ASX Listing Rule 4.3A

Appendix 4E

Financial Year Ended 31 December 2011

This information should be read in conjunction with ROC's 2011 Financial Report which is enclosed.

Name of Entity

Roc Oil Company Limited

ABN or Equivalent Company Reference

32 075 965 856

Results For Announcement To The Market

				US$'000
Revenues from ordinary activities	Increase	21%	To	285,831
Profit from ordinary activities after tax attributable to members	Increase	N/A	To	27,747
Net profit for the period attributable to members	Increase	N/A	To	27,747

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the final dividend	N/A	
Payment date for the final dividend	N/A	

A review of the consolidated entity's operations during the year is included in the attached Financial Report.

Roc Oil Company Limited

Directors' Report, Annual Financial Report and Directors' Declaration for the Financial Year ended 31 December 2011

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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 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 23 to 27.

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 8 to 21 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 22 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 Compensation			
	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

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

continued

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 ended 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.

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		
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		
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		
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.

	2011 US$'000	2010 US$'000
Reconciliation of net profit before tax to cash generated from operations		
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**

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.

Notes to the Consolidated Financial Statements

continued

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

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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

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	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.

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Note 30. 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 2011 %	2010 %	Book Value of Ordinary Shares at 31 December 2011 US$'000	2010 US$'000	Contribution to Consolidated Profit/(Loss) 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$'000	2010 US$'000

Note 31. Remuneration of Auditors

	2011 US$'000	2010 US$'000
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

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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

ERNST & YOUNG

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

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(9)
China	Beibu Gulf Development Areas	WZ 6-12, WZ 12-8	40.00/19.60(5)	Roc Oil (China) Company/CNOOC Limited
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.58(6)	Roc Oil (Bohai) Company
	Chenghai and Zhanghai Blocks		80.00/39.20(7)	Roc Oil (Bohai) Company
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50(8)	Talisman Energy (UK) Limited
	P219 (Block 16/13a and e)	Enoch, J1	15.00/12.00(8)	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) Interest in field development post-government back-in.
(6) Unitised interest in the C4 Field.
(7) Interest in development/production following government back-in.
(8) Unitised interest in producing Blane and Enoch Fields.
(9) ROC is operator and South Atlantic Petroleum JDN SAS is Technical Manager.

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.
FPSO	Floating production and storage and offloading vessel.
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.
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.
UK	United Kingdom.
USD/US$ or cents	United States currency.
2C	Proved and probable contingent resources.
3D	Three dimensional.
2P	Proved and probable reserves.

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