

# QUARTERLY ACTIVITY REPORT



## ACTIVITIES FOR THE SECOND QUARTER ENDING 30 JUNE 2014

### HIGHLIGHTS

- Production 11,024 BOEPD up 39% from 1Q14
- Farm-in to D35, D21 & J4 PSC, offshore Malaysia
- ROC and Horizon Oil Limited announced an all scrip proposed merger of equals
- EGM held to amend the Company's constitution - resolution was not carried in line with the Board's recommendation
- First Oil from Bentara Field, offshore Malaysia

### CEO COMMENTS

ROC completed a number of strategic objectives, and delivered a safe, productive and profitable second Quarter. Key achievements include the transition into the role as Project Development Manager on the D35, D21 & J4 project (D35 PSC) and First Oil from the Bentara Field, both in Malaysia.

Overall production in the Quarter was 11,024 BOEPD an increase of 39% from 1Q14, mainly attributable to completion of the farm-in to the D35 PSC announced on 1 April.

Core assets continue to produce reliably, providing healthy cash flow from operations and underpinning the business' capacity to fund value growth projects.

Work on the 09/05 exploration block, offshore Bohai Bay, is progressing to schedule, with the initial prospect selected in preparation for the exploration drilling programme in 3Q14.

In Malaysia, ROC is transitioning into the role of Project Development Manager on the D35 PSC. Hand-over activities are continuing, with ROC taking the lead on subsurface management, well engineering, new facilities projects and project execution.

On 25 May, oil production from the Bentara Field was successfully brought on stream with the field achieving its First Oil milestone during the Quarter and the first sold in July.

In Myanmar, ROC continues to work with the Myanmar Ministry of Energy (MOE) to finalise the terms of the M07 PSC award.

The sale of ROC's interest in BMG to Cooper Energy (COE) was completed with final regulatory approvals received and operatorship has now been transferred to COE.

ROC's continuing focus on HSE and asset integrity performance has helped produce another Quarter with no significant process or personnel safety incidents.

### CORPORATE ACTIVITY

On 29 April, ROC and Horizon Oil Limited announced an all scrip proposed merger of equals. ROC commissioned Grant Samuel & Associates Pty Ltd to prepare an Independent Expert's Report on the proposed merger with Horizon Oil which was released on 16 June. The Independent Expert concluded that

the Merger is in the best interests of ROC shareholders. It is anticipated that the Merger will be approved by the Court on 14 August.

Subsequent to the end of the Quarter ROC convened an EGM, at the request of Allan Gray and Hostplus, to address a resolution to amend the Company's constitution. The resolution was not carried, in line with the Board's recommendation.

Subsequent to the Merger proposal announcement, ROC received two unrelated confidential, unsolicited, indicative and incomplete proposals in relation to the acquisition of all of the issued share capital of ROC.

Shareholders do not need to take any action in response to the proposals. There is no certainty that the proposals will develop into a formal offer to ROC shareholders. The Board will keep shareholders informed.

**Alan Linn**  
CEO and Executive Director

### FINANCIAL SUMMARY

- Total working interest production for 2Q14 of 1.003 MMBOE (11,024 BOEPD); up 39% compared to 0.714 MMBOE (7,933 BOEPD) in 1Q14 mainly attributed to the farm-in to the D35 PSC announced on 1 April.
- Of the total working interest production in the Quarter 0.2 MMBBL (21%) was delivered to host governments (1Q14: 0.04 MMBBL).
- Crude sales inventory increased by 0.111 MMBBL to 0.117 MMBBL mainly as a result of 2Q14 D35 PSC crude not yet sold at 30 June. We are finalising sale and lifting agreements and expect the inventory to be sold during 3Q14.
- Total sales revenue of US\$68.1 million down 10%; compared to US\$75.4 million in 1Q14 as a result lower production in Cliff Head and Beibu as well as stock movement in Blane. There is no sales revenue contribution in the Quarter from D35 PSC as outlined above.
- Average realised oil price of US\$105.90/BBL, in line with 1Q14. Brent averaged \$109.67/bbl for 2Q14.
- At 30 June ROC had net cash of US\$67.2 million (1Q14: US\$88.1 million) with undrawn debt facilities of US\$60.0 million. Net cash is lower than the prior

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quarter due to the farm-in to the D35 PSC effective 1 January 2014. During the Quarter, ROC paid US\$21.1 million relating to six months of operating costs up to 30 June in the D35 PSC for a 50% participating interest. In addition ROC has not yet received any revenue or paid taxes for 1H14 from the D35 PSC crude sales with these amounts expected to be finalised in 3Q14. More details will be provided in ROC's half yearly financial statements to be released at end of August 2014.

Finally, on completion of the farm-out to Dialog Resources Sdn Bhd (Dialog), anticipated during 3Q14, US\$8.4 million of the operating costs amount already paid will be reimbursed to ROC for its 20% participating interest.

- Exploration and development expenditure was US\$3.9 million (1Q14: US\$3.9m) plus additional BCP equity funding of US\$5.6 million (1Q14: US\$2.9m).

## Production

Oil, Condensate and NGL's Production (working interest; BBL)	2Q2014	1Q2014	YTD 2014	% Change (1Q14 to 2Q14)
Beibu	209,903	235,144	445,047	(11%)
Blane	54,987	51,464	106,451	7%
Cliff Head	67,938	85,084	153,022	(20%)
D35, D21 & J4 <sup>1</sup>	254,738	-	254,738	N/A
Enoch	-	-	-	N/A
Zhao Dong	345,763	342,237	688,000	1%
<b>Total Oil, Condensate and NGL Production</b>	<b>933,329</b>	<b>713,929</b>	<b>1,647,258</b>	<b>31%</b>
<b>Gas Production (working interest; MSCF)</b>				
D35, D21 & J4 <sup>1</sup>	419,402	-	419,402	N/A
<b>Total Gas Production (MSCF)</b>	<b>419,402</b>	<b>-</b>	<b>419,402</b>	<b>N/A</b>
<b>Total Production (BOE)</b>	<b>1,003,229</b>	<b>713,929</b>	<b>1,717,158</b>	<b>41%</b>
<b>Average Rate (BOEPD)</b>	<b>11,024</b>	<b>7,933</b>	<b>9,487</b>	<b>39%</b>

## Summary of sales

	2Q 2014		1Q 2014		YTD 2014	
	BBL	US\$'000	BBL	US\$'000	BBL	US\$'000
Beibu	195,998	20,578	219,567	23,245	415,565	43,823
Blane	53,000	5,924	90,609	9,930	143,609	15,854
Cliff Head	65,116	7,099	86,360	9,363	151,476	16,462
D35, D21 & J4 <sup>1</sup>	-	-	-	-	-	-
Enoch	-	-	-	-	-	-
Zhao Dong	313,712	32,884	316,916	32,818	630,628	65,702
<b>Total Oil, Condensate and NGL Sales</b>	<b>627,826</b>	<b>66,485</b>	<b>713,452</b>	<b>75,356</b>	<b>1,341,278</b>	<b>141,841</b>
<b>Gas Sales</b>	<b>MSCF</b>	<b>US\$000</b>	<b>MSCF</b>	<b>US\$000</b>	<b>MSCF</b>	<b>US\$000</b>
D35, D21 & J4 <sup>1</sup>	314,550	1,585	-	-	314,550	1,585
<b>Total Sales (BOE)</b>	<b>680,251</b>	<b>68,070</b>	<b>713,452</b>	<b>75,356</b>	<b>1,393,703</b>	<b>143,426</b>

<sup>1</sup> D35, D21 & J4 announced on 1 April and is shown at a 30% participation interest, subject to completion of farm-out to Dialog Resources Sdn Bhd.

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## Exploration and development expenditure incurred

	2Q 2014 US\$'000	1Q 2014 US\$'000	YTD 2014 US\$'000
<b>Exploration</b>			
China	895	55	950
Other (includes New Ventures)	640	640	1,280
<b>Total Exploration</b>	<b>1,535</b>	<b>695</b>	<b>2,230</b>
<b>Development</b>			
Beibu	102	79	181
Zhao Dong	2,267	3,137	5,404
<b>Total Development</b>	<b>2,369</b>	<b>3,216</b>	<b>5,585</b>
<b>Total Exploration &amp; Development</b>	<b>3,904</b>	<b>3,911</b>	<b>7,815</b>

## PRODUCTION

### Beibu Gulf, offshore China (ROC: 19.6%)

Gross oil production averaged 11,769 BOPD (ROC: 2,307 BOPD) down 11% from the previous quarter as some wells were not online for the full period due to planned testing. Performance is being assessed on the wells so appropriate reservoir management can be utilised to ensure continued stabilised production. During the Quarter pressure build up tests were conducted on six wells in WZ6-12. Five of the fields 15 wells remain on natural flow. The 12-8E feasibility study continues, and ODP study is scheduled to complete by the end of 2014.

To-date production performance has been in line with expectations.

### Zhao Dong Oil Fields, Bohai Bay, Offshore China (C & D Oil Fields ROC: 24.5% & Operator, C4 Oil Field ROC: 11.667% unitted & Operator, Zhenghai ROC: 39.2% & Operator)

Gross oil production averaged 16,239 BOPD (ROC: 3,800 BOPD); 1% increase from 1Q14.

Drilling activity commenced during the Quarter with four wells drilled.

During the Quarter, ROC was advised by PetroChina of its intention to assume operatorship of Zhao Dong in 2Q15. ROC has been asked to assist in the handover with PetroChina. ROC will continue to be a full partner, post transition, and will continue to assist PetroChina to strengthen their offshore operations and international management skill in order to maximise the hydrocarbon recovery from Zhao Dong and area opportunities, consistent with ROC's long-term strategy, thus ensuring a continued sustainable development of the Zhao Dong fields as a hub gathering and processing centre.

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

On 1 April ROC announced the farm-in to a PSC of the D35, D21 and J4 fields (Fields), effective 1 January 2014, with ROC production reported from 2Q14.

PETRONAS Carigali is the Operator of the PSC and it has appointed ROC as the Project Development Manager, responsible for subsurface management, well engineering, new facilities projects and project execution. During the Quarter hand over activities continued as ROC transitioned into the role as Project Development Manager. Planning for activities for remainder of 2014 and 2015 continues with PETRONAS Carigali.

As previously advised, the value of revenue less costs and taxes in 1Q14 is represented as a working capital adjustment and will form part of the completion accounts that will be reflected in the 1H14 accounts.

On 30 May ROC announced that it had entered into a Letter of Intent to farm-out a 20% participating interest in the PSC for the Fields, to Dialog. The Dialog farm-in will reduce ROC's participating interest to 30%. The farm-out to Dialog has been approved by PETRONAS and existing joint venture partners and is subject to Dialog meeting conditions precedents and completion of documentation.

### Balai Cluster RSC, Offshore Malaysia (ROC: 48%)

On 25 May, oil production from the Bentara Field was successfully brought on stream. The field has achieved the First Oil milestone with a stabilised start-up rate of approximately 1,300 BOPD of oil and 0.8 MMscfd of gas over the period.

Production from the Field is occurring through the existing platform and two of the drilled wells. Production is being processed through the EPV and transferred to point of sale via a ship-to-ship transfer to a shuttle tanker, with the first transfer of ~50,000 barrels completed on the 18 July 2014.

BC Petroleum Sdn Bhd (BCP) is the ROC 48% owned company incorporated to operate and manage the Balai Cluster RSC. Under the terms of the RSC, BCP (and ROC) do not have title to the oil produced and therefore are not able to book reserves and resources associated with the Bentara oil field. ROC is unable to show Bentara production and revenue within its owned reported volumes.

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## **Cliff Head Oil Field, WA-31-L, Offshore Western Australia (ROC: 42.5% & Operator)**

Gross oil production averaged 1,757 BOPD (ROC: 747 BOPD); down 20% from the previous quarter due to one well being offline for part of the Quarter. Workover activities on well 13 were successfully completed during the Quarter and production has recommenced and has increased back to expected levels.

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

Gross production averaged 4,834 BOPD (ROC: 604 BOPD); up 7% from the previous quarter following a full quarter of production, with limited interruption. Production for the Quarter was in line with expectations.

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

Production is expected to resume during 3Q14.

### **DEVELOPMENT**

## **Basker-Manta-Gummy (BMG) Oil & Gas Fields (ROC 50% & Operator)**

On 31 March ROC announced that it signed a Sale and Purchase Agreement to sell its entire 50% participating interest in the BMG field to Cooper Energy Limited (ASX: COE). Regulatory approvals have been received and the interests and operatorship have now been transferred to COE.

### **EXPLORATION AND APPRAISAL**

## **Block 09/05, Bohai Bay, offshore China (ROC: 100% & Operator)**

Detailed well planning for an exploration drilling program in 3Q14 is underway, following selection of the initial prospect. Work is progressing on permitting and

procurement of long lead time, including drilling rig services which have been obtained.

Horizon Oil has notified ROC that it does not intend exercising its option to farm-in to Block 09/05 due to the proposed Merger. ROC is continuing to work with various parties to secure attractive farm-in terms.

### **Myanmar**

As announced in March, ROC was notified by the Myanmar MOE of the successful award of a PSC for shallow water Block M07 in the Moattama basin, offshore Myanmar.

ROC is continuing to work through the award process which is subject to finalisation of terms with the MOE and is targeted during 2H14.

ROC continues to actively pursue attractive farm-in opportunities near existing infrastructure. Entry into Myanmar remains aligned with ROC's wider strategic objective to identify and secure material exploration, appraisal and field re-development opportunities in established petroleum provinces across South East Asia.

### **CORPORATE**

ROC will announce its results for the half year ended 30 June 2014 on Wednesday 27 August. The half-year report (incorporating Appendix 4D) and associated investor briefing presentation will be available on ROC's website at [www.rocoil.com.au](http://www.rocoil.com.au).

A webcast briefing, including investor/analyst questions, will be available on ROC's website. [www.rocoil.com.au](http://www.rocoil.com.au).

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## DEFINITIONS

BBL(S)	barrel(s)
BCP	BC Petroleum Sdn Bhd
BOE	barrels of oil equivalent (6 MSCF = 1 BOE)
BOPD	barrels of oil per day
BOEPD	barrels of oil equivalent per day
EPV	Early Production Vessel
HSEC	Health, Safety, Environment, Communities
LTI	lost time injury
MMBBL	million barrels
MMBOE	million of barrels of oil equivalent
MMscfd	million metric standard cubic feet per day
NGL	natural gas liquids
PSC	Production Sharing Contracts
Quarter	the period 1 April to 30 June 2014
ROC	Roc Oil Company Limited and includes, where the context requires, its subsidiaries
RSC	Risk Service Contract
YTD	year to date

## FURTHER INFORMATION

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