Delivering strategy performance growth

Annual Report 2011

roc

ROC's strengths include our operating capabilities, technical innovation, strong industry partnerships and regional focus – these underpin our strategy for growth.

In 2011, ROC delivered against the objectives set as part of our renewed strategy to generate growth. We captured new business in Malaysia, expanded the existing business in China, exited non-core African assets and generated ROC's first profit in six years.

contents

Generate opportunities

strategy 1

ROC has a unique set of competitive advantages and holds a distinctive industry position for a company of its size.

ROC has established global industry relationships. Of particular ongoing importance are the existing relationships we have with National Oil Companies through joint ventures in our focus region, including: PetroChina and Sinochem at Zhao Dong; CNOOC in the Beibu Gulf; and PETRONAS in Malaysia.

ROC has been an upstream operator for 13 years and presently operates 25,000 BOEPD of production from two offshore assets. We have the technical capabilities and skill-sets to operate across the full range of upstream business activities, from exploration, through appraisal and development, to production and delivery. ROC has a clear focus on China, South East Asia and Australasia.

There are few other Australian upstream companies of a similar size capable of delivering this full suite of services.

Improving shareholder returns is the motivating driver for implementing ROC's renewed growth strategy. The key to improved shareholder returns will be securing new value-adding assets, expanding the existing business and restructuring the asset portfolio.

In 2010, we identified key focus areas where our competitive advantages could potentially capture value – most notably, upstream industries in several South East Asian countries where the development of smaller and marginal fields was becoming an important focus for governments.

In 2011, ROC was awarded a Risk Service Contract ('RSC') for the Balai Cluster of fields, offshore Sarawak in Malaysia – only the second such contract awarded in the country. Securing the RSC supports our view that ROC has the operational experience and technical capabilities to assist in the development of marginal fields and also vindicated the strategy of actively pursuing such opportunities.

ROC's relationship with our Chinese partners has the potential to provide significant value growth for the business. In 2011, ROC engaged with our Chinese partners to assess new acreage and exploration opportunities in China. ROC was awarded two blocks adjacent to the existing Zhao Dong asset, increasing our acreage position in the Bohai Bay by 150%.

While exploration remains an important element of ROC's activities, in 2011 we refreshed the exploration portfolio by exiting our African assets and focusing on hydrocarbon provinces within our focus region, where costs are expected to be lower and timeframes to generate cash flow from any discoveries are shorter.

Achievements 2011

> Awarded the Balai Cluster RSC in Malaysia

> Expanded the existing business in China through additional Zhao Dong blocks

> Exited non-core African assets

strategy 2

Capture value

Deliver excellence

strategy 3

Once growth opportunities are identified and value is captured, ROC must ensure profitability is delivered.

This was achieved in 2011 and ROC posted its first profit since 2005. The performance of the underlying business was solid: production targets were achieved; costs were successfully contained; and expenditures were controlled.

ROC also continues to enhance the existing reserve base. An example of our ability to extract more value from the assets in the portfolio is the end of year reserve increase at Zhao Dong, which represented a 78% replacement of 2011 production.

Continuing to build on our reputation as a responsible and capable operator is critical if we are to grow the business, especially given industry incidents over the past few years. In 2011, we improved our performance with regard to the safety of ROC's people and contractors, the environment and surrounding communities: we experienced no Lost Time Injuries during the year; loss of containment incidents were reduced by 25%; and the Asset Integrity Management System was implemented. We have again made a considerable effort to transparently report all of our health, safety and environment ('HSE') and community engagement activities for stakeholders – refer to the 2011 Sustainability Report.

Achievements 2011

> First profit since 2005

> Production and costs within guidance

> Continuous improvement in safety metrics

Achievements 2011

> Reinvigorated leadership and management team

> Establishment of an office in Kuala Lumpur and relocation of CEO

> Expansion of the new ventures and business development unit

Improving the effectiveness of our business and operational processes was a particular focus in 2011.

ROC employees have a proven range of skills that need to be effectively deployed across the business in a collaborative way. The deployment of experienced staff throughout the business was a particular challenge during 2011, as growth opportunities in the focus region were reviewed and secured. Restructuring the organisation to accommodate these opportunities included the establishment of an office in Kuala Lumpur and the expansion of the new ventures and business development unit.

Reinvigoration of ROC's leadership and management team was an ongoing process throughout 2011 and commenced with the appointment of Alan Linn as Chief Executive Officer ('CEO') in February. As ROC's industry relationships in the focus region strengthened during the year, particularly in Malaysia and China, a critical decision was made to relocate the CEO to Kuala Lumpur in September. The Executive Committee membership has been refreshed and key senior positions filled during 2011 included the Chief Operating Officer and several appointments to the new ventures and business development unit in locations across the business.

strategy 4

Enhance effectiveness

This was a positive year for ROC, in which many financial and strategic objectives were achieved and the Company made significant and material progress in implementing the renewed growth strategy. The timeline below clearly demonstrates the consistent delivery of achievements throughout the year – from the appointment of Alan Linn as permanent CEO in February, through to the announcement of the Company's first profit since 2005.

Returning the Company to profitability, the award of the Balai Cluster RSC in Malaysia, the expansion of the Zhao Dong asset in China and the successful divestment of non-core African assets were the most notable achievements. ROC is also in a solid financial position, having refinanced a new US$110 million debt facility to help fund future growth.

Looking ahead, 2012 will be another important year for ROC, as the pre-development phase of the Balai Cluster RSC progresses, a second appraisal well is drilled in the expanded Zhao Dong acreage and exploration/appraisal wells are drilled in conjunction with ongoing Beibu Gulf development activities. We are also hoping to secure further growth opportunities in China, South East Asia and Australasia.

Your company is focused on the continued delivery of the renewed strategy, solid operational performance and future growth.

performance 2011

Feb	Mar	May	Jul
Appointed new CEO	Expanded Zhao Dong acreage	Sold onshore Angola asset	Exited offshore Mozambique Channel assets
Final Investment Decision for Beibu Gulf project		Refinanced debt facility	
		Implemented on-market share buy-back	

ROC delivered against the goals set as part of its renewed strategy

Aug

- Increased Cliff Head production following the CH12 well workover
- Awarded Balai Cluster RSC, offshore Malaysia
- Farm-down of Equatorial Guinea Block H
- First production from new Zhanghai block at Zhao Dong

Sep

- Acquired additional 5% interest in Cliff Head
- Sold offshore Mauritania interests

Dec

- Completed on-market share-buy back
- Achieved 2011 production, opex and capex guidance
- Achieved first annual profit since 2005

over 60% of production in 2011 was from China

25,000 BOEPD ROC-operated production in China and Australia

growth

Core focus on growth in Asia and Australasia

ROC experienced success in pursuing growth assets in the focus region during 2011. However, we are well aware that this trend needs to continue throughout 2012. Replicating the Company's 2011 performance again in 2012, by securing further growth projects, is an important objective.

The new ventures and business development team utilises a rigorous screening process, combining disciplined commercial and technical modelling to ensure that potential opportunities are fully aligned with ROC's renewed strategy and growth objectives.

MALAYSIA ENTRY

In August, the RSC for the Balai Cluster fields was awarded to ROC.

> Cluster of oil and gas fields in the areas around the Balai and West Acis discoveries, offshore Sarawak in Malaysia

> Contractor group interests are ROC 48%, Dialog Group 32% and PETRONAS Carigali 20% An incorporated joint venture company, BC Petroleum, is operating and managing the RSC

> Pre-development phase has commenced and is expected to take up to 18 months with a total cost between US$200–250 million

> On successful completion of the pre-development phase and agreement on the project viability of the fields, BC Petroleum will submit a field development plan

> Fields are anticipated to be in production within 24 months from commencement of development

CHINA EXPANSION

In March, the Zhao Dong block was expanded through the addition of the Zhanghai and Chenghai adjacent blocks.

> The expansion has two main objectives: to commercialise previous near field discoveries in the area; and to encourage further exploration activity

> The first appraisal well in the new Zhanghai block started drilling in July and was brought online in August

> Interests in the new blocks are PetroChina 51%, ROC 39.2% and Sinochem 9.8%

In February, the Final Investment Decision ('FID') for the Beibu Gulf project was approved

> Development phase of the project commenced in 2011

> CNOOC has assumed operatorship

> Environmental Impact Assessment was approved in February 2012

> First oil is anticipated before the end of 2012 and peak production is expected during 2013

AFRICA EXIT

Completion of this portfolio rebalancing has allowed the deployment of capital and resources to pursue opportunities consistent with ROC's growth strategy in the focus region.

> Sold assets in Angola, Mauritania and Mozambique Channel

> Farmed down interest in Equatorial Guinea and could be free carried through an exploration well in Block H in 2012

Pursuing further opportunities

> Shallow water exploration and appraisal projects in Malaysia

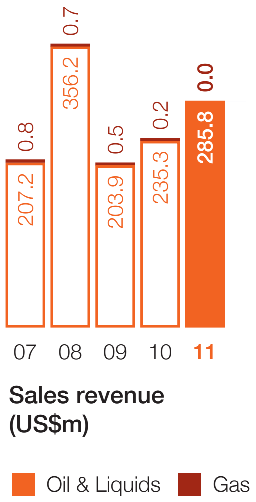
> Mature field rejuvenation projects in Malaysia

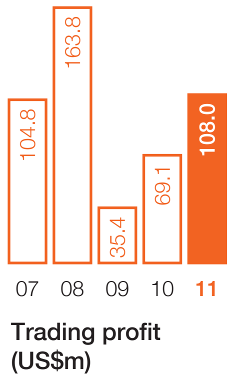
> Exploration and appraisal positions in additional acreage offshore China and new acreage onshore China

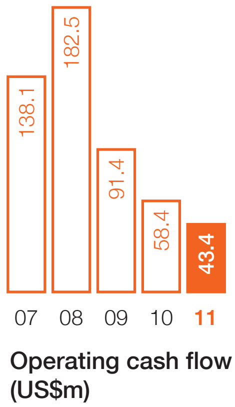
> Build an exploration position in an underexplored hydrocarbon province in South East Asia, in lower cost onshore or shallow water acreage

> Assess pre-development, development and production opportunities in Australia

* White Rose has an option to acquire ROC's interest in Block H for US$16.1 million prior to spud of any well
** Dependent on declaration of project viability for Balai Cluster fields following pre-development stage







Chairman's report

Directors (L–R)

Sidney Jansma, Jnr
Non-Executive Director

Graham Mulligan
Non-Executive Director

Andrew Love
Chairman

Alan Linn
Chief Executive Officer
& Executive Director

Chris Hodge
Non-Executive Director

Robert Leon
Non-Executive Director

William Jephcott
Deputy Chairman

In 2011, the Company had two areas of focus. ROC delivered on both accounts, generating a profit

In 2011, the Company had two areas of focus:

1 To ensure that the existing business performed to expectations, both financially and operationally; and

2 To implement the renewed growth strategy that was developed in 2010.

ROC delivered on both accounts, generating a profit based on solid production, controlling costs and expenditure, securing two new growth opportunities in Malaysia and China, and re-balancing the asset portfolio by exiting non-core African assets.

The US$28 million profit was a good result, representative of the financial discipline demonstrated throughout 2011. Trading profit also increased by 56% to US$108 million. While the production profile in 2011 largely reflected the mature nature of the existing portfolio, the production performance and the upward revision of reserves at Zhao Dong reflect ROC's capabilities of optimising asset performance. Ongoing natural production decline across the portfolio will be offset by the ramp-up of production in 2013 from the Beibu Gulf project, which is presently progressing on schedule and within budget.

The detailed strategic review of the Company in 2010, which was outlined in my last Chairman's report, identified a number of potential growth initiatives focused on China and South East Asia. It was especially pleasing that these growth initiatives were secured during 2011. The expansion of the Zhao Dong block through the award of additional adjacent acreage in March and the new country entry into Malaysia through the award of the Balai Cluster RSC in August both represented a positive start to the implementation of the renewed growth strategy.

The Malaysia country entry has resulted from ROC's decision to focus on leveraging its proven competitive advantage as a niche operator of discovered fields in shallower offshore locations. Our partners in the Balai Cluster RSC, Dialog Group and PETRONAS Carigali, appreciate and acknowledge ROC's expertise in this type of appraisal and development activity. We are confident that our Malaysian asset portfolio has the potential to expand over the coming years. The relocation of the CEO to Kuala Lumpur materially demonstrates ROC's commitment to the country entry and our partners, with the objective of pursuing other profitable opportunities in Malaysia.

In 2011, China accounted for 63% of production and 59% of revenue; it is a key hub of ROC's business and the relationships we have with our Chinese partners PetroChina and CNOOC continue to be beneficial. They were both very supportive of our initiatives during 2011 and we are appreciative of the strong relationships. ROC has a long term strategy for expanding the China business, primarily through securing additional acreage and opportunities that have natural synergies with our existing resources and existing positions in the Bohai Bay and the Beibu Gulf. In this regard, the award of the Zhanghai and Chenghai blocks represented a positive first step in delivering on this objective. In 2012, ROC will drill several exploration/appraisal wells in conjunction with the development of the Beibu Gulf project with the objective of, if successful, adding reserves and increasing the production profile of this project.

ROC's exit from non-core African assets progressed well during the year and is largely completed; the divestments of Mauritania and Mozambique Channel assets are anticipated to be completed during 2012. The only remaining African exposure is an uncapped carried interest in an exploration well in Block H, offshore Equatorial Guinea, which is expected to be drilled in September 2012.

The on-market share buy-back that I announced at the 2011 Annual General Meeting ('AGM') was completed in December 2011, with 30.7 million shares having been acquired at a total cost of A$9.8 million. At present, the Board has no further plans to extend the buy-back.

Despite the financial and strategic achievements, ROC's share price performance for the year to 31 December 2011 was disappointing. The price since year end has responded to the announcement of the 2011 Financial Results and progress at the Beibu Gulf development project. Much still needs to be done to restore confidence in the Company – the Board is aware of this and is working accordingly.

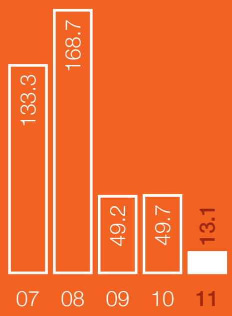
ROC has transitioned into a company focused on growth after dealing with the legacy issues over the past few years and shareholders would be aware that the turnaround progressed satisfactorily again last year. The Board is confident that the continued implementation of the renewed strategy in 2012 should underpin positive shareholder returns in the future.

The successful execution of the Board's strategy for generating shareholder growth is implemented by ROC's staff. The CEO, Alan Linn, and his reinvigorated senior management team have been ably supported by ROC staff across all office locations. I thank them all for their efforts in 2011 and look forward to another productive year in 2012.

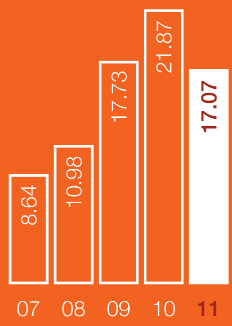
Part of the Board's strategy is to also progress Board renewal. This started in 2010 and further announcements will be made during 2012. At the 2012 AGM, we will see the retirement of Sid Jansma, Jr. He has served on the Board since 1997. Sid has been a source of support, guidance and counsel since that time. He has been a great contributor. On behalf of the Company, I thank you for your service and support. As Chairman and on behalf of the Board, we are looking forward with confidence to 2012 and beyond.

Andrew Love
Chairman

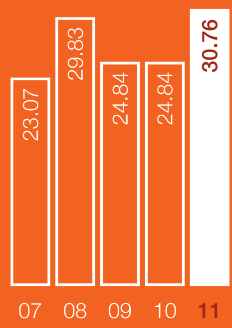
Cash position
(US$m)



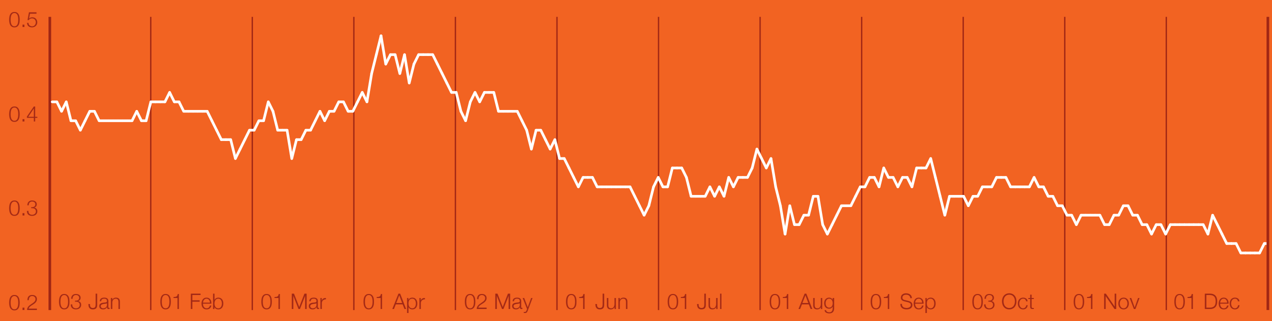
Debt position
(US$m)



Production costs
(US$/BOE)

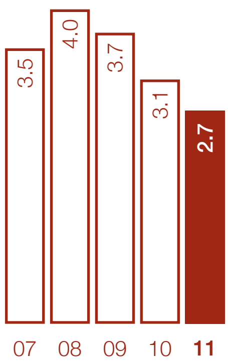


Amortisation costs
(US$/BOE)

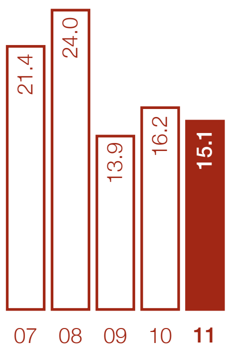


Share price 2011 (A$)

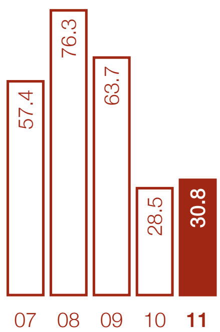
Key financial and operational achievements



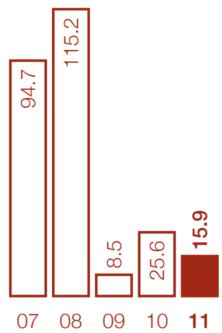
Production
(MMBOE)



Remaining 2P
Reserves (MMBOE)



Development
expenditure incurred
(US$m)



Exploration
expenditure incurred
(US$m)

CEO's report

To build shareholder value, we will leverage our distinctive industry position and our established competitive advantages to maximise value from new and existing assets

Conversation with

Alan Linn
CEO and
Executive Director

Q You were appointed CEO in February 2011, the year in which the Company implemented a renewed strategy for growth. What has been your most important achievement since being appointed CEO?

I consider that the foundation for any business success is an experienced and focused team. I have worked hard over the past year to restructure the organisation by building the senior management team and allocating quality staff into areas of the business that will generate growth. The establishment of a new ventures and business development unit across the Company was especially critical and I believe this contributed to ROC's success in being awarded two growth assets in Malaysia and China. Positioning and structuring the organisation for growth are critical if we are to generate shareholder value.

Q The award of the Balai Cluster RSC appears to be a positive first step in building a broader business in Malaysia. What other types of opportunities do you consider the Company could pursue in this country?

The Malaysian upstream sector is undergoing significant changes as the government works to rebuild declining domestic production. Following the award of the Balai Cluster RSC, ROC is well positioned to pursue further Risk Service Contracts for marginal and smaller offshore fields, larger mature field rejuvenation and enhanced oil recovery projects, and exploration through more traditional Production Sharing Contract arrangements. It is important that ROC takes a strategic and considered approach to pursuing these opportunities. It would be optimal to secure assets that have synergies with our existing Balai Cluster RSC, both geographically and technically. My relocation to Kuala Lumpur has been an important step in ensuring ROC remains focused on the right growth opportunities and continues to build strong relationships with current and future partners in Malaysia.

Q With Zhao Dong presently being the most significant contributor to the Company's production and revenue, and with the Beibu Gulf project set to increase China's overall importance to ROC even further, does ROC have intentions to increase its position in the country?

ROC has a 20 year plan for China, which has been developed in consultation with existing partners and is being implemented by our experienced team in Beijing. I believe ROC has learnt many valuable lessons over the past decade about how to best approach the growth of our business in China. Our partners are receptive to ROC's viewpoints on how to grow ROC's existing asset base and how to consider expanding our operations offshore and onshore. I appreciate that growth in China will be a gradual process and ROC has good foundations on which to deliver steady growth.

Q While ROC has had success in securing growth assets in Asia, the Australian element of the asset portfolio appears to be declining in importance. What is the future of ROC's Australian operations and is there a strategy to grow the business in Australia?

ROC is an Australian company and Australia remains an important part of the business. We are listed in Australia and the vast majority of our shareholders are Australian. Our corporate headquarters are located in Australia. However, competition for acquiring upstream assets in Australia is intense and we have not yet identified the right opportunity for ROC. ROC has a considerable tax loss position in Australia that I am keen to utilise and this necessitates us continuing to scour the landscape for opportunities, especially those in the pre-development or development phase.

Executive Management Team (L–R)

Ron Morris
President, Roc Oil (Bohai) Company

Alan Linn
Chief Executive Officer

Rolf Stork
Chief Operating Officer

Leanne Nolan
Company Secretary and General Counsel

Anthony Neilson
Chief Financial Officer

Q **The renewed growth strategy highlights ROC's competitive advantages as an operator of appraisal and development activities for small offshore fields. There does not seem to be much focus on exploration. Does exploration have a place in ROC's renewed growth strategy?**

Yes, exploration has a place in ROC's future growth. In 2012, we will be drilling four exploration/appraisal wells within the Beibu Gulf project development drilling campaign. Additionally, ROC is working to establish an acreage position in our focus region. In the near term, we will be working hard to increase cash flows from our growth assets, which can support relatively low risk exploration activity in the future.

Q **Despite the achievements of 2011, ROC's share price performance was disappointing. What do you consider were the reasons for this?**

Despite our achievements in repositioning the business and a strong oil price throughout the year, ROC's share price performance in 2011 was disappointing – our immediate "conventional" peer group and the ASX Energy Index also performed negatively. I believe that with the oil price at levels around US$100/BBL, there will be renewed interest in "conventional" oil and gas companies. We need to continue our focus on the Company's growth strategy and keep delivering on our objectives so that when interest in "conventionals" is reignited, ROC is at the top of the target list of companies in which to invest.

Q **The upstream industry continues to be closely scrutinised following the BP Macondo oil rig disaster in the Gulf of Mexico and the ConocoPhillips oil spill incident offshore China. What is ROC doing to mitigate the risks of an incident occurring at its assets that could have a negative impact on employee safety or the environment?**

Since 2008, when I became ROC's Chief Operating Officer, I have been emphasising the importance of ROC developing and implementing a rigorous Asset Integrity Management System ('AIMS') – this was well before the BP incident focused global attention on the upstream industry. This year, we achieved the milestone of having all ROC assets implement the AIMS. I cannot highlight enough how critical it is for ROC to have an effective AIMS, if the Company is to maintain an exemplary HSE record and retain its reputation as a "midcap" operator of choice.

Q **Apart from continuing and improving upon ROC's respectable HSE record in 2011, what are the three most important outcomes you are aiming to achieve in 2012?**

Firstly and fundamentally, ROC has to deliver against its commitments safely and efficiently, especially as we progress through the pre-development phase of the Balai Cluster RSC and drill exploration/appraisal wells in conjunction with the Beibu Gulf project development. Secondly, we need to maintain robust cash flows through reliable production from our existing assets. Finally, ROC must continue to build the business in the focus region, both through optimising the performance of the existing assets and securing new opportunities: continuing to maintain our reputation as a reliable "midcap" operator of choice will be critical in achieving this outcome.

This was the first year in which ROC has booked a profit since 2005 – a pleasing result due to the solid performance of the underlying operational business, success at controlling costs and ongoing oil price strength.

However, the year was not without its challenges. At the Cliff Head field in February 2011, an isolated crude oil contamination incident related to workover activity interrupted production for approximately one month. An oil spill at the ConocoPhillips-operated Penglai 19-3 oil field in the Bohai Bay triggered Chinese authorities to undertake nationwide reviews of all offshore operations. While the subsequent inspections and audits did not interrupt ROC's operations, they were nevertheless resource intensive.

Summary of operations

SOUTH EAST ASIA

South East Asia is an important focus region for ROC, as it seeks to build on its initial 2011 Malaysia entry by securing additional growth opportunities not only in this country, but also more broadly across the region. ROC considers that it has the operational experience and technical capabilities to assist in the development of small and marginal fields, especially in countries where the development of such fields is becoming an important focus for governments.

KEY 2011 OUTCOMES

> In August, ROC was awarded the RSC for the pre-development and development of the Balai Cluster fields located offshore Sarawak in Malaysia.

> BC Petroleum incorporated to operate and manage the Balai Cluster RSC: equity interests in BC Petroleum are ROC 48%, Dialog Group 32% and PETRONAS Carigali 20%.

> Pre-development phase of the Balai Cluster RSC commenced before the end of 2011.

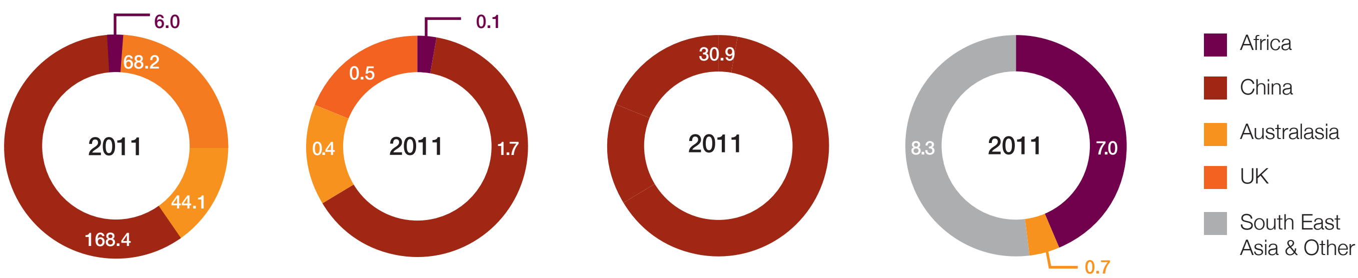
> Established an office in Kuala Lumpur to pursue new venture and business development opportunities in Malaysia and the broader region.

> CEO relocated to Kuala Lumpur office in September to pursue regional opportunities and strengthen local relationships.

> South East Asia new venture activities represented 52% of total exploration expenditures.

LOOKING AHEAD

The pre-development phase of the Balai Cluster RSC will proceed throughout 2012, including the drilling of six appraisal wells. ROC will actively pursue other Malaysian opportunities such as mature field rejuvenation projects, further RSC awards and shallow water exploration acreage positions. The establishment of an exploration footprint in South East Asia is also a long term objective.

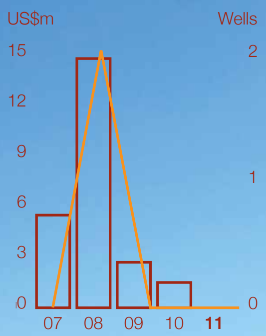


Revenue – by region (US$m)

Production – by region (MMBOE)

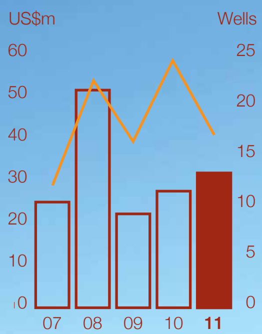
Development expenditure incurred – by region (US$m)

Exploration expenditure incurred – by region (US$m)



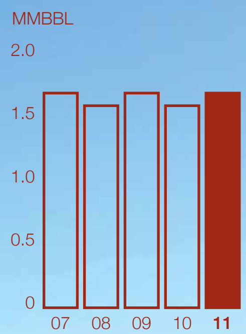
China Exploration

Expenditure — Wells

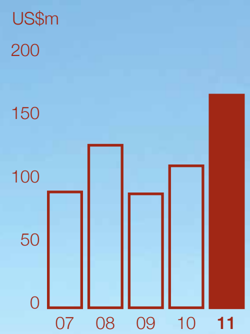


China Development

Expenditure — Wells

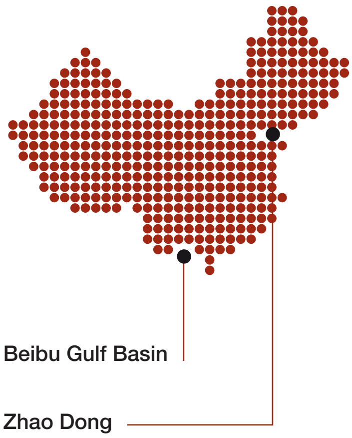


China Production



China Revenue

CHINA



China is a critical element of ROC's business. ROC operates the Zhao Dong oil field, offshore Bohai Bay and is a partner in the offshore Beibu Gulf development. The "win-win" nature of our joint venture relationships with PetroChina and CNOOC, as well as our knowledge of how to approach business in China, sets ROC apart from other foreign upstream companies in the country.

KEY 2011 OUTCOMES

> Development phase of the Beibu Gulf project commenced following award of the FID in February. The Environmental Impact Assessment was approved in February 2012.

> Zhanghai and Chenghai blocks were awarded in March, increasing the size of ROC's Zhao Dong acreage by 150%.

> First appraisal well in the Zhanghai block was brought online in August.

> China assets contributed 63% of production.

> China assets contributed 59% of revenue.

> At 31 December 2011, China assets represented 70% of 2P reserves.

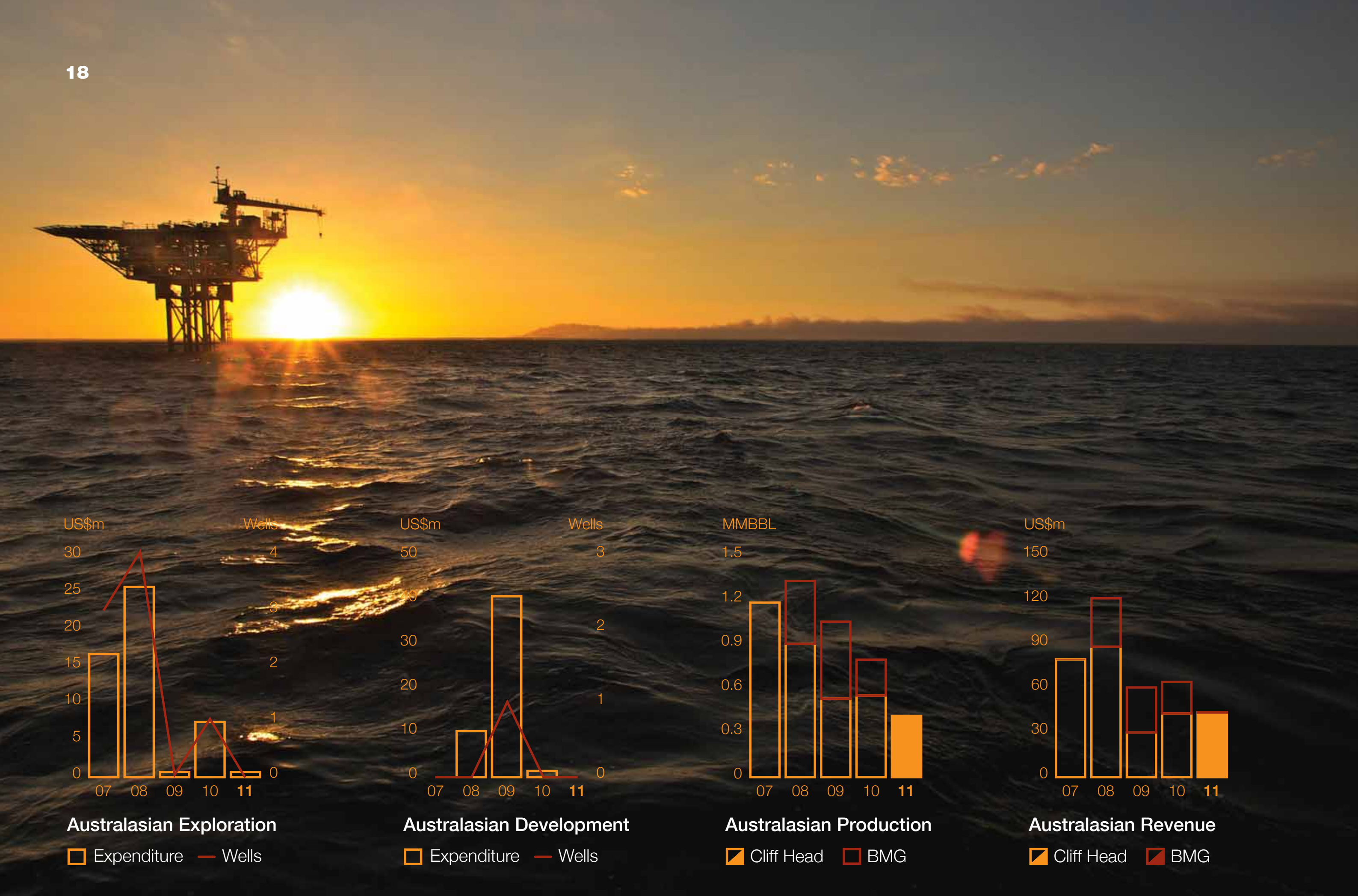
> China development activity represented 95% of total development expenditures.

> At Zhao Dong, 17 development wells were drilled on schedule and within budget, ensuring that the annual production target was achieved.

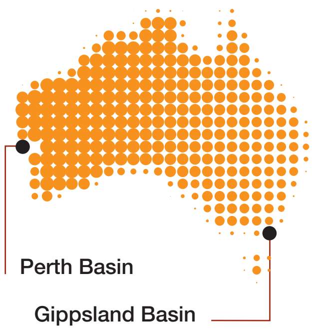
> Subsea Zhao Dong/Dagang oil pipeline was fully commissioned and commenced deliveries in October.

LOOKING AHEAD

First oil from the Beibu Gulf project is anticipated by the end of 2012, with ramp-up to peak production expected during 2013. Development drilling at Zhao Dong is anticipated to continue through until the end of 2014. ROC has a 20-year strategic plan for growing the China business and is actively engaged with our Chinese partners to examine how this can be achieved. ROC is confident that our relationships and reputation in China will generate further opportunities.



AUSTRALASIA



Australasia remains a core region for ROC. We operate production at the Cliff Head oil field, offshore Western Australia.

KEY 2011 OUTCOMES

> Australian assets contributed 15% of production.

> Australian assets contributed 15% of revenue.

> At 31 December 2011, Australian assets represented 18% of 2P reserves.

> Australasian exploration activity represented 4% of total exploration expenditures.

> There was no Australian development activity.

> Successful completion of the CH12 workover in August ensured Cliff Head's average production rate increased during 2H.

> ROC acquired an additional 5% interest in the Cliff Head field for A$4.5 million.

> Cliff Head production was suspended for one month in 1Q due to a temporary crude oil contamination issue related to the CH12 workover.

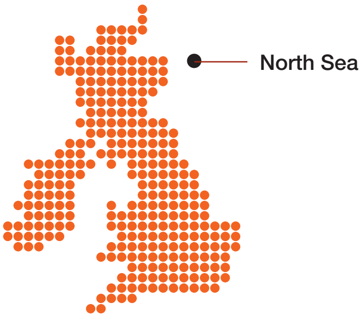
> Activities continued to place the Basker-Manta-Gummy ('BMG') oil and gas fields into a Non-Production Phase. There was no production from BMG.

> ROC withdrew from New Zealand exploration blocks PEP38259 (offshore, Canterbury Basin Basin) and PEP38524 (offshore, Taranaki Basin). In March 2012, ROC withdrew from exploration block PEP52181 (offshore, Taranaki Basin).

LOOKING AHEAD

In 2012, ROC will continue to pursue the divestment of its 30% interest in BMG. Activities to enter BMG into the Non-Production Phase should be completed in 1H 2012. ROC will actively seek new growth opportunities in Australia.

UK



ROC has non-operated interests in the Blane oil field and the Enoch oil and gas field, offshore North Sea.

KEY 2011 OUTCOMES

> UK assets contributed 19% of production.

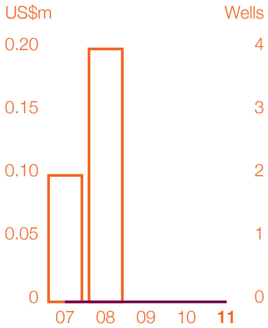
> UK assets contributed 24% of revenue.

> At 31 December 2011, UK assets represented 11% of 2P reserves.

> There was no development activity at UK assets.

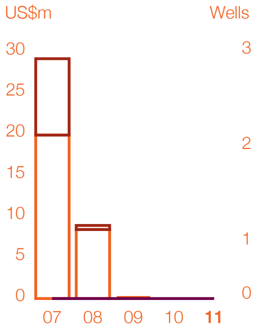
LOOKING AHEAD

The UK is a non-core focus for ROC. While the Blane and Enoch fields presently provide valuable production and cash flow for the business, ROC would consider the divestment of these assets in the future if more attractive opportunities in the focus region of China, South East Asia and Australasia were available.



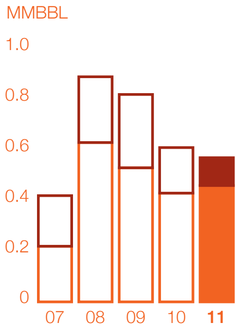
UK Exploration

Expenditure — Wells



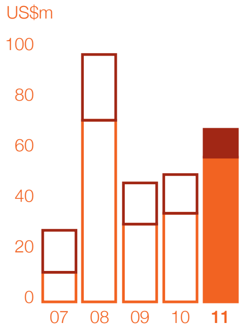
UK Development

Blane Enoch — Wells



UK Production

Blane Enoch



UK Revenue

Blane Enoch

AFRICA

ROC successfully divested or farmed down its African interests during 2011.

KEY 2011 OUTCOMES

> Sale of remaining 10% interest in Cabinda Onshore South Block, Angola was completed in December on receipt of US$3.8 million.

> Sold and withdrew from Mozambique Channel exploration blocks: sale price of US$8.0-8.5 million for 75% interest in Juan de Nova block (expected to be completed in 2012); and withdrew from 75% interest in Belo Profund block.

> Farmed down interest in Block H, offshore Equatorial Guinea, from 37.5% to 20% for a free carry through the drilling of an exploration well. Farminee has the option to acquire ROC's remaining 20% interest for US$16.1 million prior to spud of the exploration well.

> Sold interests in Mauritanian blocks, including a 3.25% interest in the Chinguetti oil field for US$4 million (expected to be completed in 2012).

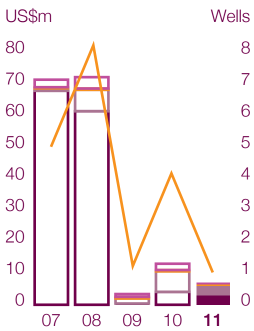
> African assets contributed 3% of production.

> African assets contributed 2% of revenue.

> African exploration activity represented 44% of total exploration expenditures.

LOOKING AHEAD

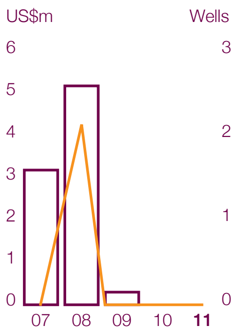
ROC anticipates that the divestment of its Mauritania and Mozambique Channel interests will be completed, and the funds received for these transactions, in 2012. Drilling of an exploration well in Block H, offshore Equatorial Guinea, is expected during September 2012.



Africa Exploration

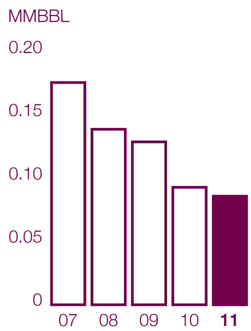
Angola Mauritania Equatorial Guinea

Mozambique Channel — Wells



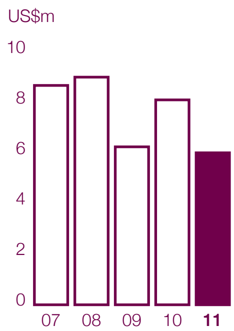
Africa Development

Expenditure — Wells



Africa Production

Expenditure



Africa Revenue

Expenditure

Integrating sustainability into our business

At ROC, we believe sustainability is an investment in the creation of long term shareholder value. Our contribution to and involvement in the social, environmental and economic development of the communities in which we operate help differentiate us as an ethical operator committed to sustainable growth.

In this abridged version of the 2011 Sustainability Report, we disclose our performance in the areas of: safety and asset integrity; environmental stewardship; community engagement; and employee well being. This report provides an update for stakeholders on our performance in 2011 and discloses how we are consistently integrating sustainability concepts and best practices into the management of the risks and opportunities within our core business. We recognise that sustainable business development, fully integrated into the day-to-day running of our business will: strengthen our licence to operate; improve operational effectiveness; enhance business growth; and help consistently deliver long term shareholder value.

The full version of the 2011 Sustainability Report is available on ROC's website: www.rocoil.com.au/Responsibility/Sustainability-reports.aspx.

Some of the highlights

The safety of our employees, the support of surrounding communities and respect for the natural environment in which we operate are central to ROC creating long term shareholder value. Some highlights from 2011 are listed below:

ECONOMIC PERFORMANCE

> Net profit of US$28 million from revenue of US$286 million (trading profit was US$108 million);

> Award of the Balai Cluster Risk Service Contract (offshore Sarawak, Malaysia);

> Award of two additional exploration blocks adjacent to the existing Zhao Dong oil field (Bohai Bay, China); and

> Beibu Gulf project received Final Investment Decision approval and development activity commenced.

ENVIRONMENTAL STEWARDSHIP

> Zhao Dong/Dagang oil export pipeline in China commenced operations, eliminating the need for oil shuttle tankers;

> No significant environmental incidents; and

> No breach of environment license conditions.

HEALTH AND SAFETY

> Zero fatalities;

> Zero Lost Time Injuries;

> Total Recordable Injury Frequency Rate (TRIFR) of 1.2 injuries per million man-hours worked – the lowest rate since ROC started collecting reliable data in 2008;

> 45% decrease in hydrocarbon loss of containment incidents; and

> 69% reduction in total flared gas.

COMMUNITY

- Organisation of ROC's second annual art contest for all primary school students at the nearby fishing community of Nan Pai He, China – winners travelled to Beijing to tour the Great Wall, Forbidden City and Beijing Science Museum;
- Donation to Dongara District High School to enable it to compete in Perth's 2011 Rock Eisteddfod Challenge, at which the group won three awards; and
- Initiated a partnership with MyKasih Foundation in Malaysia to support 100 under-privileged families in Bintulu, Sarawak.

These achievements are the result of the careful planning and implementation of health, safety and environment ('HSE') and community engagement policies by all staff and contractors.

About our sustainability report

REPORT BOUNDARY AND STRUCTURE

This report covers the operations and employer practices of ROC's business. It contains data on our sustainability performance for the 12-month period ended 31 December 2011.

Sustainability performance data is collated at and collected from each ROC-operated asset. This promotes ownership, accountability and the integration of sustainability practices.

This report has been aligned to our Sustainability Reporting Framework and has considered industry best practice guidelines, including the Global Reporting Initiative ('GRI') and the International Petroleum Industry Environmental Conservation Association and the American Petroleum Institute ('IPIECA'/'API') guidelines.

The framework also provides a structure for disclosing our sustainability performance; a template for consistent communication to our stakeholders; and a useful means to track our annual progress.

The four attributes of the framework that we consider fundamental to sustained value creation within our business are:

- ensuring our performance as a **reliable and responsible employer**;
- continuing our **respect for the natural environment**;
- fostering **safe and healthy work practices**; and
- continuing to be a **trusted neighbour in the community.**

Our sustainability performance

	Last year (2010) we said we would	This year (2011) we have achieved the following	Results	Next year (2012) we aim to
Build shareholder value	Deliver shareholder return better than that of our peers.	2011 total shareholder return (TSR) performance was below median when measured against the Board-approved peer group. ROC's TSR in 2011 was -39% versus an average TSR of -30% for the peer group. Only one peer company had positive TSR.		Deliver positive share price performance on an absolute and comparative basis. Review, identify and secure new appraisal, development and exploration opportunities in our focus region.
	Review potential new business opportunities in China, South East Asia and Australasia.	Awarded the Balai Cluster Risk Service Contract, located offshore Sarawak, Malaysia Awarded two additional exploration blocks adjacent to the Zhao Dong block, offshore Bohai Bay, China.		
A reliable and responsible employer	Embed vision and values and improve culture.	Encouraged staff participation in volunteer projects.		Continue to reassess the applicability of sustainability objectives. Undertake a comprehensive review of staff compensation levels. Link a proportion of employee annual bonuses to achieving sustainability objectives. Educate employees and contractors on updated Code of Conduct, updated Diversity Policy and updated relevant corporate governance policies.
	Further strengthen our executive capacity and capability.	Appointed permanent CEO Alan Linn and restructured the organisation to increase efficiency and reflect the strategic shift in business focus. Appointed Chief Operating Officer and expanded the new ventures and business development unit.		
	Link sustainability objectives to short term incentives.	Linked annual bonuses with performance against HSE objectives.		
	Conduct an employee climate survey.	The employee climate survey was postponed in 2011 as a result of organisational restructuring and has been deferred until organisational restructuring is completed.		
	Adopt a staff Diversity Policy and strategy.	Adopted and implemented a company-wide Diversity Policy. Implemented a hiring policy in Malaysia which promotes a diverse workforce and is consistent with equal opportunity employment principles.		

	Last year (2010) we said we would	This year (2011) we have achieved the following	Results	Next year (2012) we aim to
Respect for the environment	Continue to respond to the Carbon Disclosure Project ('CDP') and strengthen our environmental reporting process.	Completed and submitted report to the CDP in 2011. Worked with an independent consultant to improve how we report greenhouse gas ('GHG') emissions. Completed a greenhouse and energy audit that helped us identify areas for improvement in our environmental reporting process.	Ongoing	Implement recommendations to improve our environmental reporting process. Install compact flotation devices for the removal of low concentrations of oil from water that is produced from the oil reservoir. Reduce hydrocarbon loss of containment incidents by 50% compared with 2011. Review waste and recycling practices across the business and prepare and implement improvement plans. Implement the GHG calculation methods developed during 2011.
	Achieve a 50% reduction in the loss of containment occurrences versus 2010.	Reduced frequency of all loss of containment events by 25%.	Not achieved	
	Commence oil export at Zhao Dong by pipeline to eliminate the need to use barges for oil export.	Oil export at Zhao Dong is now via the Zhao Dong/ Dagang oil export pipeline.	Achieved	
	Improve our water/oil separation system in China using new technology.	Commenced development of water/oil separation system in China.	Ongoing	
A safe and healthy place to work	Maintain and improve process safety performance.	Improved tracking of the inspection, maintenance and testing of safety critical equipment. Reduced the frequency of fire and ignition source related incidents by 50%. Reduced the frequency of hydrocarbon loss of containment occurrences by 45%.	Ongoing	Reduce the frequency of fires and ignition sources by a further 50% compared to the 2011 levels. Continue track record of zero fatalities. Achieve TFIFR and LTIFR below the five-year averages recorded by the Association of Oil & Gas Producers ('OGP') for Asia and Australasia. Continue to implement AIMS improvement plans at all operations. Continue to implement additional Omnisafe™ HSE data software applications during 2012. Revise the ROC HSE Management System document and implement additional HSE Expectations throughout the business.
	Continue track record of zero fatalities.	No fatal accidents occurred in ROC's operations.	Achieved	
	Achieve TFIFR and LTIFR at least 50% below APPEA five-year average figures.	Completed a period of one year without a Lost Time Injury across the entire ROC corporation. Achieved TRIFR that was less than half of the target.	Achieved	
	Conduct gap analysis against the Asset Integrity Management System ('AIMS')and prepare improvement plans.	Completed AIMS gap analysis and prepared improvement plans for all production facilities and well operations.	Achieved	
	Continue to improve the integrity of HSE data.	Expanded the usage of Omnisafe™ HSE data software for data capture and storage throughout the organisation. Also improved measurement and calculation methods for other more specific data sets (such as GHG emissions).	Ongoing	
	Formalise new HSE Expectations and implement them in all ROC operations.	Prepared and implemented eight new HSE Expectations. Launched HSE Web on ROC intranet to help communicate key HSE information, policies and procedures to staff.	Ongoing	
A trusted neighbour in the community	Continue donating to the local schools of Nan Pei He region in China.	Continued relationship with local schools in 2011 by providing school bags, scholarships and funds for rebuilding campaigns.	Achieved	Introduce an English teaching programme for teachers in the Nan Pai He region. Continue to support our sponsored students through university. Renew existing partnerships with foundation partners for another set period. Seek new partnerships with foundations and organisations that operate in areas located near ROC assets. Continue liaison activities and work with fishing communities through to completion of NPP in the BMG Field. Establish protocols for engagement once NPP is established.
	Continue and look to increase number of educational sponsorships.	Sponsorship of an additional student in the Nan Pai He region.	Achieved	
	Continue foundation partnerships.	Continued partnerships with Life Education, Clontarf Foundation and Petroleum Club in Western Australia. Donated to a local orphanage in China.	Achieved	
	Work with fishing community during the Non-Production Phase ('NPP') at BMG.	Continued liaison activities with fishing community during NPP activities.	Achieved	

Achieved Ongoing Not achieved

Key performance indicators

Economic performance	2011	2010
Hydrocarbon production		
Total hydrocarbon production from ROC-operated assets (MMBOE)[1]	9.0	9.2
Total hydrocarbon production from ROC-operated assets (t)[1]	1,320,907	1,167,149
Hydrocarbon sales from ROC-operated assets net to ROC (MMBOE)	1.9	2.3
Hydrocarbon sales from ROC-operated assets net to ROC (t)	277,451	321,723
Financial performance		
Market capitalisation at year end (A$m)	171	292
Sales revenue (US$m)	286	235
Operating cash flow (US$m)	43	58
Socio-economic distribution		
Total Number of employees[2]	185[3]	182
Female	67	68
Male	118	114
Total Turnover Rate	11%	8%
Female Turnover Rate	12%	NR
Male Turnover Rate	10%	NR
Total Number of contractors	146	77
Number of shareholders	19,511	22,417
Royalties to government (% of production)	7%	7%
Total income taxes, royalties and levies (US$m)	97	46

Social responsibility	2011	2010
Health and safety		
Total man-hours[4]	1,710,062	2,022,000
Medical Treatment Cases	1	6
First Aid Cases	14	30
Lost Time Injuries	0	3
Lost Time Injury Frequency Rate ('LTIFR')[5]	0	1.5
Restricted work cases	1	2
Fatalities	0	0
Total Recordable Injury Frequency Rate ('TRIFR')	1.2	5.4
Community		
Community investment[6] (US$)	111,545	290,111

1 ROC-operated assets include BMG, Zhao Dong and Cliff Head fields. Total hydrocarbon production includes gas that is produced at these assets which is then flared, reinjected or used as feedstock in energy generation activities.
2 Includes both full and part-time employees as at 31 December 2011.
3 2011 headcount statistics and percentages include eight employees of Roc Oil (Equatorial Guinea) Company. Under the terms of the farm-down agreement with White Rose (WR) that was concluded in August 2011, ROC retains the role of Administrative Manager in Equatorial Guinea, the costs for which are fully carried by WR. WR needs to complete business registration processes in Equatorial Guinea before employees can be transferred. The registration process is expected to take several months and to be completed during 2012.
4 This includes both the employees and contractors.
5 Frequency rates are determined as the number of injuries per million hours worked.
6 ROC's divestment of African assets reduced the need for compulsory obligations/donations in 2011. This accounts for the reduced level of community investment for 2011.

Environmental stewardship	2011	2010
GHG emissions (tCO_2-e)		
Cliff Head	12,855	14,333
BMG	7,683	64,210
Zhao Dong	108,678	156,796
Total GHG emissions	129,216	235,339
Intensity of hydrocarbon production (tCO_2-e/t)		
Cliff Head	0.09	0.08
BMG	N/A[7]	0.62
Zhao Dong	0.09	0.18
Total Intensity	0.10	0.20
Significant loss of containment incidents[8]		
Oil spills	0	2
Gas releases	0	2
Other significant environmental incidents[9]	0	0
Flared gas		
Total flared gas (t)	17,547	57,025
Intensity (t of flared gas per t of hydrocarbon production)	0.01	0.05
Controlled discharges to water		
Produced water quantity (m^3)	1,038,934	1,157,781
Total oil in discharged water (t)	53	65
Waste management		
Total hazardous waste[10] (t)	34	60
Total non-hazardous waste[11] (t)	2,931	3,751
Energy consumption		
Total energy consumption (Tj)	2,535	4,162
Intensity (Tj of energy consumption per kt of hydrocarbon production)	1.92	3.57
Water usage		
Fresh water use (m^3)	31,558	45,102
Fines		
Total number of fines and penalties	0	0

Glossary
MMBOE = millions of barrels of oil equivalent
NR = not recorded
t = tonne(s)
tCO_2-e = tonne(s) of carbon dioxide equivalent
Tj = Terajoule(s)
m^3 = metres cubed
kt = thousands of tonnes

7 GHG emissions from BMG are the result of NPP activities rather than from the production of any hydrocarbons.
8 Defined as being greater than one barrel of oil equivalent as per IPIECA/API guidelines (2010).
9 Defined as any event that can be categorized as having a high impact on the environment as per APPEA Environmental Incident Database Guidelines (2001).
10 As per IPIECA/API Guidelines (2010), hazardous waste includes all wastes that is defined as hazardous, toxic, dangerous, listed, priority, special, or some other similar term as defined by an appropriate country, regulatory agency or authority.
11 As per IPIECA/API Guidelines (2010), includes industrial wastes resulting from company operations that are not designated or listed as "hazardous" by a country or regulatory agency. This category consists of materials disposed of both on-site and off-site, including trash and other office, commercial or packaging related wastes.

A reliable and responsible employer

Our priority is to deliver valuable returns for our shareholders and build a business founded upon integrity and driven by a capable and motivated workforce.

Economic contribution

During 2011, we strengthened our financial performance, invested in new growth assets, restructured the existing asset portfolio and reviewed poor-performing assets – objectives that were outlined in our 2010 Sustainability Report.

ROC delivered a net profit of US$28 million and a trading profit of US$108 million from revenue of US$286 million. This was our first net profit since 2005. Operating cash flow of US$43 million was reinvested back into the business through exploration and development expenditure of US$41 million. ROC also completed an A$9.8 million on-market share buy-back during the year. The Company refinanced a new US$110 million debt facility and restricted operating costs to US$17/BOE. Concerted business development activities in the focus area of China, South East Asia and Australasia resulted in the award of the Balai Cluster Risk Service Contract (offshore Sarawak, Malaysia) and the award of two additional exploration blocks adjacent to existing Zhao Dong oil field (Bohai Bay, China). The Beibu Gulf project received Final Investment Decision approval and development activity commenced during 2011. We completed the divestment of our African portfolio and initiated the Non-Production Phase ('NPP') at BMG.

As part of a sustainability strategy, we remain committed to increasing the value of the business and delivering financial success. Following on from the efforts and achievements in 2011, we are well positioned to deliver further solid financial results in 2012 and to build the business through investments in additional growth assets in the focus region.

Given the success ROC achieved in meeting many of the financial and strategic objectives in 2011, the TSR of -39% for the year was disappointing. The Board-selected peer group, against which ROC compares its performance, recorded an average TSR of -30%. Only one company in this group achieved positive returns. ROC considers that difficult macroeconomic conditions in the second half of 2011, primarily driven by uncertainty caused from the European debt crisis, and ongoing positive market sentiment regarding companies focused on "unconventional" hydrocarbon strategies (coal seam methane, shale gas and tight gas) combined to undermine ROC's performance and that of most of our immediate peers in the "conventional" sector.

A framework for integrity

CODE OF CONDUCT

ROC is committed to actively promoting ethical and responsible decision-making in relation to business and personal conduct. The ROC Code of Business Conduct and the ROC Directors Code of Conduct were reviewed in 2011 and in January 2012 the Board approved the adoption of a revised and updated Code of Conduct. This code applies to all who work for, act on behalf of or represent ROC and its subsidiaries. This includes Directors, officers, employees as well as contractors, consultants, advisers and third parties acting on behalf of ROC throughout the world. It is proposed that in 2012, education sessions will be conducted in each ROC office and an employee handbook will be distributed including a guide to the Code of Conduct.

HSE VISION AND GUIDING PRINCIPLES

Our HSE vision and guiding principles have been integrated into our strategic decision-making process by our operations and guide our commitment to the following goals:

- Zero harm to our employees, contractors and the communities in which we operate;
- Conduct our business in a way that minimises the risks to the environment;
- Integrate HSE into all of our business activities; and
- Demonstrate industry leadership in HSE performance.

GOOD GOVERNANCE

ROC is committed to best practice corporate governance in relation to the conduct and operation of its business. We recognise that good governance is fundamental to the long term sustainability of the Company. As part of the ongoing commitment to best practice corporate governance, ROC undertook a review of all its corporate governance practices, policies and charters in 2011. In January 2012, the Board approved the adoption of the revised and updated corporate governance policies and charters.

To familiarise our employees and contractors with the updated corporate governance policies relevant to them, it is proposed that in the course of 2012, education sessions will be conducted in each ROC office and an employee handbook will be distributed, including a guide to relevant corporate governance policies. Relevant practices will also be put in place to support the updated policies.

RISK MANAGEMENT

At ROC, we recognise that risk is dynamic and requires constant vigilance. We are committed to identifying, managing and assessing all risks effectively through our Enterprise Risk Management Framework. This framework is embedded into our strategic business decision-making process to assist with driving effective and accountable action and management practices. In 2011, we updated our HSE risk matrix which strengthened our ability to identify economic, social and safety risks at the beginning of a potential transaction.

Strengthening our team

ATTRACTION AND RETENTION OF TALENT

We recognise that our success relies on identifying, recruiting and retaining a talented and motivated workforce.

ROC is active in continuing to ensure it remains competitive in the market place and in attracting and retaining a highly skilled workforce. This can be demonstrated by ROC carrying out its annual remuneration review whereby workforce salaries are benchmarked against national data specific to the oil and gas sector. This review forms part of our Performance Management Process and ensures that our people are in the correct roles and identifies where they are placed in terms of remuneration relative to the industry sector.

In order to ensure that ROC remains an employer of choice and continues to remunerate its workforce fairly and competitively, we will be undertaking a comprehensive review of our compensation levels in 2012 as part of our human resources strategy. This will identify areas for improvement and continued excellence in the overall salary package management and will help to develop staff to their full potential.

Where appropriate, we have provided opportunities for staff to transfer between ROC offices on secondment assignments. For example, we appointed one of ROC's Chinese-national employees, a consultant well geologist who has worked on the Zhao Dong project in China since May 2007, into a full-time position in our Malaysian operation.

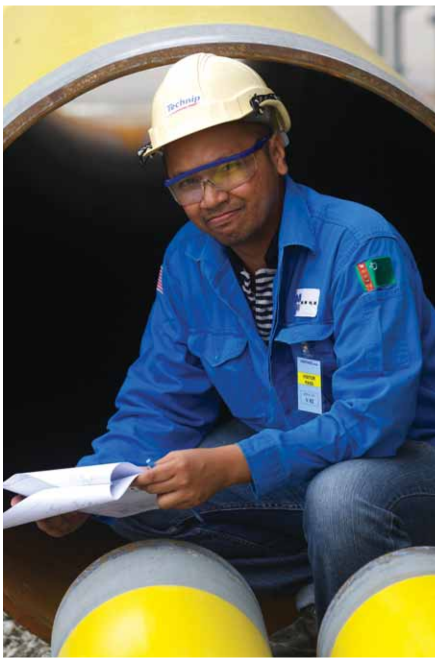
We have also continued to work proactively with local schools and universities by providing work experience for school students and internship opportunities to university graduates. In 2011, we placed a year 10 student from a local NSW school into ROC's legal team for three weeks and an international Chinese student into our new ventures and business development unit for a period of 10 weeks.

DIVERSITY AND GENDER EQUALITY

ROC is committed to recruiting, training and promoting individuals based on competence and skills, regardless of gender, age, disability, ethnicity or cultural background.

We recognise that employee and cultural diversity encourages a broad range of skills and ideas, which helps give ROC a competitive advantage in the countries in which it operates. We actively recruit locally in the countries in which we operate and invest in mentoring and capacity-building initiatives. This process also helps to create a vibrant and inclusive workforce that reflects the localities in which we operate. As a consequence, ROC has a diverse, inclusive and open working environment in which its people are valued as individuals and their achievements are recognised accordingly. We are committed to supporting all employees and it is management's responsibility to develop and encourage a diverse and inclusive work environment.

In May 2011, the Board adopted a Diversity Policy to apply across all operations and staff of ROC. This policy was updated as part of the review of all corporate governance policies and was approved by the Board in January 2012. Additionally, ROC has an Equal Opportunities Policy which sets out that all employees should enjoy good working relationships with each other and management, in an environment free of discrimination. These policies work together to ensure that not only is diversity encouraged at ROC, but it is also respected.



NEW RECRUITS

Cassidy Liu

Assistant to the Operations Manager

I have been working with Roc China for two years. My first position with ROC was that of receptionist, which I held for a period of 16 months. During that period, I began to understand ROC's culture and business. I really enjoy working in such an open and creative company that values its people and provides new challenges. I was promoted to the operations department as assistant to the operations manager. My colleagues are very team focused and this is allowing me to quickly develop both my personal and professional skills. I find the work very rewarding but also challenging, as priorities and tasks can quickly develop and change.

Leo Wang

Drilling Buyer

In 2008, I returned to China from overseas and joined ROC as a drilling materials and operations coordinator. I work in a great team that has supported my development and I was promoted to senior drilling materials and operations coordinator within two and a half years. In 2011, I took on the role of drilling buyer, responsible for all drilling procurement and contracting. With these role changes, I have been given numerous responsibilities that challenge my commercial and technical skills, as well as being trained and mentored by all of our skilled team members. With ROC support, I am enhancing my skills in supply chain management; I took my Chartered Institute of Purchasing & Supply ('CIPS') course in 2011 and will take the American Society of Transportation & Logistics ('AST&L') course in 2012. I really enjoy working with my team at ROC.

Roy Wu

Offshore Petroleum Engineer

I joined ROC at the beginning of 2010 as a production operator having worked at BakerHughes-Centrilift for three years after graduating from university. Recently, I was promoted to the position of offshore petroleum engineer in the subsurface department, which I believe will give me the opportunity to greatly improve my knowledge in the field. I have been given numerous responsibilities that challenge my technical skills and I have grown professionally and personally under the mentoring of my colleagues.

AWARDS FOR ZHAO DONG TEAM

At the Foreign Cooperation Symposium and Workshop for CNPC/PetroChina organised by the PetroChina Foreign Cooperation Administration Department (CCAD), ROC was awarded the following awards:

> Zhao Dong Project Team won the First Prize Award of 'Advanced Technology and Management for Innovative & Integrated Application of Drilling/Completions and Offshore Engineering Technologies';

> Zhao Dong Subsurface Manager Wes Jamieson, HSE Manager Laurie Barry and Offshore Installation Manager Gary James all won 'Outstanding Foreign Employee Honours'; and

> The Zhao Dong Offshore Production and Operation Team project was awarded 'Outstanding Team Honour in PetroChina Foreign Cooperation'.

Respect for the environment

We are committed to protecting the environment in which we operate and taking appropriate steps to manage, eliminate or minimise our impact.

As an international upstream oil and gas company, we operate in a range of environments where our activities have the potential to impact the ecosystems. We understand that our licence to operate depends upon how we manage this risk. Continued improvement in environmental performance is integral to our sustainability as a company.

In 2011, our areas of environmental focus centred around:

> Improving the management and reporting of our greenhouse gas emissions ('GHG');

> Managing and minimising the number and severity of containment incidents and spills;

> Responsible management of resources;

> Protecting biodiversity;

> Reviewing and updating our Environmental Management Plans; and

> Ensuring environmental compliance.

Improved management and reporting of GHG emissions

GHG PERFORMANCE DATA

This year, we continued to report our total GHG emissions in accordance with the Australian Government's National Greenhouse and Energy Reporting ('NGER') Act 2007. This allows us to measure and report our GHG emissions using a standard and industry accepted methodology.

In Australia, ROC was selected by the Department of Climate Change and Energy Efficiency to participate in a pilot audit programme during 2011. As a result of the draft audit findings, ROC voluntarily retained a specialist consultancy group to improve our NGER reporting processes, particularly with regard to developing an audit data pack which supports our annual NGER submission.

FLARING REDUCTION INITIATIVES

At our offshore oil and gas installations, flaring is one of the most significant sources of Scope 1 GHG emissions. Flaring is the controlled burning of natural gas during routine oil and gas operations and primarily acts as a means of relieving pressure during production. At ROC, we are proactive in reducing our flaring performance via technological innovation and continual management of our GHG emissions. ROC's total flared gas volumes decreased by 69% in 2011.

The BMG asset entered a NPP in 2010. As a result of this, flaring was reduced by 99% with only a very small amount of gas flared during subsea pipeline flushing and testing that was completed in the first three months of 2011. At Zhao Dong in China, the export and sale of gas (rather than its flaring) reduced our emissions.

CARBON DISCLOSURE PROJECT

In 2011, ROC submitted public responses to the CDP for the second consecutive year, communicating to our investors how we are addressing the regulatory and physical risks and opportunities associated with potential impact of climate change. Within the ASX200 Energy sector, ROC ranked fourth with a CDP score of 64, behind industry heavyweights and ASX100 members Santos, Origin and Woodside. The CDP acts on behalf of institutional investors to request disclosure of climate change related information including the associated risks and opportunities, and serves to place climate change and energy efficiency onto the business agenda. ROC participation in the CDP ensures engagement with the investment community on climate change issues and increases the transparency of our reporting.

GREEN TECHNOLOGY SOLUTIONS

SYSTEM VIRTUALISATION

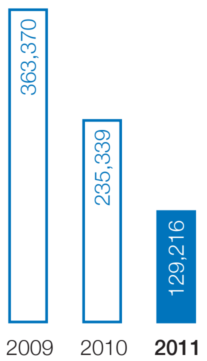
System virtualisation technologies have allowed ROC's IT department to significantly optimise utilisation of the server infrastructure, reducing requirements for power and cooling at its major offices and data centres. Overall, ROC IT is able to maintain the core IT infrastructure with only a quarter of the otherwise-required physical hardware, with significantly lower power and cooling requirements.

PAPERLESS PROCURE-TO-PAY

With the introduction of a unified procure-to-pay systems in its Australian operations, ROC was able to reduce reliance on paper processing and filing requirements, with the majority of internal processing and transactions conducted electronically.

DISPOSAL OF IT EQUIPMENT

Where possible, unused and retired IT equipment is distributed to employees, local schools or non-profit organisations. Failed equipment and other electronic waste are disposed of through certified environmentally-acceptable disposal agents.



Total Scope 1 Emissions (tCO_2-e)

FUEL-EFFICIENT FLEET UPGRADE

In China, we have upgraded our company vehicle fleet to more fuel-efficient models, replacing the majority of the fleet with Mazda 8s which meet the Chinese National Emissions Standard IV, the equivalent to the Euro 4/IV standards – the European vehicle emissions standard which aims to cut pollution from road transport. The fleet size has also been reduced by two cars, from 19 to 17.

Transparent reporting of incidents and spills

INCIDENT REPORTING AND INVESTIGATION

Our Incident Reporting and Investigation Expectation Document sets out guidelines that require each operation to develop an incident investigation procedure tailored to local regulatory and operational needs. The circulation of the 'lessons learned' from incidents and near miss events allows others within the organisation to learn from previous incidents.

ROC is proud to report that no significant environmental incidents occurred in 2011. We define a significant oil spill as greater than one barrel of oil equivalent spilled out of either primary or secondary containment as per IPIECA/API Guidelines.

STRINGENT OIL SPILL MANAGEMENT

ROC had no significant oil spills during 2011. The Oil Spill Contingency Plans in all operations were reviewed and revised.

Following the oil spill incident in June 2011 at the ConocoPhillips-operated Penglai 19-3 field in Bohai Bay, the Zhao Dong operation held thorough internal reviews of its plans and activities to identify and introduce any additional controls that could be required to eliminate any oil spill risk. The Zhao Dong operation was also subject to a series of intense oil spill response inspections and audits by Chinese regulators.

We also reviewed the design and integrity of our produced water and drill cuttings reinjection facilities.

EXPORT OIL PIPELINE REPLACES OIL SHUTTLE TANKERS

In October 2011, crude oil began to be transported from the Zhao Dong facilities to the Dagang oil refinery by export pipeline, thereby avoiding the potential for spills associated with the use of oil shuttle tankers – it is important to note that there had been no environmental incidents involving shuttle tanker transportation during the 3,500 voyages since Zhao Dong began operations in 2003. However, as the severe ice conditions in 2010 demonstrated, the transportation of crude oil by shuttle tankers was susceptible to weather disruptions and events in the busy Bohai Bay.

The commissioning of the oil export pipeline was the second phase of environmental initiatives at Zhao Dong. As reported in our 2010 Sustainability Report, gas flaring at Zhao Dong was almost completely eliminated in December 2010 with the commissioning of a gas pipeline. This initiative meant that over 2.5 BCF of gas was sold into the Chinese domestic market rather than flared in 2011. Both of these ROC-initiated projects are an example of our continuous commitment to HSE innovation and excellence.

Responsible management of resources

WASTE MINIMISATION

We are committed to minimising waste, increasing recycling and preventing pollution. Managing waste efficiently not only helps us to reduce our environmental impact but it also helps to reduce costs relating to waste disposal.

In 2011, approximately 1,296 tonnes of scrap metal was recycled in China. This primarily comprised old machinery which was no longer certified due to its age.

WATER USE

In 2011, the overall amount of produced water across our operations reduced by over 10% due to the transition of BMG into the NPP. Fresh water usage was reduced by 30% in China, predominately due to the limited availability of potable water and the subsequent use of recycled water.

Reviewing and updating our Environmental Management Plans and protecting biodiversity

We are committed to managing any potential impacts that our operations might have on the biological diversity of the environment in which we operate. During 2011, ROC reviewed and updated its Environmental Management Plans for all of its operations. Through these rigorous plans, we protect sensitive environmental ecosystems and biodiversity.

ENVIRONMENTAL COMPLIANCE

In each of the countries where we operate, as a minimum, we comply with applicable laws, standards, regulations and guidelines that ensure the protection of the environment. We communicate openly with the public, and governmental and non-governmental bodies. During 2011, compliance with applicable environmental laws and regulations was maintained and there were no fines or breaches of environmental licence conditions.

Due to the quantity of its Australian emissions, ROC is not expected to be directly liable under the Carbon Pricing Mechanism that is due to come into effect on 1 July 2012 in Australia. Cost increases as a result of the mechanisms are also expected to be immaterial across ROC's operations. As required under the NGER Act, ROC will continue to report the required GHG and energy data in future reporting periods.

A safe and healthy place to work

We aim to create a safe and healthy place to work.

2011 SAFETY PERFORMANCE

In 2011, we maintained our record of zero fatalities and ROC had its safest year since it started collecting reliable incident and man-hour data in 2008, with no Lost Time Injuries ('LTI') reported and only two other recordable injuries sustained by ROC contractors.

Our Total Recordable Incident Frequency Rate ('TRIFR') reduced to 1.2, its lowest ever level. This compares with the Australian Petroleum Production and Exploration Association's ('APPEA') five-year average of 5.2.

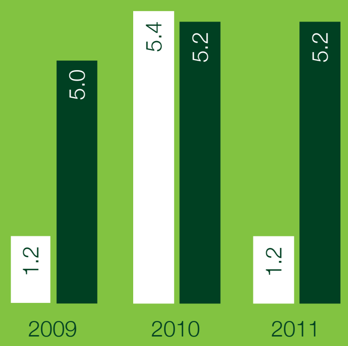
We continue to believe that every incident is avoidable, and through using good risk management techniques, strive to create an injury free workplace.

Although these "lagging" measures are important indicators, in 2011 ROC incorporated a series of "leading" indicators into our safety performance data, such as near miss investigation reports, regular safety audits and workplace inspections, to improve safety and reduce the risk of process incidents.

Lost Time Injury Frequency Rate

ROC APPEA five year average

SAFETY PERFORMANCE	2009	2010	2011
Total Man-hours	2,549,973	2,022,000	1,710,062
First Aid Cases	47	30	14
Medical Treatment Cases	2	6	1
Restricted Work Cases	0	2	1
Lost Time Injuries	1	3	0
Fatalities	0	0	0
TRIFR	**1.2**	**5.4**	**1.2**
LTIFR	**0.4**	**1.5**	**0.0**



Total Recordable Injury Frequency Rate

ROC APPEA five year average

Process safety management is our priority

Our main focus during 2011 was to implement our Asset Integrity Management System ('AIMS'). All ROC operations performed a 'gap analysis' against the requirements of the ROC AIMS Expectations and prepared an implementation plan. Good progress was made in implementing robust AIMS controls and this will continue during 2012. ROC's strong focus on process safety resulted in a 45% reduction in the number of hydrocarbon loss of containment events compared to 2010. The number of fires and ignition source events was also reduced by 50% compared to the previous year.

Employee wellbeing

Initiatives include support in key areas such as physical and emotional assistance. Every year, employees are encouraged to participate in wellbeing practices ranging from fitness programmes and activities through financial subsidy, to free influenza vaccinations, mandatory medical screening for international business travel and complimentary personal medical health evaluations.

In 2011, 68% of the Australian staff base utilised the fitness subsidy benefit to contribute towards their personal health and wellbeing; fitness and sport related activities and equipment; and health programmes including alternative medicines. In China, when ROC moved to its new Beijing premises in early 2011, it signed a corporate gym membership to encourage employees to pursue a more active fitness regime. Representatives of the gym have held in-house seminars to promote a healthy lifestyle through fitness and diet. ROC staff participation rates at the gym are increasing, with more than 50% of staff registering.

The focus on healthy eating is equally as strong at the Zhao Dong offshore facilities with the combined annual food festival and healthy eating programme concentrating on education and increased, motivation of staff to improve their health.

EMPLOYEE HEALTH CHECKS

The health of our people is paramount. All employees travelling overseas are required to have a health check. Influenza vaccines and other inoculations are also provided. In China and Australia, we have established a database to monitor our system of annual health checks and to track the health of our employees.

In 2011, 48% of the Australian-based staff benefited from some form of professional medical screening, the purpose for which was a mix of compliance with Company policy in respect to international business travel, and employees opting to utilise the personal health evaluation benefit.

A trusted neighbour in the community

Forging relationships with the communities in which we operate is fundamental to our long term success and viability.

As we continue to expand our operations, opportunities and challenges will arise as we interact with new host communities. In 2012, we look to continue building long term relationships and responding to broader community concerns and needs. We will continue our focus on educational partnerships, sponsorships and donations. We are also aiming to improve our people-to-people links through providing work experience and employment opportunities in our local offices.

ENGAGING THE COMMUNITY

Regular, open and honest dialogue is fundamental to building strong and lasting relationships with our communities. Therefore, we engage with communities at every stage of our projects, from investment decision to decommissioning. ROC develops and maintains open and transparent communication with our surrounding communities.

Community strategy: investment in local education

We aim to make valuable contributions through organisations and initiatives that help to build and strengthen the social fabric of the communities in which we operate. We have a focused community support strategy in which the Company seeks to make targeted contributions to the area of education. This year, we have continued to focus on creating and maintaining foundation partnerships, providing educational sponsorships and assistance to local schools in China.

In China, ROC has actively engaged with the Nan Pai He community at the local government and school level to:

> Assist in the rebuilding of facilities in the wake of damage caused by the Sichuan earthquake in 2008; and

> Donate excess technological equipment (surplus to ROC requirements).

These donations were initially sponsored by the Company, but as staff became aware of these efforts, books and personal computers and other items have been personally donated. The engagement of the Nan Pai He community is a collective effort in which

WORKING WITH LOCAL FISHERMEN IN THE BMG FIELD

ROC is working closely with the fishing industry around the BMG oil and gas fields to maximise the area of fishing grounds available, especially now that BMG is in the NPP. Early in 2012, approximately half of the area which falls under the BMG field ‘footprint’ will be available as fishing grounds. Making these fishing grounds available is of particular importance to the fishing community due to the fact that 80% of the original trawl fishery in South East Australia is currently closed.

many staff have played a part through packing school bags for donation to the school children or making personal donations.

During 2011, ROC has maintained its commitment to community engagement and investment through a number of actions, initiatives and donations:

> Release of the Cliff Head field helicopter for three days to assist with the response to the bushfires around the town of Geraldton;

> Donation of office assets such as photocopiers and office furniture in China to: the Nan Pai He government on behalf of Roc Oil (Bohai) Company; and the Shenzhen Blue Sky Association's Behaviour Language Training Centre in the Longgang District of Shenzhen on behalf of Roc Oil (China) Company. The Blue Sky Association helps children with infantile autism, mental retardation and hearing impairments;

> Donation of RMB7,500 to the Hilton Hotel's Annual Christmas Appeal for the China Youth Development Foundation ('Project Hope'). ROC's donation was used to improve teaching facilities of schools across China;

> 12 employees knitted 10 blankets as part of the Save the Children 'Born to Knit' campaign, which distributed 3,377 knitted blankets to health programmes across India, Cambodia and Laos to provide some protection against pneumonia, one of the biggest killers of children under five years of age in the developing world;

> Donated A$2,500 to support Dongara District High School's participation in Perth's 2011 Rock Eisteddfod Challenge. The theme of the Eisteddfod was to create a stage interpretation of what their generation could do to save our ever-changing environment. The group won three awards: 'Best Community Award', 'Best Soundtrack Award' and the 'Student Initiative Award;

> Initiated a partnership with the MyKasih Foundation in Malaysia to support its 'Love My Neighbourhood' food aid and education programme for 100 under-privileged families in Bintulu, Sarawak. The programme aims not only to meet their nutritional needs, but also to break the poverty cycle by providing skills training and education;

> Continued as a Gold Sponsor of Life Education's activities in the region around Dongara – ROC's funding enables the programme to visit five schools across the Midwest District. Life Education is the largest non-government provider of drug and health education programmes in Australia and aims to encourage and empower young people to make smart life choices and help develop positive life skills;

> Continued as a partner with Clontarf Foundation, which aims to improve the education, discipline, self esteem, life skills and employment prospects of indigenous men through the medium of football. ROC's support has been focused in the Bairnsdale Academy that was established in 2010. Bairnsdale is in the Gippsland area of Victoria, close to the Company's BMG asset; and

> Hosted a two-day tour of ROC's Arrowsmith Plant and Cliff Head facilities in Port Denison for the first prize winners of the WA Petroleum Club's Schools Information Programme from Rossmoyne School.

EDUCATION SPONSORSHIP IN CHINA

ROC continued its sponsorship of Zhang Zhong Fu through 2011 by covering his university fees and associated education costs at the University of Science and Technology of China.

In 2011, ROC sponsored a second student, Zhang Gongliang who is studying Urban and Rural Development with a major in Water Supply and Sewerage Engineering, at Agricultural University of Hebei. Zhang and his family struggled with considerable debt following the illness and subsequent death of his father and ROC's support will ensure that Zhang is able to continue with his university education.

WORKING WITH THE LOCAL SCHOOLS IN CHINA

ROC has a strong relationship with the local government and schools in the Nan Pai He region and in 2011 we committed RMB305,330 (US$48,409) through a number of various initiatives including:

> Sponsorship of two students;

> ANZA (Australia and New Zealand Association) donations for Great Wall dinner (May 2011) and Melbourne Cup function (November 2011). ANZA donates money to a range of charities that provides (amongst other things) life-saving heart operations and major cleft palate surgeries for abandoned children;

> Organisation of the Second Annual Art Contest (November 2011) for all primary school students at Nan Pai He. The number of entries received was up 150% from the inaugural year of the competition. The winners have had their work displayed in the Roc Bohai 2012 calendar (distributed to all ROC offices globally) and will receive small cash prizes for their work. The Grand Prize winners have won a trip to Beijing where they will tour the Great Wall, Forbidden City and Beijing Science Museum. In almost all cases, this will be the first time these children, together with their families, have left the Nan Pai He area;

> Donation of 1,020 school bags to local schools. The bags are packed by ROC staff and include school supplies and books. Since engagement with the Nan Pai He community began over two years ago, more than 2,500 school bags have been packed and personally distributed;

> Company-refurbished desktops and laptops have been donated, together with the personal donations of laptops by staff; and

> Sports equipment (basketballs, soccer balls) and books for school libraries have also been provided.

Corporate Governance

ROC's Board and management are committed to actively achieving and maintaining best practice corporate governance and promoting transparency and responsibility in behaviour and reporting. Throughout 2011, the Company followed all of the recommendations set by the ASX Corporate Governance Council as set out in the Corporate Governance Principles and Recommendations with 2010 Amendments ('ASX Recommendations').

In keeping with its commitment to maintaining best practice corporate governance, in late 2011, the Company undertook a review of all corporate governance practices, charters and policies. In January 2012, the Board approved and adopted updated corporate governance charters and policies. These updated policies and charters apply to the 2012 financial year ('2012 Corporate Governance Updates').

This statement outlines the Company's corporate governance practices in the 2011 reporting year on an ASX Recommendation by ASX Recommendation basis.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION 1.1

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company has established the functions reserved to the Board and those delegated to senior executives. The Board has adopted a Board Charter which details the functions and responsibilities of the Board. In summary these responsibilities include: monitoring the strategic and financial objectives of the Company; monitoring and assessing management's performance in achieving strategies and budgets approved by the Board; monitoring the performance of the Chief Executive Officer (CEO); monitoring risk and compliance with regulatory requirements, including workplace health and safety processes and performance; and setting the measurable objectives for achieving gender diversity in accordance with the ROC Diversity Policy.

Under the Board Charter, the Board has delegated responsibility for the day-to-day management of the Company's business and affairs to the CEO.

A copy of the Board Charter is available on ROC's website at **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 1.2

Companies should disclose the process for evaluating the performance of senior executives.

The performance of senior executives is reviewed annually in accordance with the ROC Remuneration Policy. A performance evaluation of senior executives took place in the reporting period in accordance with the process set out in the ROC Remuneration Policy.

A copy of the ROC Remuneration Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx**.

RECOMMENDATION 1.3

Companies should provide the information indicated in the Guide to reporting on Principle 1.

All of the information indicated in the Guide to reporting on Principle 1 has been provided as required.

Principle 2: Structure the board to add value

RECOMMENDATION 2.1

A majority of the board should be independent directors.

Throughout 2011, all of the Directors on the Board were independent. The Board has adopted an Independence of Directors Policy against which the independence of each Director is assessed annually. A copy of the ROC Independence of Directors Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.** The Board comprises six independent Non-Executive Directors:

> Andrew Love (Chairman)
> William Jephcott
> Sidney Jansma, Jr.
> Robert Leon
> Graham Mulligan
> Chris Hodge

There were no Executive Directors of the Company in 2011. Alan Linn was appointed an Executive Director on 27 February 2012. Details of the background experience and professional skills of each Director are set out in the Directors' Report.

The Board Charter includes a provision for Directors to take professional advice at the expense of the Company.

RECOMMENDATION 2.2

The chair should be an independent director.

Andrew Love is the Company's Chairman and is an independent, Non-Executive Director.

Corporate Governance

continued

RECOMMENDATION 2.3

The roles of chair and CEO should not be exercised by the same individual.

The roles of the Chairman and CEO are not exercised by the same individual. Andrew Love is the Chairman and Alan Linn is the CEO.

RECOMMENDATION 2.4

The board should establish a nomination committee.

The Board has established a Remuneration and Nomination Committee and has adopted a Remuneration and Nomination Committee Charter that clearly sets out its roles and responsibilities, composition and structure. Details of the names and qualifications of those appointed to the Remuneration and Nomination Committee and their attendance at meetings of the Remuneration and Nomination Committee are set out in the Directors' Report. All three Directors on the Remuneration and Nomination Committee are independent and the chair is not the chair of the Board.

In summary, responsibilities of the Remuneration and Nomination Committee under the Remuneration and Nomination Committee Charter include: assessing the necessary and desirable competencies of the Board; developing the succession plans of the Board to maintain an appropriate mix of skill, experience, expertise and diversity on the Board; establishing and monitoring company strategies on diversity; and the implementation of the ROC Diversity Policy as it relates to Board appointments.

The Board has also adopted a Nomination and Appointment of Directors Policy, which sets out the procedure for nomination of Directors and the suitability criteria for Directors as well as the selection and appointment process. This policy also provides guidelines as to the induction process for new Directors. A copy of the Nomination and Appointment of Directors Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

Included in the 2012 Corporate Governance Updates was the establishment of a separately constituted Nomination Committee and Nomination Committee Charter to apply from January 2012.

A copy of the ROC Nomination Committee Charter is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board has adopted a Board Performance Evaluation Process Policy which sets out the process for evaluating the performance of the Board, its committees and individual Directors. A performance evaluation of the Board took place in the reporting period in accordance with the process set out in the Board Performance Evaluation Process Policy.

A copy of the Board Performance Evaluation Process Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 2.6

Companies should provide the information indicated in the Guide to reporting on Principle 2.

All of the information indicated in the Guide to reporting on Principle 2 has been provided as required.

Principle 3: Promote ethical and responsible decision-making

RECOMMENDATION 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established a Directors' Code of Conduct and a Code of Business Conduct. These Codes of Conduct provided a guide to Directors, officers and employees as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account the legal obligations and the reasonable expectations of stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company has recently updated these Codes of Conduct into one ROC Code of Conduct. In summary, this updated Code of Conduct provides guidelines in relation to the personal and business conduct of Directors, employees and contractors of ROC.

A copy of the recently updated ROC Code of Conduct is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

The Company has also established a policy concerning the trading in Company shares by Directors and employees. A copy of the ROC Share Trading Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 3.2

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Company established a policy concerning diversity in May 2011. In summary, this policy provides guidelines in relation to: ROC's commitment to diversity; the establishment of measurable objectives for achieving gender diversity; the annual assessment of the objectives set for achieving gender diversity and the progress made towards achieving the objectives set; the procedures to implement the Diversity Policy; and the responsibilities of the Remuneration and Nomination Committees. A copy of the Diversity Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 3.3

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The measurable objectives set by the Board for achieving gender diversity in 2011 included:

> Adopting a company-wide Diversity Policy;

> Disclosing the Diversity Policy in the corporate governance section of ROC's website; and

> Identifying the proportion of women employed by the Company as a whole, in senior executive positions and on the Board.

Each of these objectives was achieved in 2011.

The Board has set the following measurable objectives for achieving gender diversity in 2012:

> To review and update the Diversity Policy;

> To review and update the Remuneration and Nomination Committee Charters to include responsibilities relating to achieving and implementing the ROC Diversity Policy;

> Introduce and implement an education programme on the ROC Diversity Policy across all ROC locations;

> To identify the various areas of ROC's operations where women are employed and whether it is appropriate to consider setting any goals in the 2013 financial year to increase the representation of women in any particular area of operations; and

> To introduce and monitor initiatives based on:

- Flexible work practices;
- Provision of paid maternity leave; and
- Retention of women in the workplace (measured by length of service).

RECOMMENDATION 3.4

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

As at 31 December 2011, the proportion of women employees in the whole organisation is 67 out of 185 (36%), the proportion of women in senior executive positions is two out of 10 (20%) and the proportion of women on the Board is zero out of six (0%).

RECOMMENDATION 3.5

Companies should provide the information indicated in the Guide to reporting on Principle 3.

All of the information indicated in the Guide to reporting on Principle 3 has been provided as required.

Principle 4: Safeguard integrity in financial reporting

RECOMMENDATION 4.1

The board should establish an audit committee.

The Board has established an Audit and Risk Committee. The role of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and the internal and external audit functions.

RECOMMENDATION 4.2

The audit committee should be structured so that it: consists only of non-executive directors, a majority of independent directors, is chaired by an independent chair, who is not chair of the board and has at least three members.

The Audit and Risk Committee consists only of Non-Executive Directors all of whom are independent. It is chaired by an independent chair who is not the chair of the Board and has at least three members.

Details of the names and qualifications of those appointed to the Audit and Risk Committee and their attendance at meetings of the Audit and Risk Committee are set out in the Directors' Report.

RECOMMENDATION 4.3

The audit committee should have a formal charter.

The Audit and Risk Committee has a formal charter which sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements. A copy of the Audit and Risk Committee Charter is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

Corporate Governance

continued

RECOMMENDATION 4.4

Companies should provide the information indicated in the Guide to reporting on Principle 4.

All of the information indicated in the Guide to reporting on Principle 4 has been provided as required.

Principle 5: Make timely and balanced disclosure

RECOMMENDATION 5.1

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has established a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. In summary, this policy provides guidelines in relation to the Company's obligation of disclosure under the ASX Listing Rules and the Corporations Act 2001 and procedures for determining material information and disclosing material information.

A copy of ROC's Continuous Disclosure Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 5.2

Companies should provide the information indicated in the Guide to reporting on Principle 5.

All of information indicated in the Guide to reporting on Principle 5 has been provided as required.

Principle 6: Respect the rights of shareholders

RECOMMENDATION 6.1

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has established a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings. In summary, this policy provides guidelines in relation to ROC's commitment to shareholder communication, market communication in general as well as communications in relation to company meetings, analyst briefings and reports and employee communications.

The Company maintains a website which is kept up to date with all relevant announcements to the market and related information after release to the ASX. ROC's website address is: www.rocoil.com.au.

A copy of ROC's Communications Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 6.2

Companies should provide the information indicated in the Guide to reporting on Principle 6.

All of information indicated in the Guide to reporting on Principle 6 has been provided as required.

Principle 7: Recognise and manage risk

RECOMMENDATION 7.1

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Company has established a Risk Management Policy for the oversight and management of material business risks. In summary, this policy provides guidelines in relation to: responsibility for risk management; ROC's risk management systems; ROC's risk profile; the monitoring of risk management performance; and the disclosure of material change to the risk profile and risk management reporting.

A copy of the ROC Risk Management Policy is available on ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 7.2

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board is responsible for the oversight and integrity of the Company's risk management systems. The Board has established an Audit and Risk Committee to assist the Board in fulfilling its obligations in relation to the Company's risk management systems. The Board has also established a Health, Safety and Environment ('HSE') Committee to assist the Board in fulfilling its obligations in relation to the overseeing of the Company's work health, safety and environment obligations and risks.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Company's risk management systems.

The Board, through the Risk and Audit Committee, requires management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively. During the reporting year, management provided the risk profile on a regular basis to the Audit and Risk Committee and the HSE Committee. Risk reporting included the status of risks through integrated risk management programmes and it ensured risks were identified, assessed and managed.

RECOMMENDATION 7.3

The board should disclose whether it has received assurance from the CEO and the chief financial officer ('CFO') that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and the CFO have stated in writing to the Board that for the financial year ended 31 December 2011, the statements made by them regarding the integrity of the financial statements are founded on a sound system of risk management, internal compliance and control, which in all material respects implements the policy as adopted by the Board and that the risk management and internal compliance control to the extent that they relate to financial reporting are operating effectively and efficiently in all material respects.

RECOMMENDATION 7.4

Companies should provide the information indicated in the Guide to reporting on Principle 7.

All of information indicated in the Guide to reporting on Principle 7 has been provided as required.

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION 8.1

The board should establish a remuneration committee.

The Board has established a Remuneration and Nomination Committee and has adopted a Remuneration and Nomination Committee Charter that clearly sets out its role, responsibilities, composition and structure. The Board has also established a Remuneration Policy. In summary, this policy provides guidelines in relation to the Company's commitment to remuneration, remuneration packages for employees, short term and long term incentive plans, the policy in relation to Non-Executive Director remuneration and the performance evaluation of senior executives. The Company's Share Trading Policy also prohibits employees participating in any equity-based incentive plan from entering into transactions which limit the risk of participating in any unvested entitlements.

Included in the 2012 Corporate Governance Updates was the establishment of a separately constituted Remuneration Committee and Remuneration Committee Charter to apply from January 2012.

A copy of the ROC Remuneration Committee Charter, the ROC Remuneration Policy and the ROC Share Trading Policy are available at ROC's website: **http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx.**

RECOMMENDATION 8.2

The remuneration committee should be structured so that it: consists of a majority of independent directors, is chaired by an independent chair and has at least three members.

The Remuneration and Nomination Committee is structured so that it consists of all independent Directors, is chaired by an independent chair and has at least three members.

Details of the names and qualifications of those appointed to the Remuneration and Nomination Committee and their attendance at meetings of the Remuneration and Nomination Committee are set out in the Directors' Report.

RECOMMENDATION 8.3

Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.

The Company clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Remuneration Report provides a separate table outlining the structure of non-executive directors' remuneration. The ROC Remuneration Policy also provides that the total amount of annual remuneration paid to non-executive directors must not exceed the amount authorised by shareholders in general meetings.

RECOMMENDATION 8.4

Companies should provide the information indicated in the Guide to reporting on Principle 8.

All of the information indicated in the Guide to reporting on Principle 8 has been provided as required.

Five Year Financial Summary

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Production (BOEPD)	7,527	8,483	10,034	11,023	9,668
Sales revenue	285.8	235.4	204.5	358.2	208.5
Trading profit	108.0	69.1	35.4	163.8	104.8
Reported profit/(loss) after tax	27.7	(35.9)	(115.4)	(278.4)	(83.3)
Cash flow from operations	43.4	58.4	91.4	182.5	138.1
Capital Expenditure Incurred					
– Development	30.8	28.5	63.7	76.3	57.4
– Exploration	15.9	25.6	8.5	115.2	94.7
Net cash/(debt)	26.5	31.3	17.9	(114.5)	(91.9)
Total assets	352.9	384.3	354.2	520.6	607.1
Total Equity	161.6	142.0	167.8	207.3	289.9
Shares on issue (million)	682.5	713.2	713.2	588.0	298.9
Profit/(Loss) per share (cents)	3.9	(5.0)	(17.9)	(74.6)	(27.9)

Directors' Report and the Annual Financial Report

Directors' Report

The Directors of Roc Oil Company Limited ('Company' or 'ROC') have pleasure in submitting the Directors' Report for the financial year ended 31 December 2011.

Directors

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

Mr Andrew J Love BCOM, FCPA, MAICD

(Non-Executive Director, Chairman) – Appointed 5 February 1997

Mr Love is Chairman of the Board of Directors of ROC and a Fellow of The Institute of Chartered Accountants in Australia. Mr Love is a Non-Executive Director of Charter Hall Office Management Limited and Chairman of Lemur Resources Limited. In the last three years, Mr Love has been a Non-Executive Director of Riversdale Mining Limited, Lend Lease Primelife Ltd, Eircom Holdings Ltd and the Museum of Contemporary Art. Mr Love is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Mr William G Jephcott BCOM, FCPA, FAICD

(Non-Executive Director, Deputy Chairman) – Appointed 5 February 1997

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

Mr Sidney J Jansma, Jr MBA

(Non-Executive Director) – Appointed 17 March 1998

Mr Jansma began his career in the oil and gas industry in 1959 working for his father's private oil company. In 1978, Mr Jansma purchased the company from his father, and during the ensuing 19 years the company grew to become the third largest gas producer in Michigan. In 1997, Mr Jansma merged his company with Dominion Resources, Inc., where he remained as President and Chief Executive Officer of Dominion Midwest Energy, Inc, a wholly owned subsidiary of Dominion Resources, Inc. Mr Jansma founded Wolverine Gas and Oil Corporation and explores for oil and gas in the United States – most notably in the State of Utah where he has discovered over 100 million BBLs since 2004. Mr Jansma has served as a member of the Board of Governors of the Independent Petroleum Association of America and Chairman of both its Tax and Environmental Committees. In addition, he has served on the Board of the American Petroleum Institute. He currently serves on the Board and Executive Committee of Calvin Theological Seminary in Grand Rapids, Michigan. Mr Jansma is Chairperson of the Health, Safety and Environment Committee.

Mr Robert C A Leon

(Non-Executive Director) – Appointed 3 December 2008

Mr Leon is a French national with over 30 years of experience in business and government administration. From 2002 until the merger with ROC in 2008, Mr Leon was a Non-Executive Director of Anzon Energy Pty Limited (formally Anzon Energy Limited) and from 2006 until the takeover by ROC, he was a Non-Executive Director of Roc Oil (VIC) Pty Limited (formerly Anzon Australia Pty Limited). Mr Leon is also a Director of the Mandarin Oriental Hotel Group. In 1996, Mr Leon co-founded Qualis, a diversified industrial group based in France, of which he is a co-manager. He was Chief Executive Officer of Arnault Group between 1986 and 1997, during which time he managed numerous strategic acquisitions, disposals and financial transactions. Prior to a career in business, Mr Leon held several positions in the French Government administration. He holds degrees in political science and economics, and is a graduate of École Nationale d'Administration in France. Mr Leon is a member of the Audit and Risk Committee.

Mr Graham D Mulligan BSC, DIPACC, FAIM, MAICD

(Non-Executive Director) – Appointed 7 September 2010

Mr Mulligan is the principal of International Infrastructure Ventures Pty Ltd, an independent consulting company which specialises in providing advisory services to major projects in infrastructure, transport and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure and transport industries. This included over 16 years with the listed New Zealand Oil & Gas Limited Group as both a Director and senior executive. Mr Mulligan has held a number of other senior executive roles, including Chief Executive Officer of Port of Brisbane Corporation and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration and Production Association of New Zealand, is currently a Director of Chalmers Limited and was a Director of Transpacific Industries Group Ltd. Mr Mulligan is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Mr Christopher C Hodge MSC, DIC, FFIN, MAICD

(Non-Executive Director) – Appointed 7 September 2010

Mr Hodge is a qualified geologist and petroleum geophysicist with extensive experience both in Australia and overseas. In addition to a variety of senior technical roles, he has held managerial positions in major petroleum exploration and production companies and played significant roles in substantially growing their asset bases through a mix of exploration and acquisition. Most recently, Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently the Exploration & Production ('E & P') Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists. Mr Hodge is a member of the Health, Safety and Environment Committee.

Mr Alan S Linn CENG, MICHEME – Chief Executive Officer

(Executive Director) – Appointed 27 February 2012

Mr Linn joined ROC in January 2008 as Asset Manager – Africa and in October 2008 was appointed Chief Operating Officer. Mr Linn was appointed as Acting Chief Executive Officer on 29 October 2010 and was appointed as Chief Executive Officer on 23 February 2011. Mr Linn is a chartered chemical engineer with 30 years of international operational and joint venture management experience in both the upstream and downstream oil sectors.

Mr Linn spent 15 years working with EXXON/Mobil in both downstream and upstream assignments in the UK and USA before moving into the independent E & P oil sector working internationally for LASMO, Cairn Energy and Tullow in senior operational and business management roles. Before joining ROC, Mr Linn was Operations Director for African Arabian Petroleum, a privately owned E & P company headquartered in Dubai. Based in Tunisia, Mr Linn was responsible for all operational and engineering activities within the business' African focused portfolio.

Company Secretary

Ms Leanne Nolan BEC, LLB (HONS), LLM

(Company Secretary) – Appointed 29 August 2008

Ms Nolan is General Counsel and Company Secretary of ROC. Ms Nolan joined the Company in March 1998 and holds Bachelors of Economics and Laws (Hons) and Masters of Law from University of Sydney. Prior to joining ROC, Ms Nolan held the position of Corporate Counsel with Ampolex Limited and prior to that was employed as a solicitor with Freehills.

Ms Jacquie Shanahan BA LLB

(Assistant Company Secretary) – Appointed 30 January 2012

Ms Shanahan is Legal Counsel and Assistant Company Secretary. Ms Shanahan joined the Company in October 2011 and holds Bachelors of Arts and Laws from University of Queensland. Prior to joining ROC, Ms Shanahan was involved in the review and monitoring of corporate governance reporting for ASX Limited, was a senior associate in the corporate commercial practice area at Corrs Chambers Westgarth and was employed as in-house legal counsel for a private company involved in developing sustainable energy projects.

Directors' Report

continued

Directors' Interests

As at the date of this Directors' Report, the relevant interests of the current Directors in the fully paid shares and options/rights of the Company were:

	Ordinary Shares Fully Paid	Options/Rights
Non-Executive Directors		
Mr A J Love	629,521	–
Mr W G Jephcott	1,117,300	–
Mr S J Jansma, Jr	3,000,000	–
Mr R C A Leon	1,510,000	–
Mr G D Mulligan	25,000	–
Mr C C Hodge	50,000	–
Executive Director		
Mr A S Linn	100,000	3,920,000

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		Remuneration and Nomination Committee		Audit and Risk Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	B
Mr A J Love	12	12	2	2	3	3	–	–
Mr W G Jephcott	12	11	2	2	3	3	–	–
Mr S J Jansma, Jr	12	7	–	–	–	–	1	1
Mr R C A Leon	12	11	–	–	3	2	–	–
Mr G D Mulligan	12	11	2	2	3	2	–	–
Mr C C Hodge	12	12	–	1(1)	–	1(1)	1	1

Note:
A Number of meetings held during the time that the Director held office during the financial year.
B Number of meetings attended.
(1) Number of meetings attended as observer.

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 net profit of the consolidated entity for the financial year after income tax was US$27.7 million (2010: net loss of US$35.9 million).

Dividends

No dividends have been paid or declared since the end of the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 31 December 2011.

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 63 to 67.

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 other 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

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

Shares under Option

During the financial year, the Company granted 6,975,000 performance rights over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 13,850,000 performance rights and 6,796,000 options, comprising 2,670,000 employee share options and 4,126,000 executive share options granted over unissued ordinary shares of ROC under the Long Term Incentive Plan, Employee Share Option Plan and the Executive Share Option Plan. Refer to Note 24 to the financial statements for further details of the rights and options outstanding. During the financial year, 100,000 ordinary shares were issued as a result of exercise of rights. Since the end of the financial year, no ordinary shares have been issued as a result of exercise of performance rights and no rights have been granted.

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

Indemnification of Directors and Officers

An insurance policy has been put in place by the Company for the benefit of past and present Directors of the Company and the executive officers, Directors and secretaries of all Australian group companies. Under this policy, the insurance company has agreed to indemnify these Directors and officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. The terms of the insurance prohibit disclosure of the nature of the liability and the amount of the premium. The Company has agreed to indemnify the Directors and officers of the Company against any liability to another person other than the Company or a related body corporate for an act or omission that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or legal costs arising from certain events.

Directors' Report

continued

Rounding

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998 and, in accordance with that Class Order, amounts in the annual financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

The Remuneration Report is set out on pages 48 to 61 and forms part of the Directors' Report for the financial year ended 31 December 2011.

Corporate Governance

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

The Board is currently comprised of six Non-Executive Directors including the Chairman and one Executive Director (appointed 27 February 2012). 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, is provided with presentations from senior management, who may be questioned directly by Board members on operational and commercial issues.

Details of the Company's corporate governance practices will be included in the Corporate Governance Statement in the Annual Report.

Audit and Risk Management

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

Environmental Performance

The consolidated entity is subject to Commonwealth and State regulations and legislation in Australia. There is similar legislation that governs international operations. 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. Based upon an environmental monitoring system, the consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. The Directors are not aware of any material breaches of the environmental obligations of the consolidated entity's contracts or licences. In addition, the Board has established a Health, Safety and Environment Committee. The Committee's responsibility is to ensure that occupational health, safety and environmental standards of the Company's operations are maintained at a level equal to, or above, accepted industry standards and that the Company complies with applicable legislation in the jurisdictions in which it operates.

Auditor and Non-Audit Services

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year. During the financial year, ROC paid its auditor, Ernst & Young, Australia, the following amount for material non-audit services, excluding services for the December 2011 review:

> tax compliance and accounting advice US$346,489.

The Directors have considered the position and, in accordance with advice received from the Audit and Risk Committee, are satisfied that the provision of these services is compatible with the standards of auditor independence imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in the relevant professional statement, including reviewing and auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 62 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*.

On behalf of the Directors:

Mr W G Jephcott
Deputy Chairman

Mr A S Linn
Director and Chief Executive Officer

Sydney, 27 February 2012

Remuneration Report

This remuneration report for the year ended 31 December 2011 outlines the remuneration arrangements of the Company in accordance with the requirements of section 300A of the *Corporations Act 2001* ('Act') and its regulations. The information has been audited as required by section 308(3C) of the Act.

1. Executive Summary

The Company's remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives and shareholders by linking individual and company performance with remuneration outcomes (section 4).

To achieve these objectives, ROC remuneration packages comprise the following elements:

- fixed remuneration (section 5);
- short term incentives (section 6); and
- long term incentives (section 7).

The Board is responsible for assessing company performance on an annual basis and the Remuneration and Nomination Committee is responsible for determining remuneration policy and remuneration outcomes based on the both individual and company performance assessments (section 8).

The 2011 remuneration outcomes were based on the assessment of company and individual performance in the 2010 financial year (sections 8, 9 and 10).

2. Key Management Personnel

This remuneration report details the remuneration arrangements for key management personnel ('KMP') who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

The following have been identified as KMPs for the purpose of this remuneration report:

Non-Executive Directors

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Director (Non-Executive)
Mr S J Jansma, Jr	Director (Non-Executive)
Mr R C A Leon	Director (Non-Executive)
Mr G D Mulligan	Director (Non-Executive)
Mr C C Hodge	Director (Non-Executive)

Executive Director

Mr A S Linn	Chief Executive Officer (appointed 23 February 2011) and Executive Director (appointed 27 February 2012)

Executives

Mr R Morris	President – Roc Oil China
Mr R B Stork	Chief Operating Officer (appointed 1 September 2011)
Mr A Neilson	Chief Financial Officer
Ms L Nolan	General Counsel and Company Secretary.

Other than the appointment of Mr Linn as Executive Director on 27 February 2012, there were no changes to KMPs after the reporting date and before the date the financial report was authorised for issue.

3. Remuneration Governance

The Remuneration and Nomination Committee of the Board is responsible for making recommendations to the Board on remuneration policies applicable to Board members and employees of the Company, including compensation arrangements for KMPs, fees for Non-Executive Directors and the Long Term Incentive Plan and Short Term Incentive Plan. Executive performance reviews and succession planning are also considered by the Remuneration and Nomination Committee.

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

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors and meets throughout the year. Details of the Remuneration and Nomination Committee meetings and attendance are outlined in the Directors' Report.

Further details of the Company's remuneration policy and practices will be included in the Corporate Governance Statement in the Annual Report and copies of the Remuneration and Nomination Committee Charter and Remuneration Policy are available at **www.rocoil.com.au**

Remuneration Report Approval at 2011 Annual General Meeting ('AGM')
The 2010 Remuneration Report received positive shareholder support at the 2011 AGM with a vote of 92% in favour.

4. Remuneration strategy

ROC's remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of employees and shareholders by linking individual and company performance with remuneration outcomes.

The following diagram illustrates how the Company's remuneration strategy aligns with the objectives of the Company through linking remuneration to performance of the individual and Company:

Remuneration strategy	> Provide competitive fixed remuneration set with reference to role, market and experience > Attract, retain and reward talent	> Provide rewards to employees for performance aligned with business objectives (see section 8) > Motivate performance through competitive remuneration > Drive behaviour and focus performance in alignment with business objectives	
Type of remuneration	Fixed remuneration	Variable or "at risk" Remuneration	
Payment vehicle	Base salary, superannuation contributions and other benefits	Short Term Incentive > Cash bonus set at % of base salary	Long Term Incentive > Grant of performance rights convertible to shares on vesting if performance criteria met
Link to performance	Company and individual performances are considered during performance review against agreed performance criteria set at start of year	Two performance criteria: > individual performance – based on agreed performance criteria set at start of each year; and > company performance based on the Board's assessment of performance against a range of strategic targets set at the start of each year, such as: – shareholder return; – health, safety and environment performance; – operational performance; – financial performance	Rights granted have three tiers of performance criteria: > **Tier One** – performance hurdle is based on an absolute total shareholder return ('TSR') of ROC over the performance period; > **Tier Two** – performance hurdle is based on relative TSR performance of ROC against a list of comparable companies over the performance period; and > **Tier Three** – performance hurdle is based on continuous employment with ROC for the performance period (Maximum allocation of Tier Three is 20% of total performance rights issued to individual.)

For the 2012 financial year, performance criteria have been set against a range of strategic targets based on shareholder return, health, safety and environment performances, operational performance and financial performance. The Board believes the attainment of these measures will result in meaningful shareholder return in the short and long term.

Remuneration Report

continued

5. Fixed Remuneration

Fixed remuneration consists of base salary (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation funds.

Fixed remuneration levels and remuneration packages are benchmarked against independently provided remuneration data of comparable Australian energy and resources companies to ensure salary packages are reasonable and competitive but not excessive. The Company participates in industry forums and maintains an ongoing monitor of trends and developments within the broad and specific market. Total reward opportunities are targeted to provide the opportunity to earn top percentile rewards against the relevant industry benchmarks for outstanding performance against personal and business objectives set.

Remuneration levels are reviewed annually through a process that considers the benchmarking data outlined above and also taking into account the overall performance of the group and the employee to ensure that remuneration is appropriate and competitive in the market.

6. Details of Short Term incentive Plan

The purpose of the ROC Short Term Incentive Plan (‘STI’) is to provide rewards to ROC employees for performance aligned with the business objectives. The STI forms part of ROC’s performance-based remuneration system and supports the objectives of the remuneration strategy to attract, retain and reward talent and motivate performance through competitive remuneration approaches.

The system is intended to drive behaviour and focus performance in alignment with the company business objectives.

The STI applies to all ROC employees covered by the ROC Performance Management System. It excludes casual and temporary employees, fixed-term contractors and those employed under ‘national’ conditions (eg in China and Malaysia).

The maximum STI payment amount is set as a proportion of the base salary of the individual employee. Higher level roles attract an increased % of base salary payable as STI. With the exception of Mr Alan Linn (see section 11), the maximum percentages of base salary payable as STIs are as set out in the following table:

Level	Roles	Max STI as % of base
4	Executive Committee (‘EXCO’)	42%
3	Senior Managers, Senior Professionals	32%
2	Professionals, Team Leaders	22%
1	Front-Line Employees, Administrative and Support Staff	19%

Calculation of the STI payment is based on a combination of two performance components – Individual and Company Performance.

The individual performance component is determined by the employee’s performance rating achieved through the Performance Management System. Individual performance ratings are calibrated by the EXCO and, as appropriate, the performance rating is adjusted to allow further distinction between individual performance.

The company performance rating acts as a multiplier on the individual performance STI outcome. Better company performance rating results in a higher multiplier impact on the individual performance component. The maximum multiplier increases with the level of the role. Individuals at lower levels are regarded as having less individual impact and accountability for overall company performance than KMPs.

The company performance STI outcome is based on the Board’s assessment of performance against a range of targets that contribute to ROC strategy. These objectives will vary each year. The Company’s objectives for 2011 are outlined below at section 8.

The Board makes a decision on the final company performance rating based on overall performance against these areas and against a range of strategic targets. Once the company performance rating is determined by the Board, an individual’s STI is then calculated by reference to the individual’s own performance rating and as a percentage of salary.

7. Details of Long Term incentive Plan

Awards granted under the ROC Long Term Incentive Plan ('LTI') are performance rights ('Rights') to shares in ROC, with each Right being a right to receive one fully paid ordinary share. Three types of Rights can be granted under the LTI:

> **Tier One Rights** – these are subject to an actual total shareholder return ('TSR') performance condition;

> **Tier Two Rights** – these are subject to a relative TSR performance condition; and

> **Tier Three Rights** – these are subject to a retention of service condition.

Performance and service conditions attached to each tier are described in more detail below. Notwithstanding those conditions, no Right will vest unless the Board in its absolute discretion is also satisfied that there has been an overall satisfactory and sustained improvement in the performance of the company during the relevant performance period.

Once a Right vests, the holder is unconditionally entitled to the underlying share without taking any further action.

The Board may select any full time or part time employee or executive director of ROC (subject to shareholder approval) or any of its subsidiaries ('Group') to participate in the LTI. An award may consist of Tier One Rights, Tier Two Rights and/or Tier Three Rights, provided that Tier Three Rights must not exceed 20% of the total number of Rights comprising an award.

> Tier One Rights

Vesting of Tier One Rights is subject to a performance condition, and, except for Initial Rights granted in 2010 which were for two years, will occur three years after grant, to the extent that the performance condition is met and if the employee is still employed in the Group. Tier One Rights which have not vested at the end of the performance period will lapse.

The performance condition for Tier One Rights will relate to the TSR growth of ROC measured over the performance period and be calculated based on compounded annual rates. The percentage of Tier One Rights that vest will be determined as follows:

TSR Growth over Performance Period Based on Annual Growth Rates	% of Rights Vesting
<6%	0%
6% – 9%	Pro-rata from 25% to 50%
9% – 12%	Pro-rata from 51% to 100%
>12%	100%

"Total shareholder return" or "TSR" means the total of:

> all dividends and capital returns paid to shareholders in the period between the date of grant of the Right and the date the performance condition is measured; and

> the difference between the volume weighted average price for sales of ROC ordinary shares ('Shares') on the ASX in the 60 trading days before the date on which the performance condition is measured and the volume weighted average price or sales of the Shares on the ASX in the 60 trading days before the date of grant.

expressed as a percentage of the volume weighted average price for sales of the Shares on the ASX in the 60 trading days before the date of grant (with the volume weighted average price for sales of the Shares adjusted if necessary to take account of any reorganisation of capital occurring before the date on which the performance condition is measured), where "Trading Day" has the meaning given to that term in the ASX Listing Rules.

Remuneration Report

continued

7. Details of Long Term incentive Plan (continued)

> Tier Two Rights

Vesting of Tier Two Rights will be subject to a performance condition, and, except for initial Rights granted in 2010 which were for two years, will occur three years after grant, to the extent that the performance condition is met and if the employee is still employed in the Group. Tier Two Rights which have not vested at the end of the performance period will lapse.

The performance condition for Tier Two Rights will be a relative TSR test. The TSR of ROC will be ranked against that of a subset of conventional oil and gas exploration and development companies in Australia (including ROC) and other companies in the S&P/ASX 300 Energy Index list as determined by the Board from time to time at the beginning of the performance period ('Comparator Group'). The TSR calculations will be based on all dividends and capital returns paid to shareholders in the Performance Period, and the difference between the volume weighted average daily closing share prices in the 60 days immediately preceding the start and the 60 days immediately preceding the end of the Performance Period expressed as a percentage. The extent to which Tier Two Rights will vest is determined by reference to the position of the Company in the Comparator Group as calculated in accordance with the following ranking table:

Position of Company in Comparator Group	% of Rights to Vest
Below Median	0%
Median	50%
Between Median and Upper Quartile	Pro-rata from 50% to 100%
Upper Quartile and above	100%

> Tier Three Rights

Vesting of Tier Three Rights will be subject to a service condition only. Tier Three Rights will vest provided that the employee has been continuously employed by the Group throughout the performance period and is employed by a Group company on the vesting date. Tier Three Rights which have not vested at the end of the performance period will lapse. Tier Three Rights must not exceed 20% of the total number of Rights comprising an award.

Leaving employment

Subject to some exceptions such as death, injury, permanent disability, retirement or redundancy and at the discretion of the Board a Right will normally lapse if the employee ceases to be employed in the Group.

Previous Executive and Employee Share Option Plans

Prior to the introduction of the STI and LTI in 2010, the Company's remuneration policy included participation in an Executive Share Option Plan and an Employee Share Option Plan. Options granted under these plans continue to exist but no further options are granted under these plans. Any options vesting under these plans in the 2011 financial year to executives are outlined in tables below.

The ability to exercise options under the Executive Share Option Plan is subject to continuity of employment and certain share and industry peer group performance hurdles. Under the rules of the Executive Share Option Plan, 30% of the options granted vest after two years. An additional 30% vest after three years and the remaining 40% vest after four years. Options expire six years after they are granted. Of the options granted to an employee, 50% are performance options and only exercisable if certain share performance benchmarks are met and 50% are price options which require share price performance measures to be met.

Performance options may only be exercised if, between the date of vesting and the date of exercise, the performance hurdles are satisfied. The performance hurdles provide that the Company's TSR must be benchmarked against industry performance.

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

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

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

Hedging of Equity Awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

8. Executive Remuneration Outcomes for 2011: Company Performance and its Link to Variable Remuneration

The Company performance STI outcome is based on the Board's assessment of performance against a range of targets and objectives that contribute to ROC strategy. In making its assessment, the Board attributes different weightings to different objectives. These weightings vary from year to year.

The following table outlines the 2011 objectives against which the Board assessed company performance:

	2011 Business Objectives
Share Price	Achieve positive share price performance compared to peer group
Generate Opportunities	Conduct reviews and/or bid on new business opportunities
Capture Value	Deliver risked recoverable 2C resources from new exploration assets
	Deliver new production or pre-development opportunity in Southeast Asia or Australasia
	Deliver new production or pre-development opportunity in China
Deliver Excellence	Meet production target (7,000-8,000 BOEPD)
	Control costs across the business (operating costs <US$17/BOE; capital expenditure <US$120 million)
	Maintain and improve overall health, safety, environment and community and process safety performance
	Focus portfolio management through divesting/farming down non-core assets
Enhance Effectiveness	Review organisational structure, engagement and culture to suit growth strategy
	Build new executive capacity and capability to deliver strategy and value growth

The performance measures which determine LTI vesting is the Company's TSR performance both on an absolute return basis and relative to the companies within the Comparator Group. Even though Rights are granted, no Rights will vest unless performance and service conditions are satisfied and the Board in its absolute discretion is satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company during the relevant performance period.

Remuneration Report

continued

9. Executive Remuneration Outcomes 2011: Overall Performance and its link to Variable Remuneration

Performance-linked remuneration includes both STIs and LTIs and is designed to reward KMPs (and other participating employees) for meeting or exceeding the performance and personal objectives established each year. The STI is an “at risk” bonus provided in the form of cash, while the LTI is also “at risk” and is provided as rights to shares in the Company which only vest if performance and service conditions are satisfied.

STI Paid to KMPs in 2011

The following table shows the amount of STIs paid to each KMP in 2011. The percentages forfeited are a result of both company performance objectives and personal performance objectives not being met in 2010. No amounts of STI vest in future years.

	Included in Remuneration US$	% of Maximum STI Vested in the Year	% of Maximum STI Forfeited in the Year
Mr A S Linn	144,865	51%	49%
Mr R Morris	104,625	66%	34%
Mr R Morris(1)	150,000	–	–
Mr R B Stork	–	–	–
Mr A Neilson	98,063	69%	31%
Ms L Nolan	71,318	41%	59%

Note:
(1) Special bonus agreed to be paid in recognition of work done on the Beibu asset and not based on STI formula.

LTIs Granted to KMPs in 2011

The following table details the total LTI options and grants to KMPs up to 31 December 2011. This table includes details on options and rights over ordinary shares in the Company that were granted as remuneration to each KMP during 2011 as well as details on options and rights that vested during 2011 and any historical share options vested.

	Grant Date	Options/ Rights on 1 January 2011	Fair Value A$	Weighted Average Exercise price A$	Vested	Exercised	Lapsed	Options/ Rights at 31 December 2011	Exercis-able[(1)]	Date Options/ Rights First Vest
Mr A S Linn	19/05/2008	400,000	1.14	2.28	240,000	–	–	400,000	120,000	19/05/2010
	23/12/2008	150,000	0.22	0.73	90,000	–	–	150,000	45,000	23/12/2010
	29/03/2010	120,000	0.24	–	–	–	–	120,000	–	29/03/2012
	12/11/2010	1,250,000	0.32	–	–	–	–	1,250,000	–	12/11/2013
	12/11/2010	250,000	0.29	–	–	100,000	150,000	–	–	12/05/2011
	07/03/2011	–	0.29	–	–	–	–	1,500,000	–	07/03/2014
	16/12/2011	–	0.20	–	–	–	–	500,000	–	16/12/2014
		2,170,000			**330,000**	**100,000**	**150,000**	**3,920,000**	**165,000**	
Mr R Morris	23/12/2008	200,000	0.23	0.54	200,000	–	–	200,000	200,000	23/12/2010
	29/03/2010	140,000	0.24	–	–	–	–	140,000	–	29/03/2012
	12/11/2010	500,000	0.32	–	–	–	–	500,000	–	12/11/2013
	16/12/2011	–	0.20	–	–	–	–	400,000	–	16/12/2014
		840,000			**200,000**	**–**	**–**	**1,240,000**	**200,000**	
Mr R B Stork	16/12/2011	–	0.20	–	–	–	–	**600,000**	–	16/12/2014
Mr A Neilson	10/05/2007	200,000	1.34	3.43	200,000	–	–	200,000	100,000	10/05/2009
	19/05/2008	20,000	1.14	2.28	12,000	–	–	20,000	6,000	19/05/2010
	23/12/2008	150,000	0.22	0.73	90,000	–	–	150,000	45,000	23/12/2010
	29/03/2010	120,000	0.24	–	–	–	–	120,000	–	29/03/2012
	12/11/2010	400,000	0.32	–	–	–	–	400,000	–	12/11/2013
	16/12/2011	–	0.20	–	–	–	–	650,000	–	16/12/2014
		890,000			**302,000**	**–**	**–**	**1,540,000**	**151,000**	
Ms L Nolan	07/03/2006	30,000	1.14	2.85	30,000	–	–	30,000	15,000	07/03/2008
	31/12/2006	70,000	0.98	3.59	70,000	–	–	70,000	35,000	31/12/2008
	19/05/2008	20,000	1.14	2.28	12,000	–	–	20,000	6,000	19/05/2010
	23/12/2008	60,000	0.23	0.54	60,000	–	–	60,000	60,000	23/12/2010
	29/03/2010	70,000	0.24	–	–	–	–	70,000	–	29/03/2012
	12/11/2010	400,000	0.32	–	–	–	–	400,000	–	12/11/2013
	16/12/2011	–	0.20	–	–	–	–	650,000	–	16/12/2014
		650,000			**172,000**	**–**	**–**	**1,300,000**	**116,000**	

Note:

(1) These exercisable options relate to price options which have vested; however, their exercise price exceeds current trading price of ROC's shares. The existing performance options granted in prior years, which have vested at December 2011, are not currently capable of exercise as the Group absolute TSR relative to the performance of the ASX 200 Energy Index from respective grant date was not achieved.

Details of the performance criteria are included in LTI discussion in section 7.

Remuneration Report

continued

9. Executive Remuneration Outcomes 2011: Overall Performance and its link to Variable Remuneration (continued)

LTIs Granted to KMPs in 2011 (continued)

No terms of equity-settled share-based payment transactions (including options and rights granted on remuneration to a KMP) have been allocated or modified during 2011 or the prior period.

Details of the value of Rights granted and exercised to KMPs in 2011 as part of remuneration are set out in the table below. No value was attributable to options that lapsed during the year.

	Value of Rights Granted in 2011 A$	Value of Rights Exercised in 2011 A$	Remuneration Consisting of Options/ Rights Expensed for the Year A$
KMPs			
Mr A S Linn	535,000	42,000	20.2%
Mr R Morris	80,000	–	5.6%
Mr R B Stork	120,000	–	0.4%
Mr A Neilson	130,000	–	13.2%
Ms L Nolan	130,000	–	9.2%

The following table shows the shares issued on exercise of Rights for the year ended 31 December 2011:

	Shares Issued No.	Paid per Share	Unpaid per Share
KMP			
Mr A S Linn	100,000	–	–

10. Executive Remuneration: Outcomes 2011: Statutory Tables

The consolidated entity's reporting currency is USD and the amounts shown in this report are in USD unless otherwise stated. A majority of the Directors and executive KMPs are paid in Australian dollars. As a result, the USD amounts shown are affected by foreign currency movements between years. The exchange rate used is the average for the period. The AUD/USD average rate used for 2011 was 1.0318 (2010: 0.9197).

The table below outlines the remuneration of executive KMPs for year ended 31 December 2011:

	Short Term			Post Employment	Equity Compen-sation			
	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options/ Rights US$	Termination Benefits US$	Total US$	Percentage Performance Related %
KMPs								
Mr A S Linn(1) *Chief Executive Officer*	798,172	144,865	416,163	46,130	356,271	–	1,761,601	28.4
Mr R Morris(2) *President, Roc Oil China*	743,052	254,625	210,966	37,368	73,483	–	1,319,494	24.9
Mr R B Stork(3) *Chief Operating Officer*	414,702	–	77,475	14,858	1,789	–	508,824	0.4
Mr A Neilson *Chief Financial Officer*	392,085	98,063	14,388	24,368	80,487	–	609,391	29.3
Ms L Nolan(4) *General Counsel and Company Secretary*	407,962	71,318	63,575	26,437	57,760	–	627,052	20.6
Total KMPs	**2,755,973**	**568,871**	**782,567**	**149,161**	**569,790**	**–**	**4,826,362**	**23.6**

Note:

(1) Included in Mr Linn's remuneration are costs associated with secondment to Malaysia from 1 September 2011 including once-off relocation costs of US$173,031. Mr Linn was not an Executive Director during 2011 and is not noted as such in this table.

(2) Mr Morris works predominately for the Zhao Dong and Beibu Joint ventures and a percentage of his costs are charged to the respective joint operations. The amount disclosed is 100% of his salary. His cash bonus comprises an STI payment as well as agreed bonus of $150,000 in recognition of work done on the Beibu asset.

(3) From 1 September 2011, 80 % of Mr Stork's costs are charged directly to BCP. The amount disclosed is 100% of his salary.

(4) A component of Ms Nolan's non-monetary benefit comprised initial relocation costs associated with secondment to Malaysia.

Remuneration Report

continued

10. Executive Remuneration: Outcomes 2011: Statutory Tables (continued)

The table below outlines the remuneration of executive KMPs for year ended 31 December 2010:

	Short Term			Post Employment	Equity Compen-sation			
	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options/ Rights US$	Termination Benefits US$	Total US$	Percentage Performance Related %
Executive Director								
Mr B F Clement[1] *Chief Executive Officer*	603,333	82,775	10,936	52,773	41,824	249,398	1,041,039	12.0
Total Executive Directors	**603,333**	**82,775**	**10,936**	**52,773**	**41,824**	**249,398**	**1,041,039**	**12.0**
KMPs								
Mr A S Linn[2] *Acting Chief Executive Officer*	456,677	32,190	80,373	41,105	163,240	–	773,585	25.3
Mr R Morris *President, Roc Oil (China) Company*	788,822	50,000	178,791	43,126	39,154	–	1,099,893	8.1
Mr A Neilson *Chief Financial Officer*	345,187	36,789	12,171	22,394	64,544	–	481,085	21.1
Ms L Nolan[3] *General Counsel and Company Secretary*	273,327	27,592	10,052	22,394	29,614	–	362,979	15.8
Mr J Mebberson[4] *General Manager Exploration*	281,494	32,190	10,794	26,700	(47,647)	340,297	643,828	n/a
Mr D Minns[5] *General Counsel and Joint Company Secretary*	178,888	22,993	2,120	17,930	–	151,754	373,685	6.2
Total Other KMPs	**2,324,395**	**201,754**	**294,301**	**173,649**	**248,905**	**492,051**	**3,735,055**	**12.1**
Total Executive Directors and other KMPs	**2,927,728**	**284,529**	**305,237**	**226,422**	**290,729**	**741,449**	**4,776,094**	**12.1**

Note:

(1) Mr B F Clement resigned as a Director and Chief Executive Officer on 29 October 2010 but continued to be employed by the Company for the full year.

(2) Mr A S Linn was appointed Acting Chief Executive Officer on 29 October 2010 and Chief Executive Officer on 23 February 2011.

(3) Ms L Nolan was appointed General Counsel on 12 November 2010 and was previously employed by the Company. Her remuneration has been disclosed for a 12 month period.

(4) Mr J Mebberson resigned on 12 November 2010 and forfeited his performance options. Any share-based payment expensed previously under AASB 2 Share-based Payment in respect to the options has been reversed.

(5) Mr D Minns was appointed on 7 April 2010 and resigned on 12 November 2010.

11. Summary of KMP Contractual Arrangements

The Company has employment contracts with all executive KMPs and senior management ('Service Agreements').

A number of executive KMPs have recently relocated to Malaysia and have entered into Secondment Agreements. The Secondment Agreements provide that the Company is responsible for certain specified costs associated with the relocation and secondment ('Secondment Agreement Costs') including:

> relocation costs;

> assignment allowances;

> housing and utilities costs;

> expatriate family medical insurance;

> cost of schooling for dependant children until completion of high school;

> agreed flights;

> local car and transport costs; and

> applicable taxes.

Unless otherwise stated, the Service Agreements do not provide for a fixed expiry date. Where Secondment Agreements are in place the Secondment Agreement provides that the Company may terminate the secondment, leaving just the Service Agreement in place, by giving 30 days' written notice at any time. The Secondment Agreement will also terminate in the event of termination of the Service Agreement.

Some Service Agreements include a provision that if employment of the KMP terminates other than for cause within 12 months of a material diminution or the KMP resigns within three months of a material diminution, the Company will pay the KMP 12 months' base salary and statutory entitlements (inclusive of any payment in lieu of notice). Material diminution means a substantial diminution of the KMP's job content, status, responsibilities and/or authority arising by either the Company being removed from the ASX or the Board directing (without the KMP's approval) a substantial proportion of staff and consultants who report to them to no longer do so ('Material Diminution Termination Payment').

Other than in cases where termination occurs as a result of, injury, permanent disability, retirement or redundancy and, at the discretion of the Board, any unvested LTI performance awards are forfeited.

Alan Linn

Mr Linn was appointed as Chief Executive Officer on 23 February 2011 and Executive Director on 27 February 2012. Mr Linn's Service Agreement provides for a minimum term of three years. Mr Linn's Secondment Agreement is for a period of up to three years with effect from 31 August 2011. Mr Linn has a Material Diminution Termination Payment provision in his Service Agreement.

Mr Linn is entitled to a base salary plus superannuation reviewable annually. In addition to base salary, Mr Linn is entitled to participation in the Company STI and LTI plans. Under the STI, the STI payable to Mr Linn will be 57% of base salary with up to 42% of the maximum STI based on the Board's assessment of the Company's performance and Mr Linn's performance, and up to 15% of the maximum STI based on the Board's assessment of Mr Linn's performance against specific key performance indicators agreed between the Chairman and Mr Linn at the commencement of 2012. Mr Linn is also entitled to Secondment Agreement Costs.

As an Executive Director, any LTIs granted to Mr Linn in 2012 will be subject to shareholder approval at the Company's 2013 AGM.

Ron Morris

Mr Morris's appointment as President, Roc Oil (China) Company commenced on 1 August 2009. Other than provision for six months' salary in lieu of notice, there is no entitlement to any payment on termination.

Mr Morris is entitled to a base salary plus superannuation reviewable annually. In addition to base salary Mr Morris is entitled to participation in the Company STI and LTI. In recognition of Mr Morris's position managing the Company's China operations Mr Morris is also entitled to Secondment Agreement Costs.

Remuneration Report

continued

11. Summary of KMP Contractual Arrangements (continued)

Rolf Stork

Mr Stork's appointment as Chief Operating Officer commenced on 1 September 2011. Mr Stork's Service Agreement contemplated a secondment to Malaysia to comprise 80% of Mr Stork's employment, with the remaining 20% based in Sydney. The secondment arrangement to Malaysia is for a period up to three years. Mr Stork has a Material Diminution Termination Payment provision in his Service Agreement.

Mr Stork is entitled to a base salary plus superannuation reviewable annually. In addition to base salary, Mr Stork is entitled to participation in the Company STI and LTI. Mr Stork is also entitled to Secondment Agreement Costs.

Eighty percent of Mr Stork's costs are charged directly to BC Petroleum Sdn Bhd (an associate company of ROC) as a result of a back to back secondment arrangement.

Anthony Neilson

Mr Neilson's appointment as Chief Financial Officer commenced on 30 April 2007. No termination payments are applicable to Mr Neilson's Service Contract; however, an Agreement entered in 2010 provides for the payment of 12 months' base salary in the event of a diminution of duties resulting from a change of control in the Company as outlined in that agreement. Mr Neilson is entitled to a base salary plus superannuation reviewable annually. In addition to base salary Mr Neilson is entitled to participation in the Company STI and LTI.

Leanne Nolan

Ms Nolan's appointment as General Counsel commenced on 12 November 2010. The Secondment Agreement recently entered is for a period of up to two years with effect from 1 January 2012. Ms Nolan has a Material Diminution Termination Payment provision in her Service Agreement.

Ms Nolan is entitled to a base salary plus superannuation reviewable annually. In addition to base salary, Ms Nolan is entitled to participation in the Company STI and LTI. Ms Nolan is also entitled to Secondment Agreement Costs.

12. Non-Executive Director Remuneration Arrangements

Non-Executive Directors' Remuneration

The Company's Constitution specifies that the aggregate remuneration of Non-Executive Directors will be determined by a general meeting. At the 2011 AGM, shareholders approved total remuneration for all Non-Executive Directors of up to A$750,000 per annum. Fees are set based on review of external market information in relation to fees paid to non-executive directors of comparable companies.

Non-Executive Directors' fees for the 2011 financial year were a total of US$543,295. No additional fees are paid for sitting on Board Committees.

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

The following table sets out the remuneration of Non-Executive Directors for the financial year ended 31 December 2011:

	Short Term			Post Employment	Equity Compen-sation			
	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options/ Rights US$	Termination Benefits US$	Total US$	Percentage Performance Related %
Non-Executive Directors								
Mr A J Love	113,498	–	–	5,107	–	–	118,605	–
Mr W G Jephcott	92,862	–	–	8,358	–	–	101,220	–
Mr S J Jansma, Jr	77,385	–	–	–	–	–	77,385	–
Mr R C A Leon	77,385	–	–	–	–	–	77,385	–
Mr G D Mulligan	77,385	–	–	6,965	–	–	84,350	–
Mr C C Hodge	77,385	–	–	6,965	–	–	84,350	–
Total Directors	**515,900**	**–**	**–**	**27,395**	**–**	**–**	**543,295**	**–**

The following table sets out the remuneration of Non-Executive Directors for the financial year ended 31 December 2010:

	Short Term			Post Employment	Equity Compen-sation			
	Salary and Fees US$	Cash Bonus US$	Non-Monetary Benefits US$	Super-annuation US$	Value of Share Options/ Rights US$	Termination Benefits US$	Total US$	Percentage Performance Related %
Non-Executive Directors								
Mr A J Love	104,988	–	–	–	–	–	104,988	–
Mr W G Jephcott	73,778	–	–	6,599	–	–	80,377	–
Mr S J Jansma, Jr	50,985	–	–	–	–	–	50,985	–
Mr R C A Leon	50,985	–	–	–	–	–	50,985	–
Mr G D Mulligan(1)	21,556	–	–	1,940	–	–	23,496	–
Mr C C Hodge (1)	21,556	–	–	1,940	–	–	23,496	–
Total Directors	**323,848**	**–**	**–**	**10,479**	**–**	**–**	**334,327**	**–**

Note:
(1) Mr G D Mulligan and Mr C C Hodge were appointed Directors on 7 September 2010.

Auditor's Independence Declaration

To the Directors of Roc Oil Company Limited

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In relation to our review of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Trent van Veen
Partner

Sydney, 27 February 2012

Liability limited by a scheme approved under
Professional Standards Legislation

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 2011.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net profit after income tax of US$27.7 million (2010: net loss US$35.9 million). The Group's trading profit was US$108.0 million (2010: US$69.1 million).

Included in the overall result were significant items relating to: add-back of a prior year impairment to Zhao Dong of US$18.6 million (US$14.0 million post tax); offset by derivative loss of US$13.1 million and exploration expensed of US$13.5 million.

Sales and Production Growth

The Group recorded solid performance from its producing assets, with working interest production of 2.7 MMBOE (2010: 3.1 MMBOE), down 13% compared to the prior year. Of the total working interest production, 0.2 MMBBL (7.4%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's Production Sharing Contracts. ROC's closing balance 2P reserves at 31 December 2011 was 15.1 MMBBL, including reserve additions of 1.6 MMBBL after allowing for 2011 production.

Oil and gas sales revenue of US$285.8 million (2010: US$235.4 million) was generated from sales volumes of 2.6 MMBOE (2010: 3.0 MMBOE), which achieved an average realised oil price of US$110.93/BBL (2010: US$78.60/BBL) before hedging, a discount of US$0.33/BBL to the Brent oil price average of US$111.26/BBL for 2011.

Operating costs of US$177.9 million (2010: US$166.3 million) comprised production costs of US$46.9 million (US$17.07/BOE), amortisation costs of US$84.5 million (US$30.76/BOE), Chinese special oil income levy and royalty of US$43.1 million and stock movements of US$3.3 million.

Effective 1 November 2011, the Chinese Ministry of Finance increased the threshold level of the Chinese special oil income levy from US$40/BBL to US$55/BBL. This has the effect of the Group receiving an additional US$6/BBL for oil sales >US$75/BBL.

Exploration Expensed

Exploration and evaluation expenditure of US$15.9 million (2010: US$25.6 million) was incurred during the period, mainly in connection with drilling exploration and appraisal wells in Mauritania, Angola and New Ventures. In accordance with the Company's successful efforts accounting policy, US$13.5 million (2010: US$20.5 million) in exploration costs were expensed during the period.

Income Tax

An income tax expense of US$52.9 million (2010: US$42.5 million) was incurred during the period, which included: an income tax expense of US$54.3 million, deferred tax adjustment as a result of the change in the UK tax rate (from 50% to 62% on 23 March 2011) of US$5.4 million, current PRRT of US$6.0 million offset by deferred income tax credit of US$13.4 million relating to timing differences.

The total tax paid during the year was US$54.0 million, relating to Zhao Dong, UK assets and PRRT in Australia.

Financial Ratios

Basic earnings per share for the year was US$0.04 based on a weighted average number of fully paid ordinary shares on issue of 705,265,487.

Hedging

Consistent with ROC's oil price hedging strategy, as at 31 December 2011 ROC held Brent oil price swap contracts of 150,000 BBLs at an average price of US$114.59/BBL for the period to 31 December 2012. During the period, 0.9 MMBBL of oil price derivatives were settled, resulting in a cash outflow of US$42.8 million. At the end of the period, the mark-to-market position of ROC's remaining oil price hedge book was a US$1.3 million asset (2010: US$27.3 million liability). The total hedging loss for the period was US$13.1 million (2010: US$9.1 million).

Discussion and Analysis of Financial Statements

continued

FINANCIAL PERFORMANCE (continued)

Consolidated Statement of Financial Position

During the period, total assets decreased to US$352.9 million (2010: US$384.3 million) and total liabilities decreased to US$191.3 million (2010: US$242.3 million). As a result, net assets increased to US$161.6 million (2010: US$142.0 million).

Oil and gas assets decreased to US$218.3 million (2010: US$247.6 million) during the period, mainly resulting from amortisation of US$84.5 million offset by an increase in the restoration of US$3.7 million; acquisition cost of US$2.1 for additional equity in Cliff Head; US$30.8 million development expenditure incurred; and a reversal of prior period impairment of US$18.6 million.

At 31 December 2011, ROC's net cash position was approximately US$26.5 million (2010: US$31.3 million), consisting of cash assets held of US$39.6 million (2010: US$81.0 million) offset by debt of US$13.1 million (2010: US$49.7 million). At year end, the loan facility available to ROC was US$95.0 million relating to the remaining portion of the loan facility with Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Bank, maturing in June 2015.

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$43.4 million (2010: US$58.4 million) for the period. The funds were primarily used for development expenditure of US$35.4 million (2010: US$27.6 million) and exploration and evaluation expenditure initially capitalised of US$5.7 million (2010: US$16.3 million). Proceeds received from sale of exploration assets US$20.5 million consisted of proceeds from the sale of WA-351-P entered into in 2010 of US$15.8 million and US$4.7 million in relation to divestments in Africa.

CORPORATE ACTIVITY

Health, Safety and Environment (HSE)

In 2011, ROC achieved all of its numerical HSE targets, with the exception of the loss of containment incident frequency, which was reduced by 25% instead of the targeted 50%. The 2011 result of no lost time injuries and only two recordable injuries represented the lowest number of injuries and lowest injury frequency rates since ROC started collecting reliable incident and manhour data.

During 2011, good progress was made on the implementation of many elements of the HSE Management System. The Asset Integrity Management Expectation was issued and all operations performed gap analyses against the Expectation. ROC's Emergency Response and Crisis Management Systems will be the major area of HSE focus in 2012.

Debt Refinancing

During 2Q 2011, ROC completed the refinancing of its existing loan facility and entered into a new US$110 million loan facility with the Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation, maturing in June 2015. ROC is currently in discussion with banks regarding potential project financing for its Malaysian interest in BC Petroleum Sdn Bhd.

On-market Share Buy-back

ROC commenced an on-market buy-back of ordinary shares of its issued capital on 30 May 2011, which ceased on 9 December 2011. At the date of completion, 30,748,208 shares had been acquired at a total cost of US$10.1 million. At 31 December 2011, ROC had 682.5 million shares on issue.

Senior Management Appointments and Movements

ROC continues to actively assess and pursue growth opportunities in Malaysia, as well as in the broader focus area of China, South East Asia and Australasia. Locating and temporarily seconding senior management to Kuala Lumpur is an important element in ensuring that the Company maximises efforts to secure attractive growth assets and builds strong relationships in the region. As a result, Alan Linn (Chief Executive Officer) and Leanne Nolan (General Counsel and Company Secretary) are now located in ROC's Kuala Lumpur office.

Several key management positions have been filled by new and existing employees. The Chief Operating Officer role was filled by Rolf Stork during 2011. Mr Stork has also been appointed Chief Executive Officer of BC Petroleum Sdn Bhd and will spend significant time in Kuala Lumpur to establish its operations and oversee the pre-development phase of the Balai Cluster Small Field Risk Service Contract. Ms Jacquie Shanahan was appointed as Assistant Company Secretary of ROC.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$46.9 million in production costs (2010: US$67.7 million) and US$30.8 million (2010: US$28.5 million) in development expenditure during 2011. Development costs primarily related to the ongoing development drilling at the Zhao Dong Fields.

Zhao Dong Oil Fields, Bohai Bay, Offshore China

ROC's working interest in oil production from the C and D fields (24.5% and operator), the C4 unitised field (11.575% and operator) and Zhanghai Block (39.2% and operator) averaged 4,609 BOPD; up 5% compared to the previous year. There were no major production interruptions in 2011 (in 2010, extreme winter weather conditions caused the loss of 35 days of production).

Development expenditure of US$27.4 million was incurred. A total of 14 producer wells and three injector wells were drilled during 2011.

The existing Petroleum Contract covering the Zhao Dong Block was modified in March 2011 with the aim of commercialising previous near field discoveries in the area and encouraging further exploration activity. The existing Zhao Dong Block contract area was increased by 150% to include the adjoining Zhanghai and Chenghai Blocks. A Zhanghai Block appraisal well commenced drilling from the C4 platform in July 2011 and was completed as a producer through existing C4 facilities in August, at which time PetroChina exercised its rights under the PSC to participate with a 51% interest in the Zhanghai and Chenghai Blocks.

A subsea oil pipeline from Zhao Dong to the Dagang Refinery was fully commissioned and commenced deliveries on 19 October 2011. Utilisation of the pipeline has eliminated transportation of crude oil cargoes by barges: a method that had previously caused temporary production and delivery interruptions.

Cliff Head Oil Field, WA-31-L, Offshore Western Australia (42.5% and Operator)

ROC's working interest in oil production from the Cliff Head field averaged 1,140 BOPD; down 25% compared to the previous year due production interruptions caused by a contamination incident and ongoing workover activity.

Production was suspended on 17 February 2011 following advice from BP that organic chlorides had been identified in Cliff Head crude delivered to the BP Refinery. ROC understands that the organic chloride was related to batch chemical treatments being undertaken as part of the CH12 workover. A flushing programme was conducted to clear the production system of any potential residual organic chlorides. Normal production operations resumed on 17 March and uncontaminated crude oil deliveries recommenced on 20 March. There was no loss of containment or environmental incidents as a result of this activity.

Workover activity commenced in mid-January to install a higher-rate downhole electric submersible pump in the CH12 production well, which was successfully brought back online in August 2011.

ROC's interest in WA-31-L increased from 37.5% to 42.5% from 1 December 2011 following the acquisition of an additional 5.0% from CIECO Energy Australia Pty Ltd for US$2.1 million after working capital adjustments.

Blane Oil Field, North Sea (12.5%)

ROC's working interest in oil production from the Blane field averaged 1,250 BOEPD, up 7% compared to the previous year. There were improvements in production downtime rates and gas lift interruptions during 2011 compared to the previous year.

Enoch Oil and Gas Field, North Sea (12%)

ROC's working interest in gross production averaged 291 BOEPD, down 41% compared to the previous year primarily due to interruptions to gas lift operations throughout the year.

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

In February 2011, the Beibu Gulf project joint venture parties and the Joint Management Committee (which includes CNOOC Limited ('CNOOC')) approved the Final Investment Decision in respect of the WZ 6-12 and WZ 12-8 West Oil Fields. CNOOC has also assumed operatorship of the project and a CNOOC operating subsidiary company (Weizhou Operating Company) has been established, into which five ROC employees have been seconded.

Development activity underway at the end of 2011 included: procurement activity; commencement of platform fabrication and installation; and preparation for the 2012 exploration and appraisal drilling programme.

Discussion and Analysis of Financial Statements

OPERATIONAL OVERVIEW (continued)

Production and Development (continued)

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

Approval of the Environmental Impact Assessment ('EIA') by the State Oceanic Administration ('SOA') remains pending. The delay has been caused by ongoing SOA nationwide reviews into offshore operations, following the incident in June 2011 at the ConocoPhillips-operated Penglai 19-3 oil field in Bohai Bay. ROC anticipates EIA approval during 1H 2012.

The operator still anticipates first oil production from the Beibu Gulf project by the end of 2012. The ramp-up to full-field peak production is anticipated during 2013.

Chinguetti Oil Field, PSC Area B, Offshore Mauritania (3.25%)

ROC's working interest in oil production averaged 237 BOPD, down 7% compared to the previous year primarily due to natural field decline.

BMG Oil and Gas Fields, VIC/L26, VIC/L27 and VIC/L28, Offshore Victoria (30% and Operator)

There was no oil production during 2011 as the fields were being prepared for the Non-Production Phase ('NPP'). At the end of the year, activities to prepare the field for the NPP continued and included: the finalisation of offshore deconstruct engineering; the finalisation of contract tendering for deconstruct and well intervention activities (planned during 1H 2012); and the implementation of a monitoring and inspection programme. All regulatory approvals for offshore activities have been obtained and a vessel mobilised to undertake the removal of subsea infrastructure and other subsea facilities that are not required for any future field development. ROC's share of cash paid for NPP activities during year was US$21.5 million.

Exploration and Appraisal

The Group incurred US$15.9 million (2010: US$25.6 million) in exploration and evaluation expenditure during 2011.

Balai Cluster Small Field Risk Service Contract, Offshore Sarawak, Malaysia (ROC: 48%)

In August 2011, Petroliam Nasional Berhad ('PETRONAS') entered into a Small Field Risk Service Contract ('SFRSC') for the pre-development and development of the Balai Cluster Fields, located offshore Sarawak, with a contractor group comprising Roc Oil Malaysia (Holdings) Sdn Bhd, a wholly owned subsidiary of ROC, Dialog D & P Sdn Bhd, a wholly owned subsidiary of Dialog Group Bhd ("DIALOG Group") and PETRONAS Carigali Sdn Bhd ('PETRONAS Carigali'). An incorporated joint venture company, BC Petroleum Sdn Bhd ('BCP'), was formed to operate and manage the SFRSC.

Shareholding interests in BC Petroleum are ROC 48%, DIALOG Group 32% and PETRONAS Carigali 20%. A board of directors has been established for BC Petroleum comprising three directors from ROC, two directors from DIALOG Group and one director from PETRONAS Carigali.

The Balai Cluster comprises a cluster of marginal oil and gas fields in the areas around the Balai and West Acis discoveries, which are located offshore Sarawak in water depths of approximately 60 metres.

A Risk Service Contract is a new petroleum arrangement PETRONAS is implementing in Malaysia. This model strikes a balance in sharing risks with fair returns for development and production of discovered marginal fields. In this arrangement, PETRONAS is the project owner while the contractor is the service provider. Upfront investment of the capital will be contributed by the contractors. The contractor group shall be compensated with reimbursement of agreed costs: either after the pre-development phase, or following successful development agreed costs will be reimbursed via the revenue stream and a remuneration fee will be paid for services rendered. The remuneration fee is based on oil and gas production, as well as the contractor group meeting key performance indicators. Payment to contractors shall commence upon first production and be paid throughout the duration of the contract. The SFRSC duration is for 15 years.

The Balai Cluster SFRSC has two distinct phases. The pre-development phase has commenced and the total cost of this phase is estimated to be between US$200-250 million. On the successful completion of the pre-development phase and agreement on the project viability of the fields, the contractor group will submit a field development plan for all or some of the fields and progress to the development phase. Production from all the fields in the cluster is planned to be online within 24 months from commencement of the development programme. The total cost of the development phase is estimated to be between US$650–700 million.

The pre-development phase of the project has commenced and is expected to take up to 18 months. Pre-development activities are planned to include geological and geophysical works, the drilling and testing of appraisal wells and the procurement of related facilities and equipment.

During 2011, ROC directly contributed funds of US$15.8 million to BCP for pre-development phase activities relating to the Balai Cluster SFRSC.

PEP52181, Offshore Taranaki, New Zealand (50% and Operator)

Interpretation of reprocessed 3D seismic data was completed and incorporated with structural modelling during 2011. An exploration well is planned to be drilled on the Kaheru prospect during 1H 2013. ROC has initiated a farm-down process to reduce its 50% interest in the block to a more manageable equity position. This process is anticipated to be completed during 1H 2012.

Block H, Offshore Equatorial Guinea (20%)

ROC farmed-down its interest in Block H, offshore Equatorial Guinea, to White Rose Energy Ventures (EG) Limited ('White Rose'), a portfolio company of First Reserve Corporation, from 37.5% to 20.0% for a free carry through the drilling of an exploration well. On 15 September 2011, ROC received an upfront payment of US$0.9 million and additional bonuses will be subject to the success of the well. White Rose has the option to acquire ROC's remaining interest in Block H for US$16.1 million prior to the spud of an exploration well, which is anticipated to start drilling in 3Q 2012.

Divestments and Withdrawals

During 2011, ROC divested or withdrew from the following assets:

Cabinda South Block, Onshore Angola

During 2011, Lacula Oil Company Limited, a wholly owned subsidiary of ROC, sold its remaining 10% interest in the Cabinda South Block, Onshore Angola, to Pluspetrol Angola Corporation, a wholly owned subsidiary of Pluspetrol Resources Corporation, for US$3.8 million.

Offshore Mauritania

ROC has interests of between 2.00% and 5.49% in offshore Mauritanian blocks, including a 3.25% interest in the producing Chinguetti Oil Field. The divestment will take place through the sale of three separate acreage packages for US$4 million subject to working capital adjustments. The effective date of the sale is 1 January 2011. The agreement and completion of each separate acreage package are subject to normal industry terms and conditions, including the receipt of relevant joint venture waivers or approvals and all necessary government approvals. Completion of the Sale is anticipated to take place during 2012.

Belo Profond Block, Offshore Madagascar, Mozambique Channel

Effective 23 June 2011, Roc Oil (Madagascar) Pty Limited, a wholly owned subsidiary of ROC, withdrew from its 75% interest in the Belo Profond Block, offshore Madagascar (Mozambique Channel).

Juan de Nova Maritime Profond Block, Offshore French Territory, Mozambique Channel

ROC has agreed to sell its 75% interest in the Juan de Nova Maritime Profond Block, located in the French Exclusive Economic zone off the coast of Juan de Nova Island (Mozambique Channel), to South Atlantic Petroleum JDN SAS, a wholly owned subsidiary of South Atlantic Petroleum Limited ('SAPETRO'), for between US$8.0 million and US$8.5 million (depending on date of completion) subject to working capital adjustments. The effective date of the sale is 1 July 2011. The agreement is subject to necessary government approvals. At 31 December 2011 these approvals are still outstanding, completion of the sale is anticipated to take place during 2012.

PEP38524, Offshore Taranaki, New Zealand

The joint venture surrendered the permit to the New Zealand Government effective on 30 September 2011.

PEP38259, Canterbury Basin, Offshore New Zealand

During 2011, ROC notified the joint venture of its intention to withdraw from the Permit.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Sales revenue	*4*	285,831	235,428
Operating costs	*5*	(177,864)	(166,308)
Trading profit		**107,967**	**69,120**
Other income	*6*	193	2,351
Gain on sale of exploration assets		40	15,750
Net derivative losses		(13,140)	(9,066)
Exploration expensed	*7*	(13,548)	(20,517)
Add-back/(net impairment) of oil and gas assets	*16*	18,633	(7,610)
Litigation settlement – BW Offshore		–	(16,000)
Foreign currency translation reserve loss on liquidation of subsidiary		–	(9,527)
Impairment of exploration asset		(484)	–
Other costs	*8*	(12,987)	(13,678)
Finance costs	*9*	(6,003)	(4,304)
Profit before income tax		**80,671**	**6,519**
Income tax expense	*10*	(52,924)	(42,456)
Net profit/(loss)		**27,747**	**(35,937)**
Other comprehensive income			
Foreign currency translation reserve loss on liquidation of subsidiary		–	9,527
Cash flow hedges transferred to trading profit		946	38
Other comprehensive income net of tax		946	9,565
Total comprehensive profit/(loss) attributable to members		**28,693**	**(26,372)**
Basic earnings/(loss) per share – cents	*25*	3.9	(5.0)
Diluted earnings/(loss) per share – cents	*25*	3.9	(5.0)

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 US$'000	2010 US$'000
Current assets			
Cash assets	11	39,624	80,960
Trade and other receivables	12	67,335	45,428
Inventories	15	2,305	3,554
Derivatives	14	1,318	–
Total current assets		**110,582**	**129,942**
Non-current assets			
Oil and gas assets	16	218,342	247,564
Exploration and evaluation expenditure	17	1,169	4,867
Property, plant and equipment	18	1,678	1,975
Deferred tax assets	10	5,115	–
Investment in associates	30	15,999	–
Total non-current assets		**242,303**	**254,406**
Total assets		**352,885**	**384,348**
Current liabilities			
Bank loans	19	–	49,692
Trade and other payables	21	48,136	25,179
Current tax liabilities	10	21,195	14,786
Derivatives	14	–	27,317
Provisions	22	13,091	31,495
Total current liabilities		**82,422**	**148,469**
Non-current liabilities			
Bank loans	19	13,082	–
Deferred tax liabilities	10	31,777	34,392
Provisions	22	63,995	59,485
Total non-current liabilities		**108,854**	**93,877**
Total liabilities		**191,276**	**242,346**
Net assets		**161,609**	**142,002**
Equity			
Share capital	23	734,150	744,201
Accumulated losses		(594,976)	(622,723)
Other reserves		22,435	20,524
Total equity		**161,609**	**142,002**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Note	Inflow/ (Outflow) 2011 US$'000	Inflow/ (Outflow) 2010 US$'000
Cash flows from operating activities			
Cash generated from operations	*11*	176,166	106,908
Derivatives paid		(42,792)	(12,963)
Payments for exploration and evaluation expenses		(11,249)	(7,967)
Interest received		151	2,498
Finance costs paid		(3,473)	(1,039)
Payments for non-production phase for BMG		(21,451)	–
Income taxes and PRRT paid		(53,958)	(29,000)
Net cash generated from operating activities		**43,394**	**58,437**
Cash flows from investing activities			
Payments for plant and equipment		(498)	(1,300)
Payments for development expenditure		(35,379)	(27,634)
Payments for exploration and evaluation expenditure initially capitalised		(5,711)	(16,296)
Proceeds from sale of exploration assets		20,518	–
Payments for acquisition of additional 5% interest in Cliff Head		(2,664)	–
Investment in associate	*30*	(159)	–
Proceeds from sale of other assets		–	1,864
Net cash used in investing activities		**(23,893)**	**(43,366)**
Cash flows from financing activities			
Share buy-back payments	*23*	(10,051)	–
Bank loan repayments		(50,000)	–
Bank loan advances		15,000	–
Loan to associate company	*30*	(15,840)	(42)
Net cash used in financing activities		**(60,891)**	**(42)**
Net (decrease)/increase in cash held		**(41,390)**	**15,029**
Cash at beginning of financial year		80,960	67,079
Effect of exchange rate changes on the balance of cash held in foreign currencies		54	(1,148)
Cash at end of financial year	*11*	**39,624**	**80,960**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2011

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Foreign Currency Translation Reserve US$'000	Hedge Reserve US$'000	Total US$'000
Balance at 1 January 2010	744,201	(586,786)	10,189	1,183	(984)	167,803
Total comprehensive loss net of tax	–	(35,937)	–	9,527	38	(26,372)
Transactions with owners: Share-based payments	–	–	571	–	–	571
Balance at 1 January 2011	744,201	(622,723)	10,760	10,710	(946)	142,002
Cancellation of Shares	(10,051)	–	–	–	–	(10,051)
Total comprehensive profit net of tax	–	27,747	–	–	946	28,693
Transactions with owners: share-based payments	–	–	965	–	–	965
Balance at 31 December 2011	**734,150**	**(594,976)**	**11,725**	**10,710**	**–**	**161,609**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

The financial report is presented in 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 Class Order 98/100. The Company is an entity to which the Class Order applies.

The financial statements were authorised for issue on 27 February 2012 by the Board.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards. The financial report, comprising the consolidated financial statements and notes thereto, also complies with International Financial Reporting Standards.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the reporting period ended 31 December 2011 and are not expected to have a material impact.

(c) 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.

(d) Oil and gas assets

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

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

(e) Exploration and evaluation expenditure

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

Note 1. Summary of Significant Accounting Policies (continued)

(e) Exploration and evaluation expenditure (continued)

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

(f) Property, plant and equipment

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

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

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

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

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

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

(g) 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.

(h) 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 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.

(i) Available-for-sale securities

Available-for-sale securities are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Consolidated Statement of Comprehensive Income.

(j) Investments

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

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(k) Provision for restoration

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

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

(l) Cash and cash equivalents

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

(m) Investment in associate companies

The Group's investment in its associate companies is accounted for under the equity method of accounting in the consolidated financial statements. An associate 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 investment in the associate companies is 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.

(n) Trade receivables

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

(o) 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.

(p) 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.

(q) Revenue

Sales

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

Sales revenue represents amounts invoiced, excluding GST or value added taxes, in respect of sales to purchasers.

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

Interest

Interest is recognised as the interest accrues to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(r) 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.

(s) Share-based payment transactions

Share-based compensation benefits are provided to employees via the Long Term Incentive Plan, the Employee Share Option Plan and the Executive Share Option Plan. Both share option plans have now been discontinued and no new issues under either of these plans will occur.

These equity-settled transactions with employees are measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Monte Carlo simulation technique. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to market performance.

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

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

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

The dilutive effect, if any, of outstanding options and share rights is reflected as additional share dilution in the computation of earnings/(loss) per share.

(t) 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.

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(t) Income tax (continued)

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 ventures, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

The carrying amount of deferred income tax assets is reviewed at each balance 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.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. ROC is the head entity in the tax consolidated group.

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

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

Petroleum Resource Rent Tax

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

(u) 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.

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.

(v) Derivative financial instruments

Derivative contracts are entered into to limit the financial exposure of the entity in relation to commodity prices. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

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

Derivatives that do not qualify for hedge accounting

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

Embedded derivatives

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

(w) 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 USD;
> a significant portion of ROC's assets and liabilities is denominated in USD; and
> USD is primarily the global currency used in the oil industry.

Transactions and balances

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

Notes to the Consolidated Financial Statements

continued

Note 1. Summary of Significant Accounting Policies (continued)

(w) Foreign currency translation (continued)

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.

(x) 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.

(y) Interest in joint venture operations

Interests in joint venture operations, where there is joint control, have been reported in the financial statements by including the Group's share of assets and liabilities of the joint venture and its share of any income and expenses incurred.

(z) Goodwill

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 acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Note 2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the 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(e). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the 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 judgemental 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(k).

Reserve estimates

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

Notes to the Consolidated Financial Statements

continued

Note 3. Financial Risk Management Objectives and Policies

Overview

The Group has exposure to the following risks from its use of financial instruments:

> credit risk;
> liquidity risk; and
> market risk.

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

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

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

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

Credit risk

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

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

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

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

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

For the financial year ended 31 December 2011

Consolidated (US$'000)	6 months or less	6 months – 1 year	1 – 4 year(s)	Total
Trade and other payables	48,136	–	–	48,136
Bank loans	282	282	16,410	16,974
	48,418	**282**	**16,410**	**65,110**

For the financial year ended 31 December 2010

Consolidated (US$'000)	6 months or less	6 months – 1 year	1 – 4 year(s)	Total
Trade and other payables	25,179	–	–	25,179
Bank loans	315	50,053	–	50,368
Derivatives	20,779	6,640	–	27,419
	46,273	**56,693**	**–**	**102,966**

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

Market risk

AASB 7 *Financial Instruments: Disclosures* requires disclosures that categorise assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets, Level 2 inputs are observable inputs other than quoted prices, and Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy for the financial assets and liabilities accounted for as at 31 December 2011 consisted of the oil price derivatives as disclosed in Note 14 which have been classified as Level 2. There were no Level 1 or Level 3 financial assets or liabilities as at 31 December 2011, and there were no movements between any of the levels during the period.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee.

Notes to the Consolidated Financial Statements

continued

Note 3. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities.

The majority of the Group's cash flows are denominated in USD; however, the Group is exposed to certain non-USD cash balances. As at 31 December 2011 the non-USD cash balances amounted to US$8.5 million. The impact on the profit for the year assuming a +10% or –10% change in the foreign exchange rate would be US$0.8 million (2010: US$0.5 million).

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash assets (refer to Note 11) and long term debt obligations and the level of debt (refer to Note 19).

A change of 100 basis points per annum in interest rates at the reporting date would have increased or decreased profit and loss for the year by US$0.3 million (2010: US$0.3 million). This analysis assumes that all other variables remain constant. As a result, the Group's exposure to interest rate risk is minimal.

Commodity price risk

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

These derivatives tend to be priced using benchmarks which correlate as far as possible to the underlying oil revenue (refer to Note 14).

At 31 December 2011, the Group had a US$1.3 million derivative asset (2010: US$27.3 million liability) arising from approximately 150,000 BBLs of Brent oil price swaps which represents approximately 1% of its proved and probable reserves.

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

		Post-Tax Profit/(Loss) Higher/(Lower)		**Equity Higher/(Lower)**	
		2011 US$'000	**2010 US$'000**	**2011 US$'000**	**2010 US$'000**
Judgement of reasonably possible movements					
Consolidated					
Crude oil price	+US$10/BBL	(1,492)	(8,727)	–	–
Crude oil price	–US$10/BBL	1,492	8,727	–	–

Fair value of financial instruments

The Directors consider that the carrying amounts of the financial assets and liabilities recorded in the financial statements approximate their fair values unless otherwise stated.

The fair values are determined as follows:

> the fair value of financial assets and financial liabilities with standard terms and conditions and traded on an active liquid market is determined with reference to the quoted price; and

> the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Capital management

The Group's objective when managing capital is to maintain an efficient capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders. Capital requirements are determined based on rolling forecasts of operating and capital expenditure cash flows which are based on assumptions on oil prices, production and exploration and development capital costs. The Group manages its capital (debt plus equity) by maintaining adequate banking facilities and other funding and adjusting discretionary capital expenditure as appropriate.

	2011 US$'000	2010 US$'000

Note 4. Sales Revenue

Oil	286,757	233,713
NGL	20	1,573
Gas	–	180
Hedging loss	(946)	(38)
	285,831	**235,428**

Note 5. Operating Costs

Production costs	46,885	67,708
Amortisation	84,500	76,921
Movement in stock and overlift	3,341	4,352
Royalty and other levies	43,138	17,327
	177,864	**166,308**

Note 6. Other Income

Interest income – external	193	2,351
	193	**2,351**

Notes to the Consolidated Financial Statements

continued

	2011 US$'000	2010 US$'000

Note 7. Exploration Expensed

	2011 US$'000	2010 US$'000
Angola	1,098	518
Australia	(98)	802
Equatorial Guinea	580	393
Mozambique Channel	479	2,030
Mauritania	2,895	6,473
New Zealand	666	6,702
Other	7,928	3,599
	13,548	**20,517**

Note 8. Other Costs

	2011 US$'000	2010 US$'000
Operating lease expenses	681	872
Depreciation	795	711
General and administration costs	9,965	9,282
Share-based payments	965	571
Net foreign currency loss	581	2,242
	12,987	**13,678**

Note 9. Finance Costs

	2011 US$'000	2010 US$'000
Interest expensed on bank loans	510	677
Unwinding of discount – restoration provision	3,632	2,932
Other finance costs	1,861	695
	6,003	**4,304**

	2011 US$'000	2010 US$'000

Note 10. Income Tax

(a) Composition of income tax

	2011 US$'000	2010 US$'000
Income tax charge – current period	(54,334)	(35,818)
Income tax (charge)/credit – prior period	(346)	807
PRRT – current period	(5,974)	–
Deferred income tax – current period	13,395	4,181
Deferred income tax – change in tax rate	(5,401)	–
Deferred income tax – PRRT	(264)	(11,626)
Income tax expense	**(52,924)**	**(42,456)**

(b) Recognised deferred tax liabilities and assets

	2011 Current Tax Liabilities US$'000	2011 Deferred Income Tax US$'000	2010 Current Tax Liabilities US$'000	2010 Deferred Income Tax US$'000
Opening balance	(14,786)	(34,392)	(8,054)	(26,947)
(Charged)/credited to income	(60,654)	7,730	(35,011)	(7,445)
Cash payments	53,958	–	29,000	–
Translation loss	287	–	(721)	–
	(21,195)	**(26,662)**	**(14,786)**	**(34,392)**

Deferred income tax at 31 December relates to the following:

	2011 US$'000	2010 US$'000
(i) Deferred tax assets		
Asset timing differences	2,550	–
Provisions	2,565	–
Net deferred tax assets	**5,115**	**–**
(ii) Deferred tax liabilities		
Asset timing differences	(22,862)	(28,466)
Provisions	2,975	5,222
PRRT	(11,890)	(11,626)
Other	–	478
Net deferred tax liabilities	**(31,777)**	**(34,392)**
Total net deferred tax liabilities	**(26,662)**	**(34,392)**

Notes to the Consolidated Financial Statements

continued

	2011 US$'000	2010 US$'000

Note 10. Income Tax (continued)

(c) Tax losses

	2011 US$'000	2010 US$'000
Tax losses not recognised	84,999	104,063

(d) 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:

	2011 US$'000	2010 US$'000
Profit before income tax	**80,671**	**6,519**
Prima facie income tax expense calculated as 30% of profit before income tax	(24,201)	(1,956)
Tax effect of adjustments		
Non-deductible expenses	(4,231)	(5,779)
Non-assessable income	–	51
Overseas tax rate differential	(10,713)	(5,474)
Prior year (under)/over provision	(346)	807
Tax losses not brought into account	(8,566)	(19,816)
PRRT	(6,238)	(11,626)
Other	1,371	1,337
Income tax expense	**(52,924)**	**(42,456)**

(e) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. ROC is the head entity in the tax consolidated group.

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

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

	2011 US$'000	2010 US$'000

Note 11. Cash Assets

	2011 US$'000	2010 US$'000
Cash and cash equivalents	39,624	80,960
	39,624	**80,960**

Included in cash assets is US$1,112,182 (2010: US$1,306,035) which is subject to a charge in favour of PC Mauritania 1 Pty Ltd relating to liabilities arising under the contract for lease of the Berge Helene FPSO vessel to be used for production from the Chinguetti Oil Field.

Reconciliation of net profit before tax to cash generated from operations	2011 US$'000	2010 US$'000
Net profit before tax	80,671	6,519
Add/(less) non-cash items		
Amortisation	84,500	76,921
(Add-back)/net impairment of oil and gas assets	(18,633)	7,610
Depreciation	795	711
Other provisioning	445	1,566
Net foreign currency loss	581	2,242
Loss from sale of fixed assets	–	136
Gain on sale of oil and gas exploration assets	(40)	(15,750)
Foreign currency translation reserve loss on liquidation of subsidiary	–	9,527
Share-based payments	965	571
Add/(less) non-operating items		
Net derivative losses	14,086	9,104
Interest income	(193)	(2,351)
Finance costs	6,003	4,304
Exploration expensed	13,548	20,517
Impairment of exploration asset	484	–
Changes in net assets and liabilities		
Increase in current trade and other receivables	(35,517)	(17,606)
Decrease in inventories	1,249	3,491
Increase/(decrease) in trade and other payables	27,222	(604)
Cash generated from operations	**176,166**	**106,908**

Note 12. Current Trade and Other Receivables

	2011 US$'000	2010 US$'000
Trade receivables	51,561	26,452
Receivable from sale of WA-351-P	–	15,750
Other receivables	15,774	3,226
	67,335	**45,428**

Notes to the Consolidated Financial Statements

continued

	2011 US$'000	2010 US$'000

Note 13. Information Relating to Roc Oil Company Limited ('parent entity')

	2011 US$'000	2010 US$'000
Current assets	10,063	6,645
Total assets	107,134	92,590
Current liabilities	3,424	3,097
Total liabilities	4,536	3,931
Net assets	**102,598**	**88,659**
Share capital	734,150	744,201
Accumulated losses	(712,860)	(735,886)
Share equity reserve	11,724	10,760
Foreign currency translation reserve	69,584	69,584
Total equity	**102,598**	**88,659**
Net profit/(loss) of the parent entity	23,026	(62,793)
Total comprehensive profit/(loss) of the parent entity	23,026	(62,793)

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

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries in relation to finance obligations under the loan facility referred to in Note 19. The Company has provided a parent company guarantee to Petroliam Nasional Berhad (PETRONAS) guaranteeing the performance of the obligation of its 48% interest in Balai Cluster Small Field Risk Service Contract.

Note 14. Derivatives

	2011 US$'000	2010 US$'000
At fair value:		
Oil price swaps	1,318	(27,317)
Total current asset/(liabilities)	**1,318**	**(27,317)**

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

At 31 December 2011, the remaining hedge positions from 1 January 2012 to 31 December 2012 are 150,000 BBLs of Brent oil price swaps, at a weighted average Brent price of US$114.59/BBL.

Note 15. Inventories

	2011 US$'000	2010 US$'000
Oil and gas stock	2,305	3,554
	2,305	**3,554**

	Producing Assets US$'000	Assets under Development US$'000	Total US$'000

Note 16. Oil and Gas Assets

	Producing Assets US$'000	Assets under Development US$'000	Total US$'000
Costs			
Balance at 1 January 2010	882,156	–	882,156
Development expenditure incurred	28,536	–	28,536
Increase in restoration asset	42,554	–	42,554
Transfer from exploration and evaluation expenditure	–	16,375	16,375
Costs at 31 December 2010	**953,246**	**16,375**	**969,621**
Development expenditure incurred	27,260	3,496	30,756
Increase in restoration asset	3,777	–	3,777
Acquisition cost	2,112	–	2,112
Costs at 31 December 2011	**986,395**	**19,871**	**1,006,266**
Accumulated amortisation			
Balance at 1 January 2010	(637,526)	–	(637,526)
Charge for the year	(76,921)	–	(76,921)
Net impairment of assets (see note (a) below)	(7,610)	–	(7,610)
Accumulated amortisation at 31 December 2010	**(722,057)**	**–**	**(722,057)**
Charge for the year	(84,500)	–	(84,500)
Reversal of prior period impairment of assets (see note (b) below)	18,633	–	18,633
Accumulated amortisation at 31 December 2011	**(787,924)**	**–**	**(787,924)**
Net book value at 31 December 2011	**198,471**	**19,871**	**218,342**
Net book value at 31 December 2010	231,189	16,375	247,564

Impairment

Impairment tests are performed when there is an indication of impairment. Each oil and gas producing asset is considered a separate cash-generating unit.

The asset valuations are based on cash flow forecasts using 2P reserves. The key assumptions used in the cash flow forecasts include the following:

> oil price: forward market for two years and US$85/BBL thereafter; and

> discount rates: the post-tax discount rate of 10% per annum.

Note 16. Oil and Gas Assets (continued)

Impairment (continued)

(a) The net impairment for 2010 is attributable to:

(i) an impairment of US$44.2 million in the carrying value of BMG (net of restoration and suspension provisions) as a result of the discounted cash flows being lower than the carrying value, using a pre-tax discount rate of 16% per annum. This is as a result of the 2P reserves being reduced by 0.7 MMBBL to zero. No value has been attributed to any future gas project; and

(ii) a reversal of a prior year impairment of US$36.6 million (US$27.5 million post tax) for the Zhao Dong Oil Field as a result of the discounted cash flows, using a pre-tax discount rate of 14% per annum. This is as a result of higher oil prices and an increase in 2P reserves by 0.9 MMBBL.

(b) The reversal of prior period impairment for 2011 was attributable to a reversal of a prior year impairment of US$18.6 million (US$14.0 million post tax) for the Zhao Dong Oil Field as a result of the discounted cash flow, using a pre-tax discount rate of 14% per annum, improving due to higher oil prices and a favourable change in the Chinese special oil income levy compared to year end 2010.

Asset valuations, based on cash flow projections, use a range of assumptions that are subject to change. Accordingly, losses are sensitive to reasonable possible changes in key assumptions. The impairment reversal that would arise from a possible change in key assumptions (all other assumptions remaining the same) is shown below.

The impairment reversal would not change if there was:

> a 10% decrease in prevailing oil prices; or

> a 1% increase in the post-tax discount rate.

Note 17. Exploration and Evaluation Expenditure

	2011 US$'000	2010 US$'000
Opening balance	4,867	16,129
Expenditure incurred	15,917	25,630
Expenditure transferred to assets under development	–	(16,375)
Amounts expensed	(13,548)	(20,517)
Assets sold	(5,583)	–
Impairment of exploration asset	(484)	–
	1,169	**4,867**

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.

	2011 US$'000	2010 US$'000

Note 18. Property, Plant and Equipment

	2011 US$'000	2010 US$'000
Costs		
Opening balance	7,261	5,961
Expenditure incurred	498	1,300
Disposals	–	–
Costs at 31 December	**7,759**	**7,261**
Accumulated depreciation		
Opening balance	(5,286)	(4,575)
Charge	(795)	(711)
Disposals	–	–
Accumulated depreciation at 31 December	**(6,081)**	**(5,286)**
Net book value	**1,678**	**1,975**

Note 19. Bank Loans

	2011 US$'000	2010 US$'000
(a) Current		
Secured bank loan – maturing August 2011	–	49,692
Non-current		
Secured bank loan – maturing June 2015	13,082	–
Total	**13,082**	**49,692**

(b) Terms and conditions

Secured bank loan

The amortising facility, maturing in June 2015, has been provided by Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation.

The annual interest rate is USD LIBOR plus a fixed margin. The effective interest rate is 1.74% per annum.

(c) Financing facilities available

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

	2011 US$'000	2010 US$'000
Total loan facilities:		
Secured bank loan – maturing June 2015	110,000	–
Secured bank loan – maturing August 2011	–	50,000
Facilities used at reporting date:		
Secured bank loan – maturing June 2015	15,000	–
Secured bank loan – maturing August 2011	–	50,000
Facilities unused at reporting date:		
Secured bank loan – maturing June 2015	95,000	–
Secured bank loan – maturing August 2011	–	–

Notes to the Consolidated Financial Statements

continued

Note 19. Bank Loans (continued)

(d) Assets mortgaged as security

Secured bank loan

The Company has guaranteed the performance of Roc Oil (Finance) Pty Limited and other ROC subsidiaries (which have also given guarantees) and related hedging agreements in relation to the loan facility from Commonwealth Bank of Australia (CBA), BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation. Roc Oil (Finance) Pty Limited has granted a first registered fixed and floating charge over all its assets and undertakings and the Company has granted a first registered featherweight floating charge over all its assets and undertakings in favour of CBA Corporate Service (NSW) Pty Ltd as security trustee. In addition, the shares of the following ROC subsidiaries have been mortgaged to CBA Corporate Services (NSW) Pty Limited: Roc Oil (Bohai) Company, Roc Oil (China) Company and Roc Oil (GB) Limited. Roc Oil (GB) Limited has also granted a charge over its proceeds account to CBA Corporate Services (NSW) Pty Limited as security trustee. The net book value of Roc Oil (Finance) Pty Limited and the entities in which shares have been mortgaged is US$160.5 million.

(e) Foreign exchange, interest rate and liquidity risks

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

(f) Fair value

The fair value of the Group borrowings was US$15,000,000 (2010: US$49,182,000).

Note 20. Controlled Entities

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2011 %	Ownership and Voting Interest 2010 %
Parent entity			
Roc Oil Company Limited	Australia		
Controlled entities			
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (Madagascar) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Elixir Corporation 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 (Exploration No. 1) Pty Limited	Australia	100	100
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Taranaki) Pty Limited	Australia	100	100
Roc Oil (Tasman) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	–
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	–

Name of Entity	Country of Incorporation	Ownership and Voting Interest 2011 %	Ownership and Voting Interest 2010 %
Anzon Energy Mauritius	Mauritius	100	100
Anzon Investments Limited	Mauritius	100	100
Anzon Africa Limited	Mauritius	100	100
PT Anzon Energy Indonesia	Indonesia	100	100
Roc Oil (New Zealand) Limited	New Zealand	100	100
Anzon Energy Nigeria Limited	Nigeria	100	100
Roc Oil Holdings (Cayman Islands) Company	Cayman Islands	100	100
Roc Oil (Bohai) Company	Cayman Islands	100	100
Roc Oil (China) Company	Cayman Islands	100	100
Roc Oil (Cabinda) Company	Cayman Islands	100	100
Roc Oil (Mauritania) Company	Cayman Islands	100	100
Roc Oil (Casamance) Company	Cayman Islands	100	100
Roc Oil (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Ltd	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (Maboque) Company	Cayman Islands	100	100
Roc Oil (Falklands) Limited	United Kingdom	100	100
Roc Oil (Europe) Limited	United Kingdom	100	100
Roc Oil (GB Holdings) Limited	United Kingdom	100	100
Roc Oil (GB) Limited	United Kingdom	100	100
Roc Oil (North Sea) Limited	United Kingdom	100	100
Roc Oil (Chinguetti) B.V.	Netherlands	100	100

Note 21. Current Trade and Other Payables

	2011 US$'000	2010 US$'000
Trade and other payables	30,847	15,723
Accrued liabilities	12,072	6,331
Stock overlift	5,217	3,125
	48,136	**25,179**

Notes to the Consolidated Financial Statements

continued

Note 22. Provisions

	Employee Benefits US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2011	2,203	88,777	90,980
Additions during the year	1,972	3,777	5,749
Unwinding of discount	–	3,632	3,632
Utilised	(1,503)	(21,761)	(23,264)
Translation adjustments	(11)	–	(11)
Balance at 31 December 2011	**2,661**	**74,425**	**77,086**
Current – 2011	1,548	11,543	13,091
Non-current – 2011	1,113	62,882	63,995
Total 2011	**2,661**	**74,425**	**77,086**
Current – 2010	1,369	30,126	31,495
Non-current – 2010	834	58,651	59,485
Total 2010	**2,203**	**88,777**	**90,980**

The employee benefits provisions relate to annual leave and long service leave.

The restoration provisions relate to the estimated costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the asset. The additions during the year relates to re-determination of the abandonment provision in Cliff Head. The utilised amount of US$21.8 million relates to cost incurred to suspend the BMG project. There is a further cost of US$6.7 million to complete the suspension of BMG. The legislation in China also requires the provision for abandonment to be paid over the remaining life of the field, accordingly US$1.6 million abandonment provision for Zhao Dong is shown in current.

Note 23. Share Capital

	2011 Number of Shares	2010 Number of Shares	2011 US$'000	2010 US$'000
Balance at beginning of financial year	713,154,560	713,154,560	744,201	744,201
Issue of shares pursuant to the exercise of rights and the Long Term Incentive Plan	100,000	–	–	–
Cancellation of shares pursuant to the Company's on-market share buy-back	(30,748,208)	–	(10,051)	–
Balance at end of financial year	**682,506,352**	**713,154,560**	**734,150**	**744,201**

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

Note 24. Employee Benefits

(a) Long Term Incentive Plan ('LTI')

The LTI is an "at risk" equity-based incentive plan designed to generate performance-based awards of share rights that may be converted into fully paid ordinary shares in the Company on satisfaction of performance conditions and Board approval.

Features of the LTI include:

> there is a grant of rights to acquire fully paid ordinary shares in the Company, at no cost to a participant;
> the number of rights granted is based on an employee's level in the Company and individual and/or Company performance;
> the rights will only become exercisable if certain performance conditions are met within defined periods;
> there will be three tiers of rights with separate vesting criteria:
  - **Tier One** – vesting will occur subject to the satisfaction of the performance condition which relates to the Total Shareholder Return ('TSR') growth of ROC measured over the performance period;
  - **Tier Two** – vesting will occur subject to the satisfaction of the performance condition which relates to a relative TSR test over the performance period against a subset of conventional oil and gas companies; and
  - **Tier Three** – vesting will be subject to a participant being continuously employed by the Group throughout the performance period. The number of rights granted under Tier Three cannot exceed 20% of the total grant;
> there is no re-testing of performance conditions; and
> the rights lapse when a participant ceases to be employed by ROC other than in certain circumstances relating to death, injury, permanent disability, redundancy, retirement or sale of business.

A summary of the rights granted under the LTI are as follows:

Grant Date	Vesting Date	Opening Balance 1 Jan 11	Granted	Exercised	Cancelled	Closing Balance 31 Dec 11	ROC Share Price at Date of Issue A$
29 March 2010	29 March 2012	2,043,000	–	–	(148,000)	1,895,000	0.36
12 November 2010	12 November 2013	5,195,000	–	–	(215,000)	4,980,000	0.43
12 November 2010	12 May 2011	250,000	–	(100,000)	(150,000)	–	0.43
7 March 2011	7 March 2014	–	1,500,000	–	–	1,500,000	0.39
16 December 2011	16 December 2014	–	5,475,000	–	–	5,475,000	0.27
		7,488,000	**6,975,000**	**(100,000)**	**(513,000)**	**13,850,000**	

The fair value of the rights has been calculated using the at the grant date and allocated to each reporting period from grant date to vesting date. The rights outstanding at 31 December 2011 have a fair value in the range of A$0.20 to A$0.32 each, and a weighted average remaining contractual life of 2.1 years.

The fair value of the rights has been calculated using the Monte Carlo simulation technique with the following assumptions for each grant date:

	16 December 2011	7 March 2011
Share price	A$0.27	A$0.39
Share price volatility	65%	60%
Risk free rate per annum	3.0%	5.0%
Dividend yield per annum	0%	0%
Share price correlation between companies	30%	30%

Notes to the Consolidated Financial Statements

continued

Note 24. Employee Benefits (continued)

(a) Long Term Incentive Plan ('LTI') (continued)

The rights granted during the year are subject to non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement.

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

The Company has two share option plans, the Employee Share Option Plan and the Executive Share Option Plan. These plans were replaced in 2010 by the LTI and no new issues under either option plans will occur. The details of the option plans are set out below:

Employee Share Option Plan

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

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

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

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price A$	Number of Options	Weighted Average Exercise Price A$
Balance at beginning of financial year	3,611,500	1.29	4,011,500	1.26
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	(135,000)	0.56	(400,000)	1.06
Lapsed	(806,500)	3.05	–	–
Balance at end of financial year	**2,670,000**	**0.79**	**3,611,500**	**1.29**
Exercisable	**2,670,000**	**0.79**	**3,611,500**	**1.29**

The range of exercise prices at the end of the financial year is between A$0.54 and A$2.51 per share, with a weighted average remaining contractual life of 1.9 years.

Executive Share Option Plan

Under the rules of the Executive Share Option Plan, 30% of the options granted vest after two years. An additional 30% vest after three years and the remaining 40% vest after four years. Options expire six years after they are granted. Of the options granted to an employee, 50% are performance options and are only exercisable if certain share performance benchmarks are met and 50% are price options which require share price performance measures to be met.

The exercise price of performance options is calculated as the volume weighted average price for sale of ROC shares on the ASX in the 90 days before the grant date. The exercise price for price options is calculated as 115%, 122.5% and 130% of this price respectively over the vesting period.

Note 24. Employee Benefits (continued)

(b) Employee Share Option Plan and Executive Share Option Plan (continued)

Executive Share Option Plan (continued)

	2011		2010	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of financial year	5,671,500	2.96	7,787,100	2.78
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	(955,000)	3.50	(1,179,400)	2.89
Lapsed	(590,500)	1.86	(936,200)	1.58
Balance at end of financial year	**4,126,000**	**2.99**	**5,671,500**	**2.96**
Exercisable	**1,183,000**	**2.74**	**2,200,000**	**2.94**

The range of exercise prices at the end of the financial year is between A$0.65 and A$4.25 per share, with a weighted average remaining contractual life of 1.4 years.

(c) Superannuation plans

The Company makes contributions to complying accumulation type superannuation plans nominated by individual employees. The Company contributes at least the amount required by law. The amount recognised as an expense was US$1,122,052 for the financial year ended 31 December 2011 (2010: US$1,176,000).

(d) Employee benefits expensed

	2011 US$'000	2010 US$'000
Salaries and wages	14,752	14,740
Share-based payments	965	571
Other associated personnel costs	2,660	2,441
	18,377	**17,752**

Salaries and wages and other associated personnel costs are allocated to various Consolidated Statement of Comprehensive Income categories based on the nature of the expenditure.

Notes to the Consolidated Financial Statements

continued

Note 25. Earnings/(Loss) per Share

Basic earnings/(loss) per share amounts is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/loss for the year by the weighted average number of ordinary shares outstanding during the year, adjusted by the effects of dilutive share options and rights.

The following table reflects the share data used in the total operations' basic and diluted profit/(loss) per share computations:

	2011 Number of Shares	2010 Number of Shares
Weighted average number of ordinary shares for basic earnings per share	705,265,487	713,154,560
Effect of dilution:		
Share options and rights	8,656,904	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	713,922,391	713,154,560
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	300,137	–
Weighted average number of shares that were not included in the calculation of earnings per share as they are anti-dilutive	–	2,320,668

Note 26. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and in determining the allocation of resources.

The operating segments identified by management are based on each individual oil and gas field. Discrete pre-tax financial information about each of these fields is reported to the Chief Executive Officer on a monthly basis.

For the financial year ended 31 December 2011:

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa(2)	Zhao Dong China	Exploration	Other	Total
Sales revenue	297	43,831	57,224	11,006	6,018	168,375	–	(920)	285,831
Production costs	–	20,796	4,389	989	2,796	17,886	–	29	46,885
Amortisation	–	6,860	9,625	1,958	1,093	64,962	–	2	84,500
Segment results(1)	41	16,430	31,798	8,507	2,839	49,304		(952)	107,967
(Add-back)/impairment of oil and gas assets	–	–	–	–	–	(18,633)	–	484	(18,149)
Capital expenditure incurred	–	–	(201)	–	22	27,439	15,917	3,496	46,673
Segment assets	975	52,718	41,412	9,146	2,597	155,087	1,169	25,326	288,430
Current restoration provision	9,928	–	–	–	–	1,615	–	–	11,543
Non-current restoration provision	26,653	11,759	3,732	2,218	9,876	8,644	–	–	62,882

Note:

(1) Total segment results ('trading profit') is reconciled to net profit before income tax on the Consolidated Statement of Comprehensive Income.

(2) ROC has agreed to sell its interests Offshore Mauritania to wholly owned subsidiaries of Tullow Oil plc, for US$4 million subject to working capital adjustments. At 31 December 2011, the necessary approvals are still outstanding; completion of the sale is anticipated to take place during 2012.

For the financial year ended 31 December 2010:

US$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa	Zhao Dong China	Exploration	Other	Total
Sales revenue	21,363	43,210	35,023	15,313	8,113	112,417	–	(11)	235,428
Production costs	29,621	11,674	5,126	1,378	3,164	16,727	–	18	67,708
Amortisation	6,189	9,987	9,191	3,258	1,467	46,826	–	3	76,921
Segment results(1)	(17,091)	21,549	20,262	10,003	2,327	32,101	–	(31)	69,120
Impairment/(add-back) of oil and gas assets	44,248	–	–	–	–	(36,638)	–	–	7,610
Capital expenditure incurred	1,405	–	(336)	(162)	(11)	27,640	25,630	–	54,166
Segment assets	2,106	50,374	44,236	9,765	5,147	150,303	4,867	16,693	283,491
Current restoration provision/suspension	30,126	–	–	–	–	–	–	–	30,126
Non-current restoration provision	26,618	7,440	3,521	2,092	9,318	9,662	–	–	58,651

Note:
(1) Total segment results ('trading profit') are reconciled to the profit before income tax on the Consolidated Statement of Comprehensive Income.

In assessing the segment performance on a monthly basis, the Executive Committee analyses the segment results as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the Executive Committee views as directly attributable to the performance of the segment. These assets include cash, trade receivables, inventories and oil and gas assets.

During the financial year ended 31 December 2011, all oil and gas sales have been made to various international oil companies. For each segment, with the exception of Chinguetti, sales have been made to individual customers.

Reconciliation of segment assets to total assets:

	2011 US$'000	2010 US$'000
Segment assets	288,430	283,491
Cash assets	36,122	76,781
Receivables	10,656	22,101
Property, plant and equipment	1,678	1,975
Investment in Associates	15,999	–
Total assets per the Consolidated Statement of Financial Position	**352,885**	**384,348**

Note 27. Related Party Disclosures

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

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

> Note 20 as to investments in controlled entities;

> Note 30 as to investments in associate companies; and

> Note 32 as to disclosures relating to key management personnel.

Notes to the Consolidated Financial Statements

continued

	2011 US$'000	2010 US$'000

Note 28. Commitments for Expenditure

(a) Capital commitments

	2011 US$'000	2010 US$'000
Not longer than one year		
Joint ventures	23,479	11,870
	23,479	**11,870**

(b) Operating expenditure commitments

	2011 US$'000	2010 US$'000
Not longer than one year	3,285	3,356
Longer than one year but not longer than five years	4,842	5,680
Longer than five years	1,177	2,239
	9,304	**11,275**

Note 29. Joint Ventures

The Group has an interest (rounded to two decimal places) in the following joint ventures as at 31 December 2011:

Country	Block	Principal Activities	Interest 2011 %	Interest 2010 %
Australia	WA-31-L (Cliff Head)	Oil production	42.50[(1)]	37.50
	L14 (Jingemia)	Oil production	0.25	0.25
	VIC/L26, VIC/L27, VIC/L28 (BMG)	Oil production	30.00	30.00
New Zealand	PEP38259	Oil and gas exploration	–[(2)]	15.00
	PEP38524	Oil and gas exploration	–[(3)]	20.00
	PEP52181	Oil and gas exploration	50.00	50.00
Equatorial Guinea	Block H	Oil and gas exploration	20.00[(4)]	37.50
Mauritania	Area A	Oil and gas exploration	4.16[(5)]	4.16
	Area B (Chinguetti)	Oil and gas exploration/ production	3.69/3.25[(5)(6)]	3.69/3.25[(6)]
	Area C Block 2	Oil and gas exploration	5.49[(5)]	5.49
	Area C Block 6	Oil and gas exploration	5.00[(5)]	5.00
	Block 1	Oil and gas exploration	2.00[(5)]	2.00
	Block 7	Oil and gas exploration	4.95[(5)]	4.95
Mozambique Channel	Belo Profond (Madagascar)	Oil and gas exploration	–[(7)]	75.00
	Juan de Nova Maritime Profond (France)	Oil and gas exploration	75.00[(8)]	75.00

Country	Block	Principal Activities	Interest 2011 %	Interest 2010 %
Angola	Cabinda South Block	Oil and gas exploration	–(9)	10.00
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas pre-development	40.00/19.60(10)	40.00/19.60(10)
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.58(11)	24.50/11.58(11)
	Chenghai and Zhanghai Blocks	Oil appraisal/development/ production	80.00/39.20(12)	–
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50(13)	15.24/12.50(13)
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00(13)	15.00/12.00(13)

Note:
(1) Acquisition of 5% interest from CIECO Energy Australia Pty Ltd subject to government approval.
(2) ROC withdrew effective 17 November 2011 subject to government approval.
(3) Joint venture surrendered the permit on 30 September 2011.
(4) ROC assigned 17.5% interest to White Rose Energy Venture (EG) Limited effective 1 July 2011.
(5) ROC has agreed to sell its interests Offshore Mauritania to wholly owned subsidiaries of Tullow Oil plc, for US$4 million subject to working capital adjustments. At 31 December 2011, the necessary approvals are still outstanding; completion of the sale is anticipated to take place during 2012.
(6) Interest in producing Chinguetti Oil and Gas Field post-government back-in.
(7) ROC withdrew effective 23 June 2011.
(8) ROC has agreed to sell its interest in Juan de Nova to South Atlantic Petroleum JDN SAS for US$8.0 – US$8.5 million subject to working capital adjustments. At 31 December 2011, the necessary approvals are still outstanding; completion of the sale is anticipated to take place during 2012.
(9) Sold to Pluspetrol Angola Corporation during 2011.
(10) Interest in field development post-government back-in.
(11) Unitised interest in the C4 Field.
(12) Interest in development/production following government back-in.
(13) Unitised interest in producing Blane and Enoch Fields.

The Group's share of net working interest production from the above joint ventures during the financial year was 2.7MMBOE (2010: 3.1 MMBOE).

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

	2011 US$'000	2010 US$'000
Current assets	9,497	4,179
Non-current assets	219,512	252,431
Total assets	**229,009**	**256,610**
Current liabilities	20,512	37,940
Non-current liabilities	62,882	58,651
Total liabilities	**83,394**	**96,591**

Exploration expenditure commitments and contingent liabilities in respect of joint venture operations are detailed in Note 28 and Note 33 respectively.

Notes to the Consolidated Financial Statements

continued

Note 30. Associate Companies

Details of investments in associate companies are as follows:

				Beneficial Interest in Ordinary Shares at 31 December		Book Value of Ordinary Shares at 31 December		Contribution to Consolidated Profit/(Loss)	
Name of Associate Company	**Country of Incorporation**	**Principal activity**	**Balance Date**	**2011 %**	**2010 %**	**2011 US$'000**	**2010 US$'000**	**2011 US$'000**	**2010 US$'000**
Croft Exploration Limited	UK	Dormant	31 December	50	50	–	–	–	–
BC Petroleum Sdn Bhd	Malaysia	Development/ Appraisal	31 December	48	–	159	–	–	–

The Group has a 48% interest in BCP, which is involved in the oil and gas appraisal in Malaysia.

BCP is a private entity that is not listed on any public exchange.

The following table illustrates summarised financial information of the Group's investment in BCP.

	2011 US$'000	2010 US$'000
Assets and liabilities		
Current assets	12,513	–
Non-current assets	8,929	–
Current liabilities	(21,283)	–
Equity	**159**	**–**
Share of the associates' revenue and profit:		
Revenue	–	–
Profit/loss	–	–
Carrying amount of the investment:		
Equity	159	–
Loan to associates	15,840	–
	15,999	**–**

	2011 US$	2010 US$

Note 31. Remuneration of Auditors

	2011 US$	2010 US$
Amounts due to and recoverable by the auditor of the parent entity for:		
Audit and review of the financial report	221,557	292,098
Tax compliance and accounting advice	267,134	400,327
	488,691	**692,425**
Amounts due to related practices of Ernst & Young, Australia for:		
Audit and review of the financial report	74,033	34,586
Tax compliance and accounting advice	79,355	–
	153,388	**34,586**
	642,079	**727,011**

Ernst & Young, Australia was the auditor for the Company in 2011.

Note 32. Key Management Personnel ('KMP') Disclosures

(a) Details of KMP

Mr A J Love	Chairman (Non-Executive)
Mr W G Jephcott	Deputy Chairman (Non-Executive)
Mr S J Jansma, Jr	Director (Non-Executive)
Mr R C A Leon	Director (Non-Executive)
Mr G D Mulligan	Director (Non-Executive)
Mr C C Hodge	Director (Non-Executive)
Mr A S Linn	Chief Executive Officer (appointed 23 February 2011) and Executive Director (appointed 27 February 2012)
Mr R Morris	President, Roc Oil China
Mr R B Stork	Chief Operating Officer (appointed 1 September 2011)
Mr A Neilson	Chief Financial Officer
Ms L Nolan	General Counsel and Company Secretary

(b) Remuneration

(i) Remuneration policy

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

The Company has an "at risk" Long Term Incentive Plan ('LTI') and an "at risk" Short Term Incentive Plan ('STI'). Under the LTI, executives are issued performance rights to subscribe for ordinary shares in the Company at the discretion of the Directors and can be awarded cash bonuses under the STI. These plans provide an incentive to KMPs to achieve significant long term growth in the Company's share price. Previously, options were issued under the Employee and Executive Share Option Plan, which has now been discontinued. For details, refer to Note 24 and the Remuneration Report section of the Directors' Report.

Notes to the Consolidated Financial Statements

continued

Note 32. Key Management Personnel ('KMP') Disclosures (continued)

(b) Remuneration (continued)

(ii) Remuneration of KMPs

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

	2011 US$	2010 US$
Short term employee benefits	4,623,311	3,841,342
Post-employment benefits	176,556	236,901
Share-based payments	569,790	290,729
Termination payments	–	741,449
	5,369,657	**5,110,421**

Remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 5.4 to Aus 25.7.2 are disclosed in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(c) Option/Right holdings

2011	1 Jan 2011 Balance at Beginning of Financial Year	Rights Granted as Remuneration	Options/ Rights Exercised	Options/ Rights Lapsed	31 Dec 2011 Balance at End of Financial Year	Vested at 31 Dec 2011	Exercisable at 31 Dec 2011
Mr A S Linn	2,170,000	2,000,000	(100,000)	(150,000)	3,920,000	330,000	165,000
Mr R Morris	840,000	400,000	–	–	1,240,000	200,000	200,000
Mr R B Stork	–	600,000	–	–	600,000	–	–
Mr A Neilson	890,000	650,000	–	–	1,540,000	302,000	151,000
Ms L Nolan	650,000	650,000	–	–	1,300,000	172,000	116,000
	4,550,000	**4,300,000**	**(100,000)**	**(150,000)**	**8,600,000**	**1,004,000**	**632,000**

2010	1 Jan 2010 Balance at Beginning of Financial Year	Rights Granted as Remuneration	Options/ Rights Exercised	Options/ Rights Lapsed	31 Dec 2010 Balance at End of Financial Year	Vested at 31 Dec 2010	Exercisable at 31 Dec 2010
Mr B F Clement	680,000	–	–	(130,000)	550,000	550,000	225,000
Mr A S Linn	550,000	1,620,000	–	–	2,170,000	165,000	82,500
Mr A Neilson	370,000	520,000	–	–	890,000	171,000	85,500
Mr J Mebberson	330,000	–	–	(330,000)	–	–	–
Ms L Nolan	220,000	470,000	–	(40,000)	650,000	166,000	113,000
Mr R Morris	200,000	640,000	–	–	840,000	200,000	200,000
Mr D Minns	–	–	–	–	–	–	–
	2,350,000	**3,250,000**	**–**	**(500,000)**	**5,100,000**	**1,252,000**	**706,000**

(d) Shareholdings

2011	1 Jan 2011 Balance at Beginning of Financial Year	Change on Exercise of Options/Rights	Net Change from On-Market Transactions	31 Dec 2011 Balance at End of Financial Year
Mr A J Love	589,521	–	40,000	629,521
Mr W G Jephcott	1,117,300	–	–	1,117,300
Mr S J Jansma, Jr	2,000,000	–	1,000,000	3,000,000
Mr R C A Leon	1,510,000	–	–	1,510,000
Mr G D Mulligan	25,000	–	–	25,000
Mr C C Hodge	50,000	–	–	50,000
Mr A S Linn	–	100,000	–	100,000
Mr R Morris	300,000	–	300,000	600,000
Mr R B Stork	–	–	–	–
Mr A Neilson	11,500	–	–	11,500
Ms L Nolan	–	–	–	–
	5,603,321	**100,000**	**1,340,000**	**7,043,321**

2010	1 Jan 2010 Balance at Beginning of Financial Year	Change on Exercise of Options/Rights	Net Change from On-Market Transactions	31 Dec 2010 Balance at End of Financial Year
Mr A J Love	589,521	–	–	589,521
Mr W G Jephcott	1,117,300	–	–	1,117,300
Mr B F Clement	181,126	–	100,000	281,126(1)
Mr S J Jansma, Jr	644,641	–	1,355,359	2,000,000
Mr R C A Leon	1,221,212	–	288,788	1,510,000
Mr G D Mulligan	–	–	25,000	25,000
Mr C C Hodge	–	–	50,000	50,000
Mr A S Linn	–	–	–	–
Mr J Mebberson	10,500	–	–	10,500(2)
Ms L Nolan	–	–	–	–
Mr R Morris	–	–	300,000	300,000
Mr A Neilson	5,000	–	6,500	11,500
Mr D Minns	–	–	–	–(2)
	3,769,300	**–**	**2,125,647**	**5,894,947**

Note:
(1) As per the Director's Final Interest Notice.
(2) At date of resignation.

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

Notes to the Consolidated Financial Statements

continued

Note 32. Key Management Personnel ('KMP') Disclosures (continued)

(e) Loans and other transactions

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

Note 33. Contingent Liabilities

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

Note 34. Subsequent Events

No other 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.

Note 35. Additional Company Information

The Company is a public company listed in Australia on the ASX and incorporated in Australia and operates in Australia and overseas.

The registered office and principal place of business are:

Level 18, 321 Kent Street
Sydney NSW 2000
Australia.
ABN: 32 075 965 856

Directors' Declaration

The Directors declare that:

(a) the 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b);

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2011.

On behalf of the Directors:

Mr W G Jephcott
Deputy Chairman

Mr A S Linn
Director and Chief Executive Officer

Sydney, 27 February 2012

Independent Auditor's Report

To the Members of Roc Oil Company Limited

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Fax: +61 2 9248 5959
www.ey.com.au

Report on the Financial Report

We have audited the accompanying financial report of Roc Oil Company Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the Remuneration Report of Roc Oil Company Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Trent van Veen
Partner

Sydney, 27 February 2012

Additional Information

ROC Reserves Analysis (Unaudited)

Summary Proved and Probable Working Interest Reserves	MMBBL
Opening balance	16.2
Reserve acquired	0.3
Reserve revisions	1.3
Production	(2.7)
Closing balance	**15.1**

Analysis of Proved and Probable Working Interest Reserves	MMBBL
Zhao Dong	5.9
Beibu	4.7
Cliff Head	2.7
Chinguetti	0.1
Blane	1.4
Enoch	0.3
Closing balance	**15.1**

In accordance with ASX Listing Rules, the reserves information in this report is based upon information compiled, reviewed and signed off by Mr Bill Billingsley, Chief Reservoir Engineer, Roc Oil Company Limited. Mr Bill Billingsley has at least five years' relevant experience within the sector and consents to the information in the form and context in which it appears.

ROC Licences at 31 December 2011 (Unaudited)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-31-L	Cliff Head	42.50[(1)]	Roc Oil (WA) Pty Limited
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	VIC/L26, VIC/L27, VIC/L28	BMG	30.00	Roc Oil (VIC) Pty Limited
New Zealand	PEP38259		–[(2)]	NZOG 38259 Limited
	PEP52181		50.00	Roc Oil (Taranaki) Pty Limited
Equatorial Guinea	Block H		20.00	Roc Oil (Equatorial Guinea) Company (Admin Manager)/White Rose Energy Ventures (EG) Limited (Technical Manager)
Mauritania	Area A	Banda East	4.16[(3)]	Tullow Petroleum (Mauritania) Pty Ltd
	Area B	Banda West, Tiof, Tevét	3.69[(3)]	Tullow Chinguetti Production Pty Ltd
	Area B – Chinquetti	Chinguetti	3.25[(5)]	PC Mauritania 1 Pty Ltd
	Area C Block 2		5.49[(3)]	Tullow Mauritania Limited
	Area C Block 6		5.00[(3)]	PC Mauritania 1 Pty Ltd
	Block 1		2.00[(3)]	Dana Petroleum (E&P) Limited
	Block 7	Pelican	4.95[(3)]	Dana Petroleum (E&P) Limited
Mozambique Channel	Juan de Nova Maritime Profond (France)		75.00[(4)]	South Atlantic Petroleum JDN SAS[(5)]
China	Beibu Gulf Development Areas	WZ 6-12, WZ 12-8	40.00/19.60[(6)]	Roc Oil (China) Company/CNOOC Limited
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58[(7)]	Roc Oil (Bohai) Company
	Chenghai and Zhanghai Blocks		80.00/39.20[(8)]	Roc Oil (Bohai) Company
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50[(9)]	Talisman Energy (UK) Limited
	P219 (Block 16/13a and e)	Enoch, J1	15.00/12.00[(9)]	Talisman North Sea Limited

Note:
(1) Acquisition of 5% interest from CIECO Energy Australia Pty Ltd subject to government approval.
(2) ROC withdrew effective 17 November 2011 subject to government approval.
(3) ROC has agreed to sell its interests Offshore Mauritania to wholly owned subsidiaries of Tullow Oil plc, for US$4 million subject to working capital adjustments. At 31 December 2011, the necessary approvals are still outstanding; completion of the sale is anticipated to take place during 2012.
(4) ROC has agreed to sell its interest in Juan de Nova to South Atlantic Petroleum JDN SAS for US$8.0 – US$8.5 million subject to working capital adjustments. At 31 December 2011, the necessary approvals are still outstanding; completion of the sale is anticipated to take place during 2012.
(5) ROC is operator and South Atlantic Petroleum JDN SAS is Technical Manager.
(6) Interest in field development post-government back-in.
(7) Unitised interest in the C4 Field.
(8) Interest in development/production following government back-in.
(9) Unitised interest in producing Blane and Enoch Fields.

Shareholder Information

1. Ordinary Share Capital

As at 16 March 2012, the Company had on issue 682,506,352 fully paid ordinary shares held by 19,191 shareholders.

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

2. Options

As at 16 March 2012, the Company had the following unquoted options: 2,670,000 options under the Employee Share Option Plan held by 70 optionholders and 4,126,000 options under the Executive Share Option Plan held by 23 optionholders.

During the year ended 31 December 2011:

> 941,500 employee share options and 1,545,500 executive share options lapsed or were cancelled; and

> nil options issued under the Employee Share Option Plan and nil options under the Executive Option Scheme were exercised.

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

3. Performance Rights

As at 16 March 2012, the Company had granted 14,350,000 performance rights under the Long Term Incentive Plan to 64 employees. Rights do not carry any voting rights or rights to dividends.

4. Distribution of Share and Option Holders

Holding as at 16 March 2012	Shareholders	Employee Options	Executive Options
1–1,000	5,586	–	–
1,001–5,000	6,327	24	–
5,001–10,000	2,895	1	–
10,001 –100,000	4,079	38	7
Over 100,000	304	7	16
Total	**19,191**	**70**	**23**
Shareholders holding less than a marketable parcel	5,919	–	–

5. Substantial Shareholders

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

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
Orbis Investment Management (Aust) Pty Ltd	137,906,663	19.56
Paradice Investment Management Pty Ltd	35,654,232	5.199

6. Twenty Largest Shareholders as at 16 March 2012

Shareholder	Number Held	%	Rank
JP Morgan Nominees Australia Limited	129,447,490	18.97	1
National Nominees Limited	101,402,273	14.86	2
HSBC Custody Nominees (Australia) Limited	96,918,222	14.20	3
Citicorp Nominees Pty Limited	71,874,974	10.53	4
JP Morgan Nominees Australia Limited <Cash Income A/C>	15,834,106	2.32	5
ANZ Underwriting Limited <ANZ Underwriting Ltd Nom A/C>	14,671,167	2.15	6
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,463,697	0.51	7
Mr Timothy Bryce Kleemann	2,583,000	0.38	8
Mr Jim Koumides	2,362,000	0.35	9
Berne No 132 Nominees Pty Ltd <152417 A/C>	2,108,626	0.31	10
UOB Kay Hian Private Limited <Clients A/C>	1,796,371	0.26	11
Merrill Lynch (Australia) Nominees Pty Limited	1,717,131	0.25	12
UBS Wealth Management Australia Nominees Pty Ltd	1,620,711	0.24	13
Investsoft SA	1,600,000	0.23	14
Mr Jose Manuel Do Rego Medeiros	1,500,000	0.22	15
Mr Steven Joseph Koroknay	1,350,000	0.20	16
Forty Traders Limited	1,187,126	0.17	17
Mr Sidney John Jansma, Jr. <SJJ JR TTF UAD 3/11/97 A/C>	1,000,000	0.15	18
Mr Jim Koumides + Mrs Lucy Koumides <Poor Little Pinkus S/F A/C>	955,900	0.14	19
Kavel Pty Ltd <Kleemann Family A/C>	952,000	0.14	20
	454,344,794	**66.58**	

Glossary and Definitions

ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
AUD/A$ or cents	Australian currency.
BBL(s)	Barrel(s), an oil barrel is equivalent to 0.159 cubic metres.
BCF	One billion cubic feet of natural gas.
BCP	BC Petroleum Sdn Bhd.
BMG	Basker-Manta-Gummy.
BOE	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalence at the time.
BOEPD	Barrel of oil equivalent per day.
BOPD	Barrel of oil per day inclusive of NGLs.
CNOOC	China National Offshore Oil Corporation.
Group	Parent entity and its subsidiaries.
GST	Goods and services tax.
IFRS	International Financial Reporting Standards.
MMBBL	One million barrels of oil.
MMBOE	One million barrels of oil equivalent.
MMSCFD	One million standard cubic feet of natural gas per day.
NGL	Natural gas liquid.
NPP	Non-Production Phase.
probable reserves	Probable reserves are less certain than proved reserves and can be estimated with a degree of certainty sufficient to indicate they are more likely to be recovered than not. Note that probable reserves have not been risked.
proved reserves	Proved reserves can be estimated with reasonable certainty to be recoverable under current economic conditions. Current economic conditions include prices and costs prevailing at the time of the estimate. Proved reserves may be developed or undeveloped.
PRRT	Petroleum Resource Rent Tax.
PSC	Production Sharing Contract.
ROC	Roc Oil Company Limited.
RSC	Risk Service Contract.
USD/US$ or cents	United States currency.
3D	Three dimensional.
2P	Proved and probable reserves.

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Directory

BOARD OF DIRECTORS

Mr Andrew J Love
Chairman

Mr William G Jephcott
Deputy Chairman

Mr Christopher C Hodge
Director

Mr Sidney J Jansma, Jnr
Director

Mr Robert C A Leon
Director

Mr Graham D Mulligan
Director

Mr Alan S Linn
Executive Director

COMPANY SECRETARY

Ms Leanne Nolan

SENIOR MANAGEMENT AND KEY PERSONNEL

Mr Alan Linn
Chief Executive Officer

Mr Anthony Neilson
Chief Financial Officer

Mr Rolf Stork
Chief Operating Officer

Ms Leanne Nolan
Company Secretary and General Counsel

Mr Ron Morris
President, Roc Oil (Bohai) Company

Mr Rob Rial
General Manager,
Malaysia/South East Asia

Mr Graham MacGregor
General Manager, New Ventures
and Business Development

Mr Graham Griffin
Corporate Manager,
Health, Safety and Environment

Mr Matthew Gerber
General Manager,
Corporate Affairs and Planning

Mr Bill Billingsley
Chief Reservoir Engineer

Ms Lynne Evans
Corporate Manager,
Human Resources and Administration

AUSTRALIA

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Equatorial Guinea
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STOCK EXCHANGE

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Sydney NSW 2000
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ASX code: ROC

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roc