Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2014

Roc Oil Company Limited

Contents

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 2014.

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 Bin Zhao
Chairman & Non-Executive Director – Appointed Chairman 28 October 2014

Mr Zhao has been the President of Fosun Energy Group since 2011. Prior to this time Mr Zhao held senior positions with Shanxi Power and Shanxi Jinneng Corporation, among others. Mr Zhao is a senior economist and engineer, and an adjunct professor at Shanxi University of Finance.

Mr Anthony Neilson
Chief Executive Officer & Executive Director – Appointed 6 February 2015

Mr Neilson joined ROC in 2007 as Chief Financial Officer. He has over 20 years experience in accounting and finance, including thirteen years in the upstream and downstream oil and gas industry. Prior to joining ROC, Anthony held senior finance management roles in Caltex Australia, as well as working in banking for Credit Suisse First Boston and as a Chartered Accountant with Arthur Andersen.

Mr Qunbin Wang
Non-Executive Director – Appointed 10 November 2014

Mr Wang was one of the founders of the Fosun Group. Mr Wang has been a director of the Fosun Group since its establishment. Prior to joining the Fosun Group, Mr Wang was a lecturer at the Genetic Research Institute of Fudan University. Mr Wang holds various positions including honorary chairman of the Shanghai BioPharmaceutics Industry Association, chairman of The Huzhou Chamber of Commerce in Shanghai and vice chairman of the China Chamber of International Commerce.

Dr Yuanlin Jiang
Non-Executive Director – Appointed 10 November 2014

Dr Jiang is a managing director of Fosun Energy Group of Fosun group. He leads Fosun Group's North American energy sector acquisition business and provides strategic advice to Fosun group's global oil and gas acquisition and management arm. Dr Jiang is familiar with the petroleum industry in the US, Mexico, and China.

Before joining Fosun group, Dr Jiang worked in a variety of roles in ORI International. His last role was leading a large multi-discipline advisory team and guiding the development of the giant Ku-Maloob-Zaap field in Mexico. Prior to that, Dr Jiang worked for BP and served in senior technical roles in a number of offshore and unconventional assets.

Dr Jiang holds a Ph.D. and a Masters in Petroleum Engineering, both from Stanford University. He also holds a bachelor degree in fluid mechanics from the University of Science and Technology of China. Dr Jiang has been a member of the Society of Petroleum Engineers since 2002.

Mr Yao Xu
Non-Executive Director – Appointed 10 November 2014

Mr Xu Yao is the Group General Counsel (International) and the General Manager of International Legal Department of Fosun group. Mr Xu joined Fosun Group in 2010. Prior to this, Mr Xu was an associate of a top tier US law firm. Mr Xu is a senior legal expert specialising in international transactions, and is registered as a lawyer in the State of New York, US.

Mr Nigel D R Hartley FCA, BSc
Independent Non-Executive Director - Appointed 1 June 2012

Mr Hartley is a non-executive Director of High Peak Royalties Ltd and a former non-executive Director of Austin Exploration Limited. Mr Hartley holds a degree in economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and had a 20 year career at Oil Search Limited between 1991 and 2011, during which time he held various senior financial and executive general manager positions (including 12 years as Chief Financial Officer). His final position at Oil Search Limited was as [Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.]

Executive General Manager Sustainability. Prior to his career at Oil Search Limited, Mr Hartley held financial positions at Rio Tinto and Niugini Mining and was a manager with the accounting and audit firm Peat, Marwick, Mitchell & Co.

Mr Christopher C Hodge MSc, DIC, FFin, MAICD
Independent 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. Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently a Director of ASX-listed Xstate Resources Limited and the 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 and holds a Graduate Diploma in Applied Finance and Investment.

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

Mr Richard M ('Mike') Harding MSc (Mech Eng)
Independent Non-Executive Director - Appointed 1 June 2012. Appointed Chairman 11 December 2013. Resigned 13 November 2014.

Mr Harding is the Chairman of Downer EDI Limited and a non-executive Director of Transpacific Industries Group Ltd. Mr Harding is the former Chairman of Clough Limited (2006-2010) and a former non-executive Director of Arc Energy Limited (2003-2007) and of Santos Limited (2004-2014). Mr Harding holds a Master of Science degree and had a 25 year career at BP plc between 1978 and 2003. Mr Harding is a former Vice-Chairman and council member of the Australian Petroleum Production and Exploration Association.

Mr Robert C A Leon
Independent Non-Executive Director - Appointed 3 December 2008. Resigned 13 November 2014

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). Prior to a career in business, Mr Leon held several positions in French Government administration. He holds degrees in political science and economics, and is a graduate of École Nationale d'Administration in France. Mr Leon was formerly a Director of the Mandarin Oriental Hotel Group.

Mr Graham D Mulligan BSc, DipAcc, FAIM, MAICD
Independent Non-Executive Director - Appointed 7 September 2010. Resigned 13 November 2014

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, resources and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure, transport and resources 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

Directors' Report

and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration Association of New Zealand, is currently a Director of Chalmers Limited and has held director roles with other listed companies.

Mr Alan Linn CEng, MIChemE
Executive Director – Appointed 27 February 2012. Resigned 6 February 2015

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 resigned as Chief Executive Officer and Executive Director on 6 February 2015.

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 Committee		Nomination Committee		Audit and Risk Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	A	A	B
Mr R M Harding(3)	15	15	3	3	-	-	3	3	2	1
Mr A S Linn	16	15	-	4(4)	-	-	-	3(4)	-	2(4)
Mr N D R Hartley	16	16	4	4	-	-	3	3	-	-
Mr C C Hodge	16	16	-	1(4)	-	-	-	3(4)	2	2
Mr R C A Leon(3)	15	12	-	-	-	-	3	3	-	-
Mr G D Mulligan(3)	15	15	3	3	-	-	3	3	-	1(4)
Mr Bin Zhao(1)	2	2	1	1	-	-	-	-	-	-
Mr Wang Qunbin(2)	2	2	1	1	-	-	-	-	-	-
Dr Jiang Yuanlin(2)	2	2	1	1	-	-	-	-	-	-
Mr Xu Yao(2)	2	2	1	1	-	-	-	-	-	-

Notes:

A Number of meetings held during the time that the Director held office during the financial year.
B Number of meetings attended.
1 Appointed 28 October 2014.
2. Appointed 10 November 2014.
3. Resigned 13 November 2014
4. 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$49.5 million (2013: US$45.2 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 2014.

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 9 to 11.

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

Since the end of the financial year the Company has been removed from the official list of ASX Limited under Listing Rule 17.14 following the acquisition of all of the issued shares in the Company by Transcendant Resources Limited a wholly owned subsidiary of Fosun International Limited. Other than this, no events have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

Future Developments

Business strategy

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

The Company aims to deliver these objectives by implementing its focus and growth strategy and:

- delivering existing production by optimising production performance from existing assets;
- delivering opportunities near to existing fields and basins;
- developing opportunities in new ventures in focus areas;
- selectively identifying and pursuing acquisition of growth assets; and
- capitalising on our existing relationships and South East Asian regional presence.

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

Key projects and opportunities being pursued during the 2015 financial year include:

- China
  + 09/05 exploration well in 2H15;
  + continue with feasibility study for Beibu Gulf Phase II development plan for WZ-12-8 East;
  + assessing current exploration rounds.
- Malaysia
  + Final Investment Decision ('FDP') study in 1H15 relating to D35 Project Phase 2;
  + pursuing mature field PSC redevelopment projects; and
  + assessing current exploration licence rounds.
- Australia
  + reviewing current acreage, looking for opportunities to complement the existing portfolio.

ROC will continue to pursue a range of other exploration and new business opportunities designed to grow the Company.

Directors' Report

Share Rights and Options

During the financial year, the Company granted 7,430,851 LTI Rights and 2,095,985 Deferred STI Rights over unissued ordinary shares of ROC.

During the financial year, 1,156,660 ordinary shares were issued as a result of vesting of LTI Rights.

Details of LTI Rights, Deferred STI Rights and shares issued as a result of the vesting of any rights to directors or any of the 5 most highly remunerated officers of the Company are as follows:

Name	LTI Rights granted in 2014	Deferred STI Rights granted in 2014	Shares issued as a result of vesting of rights in 2014
Alan Linn	1,180,851	387,209	1,156,660
Anthony Neilson	600,000	137,640	Nil
Rolf Stork	600,000	147,733	Nil
Ron Morris	600,000	153,105	Nil
Pierre Eliet	550,000	125,122	Nil
Leanne Nolan	650,000	153,153	Nil

As at the date of this Directors' Report, there are no options or rights granted over unissued ordinary shares of ROC. All rights or options in existence during the financial year were cancelled as part of the takeover of ROC shares by Transcendant Resources Limited a wholly owned subsidiary of Fosun International Limited.

Indemnification of Directors and Officers

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

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

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

Proceedings

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

Rounding

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 8.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001* and forms part of the financial statements.

On behalf of the Directors:

Mr Bin Zhao
Chairman

Mr A M Neilson
Director and Executive Officer

Sydney, 4 March 2015

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our audit of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2014, 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

Ernst & Young

Trent van Veen
Partner
4 March 2015

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 2014.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The Group reported a net profit after income tax of US$49.5 million (2013: US$45.2 million). The Group's gross profit was US$88.0 million (2013: US$96.1 million).

Included in the overall result were items relating to:

- After tax impairment of Oil and Gas assets of US$5.9 million. (pre-tax US$10.0 million);
- Exploration expense of US$9.3 million;
- Impairment of the investment in BC Petroleum Sdn Bhd ('BCP') of US$2.3 million; and
- After Tax Profit on the sale of Basker Manta Gummy of US$32.6 million.

Sales and Production Growth

The Group recorded reliable performance from its producing assets, with working interest production of 3.7 MMBOE (10,035 BOEPD) (2013: 2.7 MMBOE; 7,263 BOED), up 38% compared to the prior year as a result of the farm-in to the D35 PSC. Of the total working interest production, 0.6 MMBBL (18%) 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 economic interest 2P reserves at 31 December 2014 was 13.7 MMBOE.

Oil and gas sales revenue of US$275.9 million (2013: US$251.0 million) was generated from sales volumes of 3.1 MMBOE (2013: 2.4 MMBOE), which achieved an average realised oil price of US$94.24/BBL (2013: US$104.61/BBL). Operating costs of US$187.8 million (2013: US$154.9 million) comprised production costs of US$68.7 million (US$18.74/BOE), amortisation costs of US$80.9 million (US$22.07/BOE), and special oil income levy, supplemental taxes and royalty of US$36.6 million and stock movements of US$1.7 million.

Exploration Expensed

Exploration and evaluation expenditure of US$15.3 million (2013: US$16.0 million) was incurred during the period, attributable to one exploration well in Block 09/05, two exploration wells in Beibu Gulf and new venture costs. In accordance with the Company's successful efforts accounting policy, US$9.2 million (2013: US$16.5 million) in exploration costs were expensed and written-off during the period.

Income Tax

An income tax expense of US$23.9 million (2013: US$16.5 million) was incurred during the period, which included an income tax expense of US$22.7 million, current PRRT of US$6.8 million and a prior year underprovision of US$2.6 million and a income tax credit of US$8.2 million relating to timing differences.

The total tax paid during the year was US$34.4 million (2013: $30.9 million), relating to Zhao Dong, Beibu, UK assets and PRRT in Australia.

Consolidated Statement of Cash Flows

Net cash generated from operating activities was US$112.0 million (2013: US$101.5 million). The funds were primarily used for development expenditure of US$42.8 million (2013: US$59.6 million), and investment in associate company BCP of US$5.4 million (2013: US$40.7 million), exploration expenditure initially capitalised US$12.8 million (2013: Nil) and loan to related party US$8.4 million (2013: Nil).

Discussion and Analysis of Financial Statements

CORPORATE ACTIVITY

Health, Safety and Environment (HSE)

ROC reported two Lost Time Injuries sustained by contractor personnel at its Cliff Head operations and were investigated and appropriate action was taken.

Implementation of our updated HSE Management Systems, additional HSE Expectations and our Asset Integrity Management system progressed as we continue to pursue HSE excellence. The Company reported no Tier 1 or Tier 2 process safety events during the year.

OPERATIONAL OVERVIEW

Production and Development

The Group incurred US$68.7 million in production costs (2013: US$51.0 million) and US$26.4 million (2013: US$60.7 million) in development expenditure during 2014. Development costs primarily related to the development of D35 and 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 (11.667% and operator) and Zhanghai Block (39.2% and operator) averaged 3,728 BOPD, down 7% compared to the previous year as a result of natural field decline.

Development expenditure of US$21.2 million (2013: US$33.9 million) was incurred. A total of 15 wells were drilled during 2014 and the annual production target was achieved.

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 801 BOPD, down 25% compared to the previous year due to natural decline.

Blane Oil Field, North Sea (12.5%)

ROC's working interest in oil production from the Blane Field averaged 508 BOEPD, down 10% compared to the previous year.

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

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

PETRONAS Carigali is the Operator of the PSC and it appointed ROC as the Project Development Manager, responsible for subsurface management, well engineering, new facilities projects and project execution.

ROC farmed out a 20% participating interest in the PSC for the D35 project, to Dialog Resources Sdn Bhd (Dialog). The Dialog farm-in reduces ROC's participating interest to 30%. The 20% farm-out has been approved by PETRONAS and existing joint venture partners and is effective 1 January 2014.

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

Enoch remained shut in throughout 2014. Restoration works were carried out with new tree deployed and production testing completed in December. Production is expected to recommence in the first half of 2015.

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

ROC's working interest in oil production from the Beibu Field averaged 2,191 BOEPD, up 35% compared to last year as production commencing in March 2014 and all 15 wells were only on production by August 2014.

BMG Oil and Gas Fields, VIC/L26, VIC/L27 and VIC/L28, Offshore Victoria (50% and Operator)

In line with ROC's strategy to exit from non-core assets, on 31 March ROC announced that it signed a Sale and Purchase Agreement to sell its entire 50% participating interest in the BMG field to Cooper Energy Limited (ASX: COE). The sale of the BMG asset generated a profit of US$32.6 million mainly from the reversal of the restoration provision; released personnel for new projects and mitigated a significant future abandonment obligation. ROC received an upfront cash consideration of A$1 million and an A$5 million contingent consideration, subject to first hydrocarbons from a commercial development.

The sale was effective 1 January 2014 and all regulatory approvals have been received and the interests and operatorship have now been transferred to COE.

Exploration and Appraisal

The Group incurred US$15.3 million (2013: US$16.0 million) in exploration and evaluation expenditure during 2014.

Balai Cluster Risk Service Contract, Offshore Sarawak, Malaysia (48%)

In March BC Petroleum (BCP) received Field Development Plan (FDP) approval from PETRONAS for the development of the Bentara Field within the Balai Cluster.

On 25 May, oil production from the Bentara Field was successfully brought on stream.

Production from the Bentara Field from the two appraisal wells across the existing platform and then processed onboard the EPV. The Crude is transferred to point of sale via a ship-to-ship transfer with a shuttle tanker, and the first transfer of ~50,000 barrels completed on 18 July.

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

Block 09/05, Bohai Bay (60% and Operator)

On 14 August, ROC announced the spudding and farm-out of a 40% interest in Block 09/05 to AWE China Pte. Ltd (AWE) for US$2 million and a part carry of two exploration wells. In September the first well QK11-1-1 was drilled to a total depth of 4,377m MD and 3,862m TVD. The well encountered the prognosed objectives of Ming, Guantao and Dongying, but did not confirm the presence of commercial hydrocarbons. The well was plugged and abandoned.

Beibu Gulf, Offshore China (40% and Operator)

During the period, 2 exploration wells were drilled. The WZ12-10-1 well was drilled to a total depth of 1406m MD1,373m TVDSS, where the Basement granite has been intersected. The well discovered oil in the very top of the Jiaowei (T42) formation over an interval of 5.5m, with a high porosity net oil pay of 4.2m. A sidetrack (WZ12-10-1Sa) was then drilled with 340m eastern step out to a total depth of 1,265m MD/1,105m TVDSS to prove up the updip T42 reservoir and confirmed oil in the very top of the Jiaowei (T42) formation with a thicker net oil pay of 5.5m. Wireline evaluation logging program (NMR, MDT Pressuring and Sampling) has been run, which confirmed the oil pay in T42 reservoir. The well was plugged and abandoned on 27 September 2014.

The rig then spudded WZ12-10-2 exploration well, the final well in the program. The WZ12-10-2 well discovered oil in the Jiaowei (T42) formation with a high porosity net oil pay of ~11m TVD. The WZ12-10-2 well was drilled to a total depth of 1,590m MD/1,382m TVDSS, where the basement granite has been confirmed, as prognosed. Wireline evaluation logging programs (MDT Pressuring/Sampling, NMR and Rotary Sidewall Coring) have been run and confirmed the oil pay in T42 reservoir has favourable reservoir porosities in the region of 31% and oil properties of approximately 29 deg API. The well was plugged and abandoned on 12 October 2014 and the rig was released.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Sales revenue		**275,887**	**250,995**
Operating costs		(187,840)	(154,889)
Gross profit		**88,047**	**96,106**
Other income	*3*	1,987	189
Gain on sale of exploration and development assets		32,597	8,000
Exploration expensed and written off	*10*	(9,254)	(16,537)
Impairment of oil and gas assets	*9*	(10,006)	-
Impairment of investment in associate company		(2,300)	(6,900)
Foreign currency translation reserve gain on liquidation of subsidiary		-	36
Other costs	*4*	(24,378)	(15,346)
Finance costs	*5*	(3,379)	(3,839)
Profit before income tax		**73,314**	**61,709**
Income tax expense	*6*	(23,861)	(16,520)
Net profit		**49,453**	**45,189**
Other comprehensive loss			
Foreign currency translation reserve gain on liquidation of subsidiary		-	(36)
Other comprehensive loss net of tax		**-**	**(36)**
Total comprehensive profit		**49,453**	**45,153**

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 US$'000	2013 US$'000
Current assets			
Cash assets	*7*	106,409	65,140
Trade and other receivables		40,032	32,361
Inventories		1,234	2,133
Total current assets		**147,675**	**99,634**
Non-current assets			
Oil and gas assets	*9*	179,383	227,158
Exploration and evaluation expenditure	*10*	6,679	587
Property, plant and equipment	*11*	244	858
Deferred tax assets	*6*	21,131	20,594
Investments in associate companies		70,279	67,203
Total non-current assets		**277,716**	**316,400**
Total assets		**425,391**	**416,034**
Current liabilities			
Trade and other payables	*13*	40,037	42,247
Current tax liabilities	*6*	5,904	8,258
Provisions	*14*	9,425	14,235
Total current liabilities		**55,366**	**64,740**
Non-current liabilities			
Long Term Liabilities		7,500	-
Deferred tax liabilities	*6*	13,333	21,078
Provisions	*14*	29,514	63,961
Total non-current liabilities		**50,347**	**85,039**
Total liabilities		**105,713**	**149,779**
Net assets		**319,678**	**266,255**
Equity			
Share capital	*15*	734,150	734,150
Accumulated losses		(439,380)	(488,833)
Other reserves		24,908	20,938
Total equity		**319,678**	**266,255**

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	Note	Inflow/ (Outflow) 2014 US$'000	Inflow/ (Outflow) 2013 US$'000
Cash flows from operating activities			
Cash generated from operations		161,936	154,341
Derivatives received		-	68
Payments for exploration and evaluation expenses		(2,873)	(16,470)
Net financing costs		(1,548)	(1,390)
Payments made for abandonment costs		(12,955)	(2,299)
Payments for non-production phase for BMG		1,824	(1,837)
Income taxes and PRRT paid		(34,436)	(30,878)
Net cash generated from operating activities		**111,948**	**101,535**
Cash flows from investing activities			
Payments for plant and equipment		(172)	(184)
Payments for development expenditure		(42,750)	(59,561)
Payments for exploration and evaluation expenditure initially capitalised		(12,826)	-
Proceeds from sale of exploration and development assets		-	7,985
Related party transaction		(8,396)	-
Investment in associate company		(5,376)	(40,680)
Net cash used in investing activities		**(69,520)**	**(92,440)**
Net increase in cash held		**42,428**	**9,095**
Cash at beginning of financial year		65,140	56,783
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,159)	(738)
Cash at end of financial year	*7*	**106,409**	**65,140**

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2014

	Share Capital US$'000	Accumulated Losses US$'000	Share Equity Reserve US$'000	Foreign Currency Translation Reserve US$'000	Total US$'000
Balance at 1 January 2013	**734,150**	**(534,022)**	**12,460**	**6,061**	**218,649**
Total comprehensive profit/(loss) net of tax	-	45,189	-	(36)	45,153
Share-based payments	-	-	2,453	-	2,453
Balance at 31 December 2013	**734,150**	**(488,833)**	**14,913**	**6,025**	**266,255**
Total comprehensive profit net of tax	-	49,453	-	-	49,453
Share-based payments	-	-	3,970	-	3,970
Balance at 31 December 2014	**734,150**	**(439,380)**	**18,883**	**6,025**	**319,678**

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, 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 4 March 2015 by the Board.

Statement of compliance

The Group has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 January 2014.

The Group is a for-profit, private sector entity which is not publicly accountable. Therefore the consolidated financial statement for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001.

The adoption of AASB 1053 and AASB 2010-2 allowed Roc Oil Company Limited to remove a number of disclosures. There were no other impacts on the current or prior year financial statements.

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.

Oil and gas assets

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

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

Exploration and evaluation expenditure

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

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

- is expected to be recovered through sale or successful development and exploitation of the area of interest; or

- relates to an exploration discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet complete, or additional appraisal work is underway or planned.

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

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

Plant and equipment

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

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

• plant and equipment	• 2 – 10 years;
• leasehold improvements	• 2 –10 years; and
• 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.

Oil and gas stock and materials inventories

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

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

Under/overlift

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

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.

Investments

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

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies *continued*

Provision for restoration

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

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

Cash and cash equivalents

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

Investments in associate companies

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

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

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

Trade receivables

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

Impairment

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

Calculation of recoverable amount

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

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

Provisions

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

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.

Finance costs

Finance costs are recognised as an expense when incurred and are calculated using the effective interest rate method. This method amortises the transaction costs over the term of the borrowing.

Share-based payment transactions

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

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.

Note 1. Summary of Significant Accounting Policies *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 operations, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Petroleum Resource Rent Tax

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

Goods and services tax

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

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

Foreign currency translation

Functional and presentation currency

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

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

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

Transactions and balances

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

Group companies

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

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

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

Employee benefits

Liability to employees for annual leave and long service leave is provided for when it is probable that settlement will be required and it is capable of being measured reliably. All employment related on-costs (including payroll tax and superannuation contributions) are included in the calculation of the required provision. Provisions for annual leave in respect of services provided by employees up to the reporting date expected to be settled within 12 months, are measured using remuneration levels expected to apply at the time of settlement.

Provisions for annual leave and long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Interests in joint arrangements

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

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

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

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

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

Notes to the Consolidated Financial Statements

Note 2. Significant Accounting Judgements, Estimates and Assumptions *continued*

(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 proved 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.

Note 3. Other Income

	2014 US$'000	2013 US$'000
Interest income – external	110	189
Sundry income	1,877	-
	1,987	**189**

Note 4. Other Costs

	2014 US$'000	2013 US$'000
Operating lease expenses	1,321	959
Depreciation	787	400
General and administration costs	18,119	11,027
Share-based payments	3,969	2,453
Net foreign currency loss	182	507
	24,378	**15,346**

Note 5. Finance Costs

Interest expensed on bank loans	-	106
Unwinding of discount – restoration provision	931	1,700
Other finance costs	2,448	2,033
	3,379	**3,839**

Note 6. Tax

(a) Composition of income tax

Income tax charge – current period	(22,736)	(18,661)
Income tax credit – prior period	(2,626)	288
PRRT – current period	(6,781)	(11,048)
Deferred income tax – current period	2,416	10,283
Deferred income tax – PRRT	5,866	2,618
Income tax expense	**(23,861)**	**(16,520)**

(b) Recognised tax liabilities and assets

	2014 Current Tax Liabilities US$'000	2014 Net Deferred Income Tax Liabilities US$'000	2013 Current Tax Liabilities US$'000	2013 Net Deferred Income Tax Liabilities US$'000
Opening balance	(8,258)	(484)	(9,944)	(13,385)
(Charged)/credited	(32,143)	8,282	(29,421)	12,901
Cash payments	34,436	-	30,878	-
Asset sold	-	-	-	-
Translation gain	61	-	229	-
	(5,904)	**7,798**	**(8,258)**	**(484)**

Note 6. Tax *continued*

Deferred income tax at 31 December relates to the following:

	Consolidated Statement of Financial Position	
	2014 US$'000	**2013 US$'000**
(i) Deferred tax assets		
Asset timing differences	17,726	17,133
Provisions	3,405	3,461
Net deferred tax assets	**21,131**	**20,594**
(ii) Deferred tax liabilities		
Asset timing differences	(16,531)	(17,618)
Provisions	4,586	3,794
PRRT	(1,388)	(7,254)
Net deferred tax liabilities	**(13,333)**	**(21,078)**
Total net deferred tax liabilities	**7,798**	**(484)**

(c) Tax losses

Tax losses not recognised – revenue	**68,894**	**67,095**

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:

	2014 US$'000	2013 US$'000
Profit before income tax	73,214	61,709
Prima facie income tax expense calculated as 30% of profit before income tax	(21,964)	(18,512)
Tax effect of adjustments		
Non-deductible expenses	940	(472)
Non-assessable income	-	2,400
Overseas tax rate differential	(2,069)	(236)
Prior year over provision	2,626	288
Deferred tax asset not previously recognised	-	7,636
Tax losses not brought into account	1,104	(3,032)
PRRT	(4,502)	(8,430)
Other	4	3,838
Income tax expense	**(23,861)**	**(16,520)**

Note 7. Cash Assets

Cash and cash equivalents	106,409	65,140
	106,409	**65,140**

Note 8. Information Relating to Roc Oil Company Limited ('parent entity')

	2014 US$'000	2013 US$'000
Current assets	160,607	185,503
Total assets	183,918	224,557
Current liabilities	2,955	2,805
Total liabilities	4,288	3,988
Net assets	**179,630**	**220,569**
Share capital	734,150	734,150
Accumulated losses	(642,986)	(598,077)
Share equity reserve	18,882	14,912
Foreign currency translation reserve	69,584	69,584
Total equity	**179,630**	**220,569**
Net (loss) of the parent entity	(44,908)	(1,380)
Total comprehensive (loss) of the parent entity	(44,908)	(1,380)

Note 9. Oil and Gas Assets

	US$'000
Costs	
At 31 December 2013	1,111,220
Development expenditure incurred	26,390
Increase in restoration asset	5,759
Asset acquisition	10,931
Asset disposal	(245,181)
At 31 December 2014	909,119
Accumulated amortisation	
At 31 December 2013	(884,062)
Charge	(80,850)
Asset disposal	245,182
Net impairment of assets	(10,006)
At 31 December 2014	**(729,736)**
Net book value at 31 December 2014	**179,383**
Net book value at 31 December 2013	227,158

The impairment loss of US$10.0 million before tax (US$5.9 million after tax) represents the write-down of Cliff Head asset to recoverable amount as a result of lower oil prices.

Notes to the Consolidated Financial Statements

Note 10. Exploration and Evaluation Expenditure

	2014 US$'000	2013 US$'000
Opening balance	587	1,094
Expenditure incurred	15,346	16,030
Amounts expensed and written-off	(9,254)	(16,537)
	6,679	**587**

The ultimate recovery of the capitalised exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the commercial sale of the relevant areas of interest.

Note 11. Plant and Equipment

Costs		
Opening balance	8,149	7,971
Expenditure incurred	173	178
Disposal	(5,989)	-
Costs at 31 December	**2,333**	**8,149**
Accumulated depreciation		
Opening balance	(7,291)	(6,891)
Charge	(787)	(400)
Disposal	5,989	-
Accumulated depreciation at 31 December	**(2,089)**	**(7,291)**
Net book value	**244**	**858**

Note 12. Controlled Entities

	Country of Incorporation	Ownership and Voting Interest 2014 %	Ownership and Voting Interest 2013 %
Name of entity			
Parent entity			
Roc Oil Company Limited	Australia		
Controlled entities			
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Anzon Energy Pty Limited	Australia	100	100
Roc Oil (VIC) Pty Limited	Australia	100	100
Roc Oil (Exploration No. 1) Pty Limited	Australia	100	100
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Tasman) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	100
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	100
Roc Oil (Sarawak) Sdn Bhd	Malaysia	100(1)	-
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 (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Limited	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (Myanmar International Holdings) Company	Cayman Islands	100(1)	-
Roc Oil (Myanmar Holdings) Pte Ltd	Singapore	100(1)	-
Roc Oil (Myanmar) Pte Ltd	Singapore	100(1)	-
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

1. Note: Incorporated during the period.

Notes to the Consolidated Financial Statements

Note 13. Trade and Other Payables

	2014 US$'000	2013 US$'000
Trade and other payables	3,251	18,832
Accrued liabilities	34,900	22,373
Stock overlift	1,886	1,042
	40,037	**42,247**

Note 14. Provisions

	Employee Benefits US$'000	Restoration US$'000	Total US$'000
Balance at 1 January 2014	2,787	75,409	78,196
Additions	964	5,759	6,723
Disposal	-	(32,662)	(32,662)
Unwinding of discount		931	931
Utilised	(751)	(12,955)	(13,706)
Translation adjustments	(543)	-	(543)
Balance at 31 December 2014	**2,457**	**36,482**	**38,939**
Current – 2014	1,125	8,300	9,425
Non-current – 2014	1,332	28,182	29,514
Total 2014	**2,457**	**36,482**	**38,939**
Current – 2013	1,605	12,630	14,235
Non-current – 2013	1,182	62,779	63,961
Total 2013	**2,787**	**75,409**	**78,196**

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.

Note 15. Share Capital

	2014 Number of Shares	2013 Number of Shares	2014 US$'000	2013 US$'000
Balance at beginning of financial year	686,461,740	683,235,552	734,150	734,150
Issue of shares pursuant to the exercise of rights under the Long Term Incentive Plan	1,156,660	3,226,188	-	-
Balance at end of financial year	**687,618,400**	**686,461,740**	**734,150**	**734,150**

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Note 16. Related Party Disclosures

The ultimate parent

The ultimate parent of the Group is Fosun International Limited.

Loan to parent company

The loan granted to Transcendent Resources Limited is intended to finance payments for employee options/rights as a result of company acquisition. The loan amount as at 31 Dec 2014 is AU$10,328,113 (including interest amount of AU$13,849) and is unsecured and repayable on demand. Interest is charged at 3 month Bank Bill Swap Rate plus a margin of 100 basis points.

Loan to key management personnel ("KMP")

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

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

	2014 US$	2013 US$
Total Compensation	**8,193,085**	**8,235,899**

Note 17. Commitments for Expenditure

(a) Capital commitments

Not longer than one year		
Joint operations	10,600	21,065
Longer than one year but not longer than five years		
Joint operations	63,000	14,736
	73,600	**35,801**

(b) Operating lease expenditure commitments

Not longer than one year	1,697	2,331
Longer than one year but not longer than five years	768	4,589
Longer than five years		-
	2,465	**6,920**

Note 18. Employee Benefits

Under the off-market takeover bid by Transcendent Resources Limited (Fosun), a wholly owned subsidiary of Fosun International Limited (Fosun International) for all the ordinary shares (ROC Shares) in Roc Oil Company Limited (ROC) at A$0.69 per ROC Share, as announced to the ASX on 4 August 2014 (the Share Offer). All outstanding LTI, STI and Options were purchased by Fosun at A$0.69 per right.

(a) Long Term Incentive Plan

The ROC Long Term Incentive ('LTI') Plan 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.

Note 18. Employee Benefits continued

The fair value of the rights has been calculated at the grant date and allocated to each reporting period from grant date to vesting date. The fair value of the rights has been calculated using the Monte Carlo simulation technique, taking into account the terms and conditions upon which the rights were granted.

A summary of the LTI Rights granted is as follows:

Grant Date	Vesting Date	Opening Balance 1 Jan 2014	Granted	Exercised	Lapsed/ Cancelled	Closing Balance 31 Dec 2014	ROC Share Price at Date of Issue A$
07/03/2011	07/03/2014	1,500,000	-	(1,050,000)	(450,000)	-	0.39
16/12/2011	16/12/2014	4,410,000	-	-	(4,410,000)	-	0.27
29/02/2012	01/03/2015	200,000	-	-	(200,000)	-	0.41
13/09/2012	13/09/2015	500,000	-	-	(500,000)	-	0.38
01/03/2013	01/03/2016	5,620,000	-	-	(5,620,000)	-	0.54
15/05/2013	01/03/2016	977,358	-	-	(977,358)	-	0.44
31/05/2013	25/05/2016	150,000	-	-	(150,000)	-	0.48
06/09/2013	06/09/2016	150,000	-	-	(150,000)	-	0.54
18/03/2014	31/12/2016	-	6,250,000	-	(6,250,000)	-	0.44
14/07/2014	31/12/2016	-	1,180,851	-	(1,180,851)	-	0.58
		13,507,358	**7,430,851**	**(1,050,000)**	**(19,888,209)**		

(b) Short Term Incentive Plan

The ROC Short Term Incentive ('STI') plan is a variable performance-based cash and deferred equity incentive plan designed to reward Senior Executives and eligible employees for performance, following the end of the financial year. The deferred equity component of the STI is awarded in the form of share rights that may be converted into fully paid ordinary shares in the Company on satisfaction of performance conditions and Board approval ('Deferred STI Rights').

A summary of the Deferred STI rights granted is as follows:

Grant Date	Opening Balance 1 Jan 2014	Granted	Exercised	Lapsed/ Cancelled	Closing Balance 31 Dec 2014	ROC Share Price at Date of Issue A$
15/05/2014	284,360	-	(106,660)	(177,700)	-	0.48
29/01/2014	2,095,985	-	-	(2,095,985)	-	0.46
	2,380,345	**-**	**(106,660)**	**(2,273,685)**	**-**	

(c) 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.

	2014		2013	
	Number of Options	Weighted Average Exercise Price A$	Number of Options	Weighted Average Exercise Price A$
Balance at beginning of financial year	980,000	1.80	1,500,000	2.36
Granted	-	-	-	-
Cancelled	(300,000)	0.73	-	-
Forfeited	-	-	(20,000)	2.28
Lapsed	(680,000)	2.28	(500,000)	3.45
Balance at end of financial year	**-**	**-**	**980,000**	**1.80**

Note 19. Joint Operations

The Group has an interest (rounded to two decimal places) in the following joint operations as at 31 December 2014:

Country	Block	Principal Activities	Interest 2014 %	Interest 2013 %
Australia	WA-31-L (Cliff Head)	Oil production	42.50	42.50
	L14 (Jingemia)	Oil production	0.25	0.25
	VIC/L26, VIC/L27 and VIC/L28 (BMG)	Oil production	-	50.00
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas development	40.00/19.60[1]	40.00/19.60[1]
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.67[2]	24.50/11.67[2]
	Chenghai and Zhanghai Blocks	Oil appraisal/development/ production	80.00/39.20[3]	80.00/39.20[3]
	Block 09/05 (Bohai Bay)	Oil and gas exploration	60.00	100.00
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50[4]	15.24/12.50[4]
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00[4]	15.00/12.00[4]
Malaysia	D35/D21/J4	Oil and gas development/production	30.00	-

Notes:

1. Interest in field development post-government back-in.
2. Unitised interest in the C4 Field. Final redetermination occurred in 2013, resulting in a small increase in interest to 11.667%.
3. Interest in development/production following government back-in.
4. Unitised interest in producing Blane and Enoch Fields.

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

Notes to the Consolidated Financial Statements

Note 20. Associate Companies

Details of investments in associate companies are as follows:

Name of Associate Company	Country of Incorporation	Principal Activity	Balance Date	Beneficial Interest in Ordinary Shares at 31 December 2014 %	2013 %
Croft Exploration Limited	UK	Dormant	31 December	50	50
BC Petroleum Sdn Bhd	Malaysia	Development/ appraisal	31 December	48	48

The group's interest in the Associates is accounted for using the equity accounting method.

Note 21. Contingent Liabilities

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

Note 22. Subsequent Events

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

Note 23. Additional Company Information

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

The registered office and principal place of business are:

Level 36, 1 Farrer Place
Sydney NSW 2000
Australia.

Telephone number: +61 2 8023 2000

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:

(b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(c) complying with Australian Accounting Standards – Reduced Disclosure Requirement and the *Corporations Regulations 2001*;

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

On behalf of the Directors:

Mr Bin Zhao
Chairman

Mr A M Neilson
Chief Executive Officer

Sydney, 4 March 2014

Building a better working world

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

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 2014, 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 – Reduced Disclosure Requirements 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.

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 judgment, 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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the year ended on that date; and

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

Ernst & Young

Ernst & Young

Trent van Veen
Partner
Sydney
4 March 2015

Glossary and Definitions

API	The American Petroleum Institute unit of measurement that denotes how heavy or light (the gravity) a petroleum liquid is compared to water – the lower the API number, the heavier the oil.
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
Economic interest	The working interest share of production which is adjusted for production that is delivered to host governments under the petroleum contracts.
Group	Parent entity and its subsidiaries
GST	Goods and services tax
HSE	Health, Safety & Environment
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
OGP	International Association of Oil & Gas Producers
Possible reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Probable reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Proved reserves	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven".
PRRT	Petroleum Resource Rent Tax
PSC	Production Sharing Contract
Reserves	Are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied
ROC	Roc Oil Company Limited
RSC	Risk Service Contract
SPE	Society of Petroleum Engineers
UK	United Kingdom
Undeveloped reserves	Are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.
USD/US$ or cents	United States currency
WI%	Working Interest Percentage
1P	Proven reserves
2C	Denotes best estimate scenario of Contingent Resources
2P	Proved and probable reserves
3D	Three dimensional
3P	Proved and probable and possible