-	500,000	-	-	500,000	0.41
13 September 2012	13 September 2015	-	500,000	-	-	500,000	0.38
		13,850,000	**1,000,000**	**(729,200)**	**(2,901,800)**	**11,219,000**	

The fair value of the rights has been calculated at the grant date and allocated to each reporting period from grant date to vesting date. The rights outstanding at 31 December 2012 have a fair value in the range of A$0.20 to A$0.33 each, and a weighted average remaining contractual life of 1.5 years.

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

	13 September 2012	29 February 2012
Share price	A$0.38	A$0.41
Share price volatility	65%	65%
Risk free rate per annum	2.7%	3.6%
Dividend yield per annum	0%	0%
Share price correlation between companies	35%	30%

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

Notes to the Consolidated Financial Statements

continued

Note 24. Employee Benefits (continued)

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

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

Employee Share Option Plan

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

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

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

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

	2012		2011	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of financial year	2,670,000	0.79	3,611,500	1.29
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(792,000)	0.66	(135,000)	0.56
Lapsed	-	-	(806,500)	3.05
Balance at end of financial year	**1,878,000**	**0.85**	**2,670,000**	**0.79**
Exercisable	**1,878,000**	**0.85**	**2,670,000**	**0.79**

The range of exercise prices at the end of the financial year is between A$0.54 and A$2.51 per share, with a weighted average remaining contractual life of 0.9 years.

Executive Share Option Plan

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

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

	2012		2011	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of financial year	4,126,000	2.99	5,671,500	2.96
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(590,000)	3.05	(955,000)	3.50
Lapsed	(2,036,000)	3.43	(590,500)	1.86
Balance at end of financial year	**1,500,000**	**2.36**	**4,126,000**	**2.99**
Exercisable	**1,500,000**	**2.36**	**1,183,000**	**2.74**

The range of exercise prices at the end of the financial year is between A$0.65 and A$4.13 per share, with a weighted average remaining contractual life of 1.2 years.

(c) Superannuation plans

The Company makes contributions to complying accumulation type superannuation plans nominated by individual employees. The contribution made by the Company contributes at least the amount required under the Superannuation Guarantee Law. The amount recognised as an expense was US$783,474 for the financial year ended 31 December 2012 (2011: US$666,410).

(d) Employee benefits expensed

	2012 US$'000	**2011 US$'000**
Salaries and wages	13,392	14,752
Share-based payments	735	965
Other associated personnel costs	2,442	2,660
	16,569	**18,377**

Salaries and wages and other associated personnel costs are allocated to various Consolidated Statement of Comprehensive Income categories based on the nature of the expenditure.

Notes to the Consolidated Financial Statements

continued

Note 25. Earnings per Share

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

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

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

	2012 Number of Shares	2011 Number of Shares
Weighted average number of ordinary shares for basic earnings per share	682,992,485	705,265,487
Effect of dilution:		
Rights	12,788,981	8,656,904
Adjusted weighted average number of ordinary shares for diluted earnings per share	695,781,466	713,922,391
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share	1,550,778	300,137
Weighted average number of shares that were not included in the calculation of earnings per share as they are anti-dilutive	-	-

Note 26. Segment Information

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

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

For the financial year ended 31 December 2012:

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Beibu China	Other	Total
Sales revenue	-	54,011	23,630	2,494	4,538	157,376	-	18	242,067
Production costs	-	12,557	3,900	2,633	1,744	14,860	-	16	35,710
Amortisation	-	8,068	5,137	243	432	56,988	-	3	70,871
Segment results[(1)]	-	33,323	15,016	(1,488)	1,814	57,483	-	2	106,150
Exploration and Development expenditure incurred	-	-	-	-	-	36,919	51,359	5,977	94,255
Segment assets	1,058	44,018	25,264	7,915	-	110,739	79,792	1,133	269,919
Current restoration provision	2,887	-	-	-	-	5,372	977	-	9,236
Non-current restoration provision	27,728	14,588	4,875	2,577	-	10,794	5,079	-	65,641

For the financial year ended 31 December 2011:

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Beibu China	Other	Total
Sales revenue	297	43,831	57,224	11,006	6,018	168,375	-	(920)	285,831
Production costs	-	20,796	4,389	989	2,796	17,886	-	29	46,885
Amortisation	-	6,860	9,625	1,958	1,093	64,962	-	2	84,500
Segment results(1)	41	16,430	31,798	8,507	2,839	49,304	-	(952)	107,967
Reversal of prior period impairment of oil and gas assets	-	-	-	-	-	(18,633)	-	484	(18,149)
Exploration and Development expenditure incurred	-	-	(201)	-	22	27,439	3,999	15,414	46,673
Segment assets	975	52,718	41,412	9,146	2,597	155,087	25,084	1,411	288,430
Current restoration provision	9,928	-	-	-	-	1,615	-	-	11,543
Non-current restoration provision	26,653	11,759	3,732	2,218	9,876	8,644	-	-	62,882

Note:

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

In assessing the segment performance on a monthly basis, the Executive Committee analyses the segment results 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 attributable to the performance of the segment. These assets include cash, trade receivables, inventories and oil and gas assets.

In this period Beibu China has been separately identified as a segment as the field is nearing production.

During the financial year ended 31 December 2012, all oil and gas sales have been made to various international oil companies. For each segment, with the exception of Chinguetti, sales have been made to individual customers.

Reconciliation of segment assets to total assets:

	2012 US$'000	2011 US$'000
Segment assets	269,919	288,430
Cash assets	45,539	36,122
Receivables	18,864	10,656
Property, plant and equipment	1,080	1,678
Investments in associate companies	33,422	15,999
Total assets per the Consolidated Statement of Financial Position	**368,824**	**352,885**

Notes to the Consolidated Financial Statements

continued

Note 27. Related Party Disclosures

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

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

- Note 20 as to investments in controlled entities;
- Note 30 as to investments in associate companies; and
- Note 32 as to disclosures relating to key management personnel.

Note 28. Commitments for Expenditure

	2012 US$'000	2011 US$'000
(a) Capital commitments		
Not longer than one year		
Joint ventures	28,824	23,479
Longer than one year but not longer than five years		
Joint ventures	11,000	-
	39,824	**23,479**
(b) Operating lease expenditure commitments		
Not longer than one year	4,781	3,285
Longer than one year but not longer than five years	5,178	4,842
Longer than five years	93	1,177
	10,052	**9,304**

Note 29. Joint Ventures

The Group has an interest (rounded to two decimal places) in the following joint ventures as at 31 December 2012:

Country	Block	Principal Activities	Interest 2012 %	Interest 2011 %
Australia	WA-31-L (Cliff Head)	Oil production	42.50	42.50
	L14 (Jingemia)	Oil production	0.25	0.25
	VIC/L26, VIC/L27, VIC/L28 (BMG)	Oil production	37.5(1)	30.00
New Zealand	PEP52181	Oil and gas exploration	-(2)	50.00
Equatorial Guinea	Block H	Oil and gas exploration	20.00	20.00
Mauritania	Area A	Oil and gas exploration	-(3)	4.16
	Area B (Chinguetti)	Oil and gas exploration/ production	-(3)	3.69/3.25(4)
	Area C Block 2	Oil and gas exploration	-(3)	5.49
	Area C Block 6	Oil and gas exploration	-(3)	5.00
	Block 1	Oil and gas exploration	-(3)	2.00
	Block 7	Oil and gas exploration	-(3)	4.95
Mozambique Channel	Juan de Nova Maritime Profond (France)	Oil and gas exploration	75.00(5)	75.00(5)
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas development	40.00/19.60(6)	40.00/19.60(6)
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.58(7)	24.50/11.58(7)
	Chenghai and Zhanghai Blocks	Oil appraisal/development/ production	80.00/39.20(8)	80.00/39.20(8)
	Bohai 09/05	Oil and gas exploration	100.00	-
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50(9)	15.24/12.50(9)
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00(9)	15.00/12.00(9)

Note:

(1) The withdrawal of CIECO Exploration and Production (Australia) Pty Ltd from the BMG Joint Venture, effective 31 December 2012, is being finalised amongst the joint venture parties and will result in a pro rata distribution amongst the remaining BMG Joint Venture parties. Subject to regulatory approval, ROC will hold 37.5% interest in the BMG Joint Venture.

(2) ROC withdrew effective 18 May 2012.

(3) ROC sold its interests in Offshore Mauritania effective 26 July 2012 except for Area C Block 6 which was effective 30 December 2012.

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

(5) Sale to South Atlantic Petroleum JDN SAS has occurred with the signed sale and purchase agreement subject to final government approval.

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

(7) Unitised interest in the C4 Field.

(8) Interest in development/production following government back-in.

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

Notes to the Consolidated Financial Statements

continued

Note 29. Joint Ventures (continued)

The Group's share of net working interest production from the above joint ventures during the financial year was 2.4 MMBOE (2011: 2.7 MMBOE).

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:

	2012 US$'000	2011 US$'000
Current assets	10,014	9,497
Non-current assets	238,386	219,512
Total assets	**248,400**	**229,009**
Current liabilities	10,116	20,512
Non-current liabilities	65,641	62,882
Total liabilities	**75,757**	**83,394**

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

Note 30. Associate Companies

Details of investments in associate companies are as follows:

				Beneficial Interest in Ordinary Shares at 31 December		Book Value of Ordinary Shares at 31 December		Contribution to Consolidated Profit/(Loss)	
Name of Associate Company	Country of Incorporation	Principal Activity	Balance Date	2012 %	2011 %	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Croft Exploration Limited	UK	Dormant	31 December	50	50	-	-	-	-
BC Petroleum Sdn Bhd	Malaysia	Development/ Appraisal	31 December	48	48	32,833	159	-	

The Group has a 48% interest in BC Petroleum Sdn Bhd ('BCP'), which is involved in the oil and gas appraisal in Malaysia.

BCP is a private entity that is not listed on any public exchange.

The following table illustrates summarised financial information of the Group's investment in BCP:

	2012 US$'000	2011 US$'000
Assets and liabilities		
Current assets	115,438	12,513
Non-current assets	-	8,929
Current liabilities	(28,156)	(21,283)
Non-current liabilities	(54,449)	-
Equity	**32,833**	**159**
Share of the associate's revenue and profit:		
Revenue	-	-
Profit	**-**	**-**
Carrying amount of the investment:		
Equity	32,833	159
Loan to associate	589	15,840
	33,422	**15,999**

Cash contributions to BCP are initially made as a loan and subsequently converted to equity following shareholder approval. Cash contributions during the period were $17.4 million.

	2012 US$	2011 US$

Note 31. Remuneration of Auditors

	2012 US$	2011 US$
Amounts due to and recoverable by the auditor of the parent entity for:		
Audit and review of the financial report	322,529	221,557
Tax compliance and accounting advice	290,518	267,134
	613,047	**488,691**
Amounts due to related practices of Ernst & Young, Australia for:		
Audit and review of the financial report	43,009	74,033
Tax compliance and accounting advice	46,080	79,355
	89,089	**153,388**
	702,136	**642,079**

Ernst & Young, Australia was the auditor for the Company in 2012.

Notes to the Consolidated Financial Statements

continued

Note 32. Key Management Personnel ('KMP') Disclosures

(a) Details of KMP

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Deputy Chairman (Non-Executive) (resigned 12 December 2012)
Mr S J Jansma, Jr	Director (Non-Executive) (resigned 17 May 2012)
Mr R C A Leon	Director (Non-Executive)
Mr G D Mulligan	Director (Non-Executive)
Mr C C Hodge	Director (Non-Executive)
Mr A S Linn	Chief Executive Officer and Executive Director (appointed 27 February 2012)
Mr R M Harding	Director (Non-Executive) (appointed 1 June 2012)
Mr N D R Hartley	Director (Non-Executive) (appointed 1 June 2012)
Mr R Morris	President, Roc Oil (China) Company
Mr R B Stork	Chief Operating Officer
Mr A Neilson	Chief Financial Officer
Ms L Nolan	General Counsel and Company Secretary
Dr P Eliet	General Manager – Exploration, Geoscience & Business Development (appointed 13 September 2012).

(b) Remuneration

(i) Remuneration policy

The Remuneration and Nomination Committee is responsible for determining and reviewing the appropriate level and structure of remuneration of KMP. 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 "at risk" Long Term Incentive ('LTI') plan and an "at risk" Short Term Incentive ('STI') plan. Under the LTI, executives are issued performance rights to subscribe for ordinary shares in the Company at the discretion of the Directors and can be awarded cash bonuses under the STI. These plans provide an incentive to KMP to achieve significant long term growth in the Company's share price. Previously, options were issued under the Employee and Executive Share Option Plans, which have now been discontinued. For details, refer to Note 24 and to the Remuneration Report section of the Directors' Report.

(ii) Remuneration of KMP

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

	2012 US$	2011 US$
Short term employee benefits	5,737,638	4,660,679
Post-employment benefits	135,298	139,188
Share-based payments	610,830	569,790
	6,483,766	**5,369,657**

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

(c) Right/Option holdings

	Year	1 January Balance at Beginning of Financial Year	Rights Granted as Remuneration	Rights/ Options Exercised	Rights/ Options Lapsed	31 December Balance at End of Financial Year	Vested at 31 Dec	Exercisable at 31 Dec
Mr A S Linn	**2012**	**3,920,000**	**-**	**(48,000)**	**(72,000)**	**3,800,000**	**550,000**	**275,000**
	2011	2,170,000	2,000,000	(100,000)	(150,000)	3,920,000	330,000	165,000
Mr R Morris	**2012**	**1,240,000**	**-**	**(56,000)**	**(84,000)**	**1,100,000**	**200,000**	**200,000**
	2011	840,000	400,000	-	-	1,240,000	200,000	200,000
Mr R B Stork	**2012**	**600,000**	**-**	**-**	**-**	**600,000**	**-**	**-**
	2011	-	600,000	-	-	600,000	-	-
Mr A Neilson	**2012**	**1,540,000**	**-**	**(48,000)**	**(72,000)**	**1,420,000**	**370,000**	**185,000**
	2011	890,000	650,000	-	-	1,540,000	302,000	151,000
Ms L Nolan	**2012**	**1,300,000**	**-**	**(28,000)**	**(142,000)**	**1,130,000**	**80,000**	**80,000**
	2011	650,000	650,000	-	-	1,300,000	172,000	116,000
Dr P Eliet	**2012**	**-**	**500,000**	**-**	**-**	**500,000**	**-**	**-**
	2011	-	-	-	-	-	-	-
Total	**2012**	**8,600,000**	**500,000**	**(180,000)**	**(370,000)**	**8,550,000**	**1,200,000**	**740,000**
Total	2011	4,550,000	4,300,000	(100,000)	(150,000)	8,600,000	1,004,000	632,000

Notes to the Consolidated Financial Statements

continued

Note 32. Key Management Personnel ('KMP') Disclosures (continued)

(d) Shareholdings

	Year	1 January Balance at Beginning of Financial Year	Change on Exercise of Rights/Options	Net Change from On-Market Transactions	31 December Balance at End of Financial Year
Mr A J Love	**2012**	**629,521**	**-**	**60,000**	**689,521**
	2011	589,521	-	40,000	629,521
Mr W G Jephcott	**2012**	**1,117,300**	**-**	**-**	**1,117,300**(1)
	2011	1,117,300	-	-	1,117,300
Mr S J Jansma, Jr	**2012**	**3,000,000**	**-**	**3,000,000**	**6,000,000**(1)
	2011	2,000,000	-	1,000,000	3,000,000
Mr R C A Leon	**2012**	**1,510,000**	**-**	**-**	**1,510,000**
	2011	1,510,000	-	-	1,510,000
Mr G D Mulligan	**2012**	**25,000**	**-**	**-**	**25,000**
	2011	25,000	-	-	25,000
Mr C C Hodge	**2012**	**50,000**	**-**	**50,000**	**100,000**
	2011	50,000	-	-	50,000
Mr R M Harding	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
Mr N D R Hartley	**2012**	**12,500**(2)	**-**	**-**	**12,500**
	2011	-	-	-	-
Mr A S Linn	**2012**	**100,000**	**48,000**	**-**	**148,000**
	2011	-	100,000	-	100,000
Mr R Morris	**2012**	**600,000**	**56,000**	**-**	**656,000**
	2011	300,000	-	300,000	600,000
Mr R B Stork	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
Mr A Neilson	**2012**	**11,500**	**48,000**	**-**	**59,500**
	2011	11,500	-	-	11,500
Ms L Nolan	**2012**	**-**	**28,000**	**-**	**28,000**
	2011	-	-	-	-
Dr P Eliet	**2012**	**-**	**-**	**-**	**-**
	2011	-	-	-	-
Total	**2012**	**7,055,821**	**180,000**	**3,110,000**	**10,345,821**
Total	2011	5,603,321	100,000	1,340,000	7,043,321

Note:

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

(2) As per the Director's Initial Interest Notice.

All equity transactions with KMP other than those arising from the exercise of remuneration rights/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 KMP other than advances made for the purpose of meeting business expenses incurred in performing their duties. No interest is being charged on these amounts.

Note 33. Contingent Liabilities

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

Note 34. Subsequent Events

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.

Note 35. Additional Company Information

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

The registered office and principal place of business are:

Level 18, 321 Kent Street
Sydney NSW 2000
Australia.

Telephone number: +61 2 8023 2000

ABN: 32 075 965 856

ASX code: ROC

Directors' Declaration

The Directors declare that:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

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

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

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2012.

On behalf of the Directors:

Mr A J Love
Chairman

Mr A S Linn
Director and Chief Executive Officer

Sydney, 27 February 2013

Independent Auditor's Report

To the Members of Roc Oil Company Limited

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Report on the Financial Report

We have audited the accompanying financial report of Roc Oil Company Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Independent Auditor's Report

ERNST & YOUNG

Opinion

In our opinion:

(a) the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2012. 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.

Opinion

In our opinion the Remuneration Report of Roc Oil Company Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Trent van Veen
Partner

Sydney, 27 February 2013

Additional Information

ROC RESERVES AND RESOURCES ANALYSIS (UNAUDITED) AS AT 31 DECEMBER 2012

Summary Proved and Probable Working Interest Reserves	2P BOE(1)
Opening balance	15.1
Reserve disposed	(0.1)
Reserve revisions	2.4
Production	(2.4)
Closing balance	**15.0**

Analysis of Proved and Probable Working Interest Reserves	BCF	MMBBL	Total BOE(1)
Zhao Dong	1.5	5.3	5.6
Beibu	-	5.4	5.4
Cliff Head	-	2.5	2.5
Blane	0.1	1.2	1.2
Enoch	-	0.3	0.3
Closing balance	**1.6**	**14.7**	**15.0**

Analysis of Working Interest Reserves and Resources by Region	2P BOE(1)	2C BOE	Best Estimate of Risked Prospective Resources(2) BOE
China	11.1	5.9	35.3
Australia	2.5	13.2	5.2
UK	1.4	3.8	-
Africa	-	-	3.1
Closing balance	**15.0**	**22.9**	**43.6**

(1) 2P Reserves contain approximately 9% which is given to host governments. This is subject to oil price and costs.

(2) The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Reserves Statement has been compiled by Mr Bill Billingsley, ROC's Chief Reservoir Engineer, who is a full-time employee of the Company. Mr Billingsley's qualifications include a Master of Science (Petroleum Engineering) from Imperial College, London,

Additional Information

continued

England and more than 17 years of relevant experience. Mr Billingsley has consented to the inclusion of this information in this report.

ROC LICENCES AT 31 DECEMBER 2012 (UNAUDITED)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-31-L	Cliff Head	42.50	Roc Oil (WA) Pty Limited
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	VIC/L26, VIC/L27, VIC/L28	BMG	37.50[(1)]	Roc Oil (VIC) Pty Limited
Equatorial Guinea	Block H		20.00	Roc Oil (Equatorial Guinea) Company (Admin Manager)/ White Rose Energy Ventures (EG) Limited (Technical Manager)
Mozambique Channel	Juan de Nova Maritime Profond (France)		75.00[(2)]	South Atlantic Petroleum JDN SAS[(5)]
China	Beibu Gulf Development Areas	WZ 6-12, WZ 12-8	40.00/19.60[(3)]	Roc Oil (China) Company/ CNOOC Limited
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58[(4)]	Roc Oil (Bohai) Company
	Chenghai and Zhanghai Blocks	H1	80.00/39.20[(3)]	Roc Oil (Bohai) Company
	Block 09/05		100.00	Roc Oil (Bohai) Company
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50[(4)]	Talisman Energy (UK) Limited
	P219 (Block 16/13a and 16/13e)	Enoch, J1	15.00/12.00[(4)]	Talisman North Sea Limited

Note:

(1) The withdrawal of CIECO Exploration and Production (Australia) Pty Ltd from the BMG Joint Venture, effective 31 December 2012, is being finalised amongst the joint venture parties and will result in a pro rata distribution amongst the remaining BMG Joint Venture parties. Subject to regulatory approval, ROC will hold 37.5% interest in the BMG Joint Venture.

(2) Sale to South Atlantic Petroleum JDN SAS effective 1 July 2011 subject to final government authorisation.

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

(4) Unitised interest in producing fields.

(5) ROC is operator and South Atlantic Petroleum JDN SAS is Technical Manager.

Glossary and Definitions

API	The American Petroleum Institute unit of measurement that denotes how heavy or light (the gravity) a petroleum liquid is compared to water - the lower the API number the heavier the oil.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
AUD/A$ or cents	Australian currency.
BBL(s)	Barrel(s), an oil barrel is equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
BCP	BC Petroleum Sdn Bhd.
BMG	Basker-Manta-Gummy.
BOE	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalence at the time.
BOEPD	Barrel of oil equivalent per day.
BOPD	Barrel of oil per day inclusive of NGLs.
E & D	Exploration and Development.
Group	Parent entity and its subsidiaries.
GST	Goods and services tax.
IFRS	International Financial Reporting Standards.
KMP	Key Management Personnel.
LTI	Long Term Incentive.
MMBBL	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
MMSCFD	One million standard cubic feet of natural gas per day.
NGL	Natural gas liquid.
NPP	Non-Production Phase.
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.
STI	Short Term Incentive.
SPE	Society of Petroleum Engineers.
UK	United Kingdom.
USD/US$ or cents	United States currency.
2C	Proved and probable contingent resources.
2P	Proved and probable reserves.
3D	Three dimensional.

www.rocoil.com.au