ANNUAL REPORT 2007

Roc Oil Company Limited

ABN 32 075 965 856

Global ROC

English

ROC became a publicly-listed company in 1999 and ever since then it has always included in its Annual Report some text written in the language of the communities with whom it comes into contact. This year we are pleased to continue this tradition.

During 2007, ROC's portfolio became sightly more diverse when the Government of the Republic of Madagascar awarded the Company a 75% interest in, and operatorship of, the Block Belo Profond in the deepwater Mozambique Channel, offshore Madagascar. ROC's workforce also became more diverse during the year, with the number of nationalities represented by the Company's employees and consultants increasing to 30 and the number of languages and dialects collectively spoken by ROC's workforce increasing to 42.

ROC firmly believes that in the modern international exploration and production business, the companies that stand the best chance of thriving are those that develop a broad, cross-cultural, base which reflects and responds to the sensitivities and needs of the wide ranging communities and host governments with which the Company has daily contact. That is where and that is how operations succeed or fail, not in the boardrooms of western cities, nor on the computer screens of third party advisors and investment bankers, but rather on the ground and in the field. That is why this Annual Report highlights the operational side of the Company's many and varied activities.

Arabic

في عام ١٩٩٩ أصبحت ROC شركة مدرجة للاكتتاب العام، ومنذ ذلك الحين دأبت دوماً على تضمين تقريرها السنوي نصاً مكتوباً بلغات الجاليات التي لها اتصال بها. ومن دواعي سرورنا أن نتابع هذا التقليد هذه السنة.

خلال عام ٢٠٠٧ أصبحت سلّة استثمارات ROC أكثر تنوّعاً بعض الشيء وذلك بقيام حكومة مدغشقر بمنح الشركة حصة تبلغ ٧٥٪ في ملكية وتشغيل Belo Profond Block في قناة موزامبيق العميقة في المناطق البحرية من مدغشقر. كما أن القوى العاملة في ROC أصبحت أيضاً أكثر تنوّعاً خلال السنة، حيث ارتفع عدد جنسيات موظفي ومستشاري الشركة إلى ٣٠ وارتفع عدد اللغات واللهجات التي يستخدمها العاملون لدى ROC إلى ٤٢.

تؤمن ROC إيماناً قوياً بأعمال التنقيب والإنتاج الدولية العصرية، والشركات الأوفر حظاً في الازدهار هي تلك التي تنمّي قاعدة عريضة عبر الثقافات تعكس وتستجيب لحساسيات واحتياجات المجتمعات كبيرة التنوّع والحكومات المضيفة التي للشركة اتصالات يومية بها. من هنا وبهذا تنجح العمليات أو تفشل، وليس في قاعات مجالس الإدارة في مدن الدول الغربية ولا على شاشات حواسيب مستشاري ومخططي الأطراف الثالثة، بل على الأرض وفي الميدان. ومن هنا فإن هذا التقرير السنوي يركّز على الجانب العملاني لأنشطة الشركة الكثيرة والمتنوّعة.

Malagasy

Tamin'ny taona 1999 no voasoratra ao amin'ny lisitry ny orinasa sandaina eo amin'ny tsenam-petrabola ny ROC. Hatramin'izay ka hatramin'izao dia fomban'ny ROC ny mampiditra ao anatin'ny Tatitra Fanaony Isan-taona lahatsoratra amin'ny fitenin'ny olona izay ifampikasohany any amin'ireo tany andehanany mitady ravinahitra. Fifaliana ho anay ny manohy io fomba io amin'ity taona ity. Nandritry ny taona 2007 dia nihamaro karazana ihany ny titra ao amin'ny kitapona titra eo ampelatanan'ny ROC, rehefa natolotry ny Governemantan'ny Repoblikan'i Madagasikara ho an'ny Orinasa ny 75% amin'ny anjara sy ny sy ny sata maha-mpitrandraka ny toerana voafaritra an-dranomasin' Lalimben'i Belo ao amin'ny Lakan-dranon'i Mozambika, manaraka ny morotsirak'i Madagasikara. Nihamaro karazana toraka izany koa ny olona ampiasain'ny ROC nandritra ny taona: araka izany dia nitombo ka tonga 30 ny isan'ny firenena fiavian'ny mpiasa sy ny manampahaizana manokana ao amin'ny Orinasa, ary ny isan'ny teny sy ny fiteni-paritra ampiasaina eo anivon'ny mpiasan'ny ROC dia tonga 42. ROC dia mino marimarina fa raha eo amin'ny raharaha fikarohana sy famokarana iraisam-pirenena moderina, ny orinasa manana tokinaina be indrindra fa hiroborobo dia ireo izay manabe voho sehatra midadasika ifamezivezen'ny kolotsaina maro izay tsy mampiseho fotsiny izay zavatra mahasarotiny sady ilain'ny vondron'olona sy ny governemanta mpampiantrano ifampikasohan'ny Orinasa isan'andro, fa koa mitondra valiny amin'izany. Marobe sy isan-karazany ireny fokonolona sy ireny governemanta ireny no ifampikasohan'ny Orinasa isan'andro anyamin'ny tany andehanany itadiavany ravinahitra. Toy izany no ahombiazan'ny asa na mampandamoka azy: tsy ao anatin'ny efitra fivorian'ny Filankevi-pitondrana any amin'ny tanan-dehibe tandrefana akory, na eo amin'ny solosainan'ny mpanolotsaina sy ny mpanao tetikady avy any ivelany no antoky ny fahombiazana,fa izay atao eo amin'ny toerana iasana indrindra. Izay no antony mahatonga ity Tatitra Fanao Isan-taona ity hampivoitra ny lafiny fampandehanana asa eo amin'ny hetsika maro isan-karazany sahanin'ny Orinasa.

Chinese

自从ROC在1999年成为上市公司以来，公司每年年度报告中总有一些文本是用与公司有联系的社区所使用的语言写的。今年我们很乐意继续遵循这个传统。在2007年，马达加斯加共和国政府同意本公司在Belo Profond 区块（此区块位于马达加斯加近海岸的莫桑比克海峡深海区）拥有75%的股份和作业者权，使得ROC的业务更加多样化。ROC的员工队伍也更加多样化，2007年该公司雇员和顾问拥有多达30个国家的国籍，所使用的语言和方言也多达42种。ROC坚信，一家现代化的国际勘探和生产企业，必须逐渐形成跨越多种文化的广阔基础，从而体现、回应与公司日常业务息息相关的广大社区及所在国政府部门的敏感问题及多种需求，这样才有可能抓住最佳的发展机会。这正是企业运作成败的关键。这个关键，不是在西方城市的会议室里，也不是在第三方顾问和战略家的电脑屏幕上，而是在工作现场的地面上和油田里。正因为如此，这份年度报告特别强调本公司丰富多样的大量活动的操作层面。

Portuguese

A ROC passou a ser uma Empresa cotada na Bolsa de Valores em 1999 e, desde então, inclui sempre no seu Relatório Anual um texto escrito na língua das comunidades com que entra em contacto. É com satisfação que este ano continuamos esta tradição. Durante o ano de 2007, o portfolio da ROC diversificou-se um pouco mais, quando o Governo da República de Madagáscar ofereceu à Empresa 75% da participação e operacionabilidade do Belo Profond Block nas águas profundas do Canal de Moçambique, ao largo da costa de Madagáscar. Durante o ano, o pessoal que trabalha para a ROC diversificou-se ainda mais, com o número de nacionalidades representadas na Empresa, entre funcionários e consultores, a aumentar para 30 e, colectivamente, o número de línguas e dialectos falados pelo pessoal da ROC aumentou para 42. A ROC acredita realmente que, na exploração internacional moderna e em negócios de produção modernos, as Empresas que têm mais hipótese de vencer são aquelas que desenvolvem um cruzamento cultural de base alargada, que reflicta e responda às sensibilidades e necessidades de uma variedade de comunidades e governos anfitriões com quem a Empresa tem contacto diário. É nesta base e desta maneira que as operações têm êxito ou falham - e não nas salas dos conselhos de administração das cidades do mundo ocidental, nem nos ecrãs de computadores dos conselheiros e estrategistas que trabalham como consultores – é com o esforço daqueles que trabalham directamente no terreno e no seu campo. É por isso que este Relatório Anual salienta o lado operacional das muitas e variadas actividades da Empresa.

French

Depuis son entrée en bourse en 1999, ROC a toujours intégré à son Rapport Annuel quelques paragraphes écrits dans les langues des communautés avec lesquelles la société est en contact. Cette année, nous sommes heureux de poursuivre cette tradition. Au cours de l'année 2007, le portefeuille de ROC s'est quelque peu diversifié lorsque le Gouvernement de la République de Madagascar a accordé à la société un intérêt de 75 % dans le bloc « Belo Profond » situé en eaux profondes dans le canal du Mozambique, au large de Madagascar, comprenant la responsabilité de l'exécution des opérations. Au cours de l'année, la main d'œuvre de ROC s'est également diversifiée avec une augmentation à 30 des différentes nationalités représentées par les employés et les consultants, ainsi que 42 langues ou dialectes parlés collectivement. ROC est convaincue que dans un contexte international et moderne d'exploration et de production, les sociétés qui ont les meilleures chances de succès sont celles qui développent une large base transculturelle, à même de refléter et de satisfaire les sensibilités et les besoins des communautés et des gouvernements hôtes très divers avec lesquels la société est quotidiennement en contact. C'est en effet à ce niveau, sur le terrain, que réside le succès ou l'échec des opérations, et non pas dans les salles de réunion des conseils d'administration des villes occidentales, ni sur les écrans d'ordinateur de conseillers et de stratèges tiers. C'est la raison pour laquelle ce Rapport Annuel met en valeur l'aspect opérationnel des activités multiples et variées de la société.

Spanish

ROC se convirtió en una compañía listada en la Bolsa en el año 1999, y desde entonces ha incluido siempre en su Informe Anual unas secciones escritas en los idiomas de las comunidades con las cuales la Compañía esta en contacto. Este año nos complacemos en continuar esta tradición. Durante el año 2007, la cartera empresarial de ROC pasó a ser levemente más diversa cuando el gobierno de la República de Madagasgar concedió a la Compañía una participación del 75% en la operación del Bloque Belo Profond en las aguas profundas del Canal de Mozambique. Durante el mismo periodo, la fuerza laboral de ROC también pasó a ser más diversa, aumentando a 30 el número de nacionalidades respresentado por los empleados y consultores de la Compañía, y a 42 el número de idiomas y dialectos hablados colectivamente por la fuerza laboral. ROC cree firmemente que en un contexto internacional y moderno de exploración y producción, las compañías que tienen las mejores probabilidades de prosperar son las cuales que desarrollan una amplia base intercultural, que refleja y responde a las sensibilidades y necesidades de la amplia gama de comunidades y gobiernos anfitriones con los cuales la Compañía tiene contacto diariamente. Es de esta manera, en el terreno, que las operaciones tienen éxito o fracasan, no en las salas de las juntas directivas en las ciudades occidentales, ni en las pantallas de las computadoras de terceras personas asesores y estrategas. Es por eso que este Informe Anual destaca el aspecto operacional de las numerosas y variadas operaciones de la Compañía.

Corporate Goal

To make a lot of money for all shareholders by establishing a substantial reserve base and sustainable production revenue

When you articulate a blunt corporate goal in successive Annual Reports, you run two risks: not achieving the goal and being seen not to achieve the goal. That is where ROC stood at the end of 2007. It had not made a lot of money for all of its shareholders. The fact that during the year the oil price approximately doubled only highlighted the shortfall between stated intent and actual achievement.

Perhaps, the one thing worse than not achieving a corporate goal is not facing up to that fact. There is no danger of that occurring at ROC. If anything, the Company tends to emphasise the challenges and shortcomings rather than the successes and the high points. Not to acknowledge the disappointing share price performance, upfront in the Annual Report, would strip it of its credibility.

So why, in early 2008, is the mood within the Company upbeat? It is because the workforce understands that the industry is characterised by ups and downs and that sometimes the difference between instant success and possible failure can be finely balanced: an oil that is 10°API lighter than the oil encountered at Massambala-1; a gas reservoir with 35% less carbon dioxide than the gas at Perseverance-1 and/or a well with 10 metres or more oil pay than indicated at Dunsborough-1.

In this context, a technically talented workforce can bring a dogged attitude to bear on a broad-based exploration, appraisal, development and production program.
This perspective cuts through the matters of the moment and locks onto the unchanging goal: making a lot of money for all shareholders. While ROC clearly missed this goal in 2007, it is striving to achieve it in 2008.

When the Cliff Head Oil Field was discovered by the ROC-operated Joint Venture at the end of 2001, it presented as an unpretentious 5 metre intersection of viscous oil in an offshore region that had no infrastructure. That is why it has been described as the lonely crude that needed a cuddle. By the end of 2007, the field had been in production for 20 months, produced approximately one third of its 15.7 MMBO 2P original recoverable reserves; paid out its A$327 million development cost and had never had a Lost Time Injury (LTI) during its productive life. As such, Cliff Head is a tribute to what a Joint Venture, majority owned by small and mid-cap Australian oil explorers, can achieve with lateral thought and a determination to develop a challenging resource at a time when there was no guarantee that the oil price would rise to where it is today.

Contents

Chairman's Report

Last year saw a great deal of turbulence on many fronts, ranging from oil prices which virtually doubled during the 12 month period, to the pace of growth of the world economy which, at least in part, appears to have slowed.

ROC's activities were impacted, both at a micro and a macro level, by these and other global events. The high oil price environment that prevailed through most of 2007 coincided with record production which, in turn, led ROC to post record sales revenue. As you would imagine, development projects in the oil business are planned in great detail over many years, but no matter how much forethought goes into the development, nobody can predict what the oil price will be doing during the early stages of a field's productive life. Indeed, it is often quite difficult to predict what the field itself will be producing during the same early stages of production. During the year, ROC participated in first oil production from two North Sea fields which had a positive impact upon the Company's overall production profile which is part of the reason why ROC produced a record 3.5 MMBOE during 2007.

As the CEO comments in his report, the share price performance during 2007 has been disappointing, particularly given the high oil prices that the industry has enjoyed. While management remains firmly focused on running the Company, they and the Board jointly acknowledge the need for a significant improvement in share price performance through 2008.

It is important to reflect on the reasons why we believe that the share price has not been acceptable, particularly against a backdrop of favourable oil prices and a program of bringing on stream significant production in the 2007 year. Firstly, I think our production performance in Zhao Dong was not up to expectations in the period up to 30 September 2007. This was as a consequence of controllable and non-controllable events. The efforts of our China team since then have borne fruit and in the quarter to 31 December 2007 and at the time of writing, production has been restored to more acceptable levels.

Secondly, there has been, in reality, a poor track record in the last 12 months on our exploration and drilling program. Cost pressure, delays through bad weather and poor results have not seen a successful year in this area of our operations. There was a high level of expectation by our shareholders that ROC would deliver some material exploration success. This has not happened.

We have an active exploration program throughout 2008 in Angola, Mauritania, Australia and China. I am hopeful that the results of last year will not be repeated in 2008 and we look forward to, and at least hope for, a discovery of a size that will be able to materially alter the reserve base of the Company. The Board, with management, are focused on reviewing all aspects of our operations and exploration budget priorities. Clearly, there are cost pressures within the industry and these have to be addressed actively and on a timely basis.

During the year, there were a number of changes to the Board that reflected the Company's move towards the next stage of its development. Mr Dick Burgess and Mr Ross Dobinson, both Non-Executive Directors, stepped down and I would like to pass on to both of them my and the Board's personal thanks; they served ROC shareholders well for the best part of a decade and their efforts are very much appreciated. Also, Mr Dennis Paterson and Mr Bruce Clement, both senior executives with the Company, were promoted to Executive Director, while Dr Doug Schwebel also joined the ROC Board as a Non-Executive Director, bringing with him a deep technical and commercial understanding of the Australian and international oil industry.

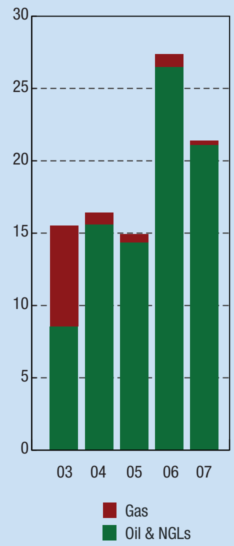
Traditionally, this part of the Annual Report also acknowledges the efforts of the workforce and this year there is probably more reason than ever to do so. It is not that the results have been outstandingly brilliant as much as the challenges, which needed to be overcome, have been much greater - for reasons well beyond ROC's control. Most people outside the industry mainly see rising oil prices as the hallmark of today's oil business whereas those that work within the industry are equally conscious of rising costs and scarcity of expertise. That ROC has been able to recruit and retain so successfully in a personnel climate that is perceived to be difficult, should provide all shareholders with a genuine benefit. However, this benefit is not easily detailed in a standard Stock Exchange Release since the real value flows from a myriad of decisions that are called correctly, many of which are finely balanced. During 2008, there will be plenty more opportunities to make those decisions.

Andrew Love
Chairman

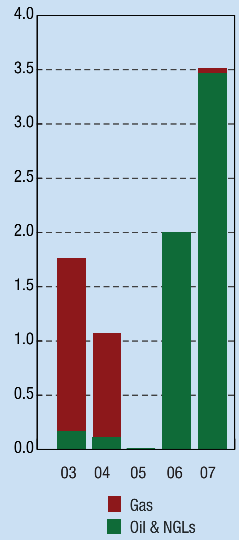
Financial Overview

ROC Share Price
(A$/Share)

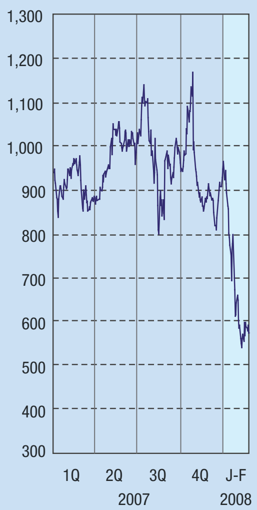
Gas v Oil 2P Reserves
(MMBOE)



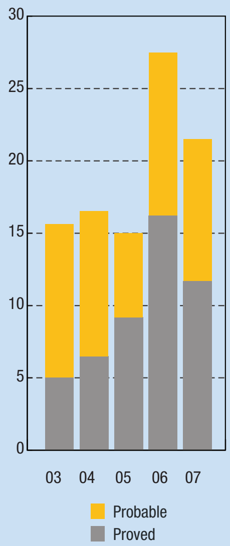
Production
(MMBOE)



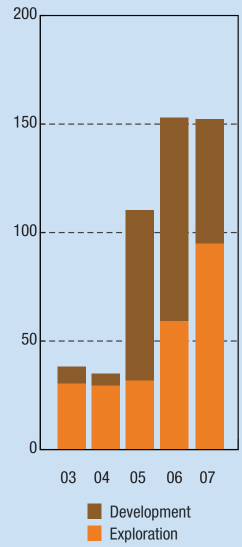
Market Capitalisation
(A$ Million)



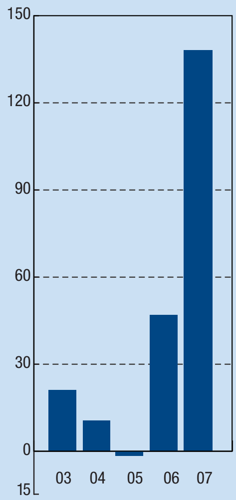
2P Reserves
(MMBOE)



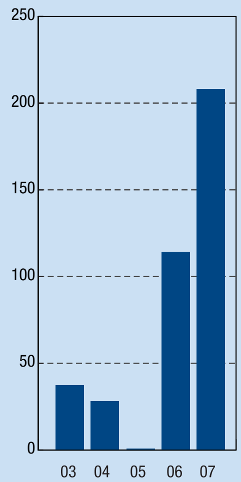
Exploration & Development
Expenditure
(US$ Million)



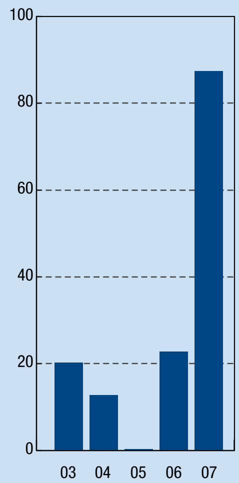
Cash Flow from
Operating Activities
(US$ Million)



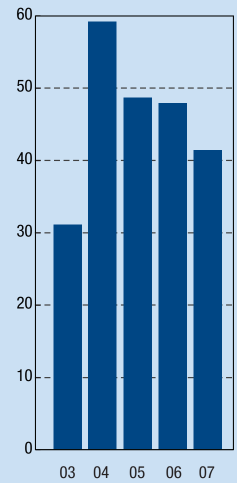
Sales Revenue
(US$ Million)



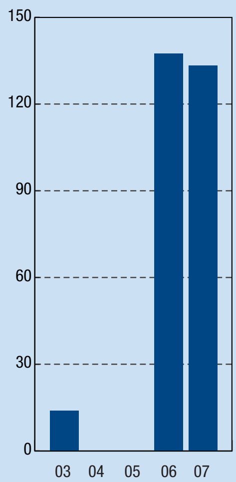
Trading Profit
(US$ Million)



Cash
(US$ Million)



Debt
(US$ Million)



CEO's Report

How can a year that saw record oil production, record oil prices, several record financial results including sales revenue, net cash flow from operations and trading profit, and a degree of exploration drilling success, be described as anything other than outstanding? Easy. Just focus on the main metric that many investors use to measure the success or failure of a company over any given period: share price performance. ROC's share price was down 4% between the start and the end of 2007 and along with many other publicly-listed companies, down significantly (37%) during the first two months of 2008.

On the basis of this single measurement, ROC did not have a good year, but it did have bright moments, some of which may lead to added value. Conventional business wisdom suggests that for a CEO to refer to the share price up front in an Annual Report is politically incorrect. So much for political correctness. Not to plainly refer to the share price upfront in this report would be delinquent, because it is an issue that many shareholders would want addressed.

Among the several good things which happened to the Company during 2007, perhaps the main one was this: we did what we said we would do. The first wells since the early 70s were drilled onshore Angola, the two North Sea fields did come onto production. The developments, offshore China, did progress. This ability to deliver on rhetoric is something ROC regards as a core objective.

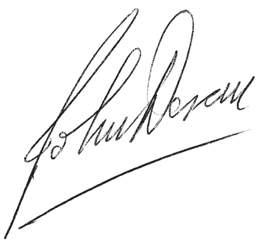
Four discoveries out of six completed exploration wells drilled in Angola and Australia suggest a reasonable statistical success ratio for the Company's 2007 exploration drilling program. However, one of those discoveries, the Perseverance-1 gas discovery in the offshore Perth Basin, is clearly not commercial because of a high carbon dioxide content. None of the other three discoveries: Dunsborough-1 (oil and gas) and Frankland-1 (gas) in the offshore Perth Basin and Massambala-1 (heavy oil), onshore Angola, is going to instantly catapult ROC into a different league. Therefore, in this sense, ROC's search for the company-changing discovery continues. Fortunately, such targets do reside within ROC's portfolio and some will be drilled during 2008.

In many ways, it has been a rugged year for world wide industry operations as the scarcity of contractor equipment and personnel made its presence felt across the globe. That is the downside of booming international oil prices. ROC is not immune to these global operational difficulties and during 2007 it experienced its own share of operational ups and downs. As a consequence, ROC's operations tested the breadth and depth of the Company's operating ability. At the end of the day, all the various challenges were overcome, albeit sometimes at higher than hoped-for cost. Importantly, ROC was able to maintain its excellent Health, Safety, Environment & Community record, including another year without a lost time injury despite maintaining a high activity level in challenging conditions and a difficult industry climate.

The year also saw a continuing build up of in-house subsurface and facility expertise, particularly in China. After some soggy well results during the middle of 2007, the investment by ROC and the Zhao Dong co-venturers in subsurface technical thought processes may have begun to pay off with some excellent drilling results towards the end of the year. In fact, the Zhao Dong Block can be used as a good illustration of the Company's emphasis on high quality technical work which led to it sharing with Shell, PetroChina's annual foreign operator's award for "Overall Technical Excellence".

As it strives for top rate technical performance throughout its portfolio, ROC is greatly assisted by its ever broadening people base which allows insights and expertise gained in different parts of the Company's global operations, ranging from the offshore Perth Basin to onshore Angola, to be applied to assets in other parts of the Company's portfolio. Not only does this give ROC a solid operating base, but it also provides the workforce with international career paths characterised by involvement in potentially valuable projects. Perhaps, that is one of the reasons why ROC's core workforce has not suffered directly from the lack of experienced industry people as the Company successfully recruited and retained talent – a fact which may provide as much insight into the Company, its projects and their potential as any standard ASX Release.

ROC will use this hard won expertise to try and deliver a much better result to shareholders in 2008 and beyond.



Dr John Doran
Chief Executive Officer

Numbers

0
Lost Time Injuries.

3.5
Million barrels of ROC production for 2007, a record.

209
USD million Sales Revenue for 2007, a record.

30
Nationalities represented by ROC's workforce.

6
Number of producing fields.

24
Area of Massambala heavy oil field in sq km.

13,770
Area in sq km of Block Belo Profond in the Mozambique Channel, offshore Madagascar.

10,140
Number of road tanker deliveries from Cliff Head Oil Field to the Kwinana refinery since start of production in May 2006 until 31 December 2007.

12
Number of hours of unplanned shutdown at the Cliff Head Oil Field during 2007.

42
Number of languages and regional dialects spoken by ROC's workforce.

1,132.3
AUD million market capitalisation on 26 October 2007, a record.

97
Number of days that bad weather delayed ROC-operated offshore drilling activities.

21
Approximate number of days it takes for a good well at Zhao Dong to pay out its cost.

80.96
Maximum USD realised oil price per barrel for Zhao Dong crude oil, approximately double the price of 12 months earlier, a record.

124
Forecast number of wells scheduled to be drilled at Zhao Dong between 2007 and 2011.

66.67
Percentage statistical exploration success rate (4 out of 6) during 2007.

4
Number of state oil companies on whose behalf ROC operates.

19,141
ROC shareholders as at 31 December 2007.

1
Number of senior HR people in ROC.

92.48
Maximum USD oil price per barrel received for Cliff Head Oil Field crude oil, a record.

327
AUD million capital cost of Cliff Head Oil Field Development.

18
Number of months of production to pay out the capital cost of the Cliff Head Oil Field Development.

4
Percentage drop in the ROC share price between the beginning and end of 2007.

Key Points

Operational

- Record production: 3.5 MMBOE (9,668 BOEPD); up 77% on the previous year: 99% oil.
- Record number of producing fields; six in four countries, including two new fields in the North Sea.
- Development expenditure: US$57 million, mainly in the North Sea and offshore China.
- Exploration/Appraisal expenditure: US$95 million exploration and appraisal expenditure incurred mainly drilling, undertaking pre-drill preparatory work and various seismic programs.
- Exploration drilling resulted in four discoveries from six wells, three of which are considered to have commercial potential: Frankland and Dunsborough, both offshore Australia, and Massambala, onshore Angola.
- Reserves: 21.4 MMBOE remaining Company-wide proved and probable (2P) reserves at 31 December 2007, all of which are being produced or being developed. Apart from oil produced during 2007, this includes a reduction of 2.1 MMBOE relating to ROC's 2P net reserves in the C and D Oil Fields in the Zhao Dong Block, offshore China, largely as a result of the January 2008 reclassification of some probable reserves to possible reserves. Compared to ROC's company-wide 2P reserves at 31 December 2006, this change in Zhao Dong reserves represents a reduction of approximately 7.5%.
- In January 2008, the relevant Chinese state oil company, CNOOC, approved a minimum reserve base for Wei 6-12 South and Wei 6-12 Oil Fields in the Beibu Gulf, offshore China. As a result, this project is expected to move forward towards a Final Investment Decision in mid 2008. If that happens, approximately 3.7 MMBOE of net ROC unbooked resources in the Wei 6-12 Oil Fields complex, will be reclassified as ROC 2P net reserves. The reclassification will effectively replace all of the 2P reserves ROC produced during 2007.
- Two potentially commercial discoveries in the offshore Perth Basin, the Frankland gas discovery and the Dunsborough oil and gas discovery, will be further appraised with drilling and seismic surveys during early 2008. Currently, these two fields are tentatively estimated to contain approximately 5 to 9 MMBOE unbooked recoverable resources, net to ROC.
- ROC made a potentially large heavy oil discovery at Massambala-1, onshore Angola.
- The Cliff Head Oil Field paid out its gross capital investment of A$327 million after producing approximately 5 MMBO, about one third of its total original 2P recoverable oil reserves, during the first 18 months of production. This development presented many challenges across many disciplines and required a high degree of lateral thinking together with a commitment to early investment, well ahead of the recent high oil price environment. Therefore, it is good to see payout achieved with the majority of reserves yet to be produced.
- Pioneer Natural Resources (Equatorial Guinea) Limited, a wholly-owned subsidiary of Dallas-based Pioneer Natural Resources, Inc, advised ROC that it would not fulfil its 2004 farm-in obligations to ROC and the other Block H co-venturers in 2007. That action has led to arbitration proceedings which are expected to be completed in 2H 2008.
- Initiated a seven well exploration drilling program in the Cabinda South Block, Angola - the first onshore drilling for more than 30 years.

Key Points

Financial

- Record Trading Profit of US$87 million, up US$65 million on US$23 million profit for 2006.
- Record Sales Revenue: US$209 million; up 90% on the previous year, due to increased production and strong oil prices.
- Record oil prices realised in 2007; full year average US$70.16/BBL, a 3% discount to Brent.
- Record market capitalisation of A$1,132 million on 26 October 2007.
- Record net cash flow from operations of US$138 million, up US$91 million from 2006; a significant improvement.
- Net Loss after income tax of US$83 million includes significant items relating to hedging derivative expenses of US$69 million and exploration expense of US$89 million, partially offset by a tax benefit of US$21 million due to a change in Chinese tax rate.
- Record EBITDAX (excluding exploration expense) of US$109 million, up US$45 million on US$64 million in 2006.
- Production costs of US$31 million (US$8.64 per barrel), a US$0.89/BOE (9%) improvement on US$9.53/BOE for 2006.
- Amortisation of US$27.98/BOE (US$99 million) in 2007 compared to US$25.71/BOE in 2006.
- The refinancing of ROC's US$137.5 million Bridging Loan Facility was successfully completed in August 2007, with a new four year US$200 million debt facility. Year end debt of US$133 million (US$138 million for 2006), partially offset by cash assets of US$41 million (US$48 million for 2006).

Corporate

- Two long standing Directors, Mr Richard Burgess and Mr Ross Dobinson, retired from the Board and three new Directors were appointed: Mr Bruce Clement, the Company's Chief Operating Officer, Mr Dennis Paterson, President, Roc Oil (China) Company, based in Beijing, and Dr Doug Schwebel. Messrs Clement and Paterson are Executive Directors. Mr Burgess has been appointed as an Advisor to ROC and he will therefore retain a close association with the Company.
- ROC farmed into WA-381-P and WA-382-P in the Vlaming Sub-Basin, offshore Perth, acquiring an initial 20% operated interest in the two permits and an option to fund further work programs which would increase ROC's interest to a maximum of 80%.
- The US$695,000 sale of ROC's 100% interest in the onshore UK PEDL005 licence, including the Keddington Oil Field, to Egdon Resources PLC, was completed on 12 March 2007.
- Consistent with a Farm-in Agreement signed in 2003, Dana Petroleum (E&P) Limited's assignment of 3% interest in Block 8, offshore Mauritania, to ROC was concluded on 15 January 2007. This takes ROC's total equity in Block 8 from 2% to 5%.
- ROC entered East Africa for the first time when the Government of the Republic of Madagascar awarded the Company a 75% interest in and operatorship of the Block Belo Profond in the deepwater Mozambique Channel between Madagascar and the East African mainland.
- The Government of the Republic of Equatorial Guinea extended the term of the PSC for Block H/15 and Block H/16 to 3 February 2009.

Health, Safety, Environment & Community ("HSE&C")

A number of specific HSE&C milestones were achieved during the year including:

- the second consecutive field season for on-the-ground seismic activity, onshore Angola, with no Lost Time Injuries ("LTIs"). This brings the total man-days worked without an LTI to approximately 108,000;
- two years of production operations at the Cliff Head Oil Field, offshore Western Australia, without an LTI;
- two years of production and drilling operations at the C and D Oil Fields and, in 2H 2007, onshore and offshore construction and installation activities associated with the C4 Oil Field and other development activities in the Zhao Dong Block in the Bohai Bay, offshore China, without an LTI; and
- another full year of diverse drilling operations in various parts of the world without an LTI.

These achievements are all the more remarkable given the geographical diversity of the Company's operations and the challenging nature of the environments in which the Company is actively exploring, developing and producing, from onshore Angola to offshore China.

To achieve zero LTIs with a workforce that peaked during the year at about 700, including consultants, contractors and sub-contractors, is a credit to all involved.

These statistics have been hard won. That means that they are very much appreciated by everybody associated with the Company, not least of which are the family and friends of ROC's employees, who remained safe and healthy during a very busy year.

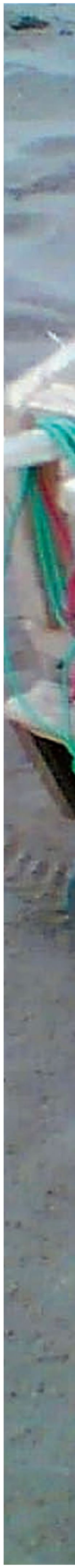
The Company recognises the need to mitigate the potential impact of greenhouse gas emissions on the climate. The Company has adopted internationally recognised greenhouse accounting methodologies to measure our greenhouse gas footprint and we are dedicated to driving energy efficiency and improving resource use in our design and operating practices.

The relationship with the local community in Cabinda, onshore Angola, continues to develop well some three years after ROC first started working on the ground. The quality of the relationship is seen on both a micro and a macro level. During the year, major advances were made with regard to local production and sale of food.

Donations by ROC and its co-venturers to local communities came full circle when local growers, working with tractors donated by the joint venture, started selling fruit and vegetables to the company supplying catering services to the operations. It is hoped that this will develop into a sustainable business for the local communities, and will be a pattern to be followed in the future. Several roads were established or improved and were handed over to the local administration at the end of the seismic survey, thereby providing enhanced infrastructure for remote communities.

The ROC model at Cliff Head in Western Australia has been to recruit skilled personnel without oil field experience and provide high quality, industry-specific, training. Not only does this approach reduce manning costs but it also provides entry level access to the oil industry for local skilled labour. During the current resource boom in Western Australia, there is, of course, always some leakage of trained personnel to higher paid jobs which are 100% offshore. Despite these competitive pressures, the Cliff Head Operations Team has maintained the highest standards of HSE&C and the statistics are there for all to see. During the year, various entities, including African government representatives, did exactly that – they came and saw the HSE&C success that is Cliff Head.

Last year's Annual Report stated that: "When all seems to be going well with HSE&C, that is the time to worry. Worry most when nothing has gone wrong in the recent past". Given ROC's continuing excellent HSE&C record, the entire company needs to keep worrying about what can go wrong and to remain more focused than ever on HSE&C because past performance has never been a guarantee of future success.



Right: The impact of an oil company's operations on a community not normally exposed to such activities can take many forms. In Cabinda, onshore Angola, this wooden model of a seismic truck was built by one of the local children who would have seen ROC's seismic operations, during the last three years.

Portfolio & Activities

ROC's 2007 Drilling Summary

Country	Well Name	Field/ Prospect	ROC Acreage	Environment	Well Type	Spud Date	Rig Release	Measured Depth (m)	Result	Status	ROC Working Interest (%)	ROC Contributing Interest (%)	Operator
CHINA	ZD-C35(P)	C	Zhao Dong Block	Offshore	Dev	10 Apr 07	4 Jul 07	2,680	Oil	C	24.5	24.5	ROC
	ZD-D33(P)	D	Zhao Dong Block	Offshore	Dev	11 Apr 07	5 Aug 07	3,184	Dry	P&A	24.5	24.5	ROC
	ZD-D15(P)	D	Zhao Dong Block	Offshore	Dev	27 Apr 07	1 May 07	2,050	Oil	C	24.5	24.5	ROC
	ZD-C33(P)	C	Zhao Dong Block	Offshore	Dev	1 May 07	14 Jun 07	1,708	Oil	C	24.5	24.5	ROC
	ZD-D36(P)	D	Zhao Dong Block	Offshore	Dev	1 May 07	17 Jun 07	2,281	Oil	C	24.5	24.5	ROC
	ZD-C34(I)	C	Zhao Dong Block	Offshore	Dev	28 Jul 07	2 Aug 07	1,697	Water Injector	P&A	24.5	24.5	ROC
	ZD-D23(P)	D	Zhao Dong Block	Offshore	Dev	6 Aug 07	20 Aug 07	2,502	Oil	C	24.5	24.5	ROC
	ZD-D40(P)	D	Zhao Dong Block	Offshore	Dev	22 Aug 07	11 Sep 07	2,790	Oil	C	24.5	24.5	ROC
	ZD-D33 ST2(P)	D	Zhao Dong Block	Offshore	Dev	1 Sep 07	18 Sep 07	3,185	Oil	C	24.5	24.5	ROC
	ZD-C31(P)	C	Zhao Dong Block	Offshore	Dev	18 Sep 07	8 Oct 07	2,436	Oil	C	24.5	24.5	ROC
	ZD-C35 ST3(P)	C	Zhao Dong Block	Offshore	Dev	10 Oct 07	20 Nov 07	3,005	Oil	C	24.5	24.5	ROC
	ZD-C37(P)	C	Zhao Dong Block	Offshore	Dev	3 Nov 07	25 Nov 07	2,151	Oil	C	24.5	24.5	ROC
	ZD-C36(I)	C	Zhao Dong Block	Offshore	Dev	28 Nov 07	3 Dec 07	1,265	Water Injector	S	24.5	24.5	ROC
AUSTRALIA	Jingemia-11	Jingemia	L14	Onshore	Dev	28 Feb 07	21 Mar 07	2,614	Oil	C	0.25	0.25	Origin
	Frankland-1	Frankland	WA-286-P	Offshore	Exp	6 Apr 07	9 May 07	2,340	Gas	P&A	37.5	37.5	ROC
	Perseverance-1	Perseverance	WA-325-P	Offshore	Exp	11 May 07	28 May 07	1,774	Gas	P&A	37.5	37.5	ROC
	Dunsborough-1	Dunsborough	WA-286-P	Offshore	Exp	31 May 07	17 Jun 07	1,755	Oil & Gas	P&A	37.5	37.5	ROC
ANGOLA	Massambala-1	Prospect 122A	Cabinda South Block	Onshore	Exp	9 Jun 07	7 Aug 07	2,192	Oil	PB	60.0	75.0	ROC
	Massambala-1 CH1 & CH2	Prospect 122A	Cabinda South Block	Onshore	App	7 Aug 07	28 Aug 07	491	Oil	P&S	60.0	75.0	ROC
	Soja-1	Prospect 123B	Cabinda South Block	Onshore	Exp	25 Aug 07	30 Oct 07	2,862	Dry	P&A	60.0	75.0	ROC
	Cevada-1	Prospect 124A	Cabinda South Block	Onshore	Exp	11 Sep 07	11 Oct 07	1,358	Dry	P&A	60.0	75.0	ROC
	Milho-1	Milho	Cabinda South Block	Onshore	Exp	24 Nov 07	In progress as at 29 February 2008				60.0	75.0	ROC

ROC's 2008 Drilling Summary (to 29 February 2008)

Country	Well Name	Field/ Prospect	ROC Acreage	Environment	Well Type	Spud Date	Rig Release	Measured Depth (m)	Result	Status	ROC Working Interest (%)	ROC Contributing Interest (%)	Operator
CHINA	Wei 6-12W-1	Wei 6-12 West	Beibu Block 22/12	Offshore	Exp	1 Jan 08	11 Feb 08	2,333	Dry	P&A	40.0	40.0	ROC
	Wei 6-12E-1/-1A	Wei 6-12 East	Beibu Block 22/12	Offshore	Exp	12 Feb 08	In progress as at 29 February 2008				40.0	40.0	ROC
AUSTRALIA	Lilac-1	Lilac	WA-286-P	Offshore	Exp	3 Feb 08	11 Feb 08	1,455	Dry	P&A	37.5	37.5	ROC
	Frankland-2	Frankland	WA-286-P	Offshore	App	12 Feb 08	In progress as at 29 February 2008				37.5	37.5	ROC
MAURITANIA	Khop-1	Khop	Area C/ Block 6	Offshore	Exp	17 Feb 08	In progress as at 29 February 2008				5.0	5.0	Petronas

App Appraisal Well | **C** Completed | **Dev** Development Well | **Exp** Exploration Well
P&A Plugged and Abandoned | **PB** Plugged Back | **P&S** Plugged and Suspended | **S** Suspended

ROC's Working Interests (to 29 February 2008)

Country	Block	Field/ Discovery	ROC's Working Interest (%)	Gross Area (sq km)	ROC's Net Area (sq km)	Agreement Type	Operator
AUSTRALIA	WA-286-P	Frankland, Dunsborough	37.5	6,618.4	2,481.9	Exploration	Roc Oil (WA) Pty Limited
	WA-31-L	Cliff Head	37.5	72.3	27.1	Production Licence	Roc Oil (WA) Pty Limited
	WA-12-PL (Offshore - Commonwealth)		37.5			Pipeline Licence	Roc Oil (WA) Pty Limited
	TPL/18 (Offshore - State)		37.5			Pipeline Licence	Roc Oil (WA) Pty Limited
	PL70 (Onshore - State)		37.5			Pipeline Licence	Roc Oil (WA) Pty Limited
	TP/15		20.0	647.2	129.4	Exploration	Roc Oil (WA) Pty Limited
	WA-351-P		20.0	3,773.4	754.7	Exploration	BHP Billiton Petroleum Pty Limited
	WA-381-P		20.0	2,120.0	424.0	Exploration	Roc Oil (WA) Pty Limited
	WA-382-P		20.0	2,420.0	484.0	Exploration	Roc Oil (WA) Pty Limited
	EP413		0.25	507.0	1.3	Exploration	Origin Energy Developments Pty Ltd
	L14	Jingemia	0.25	39.7	0.1	Production Licence	Origin Energy Developments Pty Ltd
	SUB-TOTAL AUSTRALIA [1]			**16,198.0**	**4,302.5**		
AFRICA							
EQUATORIAL GUINEA	H/15 & H/16		18.75	991.0	185.8	PSC	Roc Oil (Equatorial Guinea) Company (Technical Operator)
MAURITANIA	Area A, Block 3 and Shallow Blocks 4 & 5	Banda	4.155	6,970.0	289.6	PSC	PC Mauritania I Pty Ltd
	Area B, Deepwater Blocks 4 & 5 [2]	Tiof, Tiof West, Tevet	3.693	8,028.0	296.5	PSC	PC Mauritania I Pty Ltd
	Chinguetti EEA, Area B [3]	Chinguetti	3.25	included above		PSC	PC Mauritania I Pty Ltd
	Area C, Block 2 [4]		5.49	4,979.0	273.3	PSC	Tullow Mauritania Limited
	Area C, Block 6		5.0	3,853.6	192.7	PSC	PC Mauritania I Pty Ltd
	Block 1		2.0	3,936.0	78.7	PSC	Dana Petroleum (E&P) Limited
	Block 7	Pelican	4.95	6,680.0	330.7	PSC	Dana Petroleum (E&P) Limited
	Block 8		5.0	11,812.5	590.6	PSC	Dana Petroleum (E&P) Limited
	Sub-Total Mauritania			**46,259.1**	**2,052.1**		
ANGOLA	Onshore Cabinda South Block [5]	Massambala	60.0	1,073.0	643.8	PSA	Roc Oil (Cabinda) Company
MADAGASCAR	Block Belo Profond		75.0	13,770.0	10,327.5	PSC	Roc Oil (Madagascar) Pty Limited
	SUB-TOTAL AFRICA			**62,093.1**	**13,209.2**		
CHINA	Beibu Gulf Block 22/12	12-8, 6-12, 6-12 South	40.0	364.0	145.6	PC	Roc Oil (China) Company
	Zhao Dong Block, Bohai Bay	C, D	24.5	27.3	6.7	PSC	Roc Oil (Bohai) Company
		C4	11.575	included above			
		Exploration	50.0	included above			
	SUB-TOTAL CHINA			**391.3**	**152.3**		
UK							
ONSHORE	PEDL002 [6]		5.0	240.3	12.0	Licence	Star Energy (East Midlands) Ltd
	PEDL030		100.0	213.7	213.7	Licence	Roc Oil (GB) Limited
	Sub-Total Onshore UK			**454.0**	**225.7**		
NORTH SEA	P111, Block 30/3a (Upper)		15.24	46.6	7.1	Licence	Talisman Energy (UK) Limited
	Blane Field, P111, Block 30/3a (Upper)	Blane	12.5	included above		Licence (Unitised)	Talisman Energy (UK) Limited
	P219, Block16/13a & e	J1	15.0	39.6	5.9	Licence	Talisman North Sea Limited
	Enoch Field, P219, Block 16/13a	Enoch	12.0	included above		Licence (Unitised)	Talisman North Sea Limited
	Sub-Total Offshore UK			**86.2**	**13.0**		
	SUB-TOTAL UK			**540.2**	**238.7**		
TOTAL ROC ASSETS				**79,222.6**	**17,902.7**		

Notes:
ROC has a 0.1057% net profit interest in P240 (Block 16/22a and Block 16/22b), UK North Sea.
ROC has a 1% royalty over gross production in P1036, P1037, P1038 and P1126 (Blocks 30/24d, 30/24c, 30/24a and 30/29b), UK North Sea.

PSC Production Sharing Contract
PSA Production Sharing Agreement
PC Petroleum Contract

(1) Excludes WA-325-P and WA-327-P which were surrendered 23 July 2007, pending formal government approval.
(2) Area to be finalised pending government approval of 25% area to be relinquished from 21 July 2006.
(3) Area to be finalised, dependent on final PSC B area.
(4) Transfer of operatorship pending formal government approval.
(5) 75% contributing interest.
(6) Free carried interest.

ROC's 2007 Seismic Acquisition Summary

Country	Survey	ROC Acreage	Environment	Type	Start Date	Finish Date	Area Acquired (sq km)	ROC's Equity (%)	Operator
MAURITANIA	Chinguetti HD3D & 4D	PSC Area B	Offshore	High Resolution 3D and 4D	10 Mar 07	7 April 07	213	3.25	Woodside*
	Tiof HD3D	PSC Area B	Offshore	High Resolution 3D	3 Apr 07	16 Apr 07	355	3.693	Woodside*
ANGOLA	Angola 2007 3D	Cabinda South Block	Onshore	3D	10 Jul 07	8 Sep 07	202	75	ROC

* Petronas acquired Woodside's Interest and Operatorship on 25 December 2007.

ROC's 2008 Seismic Acquisition Summary (to 29 February 2008)

Country	Survey	ROC Acreage	Environment	Type	Start Date	Finish Date	Area Acquired (sq km)	ROC's Equity (%)	Operator
AUSTRALIA	Diana 3D MSS	WA-286-P	Offshore	3D	4 Jan 08	12 Feb 08	546	37.5	ROC

Australia

ROC's activities in Australia run across the entire spectrum from frontier exploration to established production. Interestingly, what is now established was at one stage frontier exploration acreage. Hopefully, the current frontier exploration areas will evolve into established production in the future.

The journey that Cliff Head has made since its discovery at the end of 2001 is a fine example of the tenacity of a joint venture composed predominantly of Australian companies that were small at the time and are now regarded as mid-cap.

When Cliff Head paid out its capital costs within 18 months of first oil being produced, it became an encouraging example of what can be achieved with lateral thought, dogged perseverance - and high oil prices.

During 2007, the Cliff Head Oil Field produced 3.2 MMBO without incident. The field's exemplary HSE&C record is detailed elsewhere in this report. Production operations proceeded smoothly during 2007 with only 12 hours of unplanned facilities down time.

As part of the Cliff Head development, ROC established an offshore operating base at Dongara with commensurate benefits for the local community. Despite the global squeeze on oil field resources, in particular personnel, ROC has successfully recruited operations staff from the local community and continues to build on its excellent relationship with the local crayfishing industry.

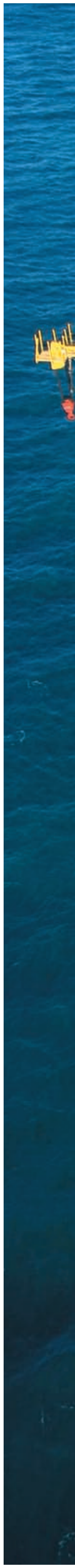
The exploration potential of the area around the Cliff Head Oil Field has been investigated on a fairly consistent basis since the field was discovered. Up until the commencement of the 2007 drilling program, seven exploration wells had been drilled subsequent to the Cliff Head discovery and no fields had been found.

This run of dry holes was broken in a statistically spectacular manner in 2007 when all three exploration wells drilled in the offshore Perth Basin on trend from Cliff Head, discovered oil and/or gas. While one of these wells, Perseverance-1, is clearly uncommercial because of high carbon dioxide content, the other two discoveries, Frankland-1 (gas) and Dunsborough-1 (oil and gas), may prove to be commercial, subject to further appraisal. With a tentatively estimated combined recoverable resource in the order of 5 to 9 MMBOE (net to ROC's 37.5%), neither the Frankland nor the Dunsborough discoveries is of company-changing size. However, there are a number of undrilled prospects in the general vicinity of Cliff Head, Frankland and Dunsborough so the potential of the region could be material to ROC.

Apart from the northern portion of the offshore Perth Basin around Cliff Head, ROC is also active in two other parts of Australia, both offshore Western Australia.

With 20% of WA-351-P, ROC is a participant in a permit which is adjacent to an area which attracted a record work program bid from the large US independent Amerada Hess, which is believed to be targeting the Triassic gas potential of the region. During 2007, the BHP Billiton-led WA-351-P Joint Venture focused its attention on the same potential as highlighted by geophysical anomalies in the eastern part of the permit. Subject to further joint venture discussion and the availability of seismic vessels, it is likely that ROC and its co-venturers will acquire 3D seismic in 2008 or 2009 in order to better assess the prospectivity of this area which, if nothing else, will develop a higher profile with the commencement of large-scale drilling activity in the neighbouring permit which is reportedly expected to take place in late-2008/2009.

The third area where ROC is actively exploring offshore Australia is in the Vlaming Sub-Basin, which is a part of the southern portion of the offshore Perth Basin, immediately offshore from the cities of Perth and Fremantle. This is a new venture that ROC consummated during 2007; as such, it is covered in slightly more detail in that part of the Annual Report.



Right: The discovery, appraisal and development of Cliff Head, together with its now well established day-to-day production activities, are a testimony to the tenacity of a joint venture that is composed predominantly of mid-cap Australian oil companies, determined to establish the first commercial oil production in the offshore Perth Basin. Within 18 months of first oil being produced at Cliff Head, the project had paid out its capital costs and still had two-thirds of its proven and probable recoverable reserves yet to be produced.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China

Zhao Dong Block, Bohai Bay

In early 2007, the Zhao Dong Joint Venture and relevant government authorities in China provided a number of key approvals relating to ROC's operations in Bohai Bay. Approvals received covered a number of activities which represent more than US$500 million gross of planned development expenditure relating to the expansion of existing facilities, the installation of new facilities and the drilling of more than 120 development wells between 2007 and 2011.

Specifically:

- the US$373 million Incremental Development Plan ("IDP") for the C and D Oil Fields was approved;
- the US$169 million 2007 Work Program and Budget for the C and D Oil Fields was approved, including the drilling of up to 15 wells which represent the first phase of the IDP;
- the US$150 million Unit Development Plan for the C4 Oil Field was approved; and
- as part of the IDP, the undeveloped Extended Reach Area ("ERA"), in the northeastern part of the C Oil Field, will be targeted over the next five years by at least 35 wells.

The approvals set the scene for a very active and productive five year multi-field development growth phase; well beyond the predictive horizon which most mid-sized independents normally contemplate.

During 2007, production from the C and D Oil Fields averaged 19,125 BOPD (ROC net 4,685 BOPD). Thirteen development wells (eleven oil producers and two water injectors) were drilled during the year, improving production performance from the fields later in the year, with 4Q production averaging 19,447 BOPD. Development work on the facilities for the IDP and C4 projects was commenced, with the offshore installation of the subsea template and piles for the C4 conductor platform completed. The platform deck is scheduled for installation at the end of 1Q 2008.

During January 2008, the 2P remaining reserves for the C and D Oil Fields were revised down by 2.1 MMBO, largely as a result of reclassification of some probable reserves to the possible category. The reserve change together with an increase in the estimated future costs to fully develop these reserves has resulted in an increase in amortisation expense of US$10/BBL, with an additional US$17 million of accelerated amortisation recorded in 2007.

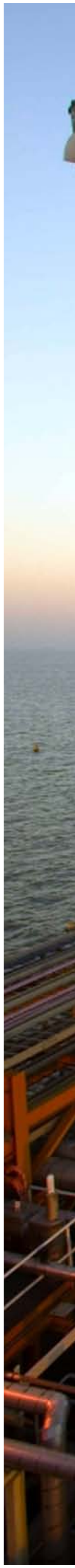
ROC considers the block contains significant upside potential, with 7 MMBO net ROC Possible reserves to be tested with development drilling on the C and D Oil Fields together with drilling in the ERA over the next five years. In addition, the magnitude of the in-place oil resource at Zhao Dong is such that if, over the next 10 years, the overall recovery factor proves to be just a few percent better than that which is currently assumed, the January 2008 reserves revision would be more than offset.

Block 22/12, Beibu Gulf

Although, in contrast to 2006 and 2008, there was no drilling activity in Block 22/12 during 2007, a great deal of work was undertaken with regard to the potential development of the Wei 6-12 South and Wei 6-12 Oil Fields, discovered by the Joint Venture in 2002 and 2006 respectively. Importantly, a reserve report defining a minimum commercial reserve base for these two fields was submitted to and approved by CNOOC, the relevant Chinese state oil company.
During January 2008, the China National Reserves Committee approved the reserves report.

Work on the Feasibility Study and the Development Plan continued with a Final Investment Decision targeted for mid-2008. In addition, the potential commerciality of the Wei 12-8 West Oil Field in the southern part of the Block was also revisited.

In March 2008, a two well exploration drilling program was completed following the drilling of the Wei 6-12W-1 and Wei 6-12E-1 wells, neither of which encountered commercial hydrocarbons. Development planning continues on the Wei 6-12 South and Wei 6-12 Oil Fields, where the Joint Venture considers the 19 MMBO recoverable resource to be well above the minimum commercial threshold for development.



Right: The Zhao Dong Production and Drilling Facilities, Bohai Bay, offshore China.

Africa and Angola

Painting a New Oil Portrait of Africa

In Africa, sound-bite generalisations are often wrong. Some operational themes may have a common thread across the continent but each area offers its own set of lessons for those who wish to learn; each country and every project have their own specifics. However, in one regard, projects in Africa are the same as everywhere else: the details are all important; they make or break projects – validate or repudiate corporate strategies.

During the last decade, a number of African countries, including Sudan, Mauritania and Chad, have moved from no oil production to oil exporter status while others, such as Uganda and Ghana, have seen significant new oil discovered during the last 12 months. Elsewhere in Africa, established producing countries, such as the most recent addition to OPEC, Angola, are rapidly ramping up their oil reserves and production. In Angola's case, billions of new barrels have been found in deep water during the last decade, pushing production towards 2 MMBOPD. Some industry observers estimate that within a few years sub-Saharan Africa will be producing an extra 4 MMBOPD equivalent to twice Iraq's recent output.

No wonder African oil has become "fashionable". However, Africa has been fashionable with resource companies before, so the two big questions are: is this time different and are the differences relevant? On balance, the respective answers seem to be: "probably" and "yes" because there are new forces at work.

Painting the new oil portrait of Africa is an arguably unique mix of major western oil companies, national oil companies and a motley crew of independent explorers. Potentially, each member of this broad corporate spectrum represents a value creation opportunity for their shareholders and the host African governments.

Among the many changing hues on the new African oil portrait is the juxtaposition of host government national oil companies and small, sometimes tiny, independent, publicly-listed explorers. Such relationships can flourish and generate a lot of benefit for both parties – and also for local communities. Major western oil companies are still hugely influential in parts of Africa, but, after many decades of unquestioned dominance theirs is no longer the only large shadow cast across the landscape. Increasingly, African governments and their national oil companies are seeking to broaden their dealings; they are no longer happy to dance exclusively with western companies.

If you take a bunch of small, feisty, highly motivated, junior western oil companies with a happy disregard for preconceived ideas and sprinkle them across the continent, including areas that had been dormant for decades, the scene is set for a catalytic reaction that could benefit all stakeholders: the companies, the governments and the local communities.

Previously, small oil companies found it hard to access technology, people and capital so their contribution to African exploration tended to be more muted: that was then, and this is now, and things have changed.

Some would say that Africa has seen it all before. Perhaps, this is another false dawn. All too often, when viewed through western eyes, the continent, particularly the sub-Saharan region, has been oversimplified and unthinkingly burdened with expectations that were unrealistic both in terms of timeframe and impact. This may prove to be the case this time around. However, there are enough new elements to suggest that things are very different now.

The timely combination of corporate and industry changes referred to above, is capable of delivering on some of the petroleum potential which has previously been attributed to the continent – and even on some potential that has never been recognised previously. Perhaps, this time around, tangible success will not only be thought and talked about but will also be achieved – hopefully, within several to many years, not decades!

Angola

A big year for the Cabinda South Block, onshore Angola. The start of a long awaited drilling program, the first since the early 1970s. During 2H 2007, three wells were drilled and a fourth commenced. The first three wells tested post-salt prospects in full knowledge of the fact that 86% of the oil discovered offshore Cabinda is in the pre-salt section. The selection of post-salt prospects for early drilling was driven by a number of non-technical factors ranging from the availability of the ROC-owned Explorer Rig, which can only drill relatively shallow wells, to the need to complete operations in the coastal plain before the onset of seasonal rains towards the end of the year.

The shallow 200 MMBOOIP Massambala heavy oil discovery was made by the first well in the program and at year end its commercial potential was being reviewed. In early March 2008, the Milho-1 well, the first of four wells to test the pre-salt section in the Block, reached Total Depth. The well confirmed the existence of a world class source rock, in which significant oil and gas shows were encountered and an underlying thick sand interval with oil shows and good reservoir quality.

Another important landmark in Angola was achieved during 2007: the completion of ROC's third consecutive year of seismic activity. Since ROC first started acquiring 2D and 3D seismic onshore Angola in mid-2005, a total of 618 sq km 3D and 722 km 2D has been acquired as a result of more than 125,000 man-days on the ground. Once again the acquisition program was completed without an LTI; a remarkable record given the circumstances.

The first half of 2008 will be an important period for ROC in Angola as the drilling program tests various pre-salt prospects, some of which could have a positively profound impact on the Company if they turn out to be discoveries.

Right: The Simmons Rig 80 drilling the Milho-1 exploration well in the Cabinda South Block. This is the fourth well in ROC's pioneering drilling program and the first to target a pre-salt prospect, onshore Angola, since 1971.


SIMMONS
RIG 80

Mauritania, Equatorial Guinea and UK North Sea

Mauritania

Quiet year. Relatively. Gross production from the Chinguetti Oil Field started the year at 22,000 BOPD and by the end of the year it was about 12,000 BOPD, a fairly ordinary result but one that was broadly in line with forecasts, albeit forecasts that had been reduced the previous year because of the blatant underperformance by the field during 2006. In this sense, production in Mauritania during 2007 was in line with expectations - but only because the expectations had been significantly reduced during the previous year. The infill drilling and remedial work planned for the Chinguetti Oil Field in 2008 may see some degree of improvement in production. In the longer term, a lot of Mauritania's offshore exploration potential remains to be tested and a number of the undeveloped discoveries that have been found in the region over the last several years may yet move towards commercial development. In the short term, however, it will be the in-field drilling at Chinguetti and the drilling of exploration wells such as the very large Khop prospect which is being drilled at the time of writing, that will determine if Mauritania will be able to regain the exciting position it held in the industry's and market's eyes a few years ago.

Equatorial Guinea

The year in Equatorial Guinea started brightly – and then soured quickly. That transition had nothing to do with governments, drilling results or operations but rather reflected advice ROC and its co-venturers received from Pioneer Natural Resources (Equatorial Guinea) Limited ("Pioneer"), a wholly owned subsidiary of Dallas-based Pioneer Natural Resources Limited, Inc, that it did not wish to proceed with drilling of the Aleta-1 well. Pioneer further advised that it did not consider itself bound to fund either its own share of the costs of the well or, as specified in the 2004 Farm-in Agreement, the carried share of the other co-venturers, including ROC.

This action by Pioneer has led to arbitration proceedings which are expected to be completed in 2H 2008.

ROC's attitude to striking deals in the oil business is simple, perhaps even old fashioned: you agree the deal, give your word, sign the documents and then go off and do what you said you would do. Nothing complicated about that.

UK North Sea

It was a big year for ROC in the North Sea. Two new fields came onto production: the Enoch Oil and Gas Field and the Blane Oil Field. Both fields were discovered in the 1980s and both were acquired by ROC as part of a broader transaction in 1999. Given the high oil price and the better than expected performance of the fields, it appears that was a worthwhile acquisition. Because of ROC's view that it is always dangerous, sometimes even potentially misleading, to try to forecast in too much detail initial production rates from new fields, both Blane and Enoch have probably been ascribed relatively low profiles within ROC's broader portfolio. As a result, there may have been something of a "Cinderella" perception attached to these assets since they are not "core" to ROC's global strategy given that the Company does not to want to build a North Sea portfolio. However, the two fields collectively represent 22% of the Company's end-2007 2P reserves and 27% of its end-2007 production. Therefore, their importance should not be underestimated. The outperformance of early production from Blane has been a particular source of satisfaction in the last quarter of the year illustrating, as it does, the advantage of a diverse portfolio of producing assets.

Right: The BP operated Ula platform in the Norwegian sector of the North Sea, with the new receiving facilities for production from the Blane Oil Field.

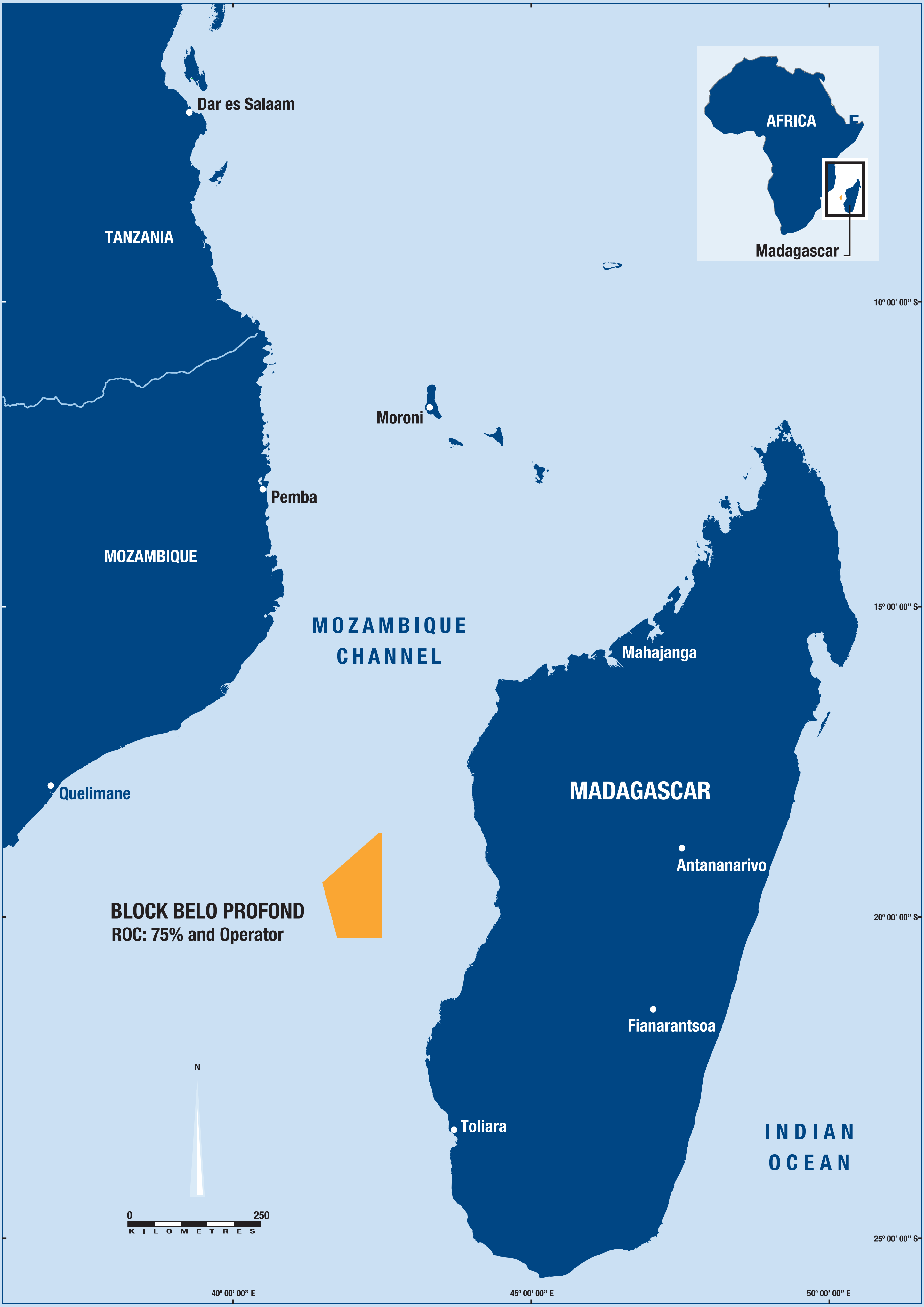

WESTCO

New Ventures

The gestation time for new ventures is often quite long; sometimes the seeds are sown several years ahead of any tangible progress being achieved. ROC has been quietly implementing an East African strategy on this basis for a number of years. In 2007, the first fruits of that strategy were seen when the Government of the Republic of Madagascar awarded ROC a 75% interest in, and operatorship of, the Block Belo Profond, which lies in the deepwater part of the Mozambique Channel between the Republic of Madagascar and the East African mainland. This area covers 13,770 sq km and can be accurately described as “frontier”. Despite the large area, the work program is relatively modest and the timeframe is sensible. During the balance of 2008, ROC hopes that some of the other benefits of its regional East African strategy will also become more apparent.

Another new venture that came to fruition – this time rather quickly – is WA-381-P and WA-382-P in the Vlaming Sub-Basin, in the southern part of the offshore Perth Basin, immediately offshore from the cities of Perth and Fremantle in Western Australia. This is an area which ROC had previously looked at when it was made available for industry application by the relevant government authorities. Fortunately, with the exercise of patience on ROC’s part and the goodwill of the farmors, ROC was able to secure an interest on a more flexible basis than would have been possible via a direct application. The Farm-in comprises a series of options, the first tranche of which requires the Company to spend A$2 million to acquire a 20% interest in the two blocks which collectively cover 4,540 sq km. Ultimately, ROC’s sequential option arrangement allows it to earn up to an 80% interest in each of the two blocks.

For every new venture deal that is done, there are 20 or more that are seriously contemplated but never consummated. In a general sense, new venture activity is not getting any easier as oil prices hug historical highs and many governments around the world understandably ensure that their own requirements are met on a preferential basis. Nevertheless, one of the key maxims of business is just as valid now as it always has been – although their overall form and detailed nature may continually change, there are always lots of opportunities available for companies that are flexible and nimble - and have the critical mass to close a deal.


Dar es Salaam
TANZANIA
MOZAMBIQUE
Moroni
Pemba
Quelimane
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CHANNEL
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MADAGASCAR
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20° 00' 00" S
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Statement of Corporate Governance Practices

ROC is committed to achieving the highest standards of corporate governance. Throughout 2007, the Company has complied with the principles set out in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" ("ASX Recommendations"). Further, the Company has, where possible, made an early transition to the Revised Corporate Governance Council's Principles and Recommendations published in August 2007. Further details of corporate governance matters are available on the Company's website.

Laying Solid Foundations for Management and Oversight

The Board operates in accordance with the Company's Constitution and Board Charter which describe the Board's composition, functions and responsibilities and identify authorities reserved to the Board and those which are delegated to management. A copy of the Board Charter can be obtained from the Company's website.

Structuring the Board to Add Value

Board Composition

As at the date of this report, the Board is comprised of eight Directors, being three Executive Directors and five Non-Executive Directors including the Chairman: Mr A J Love, Mr W G Jephcott, Dr R J P Doran, Mr S J Jansma Jr, Mr A C Jolliffe, Mr D Paterson, Mr B Clement and Dr D A Schwebel. A number of changes were made to the composition of the Board during the reporting period: Mr Burgess, retired 10 May 2007; Mr Dobinson, retired 31 December 2007; Mr Paterson, appointed 23 March 2007; Mr Clement, appointed 1 July 2007; and Dr Schwebel, appointed 1 September 2007. Details of the background, experience and professional skills of each Director are set out in the Directors' Report. Under the Company's Constitution, there must be a minimum of three Directors and a maximum of 12. In addition, a Director (other than the Managing Director) may not retain office for more than three years without submitting to re-election. In effect, one third of Directors in office (with the exclusion of the Chief Executive Officer) retire by rotation at the Annual General Meeting. Those retiring Directors must seek re-election by the shareholders.

The Board usually meets on a monthly basis and, where appropriate, hears presentations from senior management who may be questioned directly by Board members on operational and commercial issues. The Non-Executive Directors also meet on a regular basis independently of the Chief Executive Officer and management. The role of the Chairman and Chief Executive Officer are held by different individuals. The shareholders may, by resolution in general meeting, remove or replace a Director.

Independence of Directors

All Non-Executive Directors of the Company, including the Chairman, are considered independent. The three Executive Directors of the Company are not considered to be independent. The independence of Directors is assessed pursuant to the Company's Policy on Independence of Directors which is based upon the ASX Recommendations and is available on the Company's website. In relation to Director independence, materiality is determined on both a qualitative and quantitative basis. The Company is satisfied that it complies with the ASX Recommendation that the majority of its Directors be independent.

Independent Advice

Directors may, with the approval of the Chairman obtain independent professional advice at the Company's cost, in relation to their position while acting as a Director of the Company.

Remuneration and Nomination Committee

The Board had previously established the Remuneration and Nomination Committee. The Remuneration and Nomination Committee comprises Mr Jephcott (Chairman) and Mr Love. Mr Dobinson retired from this Committee when he retired from the Board and Mr Love has been appointed to the Committee, effective 1 January 2008. It is a policy of the Board that a majority of members of the Remuneration and Nomination Committee be independent Directors. The Committee operates within a Charter which can be found in the Corporate Governance section of the Company's website.

The Committee is responsible for assisting in identifying potential Directors and assisting Directors understand their duties and responsibilities. The Committee also assists the Board in evaluating the performance of executives, Directors and members of Board Committees. The Committee is responsible for reviewing and making recommendations to the Board for the remuneration of the Chief Executive Officer and other key executives. A more detailed description of the process for evaluating the performance of senior executives and the remuneration policy for senior executives is set out in the Remuneration Report.

Promoting Ethical and Responsible Decision Making

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

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

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

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

Conflicts of Interest

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

Safeguarding Integrity in Financial Reporting

During the year, the Board reviewed its board committee structure and established an Audit and Risk Committee. The members of the Committee are Mr Love, Mr Jephcott and Mr Jolliffe.

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

Pursuant to the Charter, the Committee is responsible for assisting the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and the internal and external audit functions. The roles, responsibilities, composition and membership requirements are documented in the Audit and Risk Committee Charter, which may be found on the Company's website.

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

The Chief Executive Officer and Chief Financial Officer have stated in writing to the Board that for the financial year ended 31 December 2007, the financial reports present a materially true and fair view of the Company's financial condition and the operational results are in accordance with relevant accounting standards.

Making Timely and Balanced Disclosure

The Company is committed to open, prompt and regular communication with the market. Under the ASX Listing Rules, the Company has an obligation to inform the market of information that may have a material effect on the price or value of the Company's securities. To meet these obligations, the Board has adopted a Continuous Disclosure Policy which contains policies and procedures designed to ensure accountability at the senior management level for compliance with the disclosure obligations. The Company has also established a Continuous Disclosure Committee which comprises the Chief Executive Officer, the Chief Operating Officer and the Company Secretary. The Company's Continuous Disclosure Policy can be found in the Corporate Governance section of the Company's website.

Respecting the Rights of Shareholders

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

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

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

Recognising and Managing Risk

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

During 2007, the Company engaged KPMG to undertake a review of the Company's risk management framework and to develop a plan to enhance ROC's existing risk management framework and practices. The recommendations of the review are now being incorporated into the Company's business practices.

The Chief Executive Officer and Chief Financial Officer have stated in writing to the Board that, for the financial year ended 31 December 2007, the statements made by them regarding the integrity of the financial statements are founded on a sound system of risk management, internal compliance and control which, in all material respects, implements the policies adopted by the Board and that the risk management and internal compliance and control, to the extent that they relate to financial reporting, are operating effectively and efficiently in all material respects.

Encouraging Enhanced Performance

The Remuneration and Nomination Committee is responsible for ensuring performance evaluation of the Board and key executives and for the implementation of induction procedures for new Board members. The Board has established a Performance Evaluation Process. A performance evaluation for the Board and its members was undertaken during the last reporting period.

The Performance Evaluation Policy can be found in the Corporate Governance section of the Company's website.

Remunerating Fairly and Responsibly

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

Executive remuneration is fixed by the Board and may comprise salary, bonuses and share participation.

Non-executive remuneration comprises fixed remuneration, including superannuation, which is set at a level that reflects the marketplace.

The total fees payable to Directors (including equity-based payments) must not be increased without the prior approval of members at a general meeting.

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

Recognising the Legitimate Interests of Stakeholders

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

The Company has adopted a Code of Conduct to guide Directors and officers in relation to the standards expected of them by the Company. It reflects the Company's commitment to business and corporate ethics and recognition of the interests of shareholders. The Code of Conduct includes the Company's whistleblower policies and procedures. Under that policy, any concerns may be reported to the Chairman of the Audit Committee of the Board, the Company Secretary or the Company's auditors. This Code can also be found on the Company's website.

Directors' Report and the Annual Financial Report

Contents

Directors' Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC'), a listed Australian public company, have pleasure in submitting the Directors' Report for the financial year ended 31 December 2007.

Directors

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

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

Mr Love is Chairman of the Board of ROC, a Fellow of The Institute of Chartered Accountants in Australia and a Senior Partner in the firm of Ferrier Hodgson, Chartered Accountants. Appointed in July 2005, Mr Love is a non-executive director of Babcock & Brown Communities Limited (formerly Primelife Corporation Limited) and since April 2006 has been Deputy Chairman of Riversdale Mining Limited. Mr Love is also a director of the Museum of Contemporary Art. In the prior three years, Mr Love was a director of Principal Real Estate Investors (Aust) Limited.

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

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

Dr R John P Doran *BSc, MSc, PhD, FAICD*
(Executive Director and Chief Executive Officer) - Appointed 14 October 1996

Dr Doran is Chief Executive Officer and the founder Director of ROC. He has more than 30 years' experience in international oil exploration and development characterised by direct involvement with several corporate expansions and/or commercial discoveries and developments in Western Europe, North and West Africa, the Middle East, India, China and Australia.

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

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

Mr Adam C Jolliffe
(Non-Executive Director) - Appointed 27 November 1998

Prior to joining Cargill Financial Markets plc ('Cargill') in 1981, Mr Jolliffe worked for Tenant Trading (Metals) Ltd, a subsidiary of Consolidated Gold Fields trading non-ferrous metals. At Cargill, Mr Jolliffe joined the non-ferrous metals department as Manager - Aluminium Trading, where he was responsible for Eastern and Western Europe, Asia and Africa. In 1986, Mr Jolliffe transferred to Cargill's rubber trading business as the manager of its European, African and Latin American operations. In 1990, he joined Cargill's Financial Trading Division and became the Manager of Western European Equity Trading. Mr Jolliffe resigned from Cargill in November 2003 and is now an independent financial consultant.

Mr Dennis Paterson *BSc, MSc, DIC*
(Executive Director and President, Roc Oil (China) Company) - Appointed 23 March 2007

Mr Paterson joined ROC in October 2006 in the capacity of President of Roc Oil (China) Company and was appointed as an Executive Director effective 23 March 2007. Mr Paterson has more than 30 years of international oil and gas exploration and production experience in diverse areas including the Middle East, Central and South East Asia, Kazakhstan, Europe, North and West Africa. For the four year period prior to joining ROC, Mr Paterson consulted on projects in China, Libya and the Bahamas.

Mr Paterson formed and managed Genting Oil and Gas. Prior to that, he was Managing Director of British Gas Malaysia and Country Manager, British Gas Indonesia. He also worked for British Gas in a variety of senior roles on the super–giant Karachaganak gas condensate field, and Caspi-shelf consortia in Kazakhstan.

Mr Paterson has been a director of a number of small independent oil and gas exploration companies including BPC Limited, Ramco plc and Medusa Oil and Gas.

Mr Bruce F Clement *BSc, BEng (Hons), MBA*
(Executive Director and Chief Operating Officer) - Appointed 1 July 2007

Mr Clement joined ROC in 1997 and held the positions of Commercial Manager, Company Secretary, and Chief Financial Officer before being appointed Chief Operating Officer in 2003. Mr Clement has over 20 years of oil and gas industry experience, including banking sector exposure, having held engineering and project management, commercial and supervisory roles with Exxon Corporation and Ampolex, before joining AIDC Limited (Australian Resource Bank).

Dr Douglas Schwebel *BSc (Hons), PhD*
(Non-Executive Director) - Appointed 1 September 2007

Dr Schwebel was appointed a non-executive director of ROC on 1 September 2007. Prior to joining ROC, Dr Schwebel was Exploration Director of Esso Australia. During his 26 year career with ExxonMobil, Dr Schwebel gained extensive exposure to various petroleum systems and upstream petroleum management practices in Australia, South East Asia and other parts of the world. Positions held by Dr Schwebel while at ExxonMobil included Exploration Advisor in Houston, Production Geology Manager in Sydney; Manager Planning in Melbourne; and International Planning Advisor in New Jersey. Dr Schwebel also represented ExxonMobil on various Australian Government, industry and academic bodies. Dr Schwebel was a director of various ExxonMobil Australian subsidiaries as well as Great Artesian Oil and Gas Limited.

Mr Richard J Burgess *BSc*
(Non-Executive Director) - Appointed 27 May 1997 - Retired 10 May 2007

Mr Burgess is a geologist by training and was previously President and Chief Executive Officer of CMS Nomeco Oil & Gas Co, a North American-based oil and gas exploration and production company. He has extensive exploration experience in North and South America, Australasia, East Asia, West Africa and China. Mr Burgess is also a director of Gasco Energy, Inc and was previously a director of several other oil and gas companies in Australia and the United States.

Mr Ross Dobinson *BBus*
(Non-Executive Director) - Appointed 11 June 1997 - Retired 31 December 2007

Mr Dobinson has an accounting, corporate advisory and investment banking background. Since 1999, Mr Dobinson has been Managing Director of TSL Group Limited, a corporate advisory company specialising in establishing and advising biotechnology companies. Mr Dobinson is also a director of two companies listed on the ASX, Starpharma Holdings Limited and Acrux Limited (Chairman) since 1997 and 1998 respectively. He is also a director of a number of unlisted companies.

Ms Sheree Ford *BA, LLB, GradDip (Resources Law), MBA*
(Company Secretary) - Appointed 10 November 2003

Ms Ford is General Counsel and Company Secretary of ROC. Ms Ford joined the Company in November 2003 and holds Bachelors of Arts and Law, Graduate Diploma of Resources Law and Master of Business Administration from the University of Melbourne. Prior to joining ROC, Ms Ford held positions of Corporate Counsel with Qantas Airways Limited and BHP Billiton Limited. During her 10 years with BHP Billiton Limited, Ms Ford acted as legal advisor on all aspects of the company's petroleum business both in Australia and overseas.

Ms Leanne Nolan *BEc, LLB (Hons), LLM*
(Assistant Company Secretary) - Appointed 29 August 2007

Ms Leanne Nolan is Senior Lawyer and Assistant 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.

Directors' Report

Directors' Meetings

The following table sets out the number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director:

	Directors	Audit Committee	Remuneration and Nomination Committee	Finance and Risk Management Committee	Occupational Health, Safety and Environment Committee
Number of meetings held	10	2	1	3	2
Number of meetings attended					
Mr A J Love	8	2	1	3	N/A
Mr W G Jephcott	9	2	1	3	N/A
Dr R J P Doran	10	N/A	1	N/A	N/A
Mr S J Jansma, Jr	10	N/A	N/A	N/A	2
Mr A C Jolliffe	10	2	N/A	3	N/A
Dr D Schwebel(1)	2	N/A	N/A	N/A	N/A
Mr B F Clement(2)	5	N/A	N/A	N/A	N/A
Mr D Paterson(3)	8	N/A	N/A	N/A	N/A
Mr R J Burgess(4)	4	N/A	N/A	2	N/A
Mr R Dobinson(5)	10	N/A	N/A	N/A	2

(1) Appointed 1 September 2007.
(2) Appointed 1 July 2007.
(3) Appointed 23 March 2007.
(4) Retired 10 May 2007.
(5) Retired 31 December 2007.

Principal Activities

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

Results

The net loss of the consolidated entity for the financial year after income tax was US$83.3 million (2006: US$44.9 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 2007.

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 39 to 4218.

Significant Changes in State of Affairs

There are no other significant changes in the nature of the activities or state of affairs of the consolidated entity.

Subsequent Events

Since the end of the financial year, the significant events referred to in Note 37 to the financial statements have occurred.

Except for the matters referred to in Note 37, there has not been any matter or circumstance that has arisen since the end of the financial year, that has 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, in financial years subsequent to 31 December 2007.

Future Developments

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

Remuneration Report (Audited)

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

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

The Remuneration and Nomination Committee of the Board is responsible for making recommendations to the Board on remuneration policies applicable to Board members and employees of the Company, including compensation arrangements for senior executives, fees for Non-Executive Directors, the Employee Share Option Plan and the Executive Share Option Plan. Senior executive performance reviews and succession planning are also considered by the Remuneration and Nomination Committee.

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

Remuneration packages typically include remuneration and performance-based incentives in the form of executive and/or employee share options.

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

Remuneration of Directors and Specified Executives

Australian and International Financial Reporting Standards and the Corporations Act 2001 require ROC to make certain disclosures for 'Key Management Personnel'. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. In addition, the Corporations Act 2001 requires ROC to make certain disclosures in respect of the five highest paid executives below Board level. In accordance with the above requirements, the remuneration paid to members of ROC's Senior Management Team ('Specified Executives') and Executive Directors in respect of the 2007 financial year is disclosed in this Report.

As outlined in Note 1(v) in the Financial Statements, the Group has changed its reporting currency to US dollars. As a result of this change, the amounts shown in this Report are in US dollars unless otherwise stated. A majority of the Directors and Specified Executives are paid in Australian dollars. As a result, the US dollar amounts shown are affected by foreign currency movements between years. The exchange rate used is calculated in accordance with Australian Accounting Standards as the average for the period. The USD/AUD average rate used for 2007 was 0.8386 (2006: 0.7534).

Directors' Report

Remuneration Report *continued*

Remuneration of Directors and Specified Executives *continued*

The following table sets out the remuneration of Non-Executive Directors:

	Year	Short Term Salary and Fees US$	Short Term Cash Bonus US$	Short Term Non-Monetary Benefits US$	Post Employment Superannuation US$	Equity Compensation Value of Share Options US$	Total US$	Percentage Performance Related %
Non-Executive Directors								
Mr A J Love	**2007**	**75,478**	**–**	**–**	**–**	**–**	**75,478**	**–**
	2006	67,806	–	–	–	–	67,806	–
Mr W G Jephcott	**2007**	**62,898**	**–**	**–**	**5,661**	**–**	**68,559**	**–**
	2006	56,505	–	–	5,085	–	61,590	–
Mr S J Jansma, Jr	**2007**	**37,739**	**–**	**–**	**–**	**–**	**37,739**	**–**
	2006	33,903	–	–	–	–	33,903	–
Mr A C Jolliffe	**2007**	**37,739**	**–**	**–**	**–**	**–**	**37,739**	**–**
	2006	33,903	–	–	–	–	33,903	–
Dr D Schwebel (appointed 1 September 2007)	**2007**	**12,580**	**–**	**–**	**1,132**	**–**	**13,712**	**–**
Mr R J Burgess (retired 10 May 2007)	**2007**	**18,869**	**–**	**–**	**–**	**–**	**18,869**	**–**
	2006	33,903	–	–	–	–	33,903	–
Mr R Dobinson (retired 31 December 2007)	**2007**	**37,739**	**–**	**–**	**3,396**	**–**	**41,135**	**–**
	2006	33,903	–	–	3,051	–	36,954	–
Total Non-Executive Directors	**2007**	**283,042**	**–**	**–**	**10,189**	**–**	**293,231**	**–**
	2006	259,923	–	–	8,136	–	268,059	–

The following table sets out the remuneration for Executive Directors and Specified Executives:

	Year	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Superannuation US$	Value of Share Options US$	Total US$	Percentage Performance Related %
Executive Directors								
Dr R J P Doran Chief Executive Officer	**2007**	**455,246**	**83,864**	**36,600**	**40,972**	**76,169**	**692,851**	**23.1**
	2006	408,974	31,643	22,396	36,807	–	499,820	6.3
Mr B F Clement Chief Operating Officer (appointed 1 July 2007)	**2007**	**385,775**	**–**	**11,916**	**34,720**	**188,694**	**621,105**	**30.4**
	2006	271,234	–	–	24,410	67,016	362,660	18.5
Mr D Paterson(1) General Manager China	**2007**	**1,101,269**	**–**	**138,540**	**69,175**	**129,344**	**1,438,328**	**9.0**
	2006	139,850	–	20,250	26,572	–	186,672	–
Total Executive Directors	**2007**	**1,942,290**	**83,864**	**187,056**	**144,867**	**394,207**	**2,752,284**	**17.4**
	2006	820,058	31,643	42,646	87,789	67,016	1,049,152	9.4

(1) Mr D Paterson was appointed General Manager China on 1 October 2006. He was subsequently appointed a Director on 23 March 2007.

	Year	Short Term: Salary and Fees US$	Short Term: Cash Bonus US$	Short Term: Non-Monetary Benefits US$	Post Employment: Superannuation US$	Equity Compensation: Value of Share Options US$	Total US$	Percentage Performance Related %
Specified Executives								
Ms S Ford General Counsel & Company Secretary	**2007**	**272,558**	**–**	**11,916**	**24,530**	**121,400**	**430,404**	**28.2**
	2006	203,418	–	–	16,247	78,021	297,686	26.2
Dr K Hird General Manager Business Development	**2007**	**393,686**	**–**	**8,104**	**35,428**	**111,254**	**548,472**	**20.3**
	2006	268,736	18,835	–	24,186	48,812	360,569	18.8
Mr J Mebberson General Manager Exploration (appointed 1 January 2007)	**2007**	**232,444**	**12,580**	**8,825**	**20,920**	**42,626**	**317,395**	**17.4**
Mr A Neilson Chief Financial Officer (commenced 1 May 2007)	**2007**	**150,955**	**–**	**–**	**13,586**	**50,780**	**215,321**	**23.6**
Mr C Way General Manager Operations	**2007**	**313,543**	**–**	**–**	**28,219**	**62,737**	**404,499**	**15.5**
	2006	258,416	–	–	23,257	64,315	345,988	18.6
Former Specified Executive								
Mr W Jamieson (resigned as General Manager Exploration 1 January 2007)	**2007**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2006	203,418	–	–	18,308	81,020	302,746	26.8
Total Specified Executives	**2007**	**1,363,186**	**12,580**	**28,845**	**122,683**	**388,797**	**1,916,091**	**21.0**
	2006	933,988	18,835	–	81,998	272,168	1,306,989	22.3
Total	**2007**	**3,588,518**	**96,444**	**215,901**	**277,739**	**783,004**	**4,961,606**	**17.7**
	2006	2,013,969	50,478	42,646	177,923	339,184	2,624,200	14.8

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

Non-Executive Directors' Remuneration

The Company's Constitution specifies that the aggregate remuneration of Non-Executive Directors will be determined by a general meeting. At the Annual General Meeting held in 2005, shareholders approved total remuneration for all Non-Executive Directors of up to US$419,300 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 2007 financial year were a total of US$293,231. Remuneration for Executive and Non-Executive Directors is set out in the table above. No additional fees are paid for sitting on Board Committees. In addition to Directors' fees, Arun Advisers Ltd received US$10,080 for consultancy services regarding the Group's hedging strategy. Mr Adam Jolliffe is a director of Arun Advisers Ltd.

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

Directors' Report

Remuneration Report *continued*

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)	Options
Non-Executive Directors		
Mr A J Love	561,353	–
Mr W G Jephcott	1,117,300	–
Mr S J Jansma, Jr	444,641	–
Mr A C Jolliffe	100,000	–
Dr D Schwebel	30,000	–
Mr R J Burgess (retired 10 May 2007)*	340,400	–
Mr R Dobinson (retired 31 December 2007)*	902,337	–
Executive Directors		
Dr R J P Doran	4,550,001	300,000
Mr B F Clement	80,000	680,000
Mr D Paterson	–	450,000

* At date of retirement.

Executive Directors' and Specified Executives' Remuneration

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

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

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration
  - Short term incentive in the form of cash bonus; and
  - Long term incentive in the form of Executive Share Option Plan

Fixed Remuneration

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

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

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

Service Agreement – D Paterson

In addition to the above terms and conditions applicable to Specified Executives, Mr Dennis Paterson, General Manager, China, (appointed 1 October 2006) was subsequently appointed as Director on 23 March 2007. Mr Paterson is based in Beijing and is responsible for managing ROC's China operations. In recognition of his position in China in addition to receiving his base salary, Mr Paterson receives a location premium equal to 40% of his base salary and a goods and services allowance equal to 25% of his base salary. The Company is also responsible for housing and utility costs in Beijing and payment of local Chinese taxes. In addition to standard leave entitlements, Mr Paterson is entitled to two one week regional leave periods together with business class air fares for Mr Paterson and his spouse and a per diem payment of £300 per day.

Service Agreement - R J P Doran

Dr Doran has been employed as Chief Executive Officer of the Company since 1 January 1997. His current service agreement was signed on 14 March 2000. There is no fixed term to Dr Doran's contract of employment. Under this contract of employment, Dr Doran's remuneration comprises a base salary, other benefits, superannuation and discretionary cash bonuses. His remuneration may also include the issue of options under the Executive Share Option Plan.

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

The Chief Executive Officer's employment contract includes provision for termination by the Company by giving six months' notice in writing. Dr Doran may also terminate the contract at any time by giving six months' notice.

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

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

Details of Dr Doran's remuneration are included in the tables supporting the Remuneration Report.

Variable Remuneration

The Company's Remuneration Policy links remuneration of the Executive Directors and Specified Executives to the Company's performance through participation in the Executive Share Option Plan and award of performance bonuses.

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 grant. Of the options granted to an employee, 50% are performance options and only exercisable if certain share performance benchmarks are met and 50% are price options which require share price performance measures to be met.

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

TSR is the total of:

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

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

Directors' Report

Remuneration Report *continued*

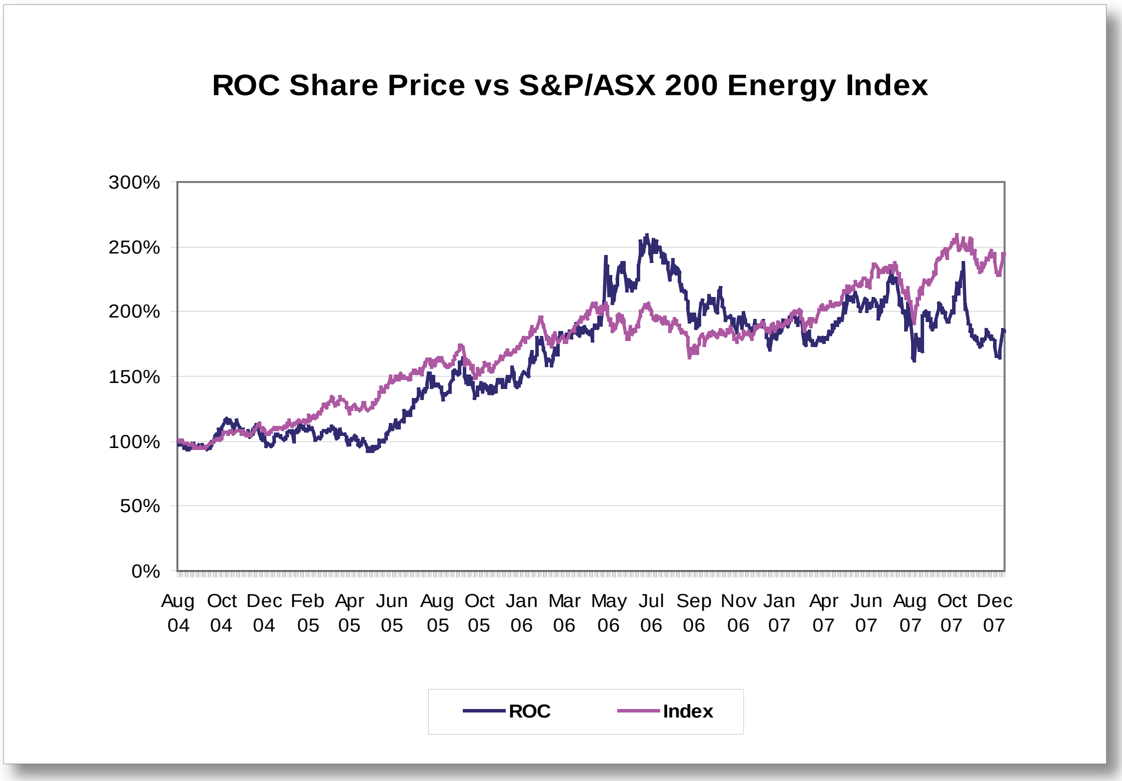
Variable Remuneration *continued*

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

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

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

The graph below shows the performance of the Company's share price compared with the S&P/ASX 200 energy index as detailed below:



Remuneration packages for Executive Directors and Specified Executives may also include performance-based components in the form of cash bonuses. Cash bonuses are generally awarded at the end of each financial year at the discretion of the Remuneration and Nomination Committee and are generally related to an individual's contribution to achievement of particular objectives and/or performance of the Company.

In the case of the Chief Executive Officer, specific goals are set at the commencement of each year and payment of a bonus is assessed against achievement of the specified goals. The goals which are set and reviewed annually relate to the performance objectives and goals of the Company. Details of cash bonuses awarded to the Chief Executive Officer and Specified Executives in 2007 are set out in the remuneration table on page 30 of this Report.

Equity-based Remuneration

In relation to Executive Directors and Specified Executives, details of options granted and vested during the year under the Executive Share Option Plan are set out in the table below:

		GRANTED						VESTED AS AT 31 DEC 2007	
		No.	Grant Date	Weighted Average Fair Value per Option at Grant Date (Note 26) A$	Weighted Average Exercise Price per Option (Note 26) A$	Expiry Date	First Exercise Date	No.	% of Options Held
Executive Directors									
Dr R J P Doran	**2007**	**300,000**	**10 May 07**	**1.34**	**3.43**	**10 May 13**	**10 May 09**	**–**	**–**
	2006	–	–	–	–	–	–	–	–
Mr B F Clement	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**90,000**	**11.8**
	2006	100,000 450,000	7 Mar 06 31 Dec 06	1.15 0.98	2.85 3.59	7 Mar 12 31 Dec 12	7 Mar 08 31 Dec 08	90,000	10.6
Mr D Paterson	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2006	450,000	31 Dec 06	0.98	3.59	31 Dec 12	31 Dec 08	–	–
Specified Executives									
Ms S Ford	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**128,700**	**12.8**
	2006	100,000 171,000	7 Mar 06 31 Dec 06	1.15 0.98	2.85 3.59	7 Mar 12 31 Dec 12	7 Mar 08 31 Dec 08	128,700	18.4
Dr K Hird	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**58,500**	**12.8**
	2006	100,000 219,000	7 Mar 06 31 Dec 06	1.15 0.98	2.85 3.59	7 Mar 12 31 Dec 12	7 Mar 08 31 Dec 08	58,500	11.4
Mr J Mebberson	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**3,000**	**2.0**
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr A Neilson(1)	**2007**	**200,000**	**10 May 07**	**1.34**	**3.43**	**10 May 13**	**10 May 09**	**–**	**–**
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr C Way	**2007**	**–**	**–**	**–**	**–**	**–**	**–**	**111,000**	**30.9**
	2006	50,000 50,000	7 Mar 06 31 Dec 06	1.15 0.98	2.85 3.59	7 Mar 12 31 Dec 12	7 Mar 08 31 Dec 08	111,000	23.6
Former Specified Executive									
Mr W Jamieson(2)	**2007**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2006	100,000 100,000	7 Mar 06 31 Dec 06	1.15 0.98	2.85 3.59	7 Mar 12 31 Dec 12	7 Mar 08 31 Dec 08	120,000	20.0

(1) Mr Neilson commenced as Chief Financial Officer on 1 May 2007.

(2) Served as General Manager Exploration in 2006 but not in 2007.

Directors' Report

Remuneration Report *continued*

Equity-based Remuneration *continued*

Details of the value of options granted to, exercised by (calculated at the date of exercise) and lapsed in relation to Directors and Specified Executives in 2007 as part of remuneration are set out below:

	Value of Options Granted during the Year US$	Value of Options Exercised during the Year US$	Value of Options Lapsed during the Year US$	Total Value of Options Granted, Exercised and Lapsed during the Year US$	Remuneration Consisting of Options for the Year %
Executive Directors					
Dr R J P Doran	337,746	–	–	337,746	11.0
Mr B F Clement	–	123,903	–	123,903	30.4
Mr D Paterson	–	–	–	–	9.0
Specified Executives					
Ms S Ford	–	181,471	–	181,471	28.2
Dr K Hird	–	70,348	–	70,348	20.3
Mr J Mebberson	–	–	–	–	13.4
Mr A Neilson	265,800	–	–	265,800	23.6
Mr C Way	–	–	–	–	15.5

During the financial year the number of shares issued to Directors and Specified Executives as a result of exercise of options is set out in the table below:

		Shares Issued	Weighted Price paid per Share US$	Unpaid per Share US$
Executive Directors				
Mr B F Clement	**2007**	**80,000**	**3.37**	**–**
	2006	90,000	1.71	–
Specified Executives				
Ms S Ford	**2007**	**128,700**	**3.21**	**–**
	2006	128,700	1.69	–
Dr K Hird	**2007**	**58,500**	**2.98**	**–**
	2006	58,500	1.71	–
Mr C Way	**2007**	**–**	**–**	**–**
	2006	111,000	1.49	–
Mr W Jamieson(1)	**2007**	**N/A**	**N/A**	**N/A**
	2006	120,000	1.49	–

(1) Held position of General Manager Exploration in 2006 but not in 2007.

Shares under Option

During or since the end of the financial year, the Company granted a total of 2,354,000 options over unissued ordinary shares of ROC, comprising 2,265,000 options under the Executive Share Option Plan and 89,000 options under the Employee Share Option Plan.

As at the date of this Directors' Report, there were 12,482,700 options, comprising 1,533,600 employee share options and 10,949,100 executive share options granted over unissued ordinary shares of ROC under the Employee Share Option Plan and the Executive Share Option Plan. Refer to Note 26 to the financial statements for further details of options outstanding. During the financial year, 170,800 ordinary shares were issued as a result of exercise of options under the Employee Share Option Plan and 555,200 ordinary shares were issued as a result of exercise of options under the Executive Share Option Plan. Since the end of the financial year, no ordinary shares were issued as a result of exercise of share options and no options have lapsed or been cancelled.

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

Indemnification of Directors and Officers

An indemnity agreement has been entered into between an insurance company and the Directors of the Company named earlier in this Directors' Report and with the full time executive officers, directors and secretaries of all Australian group companies. Under this agreement, 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 contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Rounding

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

Corporate Governance

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

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

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

Further details of the Company's corporate governance practices will be set out in the Corporate Governance Statement in the Annual Report.

Finance and Risk Management

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

Environmental Performance

The consolidated entity is subject to significant environmental regulations under legislation of the Commonwealth of Australia. 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. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the consolidated entity's contracts or licences. 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.

Directors' Report

Corporate Governance *continued*

Auditor and Non-Audit Services

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year. During the financial year, ROC paid its auditor, Ernst & Young, Australia, the following amount for material non-audit services, excluding services for the June 2007 interim review:

- tax compliance US$139,960

The Directors have considered the position and, in accordance with advice received from the Audit 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 Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the professional statement, including reviewing and auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 43.

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

Dr R J P Doran
Director and Chief Executive Officer

Sydney, 27 February 2008

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 2007.

FINANCIAL PERFORMANCE

Change in Functional and Reporting Currency

The Group has undertaken a review of the appropriate currency for preparation of its financial statements and provision of financial information to the market. This review considered, among other things, the international nature of ROC's assets, that the majority of its revenue, expenditures, assets and liabilities are incurred in US dollars and the Company's listing on AIM in the United Kingdom where entities commonly report in US dollars.

As a result of the review, the Group has selected US dollars as its functional and reporting currency. Going forward, the Group's financial information, including these 2007 Financial Statements, will be presented in US dollars, unless otherwise stated.

Income Statement

The Group reported a net loss after income tax of US$83.3 million (2006: net loss US$44.9 million). The Group's trading profit was US$87.4 million (2006: US$22.7 million).

The 2007 result included significant items relating to unrealised hedging losses of US$64.9 million partially offset by change in Chinese tax rate benefit of US$21.4 million. After excluding these significant items, the Group's adjusted net loss was US$39.8 million.

Sales and Production Growth

The Group's overall performance was characterised by production growth with working interest production of 3,528,980 BOE (2006: 1,999,230 BBLs), a 77% increase mainly due to the first full year of production for ROC of both the Zhao Dong C and D Fields, offshore China and the Cliff Head Oil Field, offshore Western Australia. In addition, production commenced during the year from the Enoch Oil and Gas Field and the Blane Oil Field in the North Sea. Of the total working interest production, 194,386 BBLs (5.5%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's production sharing contracts. The Group's production is predominantly oil with 3,484,955 BBLs (99%) being produced during the year.

Oil and gas sales revenue of US$208.0 million (2006: US$114.1 million) was generated from sales volumes of 2,989,133 BOE (2006: 2,091,246 BBLs). This amount is predominantly oil sales of US$207.2 million, which achieved an average realised price of US$70.16/BBL (2006: US$54.57/BBL) before hedging, a discount of US$2.23/BBL (3%) to the Brent oil price average of US$72.39/BBL for 2007.

Operating costs of US$121.1 million (2006: US$87.0 million) included production costs of US$30.5 million (US$8.64/BOE), amortisation costs of US$98.7 million (US$27.98/BOE) and Chinese levies and special taxes of US$6.9 million, partially offset by stock and overlift movement of US$15.1 million.

Exploration Expensed

Exploration and evaluation expenditure of US$94.7 million (2006: US$59.1 million) was incurred during the period, including the drilling of seven exploration wells and one appraisal well and the acquisition of an extensive seismic program in the Cabinda South Block, onshore Angola.

In accordance with the successful efforts accounting policy, US$88.9 million (2006: US$51.8 million) in exploration costs were expensed. The Frankland gas discovery, the Dunsborough oil discovery and Massambala heavy oil discovery were all expensed during the period as they are not considered to be commercial on a stand-alone basis at this time. Further evaluation work on each of these discoveries is planned for 2008.

Financing Costs

During the year, the refinancing of ROC's US$137.5 million bridging loan facility was successfully completed with a new four year US$200 million loan facility which will support future growth opportunities and provide a general working capital facility for the Company.

Financing costs were US$13.0 million (2006: US$10.2 million) for the period. In December 2007, the loan facility was reduced to US$190.0 million, with an amount drawn under the facility being US$135.0 million.

Income Tax

An income tax benefit of US$5.8 million (2006: benefit US$0.1 million) was recognised during the period, with current year income tax of US$29.4 million mainly in relation to taxable income generated by the Zhao Dong and Cliff Head assets offset by a deferred tax credit of US$13.7 million arising mainly from the recognition of tax losses and a deferred tax credit of US$21.4 million arising from the change in Chinese tax rates from 33% to 25%.

Discussion and Analysis of Financial Statements

FINANCIAL PERFORMANCE *continued*

Financial Ratios

Basic loss per share for the year was US27.9 cents based on a weighted average number of fully paid ordinary shares on issue of 298,398,215.

At 31 December 2007, the market capitalisation of the Company was A$924 million, based on a closing share price of A$3.09 per fully paid ordinary shares and 298,887,006 fully paid ordinary shares on issue.

Hedging

Consistent with ROC's oil price hedging strategy, as at 31 December 2007 ROC held Brent oil price swap contracts for 3.2 MMBBL, representing approximately 15% of the Group's proved and probable reserves, at an average price of US$69.66/BBL for the period from January 2008 to December 2011. During the period, 1.6 MMBBL of oil price derivatives were settled, resulting in a cash outflow of US$3.9 million. At the end of the period, the mark-to-market position of ROC's remaining oil price hedge book was a US$58.6 million liability (2006: asset US$15.6 million).

During the year, because of the volatility in the differential between the Brent oil price and the underlying realised oil price of ROC's crude oil sales, it became inappropriate for ROC to hedge account the majority of the Company's oil price derivative contracts under the technical requirements of the Australian Accounting Standards.

ROC has decided to value all its oil price swap hedge book using the mark-to-market value and report the movement in this value in its Income Statement rather than using hedge accounting to report part of its hedge books movements in mark-to-market as changes in equity. As a result, ROC has reported a total hedging and derivative loss of US$68.8 million in its 2007 Income Statement, including a non-cash component of US$64.9 million primarily because of the movement in the mark-to-market value of these contracts caused by the high oil price environment prevailing at year end.

Balance Sheet

During the period, total assets decreased to US$607.1 million (2006: US$749.7 million), total liabilities decreased to US$317.2 million (2006: US$375.6 million), and net assets decreased to US$289.9 million (2006: US$374.1 million).

Oil and gas assets decreased to US$423.5 million (2006: US$456.0 million) during the period, mainly resulting from amortisation and impairment of $98.7 million offset by $57.4 million development expenditure incurred.

Capitalised exploration and evaluation expenditure increased to US$92.7 million (2006: US$87.0 million), mainly due to US$5.5 million capitalised in connection with the drilling of the Milho well in the Cabinda South Block, onshore Angola, where drilling had not been completed at year end.

Trade and other receivables have decreased by US$87.7 million to US$30.2 million, mainly due to settlement of a legal claim as part of the Zhao Dong, China acquisition. This amount was fully offset by a corresponding decrease in provisions of US$88 million to US$1.4 million. The net effect on ROC for this legal claim was nil.

At 31 December 2007, ROC's debt was US$133.3 million (2006: US$137.5 million), offset by cash assets held of US$41.4 million (2006: US$48.0 million).

Cash Flow Statement

Net cash generated from operating activities was US$138.1 million (2006: US$47.0 million) for the period. The funds were primarily used for development expenditure of US$62.3 million and exploration expenditure of US$82.4 million.

OPERATIONAL OVERVIEW

The Group undertook and was involved in a number of significant exploration, development and production activities during the year. In particular, key Chinese Government approvals were granted for the Incremental Development Plan for the Zhao Dong C and D Oil Fields and the Unit Development Plan for the Zhao Dong C4 Oil Field development in the Bohai Bay, offshore China and significant work associated with these projects was completed; the Enoch Oil and Gas Field and the Blane Oil Field developments in the North Sea were successfully completed and commenced production; a three well exploration drilling program in the offshore Perth Basin resulted in three discoveries, two of which may prove to be commercial; the commencement of a multi-well exploration drilling program in onshore Angola resulting in a heavy oil discovery with the first well at Massambala-1; further progress was achieved on the 6-12 South and 6-12 Oil Field development project in Block 22/12, Beibu Gulf, offshore China, which is targeted for a Final Investment Decision during 2008; and ROC further expanded its exploration portfolio with its first entry into East Africa with the award of a 13,700 sq km deepwater block in the Mozambique Channel, offshore Madagascar and with its Farm-in in the Vlaming Sub-Basin, offshore Perth, Australia.

Production and Development

The Group incurred US$30.5 million in production expenditure and US$57.4 million in development expenditure during the year.

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

The Cliff Head Oil Field has performed well during the year with gross production averaging 8,650 BOPD (ROC: 3,244 BOPD). The facilities operated with minimal unscheduled downtime and two coil tubing workovers were successfully completed during the year.

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

Gross production averaged 14,823 BOPD (ROC: 482 BOPD). Development expenditure of US$3.2 million was incurred in relation to the drilling and completion of the Chinguetti-18 development well, which was brought on stream during 1Q 2007, the purchase of long lead items for the phase 2b infill drilling program and acquisition of a high resolution 4D seismic survey over the Chinguetti Oil Field which will be used to assist in planning the second phase 2b infill drilling program due to commence in 2Q 2008.

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

Gross production averaged 19,125 BOPD (ROC: 4,685 BOPD) for the period; which was lower than forecast due to number of factors including, a production constraint imposed in October 2006, by the Chinese Government which was subsequently lifted in February 2007, the delay in commencement of development drilling due to inclement weather, down hole equipment failures and a degree of reservoir complexity. During the 2H second half of 2007, production performance improved, reflecting the positive contribution from a number of development wells drilled later in the year and a number of successful initiatives implemented to improve well and field performance.

Development expenditure of US$21.6 million was incurred during the period mainly associated with the five year Incremental Development Plan ('IDP') for the C and D Oil Fields. The IDP includes the drilling of approximately 100 wells, with 65 wells being drilled from the enhanced and expanded C and D facilities and a further 35 wells drilled from the C4 Oil Field facilities. Work progressed on the construction and installation of a second drilling platform and a second fluid processing and storage facility, both of which will be located adjacent to the existing Zhao Dong platforms.

An evaluation of the 2P remaining reserves at year end 2007 was completed by the Company in early 2008, which resulted in a reduction of 2.1 MMBBL in remaining 2P reserves for the Zhao Dong C and D Oil Fields. An independent review of this work was completed by Resource Investment Strategy Consultants ('RISC') in January 2008.

Zhao Dong C4 Oil Field, Bohai Bay, Offshore China (ROC: 11.58% unitised and Operator)

In February 2007, the Unit Development Plan for the C4 Oil Field was approved which will see the construction of new platform facilities and the drilling of 24 wells over the next five years. The wells will be drilled from two conductor pods while a third, separate pod will also be installed to serve as a pipeline terminal which will be tied back to the existing Zhao Dong platforms via a 4.5 km pipeline. Four development wells are planned to be drilled during 2H 2008, with first oil expected by the end of 2008. In addition, up to eight wells are planned to be drilled into the Extended Lead Area of the C and D Oil Fields.

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

Development expenditure of US$19.9 million was incurred in relation to the construction and commissioning of facilities, completion of development drilling and pipelay works for the flowline to the Ula platform (BP operated). The Blane Oil Field started production on 12 September 2007. Gross production averaged 15,895 BOPD (ROC: 1,985 BOPD) for the period since production commenced.

Enoch Oil and Gas Field, North Sea (ROC: 12.0%)

Development expenditure of US$9.3 million was incurred in relation to the completion and commissioning of Enoch's production and sub-sea tie back to the Brae-A platform (Marathon operated). The Enoch Oil and Gas Field commenced production on 31 May 2007. Gross production averaged 9,165 BOEPD (ROC: 1,100 BOEPD) for the period since production commenced.

Exploration and Appraisal

The Group incurred US$94.7 million in exploration and evaluation expenditure; including drilling seven exploration wells and one appraisal well and acquiring 770 sq km of 3D seismic.

Discussion and Analysis of Financial Statements

OPERATIONAL OVERVIEW *continued*

Exploration and Appraisal *continued*

Cabinda South Block, Onshore Angola (ROC: 60% and Operator)

Exploration expenditure of US$67.8 million was incurred in relation to the acquisition of a 202 sq km 3D survey in the south eastern part of Cabinda South Block and the drilling of four exploration wells and one appraisal well. The first exploration well, Massambala-1, discovered a shallow, heavy oil accumulation which was appraised with a sidetrack cored hole. Further technical work is underway to evaluate the potential for development. The second and third wells in the program, Cevada-1 and Soja-1, were drilled. Although both wells had good hydrocarbon shows, neither was judged to be commercial. The fourth exploration well, Milho-1, the first well to target the pre-salt play, was drilling ahead at year end.

West Africa, Offshore Mauritania (ROC: 2.0%-5.49%)

Exploration expenditure of US$0.8 million was incurred in relation to drilling and seismic planning, Tiof 3D seismic acquisition, seismic reprocessing and the review of potential commercialisation of the Banda and Tiof fields.

East Africa, Block Belo Profond, Offshore Madagascar (ROC: 75% and Operator)

Exploration expenditure of US$2.4 million was incurred in relation to planning for an aeromagnetic survey, geological review and data purchase. In 4Q 2007, work on an Environmental Impact Study was also underway.

Block 22/12, Beibu Gulf, Offshore China (ROC: 40.0% and Operator)

Exploration expenditure of US$5.5 million was incurred in relation to pre-drill activities for a three well exploration/appraisal program, including the mobilisation of a drill rig, which commenced drilling in early January 2008. A reserves report defining a minimum commercial reserves base for the Wei 6-12 South and Wei 6-12 Oil Fields was submitted and approved by CNOOC, the relevant Chinese state oil company. Work on the feasibility study and the Development Plan continues.

WA-351-P, Carnarvon Basin, Offshore Western Australia (ROC: 20.0%)

Exploration expenditure of US$0.1 million was incurred primarily for the 2D seismic reprocessing and preparation for a planned 3D seismic survey to be acquired in 2008.

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

Exploration expenditure of US$11.4 million was incurred mainly in relation to the drilling of two exploration wells, Frankland-1 and Dunsborough-1. Both wells resulted in discoveries and may prove to be commercial, subject to further evaluation currently underway.

WA-325-P and WA-327-P, Perth Basin, Offshore Western Australia (ROC: 37.5% and Operator)

Exploration expenditure of US$4.9 million was incurred primarily in relation to the drilling of the Perseverance-1 exploration well which resulted in a gas discovery that was considered uneconomic due to high CO_2 content. Both permits were surrendered in July 2007, pending formal government approval.

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

ROC farmed into the two permits in September 2007. Expenditure of US$0.1 million was incurred on pre-seismic exploration activity.

Blocks H/15 and H/16, Offshore Equatorial Guinea (ROC: 18.75% and Technical Operator)

Exploration expenditure of US$0.3 million was incurred in relation to well planning and activity focused on securing a rig for the Aleta well. The drilling of the well has been delayed due to arbitration proceedings between Pioneer Natural Resources (Equatorial Guinea) Limited and the other joint venturers, including ROC.

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

In relation to our audit of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner

Sydney, 27 February 2008

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INDEPENDENT AUDIT REPORT TO MEMBERS OF ROC OIL COMPANY LIMITED

We have audited the accompanying financial report of Roc Oil Company Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 29 to 36 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Roc Oil Company Limited and the consolidated entity at 31 December 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
3. the remuneration disclosures that are contained on pages 29 to 36 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

M. Elliott.

Michael Elliott
Partner

Sydney, 27 February 2008

Directors' Declaration

The Directors declare that:

(a) the attached financial statements and notes thereto comply with relevant Australian Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001;

(d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(e) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors:

Mr A J Love
Chairman

Dr R J P Doran
Director and Chief Executive Officer

Sydney, 27 February 2008

Income Statement

For the financial year ended 31 December 2007

		CONSOLIDATED		COMPANY	
	Note	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Sales revenue	*4*	208,513	109,710	–	–
Operating costs	*5*	(121,077)	(86,966)	–	–
Trading profit		**87,436**	**22,744**	**–**	**–**
Other income	*6*	7,294	2,942	681	1,004
Exploration expensed	*7*	(88,948)	(51,791)	(1,097)	(1,774)
Other costs	*8*	(81,787)	(8,729)	(174,935)	(61,015)
Finance costs	*9*	(13,045)	(10,220)	(50)	(43)
Loss before income tax		**(89,050)**	**(45,054)**	**(175,401)**	**(61,828)**
Income tax benefit/(expense)	*10*	5,769	142	875	(733)
Net loss		**(83,281)**	**(44,912)**	**(174,526)**	**(62,561)**
Basic loss per share	*27*	(27.9)	(19.4)		
Diluted loss per share	*27*	(27.9)	(19.4)		

Balance Sheet

As at 31 December 2007

		CONSOLIDATED		COMPANY	
	Note	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Current Assets					
Cash assets	*11*	41,437	47,955	11,804	26,615
Trade and other receivables	*12*	30,210	117,914	7,634	3,080
Derivatives	*13*	–	11,914	–	–
Inventories	*14*	7,156	2,204	–	–
Total current assets		**78,803**	**179,987**	**19,438**	**29,695**
Non-current assets					
Trade and other receivables	*15*	–	–	164,156	296,915
Other financial assets	*16*	–	–	58,566	54,605
Derivatives	*13*	–	9,628	–	–
Oil and gas assets	*17*	423,476	455,928	–	–
Exploration and evaluation expenditure	*18*	92,727	86,937	–	–
Property, plant and equipment	*19*	2,428	2,599	1,591	1,486
Deferred tax assets	*10*	9,630	14,625	4,774	8,506
Total non-current assets		**528,261**	**569,717**	**229,087**	**361,512**
Total assets		**607,064**	**749,704**	**248,525**	**391,207**
Current liabilities					
Bank loans	*20*	–	137,486	–	–
Trade and other payables	*22*	43,128	35,529	1,836	1,717
Current tax liabilities		4,730	5,663	–	–
Derivatives	*13*	58,628	5,972	–	–
Provisions	*23*	1,427	89,609	1,427	1,041
Total current liabilities		**107,913**	**274,259**	**3,263**	**2,758**
Non-current liabilities					
Bank loans	*20*	133,304	–	–	–
Long term liabilities		341	450	341	450
Deferred tax liabilities	*10*	61,924	88,343	–	–
Provisions	*23*	13,708	12,543	780	476
Total non-current liabilities		**209,277**	**101,336**	**1,121**	**926**
Total liabilities		**317,190**	**375,595**	**4,384**	**3,684**
Net assets		**289,874**	**374,109**	**244,141**	**387,523**
Equity					
Share capital	*24*	435,790	434,953	435,790	434,953
Accumulated losses		(187,940)	(104,659)	(266,272)	(91,746)
Other reserves	*25*	42,024	43,815	74,623	44,316
Total equity		**289,874**	**374,109**	**244,141**	**387,523**

Cash Flow Statement

For the financial year ended 31 December 2007

	Note	CONSOLIDATED Inflow/ (Outflow) 2007 US$'000	CONSOLIDATED Inflow/ (Outflow) 2006 US$'000	COMPANY Inflow/ (Outflow) 2007 US$'000	COMPANY Inflow/ (Outflow) 2006 US$'000
Cash flows from operating activities					
Cash generated from operations	*11*	171,616	64,992	(4,529)	(4,487)
Derivatives paid		(3,933)	(6,513)	–	–
Interest received		854	2,360	146	1,028
Finance cost paid		(13,882)	(8,544)	(50)	(43)
Income taxes paid		(16,556)	(5,258)	–	–
Net cash generated from/(used in) operating activities		**138,099**	**47,037**	**(4,433)**	**(3,502)**
Cash flows from investing activities					
Acquisition of controlled entities	*36*	–	(257,314)	–	–
Payments for plant and equipment		(626)	(325)	(626)	(325)
Payments for development expenditure		(62,255)	(86,909)	–	–
Payments for exploration expenditure		(82,363)	(64,940)	(1,112)	(1,775)
Proceeds from sale of assets		695	50	–	–
Net cash used in investing activities		**(144,549)**	**(409,438)**	**(1,738)**	**(2,100)**
Cash flows from financing activities					
Proceeds from share issues		963	231,190	963	231,190
Share issue expenses		(126)	(5,710)	(126)	(5,710)
Bank loan advances		173,000	323,120	–	–
Bank loan repayments		(175,500)	(185,620)	–	–
Reimbursement of funds from entities		–	–	5,407	113,919
Provision of funds to entities		–	–	(15,747)	(317,989)
Loan to associate		(44)	–	–	–
Net cash used in financing activities		**(1,707)**	**362,980**	**(9,503)**	**21,410**
Net (decrease)/increase in cash held		**(8,157)**	**579**	**(15,674)**	**15,808**
Cash at beginning of financial year		47,955	48,700	26,615	17,191
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,639	(1,324)	863	(6,384)
Cash at end of financial year	*11*	**41,437**	**47,955**	**11,804**	**26,615**

Statement of Changes in Equity

For the financial year ended 31 December 2007

	CONSOLIDATED			
	Share Capital US$'000	**Accumulated Losses US$'000**	**Other Reserves US$'000**	**Total US$'000**
Balance at 1 January 2006	209,473	(59,747)	26,131	175,857
Foreign currency translation differences	–	–	(7,405)	(7,405)
Net unrealised gain on cash flow hedges	–	–	18,678	18,678
Tax benefit on cash flow hedges	–	–	977	977
Transfer from cash flow hedge reserve to Income Statement	–	–	4,400	4,400
Total income and expenses for the year recognised directly in equity	**–**	**–**	**16,650**	**16,650**
Net loss	–	(44,912)	–	(44,912)
Total income and expenses for the year	**–**	**(44,912)**	**16,650**	**(28,262)**
Issue of share capital	230,021	–	–	230,021
Share issue costs	(5,710)	–	–	(5,710)
Exercise of share options	1,169	–	–	1,169
Share-based payments	–	–	1,034	1,034
Balance at 31 December 2006	**434,953**	**(104,659)**	**43,815**	**374,109**
Foreign currency translation differences	–	–	8,939	8,939
Net unrealised loss on cash flow hedges	–	–	(12,742)	(12,742)
Tax expense on cash flow hedges	–	–	(531)	(531)
Transfer from cash flow hedge reserve to Income Statement	–	–	(458)	(458)
Total income and expenses for the year recognised directly in equity	**–**	**–**	**(4,792)**	**(4,792)**
Net loss	–	(83,281)	–	(83,281)
Total income and expenses for the year	**–**	**(83,281)**	**(4,792)**	**(88,073)**
Share issue costs	(126)	–	–	(126)
Exercise of share options	963	–	–	963
Share-based payments	–	–	3,001	3,001
Balance at 31 December 2007	**435,790**	**(187,940)**	**42,024**	**289,874**

	COMPANY			
	Share Capital US$'000	Accumulated Losses US$'000	Other Reserves US$'000	Total US$'000
Balance at 1 January 2006	209,473	(29,185)	26,637	206,925
Foreign currency translation differences	–	–	16,645	16,645
Net loss	–	(62,561)	–	(62,561)
Issue of share capital	230,021	–	–	230,021
Share issue costs	(5,710)	–	–	(5,710)
Exercise of share options	1,169	–	–	1,169
Share-based payments	–	–	1,034	1,034
Balance at 31 December 2006	**434,953**	**(91,746)**	**44,316**	**387,523**
Net loss	–	(174,526)	–	(174,526)
Foreign currency translation differences	–	–	27,306	27,306
Exercise of share options	963	–	–	963
Share issue costs	(126)	–	–	(126)
Share-based payments	–	–	3,001	3,001
Balance at 31 December 2007	**435,790**	**(266,272)**	**74,623**	**244,141**

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

The financial report is presented in US dollars. All values are rounded to the nearest thousand dollars (US$'000) unless otherwise stated under the option available to the Company under the ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

The financial statements were authorised for issue on 27 February 2008 by the Board.

(b) Statement of compliance

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

Except for the amendments arising from AASB 2007-4: 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments', which the Group has early adopted, 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 annual reporting period ending 31 December 2007. These are not expected to have a material impact except for AASB Interpretation 1003 'Australian Petroleum Resource Rent Tax', under which Petroleum Resource Rent Tax ('PRRT') is defined as income tax and accounted for under Note 1(s). The effective date of the interpretation applies to annual reporting periods ending on or after 30 June 2008. The impact on the Group for 2007 would be to increase the reported loss by US$1.1 million and increase deferred tax liabilities by US$1.1 million.

The Group has adopted AASB 7 'Financial Instruments: Disclosures' and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the Group.

(c) Basis of consolidation

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

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

(d) Oil and gas assets

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

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

(e) Exploration and evaluation expenditure

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

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

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

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

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

(f) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on plant and equipment, including freehold buildings but excluding land. Plant and equipment is depreciated on a straight line basis so as to write down these assets to their estimated residual values over their estimated useful lives to the Group.

The following estimated useful lives are used in the calculation of depreciation:

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

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

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

(g) Oil and gas stock and materials inventory

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

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

(h) Under/overlift

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

(i) Investments

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

(j) Provision for restoration

Provision for restoration is recognised when there is a legal or constructive commitment to do so. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. This asset is subsequently depleted on a unit-of-production basis. Changes in the estimates of commercial reserves or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

The unwinding of the effect of discounting on the restoration provision is included within finance costs.

(k) Cash and cash equivalents

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

(l) Investment in associate companies

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

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

The investment in the associate companies is carried in the consolidated Balance Sheet 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 Income Statement reflects the Group's share of the results of operations of the associate companies.

(m) Trade and other receivables

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

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

(o) Provisions

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

(p) 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 goods and services tax 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.

(q) 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.

(r) Share-based payment transactions

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

There are currently two share option plans in place to provide these benefits:

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

The costs of 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 a Monte Carlo simulation technique.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to market performance.

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

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

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

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

(s) 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 sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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, 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 sheet 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 sheet date.

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

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 consolidation group under Australian taxation law. ROC is the head entity in the tax consolidation group.

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

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

(t) Goods and services tax

Revenue, expenses and assets are recognised net of amounts of goods and services tax ('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 Cash Flow Statement 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.

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

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

Derivatives that do not qualify for hedge accounting

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

Embedded derivatives

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

(v) Foreign currency translation

Functional and presentation currency

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

ROC has selected US dollars as its functional and presentation currency for the following reasons:

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

Transactions and balances

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

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 Income Statement, as part of the gain or loss on sale.

(w) 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.

(x) 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.

Note 2. Significant Accounting Judgements, Estimation and Assumptions

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

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

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

(a) Significant accounting judgements

Exploration and evaluation

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

The carrying amount of exploration and evaluation assets as at 31 December 2007 is US$92.7 million (2006: US$86.9 million).

(b) Significant accounting estimates and assumptions

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

The carrying value of oil and gas assets as at 31 December 2007 is US$423.5 million (2006: US$455.9 million).

Restoration obligations

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

Notes to the Financial Statements

Note 2. Significant Accounting Judgements, Estimation and Assumptions *continued*

(b) Significant accounting estimates and assumptions *continued*

Reserve estimates

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

Note 3. Financial Risk Management Objectives and Policies

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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.

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Six months or less	62,452	44,692	1,836	1,717
Six to 12 months	10,956	149,959	–	–
One to three years(s)	138,081	–	–	–
Three to five years	48,061	–	–	–
	259,550	146,959	1,836	1,717

Ultimate responsibility for liquidity risk management rests with the Board of Directors, 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 through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

Market risk

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 flow is denominated in USD and, as a result, the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash (refer to Note 11) and long term debt obligations, the level of debt (refer to Note 20).

A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit and loss for the year by US$0.9 million (2006: US$0.9 million). This analysis assumes that all other variables remain constant. As a result, the Group's exposure to interest rate risk is minimal.

Commodity price risk

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

These derivatives tend to be priced using benchmarks which correlate as far as possible to the underlying oil revenue (refer to Note 13).

Notes to the Financial Statements

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

At 31 December 2007, the Group had a US$58.6 million derivative liability (2006: US$15.6 million asset) arising from 3.2 MMBBL of oil price swaps which represents approximately 15% of its proved and probable reserves.

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

		Post-Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
		2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Judgement of reasonably possible movements					
Consolidated					
Crude oil price	+US$10/BBL	(29,350)	(7,654)	–	(21,483)
Crude oil price	-US$10/BBL	29,350	8,140	–	20,997

During the year, ROC discontinued using hedge accounting and accordingly the movement in the mark-to-market of the hedge book has been taken to the Income Statement.

Fair value of financial instruments

The Directors consider that the carrying amount 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 manages its capital (debt plus equity) by maintaining adequate banking facilities and monitoring its future rolling cash flows.

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Note 4. Sales Revenue				
Oil	207,238	114,110	–	–
Gas	817	–	–	–
Hedging gain/(loss)	458	(4,400)	–	–
	208,513	**109,710**	**–**	**–**
Note 5. Operating Costs				
Production costs	30,497	19,044	–	–
Amortisation and impairment	98,730	51,404	–	–
Movement in stock and (under)/overlift	(15,059)	13,539	–	–
Other	6,909	2,979	–	–
	121,077	**86,966**	**–**	**–**

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000

Note 6. Other Income

Interest income: external	1,314	2,300	681	1,004
Profit from sale of assets	1,096	–	–	–
Rental income	4,767	–	–	–
Bad debts recovered	–	109	–	–
Net derivative gains	–	490	–	–
Other	117	43	–	–
	7,294	**2,942**	**681**	**1,004**

Note 7. Exploration Expensed

Angola	62,361	26,265	–	–
Australia	16,885	7,616	–	–
China	5,006	1,479	–	–
Equatorial Guinea	300	181	–	–
Mauritania	832	7,859	–	–
Madagascar	2,353	–	–	–
United Kingdom	114	6,576	–	–
Other	1,097	1,815	1,097	1,774
	88,948	**51,791**	**1,097**	**1,774**

Note 8. Other Costs

Operating lease expenses	979	818	906	716
Loss from sale of assets	41	18	4	–
Net foreign currency losses	670	557	14,775	5,980
Depreciation	802	680	622	463
Impairment of non-current intercompany receivables	–	–	151,407	49,015
Other administration costs	7,068	5,622	4,220	3,807
Share-based payments	3,001	1,034	3,001	1,034
Net derivative losses	69,226	–	–	–
	81,787	**8,729**	**174,935**	**61,015**

Note 9. Finance Costs

Interest expensed on bank loans	10,645	7,601	–	–
Unwinding of discount – restoration provision	845	488	–	–
Other finance costs	1,555	2,131	50	43
	13,045	**10,220**	**50**	**43**

Notes to the Financial Statements

Note 10. Income Tax

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
(a) Composition of income tax				
Income tax charge – current period	(29,395)	(11,386)	–	–
Deferred income tax – current period	13,747	11,528	875	(733)
Deferred income tax – change in Chinese tax rates	21,417	–	–	–
Income tax benefit/(expense)	**5,769**	**142**	**875**	**(733)**

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
(b) Amounts (transferred to)/credited directly to equity				
Tax effect on cash flow hedges	(531)	977	–	–

(c) Recognised deferred tax assets and liabilities

Deferred income tax at 31 December relates to the following:

	BALANCE SHEET			
	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
(i) *Deferred tax assets*				
Accelerated depreciation for tax purposes	(45,116)	(43,551)	(404)	(414)
Recognition of tax losses	49,841	51,651	4,368	8,287
Provisions	3,626	5,071	810	633
Derivatives	691	866	–	–
Others	588	588	–	–
Net deferred tax assets	**9,630**	**14,625**	**4,774**	**8,506**
(ii) *Deferred tax liabilities*				
Accelerated depreciation for tax purposes	(63,795)	(88,343)	–	–
Provisions	1,871	–	–	–
Net deferred tax liabilities	**(61,924)**	**(88,343)**	**–**	**–**
Total net deferred tax (liability)/asset	**(52,294)**	**(73,718)**	**4,774**	**8,506**

	2007		2006	
	Provision for Current Income Tax	Deferred Income Tax	Provision for Current Income Tax	Deferred Income Tax
Consolidated				
Opening balance	(5,663)	(73,719)	–	8,511
Charged to income	(29,395)	35,163	(11,386)	11,528
Charged to equity	–	–	–	977
Cash payments	16,556	–	5,258	–
Utilisation of tax losses	13,335	(13,335)	–	–
Foreign exchange gain/(loss)	437	(403)	(6)	614
Acquisition	–	–	471	(95,348)
	(4,730)	**(52,294)**	**(5,663)**	**(73,718)**
Company				
Opening balance	–	8,506	–	11,824
Charged to income	–	875	–	(733)
Charged to equity	–	–	–	–
Cash payments	–	–	–	–
Utilisation of tax losses	–	(5,225)	–	(3,513)
Foreign exchange gain	–	618	–	928
	–	**4,774**	**–**	**8,506**

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
(d) Tax losses				
Tax losses not recognised	56,760	37,792	11,416	9,416

Notes to the Financial Statements

Note 10. Income Tax *continued*

(e) Income tax reconciliation

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

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Loss before income tax	**(89,050)**	**(45,054)**	**(175,401)**	**(61,828)**
Prima facie income tax calculated as 30% of loss before income tax	26,715	13,516	52,620	18,548
Tax effect of adjustments				
Non-deductible expenses	(20,254)	(2,170)	(50,812)	(16,593)
Prior year losses now recognised	4,652	183	–	–
Overseas tax rate differential	924	6,719	–	–
Prior year overprovision	101	337	–	–
Reversal of prior year losses recognised	–	(941)	–	(941)
Change in Chinese tax rate	21,417	–	–	–
Tax losses not brought into account	(27,512)	(17,895)	(1,218)	(1,955)
Other	(274)	393	285	208
Income tax benefit/(expense)	**5,769**	**142**	**875**	**(733)**

(g) Tax consolidation

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

Note 11. Cash Assets

Cash	38,957	36,858	9,324	23,838
Short term deposits	2,480	11,097	2,480	2,777
	41,437	**47,955**	**11,804**	**26,615**

Included in cash assets is US$2,479,885 (2006: US$2,776,939) which is subject to a charge in favour of PC Mauritania I Pty Ltd relating to liabilities arising under the contract for lease of the *Berge Helene* floating production storage and offloading vessel to be used for production from the Chinguetti Oil Field.

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Reconciliation of net loss before tax to net cash flows generated from/(used in) operations				
Net loss before tax	(89,050)	(45,054)	(175,401)	(61,828)
Add/(less) non-cash items				
Amortisation and impairment	98,730	51,404	–	–
Depreciation	802	680	622	462
Impairment of non-current intercompany receivables	–	–	151,407	49,015
Provision for employee benefits	486	362	486	362
Net foreign currency losses	670	557	14,775	5,980
Loss on sale of assets	41	18	4	–
Share-based payments	3,001	1,034	3,001	1,034
Bad debts recovered	–	(109)	–	–
Add/(less) non-operating items				
Loss on derivatives	68,768	3,910	–	–
Interest income	(1,314)	(2,300)	(681)	(1,004)
Financing costs	13,045	10,220	50	43
Exploration expensed and written off	88,948	51,791	1,097	1,774
Changes in net assets and liabilities				
increase in current trade and other receivables	(867)	(15,749)	(4,872)	(1,151)
(Increase)/decrease in materials and inventories	(4,948)	3,844	–	–
(Decrease)/increase in current trade and other payables	(6,696)	4,384	4,983	826
Cash generated from/(used in) operations	**171,616**	**64,992**	**(4,529)**	**(4,487)**

Note 12. Current Trade and Other Receivables

Trade receivables	16,241	19,389	–	1,414
Amount owing by controlled entities	–	–	–	344
Other receivables (see note (a) below)	11,890	98,525	7,634	1,322
Stock underlift	2,079	–	–	–
	30,210	**117,914**	**7,634**	**3,080**

(a) In 2006, Texaco China BV and New XCL-China LLC made separate claims against Roc Oil (Bohai) Company, formerly Apache China Corporation LDC. These claims were recorded as a provision of US$88.6 million offset by a receivable for a corresponding amount as Apache Corporation had indemnified Roc Oil Holdings (Cayman Islands) Company and Roc Oil (Bohai) Company for the liabilities arising in relation to these claims. During the year, the majority of these claims were settled and the Company has offset these amounts.

Notes to the Financial Statements

Note 13. Derivatives

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
At fair value:				
Oil price swaps	(58,628)	14,794	–	–
Oil price puts	–	776	–	–
Net liabilities/(assets)	**(58,628)**	**15,570**	**–**	**–**
Assets – current assets	–	11,914	–	–
– non-current assets	–	9,628	–	–
Total assets	–	21,542	–	–
Liabilities – current liabilities	(58,628)	(5,972)	–	–
Total liabilities	(58,628)	(5,972)	–	–
Total	**(58,628)**	**15,570**	**–**	**–**

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

At 31 December 2007, the Group's oil hedge position was summarised as follows:

		2008	2009	2010	2011	Total
Crude oil price swap contracts						
Volume	(BBLs)	1,177,987	851,998	686,994	455,997	3,172,976
Weighted average Brent oil price	(US$/BBL)	71.40	70.01	68.46	66.31	69.66

During 2007, the Group ceased to apply hedge accounting on all of its derivative instruments. The outcome of this has resulted in movements in equity as disclosed in Note 25 and also movements in the Income Statement, as disclosed in Notes 4, 6 and 8. On this basis, the Group will report a total hedging and derivative loss of US$68.8 million (2006: US$3.9 million) in its Income Statement and a realised cash outflow of US$3.9 million (2006: US$6.5 million).

Note 14. Inventories

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Materials inventory, at cost	68	628	–	–
Oil and gas stock, at cost	7,088	1,576	–	–
	7,156	**2,204**	**–**	**–**

Note 15. Non-Current Trade and Other Receivables

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Amount owing by controlled entities	–	–	446,008	427,360
Less impairment	–	–	(281,852)	(130,445)
	–	**–**	**164,156**	**296,915**

These loans are interest free and at call. During the year an assessment of the recoverable amount was made and an impairment of US$151,407,000 was recorded.

Note 16. Other Non-Current Financial Assets

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Shares in unlisted controlled entities, at cost	–	–	58,566	54,605
Shares in unlisted entities, at cost	–	–	–	–
	–	**–**	**58,566**	**54,605**

Note 17. Oil and Gas Assets

	CONSOLIDATED Producing Assets US$'000	CONSOLIDATED Assets under Development US$'000	CONSOLIDATED Total US$'000	COMPANY Total US$'000
Costs				
Balance at 1 January 2006	414	110,351	110,765	–
Transfer of assets under development to producing assets	95,646	(95,646)	–	–
Acquisition costs	232,752	45,551	278,303	–
Expenditure incurred	47,756	45,836	93,592	–
Increase in restoration asset	3,891	3,020	6,911	–
Exchange gain	7,682	4,690	12,372	–
Transfer from exploration and evaluation expenditure	6,463	–	6,463	–
Costs at 31 December 2006	**394,604**	**113,802**	**508,406**	**–**
Transfer of assets under development to producing assets	68,005	(68,005)	–	–
Expenditure incurred	53,926	3,496	57,422	–
Exchange (loss)	10,565	–	10,565	–
Disposal of assets	(308)	–	(308)	–
Costs at 31 December 2007	**526,792**	**49,293**	**576,085**	**–**
Accumulated amortisation				
Balance at 1 January 2006	(281)	–	(281)	–
Charge for the year	(45,608)	–	(45,608)	–
Impairment of assets[a]	(5,796)	–	(5,796)	–
Exchange gain	(793)	–	(793)	–
Accumulated amortisation at 31 December 2006	(52,478)	–	(52,478)	–
Charge for the year	(81,423)	–	(81,423)	–
Impairment of assets[b]	(17,307)	–	(17,307)	–
Disposal of assets	308	–	308	–
Exchange (loss)	(1,709)	–	(1,709)	–
Accumulated amortisation at 31 December 2007	(152,609)	–	(152,609)	–
Net book value at 31 December 2007	374,183	49,293	423,476	–
Net book value at 31 December 2006	342,126	113,802	455,928	–

(a) This amount is attributable to the carrying value of the Chinguetti Oil Field being greater than the estimated discounted future cash flows using a pre-tax discount rate of 13%. This was as a result of the initial gross 2P reserves being reduced to 52.4 MMBBL, a 57% decrease from the initial assessment of 123 MMBBL.

(b) This amount is attributable to the carrying value of the Zhao Dong Oil Field being greater than the estimated discounted cash flow using a pre-tax discount rate of 14%. This was as a result of the initial net 2P reserves being reduced by 2.1 MMBBL and an increase in the estimated future capital costs. This amount is equivalent to an increased accelerated amortisation charge of US$10.12/BBL.

Notes to the Financial Statements

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Note 18. Exploration and Evaluation Expenditure				
Opening balance	86,937	19,301	–	–
Acquisition costs	–	66,634	–	–
Expenditure incurred	94,734	59,108	1,097	1,774
Exchange gain	4	148	–	–
Transfer to oil and gas assets	–	(6,463)	–	–
Amounts expensed	(88,948)	(51,791)	(1,097)	(1,774)
	92,727	**86,937**	**–**	**–**

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 19. Property, Plant and Equipment				
Costs				
Opening balance	6,930	7,077	4,954	4,321
Expenditure incurred	626	325	626	325
Disposals	(455)	(1,150)	(173)	(44)
Exchange gain	372	678	372	352
Costs at 31 December	**7,473**	**6,930**	**5,779**	**4,954**
Accumulated depreciation				
Opening balance	(4,331)	(4,320)	(3,468)	(2,809)
Charge for the year	(802)	(680)	(622)	(463)
Disposals	355	1,084	169	44
Exchange loss	(267)	(415)	(267)	(240)
Accumulated depreciation at 31 December	**(5,045)**	**(4,331)**	**(4,188)**	**(3,468)**
Net book value	**2,428**	**2,599**	**1,591**	**1,486**

Note 20. Bank Loans

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
(a) Current				
Secured bank loan	–	137,486	–	–
(b) Non-current				
Secured bank loan	133,304	–	–	–
Total	**133,304**	**137,486**	**–**	**–**

(c) Terms and conditions

The four year amortising loan, maturing in August 2011, has been provided by Commonwealth Bank of Australia, BOS International (Australia) Limited and Société Genérale Australia Branch. The loan was used to refinance the 12 month bridging loan facility which was used to fund the Zhao Dong Project in Bohai Bay, offshore China and to provide working capital for the Group.

The interest rate is USD LIBOR plus a fixed margin. The effective interest rate is 6.7% per annum.

(d) Financing facilities available

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

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Total loan facilities:				
Secured bank loan	190,000	167,500	–	–
Facilities used at reporting date:				
Secured bank loan	135,000	137,500	–	–
Facilities unused at reporting date:				
Secured bank loan	55,000	30,000	–	–

(e) Assets pledged as security

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries giving security in relation to the loan facility from Commonwealth Bank of Australia, BOS International (Australia) Limited and Société Genérale Australia Branch. Roc Oil (Finance) Pty Limited has granted charges over all its assets and ROC has granted a featherweight charge in favour of Commonwealth Bank of Australia as security trustee. In addition, the shares of the following ROC subsidiaries have been pledged to CBA Corporate Services (NSW) Pty Ltd, which are the entities that hold the producing assets: Roc Oil (Bohai) Company, Roc Oil (GB) Limited and Roc Oil (WA) Pty Limited. The Net Book Value of Roc Oil (Finance) Limited and the entities in which shares have been pledged is US$224 million.

(f) Interest rate, foreign exchange and liquidity risk

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

(g) Fair value

The fair value of the Group borrowing is US$135,000,000 (2006: US$137,500,000).

Notes to the Financial Statements

Note 21. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2007 %	Ownership and Voting Interest 2006 %
Parent entity			
Roc Oil Company Limited	Australia	100	100
Controlled entities			
Roc Oil (Gobi) Pty Limited	Australia	100	100
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (China) Pty Limited	Australia	100	100
Roc Oil (Madagascar) Pty Limited (formerly Roc Oil (New Zealand) Pty Limited)	Australia	100	100
Roc Oil Australia Holdings Pty Limited	Australia	100	100
Roc Oil International Holdings Pty Limited	Australia	100	100
Elixir Corporation Pty Ltd	Australia	100	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Roc Oil Holdings (Cayman Islands) Company	Cayman Islands	100	100
Roc Oil (Bohai) Company	Cayman Islands	100	100
Roc Oil (China) Company	Cayman Islands	100	100
Roc Oil (Cabinda) Company	Cayman Islands	100	100
Roc Oil (Mauritania) Company	Cayman Islands	100	100
Roc Oil (Casamance) Company	Cayman Islands	100	100
Roc Oil (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Limited	Cayman Islands	100	100
Lacula Oil Company Limited	Cayman Islands	100	100
Roc Oil (Maboque) Company	Cayman Islands	100	100
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (GB Holdings) Limited	United Kingdom	100	100
Roc Oil (GB) Limited	United Kingdom	100	100
Roc Canada Inc	Canada	100	100
Roc Oil (Chinguetti) BV	Netherlands	100	100

Note 22. Current Trade and Other Payables

	CONSOLIDATED 2007 US$'000	CONSOLIDATED 2006 US$'000	COMPANY 2007 US$'000	COMPANY 2006 US$'000
Trade payables	21,257	7,918	391	902
Deferred income	6,289	–	–	–
Accrued liabilities	14,464	19,009	692	579
Amount owing to controlled entities	–	–	600	93
Amount owing to associate companies	965	989	–	–
Stock overlift	–	7,469	–	–
Other	153	144	153	143
	43,128	**35,529**	**1,836**	**1,717**

Note 23. Provisions

	CONSOLIDATED Litigation Claims US$'000	CONSOLIDATED Employee Benefits US$'000	CONSOLIDATED Restoration US$'000	CONSOLIDATED Total US$'000	COMPANY Employee Benefits US$'000	COMPANY Total US$'000
Balance at 1 January 2007	88,568	1,517	12,067	102,152	1,517	1,517
Arising during the year	–	1,164	–	1,164	1,164	1,164
Unwinding of discount	–	–	845	845	–	–
Utilised	(88,568)	(678)	(479)	(89,725)	(678)	(678)
Foreign exchange adjustments	–	204	495	699	204	204
Balance at 31 December 2007	**–**	**2,207**	**12,928**	**15,135**	**2,207**	**2,207**
Current – 2007	–	1,427	–	1,427	1,427	1,427
Non-current – 2007	–	780	12,928	13,708	780	780
Total 2007	**–**	**2,207**	**12,928**	**15,135**	**2,207**	**2,207**
Current – 2006	88,568	1,041	–	89,609	1,041	1,041
Non-current – 2006	–	476	12,067	12,543	476	476
Total 2006	**88,568**	**1,517**	**12,067**	**102,152**	**1,517**	**1,517**

The litigation claims provision relates to the acquisition of Roc Oil (Bohai) Company. Refer to Note 12(a).

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.

Notes to the Financial Statements

Note 24. Share Capital

	2007 Number of Shares	2006 Number of Shares	2007 US$'000	2006 US$'000
Movement in fully paid ordinary shares				
Balance at beginning of financial year	298,161,006	187,912,493	434,953	209,473
Issue of shares pursuant to exercise of options under the share option plans	726,000	1,022,300	837	1,169
Shares issued	–	109,226,213	–	224,311
Balance at end of financial year	**298,887,006**	**298,161,006**	**435,790**	**434,953**

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

The Company has two employee share option plans under which options to subscribe for Company shares have been granted to employees and executives. Refer to Note 26.

Note 25. Other Reserves

CONSOLIDATED

	Foreign Currency Translation Reserve US$'000	Employee Equity Benefit Reserve US$'000	Net Unrealised Oil Price Hedging (Losses)/Gains US$'000	Total US$'000
Balance at 1 January 2006	34,516	1,004	(9,389)	26,131
Share-based payments	–	1,034	–	1,034
Foreign currency translation differences	(7,405)	–	–	(7,405)
Net unrealised gain on cash flow hedges	–	–	18,678	18,678
Tax benefit on cash flow hedges	–	–	977	977
Transfer from cash flow hedge reserve to Income Statement	–	–	4,400	4,400
Balance at 31 December 2006	**27,111**	**2,038**	**14,666**	**43,815**
Share-based payments	–	3,001	–	3,001
Foreign currency translation differences	8,939	–	–	8,939
Net unrealised loss on cash flow hedges	–	–	(12,742)	(12,742)
Tax expensed on cash flow hedges	–	–	(531)	(531)
Transfer from cash flow hedge reserve to Income Statement	–	–	(458)	(458)
Balance at 31 December 2007	**36,050**	**5,039**	**935**	**42,024**

COMPANY

	Foreign Currency Translation Reserve US$'000	Employee Equity Benefit Reserve US$'000	Net Unrealised Oil Price Hedging (Losses)/Gains US$'000	Total US$'000
Balance at 1 January 2006	25,633	1,004	–	26,637
Foreign currency translation differences	16,645	–	–	16,645
Share-based payments	–	1,034	–	1,034
Balance at 31 December 2006	**42,278**	**2,038**	**–**	**44,316**
Foreign currency translation differences	27,306	–	–	27,306
Share-based payments	–	3,001	–	3,001
Balance at 31 December 2007	**69,584**	**5,039**	**–**	**74,623**

Note 26. Employee Benefits

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

The Company has two share option plans, the Employee Share Option Plan and the Executive Share Option Plan, the details of which are as set out below.

Employee Share Option Plan

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

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

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

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

	2007		2006	
	Number of Options	Weighted Average Exercise Price A$	Number of Options	Weighted Average Exercise Price A$
Balance at beginning of financial year	1,800,400	2.80	580,300	1.21
Granted	89,000	3.39	1,532,600	3.05
Exercised	(170,800)	1.32	(249,500)	1.02
Forfeited	(185,000)	3.06	(33,000)	1.51
Lapsed	–	–	(30,000)	0.87
Balance at end of financial year	1,533,600	2.97	1,800,400	2.80
Exercisable	97,000	1.48	212,800	1.33

The weighted average share price for share options exercised in 2007 was A$3.19 (2006: A$3.35).

The range of exercise prices at the end of the financial year is between A$1.48 and A$3.46 with a weighted average remaining contractual life of 3.69 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 weighted average price for sale of shares on the ASX in the 90 days before the grant date. The exercise price for price options is calculated as 115%, 122.5% and 130% of this price respectively over the vesting period.

Notes to the Financial Statements

Note 26. Employee Benefits *continued*

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

	2007		2006	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of financial year	9,607,200	2.83	4,561,000	1.64
Granted	2,265,000	3.51	6,518,000	3.43
Exercised	(555,200)	1.46	(772,800)	1.64
Forfeited	(367,900)	2.47	(699,000)	2.14
Balance at end of financial year	10,949,100	3.05	9,607,200	2.83
Exercisable	767,200	1.58	147,900	1.49

The weighted average share price for share options exercised in 2007 was A$3.22 (2006: A$3.46).

The range of exercise prices at the end of the financial year is between A$4.25 and A$1.35 with a weighted average remaining contractual life of 4.5 years.

Fair value of options

The weighted average fair value of the share options granted during the financial year is A$1.08 per share. Options were valued using the Monte Carlo simulation technique. Under this technique, the share price is randomly simulated under risked neutral conditions and parameters. The simulation is repeated numerous times to produce a distribution of the option payoff at expiry. The option value is taken as the average payoff amounts calculated discounted back to the valuation date. Options carry no voting rights or rights to dividends.

The following are the assumptions made in determining the fair value of the options:

	Issue 20 December 2007	Issue 10 May 2007
Share price	A$2.70	A$3.51
Share price volatility	30%	30%
Energy index volatility	16%	16%
Correlation between energy index and ROC share price	38%	38%
Risk free rate	6.7%	6.2%

As at 31 December 2007, there were a total of 12,482,700 options on issue, comprising 1,533,600 options under the Employee Share Option Plan and 10,949,100 options under the Executive Share Option Plan.

(b) Superannuation plans

During the 2007 financial year, the Company contributed to accumulation type benefit funds administered by fund managers. The funds cover all Australian domiciled employees of the Company. Employee and employer contributions are based on a fixed percentage of cash salary. The current contribution is 9% (2006: 9%) of employee cash remuneration.

(c) Employee benefits expensed

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Salary and wages	12,770	8,620	9,353	7,673
Social security contributions	18	113	–	–
Termination benefits	194	509	26	–
Other benefits	34	86	34	35
Workers' compensation	63	55	63	35
Superannuation	1,118	712	784	608
Share-based payments	3,001	1,034	3,001	1,034
	17,198	**11,129**	**13,261**	**9,385**

Note 27. Earnings per Share

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

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

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

	2007	2006
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic loss per share	298,398,215	231,449,805
Effect of dilution:		
Share options	–	–
Adjusted weighted average number of ordinary shares for diluted loss per share	298,398,215	231,449,805
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted loss per share	–	–
Weighted average number of shares that were not included in the calculation of loss per share as they are anti-dilutive	1,625,587	2,394,393

Notes to the Financial Statements

Note 28. Segment Information

Primary reporting - geographical segments

The Group's risks and returns are affected predominantly by differences in the geographical areas in which it operates; therefore, geographical segments is considered its primary reporting format.

Secondary reporting - business segments

The Group operates predominantly in one business, namely exploration, development and production of hydrocarbons.

Segment accounting policies

Segment accounting policies are the same as the Group's policies.

Composition of each geographical segment

Africa comprises areas of interest in Angola, Equatorial Guinea, Madagascar and Mauritania.

	United Kingdom US$'000	Australia US$'000	China US$'000	Africa US$'000	Unallocated US$'000	Total US$'000
For the financial year ended 31 December 2007						
Sales revenue	28,351	79,821	91,656	8,685	–	208,513
Segment result						
Profit/(loss) before income tax	18,067	32,201	16,842	(70,104)	(86,056)	(89,050)
Income tax benefit	–	–	–	–	5,769	5,769
Net profit/(loss)	**18,067**	**32,201**	**16,842**	**(70,104)**	**(80,287)**	**(83,281)**
As at December 2007						
Segment assets/liabilities						
Assets	105,077	98,942	331,327	46,631	25,087	607,064
Liabilities	(18,136)	(10,863)	(14,234)	(10,334)	(263,623)	(317,190)
Other segment information						
Expenditure incurred on exploration and evaluation	114	16,724	5,480	71,319	1,097	94,734
Expenditure incurred on oil and gas assets	29,193	32	25,040	3,157	–	57,422
Depreciation	180	–	–	–	622	802
Amortisation and impairment	10,182	26,272	57,910	4,366	–	98,730
Exploration expensed and written off	114	16,885	5,006	65,846	1,097	88,948

	United Kingdom US$'000	Australia US$'000	China US$'000	Africa US$'000	Unallocated US$'000	Total US$'000
For the financial year ended 31 December 2006						
Sales revenue	120	39,648	51,448	18,494	–	109,710
Segment result						
(Loss)/profit before income tax	(8,495)	10,647	7,192	(38,738)	(15,660)	(45,054)
Income tax benefit	–	–	–	–	142	142
Net (loss)/profit	**(8,495)**	**10,647**	**7,192**	**(38,738)**	**(15,518)**	**(44,912)**
As at December 2006						
Segment assets/liabilities						
Assets	68,785	110,633	439,922	45,618	84,746	749,704
Liabilities	(23,874)	(7,673)	(96,060)	(5,345)	(242,643)	(375,595)
Other segment information						
Expenditure incurred on exploration and evaluation	4,899	7,616	10,520	34,257	1,816	59,108
Expenditure incurred on oil and gas assets	45,590	42,008	2,730	3,264	–	93,592
Depreciation	218	–	–	–	462	680
Amortisation and impairment	–	14,770	21,052	15,582	–	51,404
Exploration expensed and written off	6,576	7,616	1,479	34,305	1,815	51,791

Notes to the Financial Statements

Note 29. Related Party Disclosures

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

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

- Notes 12 and 15 as to amounts owing by controlled entities;
- Notes 16 and 21 as to investments in controlled entities;
- Note 22 as to amounts owing to controlled entities and associate companies;
- Note 32 as to investments in associate companies; and
- Note 34 as to disclosures relating to Key Management Personnel.

Note 30. Commitments for Expenditure

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
(a) Capital commitments				
Not longer than one year				
Joint ventures	46,855	55,632	–	–
Longer than one year but not longer than five years				
Joint ventures	622	6,252	–	–
	47,477	61,884	–	–
(b) Operating lease rental commitments				
Not longer than one year	3,259	3,027	857	744
Longer than one year but not longer than five years	9,118	8,292	1,960	2,529
Longer than five years	–	68	–	–
	12,377	11,387	2,817	3,273

Note 31. Joint Ventures

The Group has an interest (rounded to two decimal places) in the following joint ventures as at 31 December 2007:

Country	Block	Principal Activities	Interest 2007 %	Interest 2006 %
Australia	WA-286-P	Oil and gas exploration	37.50	37.50
	WA-31-L (Cliff Head)	Oil production	37.50	37.50
	TP/15	Oil and gas exploration	20.00	20.00
	WA-351-P	Oil and gas exploration	20.00	20.00
	EP413	Oil and gas exploration	0.25	0.25
	L14 (Jingemia)	Oil production	0.25	0.25
	WA-381-P	Oil and gas exploration	20.00	–
	WA-382-P	Oil and gas exploration	20.00	–
	WA-325-P	Oil and gas exploration	–	37.50
	WA-327-P	Oil and gas exploration	–	37.50
	WA-226-P	Oil and gas exploration	–	7.50
	WA-349-P	Oil and gas exploration	–	50.00
Equatorial Guinea	H/15 and H/16	Oil and gas exploration	18.75	18.75
Mauritania	Area A	Oil and gas exploration	4.16	4.16
	Area B (Chinguetti)	Oil and gas exploration/production	3.69/3.25[(1)]	3.69/3.25[(1)]
	Area C Block 2	Oil and gas exploration	5.49[(2)]	3.20
	Area C Block 6	Oil and gas exploration	5.00	5.00
	Block 1	Oil and gas exploration	2.00	2.00
	Block 7	Oil and gas exploration	4.95	4.95
	Block 8	Oil and gas exploration	5.00	5.00
Madagascar	Belo Profond	Oil and gas exploration	75.00	–
Angola	Cabinda South Block	Oil and gas exploration	60.00	60.00
China	Beibu Gulf Block 22/12	Oil and gas exploration	40.00	40.00
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.58[(3)]	24.50/11.58[(3)]
Onshore UK	PEDL002	Oil and gas exploration	5.00	5.00
UK North Sea	P111 (Block 30/3a) (Blane)	Oil and gas development	15.24/12.50[(4)]	15.24/12.50[(4)]
	P219 (Block 16/13a) (Enoch)	Oil and gas development	15.00/12.00[(4)]	15.00/12.00[(4)]
	P755	Oil and gas exploration	–	12.00

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

(2) Following receipt of government approval of the withdrawal of PC Mauritania I Pty Ltd, ROC interest will be 5.49%.

(3) Unitised interest in the C4 Field subject to redetermination following commencement of production.

(4) Unitised interest subject to redetermination following commencement of production from the Blane Oil Field and Enoch Oil and Gas Field respectively.

Notes to the Financial Statements

Note 31. Joint Ventures *continued*

The Group's share of net working interest production from the above joint ventures during the financial year was 3,528,980 BBLs (2006: 1,997,835 BBLs).

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

	CONSOLIDATED		COMPANY	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Current assets	17,226	9,688	–	–
Non-current assets	516,204	542,678	–	–
Total assets	**533,430**	**552,366**	**–**	**–**
Current liabilities	25,963	22,387	–	–
Non-current liabilities	12,928	11,590	–	–
Total liabilities	**38,891**	**33,977**	**–**	**–**

Exploration expenditure commitments and contingent liabilities in respect of joint venture operations are detailed in Note 30 and Note 35 respectively.

Note 32. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country where Incorporated	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December		Book Value of Ordinary Shares at 31 December		Contribution to Consolidated (Loss)/Profit	
				2007 %	2006 %	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Croft (UK) Limited	UK	Holding company	31 December	50	50	–	–	–	–
Croft Oil & Gas plc	UK	Holding company	31 December	50	50	–	–	–	–
Croft Exploration Limited	UK	Dormant	31 December	50	50	–	–	–	–
Croft Offshore Oil Limited	UK	Dormant	31 December	50	50	–	–	–	–
China Oil Shale Development Company Limited	Hong Kong	Dormant	31 December	50	50	–	–	–	–

Note 33. Remuneration of Auditors

	CONSOLIDATED 2007 US$	CONSOLIDATED 2006 US$	COMPANY 2007 US$	COMPANY 2006 US$
Amounts due to and recoverable by the auditor of the parent entity:				
Audit and review of the financial report	93,557	85,605	93,557	85,605
Fees associated with the Rights Issue	–	66,193	–	66,193
Tax compliance	104,070	126,153	163,020	126,153
	197,627	**277,951**	**256,577**	**277,951**
Amounts due by related practices of Ernst & Young, Australia for:				
Audit and review of the financial report	23,980	24,000	–	–
Taxation and accounting services	35,890	57,694	–	–
	257,497	**359,645**	**256,577**	**277,951**

Ernst & Young, Australia was the auditor for the Company in 2007.

Note 34. Key Management Personnel Disclosures

(a) Details of Key Management Personnel

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Deputy Chairman (Non-Executive)
Dr R J P Doran	Director and Chief Executive Officer
Mr S J Jansma, Jr	Director (Non-Executive)
Mr A C Jolliffe	Director (Non-Executive)
Dr D Schwebel	Director (Non-Executive) (appointed 1 September 2007)
Mr B F Clement	Executive Director and Chief Operating Officer
Mr D Paterson	Executive Director and General Manager China
Mr R J Burgess	Director (Non-Executive) (retired 10 May 2007)
Mr R Dobinson	Director (Non-Executive (retired 31 December 2007)
Ms S Ford	General Counsel and Company Secretary
Dr K Hird	General Manager Business Development
Mr J Mebberson	General Manager Exploration (appointed 1 January 2007)
Mr A Neilson	Chief Financial Officer (appointed 1 May 2007)
Mr C Way	General Manager Operations
Mr W Jamieson	General Manager Exploration (resigned 1 January 2007)

(b) Remuneration

(i) Remuneration policy

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

The Company has an Executive Share Option Plan. Under this Plan, executives are issued options to subscribe for ordinary shares in the Company at the discretion of the Directors. The Plan provides an incentive to the executive team to achieve significant long term growth in the Company's share price. For details, refer to Note 26 and the Directors' Report.

Notes to the Financial Statements

Note 34. Key Management Personnel Disclosures *continued*

(b) Remuneration *continued*

(ii) Remuneration of Key Management Personnel

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

	CONSOLIDATED		COMPANY	
	2007 US$	2006 US$	2007 US$	2006 US$
Short term employee benefits	3,900,863	2,107,093	2,661,054	1,946,993
Post-employment benefits	277,739	177,923	208,564	151,351
Share-based payments	783,004	339,184	653,660	339,184
	4,961,606	**2,624,200**	**3,523,278**	**2,437,528**

ROC has applied the option under the Corporations Amendment Regulations 2006 to transfer Key Management Personnel remuneration disclosures required by AASB 124 'Related Party Disclosures' paragraphs AUS 25.4 to AUS 25.7.2, to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(c) Optionholdings

2007	1 Jan 2007 Balance at Beginning of Financial Year	Executive Share Options Granted as Remuneration	Options Exercised	Options Lapsed	31 Dec 2007 Balance at End of Financial Year	Vested and Exercisable at 31 Dec 2007
Dr R J P Doran	–	300,000	–	–	300,000	–
Mr B F Clement	760,000	–	(80,000)	–	680,000	10,000
Mr D Paterson	450,000	–	–	–	450,000	–
Ms S Ford	571,300	–	(128,700)	–	442,600	–
Dr K Hird	455,500	–	(58,500)	–	397,000	–
Mr J Mebberson	150,000	–	–	–	150,000	6,000
Mr A Neilson	–	200,000	–	–	200,000	–
Mr C Way	359,000	–	–	–	359,000	111,000
	2,745,800	**500,000**	**(267,200)**	**–**	**2,978,600**	**127,000**

2006	1 Jan 2006 Balance at Beginning of Financial Year	Executive Share Options Granted as Remuneration	Options Exercised	Options Lapsed	31 Dec 2006 Balance at End of Financial Year	Vested and Exercisable at 31 Dec 2006
Mr B F Clement	300,000	550,000	(90,000)	–	760,000	–
Mr D Paterson	–	450,000	–	–	450,000	–
Ms S Ford	429,000	271,000	(128,700)	–	571,300	–
Dr K Hird	195,000	319,000	(58,500)	–	455,500	–
Mr W Jamieson	400,000	200,000	(120,000)	–	480,000	–
Mr C Way	370,000	100,000	(111,000)	–	359,000	–
	1,694,000	**1,890,000**	**(508,200)**	**–**	**3,075,800**	**–**

(d) Shareholdings

2007	1 Jan 2007 Balance at Beginning of Financial Year	Change on Exercise of Options	Net Change from On-Market Transactions	31 Dec 2007 Balance at End of Financial Year
Mr A J Love	692,717	–	(131,364)	561,353
Mr W G Jephcott	1,117,300	–	–	1,117,300
Dr R J P Doran	4,850,001	–	(300,000)	4,550,001
Mr S J Jansma, Jr	844,641	–	(400,000)	444,641
Mr A C Jolliffe	140,373	–	(40,373)	100,000
Dr D Schwebel	–	–	30,000	30,000
Mr B F Clement	140,000	80,000	(140,000)	80,000
Mr D Paterson	–	–	–	–
Mr R J Burgess	340,400	–	–	340,400
Mr R Dobinson	1,452,337	–	(550,000)	902,337
Ms S Ford	128,700	128,700	(257,400)	–
Dr K Hird	334,018	58,500	(58,500)	334,018
Mr J Mebberson	5,500	–	–	5,500
Mr A Neilson	–	–	–	–
Mr C Way	13,200	–	–	13,200
	10,059,187	**267,200**	**(1,847,637)**	**8,478,750**

2006	1 Jan 2006 Balance at Beginning of Financial Year	Change on Exercise of Options	Net Change from On-market Transactions	31 Dec 2006 Balance at End of Financial Year
Mr A J Love	542,712	–	150,005	692,717
Mr W G Jephcott	1,031,888	–	85,412	1,117,300
Dr R J P Doran	4,500,000	–	350,001	4,850,001
Mr R J Burgess	481,620	–	(141,220)	340,400
Mr R Dobinson	1,221,659	–	230,678	1,452,337
Mr S J Jansma, Jr	800,000	–	44,641	844,641
Mr A C Jolliffe	133,230	–	7,143	140,373
Mr B F Clement	50,000	90,000	–	140,000
Mr D Paterson	–	–	–	–
Ms S Ford	–	128,700	–	128,700
Dr K Hird	249,240	58,500	26,278	334,018
Mr W Jamieson	1,600	120,000	(119,400)	2,200
Mr C Way	9,600	111,000	(107,400)	13,200
	9,021,549	**508,200**	**526,138**	**10,055,887**

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

Notes to the Financial Statements

Note 34. Key Management Personnel Disclosures *continued*

(e) Loans and other transactions

No loans have been made to the Key Management Personnel other than advances made for the purpose of meeting business expenses incurred in performing their duties. No interest is being charged on these amounts. There are no other transactions with the Key Management Personnel other than fees paid to Arun Advisers Ltd in the sum of US$10,080 for consultancy services regarding the Group's hedging strategy. Mr Adam Jolliffe is a director of Arun Advisers Ltd.

Note 35. Contingent Liabilities

Roc Oil (Cabinda) Company is liable to pay to Simmons Drilling (Overseas) Limited, the supplier and operator of the drilling rig to be used in the Angola drilling program, a termination fee of up to US$2.73 million (2006: US$2.74 million) if the company terminates the agreement within the first 12 months of the two year term. The termination fee will reduce for each day the operating rates are paid under the agreement.

Under a sale and purchase agreement dated 29 December 1997, by which Roc Oil (GB) Limited acquired an interest in the Blane Oil Field (Block 30/3a), a royalty of 22% of the company's share of production from the field is payable. No royalty becomes payable on any oil produced from the field until the total cumulative production has reached 15 MMBBL of oil and thereafter royalty is due on the company's share of oil produced in excess of 2,000 BOPD (gross). The company is not yet liable to pay this royalty due to the contingent nature of production reaching the threshold rates in the future; however, the company has estimated a potential contingent liability of US$7.0 million at 31 December 2007.

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

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

Note 36. Business Combinations

Acquisition of Roc Oil (Bohai) Company (formerly Apache China Corporation LDC)

On 8 August 2006, ROC acquired 100% of the shares of Roc Oil (Bohai) Company (formerly Apache China Corporation LDC), an unlisted private company based in the Cayman Islands whose only asset was a 24.5% operating interest in the Zhao Dong Block in the Bohai Bay, offshore China.

The fair value of the identifiable assets and liabilities of the company were:

	US$'000
Cash and cash equivalents	16,816
Trade and other receivables (see note (a) below)	90,329
Inventories	5,391
Oil and gas assets	278,307
Exploration and evaluation expenditure	66,635
Provisions (see note (a) below)	(88,000)
Deferred tax liabilities	(95,348)
Fair value of identifiable net assets	**274,130**

Note:

The carrying values determined in accordance with Australian Accounting Standards have not been disclosed as the company previously was reporting under US Generally Accepted Accounting Principles with different accounting policies to ROC and it is impracticable, retrospectively, to apply these accounting policies.

The cash outflow on acquisition was as follows:

	US$'000
Net cash acquired with the subsidiary	16,816
Cash consideration	(274,130)
Total consolidated cash outflow	**257,314**

(a) Texaco China BV and New XCL-China LCC have made separate claims against Roc Oil (Bohai) Company (formerly Apache China Corporation LDC). The claims are recorded as a pre-acquisition provision of US$88 million. Apache Corporation has indemnified Roc Oil Holdings (Cayman Islands) Company and Roc Oil (Bohai) Company for liabilities arising in relation to these claims together with any associated costs. ROC believes there is no net exposure and a pre-acquisition receivable is recognised for these indemnities for a corresponding amount. This has subsequently been settled. Refer to Note 12(a).

Note 37. Subsequent Events

ROC's wholly-owned subsidiary, Roc Oil (China) Company, operator of the Block 22/12 Joint Venture, completed drilling the Wei 6-12W-1 exploration well in the Beibu Gulf, offshore China on 28 January 2008. The well did not encounter any hydrocarbons and has been plugged and abandoned.

ROC's wholly-owned subsidiary, Roc Oil (WA) Pty Limited, operator of the Block WA-286-P Joint Venture in the North Perth Basin, offshore Western Australia, completed drilling the Lilac-1 exploration well on 11 February 2008. The well has been plugged and abandoned as a dry hole.

Note 38. Additional Company Information

Roc Oil Company Limited is a public company listed in Australia on the ASX and in the United Kingdom on the Alternative Investment Market of the London Stock Exchange, and incorporated in Australia and operating in Australia and overseas.

The registered office and principal place of business is:

Level 14, 1 Market Street
Sydney NSW 2000
Australia.

Additional Information

ROC RESERVES ANALYSIS (UNAUDITED)

Summary Proved and Probable Working Interest Reserves	**MMBBL**	**BCF**	**Total MMBOE**
Opening balance	26.5	5.3	27.4
Disposals	(0.1)	–	(0.1)
Reserve revisions	(1.8)	(3.4)	(2.4)
Production	(3.5)	(0.2)	(3.5)
Closing balance	**21.1**	**1.7**	**21.4**

Analysis of Proved and Probable Reserves	**MMBBL**	**BCF**	**Total MMBOE**
Zhao Dong (C and D Fields)	9.6	–	9.6
Zhao Dong (C4 Field)	2.0	–	2.0
Cliff Head	4.0	–	4.0
Chinguetti	1.1	–	1.1
Blane	3.6	–	3.6
Enoch	0.8	1.7	1.1
Closing balance	**21.1**	**1.7**	**21.4**

Note:

1 MMBOE = 6 BCF

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

ROC LICENCES AT 31 DECEMBER 2007 (UNAUDITED)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-286-P		37.50	Roc Oil (WA) Pty Limited
	WA-31-L	Cliff Head	37.50	Roc Oil (WA) Pty Limited
	TP/15		20.00	Roc Oil (WA) Pty Limited
	WA-351-P		20.00	BHP Billiton Petroleum Pty Limited
	EP413		0.25	Origin Energy Developments Pty Ltd
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	WA-381-P		20.00	Roc Oil (WA) Pty Limited
	WA-382-P		20.00	Roc Oil (WA) Pty Limited
Equatorial Guinea	H/15 and H/16		18.75	Roc Oil (Equatorial Guinea) Company (Technical Operator)
Mauritania	Area A	Banda	4.16	PC Mauritania I Pty Ltd
	Area B (Chinguetti)	Chinguetti, Tiof, Tiof West, Tevét	3.69/3.25(1)	PC Mauritania I Pty Ltd
	Area C Block 2		5.49(2)	Tullow Mauritania Limited
	Area C Block 6		5.00	PC Mauritania I Pty Ltd
	Block 1		2.00	Dana Petroleum (E&P) Limited
	Block 7	Pelican	4.95	Dana Petroleum (E&P) Limited
	Block 8		5.00	Dana Petroleum (E&P) Limited
Madagascar	Belo Profond		75.00	Roc Oil (Madagascar) Pty Limited
Angola	Cabinda South Block		60.00	Roc Oil (Cabinda) Company
China	Beibu Gulf Block 22/12	12-8, 6-12, 6-12 South	40.00	Roc Oil (China) Company
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58(3)	Roc Oil (Bohai) Company
Onshore UK	PEDL002		5.00	Star Energy (East Midlands) Limited
	PEDL030	Cloughton	100.00	Roc Oil (GB) Limited
UK North Sea	P111 (Block 30/3a)	Blane	15.24/12.50(4)	Talisman Energy (UK) Limited
	P219 (Block 16/13a)	Enoch, J1	15.00/12.00(4)	Talisman North Sea Limited

(1) Post-government back-in in Chinguetti Oil and Gas Field.

(2) Following receipt of government approval of the withdrawal of PC Mauritania I Pty Ltd, ROC interest will be 5.49%.

(3) Unitised interest in the C4 Field subject to redetermination following commencement of production.

(4) Unitised interest subject to redetermination following commencement of production from the Blane Oil Field and Enoch Oil and Gas Field respectively.

Shareholder Information

1. Ordinary Share Capital

As at 7 March 2008, the Company had on issue 298,887,006 fully paid ordinary shares held by 19,590 shareholders.

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

2. Options

As at 7 March 2008, the Company had the following unquoted options: 1,553,600 options under the Employee Share Option Plan held by 69 optionholders and 10,949,100 options under the Executive Share Option Plan held by 50 optionholders.

During the year ended 31 December 2007:

- 185,000 employee share options and 367,900 executive share options lapsed or were cancelled; and
- 170,800 options issued under the Employee Share Option Plan and 555,200 options under the Executive Option Scheme were exercised.

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

3. Distribution of Share and Option Holders

Holding as at 29 February 2008	Shareholders	Employee Options	Executive Options
1 – 1,000	4,110	7	–
1,001 – 5,000	8,821	28	–
5,001 – 10,000	3,541	4	1
10,001 – 100,000	2,928	29	7
Over 100,000	190	1	42
Total	19,590	69	50
Shareholders holding less than a marketable parcel	426	–	–

4. Substantial Shareholders

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

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
JPMorgan Chase & Co	32,753,391	10.96
Merrill Lynch & Co., Inc.	24,279,784	8.14
Orbis MIS-Orbis/SM Australia Equity Fund	14,966,950	5.01

5. Twenty Largest Shareholders as at 7 March 2008

Shareholder	Number Held	%	Rank
Computershare Clearing Pty Ltd	45,379,819	15.18	1
National Nominees Limited	25,284,962	8.46	2
HSBC Custody Nominees (Australia) Limited	20,763,385	6.95	3
JPMorgan Nominees Australia Limited	17,700,956	5.92	4
Citicorp Nominees Pty Limited	7,782,777	2.6	5
HSBC Custody Nominees (Australia) Limited - A/C 3	6,769,360	2.26	6
Citicorp Nominees Pty Limited	3,024,226	1.01	7
Citicorp Nominees Pty Limited	2,468,703	0.83	8
Cogent Nominees Pty Limited	2,412,777	0.81	9
Celtic Energy Pty Limited	2,405,000	0.8	10
ANZ Nominees Limited	2,367,438	0.79	11
Celtic Energy Pty Ltd	1,750,719	0.59	12
Queensland Investment Corporation	1,636,229	0.55	13
Mirrabooka Investments Limited	1,425,000	0.48	14
Merrill Lynch (Australia) Nominees Pty Limited	1,274,537	0.43	15
HSBC Custody Nominees (Australia) Limited-GSI ECSA	1,223,211	0.41	16
Forty Traders Limited	1,166,000	0.39	17
ANZ Nominees Limited	1,111,500	0.37	18
Mount International Limited	923,112	0.31	19
Fortis Clearing Nominees P/L	661,857	0.22	20
Top 20 Total	**147,531,568**	**49.36**	

Glossary and Definitions

AUD/A$ or **cents**	Australian currency.
A-IFRS	Australian equivalents to International Financial Reporting Standards.
AIM	Alternative Investment Market of the London Stock Exchange.
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.
BBL(s)	Barrel(s), oil barrel is equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
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.
EBITDAX	Earnings before interest, taxes, depreciation, depletion and amortisation, and exploration expenses.
GST	Goods and services tax.
km	Kilometres.
m	Metre.
MCF	One thousand cubic feet of natural gas.
MM	Millions.
MMBBL/MMBO	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
MMBOOIP	One million barrels of oil originally in place.
MMBOPD	One million barrels of oil per day inclusive of NGLs.
MMSCFD	One million standard cubic feet of natural gas per day.
NGL	Natural gas liquid.
pound or **£**	UK pounds.
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.
PSA	Production sharing agreement.
PSC	Production sharing contract.
Rights Issue	A fully underwritten 3 for 8 Renounceable Rights Issue.
ROC	Roc Oil Company Limited.
sq km	Square kilometres.
UK	United Kingdom.
USD/US$	United States dollars.
2D	Two dimensional.
3D	Three dimensional.
4D	Four dimensional.
2P	Proved and probable reserves.

Notes

Directory

Board of Directors

Mr Andrew J Love – *Chairman*
Mr William G Jephcott – *Deputy Chairman*
Dr R John P Doran – *Chief Executive Officer and Director*
Mr Bruce F Clement – *Director*
Mr Sidney J Jansma Jr – *Director*
Mr Adam C Jolliffe – *Director*
Mr Dennis Paterson – *Director*
Dr Douglas A Schwebel – *Director*

Advisor to the Board
Mr Richard J Burgess

Company Secretary
Ms Sheree Ford

Assistant Company Secretary
Ms Leanne Nolan

SENIOR MANAGEMENT AND KEY PERSONNEL

Mr Bruce F Clement, *Chief Operating Officer and Executive Director*

Mr Tim Clifton, *General Manager – Angola*

Mr Simon Daniel, *Manager Production and Development – Australia*

Dr R John P Doran, *Chief Executive Officer and Executive Director*

Mr Damian Fisher, *General Manager – External Affairs and Investor Relations*

Ms Sheree Ford, *General Counsel and Company Secretary*

Mr Olivier Gentizon, *Equatorial Guinea/ Madagascar Representative*

Dr Kevin Hird, *General Manager – Business Development*

Mr John Mebberson, *General Manager – Exploration*

Mr Anthony Neilson, *Chief Financial Officer*

Mr Dennis Paterson, *President – Roc Oil (China) Company and Executive Director*

Mr Neil Seage, *Chief Reservoir Engineer/Corporate Health Safety and Environment Manager*

Mr Colin Shepherd, *General Manager Roc Oil (China) Company*

Mr Chris Way, *General Manager – Operations*

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STOCK EXCHANGES

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ASX Code: ROC

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AIM Code: ROC

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PHOTOGRAPHY

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As these Chinese acrobats in the Chaoyang Theatre, Beijing, would probably testify: achieving balance in your life requires a lot of hard work. Since its inception, ROC has focused on building a balanced portfolio of exploration, appraisal, development and production assets in the belief that this is the best way of mitigating risk and, so far, this has proved to be the case.