FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

CONCISE REPORT

CONTENTS

SHAREHOLDER INFORMATION

This report is a Concise Report which has been derived from the Annual Financial Report of Roc Oil Company Limited for the financial year ended 31 December 2000. The Concise Financial Report has been prepared in accordance with Australian Accounting Standard AASB1039 'Concise Financial Reports' and the relevant provisions of the Corporations Law. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of the consolidated entity's performance, financial position and financial and investing activities, as provided by the Annual Financial Report.

ANNUAL FINANCIAL REPORT

Further financial information can be obtained from the Annual Financial Report, which is available, free of charge, on request to the Company. A copy of the Annual Financial Report, including the independent audit report, may be requested by calling (02) 8356 2000 or faxing (02) 9380 2066. It can also be accessed at www.rocoil.com.au via the Internet.

The Directors of Roc Oil Company Limited ("Company" or "ROC") have pleasure in submitting the Concise Report for the financial year ended 31 December 2000.

DIRECTORS

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

Mr Andrew J Love, BCom, FCA, MAICD (Non-Executive Director, Chairman), 47

Mr Love is Chairman of the Board of ROC, a Fellow of The Institute of Chartered Accountants in Australia and a Senior Partner in the firm of Ferrier Hodgson, Chartered Accountants. Mr Love is also a non-executive director of a number of other public companies.

Mr William G Jephcott, BCom, FCPA, FAICD (Non-Executive Director, Deputy Chairman), 50

Mr Jephcott is an investment banker who has provided merger and acquisition advice to a number of leading Australian companies. He has particular experience in the financing and structuring of major resource projects, including those in the oil and gas industry. Mr Jephcott is currently a senior advisor to Merrill Lynch International (Australia) Limited and also non-executive chairman of Mobile Innovations Limited.

Dr R John P Doran, BSc, MSc, PhD, FAICD (Executive Director and Chief Executive Officer), 54

Dr Doran is Chief Executive Officer and a Director of ROC. He has almost 30 years' experience in international oil exploration and development in many countries, including Libya, Iran and Norway as well as, during the past 20 years, Australia, Papua New Guinea, New Zealand and India. Dr Doran has been directly involved with - and responsible for - several significant corporate expansions and a number of commercial oil discoveries and developments in various parts of the world.

Mr Richard J Burgess, BSc (Non-Executive Director), 69

Mr Burgess is a geologist by training and was, until his retirement, President and Chief Executive Officer of CMS Nomeco Oil & Gas Co, a North American-based oil and gas exploration and production company. He has extensive exploration experience in North and South America, Australasia, East Asia and China.

Mr Ross Dobinson, BBus, CA (Non-Executive Director), 48

Mr Dobinson has extensive corporate advisory and investment banking experience, most recently as director of Corporate Advisory at Dresdner Australia Limited. In early 1999, Mr Dobinson became Managing Director of TSL Group Ltd, a corporate advisory company specialising in establishing and advising biotechnology companies. Mr Dobinson is also a director of Starpharma Pooled Development Limited and Acrux Limited.

Mr Sidney J Jansma Jr, MBA (Non-Executive Director), 57

Mr Jansma began his oil career in 1959 working for his father's private oil company. In 1978, Mr Jansma purchased the entire company from his father and during the ensuing 19 years, the company grew to become the third largest gas producer in the state of Michigan. In 1996, Mr Jansma merged the assets of his company with those of Dominion Resources, Inc. In addition to dealing with broad oil and gas industry issues at both state and national levels, Mr Jansma is also President and Chief Executive Officer of Wolverine Gas and Oil Corporation, his family owned company, which is exploring for oil and gas in North America. Mr Jansma is a member of the Board of Governors of the Independent Petroleum Association of America and chairman of its Environmental Committee. He also serves on the Board of Governors of the American Petroleum Institute and on US Secretary of Energy Abraham's Transition Team.

Mr Adam C Jolliffe (Non-Executive Director), 44

Prior to joining Cargill Financial Markets plc ("Cargill"), Mr Jolliffe worked for Consolidated Gold Fields trading non-ferrous materials. At Cargill, Mr Jolliffe joined the non-ferrous metals department as Manager – Aluminium Trading, where he was responsible for East and West Europe, Asia and Africa. In 1986, he transferred to the rubber trading business as Manager of the London office. In 1990, Mr Jolliffe joined Cargill's financial trading unit and is currently that company's Manager of Western European Equity Trading.

Mr Bun C Hung, BA, LLB, MInstP (Executive Director), 50

Mr Hung, a lawyer by training, graduated from Sydney University in 1974. Since 1982, Mr Hung has worked exclusively within the Australian and international oil and gas industry, holding senior executive positions with Nomeco Oil & Gas and Command Petroleum Limited and, most recently, Cairn Energy Asia Limited where he was Managing Director.

The abovenamed Directors held office during and since the end of the financial year, except for:

- Mr B C Hung who resigned effective 16 February 2001.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director (while they were a Director):

Name	Directors	Audit Committee	Remuneration Committee	Occupational Health, Safety and Environment Committee	Finance and Risk Management Committee
	Number of Meetings Held				
	13	2	2	1	2
	Number of Meetings Attended				
Mr A J Love	13	2	2	N/A	2
Mr W G Jephcott	12	2	2	N/A	2
Dr R J P Doran	13	N/A	N/A	N/A	N/A
Mr R J Burgess	13	N/A	N/A	N/A	1
Mr R Dobinson	11	2	N/A	1	N/A
Mr S J Jansma Jr	10	N/A	N/A	1	N/A
Mr A C Jolliffe	12	N/A	N/A	N/A	2
Mr B C Hung	12	N/A	N/A	N/A	N/A

PRINCIPAL ACTIVITIES

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

RESULTS

The operating profit of the consolidated entity for the financial year after income tax expense was $15,082,843 (1999: $5,963,028 loss). The result for the financial year included a net abnormal expense after income tax expense amounting to $1,056,800 (1999: $1,658,280 expense).

DIVIDENDS

No dividends have been paid or declared since the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 31 December 2000.

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 Concise Financial Report on pages 40 to 42.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, there were no significant changes in the state of affairs of the consolidated entity other than those referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

Since the end of the financial year, the significant events referred to in Note 12 to the Concise Financial Report have occurred.

Except for the matters referred to in Note 12, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in financial years subsequent to 31 December 2000.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations, is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in the Concise Report.

ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental regulations under Commonwealth legislation. The consolidated entity is also a party to various production sharing contracts and exploration and development licences in the countries in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental obligations of the consolidated entity's contracts or licences.

DIRECTORS' REMUNERATION

Details of the nature and amount of each element of the remuneration for the financial year of each Director of the Company are:

	Directors' Fees $	Salary and Other Related Benefits including Fringe Benefits Tax $	Superannuation Contributions $	Total $
Non-Executive Directors				
Mr A J Love	65,000	-	-	65,000
Mr W G Jephcott	45,000	-	3,375	48,375
Mr R J Burgess	35,000	-	-	35,000
Mr R Dobinson	35,000	-	2,625	37,625
Mr S J Jansma Jr	35,000	-	-	35,000
Mr A C Jolliffe	35,000	-	-	35,000
Executive Directors				
Dr R J P Doran	-	447,157	29,827	476,984
Mr B C Hung	-	416,225	30,885	447,110

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for Executive and Non-Executive Directors. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors.

The rates of directors' fees currently being paid are as follows:

Chairman – $65,000 per annum;

Deputy Chairman – $45,000 per annum; and

Non-Executive Director – $35,000 per annum.

In accordance with Australian Accounting Standard AASB1017 'Related Party Disclosures', any person required to be a director of a wholly owned controlled entity in order to discharge his or her duties as an 'executive officer' of the Company is excluded from the determination of directors' remuneration.

DIRECTORS' INTERESTS

As at the date of this Directors' Report, the following Directors hold the number of fully paid ordinary shares in the Company and options over unissued ordinary shares in the Company shown in the table below:

Director	Ordinary Shares (Fully Paid)	Options over Ordinary Shares (10)
Mr A J Love	545,690 (1)	25,231
Mr W G Jephcott	644,930 (2)	54,691
Dr R J P Doran	4,773,960 (3)	20,829
Mr R J Burgess	589,870 (4)	25,150
Mr R Dobinson	752,092 (5)	143,102
Mr S J Jansma Jr	3,875,380 (6)	999,640
Mr A C Jolliffe	127,860 (7)	47,671
Mr B C Hung	50,000 (8)	350,000 (9)

Notes:

1 468,480 Darcy Petroleum Pty Limited in trust for Tangarr Pty Ltd as trustee for Love Family Trust (Mr A J Love – director)
22,810 Tangarr Pty Ltd as trustee for Love Family Trust (Mr A J Love – director)
40,980 Love Superannuation Pty Ltd (Mr A J Love – director)
13,420 Ferrier Hodgson – Partner.

2 468,480 Darcy Petroleum Pty Limited in trust for En-Dev Finance Consultants Pty Limited (Mr W G Jephcott – director)
176,450 (Mr W G Jephcott).

3 4,685,010 Darcy Petroleum Pty Limited in trust for Celtic Energy Pty Ltd (Dr R J P Doran – director)
63,700 Celtic Energy Pty Ltd (Dr R J P Doran – director)
25,250 J Doran Superannuation Fund.

4 76,390 Burgess Investments, Inc. (Mr R J Burgess – director)
468,480 Darcy Petroleum Pty Limited in trust for Burgess Investments, Inc. (Mr R J Burgess – director)
45,000 F H Nominees Pty Ltd on account for Mr R J Burgess.

5 752,092 Espasia Pty Ltd (Mr R Dobinson – director).

6 3,125,380 Wolverine Global Energy LLC (Mr S J Jansma Jr – director)
500,000 Mr S J Jansma Jr
250,000 Mr S J Jansma III.

7 127,860 Mr A C Jolliffe.

8 50,000 Mr B C Hung.

9 Mr B C Hung's options were issued to him under the Company's Employee Share Option Plan, prior to him being appointed as a Director of the Company, and will expire on 16 March 2001, being one month after his resignation from the Company.

10 During the prior financial year, 1,318,924 options over unissued ordinary shares were issued to Directors and their director-related entities by the Company pursuant to the options offered to shareholders under the Prospectus dated 21 June 1999.

OFFICERS' REMUNERATION

Remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced senior executives capable of discharging their respective responsibilities. The Remuneration Committee is responsible for reviewing compensation arrangements for senior executives on an annual basis, and otherwise as required.

Remuneration packages of senior executives include performance-based components in the form of bonuses. No bonuses were paid or payable during the financial year ended 31 December 2000.

Details of the nature and amount of each element of the remuneration for the financial year of each of the five officers of the Company receiving the highest remuneration are:

Name	Position	Base Remuneration (1) $	Other Benefits (2) $	Superannuation $	Total $
Mr B Clement	Chief Financial Officer	258,599	5,285	19,332	283,216
Mr W Jamieson	General Manager – Exploration	211,966	8,051	15,899	235,916
Dr K Hird	General Manager – Business Development	216,000	-	16,200	232,200
Mr N Seage	Senior Reservoir Engineer	174,599	5,285	13,032	192,916
Mr R Gerrard *	General Counsel and Company Secretary	13,562	-	1,085	14,647

* Appointed as Company Secretary on 29 November 2000.

Notes:

1 Base remuneration includes base salary.

2 Other benefits are non-base remuneration benefits including packaged benefits and fringe benefits tax (where applicable).

3 The terms 'director' and 'officer' have been treated as mutually exclusive for the purpose of this disclosure.

4 There were no options granted during the financial year.

OPTIONS OVER UNISSUED ORDINARY SHARES

Details of the Employee Share Option Plan are disclosed in the Annual Financial Report.

During the financial year, 180,000 options were issued under the Employee Share Option Plan. Since the end of the financial year, 1,274,000 options were issued under the Employee Share Option Plan.

During the financial year, an aggregate of Nil (1999: 949,910) options were issued to the Directors and five most highly remunerated officers of the Company. Since the end of the financial year, 644,000 options were issued to the five most highly remunerated officers of the Company under the Employee Share Option Plan.

As at the date of this Directors' Report, there were 4,073,910 options (representing 3.8% of the issued capital of the Company) granted over unissued ordinary shares of ROC under the Employee Share Option Plan at the following exercise prices:

Number of Options	Exercise Price	Expiry Date
475,000	$1.85	17 March 2003
455,000	$3.33	10 June 2003
110,000	$3.33	2 September 2003
16,740	$3.33	15 January 2004
5,320	$3.48	15 January 2004
60,000	$2.00	15 July 2004
1,415,000	$2.00	19 July 2004
82,850	$3.48	29 July 2004
50,000	$1.16	1 March 2005
30,000	$1.34	1 June 2005
100,000	$1.47	1 September 2005
1,274,000	$1.25	10 January 2006

1,225,793 options remain available for issue under the Employee Share Option Plan.

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

An indemnity agreement has been entered into between an insurance company and the current Directors of the Company named earlier in this Directors' Report and with the full time executive officers and directors and secretaries of all Australian group companies. Under this agreement, the Company has agreed to indemnify these directors and officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such by an auditor.

CORPORATE GOVERNANCE

The Board of Directors

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

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

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

Board Committees

The Board has established four committees: an Audit Committee, a Remuneration Committee, a Finance and Risk Management Committee, an Occupational Health, Safety and Environment Committee and a Continuous Disclosure Committee.

Audit Committee

The Audit Committee comprises Mr A J Love (Chairman), Mr W G Jephcott and Mr R Dobinson.

The Committee has direct access to the Company's auditors. It determines the appropriateness and effectiveness of internal and external audit procedures, reviews compliance with statutory financial requirements, and ensures that the system of control safeguards is effective and that financial information provided to shareholders and regulatory authorities is accurate and reliable. The Committee invites the Chief Executive Officer, Chief Financial Officer and external auditors to attend Committee meetings.

Remuneration Committee

The Remuneration Committee comprises Mr W G Jephcott (Chairman) and Mr A J Love. The Committee considers and sets the remuneration of the Chief Executive Officer and reviews the remuneration of other key executives. It also administers the Company's Cash Bonus Plan and the issue of options under the Company's Employee Share Option Plan. The aggregate annual maximum fees of the Non-Executive Directors is set by shareholders.

Finance and Risk Management Committee

The Committee comprises Mr W G Jephcott (Chairman), Mr A J Love, Mr R J Burgess and Mr A C Jolliffe. It is responsible for monitoring the operational and financial aspects of the Company's activities and considers recommendations and advice of internal and external advisors on the operational and financial risks of ROC. The Committee evaluates management's assessment of risk and its recommendations in relation to the management of that risk including hedging policies and the nature and level of insurance cover.

Occupational Health, Safety and Environment Committee

This Committee's responsibility is to ensure that occupational health, safety and environmental standards of the Company's operations are maintained at a level equal to, or above, accepted industry standards and that the Company complies with all relevant governmental requirements in the areas in which it operates.

The current members of the Committee are: Mr S J Jansma Jr (Chairman) and Mr R Dobinson. Mr S J Jansma Jr is currently chairman of the Environmental Committee of the Independent Petroleum Association of America.

Continuous Disclosure Committee

This Committee is comprised of the Chief Executive Officer (who is the Chairman of the Committee) and the Company Secretary. The purpose of the Committee is to ensure that the Company complies with the continuous disclosure requirements of the Corporations Law and the ASX Listing Rules. Since listing, the Company has adopted guidelines and policies on a number of issues relating to corporate governance and ethical standards, including:

Share Trading

ROC's share trading policy prohibits ROC personnel buying and selling shares in ROC other than in the two weeks immediately after a quarterly, half yearly or annual report has been released to ASX. This policy extends to immediate family and close relatives.

Anti-Corruption

ROC has adopted a policy to ensure its operations are conducted with honesty and integrity and with a commitment to ethical business standards. In particular, this policy is aimed to ensure compliance with the Criminal Code Amendment (Bribery of Foreign Officials) Act 1999.

Equal Opportunity and Harassment

ROC has adopted a policy to ensure it maintains an equal employment opportunity environment and does not tolerate any discrimination or harassment in the work place.

ROUNDING

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

This Directors' Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

Mr A J Love
Chairman
Sydney, 9 March 2001

Dr R J P Doran
Director and Chief Executive Officer

Deloitte Touche Tohmatsu
A.B.N 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Telephone (02) 9322 7000
Facsimile (02) 9322 7001
www.deloitte.com.au

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ROC OIL COMPANY LIMITED

Scope

We have audited the concise financial report of Roc Oil Company Limited for the financial year ended 31 December 2000 as set out on pages 37 to 49, in order to express an opinion on it to the members of the Company. The concise financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Roc Oil Company Limited for the financial year ended 31 December 2000. Our audit report on the full financial report was signed on 9 March 2001, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of Roc Oil Company Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

DELOITTE TOUCHE TOHMATSU

Johan Duivenvoorde
Partner
Chartered Accountants
Sydney, 9 March 2001

PROFIT AND LOSS STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

	NOTE	CONSOLIDATED 2000 $'000	CONSOLIDATED 1999 $'000
Operating profit (loss) before abnormal items	2	24,601	(3,722)
Abnormal items before income tax expense	3	(1,940)	(1,721)
Operating profit (loss) before income tax expense		22,661	(5,443)
Income tax expense attributable to operating profit (loss)		(7,578)	(520)
Operating profit (loss) after income tax expense		15,083	(5,963)
Accumulated losses at beginning of financial year		(25,077)	(19,114)
Accumulated Losses at End of Financial Year		**(9,994)**	**(25,077)**

The above Profit and Loss Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 31 DECEMBER 2000

	NOTE	CONSOLIDATED 2000 $'000	CONSOLIDATED 1999 $'000
Current Assets			
Cash		2,272	2,768
Short term deposits		53,614	23,095
Inventories		756	1,677
Receivables		25,232	7,860
Investments		58	15
Prepayments		724	727
Total Current Assets		82,656	36,142
Non-Current Assets			
Development expenditure	7	175,531	190,870
Exploration expenditure	8	34,260	34,955
Receivables		2,457	1,800
Materials inventory		49	2,329
Property, plant and equipment		1,995	13,505
Future income tax benefit		519	1,230
Total Non-Current Assets		214,811	244,689
Total Assets		297,467	280,831
Current Liabilities			
Accounts payable		14,857	14,733
Borrowings		18	8,861
Provisions		2,798	246
Deferred purchase consideration	11	14,287	-
Total Current Liabilities		31,960	23,840
Non-Current Liabilities			
Borrowings		55,057	61,690
Provisions		13,027	10,819
Deferred purchase consideration	11	-	13,246
Total Non-Current Liabilities		68,084	85,755
Total Liabilities		100,044	109,595
Net Assets		**197,423**	**171,236**
Equity			
Issued capital		197,597	197,597
Accumulated losses		(9,994)	(25,077)
Foreign currency translation reserve		9,820	(1,284)
Total Equity		**197,423**	**171,236**

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

	CONSOLIDATED	
	Inflows (Outflows) 2000 $'000	Inflows (Outflows) 1999 $'000
Cash Flows from Operating Activities		
Receipts from customers	98,984	17,668
Payments to suppliers and employees	(38,317)	(21,431)
Interest received	2,816	1,580
Interest paid (net of capitalised amounts)	(4,377)	(2,219)
Tariff and other receipts	967	1,519
Other taxes paid	(3,822)	-
Bank charges	(369)	(72)
Net cash provided by (used in) operating activities	55,882	(2,955)
Cash Flows from Investing Activities		
Payment for plant and equipment	(1,030)	(1,450)
Payment for development expenditure	(30,084)	(20,091)
Payment for exploration expenditure	(21,205)	(15,557)
Recoupment of exploration expenditure	485	2,249
Payment for operated joint venture exploration expenditure	(819)	(785)
Payment for development studies	(762)	(97)
Reimbursement from operated joint venture operations	669	1,636
Payment for acquisition of controlled entities	-	(104,395)
Payment for materials inventory	(5,305)	(789)
Proceeds from sale of non-core onshore UK assets	57,944	-
Proceeds from disposal of non-current assets	321	1
(Payment) refund for security deposits on operating leases	(44)	71
Payment of deposit for dataroom access	(139)	-
Loan to other entities	(336)	-
Net cash used in investing activities	(305)	(139,207)
Cash Flows from Financing Activities		
Proceeds from share issues	-	156,674
Share issue expenses	-	(9,902)
Bank loan repayment	(26,882)	-
Other payments	(169)	(32)
Net cash (used in) provided by financing activities	(27,051)	146,740
Net Increase in Cash Held	28,526	4,578
Cash at Beginning of Financial Year	25,863	22,666
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,497	(1,381)
Cash at End of Financial Year	**55,886**	**25,863**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

This discussion and analysis is provided to assist readers in understanding the Concise Financial Report.

KEY POINTS

The consolidated entity experienced strong growth in revenue and profit after income tax expense during the financial year ended 31 December 2000. Sales revenue of $90.9 million and an after tax profit, including abnormals, of $15.1 million were achieved for the financial year, compared with sales revenue of $16.6 million and an after tax loss of $6.0 million for the financial year ended 31 December 1999.

Net cash from operating activities was $55.9 million, up $58.8 million on the prior financial year.

At the end of December 2000, the consolidated entity was in a sound financial position with a cash and short term deposit balance of $55.9 million and no net debt.

The strong operating results were underpinned by the excellent performance from the 100% owned and operated Saltfleetby Gas Field, onshore in the UK, which was enhanced by the successful Extended Well Test ("EWT") on the Kyle Oil Field (ROC beneficial interest 12.5%) in the UK North Sea. Following the EWT and the successful drilling and testing of the Kyle Northeast appraisal well, the Kyle Oil Field full life of field development was approved.

Total production from the UK operations for the financial year was 3.4 million barrels of oil equivalent (9,227 barrels of oil equivalent per day). The Saltfleetby Gas Field produced at an average rate of 43.7 million standard cubic feet per day and remained at this production rate through to the end of December 2000.

During the financial year, ROC's wholly owned UK subsidiaries sold a number of non-core onshore UK assets, effective 1 March 2000, including the Welton Oil Field and the Welton Gathering Centre. The sale realised proceeds of $62.3 million (£23.9 million), producing an abnormal after tax profit of $22.0 million.

The consolidated entity's exploration portfolio was expanded during the financial year with the acquisition of a 60% interest in two blocks offshore Equatorial Guinea, the farm-in for a 45% interest in the WA-286-P block offshore Western Australia and the execution of an option agreement over acreage offshore Mauritania. Offsetting this expansion was the surrender of the Moroccan acreage during October 2000, when it was agreed that ROC would not seek to convert its Reconnaissance Licence into an Exploration Licence. In addition, the Company successfully farmed out 46.25% of its 92.5% interest in Senegal and retained operatorship of the acreage.

Effective 6 September 2000, the consolidated entity increased its equity in the Chestnut Oil Field from 17.75% to 29.75% through the acquisition of another 12% interest for an upfront cash payment of US$0.5 million and the transfer of associated exploration acreage. The Chestnut Joint Venture also executed an agreement with Brovig Production Services Limited ("Brovig") under which Brovig will fund 100% of the costs of drilling an appraisal well and conducting an EWT on the field during 2001 in return for a share of production from the field.

PROFIT AND LOSS STATEMENT

The consolidated entity recorded an operating profit after income tax expense of $15.1 million. The operating profit before abnormal items and income tax expense was $24.6 million.

	$Million
Operating Profit Before Tax and Before Abnormal Items	24.6
Operating Profit After Tax and Before Abnormal Items	16.1
Abnormal Items (After Tax)	
Profit on Sale of Non-Core Onshore UK Assets	22.0
Net Foreign Currency Losses	(0.9)
Exploration Expenditure Written Off or Expensed and Materials Inventory Written Off	(22.1)
Operating Profit After Income Tax Expense	15.1

Sales revenue for the financial year was $90.9 million, comprising $88.7 million from the UK operations and $2.2 million from Mongolia. Production from the UK operations comprised 0.7 million barrels of oil and natural gas liquids and 16.0 billion cubic feet of gas. UK revenue was constrained by a 1,000 barrels per day oil price hedge, at a Brent oil price of US$14.35 per barrel, put in place by the previous owners of the UK assets, which terminated on 31 December 2000. The effect of this hedge was offset to some extent by an average of US$28.78 per barrel received for non-hedged oil production. Gas prices received averaged $4.37 per thousand cubic feet.

The revenue performance is particularly noteworthy given the sale of the Welton Oil Field, effective 1 March 2000. The result reflected the continuing strong performance of the Saltfleetby Gas Field, the production from the Kyle EWT and increases in UK spot gas prices, which were, for the financial year, approximately 50% above prior financial year spot prices.

Other operating revenue of $0.5 million includes revenue from electricity generation and sales and from the processing of third party crude oil in the UK at the Welton Gathering Centre, prior to the sale of these assets effective 1 March 2000.

UK operating costs for the financial year were $18.8 million. Amortisation, restoration and depreciation costs were $33.3 million. Other costs, including general and administrative costs, were $8.3 million.

Net financing costs for the financial year were $2.5 million, including interest income of $2.8 million.

Exploration expenditure of $20.0 million was written off or expensed during the financial year, in accordance with ROC's accounting policy, and was largely attributable to Mongolia ($15.3 million), Morocco ($3.1 million) and the UK ($1.0 million) areas of interest.

As noted above, the consolidated entity recorded an abnormal profit after income tax expense of $22.0 million on the sale of non-core onshore assets in the UK. In addition to the $57.0 million upfront proceeds from the sale, the consolidated entity will receive an additional bonus payment of $5.2 million (£1.9 million) during March 2001. ROC will potentially receive a second bonus during the 2002 year if the average Brent oil price exceeds US$18.50 per barrel, with the maximum bonus payable (£3.0 million) if the average price exceeds US$28.50 per barrel, subject to the Welton oil fields achieving certain minimum production targets. The potential second bonus has not been included in the above profit.

Abnormal net foreign currency losses, after an income tax credit, of $0.9 million were recorded, which was primarily attributable to the revaluation of the US$ syndicated bank loan in the UK, resulting from the unfavourable movement in the British pound against the United States dollar (from £1:US$1.6149 as at 31 December 1999 to £1:US$1.4913 as at 31 December 2000) and the impact of the movement in the British pound against the United States dollar (from £1:US$1.6149 as at 31 December 1999 to £1:US$1.4945 at the end of May 2000) on the US$15.5 million repayment made on the US$ syndicated bank loan in the UK; partially offset by foreign currency gains on US$ cash and short term deposits attributable to the strengthening of the United States dollar against the Australian dollar.

Income tax expense for the financial year was $7.6 million, relating to the UK operations with a corporate tax rate of 30%.

BALANCE SHEET

During the financial year, total assets increased from $280.8 million to $297.5 million, total liabilities decreased from $109.6 million to $100.0 million and total equity increased from $171.2 million to $197.4 million. In addition to the changes resulting from production operations, the major net changes in the balance sheet resulted from the sale of non-core onshore UK assets, development and exploration expenditure and the depreciation of the Australian dollar against the British pound from A$1:£0.4048 as at 31 December 1999 to A$1:£0.3715 as at 31 December 2000.

Additions to development expenditure of $26.3 million were made during the financial year in the UK. This expenditure primarily relates to the completion of the Saltfleetby Gas Field development, drilling of the Saltfleetby-5 well, drilling of the Keddington-2 well, drilling of the Northeast appraisal well at the Kyle Oil Field and payment for the additional equity in the Chestnut Oil Field.

Exploration expenditure of $23.5 million was made during the financial year, with major expenditure in the following geographical areas:

- Equatorial Guinea, the Company acquired a 60% interest in offshore blocks H15 and H16 and undertook preparatory exploration work prior to a planned 3D seismic survey in 2001 for a total cost of $8.9 million;
- The Perth Basin, offshore Western Australia, the consolidated entity undertook preparatory work, including 2D seismic data processing, and planning for the Cliff Head-1 exploration well in WA-286-P at a cost of $1.1 million;
- Morocco, technical studies were completed, including depth migration of seismic data in the Cap Juby area, at a cost of $0.6 million, prior to the surrender by the Company of its Reconnaissance Licence;
- Senegal, the consolidated entity continued its technical review of the area at a cost of $0.3 million;
- Mongolia, the consolidated entity continued to maintain field facilities and drilled two exploration wells at a cost of $10.5 million; and
- The UK, the consolidated entity participated in the 30/22b-2 exploration well in the North Sea, completed interpretation and reprocessing of 2D seismic over parts of its onshore acreage, continued interpretation of the 3D Saltfleetby-Southeast seismic data and began preparations for 2D and 3D onshore seismic acquisition programmes at a cost of $2.1 million.

The majority of the $55.1 million debt outstanding as at 31 December 2000 relates to the US$ syndicated bank loan (US$30.5 million). Under the terms of the loan facility, no repayments of the loan principal are required to be made until 2002.

The issued capital of the Company was unchanged during the financial year at $197.6 million. The market capitalisation of the Company was $127.2 million based on the 31 December 2000 share price of $1.20 and 105,994,060 fully paid ordinary shares on issue.

STATEMENT OF CASH FLOWS

Net cash increased by $30.0 million over the financial year and as at 31 December 2000 the consolidated entity held a cash and short term deposit balance of $55.9 million.

Net cash from operating activities was $55.9 million. The major cash flows from operating activities included gross receipts from the sale of oil and gas in the UK of $99.0 million and payments to suppliers and employees of $38.3 million.

Net cash used in investing activities was $0.3 million. Proceeds from the sale of non-core onshore UK assets received during the year amounted to $57.9 million (£22.5 million). The major investments during the financial year were the payments for development expenditure ($30.1 million) and payments for exploration expenditure ($21.2 million).

A net total of $27.0 million was used in financing activities. $26.9 million (US$15.5 million) of the proceeds from the sale of non-core onshore UK assets was used to repay part of the US$ syndicated bank loan.

FINANCIAL RATIOS

Basic earnings per share for the financial year was 14.2 cents, based on a weighted average number of fully paid ordinary shares on issue of 105,994,060.

The price to earnings ratio, based on the 31 December 2000 share price, was 8.4.

Cash flow from operations [1] for the financial year was $55.9 million, or 52.8 cents per share.

EBITDA [2] for the financial year was $58.4 million, which included exploration expenditure written off or expensed and materials inventory written off of $23.8 million as well as $22.7 million profit before tax on the sale of non-core onshore UK assets.

The debt to equity ratio as at 31 December 2000 was 28%. Based on cash and short term deposits of $55.9 million, the consolidated entity had no net debt as at 31 December 2000.

HEDGING

Oil price

The consolidated entity's oil price hedging for the financial year consisted of a 1,000 barrels of oil per day hedging arrangement at a Brent oil price of US$14.35 per barrel which was entered into prior to the acquisition of Morrison Middlefield Resources Limited by ROC. The hedging contract was financially settled monthly and payments under the hedge totalled $9.0 million during the financial year.

Future oil price hedging in place as at 31 December 2000 comprises 383,000 barrels of oil over the period from 1 May 2001 to 31 December 2001 at an average Brent oil price of US$24.54 per barrel.

Gas

The UK subsidiaries of ROC sell gas production from the Saltfleetby Gas Field under a fixed price, take or pay contract with Northern Electric & Gas Limited and as spot and forward market sales into the UK domestic market.

The contract with Northern Electric & Gas Limited fixes the contract price for the period to 30 September 2002 and provides the consolidated entity with a gas price hedge over that period. Approximately 44% of the consolidated entity's gas production during the financial year to 31 December 2000 was sold under the contract at the contract price.

Future gas hedging in place as at 31 December 2000 comprises a gas price hedge covering 1.7 billion cubic feet (4.7 million standard cubic feet per day) of sales gas over the whole of 2001 at an average price of 23.1 pence per therm (equivalent to US$3.75/$6.77 per thousand cubic feet as at 31 December 2000 exchange rates).

Foreign exchange

The consolidated entity's foreign exchange hedging strategy is to hedge against specific future commitments and identified cash flow exposures. For the financial year, the consolidated entity did not have any foreign currency hedge instruments in place.

YEAR 2000

Management implemented a plan to address the risk of systems failing due to the Year 2000 date change. No significant Year 2000 issues arose and management does not anticipate any further issues or costs to arise. Costs to date are not significant.

GOODS AND SERVICES TAX

The Goods and Services Tax, introduced by the Australian Government on 1 July 2000, has had very little impact on the operating results or operations of ROC's Australian businesses.

[1] Cash flow from operations is calculated as operating profit before income tax expense and before abnormal items plus depreciation, amortisation, restoration and other non-cash items less income tax paid.

[2] EBITDA is calculated as operating profit before income tax expense, net interest expense, depreciation, amortisation and restoration.

1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted by Roc Oil Company Limited ("ROC" or "Company") and its controlled entities are stated below to assist in a general understanding of the Concise Financial Report.

(a) Historical cost

Unless otherwise stated in the notes, the financial statements have been prepared in accordance with the historical cost convention and do not take into account changing money values.

(b) Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity, being ROC and its controlled entities as defined by AASB1024 'Consolidated Accounts'. 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 consolidated entity are eliminated in full.

(c) Sales

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

Sales revenue represents amounts invoiced, excluding the Goods and Services Tax ("GST") or value-added taxes, in respect of sales to purchasers.

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

Resale of crude oil purchased is excluded from sales revenue, and the corresponding purchase of crude oil excluded from cost of sales. The net profit from crude oil trading is included as part of other revenue.

(d) Income tax

Income tax has been brought to account using the liability method of tax effect accounting. The income tax expense or credit shown in the profit and loss statement is represented by the tax on operating profit or loss after allowing for permanent differences between accounting profit or loss and taxable income or tax loss.

The tax effect of unrecouped exploration expenditure and timing differences, which occur when items are included or allowed for income tax purposes in a different financial period than for accounting purposes, is retained in the deferred income tax liability and future income tax benefit accounts calculated at the tax rates expected to be applied when the expenditure is recouped and/or the differences reverse.

Future income tax benefits relating to timing differences and tax losses are only brought to account where realisation of the benefit can be regarded as being assured beyond reasonable doubt and, for tax losses, when their realisation is virtually certain.

(e) Foreign currencies

Transactions denominated in foreign currencies have been brought to account at the exchange rates ruling at the time of the transactions. At balance date, foreign currency receivables and payables are converted to Australian currency at exchange rates ruling at balance date.

Exchange differences are brought to account in the profit and loss statement in the financial period in which they arise.

Financial statements of foreign self-sustaining controlled operations are translated into Australian currency using the current rate method, whereby assets and liabilities are translated at rates of exchange current at balance date. Profit and loss accounts are translated at a weighted average rate of exchange. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

Financial statements of foreign integrated controlled entity operations are translated at balance date using the temporal method and resulting exchange differences are brought to account by entries made directly to the profit and loss statement in the financial period in which the exchange rate changes.

(f) Acquisitions

Where assets including oil and gas reserves are acquired from a third party, the cost of acquiring those assets (being the fair value) is included in the balance sheet as development expenditure, exploration expenditure, other assets and liabilities.

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

(g) Exploration and development expenditure

The consolidated entity adopts the area of interest method whereby all exploration and evaluation expenditure is charged against the profit and loss statement as incurred, except in the case of areas of interest where rights to tenure are current and where:

(i) the carrying amount is expected to be recouped through the successful development and exploitation of the area or by farming out or selling all or part of the consolidated entity's interest; or

(ii) at balance date, exploration and evaluation activities in, or in relation to, the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant exploration activity for the area is continuing.

In these cases, the expenditure is capitalised.

When an area of interest is abandoned or if the Directors consider the expenditure to be of reduced or no further value, capitalised exploration expenditure is written down or written off in the financial period in which such a decision is made.

Proceeds on sale or farm-out of an area within an exploration area of interest are offset against the carrying value of the particular area involved. Where the total carrying value of an area has been recouped in this manner, the balance of farm-out proceeds is brought to account as non-operating revenue.

Where it is established that economically recoverable reserves exist in a particular area of interest, the carrying amount attributable to that area is classified as a development and production interest. 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 in each area of interest, on a unit-of-production basis. Subject to the Directors' satisfaction that economically recoverable reserves exist and where commercial production has not yet commenced, costs incurred in an area in relation to those reserves are accumulated and amortised when commercial operations begin.

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

Costs of borrowing for major development projects are capitalised in accordance with AASB1036 'Borrowing Costs' until the commencement of production and are then amortised over the life of the field on a unit-of-production basis.

(h) Property, plant and equipment

Depreciation is provided on property, 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 consolidated entity.

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

• Buildings	20 years;
• Plant and equipment	2-10 years;
• Leasehold improvements	Term of the respective operating leases; and
• Motor vehicles under finance leases	2-5 years.

Depreciation of onshore facilities is calculated using a unit-of-production basis, which will proportionately amortise the assets over the life of the reserves of the area of interest.

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

Operating leases are not capitalised. Payments made under operating leases are charged to the profit and loss statement in equal instalments over the term of the lease.

(i) Oil stock and materials inventory

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

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

(j) Investments

Investments in associates have been accounted for using the equity method in the consolidated financial statements.

(k) Recoverable amount of non-current assets

The balance sheet categories of development expenditure, exploration expenditure, receivables, materials inventory, property, plant and equipment and future income tax benefit are each considered separate classes of non-current assets.

Exploration expenditure is capitalised and carried forward in accordance with AASB1022 'Accounting for the Extractive Industries' as detailed in Note 1(g) above.

Future income tax benefit is carried forward in accordance with AASB1020 'Accounting for Income Tax (Tax-Effect Accounting)' as detailed in Note 1(d) above.

In accordance with AASB1010 'Accounting for the Revaluation of Non-Current Assets', the carrying value of each asset in each of the non-current classes of assets, except for exploration expenditure, is reviewed by the Directors every six months to determine whether it is in excess of its recoverable amount. Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The net cash inflows from the continued use and subsequent disposal of each such asset have been used in determining the recoverable amount of each non-current asset. The relevant cash flows have not been discounted to their present values.

(l) Employee entitlements

Liability to employees for annual leave is provided for. All employment related on-costs (including payroll tax and superannuation contributions) are included in the calculation of the required provision. Provision for annual leave in respect of services provided by employees up to balance date is measured using remuneration levels current at balance date.

(m) Provision for abandonment and restoration

A provision for significant abandonment and restoration costs is accumulated by charging to the profit and loss statement the expected expenditure to be incurred on cessation of each area of interest. The provision is calculated so that at the end of operations the provision will be adequate to meet net abandonment and restoration costs, including the required removal of facilities, the abandonment of wells and restoring affected areas. Such provision recognises the estimated future abandonment and restoration obligations incrementally over the life of the proved and probable reserves on a unit-of-production basis. Estimates of the future restoration obligation are based on current legal requirements and technology and are determined in current dollars on an undiscounted basis. The adequacy of the provision for abandonment and restoration is reassessed every six months. Changes in cost estimates do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

(n) Joint ventures

Interests in joint venture operations have been reported in the financial statements by including the consolidated entity's share of assets employed in the joint venture operation, the share of liabilities incurred in relation to joint venture operations and the share of any expenses incurred in relation to joint venture operations in their respective classification categories.

(o) Financial instruments included in assets

Trade receivables are initially recorded at the amount of contracted sale proceeds. All other receivables are recorded as amounts due. Receivables are recognised inclusive of applicable GST and value-added taxes.

The net amount of GST and value-added taxes recoverable from the relevant taxation authority is included as part of receivables.

Marketable securities are carried at the lower of cost and net realisable value.

(p) Financial instruments included in liabilities

Borrowings are recorded at their principal amount. Interest is charged as an expense as it accrues at the contracted rate.

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services, whether or not invoiced. Payables are recognised inclusive of applicable GST and value-added taxes.

The net amount of GST and value-added taxes payable to the relevant taxation authority is included as part of payables.

(q) Financial instruments included in equity

Equity instruments are classified as equity in accordance with the substance of the contractual arrangement.

Issued capital is recorded at the value of consideration paid. The costs of issuing shares are charged against issued capital.

(r) Statement of cash flows

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

Cash flows have been allocated among operating, investing and financing activities. These categories appropriately classify the consolidated entity's activities.

2 OPERATING PROFIT AND LOSS

The operating profit (loss) before abnormal items and income tax expense includes the following items of revenue and expense:

	CONSOLIDATED 2000 $'000	CONSOLIDATED 1999 $'000
Revenue		
Operating revenue		
Sales revenue – sale of goods (refer (a) below)	90,852	16,557
Other revenue	542	1,519
Interest income: other entities	2,844	1,593
Non-operating revenue		
Proceeds on disposal of non-current assets	331	1
Total revenue	94,569	19,670
Expense		
Amortisation of development expenditure	31,778	3,186
Depreciation of plant and equipment	1,058	1,275
Provision for abandonment and restoration	365	472
Operating lease rental expenses	746	858
Exploration expenditure written off	411	447
Exploration expenditure expensed	1,228	3,321
Transfer of test oil sales revenue to exploration expenditure expensed (refer Note 6)	2,175	1,321
Interest paid or due and payable to:		
Other entities:		
on loans	4,900	2,031
on finance leases	8	6
Less interest capitalised	-	(151)
	4,908	1,886

(a) During the financial year, 1,000 barrels per day of UK oil production (1999: 2,000 barrels per day of UK oil production) were hedged at US$14.35 per barrel (1999: US$13.00 per barrel) prior to the acquisition of Morrison Middlefield Resources Limited. Sales revenue in the financial year included $1,799,293 (1999: $2,895,000) recognised on reversal of the liability for the hedging in the acquisition balance sheet.

	CONSOLIDATED 2000 $'000	CONSOLIDATED 1999 $'000
3 ABNORMAL ITEMS		
Profit on sale of non-core onshore UK assets to Star Energy Limited (refer (a) below)	22,670	-
Net foreign currency losses	(2,452)	(1,721)
Morocco exploration expenditure expensed or written off	(3,086)	-
Mongolia exploration expenditure expensed or written off and materials inventory written off	(19,072)	-
Abnormal items before income tax expense	**(1,940)**	**(1,721)**
The income tax expense (credit) applicable to each abnormal item was:		
Profit on sale of non-core onshore UK assets to Star Energy Limited	631	-
Net foreign currency losses	(1,515)	(63)
Morocco exploration expenditure expensed or written off	-	-
Mongolia exploration expenditure expensed or written off and materials inventory written off	-	-
	(884)	(63)
(a) Proceeds on sale of non-core onshore UK assets to Star Energy Limited	62,256	-

4 EARNINGS PER SHARE

	CONSOLIDATED 2000	CONSOLIDATED 1999
Basic earnings per share (cents per share)	14.2	(10.0)
Diluted earnings per share (cents per share)	13.8	refer note (a)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	105,994,060	59,806,988
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	116,405,478	refer note (a)

(a) Diluted earnings per share in the prior financial year was not disclosed, as the amount did not materially reflect a less favourable result than basic earnings per share.

5 DIVIDENDS

No dividends have been paid or declared since the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 31 December 2000.

	CONSOLIDATED 2000 $'000	CONSOLIDATED 1999 $'000

6 SEGMENT INFORMATION

(i) **Industry segments**

The consolidated entity operates predominantly in one industry, namely exploration, evaluation, development and production of hydrocarbons.

(ii) **Geographic segments**

Geographic Segments	Sales Revenue [1] 2000 $'000	Sales Revenue [1] 1999 $'000	Segment Revenue [3] 2000 $'000	Segment Revenue [3] 1999 $'000	Result [4] 2000 $'000	Result [4] 1999 $'000	Total Assets 2000 $'000	Total Assets 1999 $'000
United Kingdom	88,677	15,236	153,294	16,482	46,984	1,888	255,100	238,459
Australia	-	-	1,321	1,565	(1,270)	(3,596)	25,740	25,630
Middle East/other	-	-	-	-	(309)	(1,758)	-	-
Falkland Islands	-	-	-	-	299	(127)	-	-
Africa	-	-	-	-	(3,921)	(160)	11,151	3,132
Mongolia [2]	2,175	1,321	2,210	1,623	(19,122)	(1,690)	5,476	13,610
	90,852	**16,557**	**156,825**	**19,670**	**22,661**	**(5,443)**	**297,467**	**280,831**

Notes:

1 Sales revenue arises from sales outside the consolidated entity.

2 Revenue from sale of test oil production from wells in Mongolia pending a development decision has been credited to sales revenue, but an amount based on such revenue has been charged to cost of sales and credited against exploration expenditure expensed, so as to record a zero net margin on such production.

3 Segment revenue includes abnormal revenue items.

4 Operating profit (loss) before income tax expense.

7 DEVELOPMENT EXPENDITURE

	2000 $'000	1999 $'000
Areas in which production has commenced		
At cost	-	125,865
At 2000 Directors' valuation	142,303	-
Accumulated amortisation	-	(3,186)
	142,303	122,679
Areas in development stage		
At cost	-	68,191
At 2000 Directors' valuation	33,228	-
	33,228	68,191
Balance sheet value	**175,531**	**190,870**

Notes:

1 The Directors' valuation has been performed on the basis of anticipated discounted cash flows from development expenditure. The valuation was not made in accordance with a regular policy of revaluation. Potential capital gains tax was not taken into account in the revaluation of development expenditure.

2 In accordance with AASB1010 'Accounting for the Revaluation of Non-Current Assets', the balance of accumulated amortisation existing as at the revaluation date was credited to the assets to which they relate.

8 EXPLORATION EXPENDITURE

	2000 $'000	1999 $'000
Deferred expenditure in exploration and evaluation stages		
At cost	34,260	34,955
Balance sheet value	**34,260**	**34,955**

9 CONTINGENT LIABILITIES

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

10 RELATED PARTY DISCLOSURES – DIRECTORS

(i) Directors' shareholdings and options have been disclosed separately in the Directors' Report.

(ii) There were no loans to Directors entered into during the financial year and there were no loans to Directors outstanding as at 31 December 2000, except for an amount of $82,370 (1999: $15,579) owing by Dr R J P Doran to the Company for the purpose of meeting business expenses incurred in connection with performing services as the Chief Executive Officer. No interest is being charged on the amount.

	CONSOLIDATED	
	2000	1999
Advance repayments received	$3,970	$47,059

11 DEFERRED PURCHASE CONSIDERATION

Prior to completing the acquisition of Morrison Middlefield Resources Limited, the vendor, 2M Energy Corp ("2M"), and two controlled entities of Roc Oil (Europe) Limited entered into an Incremental Reserves Payment Agreement relating to reserves attributable to the interests held by those controlled entities in the Saltfleetby Gas Field. Under the terms of this Agreement, 2M will receive a payment of £250,000 for each BCF of proved and probable sales gas reserves attributable to the Saltfleetby Gas Field in excess of 30 BCF but up to a maximum of 50 BCF ("excess reserves"), plus £1.50 for each barrel of natural gas liquids associated with the excess reserves. The deferred purchase consideration of $14,286,676 (1999: $13,245,723) is payable based on the excess reserves. The excess reserves were determined by an independent engineer as at 14 December 2000, being 12 months following the start of production from the Saltfleetby Gas Field, and the amount representing the deferred purchase consideration is expected to be paid in the first quarter of 2001.

12 SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the financial year that significantly affect, or may significantly affect, the operations, results or state of affairs of the consolidated entity that have not been otherwise disclosed elsewhere in this Annual Report.