



ROC OIL COMPANY LIMITED
ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS
Museum of Sydney, Sydney, Australia
19th May 2004

Ladies and Gentlemen, I would like to extend to all of you a very warm welcome to this Annual General Meeting (“AGM”), ROC’s fifth as a publicly-listed company.

Consistent with previous occasions, today’s AGM will be structured so that the formal part of the meeting will be followed immediately by presentations from some of ROC’s Senior Management Team. That part of the meeting will highlight key aspects of the Company’s activities during the last 12 months and touch upon some of the things which the Company expects to be doing during the next year or two.

From the feedback we have received we believe that shareholders appreciate this AGM format. As a Board, we are glad to have the opportunity to provide this forum for direct contact between Management and some of the 6,700 owners of the Company.

Prior to considering the formal resolutions which will be put to this meeting later, there are a number of matters which I would like to discuss which may be of interest to you as ROC shareholders including:

- global oil prices;
- the upstream industry in Australia;
- Corporate Governance;
- the consequences and implications of the recent successful Rights Issue; and
- the logic behind the new Executive Share Option Plan.

Global Oil Prices

As you would be aware, earlier this month oil prices hit US\$41/BBL, a 13½ year high. By definition, that means that we’ve been here before – albeit 13 ½ years ago. The last time oil prices were at that level, US soldiers were fighting in Iraq. As I say, we’ve been here before.

This time around, the world is different. During the last decade or more, alternative energy sources have gained ground. Perhaps, not as much ground as some would have expected or hoped for, but real gains have been made. Some horizons are now dotted with three-pronged white windmills. There are limited production models of electric cars on the roads of London, even if they are still a very rare sight. Some say that fuel cells represent the future of the energy business. In some parts of the world, such as the Atlantic coast of West Africa, important, new oil provinces have been discovered using breakthrough technology which has allowed explorers to go well beyond previously defined limits.

Several new countries have joined the ranks of oil exporting nations. Some Australians would perhaps be surprised to learn that countries deep in the interior heart of Africa, such as Sudan and Chad, neither of which produced any oil a few years ago, now produce 300,000 BOPD and 200,000 BOPD respectively, collectively equivalent to about 75% of Australia's current, rapidly declining, production. The emergence of these new producers is one reason why global oil production has climbed by about 14 million barrels of oil per day from 66 MMBO/D in 1999 to the present level of around 80 MMBO/D.

Gas technology has made tremendous advances. As a result, previously stranded gas fields are heading towards market; the cost of LNG projects has tumbled; LNG development timetables have shrunk and Gas-to-Liquid projects have multiplied.

Many people would assume that this combination of circumstances would result in a weak oil price. That just hasn't happened. Oil prices are very strong. Why?

Apart from the current geopolitical turmoil in the Middle East, a large part of the answer to this question relates to the simple fact that global demand for oil has also risen. In 1999 the Economist published its now infamous cover story suggesting that oil was going to halve from US\$10/BBL to US\$5/BBL, but that didn't happen. Despite all the growth in the non-oil alternatives to which I referred earlier, it looks as if strong oil prices will be with us for a while. The National Geographic cover story for its June 2004 issue is entitled "The End of Cheap Oil". This simply reflects the supply and demand equation. At the moment, the demand side seems in the ascendancy.

ROC doesn't know where the oil price is going in the future that lies beyond the forward curve. Neither does any other company. The bulls and bears which prowl the oil price landscape seem to have equally compelling arguments.

However, ROC does know at least two things about future oil price trends.

Firstly, while a number of large companies claim to believe that prices will return to the mid-teens, some of them don't act as if that is going to happen. They certainly don't sell their production at those prices. ROC knows because, within the last 12 months, we've offered to buy production from larger companies at prices just under the near term forward curve and around US\$20/BBL flat thereafter. All to no avail. In fact, during the last four years, ROC has not been very good at buying producing reserves at industry auctions. We have now got to the point where we don't bother going into a multi-company bidding process unless we think we have a specific commercial or technical advantage.

The other thing ROC knows about future oil prices is that if the Company bases production purchases – or its development projects – on an oil price forecast which, with the passage of time, proves to be overly optimistic, it would be in deep trouble. ROC would suffer from the potential malaise that can affect all small oil companies: insufficient critical mass to withstand a future downturn in product prices. This is why ROC continues to maintain US\$20/BBL WTI as the economic benchmark for its oil field developments such as Chinguetti and Cliff Head. We work on the basis that if those developments make commercial sense at that price, they will be robustly profitable if prices are anywhere near their current levels when the fields come on stream within the next two years.

The Upstream Australian Oil Industry

In many ways, the measure of success which ROC has enjoyed within its industry sector during the last 12 months is consistent with the overall improved corporate health of independent oil companies in Australia.

Most of the larger independent oil companies, say, those with a market capitalisation greater than A\$100 million, have a geoscientist as their Chief Executive Officer or Managing Director. Perhaps, this is why today's small Australian independent oil companies, including ROC, are characterised by organic growth based upon a successful sequence of discovery, appraisal, development and production activities. Almost without exception, this is how Australian oil companies have grown since the mid-90s. Prior to that, the emphasis may have been more on corporate manoeuvring, takeovers and mergers. Perhaps, we will see the industry return to such strategies in the future but, in the meantime, it seems that ROC and its peer companies are intent on trying to deliver value to shareholders organically, rather than through corporate acquisition.

Corporate Governance

I don't intend to devote a lot of time to addressing generic matters of Corporate Governance. There are a number of reasons for this. One of the prime reasons is that over the years ROC has put a lot of data into the public domain with regard to its attitude towards Corporate Governance. As a result, the Company has probably got to the stage where shareholders and potential investors can look at its actions and draw their own conclusions as to whether the comments we have made about the need for good Corporate Governance are mere rhetoric or a real set of corporate values.

One of the litmus tests which people can apply to ROC's attitude to Corporate Governance is the manner in which we have handled the new Executive Share Option Plan. Details have been provided in the papers distributed with the notice of this meeting and they will be discussed in greater depth when we come to formally consider the relevant proposal in a few minutes.

However, two key points should be highlighted here and now.

Firstly, the Executive Share Option Plan contains a number of significant performance hurdles. In this sense, it is substantially tougher than the existing Employee Share Option Plan.

Secondly, at the equivalent meeting last year, I undertook to ensure that the Company would not issue any more options to employees under the existing Employee Share Option Plan. This was an acknowledgement that a new plan, with performance hurdles, needed to be introduced for senior executives. Needless to say, ROC has kept that promise. We have not issued any new options since the last AGM, on 1st May 2003. Bluntly, this has disadvantaged some senior executives, particularly those who joined ROC during the interim period. However, all of them have been quick to understand and accept the rationale behind the current freeze on the issue of new options.

Rights Issue

As you are aware, ROC has just completed a fully underwritten Rights Issue. From a capital raising point of view, the Rights Issue was extremely successful: it raised \$92 million with 93% take-up by about 60% of the shareholders. As the Rights Issue progressed, we received encouraging comments from a number of shareholders who appreciated the fact that we had chosen a mechanism that provided as many shareholders as possible with the opportunity to either participate in the issue or realise a small amount of money on their investment by selling some, or all, of their rights – according to their total discretion.

We have been advised, however, that there are some retail shareholders who did not receive their Rights Issue documents in what they consider to be a timely manner. These shareholders felt that they had been disadvantaged by the timeframe adopted for the Rights Issue. When the entire share register is considered, we have not received many such complaints, but we have taken each one received very seriously. We have looked into as many of the specific circumstances as possible. We have double checked the details, both with Computershare, the company which administers ROC's share register, and also with Australia Post which, of course, is ultimately responsible for delivering the documents on time. Both these entities claim that they despatched all documents promptly. Whatever the details, which vary from case to case, neither the Board nor I like the idea that any of ROC's shareholders could have been disadvantaged. We can assure all shareholders that, from the Company's point of view, we did everything within our power to ensure that all shareholders were fully informed as quickly as possible about the Rights Issue. That process started with a letter containing the key information, which was sent out to all shareholders on 2 April 2004, the day the issue was announced.

As a result of the Rights Issue, ROC raised a gross amount of A\$92 million. Twelve months ago that amount of money would have been equivalent to about 75% of ROC's entire market capitalisation.

As you are all aware, the funds raised represent the first time that ROC has gone to its shareholders in almost five years, despite a very high level of activity in the intervening period, characterised on occasions by success. Now, with about A\$100 million net cash in the bank, the Company is well placed to build on the exploration and appraisal successes it has achieved offshore Western Australia and offshore Mauritania.

Executive Share Option Plan

Resolution 4 in the notice of the AGM is to approve the issue of options under the Company's Executive Share Option Plan.

The explanatory statement accompanying that notice sets out the reasons for the resolution and summarises the terms of the Executive Share Option Plan. I will go through those reasons with you prior to putting the resolution to the meeting.

The Board of ROC has the general power to issue ROC shares and options. There are a number of limitations on that power. One of those limitations arises under the Australian Stock Exchange listing rules. The relevant rule provides that ROC may not, without the approval of its shareholders, issue more ROC shares than 15% of the number of issued ROC shares in the twelve months before the date of issue. The listing rules set out in detail how the 15% number is to be calculated. In some cases, shares and options that are issued during that twelve-month period are nevertheless excluded from the 15% number. One of these exclusions is options issued under an employee incentive scheme if, within three years before the date of the issue, the relevant company's shareholders approve the issue of options under that scheme.

ROC's existing Share Option Plan is an employee incentive scheme. Last year approval to the issue of options under that plan was included in the formal agenda for the meeting. I withdrew it after discussions with some large shareholders. Following the meeting ROC undertook a full review of the plan and as set out in Resolution 4 is now proposing to introduce an Executive Share Option Plan to complement the existing plan.

If Resolution 4 is passed, the three-year period stated in the notice and explanation statement will apply. It means that any options granted to employees under the Executive Share Option Plan within the next three years would not be included in the calculation of the 15% number.

Resolution 4 does not approve the issue of options to any particular person. Under the terms of the Plan, the decision to issue options is at the discretion of the Directors.

I thought, therefore, I would explain the way in which the Directors have exercised this discretion.

Since ROC publicly listed, the Directors have administered the Employee Share Option Plan as a tool for providing incentive to all of its employees. In particular, the Directors believe that those employees who are not in the Senior Management group should continue to benefit from the existing plan. Approximately 55% of all options issued under the Employee Share Option Plan have been issued to people who do not fall within that group. Further, the number of options granted to individual employees is based on position and length of service at ROC and is balanced between providing incentive without largesse. The highest number of options held by any single employee under the plan is 600,000. No options have been issued to the Directors including the CEO under the plan.

The Chief Executive Officer has no employee options in the Company, however he will not be precluded from participating in the Executive Plan at some future date at the discretion of the Directors.

Acknowledgements

Finally, before we move towards putting the formal resolutions to the meeting, I would like to thank all of ROC's workforce for successfully handling the last 12 months which has probably been the busiest 12 months that the Company has known. I realise that a Chairman thanking the company's staff at an Annual General Meeting such as this could be seen as a case of predictable corporate courtesy. Please be assured that not only myself but the entire Board are very conscious that individuals at many different levels within ROC's workforce have put aside part of their everyday lives in order to ensure that the Company's activities were undertaken in an appropriate and safe manner. As a Board we don't take for granted the high level of personal commitment displayed by the Company's employees and, therefore, I really do want to thank everybody for putting in a tremendous individual and corporate effort.

Andrew J. Love
Chairman
Wednesday, 19th May 2004