



**REPORT TO SHAREHOLDERS**  
**Activities for the Quarter Ended 30 September 2010**

**ACTING CEO COMMENTS**

Production during the Quarter averaged 8,670 BOEPD, up 6% compared to the previous quarter. ROC remains on target to meet 2010 production guidance of between 8,000-9,000 BOEPD: Year-to-Date production to 24 October was 8,452 BOEPD. Exploration and development costs also continue to track in line with expectations.

During the Quarter, a significant milestone was achieved for the Beibu Gulf development project, with the signing of the Supplemental Development Agreement ("SDA") to the Petroleum Contract, which outlines the agreed commercial terms and confirms that China National Offshore Oil Company Ltd ("CNOOC") will operate and take a 51% participating interest in the project. The Final Investment Decision ("FID") for the project is anticipated before the end of the year.

The Company has a solid foundation on which to grow the business, with clearly established operational and financial objectives and continued progression for the Beibu Gulf development project. The Senior Management Team and the Board have worked to develop and pursue a cohesive strategy – this will not change with the appointment of an Acting CEO. However, BMG asset performance continues to be unsatisfactory and the reduction of existing exposure to the African asset portfolio is taking longer than anticipated. These challenges will be addressed as a matter of priority over the coming months.

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**KEY ACTIVITIES**

**1. CONSOLIDATED REVENUE & PRODUCTION**

- 1.1** Total working interest production of 0.798 MMBOE (8,670 BOEPD); up 6% compared to 0.747 MMBOE (8,207 BOEPD) in the previous quarter.
- 1.2** Sales volumes of 0.804 MMBOE; up 24% compared to 0.647 MMBOE in the previous quarter. ROC's net crude oil underlift position at Quarter-end decreased by 0.1 MMBOE to 0.2 MMBOE.
- 1.3** Total sales revenue of US\$59.9 million; up 18% compared to US\$50.8 million in the previous quarter.
- 1.4** Average realised oil price (excluding hedging) in the Quarter of US\$74.55/BBL; down 5% compared to US\$78.68/BBL in the previous quarter. The Brent crude oil price averaged US\$76.86/BBL in the Quarter.

## 2. PRODUCTION ASSETS

### 2.1 Zhao Dong C & D Oil Fields, Bohai Bay, Offshore China (ROC: 24.5% & Operator)

Gross oil production averaged 19,442 BOPD (ROC: 4,763 BOPD); up 17% compared to the previous quarter due to the ongoing development drilling programme. Seven new producing wells were completed and brought online during the Quarter: four wells from the ODA and ODB drilling platforms and three in the Extended Reach Area. Two new injection wells were also drilled and completed during the Quarter.

### 2.2 Zhao Dong C4 Oil Fields, Bohai Bay, Offshore China (ROC: 11.575% unitised & Operator)

Gross oil production averaged 2,488 BOPD (ROC: 288 BOPD); down 18% compared to the previous quarter due to the natural decline from the initial high rate wells drilled in 2Q 2010 and a pump problem experienced on a 2008 production well. One new C4 production well was completed and brought online during the Quarter.

### 2.3 Cliff Head Oil Field, WA-31-L, Offshore Western Australia (ROC: 37.5% & Operator)

Gross oil production averaged 3,387 BOPD (ROC: 1,270 BOPD); down 24% compared to the previous quarter due to a planned 11 day shutdown for inspections. Planning continues for a workover to install a higher-rate downhole electric submersible pump at the CH12 production well. The workover is planned to begin in December 2010.

### 2.4 Basker-Manta-Gummy ("BMG") Oil and Gas Fields, VIC/L26, VIC/L27 & VIC/L28, Offshore Victoria (ROC: 30% & Operator)

Gross oil production averaged 2,316 BOPD (ROC: 695 BOPD); up 53% compared to the previous quarter due to improved Crystal Ocean FPSO availability that allowed steady production rates during July. However, the vessel has been offline since 19 August for maintenance and remedial works to address asset integrity issues.

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

Gross oil production averaged 7,716 BOPD (ROC: 965 BOPD); up 5% compared to the previous quarter. Blane production was shut in for 35 days during the Quarter for planned repairs to the gas lift pipeline. Gas lift has been online continuously since 18 October.

### 2.6 Enoch Oil and Gas Field, North Sea (ROC: 12.0%)

Gross oil production averaged 3,450 BOPD (ROC: 414 BOPD); down 9% compared to the previous quarter due to natural field decline, ongoing facility limitations that interrupted and restricted gas lift supply from the Brae host platform and equipment downtime at the Brae platform that caused 18 days of lost production. Repairs to the Brae host platform's gas lift supply system were completed during the Quarter and gas lift was re-instated on 23 October.

### 2.7 Chinguetti Oil Field, PSC Area B, Offshore Mauritania (ROC: 3.25%)

Gross oil production averaged 7,529 BOPD (ROC: 245 BOPD); down 4% from the previous quarter due to natural field decline.

## 3. DEVELOPMENT ASSETS

### 3.1 WZ 6-12 and WZ 12-8 West Oil Field Development (Block 22/12 Petroleum Contract), Beibu Gulf, Offshore China (ROC: 19.6% & Operator)

On 24 August, the SDA to the Petroleum Contract was signed by the Beibu Gulf Joint Venture and CNOOC. This agreement outlines the commercial terms that were agreed with CNOOC in May, as well as arrangements regarding facility integration and the sharing

of services and personnel. The SDA confirms that CNOOC will take a 51% participating interest in and operate the project.

Environmental Impact Assessment ("EIA") and Overall Development Plan ("ODP") documentation has been submitted to CNOOC for final expert review and approval. Following final CNOOC approval, the Joint Venture will proceed to its FID and the ODP will be submitted to the Chinese Government. First oil production is anticipated in 2H 2012.

### **3.2 Zhao Dong C & D Oil Fields, (ROC: 24.5% & Operator) and C4 Oil Field (ROC: 11.575% unitised & Operator), Bohai Bay, Offshore China**

The 2010 drilling programme continued throughout the Quarter on schedule and within budget: 17 (13 producers and four injectors) of the planned 24 wells (17 producers and seven injectors) have now been completed. Drilling has commenced for the final seven wells from the ODA and ODB facilities. The C4 and ERA drilling programmes for 2010 have been completed.

Installation of the gas export pipeline and facilities commenced during the Quarter and gas deliveries are planned to begin in 4Q 2010, eliminating the need for gas flaring during normal operations.

### **3.3 Basker-Manta-Gummy Oil and Gas Fields, VIC/L26, VIC/L27 & VIC/L28, Offshore Victoria (ROC: 30% & Operator)**

The Joint Venture continues to evaluate various options for the potential future development of the field's gas resource.

## **4. EXPLORATION AND APPRAISAL ASSETS**

### **4.1 PEP38524, Offshore Taranaki, New Zealand (ROC: 20%)**

Roc Oil (Tasman) Pty Limited exercised its option to obtain a further 5% equity from AWE by farming-in to the drilling of Tuatara-1 on 23 July, thereby earning a 20% interest in the block.

Tuatara-1 spudded on 28 July and was drilled to a total measured depth of 1,911 metres. Non-commercial oil shows were reported between 1,790-1,850 metres and the rig was released on 20 August. Analysis of the data collected from Tuatara-1 is planned to assist in re-evaluating the permit's prospectivity.

### **4.2 PEP52181, Offshore Taranaki, New Zealand (ROC: 50% & Operator)**

An application to extend the permit by 140km<sup>2</sup> was submitted to the government in July.

### **4.3 WA-286-P & WA-31-L, Perth Basin, Offshore Western Australia (ROC: 37.5% & Operator)**

The outcome of the WA-286-P Permit Renewal Application is awaiting the resolution of a minor boundary overlap with a newly gazetted neighbouring block (T10-1).

In WA-31-L, reprocessed 2D seismic and 3D seismic survey interpretation has been completed. The assessment of additional reserve potential on the western flank of the Cliff Head field and a possible new structure in the south of the license area is being considered.

### **4.4 WA-351-P, Carnarvon Basin, Offshore Western Australia (ROC: 20%)**

No exploration activity was carried out during the Quarter.

**4.5 VIC/P49, Gippsland Basin, Offshore Victoria (ROC: 20%)**

As former permit holders of Exploration Permit VIC/P49, Nexus Energy Limited and Roc Oil (Exploration No.1) Pty. Limited have entered into a Good Standing Agreement with the Joint Authority to address the failure to complete all work commitments prior to the 15 April 2010 expiry of the permit in default. Under this agreement, ROC may discharge its share (ROC: A\$2,800,000) of the outstanding guaranteed VIC/P49 work commitment through conducting exploration activities in certain qualifying exploration permits. In accordance with the terms of the agreement, all information relating to VIC/P49 is to be provided to the Joint Authority and will become open file. In order to maintain Good Standing with the Joint Authority, the obligations under the agreement must be fulfilled within the agreed timeframe.

**4.6 PEP38259, Canterbury Basin, Offshore New Zealand (ROC: 15%)**

An extension of the drilling commitment date has been requested to allow for evaluation of rig availability and drilling costs for the Barque-1 prospect.

**4.7 Cabinda Onshore South Block, Angola (ROC: 10%)**

The Castanha-2 appraisal well was drilled during the Quarter to a total measured depth of 2,448 metres. Initial evaluation indicated that the well encountered a gross hydrocarbon column of 21 metres in the Chela Formation. The well was suspended and production testing is planned to commence in 4Q 2010 following the drilling of Castanha-3.

The Castanha-3 appraisal well commenced drilling on 20 September 2010 and was in progress at the end of the reporting period.

Acquisition commenced in late September 2010 for a 169km<sup>2</sup> 3D seismic programme (overlapping the north of Castanha-1 discovery) to define new exploration leads and assist with mapping the Castanha discovery. Acquisition is expected to be completed by the end of December 2010.

**4.8 Belo Profond Block, Offshore Madagascar, Mozambique Channel (ROC: 75% & Operator) and Juan de Nova Maritime Profond Block, Mozambique Channel (ROC: 75% & Operator)**

The farmin opportunity continues to be promoted.

**4.9 Block H, Offshore Equatorial Guinea (ROC: 37.5% & Technical Manager)**

The farmin opportunity continues to be promoted.

**4.10 Offshore Mauritania (ROC: 2 - 5.49%)**

The Cormoran-1 exploration well in Block C7 commenced drilling on 18 September 2010 and was in progress at the end of the reporting period. The planned total depth of the well is approximately 4,600 metres and the well is located in a water depth of 1,630 metres.

Cormoran-1 is planned to be followed by the Gharabi-1 exploration well in Block C6.

The government of Mauritania granted an extension to the Block C2 PSC to 21 December 2011 with optional further extensions.

The sale of ROC's Mauritanian Assets continues to be promoted.

**5. CORPORATE****5.1 Health, Safety, Environment and Community ("HSEC") Issues**

No recordable injuries were sustained at ROC operations during the Quarter. ROC's Lost Time Injury Frequency Rate ("LTIFR") per million man hours worked was 1.32 and the

Total Recordable Injury Frequency Rate ("TRIFR") per million man hours worked was 5.9 for the Year-to-Date to 30 September. Two minor reportable environmental incidents took place at ROC-operated assets during the Quarter.

## 5.2 BMG Project Litigation

Roc Oil (VIC) Pty Limited and the other named participants in the proceedings before the Federal Court of Australia settled the litigation covering all claims and counter-claims with BW Offshore ("BW") in relation to the termination of a Letter of Intent for supply of an FPSO for the BMG Project. The terms of the settlement are confidential but included a gross cash payment of \$US32.5 million to BW. The court case was dismissed on 4 October with no order as to costs.

## 5.3 Appointment of Non-Executive Directors

Mr Graham Mulligan and Mr Christopher Hodge were appointed as non-executive Directors of ROC, effective 7 September.

## 6. FINANCIAL

At Quarter-end ROC had net cash of US\$28.5 million: US\$78.1 million of cash offset by gross debt of US\$49.6 million.

### 6.1 Production (Working Interest)

|                              | 3Q 2010        | 2Q 2010        | YTD              | % Change<br>(2Q10 to 3Q10) |
|------------------------------|----------------|----------------|------------------|----------------------------|
| <b>Oil Production (BBL)</b>  |                |                |                  |                            |
| Zhao Dong C&D Fields         | 438,218        | 370,833        | 1,084,648        | 18%                        |
| Zhao Dong C4 Field           | 26,493         | 31,964         | 61,444           | (17%)                      |
| Cliff Head                   | 116,853        | 151,206        | 420,573          | (23%)                      |
| Blane                        | 88,735         | 83,319         | 285,731          | 7%                         |
| BMG                          | 63,917         | 41,309         | 243,004          | 55%                        |
| Enoch                        | 38,083         | 41,259         | 143,802          | (8%)                       |
| Chinguetti                   | 22,512         | 23,225         | 70,733           | (3%)                       |
| Other                        | 81             | 98             | 292              | (17%)                      |
| <b>Total Oil Production</b>  | <b>794,892</b> | <b>743,213</b> | <b>2,310,227</b> | <b>7%</b>                  |
| <b>Gas Production (MSCF)</b> |                |                |                  |                            |
| Enoch                        | -              | 1,769          | 30,225           | (100%)                     |
| <b>NGL Production (BOE)</b>  |                |                |                  |                            |
| Blane                        | 2,755          | 3,304          | 9,228            | (17%)                      |
| <b>Total BOE</b>             | <b>797,647</b> | <b>746,812</b> | <b>2,324,493</b> | <b>7%</b>                  |
| <b>BOEPD</b>                 | <b>8,670</b>   | <b>8,207</b>   | <b>8,515</b>     | <b>6%</b>                  |

### 6.2 Sales

|                         | 3Q 2010        |               | 2Q 2010        |               | YTD              |                |
|-------------------------|----------------|---------------|----------------|---------------|------------------|----------------|
|                         | BOE            | US\$'000      | BOE            | US\$'000      | BOE              | US\$'000       |
| <b>Oil Sales (BBLs)</b> |                |               |                |               |                  |                |
| Zhao Dong C&D Fields    | 350,848        | 25,738        | 252,441        | 19,510        | 811,750          | 60,266         |
| Zhao Dong C4 Field      | 46,711         | 3,424         | 32,404         | 2,434         | 79,377           | 5,877          |
| Blane                   | 124,490        | 9,626         | 27,832         | 2,397         | 259,958          | 20,432         |
| Cliff Head              | 116,940        | 8,716         | 150,902        | 11,671        | 421,037          | 31,953         |
| BMG                     | 94,643         | 7,084         | 106,572        | 8,736         | 276,345          | 21,363         |
| Enoch                   | 41,165         | 3,175         | 47,609         | 3,798         | 163,118          | 12,676         |
| Chinguetti              | 28,698         | 2,136         | 28,507         | 2,306         | 75,862           | 5,892          |
| Other                   | 81             | 6             | 98             | 7             | 292              | 22             |
| <b>Total Oil Sales</b>  | <b>803,576</b> | <b>59,905</b> | <b>646,365</b> | <b>50,859</b> | <b>2,087,739</b> | <b>158,481</b> |
| <b>Gas Sales (MSCF)</b> |                |               |                |               |                  |                |
| Enoch                   | -              | -             | 1,769          | 1             | 30,225           | 150            |
| <b>NGL Sales (BOE)</b>  |                |               |                |               |                  |                |
| Blane                   | 795            | 32            | 71             | (15)          | 32,836           | 1,498          |
| <b>Total Sales</b>      | <b>804,371</b> | <b>59,937</b> | <b>646,731</b> | <b>50,845</b> | <b>2,125,613</b> | <b>160,129</b> |

### 6.3 Expenditure Incurred

|  | 3Q 2010<br>US\$'000 | 2Q 2010<br>US\$'000 | YTD<br>US\$'000 |
|--|---------------------|---------------------|-----------------|
| <b>Exploration</b>                         |                     |                     |                 |
| New Zealand                                | 5,654               | 620                 | 6,274           |
| Angola                                     | 2,868               | 25                  | 1,894           |
| Mauritania                                 | 1,751               | (133)               | 1,751           |
| China                                      | 534                 | 304                 | 1,217           |
| Mozambique Channel                         | 312                 | 627                 | 1,478           |
| Equatorial Guinea                          | 80                  | 134                 | 350             |
| Australia                                  | 37                  | 262                 | 758             |
| Other                                      | 1,182               | 865                 | 2,065           |
| <b>Total Exploration</b>                   | <b>12,418</b>       | <b>2,704</b>        | <b>15,787</b>   |
| <b>Development</b>                         |                     |                     |                 |
| Zhao Dong C&D Fields                       | 8,226               | 7,645               | 17,244          |
| Zhao Dong C4 Field                         | 996                 | 1,230               | 2,887           |
| BMG  | 301                 | 989                 | 1,064           |
| Chinguetti                                 | 20                  | 12                  | 10              |
| Blane                                      | (144)               | (10)                | (154)           |
| Enoch                                      | -                   | -                   | 3               |
| <b>Total Development</b>                   | <b>9,399</b>        | <b>9,866</b>        | <b>21,054</b>   |
| <b>TOTAL EXPLORATION &amp; DEVELOPMENT</b> | <b>21,817</b>       | <b>12,570</b>       | <b>36,841</b>   |

### 6.4 Hedging

Remaining hedge positions from 30 September 2010 to 31 December 2011 are:

| Brent Oil Price Swaps |           |  |
|-----------------------|-----------|--|
|                       | Volume    | Weighted Average<br>Brent Price<br>USD/BBL |
| 2010                  | 235,997   | 65.80                                      |
| 2011                  | 875,997   | 63.71                                      |
|                       | 1,111,994 | 64.15                                      |

Hedge book mark-to-market valuation at 30 September 2010 was a liability of US\$22.1 million.

## 7 POST QUARTER EVENTS

### 7.1 Appointment of Acting CEO

On 29 October, ROC's Chief Operating Officer ("COO"), Mr Alan Linn, was appointed as Acting CEO following the resignation of Mr Bruce Clement. The Board has commenced an international search for a successor. The search will include both external and internal candidates, and is expected to take several months. While Mr Linn's responsibilities as Acting CEO commence immediately, Mr Clement will be available for a transitional hand-over until February 2011.

## 8 FURTHER INFORMATION

For further information please contact ROC's Investor Relations and External Affairs Manager, Matthew Gerber, on:

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*The reserve and resource information contained in this report is based on information compiled by Mr John Mebberson (General Manager Exploration). Mr Mebberson (BSc Geology), who is a member of the American Association of Petroleum Geologists, has more than 30 years relevant experience within the industry and consents to the information in the form and context in which it appears.*

**DEFINITIONS**

|         |  |
|---------|--|
| A\$     | Australian dollars   |
| ASX     | Australian Securities Exchange   |
| BBL(S)  | barrel(s)  |
| BCF     | billion cubic feet   |
| BFPD    | barrels of fluid per day   |
| BMG     | Basker-Manta-Gummy Oil and Gas Fields, Bass Strait, Australia                      |
| BOE     | barrels of oil equivalent (6 MSCF = 1 BOE)   |
| BOPD    | barrels of oil per day   |
| BOEPD   | barrels of oil equivalent per day  |
| CNOOC   | China National Offshore Oil Company Limited  |
| ERA     | Extended Reach Area  |
| FPSO    | Floating production, storage and offloading vessel                                 |
| LTI     | Lost time injury   |
| mBRT    | metres below rotary table  |
| MSCF    | thousand standard cubic feet   |
| MMSCF   | million standard cubic feet  |
| MMSCFD  | million standard cubic feet per day  |
| MMBBL   | million barrels  |
| MMBO    | million barrels of oil   |
| MMBOE   | million barrels of oil equivalent  |
| PSC     | Production Sharing Contract  |
| Quarter | the period 1 July 2010 to 30 September 2010  |
| ROC     | Roc Oil Company Limited and includes, where the context requires, its subsidiaries |
| TCF     | trillion cubic feet  |
| US\$    | US dollars   |
| YTD     | year to date   |