Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2020

Roc Oil Company Pty Limited

Contents

Directors' Report

The Directors of Roc Oil Company Pty Limited ('Company' or 'ROC') have pleasure in submitting the Directors' Report for the financial year ended 31 December 2020.

Directors

The names and particulars of the Directors of the Company at any time during the year ended 31 December 2020 and up to the date of this report are:

Mr Lei (David) Teng
Chairman & Non-Executive Director – Appointed 12 August 2020 as Director and 23 November 2020 as Chairman

Mr Teng is currently executive president of Hainan Mining Co., Ltd and Executive Vice Chairman of Fosun Resources Group.

Prior to joining Hainan Mining Co., Ltd, Mr Teng held various positions at Fosun Group, including investment director, Senior investment director, executive director and managing director respectively with focus on investment, strategy and management in global resource sector.

Mr Teng is a member of Certified Practising Accountant (CPA) Australia.

Mr Mingdong Liu
Non-Executive Director – Resigned as Chairman 23 November 2020

Mr Liu is currently the Chairman and Deputy Secretary of the Party Committee of Hainan Mining Co., Ltd.

Prior to joining the Party Committee of Hainan Mining Co., Ltd, Mr Liu held various senior positions at Hainan Iron and Steel Company, including Head of Planning Division, Head of Financial Planning Department, Assistant General Manager and Deputy General Manager.

Mr Liu holds a postgraduate degree in Engineering Management from The University of Science & Technology Beijing.

Mr Lorne Krafchik
Chief Executive Officer (CEO) & Executive Director – Appointed CEO 1 January 2020

Mr Krafchik joined ROC as Group Financial Controller in 2004. He has twenty five years' experience in finance, including eighteen years in the upstream oil and gas industry. Mr Krafchik was appointed as Chief Financial Officer in 2016. Prior to joining ROC, Mr Krafchik was Group Financial Manager at Energy Africa Limited and prior to that he was employed as a Finance Manager at Rigwell Machine Moving & Haulage (Pty) Ltd.

Mr Krafchik holds a Bachelor of Commerce from the University of Cape Town and is a member of the Institute of Chartered Accountants Australia and New Zealand.

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

Mr Chunlin Chen
Non-Executive Director – Resigned 12 August 2020

Mr Chen is currently the Deputy CFO of Fosun Group and Vice General Manager and Chief Accountant of Nanjing Iron & Steel.

Prior to joining Fosun Group, Mr Chen worked as Vice President and CFO of Shanghai Jinyue Investment Development Co., Ltd, Vice President and CFO of E-House (China) Holdings Limited, General Accountant of Shanghai Jinfeng Investment Co., Ltd, and Head of the Finance Department of Shanghai Pudong Development Bank Co., Ltd.

Mr Chen holds a Bachelor degree in Political Education from Central China Normal University, and a MBA from Shanghai University of Finance and Economics.

Directors' Meetings

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

	Directors		Audit and Risk Committee	
	A	B	A	B
Mr Mingdong Liu	1	1	1	1
Mr Lorne Krafchik	1	1	1	1
Mr Chunlin Chen[(1)]	1	-	1	-
Mr Tei (David) Teng[(2)]	-	-	-	-

Notes:

A Number of meetings held during the time that the Director held office during the financial year.

B Number of meetings attended.

1. Resigned 12 August 2020.
2. Appointed 12 August 2020.

Principal Activities

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

Results

The loss of the consolidated entity for the financial year after income tax was US$6.4 million (2019: Profit of US$23.5 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 2020 (2019: nil).

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 7 to 9.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the nature of the activities or state of affairs of the consolidated entity during the financial year.

Subsequent Events

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

Future Developments

Business strategy

ROC's goal is to be a leading energy company, with a presence in and focus on China, South East Asia and Australia.

The Company aims to deliver these objectives by:

- sustaining and optimising the value of existing ROC assets through safe and reliable operations;
- enhancing organisational capabilities to deliver our strategic commitments;
- selectively identifying and pursuing acquisition of compatible growth assets;
- capitalising on our existing relationships and regional presence; and
- maintaining financial strength and optimizing capital and liquidity management to support investment and sustainable growth.

ROC aims to deliver growth whilst preserving our goals of zero harm to people, minimising our impact on the environment, supporting the communities in which we operate and building a motivated and engaged workforce.

Key projects and opportunities being pursued during the 2021 financial year include:

- China
  + Completing drilling of up to two exploration wells in the Pearl River Mouth Basin (South China);
  + completing a development plan for WZ10-3 West in the Beibu Gulf;
  + pursuing infill well drilling for Beibu Gulf PSC; and
  + pursuing acquisition of existing producing assets.

- Malaysia
  - progressing further drilling opportunities within D35/D21/J4 PSC; and
  - pursuing acquisition of existing producing assets.
- Australia
  - plan for additional infill wells at the Ungani oilfield; and
  - pursuing acquisition assets.

The Company continues to pursue compatible growth opportunities in its core areas, maintain financial strength and deliver sustainable growth in shareholder value.

Share Rights and Options

During the financial year, the Company did not grant any Long Term Incentive ('LTI') Rights over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 4,187,500 LTI Rights over unissued ordinary shares of ROC.

Indemnification of Directors and Officers

The Company's Constitution provides that the Company indemnifies, on a full indemnity basis and to the full extent permitted by law, all past and present directors, executives and secretaries of all the companies in the Group, for all losses or liabilities incurred by the person as an officer of a company in the Group.

The Constitution also permits the Company to purchase and maintain a directors' and officers' insurance policy. During the year, the Company paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts. A condition of the contracts is that the nature of the liability indemnified and premium payable is not disclosed.

The Company has also entered into Deeds of Access, Insurance and Indemnity with each of the Directors referred to in this report that held office during the year and certain senior executives of the Group indemnifying each against all liabilities incurred in their capacity as an officer of the Company to the full extent permitted by law.

Proceedings

As at the date of this report the Company is not aware of any proceedings brought on behalf of the Company or instituted against the Company.

Rounding

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, and, in accordance with the Corporation Instrument, amounts in this report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 6 and forms part of this report.

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* and forms part of the financial statements.

On behalf of the Directors:

Lorne Krafchik
Chief Executive Officer

Sydney, 18 March 2021

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Auditor's Independence Declaration to the Directors of Roc Oil Company Pty Limited

As lead auditor for the audit of the financial report of Roc Oil Company Pty Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Roc Oil Company Pty Limited and the entities it controlled during the financial year.

Ernst & Young

Trent van Veen
Partner
18 March 2021

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 2020.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net loss after income tax of US$6.4 million (2019: profit of US$23.5 million). Net profit excluding significant items (FCTR & impairment) was US$11.3 million. The Group's gross profit was US$12.3 million (2019: US$56.8 million). Included in the overall result was US$1.9 million relating to exploration expensed, impairment of oil & gas asset of US$28.2 million offset by release of FCTR on sale of subsidiary of US$10.6 million.

Sales and Production Growth

The Group maintained its operating performance from its producing assets, with working interest production of 3.0 MMBOE (8,255 BOEPD) (2019: 3.0 MMBOE; 8,200 BOEPD), consistent to prior year. ROC's closing balance economic interest 2P reserves at 31 December 2020 was 17.7 MMBOE (2019: 19.2 MMBOE).

Oil and gas sales revenue of US$93.7 million (2019: US$140.6 million) was generated from sales volume of 2.6 MMBOE (2019: 2.6 MMBOE), which achieved an average realised oil price of US$42.9/BBL (2019: US$64.9/BBL). Operating costs of US$81.3 million (2019: US$84.9 million) which comprises production costs of US$33.8 million (US$11.2/BOE); amortisation costs of US$44.3 million (US$14.7/BOE), special oil income levy, supplemental taxes and royalty of US$1.2 million and stock movements of US$2.0 million.

Impairment

Included in this result was an impairment of Ungani asset of US$28.2 million (2019: US$Nil). The impairment was made mainly as a result of reserve downgrade and lower oil price assumption. The negative reserve revision was made based on production performance being below expectations.

Exploration Expenditure

Exploration and evaluation expenditure of US$3.4 million (2019: US$21.3 million) was incurred during the period, mainly attributable to Pearl River Mouth Basin Block 03/33, Block 22/04, WZ10-3W and new venture costs. US$1.9 million was expensed (2019: US$21.4 million).

Income Tax

An income tax expense of US$3.2 million (2019: US$11.4 million) was incurred during the period, which included a current tax expense of US$1.9 million, prior year overprovision of US$0.3 million and a deferred tax expense of US$1.1 million. Tax paid during the year was US$1.6 million (2019: US$7.6 million).

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$50.5 million (2019: US$82.1 million). During the year, funds were primarily used for development expenditure of US$43.9 million (2019: US$70.9 million); exploration expenditure initially capitalised of US$1.1 million (2019: US$17.5 million); and tax paid of US$1.6 million (2019: US$7.6 million) offset by interest received from bonds and ETFs US$4.2 million (2019: US$5.5 million) and net proceeds from investment in shares & ETFs and bond maturity of US$67.9 million (2019: US$1.3 million).

CORPORATE ACTIVITY

Health, Safety and Environment ('HSE')

ROC has achieved a goal of ZERO set for the year of 2020 in terms of loss time injury, loss of well control, oil spills and breaches of HSE regulations at our operated assets.

Implementation of our HSE policies, principles and expectations progressed at our operated assets. Inspections of critical operational facilities such as mobile offshore drilling units and reviews of operational and HSE readiness for our drilling campaigns in Malaysia and China were performed with constant HSE monitoring on site to ensure risks associated with the operations are managed to as low as reasonably practicable. Efforts to align our expectations with all contractors have been made to minimise injuries and property damage incidents based on the lessons learnt from previous years. We continue to work closely with our partners to support safe and environmentally sound operations of non-operated assets.

Discussion and Analysis of Financial Statements

Oil Price Hedging

During the period, no oil price swap was settled nor entered into (2019: gain of US$1.1 million)

Sale of Roc Oil (Europe) Limited

On 24 December Roc Oil Company Pty Limited sold its subsidiary Roc Oil (Europe) Limited to Pearl Venture Pty Ltd. As part of the sale US$10.6 million relating to FCTR was recycled to profit and loss.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$33.8 million in production costs (2019: US$35.7 million) and US$43.5 million (2019: US$71.9 million) in development expenditure during 2020.

Zhao Dong Oil Fields, Bohai Bay, Offshore China

ROC's working interest in oil production from the C and D Fields (24.5%) and Zhanghai Block (39.2%) averaged 1,190 BOPD, up 45% compared to the previous year as a result of full year production from the 12 wells drilled in 2019 and the additional nine wells drilled in 2020.

Development expenditure of US$8.9 million (2019: US$13.1 million) was incurred as a result of drilling nine development wells.

D35/D21/J4, Offshore Malaysia (ROC: 30% & Project Development Manager)

ROC's working interest in oil production from the D35/D21/J4 Fields averaged 4,774 BOEPD, down 5.1% compared to the previous year due to natural decline.

Development expenditure of US$28.9 million (2019: US$46.9 million) was incurred.

During the year, ROC successfully completed the 2019 four well programme at D35 B platform (two 2019 wells completed and two wells drilled in 2020) and commenced the six well programme on the D21 Platform. At year end two wells had been drilled and completed, one was drilled, cased and was yet to be completed and one well was in progress. The programme is expected to finish in April 2021

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

ROC's working interest in oil production from the Beibu Oil Field averaged 1,782 BOPD, down 3.2% compared to last year.

Development expenditure of US$2.2 million (2019: US$1.5 million) was incurred mainly due to drilling of two infill wells which were still in progress at year end.

WZ 12-8E Development, Beibu Gulf, Offshore China (ROC: 19.6%)

Final investment decision on the project was reached on 13 October 2020. The initial development includes six wells and utilises the HYSY163 self-elevating wellhead supporting platform which will be linked to the existing WZ12-8W platform via a new pipeline. Fabrication of the facilities has commenced and is progressing smoothly.

ROC will operate the development, with CNOOC assuming operatorship approximately six months following commencement of production. First oil is targeted in early 2022.

Ungani Oil Field, Canning Basin, Onshore Australia (ROC: 50%)

ROC's working interest in oil production from the Ungani Oil Field averaged 509 BOPD down 0.2% compared to last year.

Development expenditure of US$1.6 million (2019: US$10.4 million) was incurred mainly attributable to Ungani 6, Ungani 7 and surface facility upgrades.

Discussion and Analysis of Financial Statements

Exploration and Appraisal

The Group incurred US$3.4 million (2019: US$21.3 million) in exploration and evaluation expenditure during 2020.

Pearl River Mouth Basin Block 03/33 , Offshore China (ROC: 50% & Operator)

During the period US$1.2 million was incurred mainly on G&A relating to Block 03/33. Preparations are well advanced to spud the first of two commitment exploration wells in January 2021.

WZ10-3W Oil Field, Beibu Gulf, Offshore China (ROC: 58.3% in Appraisal Phase, 35% in Development & Production Phase, Operator)

Feasibility studies and optimised plans are in progress on subsurface, drilling/completion and facilities. A meeting held with CCLZ on 4 December 2020 further explored any potential resources to move the project forward.

During the period, US$1.4 million (2019: US$3.0 million) was incurred on preparing the overall development plan.

Block 22/04, Beibu Gulf Basin, Offshore China (ROC: 35% in Exploration Phase)

Exploration costs of US$0.4 million (2019: US$0.4 million) was incurred on studies.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Sales revenue	*3*	**93,666**	**141,682**
Operating costs	*4*	(81,326)	(84,877)
Gross profit		**12,340**	**56,805**
Interest income		3,844	5,027
Reverse prior year impairment of equity accounted investment		510	-
Gain on sale of investment		937	1,045
Exploration expensed and written-off	*11*	(1,853)	(18,031)
Impairment of oil and gas assets	*10*	(28,209)	-
Impairment of exploration assets	*11*	-	(3,321)
Foreign Currency Translation Reserve on sale of subsidiary	*12*	10,563	-
Foreign Exchange gain		365	500
Other costs	*5*	(1,413)	(6,050)
Finance costs	*6*	(195)	(1,086)
(Loss)/Profit before income tax		**(3,111)**	**34,889**
Income tax expense	*7*	(3,249)	(11,422)
Net (Loss)/Profit		**(6,360)**	**23,467**
Other comprehensive (losses)/gains			
Foreign currency translation reserve on liquidation of subsidiary		(10,563)	133
Net movement on cash flow hedges		-	(3,338)
Other comprehensive (loss)/profit net of tax		**(10,563)**	**(3,205)**
Total comprehensive (loss)/ profit		**(16,923)**	**20,262**

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 US$'000	2019 US$'000
Current assets			
Cash assets	*8*	123,354	44,518
Trade and other receivables		14,092	13,963
Inventories		943	2,978
Other financial assets	*9*	-	26,951
Total current assets		**138,389**	**88,410**
Non-current assets			
Oil and gas assets	*10*	212,654	241,830
Exploration and evaluation assets	*11*	29,751	28,219
Property, plant and equipment		22	41
Right use of assets		1,344	1,106
Other financial assets	*9*	27,236	67,322
Investments in associate companies		-	942
Total non-current assets		**271,007**	**339,460**
Total assets		**409,396**	**427,870**
Current liabilities			
Trade and other payables	*14*	13,376	14,937
Lease liabilities		866	715
Current tax liabilities	*7*	1,197	1,239
Provisions	*15*	2,684	2,154
Total current liabilities		**18,123**	**19,045**
Non-current liabilities			
Deferred tax liabilities	*7*	41,706	40,689
Lease liabilities		489	399
Provisions	*15*	11,097	12,833
Total non-current liabilities		**53,292**	**53,921**
Total liabilities		**71,415**	**72,966**
Net assets		**337,981**	**354,904**
Equity			
Share capital	*16*	734,150	734,150
Accumulated losses		(413.070)	(406,710)
Other reserves		16,901	27,464
Total equity		**337,981**	**354,904**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

	Note	Inflow/ (Outflow) 2020 US$'000	Inflow/ (Outflow) 2019 US$'000
Cash flows from operating activities			
Net Cash generated from operations		56,663	96,342
Payments for exploration and evaluation expenses		(3,019)	(5,084)
Net financing costs		(25)	(368)
Payments made for abandonment costs		(1,570)	(2,319)
Proceeds from derivatives		21	1,154
Income taxes paid		(1,550)	(7,628)
Net cash generated from operating activities		**50,520**	**82,097**
Cash flows from investing activities			
Payments for plant and equipment		(16)	(4)
Payments for development expenditure		(43,880)	(70,880)
Payments for exploration and evaluation expenditure initially capitalised		(1,081)	(17,454)
Return of investment in associate companies		1,451	-
Interest received		4,246	5,517
Net proceeds from financial assets		67,887	1,271
Net cash used in investing activities		**28,607**	**(81,550)**
Cash flows from financing activities			
Payment for lease liabilities		(291)	(351)
Net cash used in financing activities		**(291)**	**(351)**
Net increase in cash held		**78,836**	**196**
Cash at beginning of financial year		44,518	44,322
Cash at end of financial year	*8*	**123,354**	**44,518**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2020

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Hedge Reserve US$'000	Foreign Currency Translation Reserve US$'000	Total US$'000
Balance at 1 January 2019	**734,150**	**(430,177)**	**18,883**	**3,338**	**8,448**	**334,642**
Total comprehensive profit net of tax	-	23,467	-	(3,338)	133	20,262
Balance at 31 December 2019	**734,150**	**(406,710)**	**18,883**	**-**	**8,581**	**354,904**
Total comprehensive loss net of tax	-	(6,360)	-	-	(10,563)	(16,923)
Balance at 31 December 2020	**734,150**	**(413,070)**	**18,883**	**-**	**(1,982)**	**337,981**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

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, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statements for the Group are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs). The financial report has been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value.

The financial report is presented in USD. All values are rounded to the nearest thousand dollars (US$'000) unless otherwise stated under the option available to the Company under the ASIC Corporation Instrument 2016/191. The Company is an entity to which the Corporation Instrument applies.

The financial statements were authorised for issue on 18 March 2021 by the Board.

Basis of consolidation

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

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

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year.

Several other amendments and interpretations apply for the first in the current period but do not have an impact on the consolidated financial statements of the Group.

Significant Accounting Policies

Revenue from contracts with customers

Revenue from contracts with customers is recognised in the consolidated statement of comprehensive income when the performance obligations are considered met, which is when control of hydrocarbon products are transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax or similar taxes.

Revenue is derived from the sale of hydrocarbons (oil and gas) and is recognised based on volumes sold under contracts with customers, at the point in time where performance obligations are considered met. Generally, regarding the sale of products, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids). No adjustments are made to revenue for any differences between volumes sold to customers and unsold volumes which the Group is entitled to sell based on its working interest.

The Groups sale of oil and gas hydrocarbons are based on market prices. In contractual arrangements with market-based pricing, at the time of the delivery, there is only a minimal risk of a change in transaction price to be allocated to the product sold. Accordingly, at the point of sale where is not a significant risk of revenue reversal relative to the cumulative revenue recognised, there is no constraining of variable consideration.

Financial Instruments
Financial assets:
Recognition

At initial recognition, the Group measures a financial asset at its fair value.

Classification and measurement

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive Income, or profit or loss) and those to be held at amortised cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies *Continued*

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability

Impairment

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated the expected credit loss ("ECL") based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Financial liabilities:
Recognition

All financial liabilities are recognised initially at fair value.

Classification and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables.

The Group's financial liabilities include trade and other payables, and derivative financial instruments.

De-recognition

The Group derecognises its financial liabilities when its contractual obligations are discharged, cancelled or expire.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to use or control the use of an identified asset for a period of time, in exchange for consideration.

At the commencement date of the lease, the Group recognises a lease liability and a corresponding right of use asset. The lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset.

The right of use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight line method and is recognised in the statement of comprehensive income as depreciation in other costs.

The unwind of the financial charge on the lease liability is recognised in the statement of comprehensive in Finance costs income based on the implied interest rate or, if used, the Group's incremental borrowing rate.

The Group does not recognise leases that have a lease term of 12 months or less or are of low value as a right of use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the consolidated statement of comprehensive income in Operating costs on a straight line basis over the lease term.

Derivative financial instruments:
Recognition

Derivative financial instruments not designated within qualifying hedge relationships are initially recorded at fair value on the date the contract is entered and treated as a financial asset or financial liability carried at fair value through profit and loss.

Derivative financial instruments designated within qualifying hedge relationships are initially recorded at fair value on the date the contract is entered into. Costs of hedging are separated from the hedging arrangement on initial recognition and defer to other comprehensive income and accumulated in reserves in equity.

Classification and measurement

For relationships designated as cash flow hedges, subsequent fair value movements of the derivative for the effective portion of the hedge are recognised in other comprehensive income and accumulated in reserves in equity. Fair value movements for the ineffective portion are recognised immediately in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies *Continued*

De-recognition

The Group derecognises its derivative financial instruments when its contractual obligations are discharged, cancelled or expire. Amounts accumulated in equity are reclassified to the statement of comprehensive income in the period when the hedged item impacts the statement of comprehensive income.

Offsetting financial assets and financial liabilities:

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

Exploration and evaluation expenditure

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

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

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

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

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

Plant and equipment

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

Depreciation is provided on plant and equipment, including freehold buildings but excluding land. Plant and equipment is depreciated on a straight line basis so as to write down these assets to their estimated residual values over their estimated useful lives to the Group. The following estimated useful lives are used in the calculation of depreciation in the current and prior year:

- plant and equipment — 2 – 10 years;
- leasehold improvements — 2 – 10 years; and

Oil and gas stock and materials inventories

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

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

Under/overlift

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

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies *Continued*

liability at the current market price of oil. The net movement in underlift and overlift is recognised in the Consolidated Statement of Comprehensive Income in operating costs.

Investments

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

Provision for restoration

Provision for restoration is recognised when there is a legal or constructive commitment to do so. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. Where no restoration asset exists, the corresponding adjustment is recognised in the Consolidated Statement of Comprehensive Income. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. This asset is subsequently depleted on a unit-of-production basis. Changes in the estimates of commercial reserves or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

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

Cash and cash equivalents

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

Investments in associate companies

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

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

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

Trade receivables

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

Impairment

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

Calculation of recoverable amount

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

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

Provisions

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

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.

Share-based payment transactions

Share-based compensation benefits are provided to employees via the Long Term Incentive Plan and the Short Term Incentive Plan.

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies *Continued*

Equity Settled

Any equity-settled transactions with employees under the Long Term Incentive Plan are measured by reference to the fair value at the date at which they are granted. 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.

Cash Settled

A liability is recognised for the fair value of cash-settled transactions with employees under the Long Term Incentive Plan. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in general and administration costs with Other Costs (see Note 5). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability in Trade and Other Payables. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Petroleum Resource Rent Tax

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

Goods and services tax

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

Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies *Continued*

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

Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

Group companies

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

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

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

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.

Interests in joint arrangements

Interests in joint 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 operation and its share of any income and expenses incurred.

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

Notes to the Consolidated Financial Statements

Note 2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its

judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

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

(a) Significant accounting judgements

Exploration and evaluation

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

(b) Significant accounting estimates and assumptions

Impairment of assets

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

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 details regarding the policy in respect of the provision for restoration, refer to Note 1.

Reserve estimates

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

Note 3. Sales Revenue

	2020 US$'000	2019 US$'000
Oil Revenue	88,623	133,290
Gas Revenue	5,043	7,261
Hedging Gain	-	1,131
	93,666	**141,682**

Notes to the Consolidated Financial Statements

Note 4. Operating Expense

	2020 US$'000	2019 US$'000
Production costs	33,761	35,705
Amortisation	44,339	46,328
Other	3,226	2,844
	81,326	**84,877**

Note 5. Other Costs

	2020 US$'000	2019 US$'000
Depreciation	308	391
Share based payment	(172)	1,207
General and administration costs	1,277	4,452
	1,413	**6,050**

Note 6. Finance Costs

	2020 US$'000	2019 US$'000
Unwinding of discount – restoration provision	147	508
Other finance costs	48	578
	195	**1,086**

Note 7. Tax

(a) Composition of income tax

	2020 US$'000	2019 US$'000
Income tax charge – current period	(1,880)	(3,090)
Income tax charge – prior period	(297)	200
Deferred income tax	(1,072)	(8,532)
Income tax expense	**(3,249)**	**(11,422)**

(b) Recognised tax liabilities and assets

	2020 Current Tax Liabilities US$'000	2020 Net Deferred Income Tax Liabilities US$'000	2019 Current Tax Liabilities US$'000	2019 Net Deferred Income Tax Liabilities US$'000
Opening balance	(1,239)	(40,689)	(5,326)	(33,373)
Charged	(2,177)	(1,072)	(2,890)	(8,532)
Cash payments	1,550	-	7,628	-
Transfers	697	(697)	(697)	697
Translation (loss)/gain	(28)	752	46	519
	(1,197)	**(41,706)**	**(1,239)**	**(40,689)**

Notes to the Consolidated Financial Statements

Note 7: Tax *Continued*

Deferred income tax at 31 December relates to the following:

	Consolidated Statement of Financial Position	
	2020 US$'000	**2019 US$'000**
(i) Deferred tax liabilities		
Asset timing differences	(60,927)	(55,643)
Tax losses recognised	14,495	10,291
Provisions	4,726	4,663
Net deferred tax liabilities	**(41,706)**	**(40,689)**

(c) Tax losses - revenue

Tax losses not recognised – Australia – carried forward indefinitely	**75,062**	**74,609**
Tax losses not recognised – China – carried forward for upto 5 years	**5,162**	**8,392**

Income tax reconciliation

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

	2020 US$'000	**2019 US$'000**
(Loss)/Profit before income tax	(3,111)	34,889
Prima facie income tax benefit/(expense) calculated as 30% of profit before income tax	933	(10,467)
Tax effect of adjustments		
Non-deductible expenses	(5,082)	(166)
Overseas tax rate differential	(1,067)	(1,991)
Tax losses not brought into account	(1,180)	240
Other	3,147	962
Income tax expense	**(3,249)**	**(11,422)**

Note 8. Cash Assets

	2020 US$'000	**2019 US$'000**
Cash and cash equivalents	123,354	44,518
	123,354	**44,518**

Note 9. Other Financial Assets

	2020 US$'000	**2019 US$'000**
Financial assets held at FVTPL – Current	-	26,951
Financial assets held at amortised cost (bonds) – Non-Current	27,236	67,322
	27,236	**94,273**

Bonds are non-derivative financial assets, initially recognised at fair value, and carried at amortised cost. These assets generate a fixed interest income for the Group. The carrying value of these assets may be affected by changes in the credit risk of the counterparties.

Exchange Traded Funds, initially recognised at fair value, and carried at fair value through profit and loss. The carrying value of ETF is directly affected by its listed price.

Note 10. Oil and Gas Assets

	2020 US$'000	2019 US$'000
Costs		
Opening balance	997,531	927,671
Development expenditure incurred	43,493	71,880
Decrease in restoration asset	(121)	(53)
Transferred to exploration and evaluation assets	-	(1,967)
Total	**1,040,903**	**997,531**
Accumulated amortisation		
Opening balance	(755,701)	(709,373)
Impairment	(28,209)	-
Charge	(44,339)	(46,328)
Total	**(828,249)**	**(755,701)**
Net book value	**212,654**	**241,830**

The carrying amount of the Group's oil and gas assets are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable amount is made.

For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices and costs.

In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates. The estimate future cash flows for Value In Use calculations are based on estimates, the most significant of which are hydrocarbon reserves and resources, future production profiles, commodity prices, operating costs and future development costs necessary to produce the estimated reserves and resources.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are review at least annually, with the key forecast long term price (Yr 4 cash flow) utilised being USD$60/bbl real (PY USD$65/bbl).

Discount rates applied to the future forecasts are based on weighted average cost of capital, adjusted for risks where appropriate, including functional currency of the asset, risk profile of the countries in which the asset operates. The range of pre-tax discount rates that have been applied to the non-current assets is between 10% and 14%.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Due to the interrelated nature of the assumptions, movements in any one variable can have an impact on others and individual variables rarely change in isolation. Additionally management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently it is impractical to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments, or reversals of impairments, under different sets of assumptions in subsequent reporting periods.

Upon assessing the Groups recoverable amount of its operations at 31 December 2020 utilising the above assumptions, an impairment charge of $28.2m was recorded in the period (2019:nil).

Note 11. Exploration and Evaluation Assets

	2020 US$'000	2019 US$'000
Opening balance	28,219	26,313
Expenditure incurred	3,385	21,291
Transfer from oil and gas assets	-	1,967
Impairment of exploration costs	-	(3,321)
Amounts expensed and written-off	(1,853)	(18,031)
	29,751	**28,219**

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 12. Disposal of subsidiary

On 24th December 2020 Roc Oil Company Pty Ltd disposed of its interest in wholly owned subsidiary Roc Oil (Europe) Limited to Pearl Ventures.

Upon disposal of Roc Oil (Europe) Limited, the associated Foreign Currency Translation Reserve balance of $10,563,245 is reclassified to profit and loss in the period.

Notes to the Consolidated Financial Statements

Note 13. Controlled Entities

	Country of Incorporation	Ownership and Voting Interest 2020 %	Ownership and Voting Interest 2019 %
Name of entity			
Parent entity			
Roc Oil Company Pty Limited	Australia		
Controlled entities			
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil (Canning) Pty Limited	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Anzon Energy Pty Limited	Australia	100	100
Roc Oil (VIC) Pty Limited	Australia	100	100
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	100
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	100
Roc Oil (Sarawak) Sdn Bhd	Malaysia	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 (Angola) Limited	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (Hainan) Limited	China	100	100
Roc Oil (Europe) Limited	United Kingdom	-[(1)]	100

1. Sold during the period

Notes to the Consolidated Financial Statements

Note 14. Trade and Other Payables

	2020 US$'000	2019 US$'000
Trade and other payables	11,663	10,755
Accrued liabilities	1,713	4,182
	13,376	**14,937**

Note 15. Provisions

	Employee Benefits US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2020	989	13,998	14,987
Additions/(reductions)	291	(121)	170
Unwinding of discount	-	147	147
Utilised	(83)	(1,570)	(1,654)
Translation adjustments	130	-	131
Balance at 31 December 2020	**1,327**	**12,454**	**13,781**
Current – 2020	723	1,961	2,684
Non-current – 2020	604	10,493	11,097
Total 2020	**1,327**	**12,454**	**13,781**
Current – 2019	507	1,647	2,154
Non-current – 2019	482	12,351	12,833
Total 2019	**989**	**13,998**	**14,987**

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.

Note 16. Share Capital

	2020 Number of Shares	2019 Number of Shares	2020 US$'000	2019 US$'000
Balance at beginning of financial year	687,618,400	687,618,400	734,150	734,150
Balance at end of financial year	**687,618,400**	**687,618,400**	**734,150**	**734,150**

Note 17. Related Party Disclosures

Loan to key management personnel ('KMP')

No loans have been made to the KMP other than advances made for the purpose of meeting business expenses incurred in performing their duties. No interest is being charged on these amounts.

KMP Total Remuneration

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

	2020 US$	2019 US$
Total Compensation	**2,636,050**	**3,274,851**

Note 18. Commitments for Expenditure

Capital commitments

	2020 US$'000	2019 US$'000
No longer than one year		
Joint operations	14,282	32,562
Longer than one year but not longer than five years		
Joint operations	9,692	2,800
	23,974	**35,362**

Note 19. Joint Operations

The Group has an interest (rounded to two decimal places) in the following joint operations as at 31 December 2020:

Country	Block	Principal Activities	Interest 2020 %	Interest 2019 %
Australia	L20 & L21 (Ungani)	Oil production	50.00%	50.00%
	EP391/EP428/EP436	Oil and gas exploration	-[6]	50.00%
China	Beibu Gulf Production & Development Areas (formerly Block 22/12)	Oil and gas development/production	40.00/19.60[1]	40.00/19.60[1]
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/-[2]	24.50/11.67[2]
	Chenghai and Zhanghai Blocks	Oil appraisal/development	80.00/39.20[3]	80.00/39.20[3]
	WZ10-3W	Oil appraisal/development	35.00[4]	35.00[4]
	Pearl River Block 03/33 – Contract Area A	Oil appraisal/exploration	100.00[5]	100.00[5]
	Pearl River Block 03/33 – Contract Area B	Exploration	50.00[5]	50.00[5]
	Block 22/04	Exploration	35.00[5]	35.00[5]
Malaysia	D35/D21/J4	Oil and gas development/production	30.00	30.00

Notes:

1. Interest in field development post-government back-in.
2. Unitised interest in the C4 Field (relinquished in 2020).
3. Interest in development/production following government back-in.
4. Paying 58.3% until development.
5. CNOOC has the right to participate up to 51% of any development.
6. Sold

The Group's interest in the joint operations is accounted for via recognition of the Group's share of assets, liabilities, revenue and expenses.

Notes to the Consolidated Financial Statements

Note 20. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country of Incorporation	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December	
				2020 %	2019 %
BC Petroleum Sdn Bhd	Malaysia	Dormant	31 December	48	48

The Group's interest in the associate companies is accounted for using the equity accounting method. The Company is currently in the process of being liquidated.

Note 21. Contingent Liabilities

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

Note 22. Information Relating to Roc Oil Company Pty Limited ('parent entity')

	2020 US$'000	2019 US$'000
Current assets	155,318	204,737
Total assets	183,133	217,446
Current liabilities	1,919	2,645
Total liabilities	3,092	3,441
Net assets	**180,041**	**214,005**
Share capital	734,150	734,150
Accumulated losses	(642,575)	(608,611)
Share equity reserves	18,882	18,882
Foreign currency translation reserves	69,584	69,584
Total equity	**180,041**	**214,005**
Net loss of the parent entity	(33,964)	(4,223)
Total comprehensive loss of the parent entity	(33,964)	(4,223)

Note 23. Subsequent Events

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

Notes to the Consolidated Financial Statements

Note 24. Additional Company Information

The Company is a proprietary limited company and is incorporated in Australia and operates in Australia and overseas.

The registered office and principal place of business is:

Level 11

20 Hunter Street
Sydney NSW 2000
Australia.

Telephone number: +61 2 7209 2400

ABN: 32 075 965 856

Directors' Declaration

The Directors declare that:

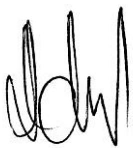
a) financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards – Reduced Disclosure Requirement and the Corporations Regulations 2001;

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

On behalf of the Directors:



Lorne Krafchik
Chief Executive Officer

Sydney, 18 March 2021

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Independent auditor's report to the members of Roc Oil Company Pty Limited

Opinion

We have audited the financial report of Roc Oil Company Pty Limited (the 'Company') and its subsidiaries (collectively 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Trent van Veen
Partner
Sydney
18 March 2021

AUD/A$ or cents	Australian currency
BBL(s)	Barrel(s), an oil barrel is equivalent to 0.159 cubic metres
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
Economic interest	The working interest share of production which is adjusted for production that is delivered to host governments under the petroleum contracts.
ETF	Exchange Traded Fund
FCTR	Foreign Currency Translation Reserve
FVTPL	Fair value through profit & loss
Group	Parent entity and its subsidiaries
GST	Goods and services tax
HSE	Health, Safety & Environment
MMBOE	One million barrels of oil equivalent
Possible reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Proved reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
PSC	Production Sharing Contract
Reserves	Are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied
ROC	Roc Oil Company Pty Limited
USD/US$ or cents	United States currency
1P	Proven reserves
2P	Proved and probable reserves
3P	Proved and probable and possible