



24 April 2014

## ASX RELEASE

# 2013 ANNUAL REPORT AND SUSTAINABILITY REPORT

Attached are ROC's 2013 Annual Report and Sustainability Report. Copies of these documents are also available on ROC's website at <http://www.rocoil.com.au/Investor--Media-Centre/Reports/>.

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# Commitment to **growth**

Annual Report 2013



## **We as a company:**

- are open in our communications
- pursue excellence in all our activities
- respect our teams, partners and stakeholders.

Our people are our strength and our competitive advantage. They drive our company's success by defining our corporate culture. They embody the core values that underpin everything we do and everything we stand for.

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## **About ROC**

Roc Oil Company Limited (ROC or Company) is a leading Australian independent upstream oil and gas company with a significant presence in China, South East Asia and Australia. Incorporated in Australia, we listed on the Australian Securities Exchange (ASX) in 1999, and today our global workforce is approximately 200, located in offices in Australia, China and Malaysia.

We operate across the full range of upstream business activities from exploration and appraisal to development and production delivery.

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## **About this report**

This 2013 Annual Report is a summary of ROC's operations, strategy and financial position as at 31 December 2013.

All references to dollars, cents or \$ are US\$ dollars unless otherwise stated. An electronic version of this document is available on the ROC website at [www.rocoil.com.au](http://www.rocoil.com.au)

ROC is continuing to reduce the environmental footprint associated with the production of the Annual Report. Printed copies of the Annual Report will only be posted to shareholders who have elected to receive a printed copy.

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## **Report objectives**

This report meets our compliance requirements and governance objectives, and is designed to provide easy-to-read information on how ROC performed in 2013 for our stakeholders, including shareholders, staff, partners and the community.

We aim to build awareness of our operations, and demonstrate how we are working to deliver our vision and strategy whilst maintaining the values and commitments required to ensure sustainable operations. Our 2013 Sustainability Report is available on the ROC website at [www.rocoil.com.au](http://www.rocoil.com.au)

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## **Front page**

Beibu Gulf, offshore China

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# Business review

# 1

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## Right

Cliff Head, offshore Western Australia



# 2.7 MMBOE

Production at the end of 2013

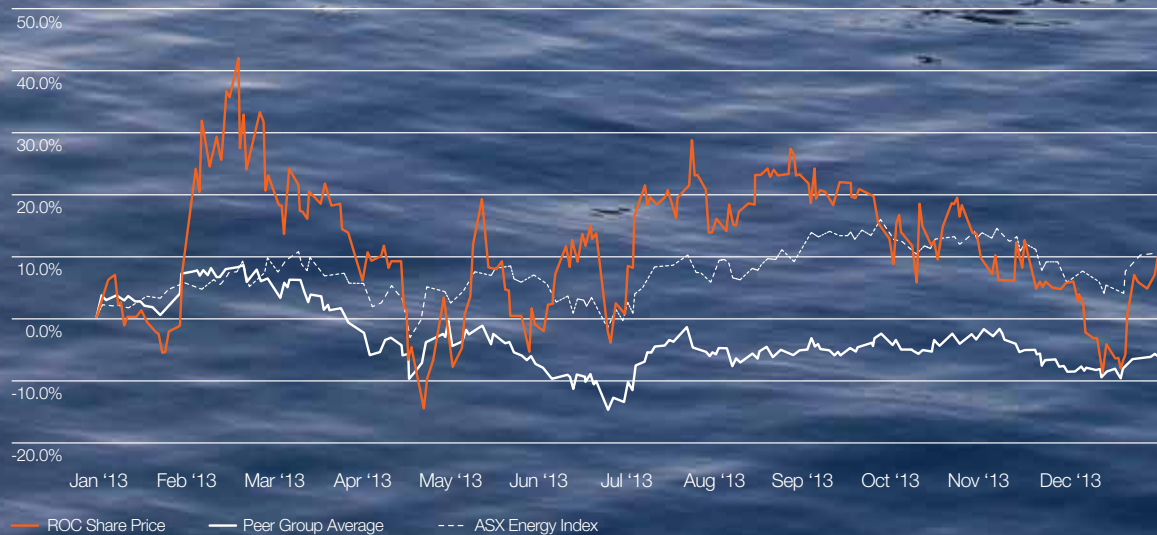
# US\$45.2m

NPAT in 2013

# US\$65.1m

Net cash at the end of 2013

## ROC Relative Share Price Performance since 1 January 2013



# ROC portfolio

**8%**

of 2013 production

**8. UK Oil Fields**

Non core production assets

ROC has established credentials as an operator, with gross operated production of approximately 20,000 BOEPD in 2013. Our core asset portfolio is based in Australia, South East Asia and China and contains a mix of exploration, development and production assets.

- Producing
- Development/Exploration

Map Reference	Location	Asset	Field & % Interest	Activity	Operator Status	2013 Production
1	China	Zhao Dong	C & D fields 24.5%; C4 fields 11.667%; Chenghai & Zhenghai 39.2%	Production	Operator	1.5MMBOE
2		Block 09/05	100% <sup>1</sup>	Exploration	Operator	162km <sup>2</sup> seismic acquisition
3		Beibu Gulf	WZ 6-12 and WZ 12-8 19.6%	Production	Non-operator	0.6MMBOE
4	Malaysia	D35/D21/J4	50%	Production	Non-operator	ROC farm-in effective 1 January 2014
5		Balai Cluster	Risk service contractor 48%	Appraisal	Operator	–
6	Australia	Cliff Head	42.5%	Production	Operator	0.4MMBOE
7		BMG <sup>2</sup>	50%	NPP	Operator	–
8	UK	Blane and Enoch	Blane 12.5%; Enoch 12%	Production	Non-operator	0.2MMBOE

#### Notes

1. Prior to government back in. In addition, farm-out option agreement for Block 09/05 signed with Horizon Oil (Beibu) Limited
2. BMG 50% interest divested in March 2014, completion subject to regulatory approval

# 55%

of 2013 production

## 1. Zhao Dong

Continues to deliver reliable operations and underpins ROC's annual production

# 162km<sup>2</sup>

Seismic acquisition

## 2. Block 09/05 Bohai Bay

Exploration block 15km from Zhao Dong. Exploration drilling scheduled for second half of 2014

# 22%

of 2013 production

## 3. Beibu Gulf

Successful delivery of Beibu Gulf project on time and under budget. Now contributing significantly to annual production

## 5. Balai Cluster

Bentara FDP approved and production commencement planned in second quarter 2014

# 8.7MMBOE

Net 2P reserves

## 4. D35/D21/J4

Cornerstone producing assets which will underpin the long-term production life of ROC

# 15%

of 2013 production

## 6. Cliff Head

Mature asset continuing to produce in line with expectations

## 7. BMG

Divested in March 2014



# Operational and financial highlights

## 7,263 BOEPD

Annual production at top end of guidance

### Key Highlights

#### Financials

Strong earnings, cash generation and balance sheet:

- NPAT US\$45.1m
- Net cash US\$65.1m.

#### Beibu Gulf

Delivered Beibu Gulf project on time and under budget and achieved forecast production rates of approximately 15,000 BOPD.

#### Block 09/05

Seismic acquisition completed on time and within budget.

#### Balai Cluster

Appraisal activities completed, Bentara field development plan approved in March 2014.

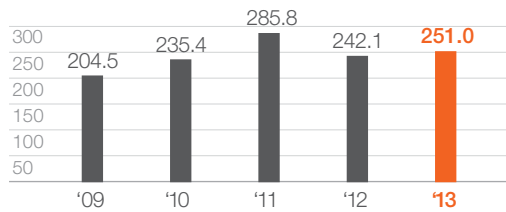
#### D35/ D21/J4 Fields

Farm-in announced in April 2014. Field redevelopment will contribute to production and increase ROC's reserves base.



**Sales Revenue**

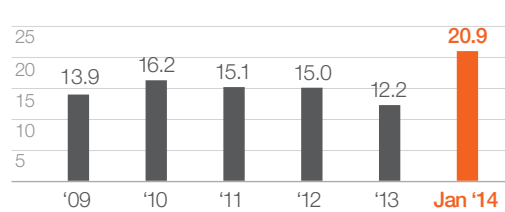
US\$251m



Increased by 4% vs 2012

**Remaining 2P Reserves**

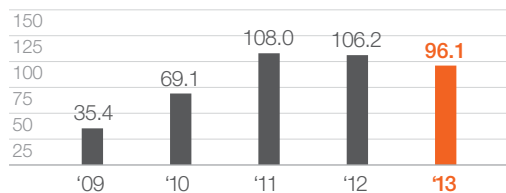
20.9MMBOE



8.7 MMBOE of 2P reserve additions following completion of the 50% farm-in to D35/ D21/J4 fields, offshore Malaysia

**Gross Profit**

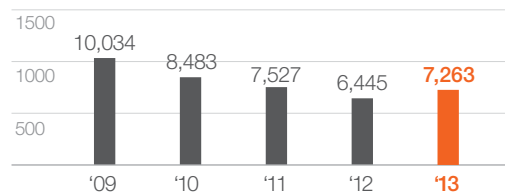
US\$96.1m



All operating assets are performing reliably and generating an average gross profit of US\$36/BOE

**Production**

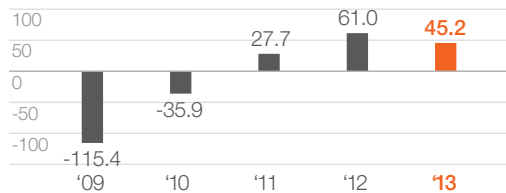
7,263 BOE/DPD



Increased by 13% vs 2012

**Net Profit/Loss**

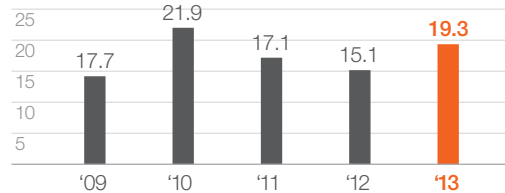
US\$45.2m



Continuing profitability supported by reliable operating performance

**Production Costs**

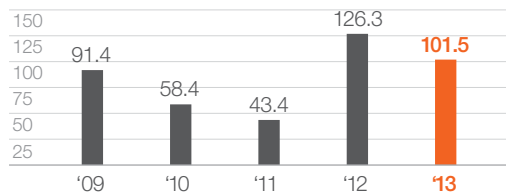
US\$/BBL19.3



Maintaining low production costs per barrel

**Net Operating Cash Flow**

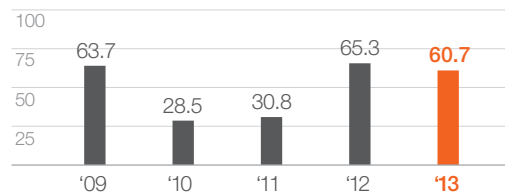
US\$101.5m



Attractive operating cash flow

**Development Expenditure Incurred**

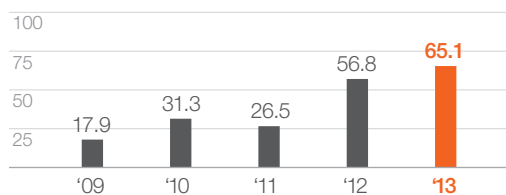
US\$60.7m



Continuing development drilling programme in Zhao Dong and completion of the Beibu development

**Net Cash / Debt**

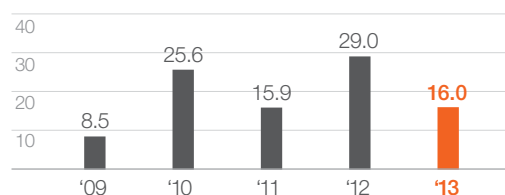
US\$65.1m



Net cash position and zero debt offers funding for existing projects and significant new opportunities

**Exploration Expenditure Incurred**

US\$16.0m



Completed seismic acquisition on exploration Block 09/05 offshore China and progressed new venture activities

**Left**  
Beibu Gulf,  
offshore China

# Chairman's report

'We take a disciplined approach to investment decisions and are committed to deploying our capital prudently, ensuring value growth for our shareholders over the long term.'

Our ability to operate is underpinned by an unrelenting focus on safety performance covering our people and our operating facilities.

Dear Shareholder,

**In 2013, ROC recorded its third successive year of profit delivery with net profit after tax of US\$45.2 million on sales revenues of US\$251.0 million. The financial performance of ROC was a pleasing outcome and demonstrates our continuing commitment to deliver sustained financial results.**

ROC has established credentials as an operator and produced over 20,000 BOEPD or 7.3MMBOE (gross), on behalf of our partners. Our capacity to operate is underpinned by an unrelenting focus on our safety performance covering our people and our operating facilities. During 2013, ROC recorded two lost time injuries and recorded a lost time injury frequency rate (LTIFR) rate of 1, which is in line with the APPEA five-year average rate. Our focus on safety is critical for our ongoing business success.

Our balance sheet is robust with the business continuing to deliver strong cash flows. Net cash at 31 December 2013 was US\$65.1 million, with undrawn debt facilities of US\$66.5 million. Our balance sheet provides us with the capacity to take advantage of strategic growth opportunities and we are committed to long-term value creation. Our growth strategy remains focused on opportunities in Australia, South East Asia and China. We take a disciplined approach to investment decisions and are committed to deploying our capital prudently to ensure we deliver value growth for our shareholders over the long term.

2013 was a year of operational delivery. We successfully completed the Beibu development in China, transforming a commercial 10 well project into a larger 15 well project which was as a result of near field exploration success in late 2012. The overall development was delivered on time, under budget and without incident.

Our operations in the Bohai Bay, China continue to perform well. We are now moving into planning for the next phase of development, with the Incremental Development Plan for Zhao Dong fields submitted to PetroChina for activities beyond 2018; and on Block 09/05, the 162km<sup>2</sup> ocean bottom cable seismic acquisition was completed and is encouraging us to progress planning for at least one exploration well in the second half of 2014.

In Malaysia, we successfully completed pre-development activities on the Balai Cluster, which was part of ROC's strategic entry into Malaysia. ROC was able to demonstrate to PETRONAS, the National Oil Company of Malaysia, its commitment to the region and its operating capabilities via the completion of pre-development activities on the Balai Cluster and subsequent approval of the Field Development Plan for the Bentara field. ROC has successfully farmed in to the D35/D21/J4 Production Sharing Contract (PSC), effective 1 January 2014. These exciting assets will, we believe, help underpin ROC's growth plan over the coming years and mark a step change in our operational business in Malaysia.



We completed our final exit from our African portfolio with the sale of our Juan de Nova Block in November 2013 and the expiry of the exploration licence (Block H) in Equatorial Guinea in February 2014. Our strategy of focusing on exploration, development and production assets in Australia, South East Asia and China has progressed significantly during 2013. ROC has proven operating capabilities in these regions and is beginning to be recognised for its mature field redevelopment capabilities. We continue to look for new growth potential and are bidding on both onshore and offshore in Myanmar, to further our South East Asian opportunities.

I assumed the role of Chairman in December 2013, and my early focus has been on building upon the strong working relationship between ROC management and the Board. I acknowledge the significant contribution and support of each of my fellow Directors to the development and supervision of the business during the year. I particularly acknowledge the enormous contribution of our previous Chairman Andrew Love, who retired on 11 December 2013.

On behalf of the Board, I would like to thank the management team leading your Company. In this challenging environment your Board is confident that they will succeed. I would like to thank our shareholders for their continuing support and finally to all the staff on whom we depend on for our success, thank you.



**Mr R M Harding**  
Chairman

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**Top:**  
Alan Linn and  
Mike Harding

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**Above:**  
**Board of Directors**  
Left to right  
Alan Linn  
Nigel Hartley  
Mike Harding  
Chris Hodge  
Graham Mulligan  
Robert Leon

# CEO's report

'The farm-in to the D35, D21 and J4 PSC provides a portfolio of immediately bookable reserves plus contingent and prospective resources, which combined add significant size and extend the reserves and resources life of ROC. The project provides immediate cash flows from production, which largely support the capital expenditure required during the project life.'

ROC achieved an average realised oil price of US\$104.6/BBL and sales of US\$251.0 million.

As many a team manager has said in the after game interview "It was a game of two halves". For ROC, the first half of the year was focused on the successful completion of the Beibu Gulf development in China. The project was brought on line successfully in March; on schedule, under budget and without incident. Production progressively ramped up to approximately 15,000 BOPD (gross) in the third quarter as development drilling was completed and all 15 production wells were commissioned. In the second half of the year, our focus shifted to completing the acquisition of value adding growth opportunities for our shareholders by securing attractive exploration and development projects in South East Asia; while continuing to deliver efficient production and cost outcomes from our established asset portfolio.

Financially, 2013 was one of our best performing years and contributed attractive earnings, cash generation and a balance sheet which now provides the leverage to grow the business. Our core business performed extremely well, and we delivered production of 2.7 MMBOE, which was at the higher end of our guidance.

The oil price remained stable throughout the year, with ROC achieving an average realised oil price of US\$104.6/BBL and sales of US\$251.0 million. Operationally, we maintained low cost production across our assets base (US\$19.3/BBL), which helped in the realisation of a gross profit per barrel of US\$36.3, helping our drive to be seen as a consistent low cost operator.

2013 was a year of delivering on our commitments. We finalised the Beibu Gulf development, completed the pre-development activities on the Balai Cluster and received the Field Development Plan approval to commence production from the Bentara field in March 2014. We completed the seismic acquisition of the 09/05 Block in China and signed a farm-out option on the block to help manage exploration costs.

We have been working hard for some time to add value through new projects and I am reminded of some of the wording within the Company's 1999 prospectus which I think still remains true today and which is integrated firmly within our regional value growth ambitions:

"ROC intends to achieve its goal by adding value to cost effectively acquired high potential exploration and production opportunities, the growth potential merit of which may not be obvious initially to other industry participants".



New ventures have taken longer to mature than we anticipated at the beginning of 2013, but our disciplined approach to investment decisions and patience have resulted in a cornerstone asset being added to the portfolio in Malaysia through the farm-in to a new redevelopment PSC for the D35/D21/J4 fields, offshore Malaysia. The assets are an excellent fit for our business and in line with our South East Asian development strategy. The farm-in to the fields plays to our operational strength in redevelopment projects. The fields help underpin the long term production life of ROC, and firmly establishes our business within Malaysia and South East Asia.

Importantly, this project provides bookable reserves plus very significant contingent and prospective resources, which when combined add significantly to the reserves and resources within ROC's portfolio. The project provides early cash flows from production, supporting the capital expenditure required to redevelop the fields.

We made excellent progress on rebuilding our exploration portfolio during 2013, pursuing opportunities where we see alignment between our capabilities and future value. We have been actively pursuing attractive acreage in Australia, Myanmar, China and Malaysia, which has been successful in March 2014 with the award of Block M07 in Myanmar. Going forward, we are seeking to build an exploration portfolio with a balanced mix of mature and emerging plays, ideally near existing infrastructure.

While exploration is important for organic value growth, the time taken to discover, develop and monetise assets can be significant. We continue to evaluate commercial transactions that have the potential to deliver real value. The Company will maintain a disciplined approach to all investments as we continually pursue opportunities designed to increase shareholder value and manage risk.

As an operator, safety is part of ROC's DNA. Our continuing excellent personnel and process safety performance is a critical contribution to our business success. Keeping our people safe and maintaining the process integrity of our assets is essential.

ROC is an established operator (one of the few in the mid-cap energy sector) and it is essential that we deliver consistently against operational integrity standards and ensure our approach to business sustainability fully meets the requirements of the regulatory authorities, non-operating partners and communities in the countries where we work.

2013 has proved to be an exceptional operational year for the business and we have continued to improve our established systems and delivered one of our best-ever overall HSE performances. During a year in which we were undertaking very significant levels of project activity, drilling and seismic acquisition, this is an outstanding achievement.

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**Above:**  
Alan Linn



ROC works extensively with National Oil Companies in our core areas and maintaining a strong safety and asset integrity performance is essential as we work to expand our operating business. We aim to become recognised as an operator of choice within our niche areas of expertise of shallow water exploration; small field development and production and mature field redevelopment. I refer you to our Sustainability Report where our detailed sustainability performance information is presented, and I think you will find the Report reflects our constant ambition to be open and inclusive with respect to disclosure within our business. We continue working to create and maintain the safest possible working environment for our teams and building long-term beneficial relationships within the communities in which we work.

I was appointed as CEO just over three years ago and have been working diligently with the management team to rebalance the ROC portfolio and focus the business in Australia, South East Asia and China. In 2013, ROC finalised its exit from Africa with the completion of the sale of Juan de Nova licence in Mozambique Channel and the expiration of the Block H license in Equatorial Guinea. In March 2014 we announced our divestment of BMG, providing a clean exit from the asset. Our assets in the UK remain; however, we are looking to realise early value from these assets through divestment and redeploy capital in our focus region.

2014 will hopefully bring a significant number of new value growth opportunities into our asset portfolio, complementing our existing operational business of core production assets combined with an exploration portfolio with a mix of mature and emerging plays, with potential for conversion into production assets in the medium term.

Our strategy remains unchanged, focusing on delivering profitable implementation of small field developments, mature field redevelopment and near term exploration projects in our focus area of Australia, South East Asia and China.

**Mr A Linn**  
Chief Executive Officer

#### Senior Management

Left to right:  
Anthony Neilson  
Rolf Stork  
Pierre Eliet  
Alan Linn  
Leanne Nolan  
Ron Morris

# Vision and strategy



We are focused on value growth opportunities and the delivery of operational excellence and business efficiency across our targeted regions of China, South East Asia and Australia.

## Vision

To deliver profitable implementation of smaller field developments, mature field redevelopments and near term exploration projects in our focus regions of Australia, South East Asia and China. We intend to be recognised as a partner of choice and a reliable operator.

## Strategy

To capitalise on our operating capacity, existing relationships, regional presence and technical expertise to grow our production, development and exploration portfolio.

We are focused on value growth opportunities and the delivery of operational excellence and business efficiency across our targeted regions of Australia, South East Asia and China.



# Operational review

# 2

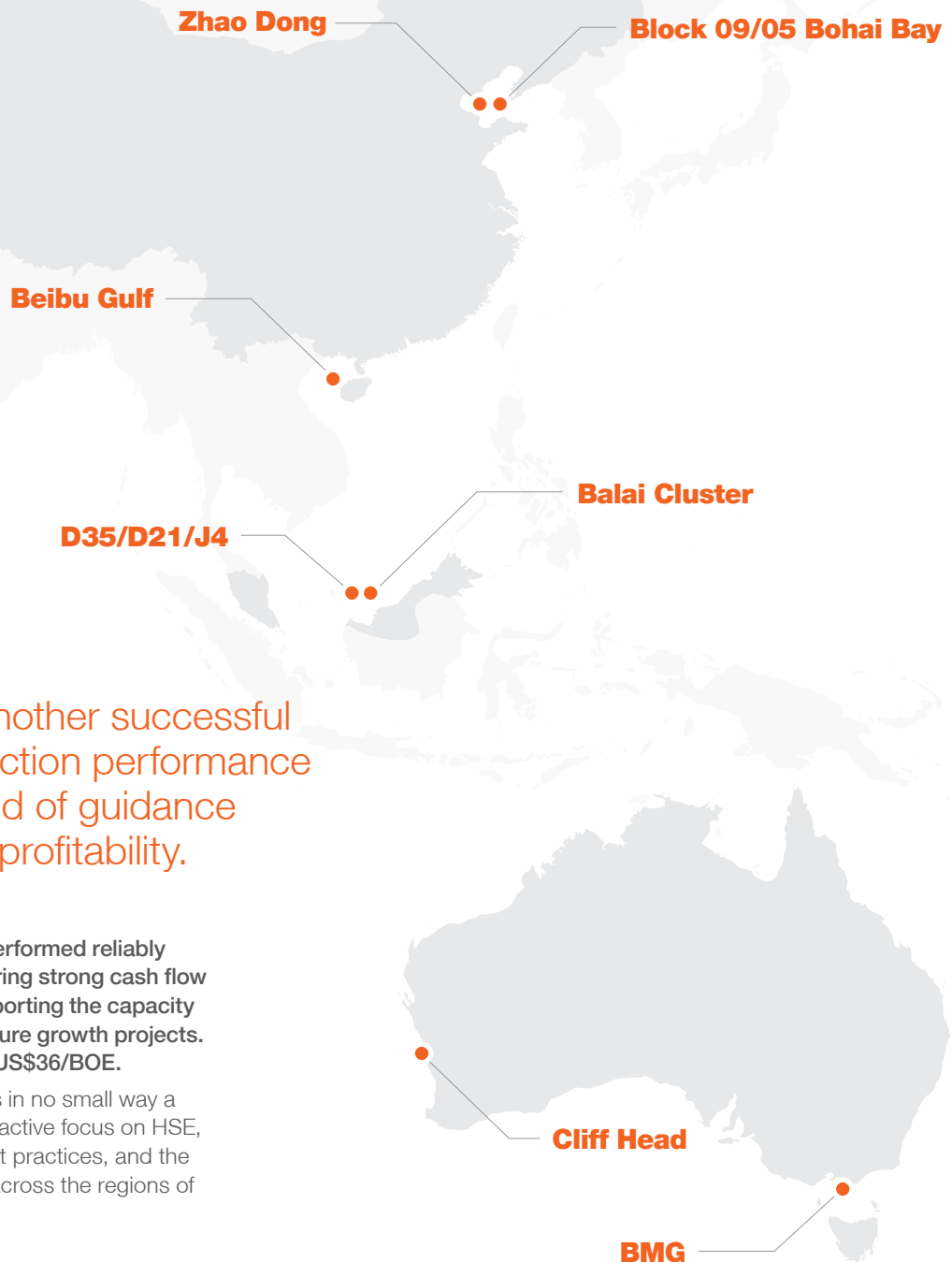
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2013 was a year of delivering on our commitments. We finalised the Beibu Gulf development, completed the pre-development activities on the Balai Cluster, received the Field Development Plan approval to commence production from the Bentara field in March 2014 and completed the seismic acquisition of the 09/05 Block in China.



# Summary of operations

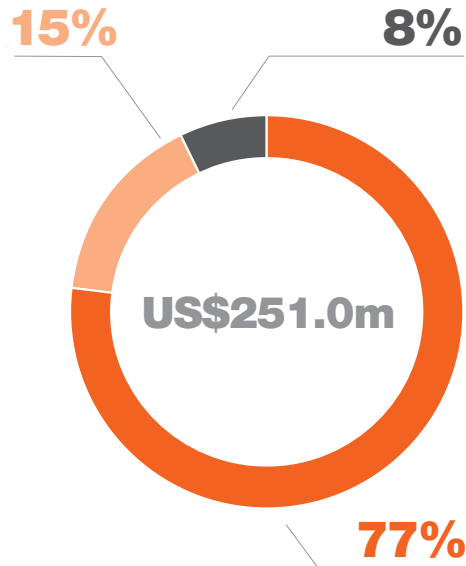


2013 marked another successful year with production performance at the higher end of guidance and continuing profitability.

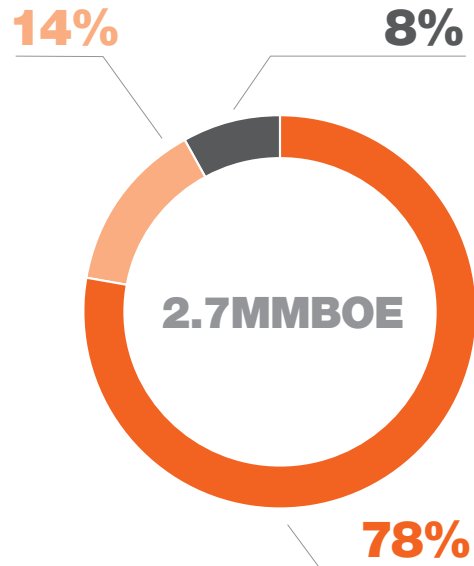
Core production assets performed reliably throughout the year, ensuring strong cash flow from operations, and supporting the capacity of the business to fund future growth projects. Average gross profit was US\$36/BOE.

Performance reliability was in no small way a result of our continuing proactive focus on HSE, asset integrity management practices, and the dedicated teams working across the regions of our operations.

Revenue by Region

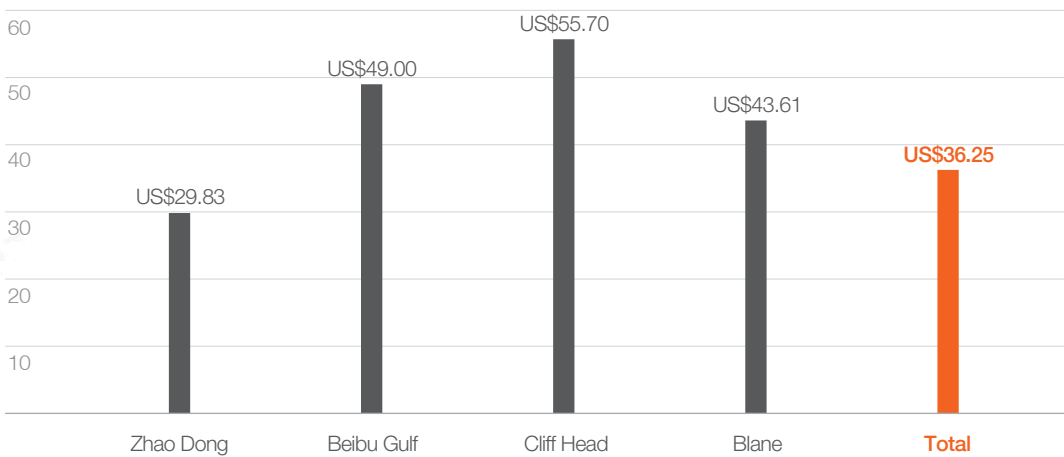


Production by Region (working interest)

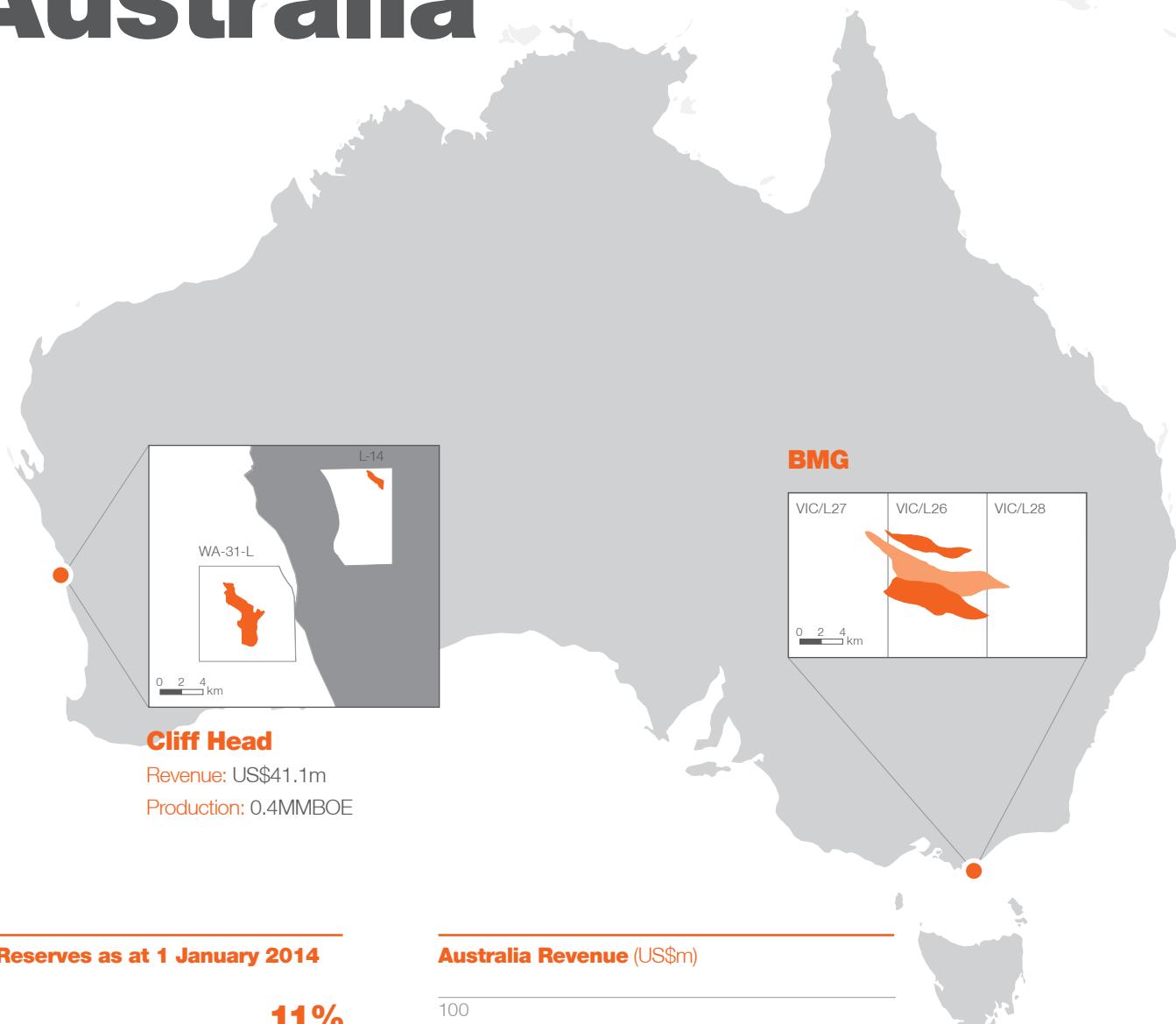


■ China ■ Australia ■ UK

Gross Profit per BOE US\$/BOE



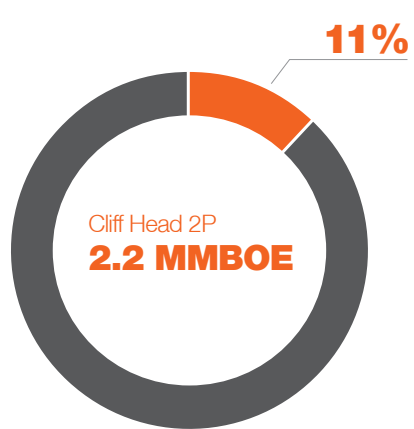
# Australia



**Cliff Head**  
 Revenue: US\$41.1m  
 Production: 0.4MMBOE

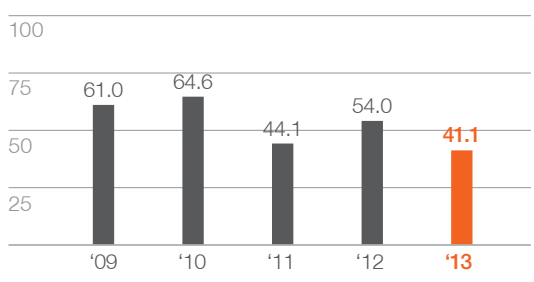
**BMG**  
 VIC/L27 VIC/L26 VIC/L28  
 0 2 4 km

## 2P Reserves as at 1 January 2014

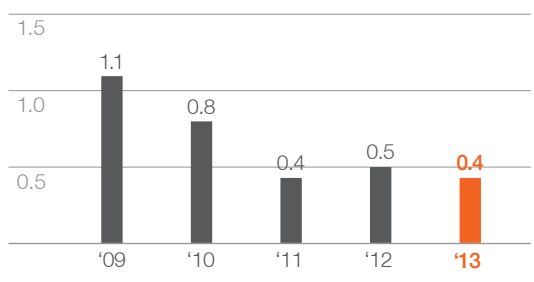


Location	2P MMBOE	%
Cliff Head	2.2	11.0%
All others	18.7	89.0%

## Australia Revenue (US\$m)



## Australia Production (MMBOE)



Statement for the Year	Key Highlights	Future Objectives
<ul style="list-style-type: none"> <li>— The ROC-developed and operated facility at Cliff Head has been producing since May 2006. Operations have been without significant safety or environment incident since start-up.</li> </ul>	<ul style="list-style-type: none"> <li>— Stable mature asset continuing to deliver and with further reservoir development potential</li> <li>— Cliff Head production in line with expectations 0.4 MMBOE (1,061 BOEPD)</li> <li>— Cliff Head revenue of US\$41.1 million.</li> </ul>	<ul style="list-style-type: none"> <li>— Cliff Head near field exploration and appraisal potential.</li> </ul>

Production for the Cliff Head asset was 0.4 MMBOE and in line with expectations, contributing 15% of our total production and revenues of US\$41.1 million.

**Australia remains a core region for ROC. We operate the Cliff Head oil field in offshore Western Australia and the Basker-Manta-Gummy (BMG) fields in the Bass Strait.**

Production from the Cliff Head asset was 0.4 MMBOE and in line with expectations, contributing 15% of our total production and revenues of US\$41.1 million.

Cliff Head is now considered to be a mature producing asset. During 2013, a programme of maintenance work was undertaken in line with our ongoing facilities integrity management programme. Activities included critical function testing of platform facilities, and pipeline pigging operations.

BMG continues to be in a non-production phase and the annual offshore inspection and monitoring programme identified no significant issues. In October 2013, Pertamina and Sojitz withdrew from the BMG Joint Venture, increasing ROC's interest in the asset from 37.5% to 50%.



ROC commenced a process to divest its interest in BMG as part of our portfolio realignment and risk mitigation strategy and to minimise the ongoing liability of the fields associated with the non-production phase and field abandonment. In March 2014, ROC announced that it had entered into an agreement to divest its entire interest in BMG to provide a clean exit from the project.

The Australian assets enjoyed a year free of Lost Time Injuries (LTIs) or any other significant environmental events.

#### Future Focus

The main forward focus for the Cliff Head asset involves assessing the significant near field appraisal potential around Cliff Head, so as to firm up an economic exploration and development work programme designed to take advantage of the existing facilities. ROC is also actively pursuing new onshore and offshore growth opportunities, primarily in Western Australia.

# Zero

LTIs in 2013

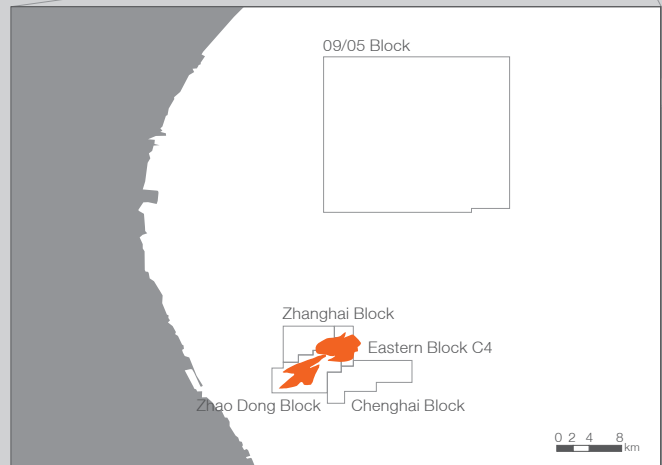
# US\$41m

2013 revenue from Cliff Head

# China

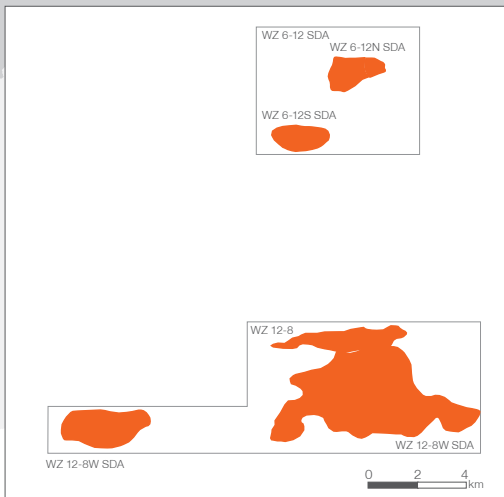
## Zhao Dong

Revenue: US\$134.7m  
Production: 1.5 MMBOE

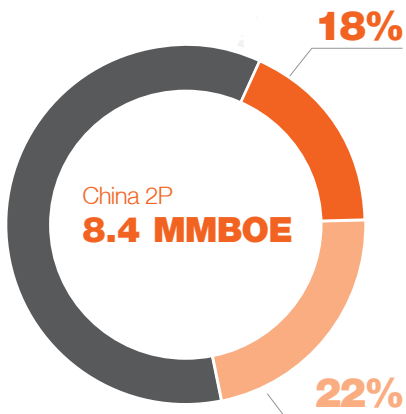


## Beibu Gulf

Revenue: US\$57.2m  
Production: 0.6 MMBOE

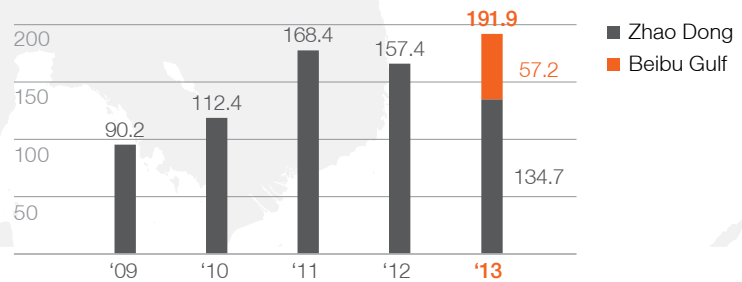


### 2P Reserves as at January 2014

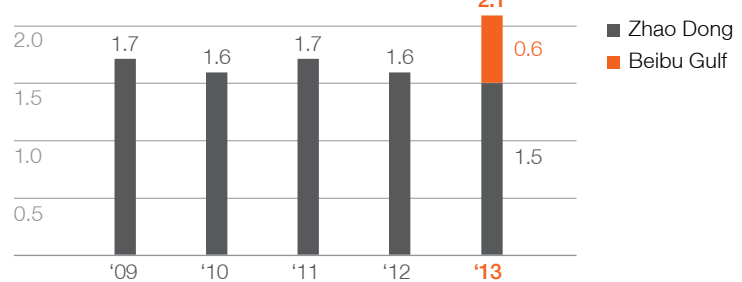


Location	2P MMBOE	%
■ Zhao Dong	3.7	18.0%
■ Beibu Gulf	4.7	22.0%
■ All others	12.5	60.0%

### China Revenue (US\$m)



### China Production (MMBOE)



### Statement for the Year

- We continue to pursue our growth objectives in China and deliver production and growth targets identified in our 20-year strategic plan.
- Our reputation as a credible operator and our co-operative approach in China continue to generate significant growth opportunities.

### Key Highlights

- China revenue of US\$192 million
- Seismic acquisition of Block 09/05 completed
- Completion of Beibu Gulf project on time and under budget – production forecast of approximately 15,000 BOPD achieved.

### Future Objectives

- Block 09/05 exploration drilling
- Potential development of WZ12-8E Beibu Gulf
- Pursue extension on Zhao Dong asset to post 2018
- Focus on exploration and brownfield opportunities.

China production achieved 2.1 MMBOE, its highest level due to the strong performance of Zhao Dong and the addition of production from Beibu Gulf.

### Zhao Dong

Production from the Zhao Dong asset increased in the second half of 2013 with a ramp-up in the development drilling programme. Eighteen wells were drilled in 2013 and the annual production target was achieved.

Production was 1.5 MMBOE for the year (2012: 1.6 MMBOE), contributing 55% of ROC's total production for 2013. This is the tenth consecutive year in which Zhao Dong has achieved its production target. Revenue from Zhao Dong totalled US\$134.7 million, offset by production costs of US\$13.86/BBL, giving a gross profit of US\$43.7 million.

In 2013, ROC submitted an Incremental Development Plan (IDP) designed to achieve continuous development beyond 2018, being the end of the current licence term. The IDP submitted to PetroChina offers continuous economic development activities until 2023. The plan requires a licence extension beyond 2018 to 2023, and the IDP proposes a five-year extension and investment in the development facilities and wells required to maximise oil recovery from the fields.

ROC continues to develop and strengthen its technical teams in China designed to achieve a balance between maintaining the daily operational activities and focusing on future expansion opportunities.

### Exploration – Block 09/05, Bohai Bay, China

ROC's Block 09/05 in Bohai Bay offers a series of significant oil exploration opportunities which, with success, will materially increase long term reserves for the business. Given the location of the Block, 15 kilometres north west of ROC's existing facilities at Zhao Dong, commercial success can be fast tracked for development. ROC has assessed the block using 3D seismic acquired in 2013 and plans to drill the first exploration well in the second half of 2014.

The 162km<sup>2</sup> ocean bottom cable 3D seismic acquisition programme that was completed in September 2013, ahead of schedule, within budget and without incident, was an outstanding achievement, particularly given the volume of marine traffic in the Tanggu port area.

In October 2013, ROC signed a farm-out and option agreement with Horizon Oil (Beibu) Limited (HZN) for the 09/05 Block licence. Under the terms of the agreement, HZN will pay 40% of all petroleum exploration costs incurred until the exercise or lapse of the option. This entitles HZN the right to farm-in to a 40% working interest in Block 09/05 ahead of the first exploration well, paying a two-for-one promote on two exploration wells. The transfer of interest to HZN is subject to CNOOC's approval.

The farm-out and option agreements are an efficient way of optimising the value of our current exploration portfolio in China while balancing growth and risk management in our business.



## Beibu Gulf

The Beibu Gulf development is a landmark project for ROC from exploration, appraisal and the completion of the development project, to the achievement of forecast production rates.

Production from the Beibu Gulf commenced in March 2013 and all 15 wells were on line by August. Production for the period was 0.6 MMBOE, contributing 22% of ROC's total production in 2013. Revenues from Beibu Gulf totalled US\$57.2 million, offset by production costs of US\$10.92/BBL, providing an operating profit of US\$29.0 million.

The Beibu Gulf development is now complete. The project was finalised on schedule and within budget, and production achieving forecast rates of approximately 15,000 BOPD.

The Beibu team is currently reviewing further near field exploration potential which may lead to an early resumption of drilling within the Beibu Field production area.

## The Beibu Gulf Project Reviewed

August 2013 saw a significant milestone in the exploration and development history of the Beibu Gulf project in the South China Sea. A three-well exploration drilling campaign and a 15 well development drilling and completion campaign were completed within an 18-month period supported by an excellent HSE record, ahead of schedule and under budget. This marked the culmination of a field development effort dating to 2010, when the original development concept was agreed with CNOOC.

ROC took over operatorship from joint venture partner at the time Blich Oil and Minerals NL of the Beibu Gulf exploration permit in 2002. Exploration success followed immediately with discoveries in the WZ 6-12-1 well in 2002 and the WZ 6-12S-1 well in 2006.

In 2010, ROC entered into a Supplementary Development Agreement (SDA) to the Petroleum Contract, and transferred operation of the Development Project to CNOOC, whilst ensuring the ROC team remained an integral part of the Development Project Management Team. The seconded ROC team covered project and facilities engineering, drilling and completions, reservoir engineering, subsurface management, financing and accounting and offshore facilities construction. ROC retained operatorship of exploration activities.

In 2011, the Final Investment Decision (FID) was approved. The FID comprised 10 development wells and two wellhead platforms (WHPs). Each of the platforms is connected via a 13-kilometre oil pipeline to a new CNOOC shared 'host' processing, utilities and quarters platform (PUQB). The PUQB is connected to an existing CNOOC platform which treats produced water, and provided access into the pipeline to the Weizhou Island storage and shipping terminal 30-kilometres away.

Onshore fabrication of the WHPs and PUQB commenced in Tanggu (east of Beijing) in October 2011, and transportation of the pipelines, platform jackets and topsides to the Beibu Gulf site commenced in February 2012. Offshore project installation activity began with the laying of the subsea oil pipelines in March 2012.

In 2012, ROC, as operator of exploration, proposed the drilling of four exploration prospects near the WZ 6-12 WHP, which could, if successful, be tied in for production quickly and cost effectively. All four exploration wells were successful and two wells were drilled from the WHP, completed and immediately tied in for production during the drilling campaign. The third (vertical, standalone) well captured sufficient additional reserves to support three additional development wells, and CNOOC helped ensure these were drilled during the development drilling campaign. The exploration success increased the number of production wells in the development from 10 to 15 – a significant increase versus the original plan.

The installation of facilities and the development drilling were completed and the fields brought online on 27 March 2013. By August 2013, the first million barrels of oil had been produced. First oil production marked a significant milestone for both the project management and the co-operation between CNOOC and the ROC-led international joint venture.

**The Beibu Gulf development project is now complete. All activities finished on schedule and within budget, and production achieved forecast rates of approximately 15,000 BOPD.**

### Right

Beibu Gulf, offshore China

# First oil

in March 2013

# 15 wells

in production by August 2013

# US\$80m

total development cost for Beibu  
project net to ROC

# US\$11/BBL

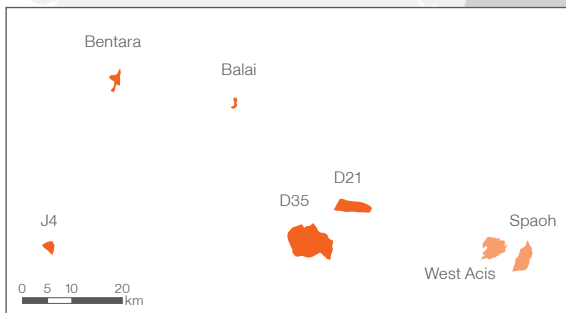
Beibu field opex US\$11/BBL in 2013

First oil production at Beibu marked a significant milestone for both the project management and the co-operation between CNOOC and the ROC-led international joint venture.

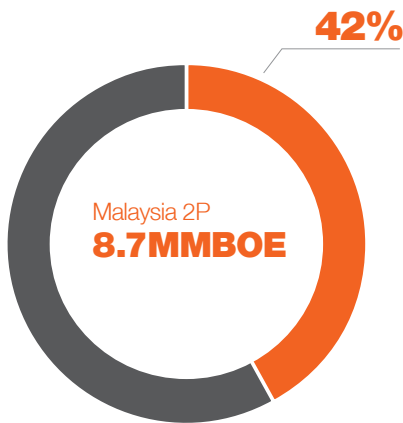


# South East Asia

## Balai Cluster and D35/D21/J4



### 2P Reserves



Location	2P MMBOE	%
■ D35/D21/J4	8.7	42.0%
■ All others	12.2	58.0%

As ROC continues to pursue our value growth objectives, our focus on opportunities in South East Asia intensifies. During 2013, ROC made significant progress towards farming in to material opportunities and our patience was rewarded in early 2014 with the announcement of the farm-in to the D35/D21/J4 Fields. Additionally, ROC participated in the onshore and offshore Myanmar exploration bid rounds in 2013 with the aim of making a country entry into this exciting hydrocarbon province.

### Malaysia

ROC entered Malaysia in 2011 following the award of the Balai Cluster Risk Service Contract (RSC). Malaysia is an established and prolific hydrocarbon province which is benefiting from a new drive designed to build domestic oil production by developing small fields, redeveloping mature fields and testing the challenging deep water potential. Given ROC's strength in field development and redevelopment, complemented by extensive exploration experience, ROC as an operator in Malaysia, is well placed to benefit from the emerging opportunities.

Statement for the Year	Key Highlights	Future Objectives
<ul style="list-style-type: none"> <li>Our South East Asian growth strategy continues to gather momentum with significant opportunities being progressed and in Malaysia with a material PSC award.</li> </ul>	<ul style="list-style-type: none"> <li>Balai Cluster completion of pre-development activities, and received approval of the Bentara field development</li> <li>Announced farm-in to new production sharing contract D35/ D21/J4 Fields, effective 1 January 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Production from D35/D21/J4 and commencement of Phase 1 redevelopment activities</li> <li>Bentara oil production expected to commence in second quarter of 2014</li> <li>Continue to assess exploration and brownfield opportunities in the region</li> <li>Finalise award of offshore Block M07 and Myanmar country entry.</li> </ul>

ROC has developed strong relationships with our joint venture partners in the region and the business development efforts undertaken will ensure the next 12 months will be defined by new growth.

ROC has developed strong relationships with our joint venture partners in the region and the business development efforts undertaken to date will hopefully continue to generate material growth for the business in the coming 12 months.

### Balai Cluster

ROC was awarded the Balai Cluster RSC in 2011. The Balai Cluster comprises four marginal fields, Balai, Bentara, Spaoh and West Acis, which are located offshore Sarawak in approximately 50 to 60 metres of water. A joint venture company, BC Petroleum Sdn Bhd (BCP), was created to appraise and develop the fields within the RSC. The shareholders in BCP are ROC 48%, DIALOG Group 32% and PETRONAS Carigali 20%.

During 2013, pre-development activities included the drilling of three appraisal wells, West Acis-2, Bentara-3 and Balai-2. All wells were cased and prepared for Extended Well Testing (EWT) with the Early Production Vessel (EPV), Balai Mutiara.

The EPV Balai Mutiara, was commissioned and tested in the field and the EWT commenced on the Balai-2 well in November 2013. The EPV flowed initially for approximately 24 hours before shutting in to obtain reservoir pressure data. The initial average production rate from two perforated intervals in the Balai Z-5 upper reservoir sands (1,895 – 1,901 metres MDRT and 1,906 – 1,912 metres MDRT) was in the range of 4,000 to 4,200 BOPD, and the oil gravity measured 39 degrees API. Over the two weeks of the EWT the well's performance was recorded through three flow periods and three shut-in periods. The test met its defined objectives, with good quality of pressure and production data collected for further study.

A Field Development Plan for the Bentara field within the Balai Cluster RSC was submitted to PETRONAS in December 2013 and was



approved in March 2014. The proposed Bentara field development will produce oil through the existing platform facilities and Bentara-2 and Bentara-3 production wells. Production will be processed through the EPV and transferred to point of sale via a ship-to-ship transfer to a shuttle tanker. First commercial oil production from the field is expected to commence during the second quarter of 2014.

### Myanmar

In 2013, after pre-qualifying for the Myanmar offshore licensing round, ROC submitted bids for two offshore shallow water blocks, which has been successful with the award of Block M07 in March 2014. ROC is actively pursuing further attractive farm-in opportunities for onshore and offshore acreage.

Myanmar country entry is aligned with ROC's wider strategic objective to identify and secure material exploration, appraisal and field redevelopment opportunities. Myanmar combines prospective exploration acreage with a rapidly developing domestic and adjacent export market. Myanmar provides opportunities for ROC to leverage its core capabilities of shallow water exploration and development.

The D35/D21/J4 farm-in further strengthens the capability and track record of ROC's Malaysian operations, as a credible operator with key skills in mature field redevelopment projects.

### **D35, D21 and J4 Fields**

**In 2014, ROC announced the farm-in to a Production Sharing Contract (PSC) for three fields, D35/D21/J4 (Fields). This farm-in is the result of extensive work completed by the business development team in Malaysia and a demonstration of our operating capabilities through successful delivery of the Balai Cluster pre-development work.**

The Fields are located offshore Malaysia and in water depths of approximately 50 metres. D35 is the largest of the three fields with the longest production history and represents a significant brownfield redevelopment project. Within the D35 field boundary, there is evidence of significant appraisal and near field exploration potential. D21 and J4 are satellite producing assets with similar potential and together they comprise the D35/D21/J4 PSC.

The Fields were 100% held and operated by PETRONAS Carigali and ROC has farmed in for a 50% participating interest.

The farm-in to this production and development asset is an excellent fit for our business and in line with our South East Asian development strategy. The Fields will be a cornerstone development asset within our growing regional portfolio.

The Fields, particularly D35, contain material in-place oil and gas volumes, and overall field recovery is expected to benefit significantly from the introduction of secondary and tertiary recovery technologies. The Fields provide a portfolio of immediately bookable reserves plus contingent and prospective resources, which when combined materially add to and extend the reserves and resources life of ROC.

In addition, the project also offers exploration opportunities with one exploration well already under consideration for drilling in 2015.

The farm-in agreement includes amendments to the existing PSC effective from 1 January 2014 until December 2034. The PSC terms are designed for field redevelopment and enhanced oil recovery (EOR) to commercially encourage progressive incremental oil development over the full life of the PSC.

ROC's experience in the redevelopment of the Zhao Dong fields, offshore Bohai Bay, China, is a good analogy for the redevelopment potential of the Fields. Since 2006, ROC has doubled the recoverable reserves in Zhao Dong with a combination of reservoir development optimisation; facilities debottlenecking; capacity enhancement; and the introduction of low cost drilling for production and injection wells designed to maximise recovery from compartmentalised reservoirs. PETRONAS Carigali and ROC will work together to unlock the Fields' redevelopment potential and our track record has been key in bringing this significant redevelopment opportunity to ROC.

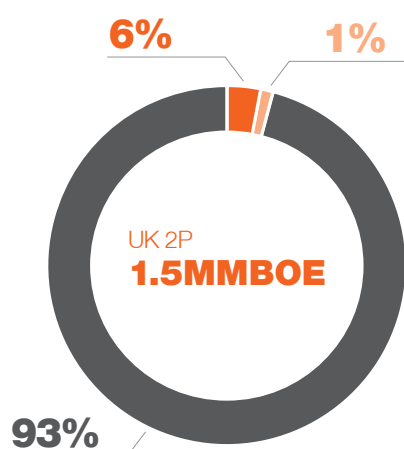
The project will be delivered by an Integrated Project Team comprising personnel from ROC and PETRONAS Carigali. PETRONAS Carigali will continue to be the operator of the PSC and retains responsibility for operations and maintenance of the facilities. ROC has been appointed project development manager, responsible for subsurface management, well engineering, new facilities projects and project execution.



# UK and Africa

The UK assets remain non-core and whilst the fields provide valuable cash flow, the divestment of these assets and the redeployment of the capital to more geographically-aligned opportunities will be considered.

## 2P Reserves as at 1 January 2014



Location	2P MMBOE	%
Blane	1.2	6.0%
Enoch	0.3	1.0%
All others	19.4	93.0%

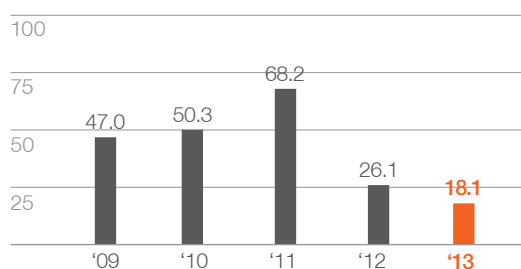
## UK

### ROC has non-operated interests in the Blane Oil Field and the Enoch Oil and Gas Field in the North Sea.

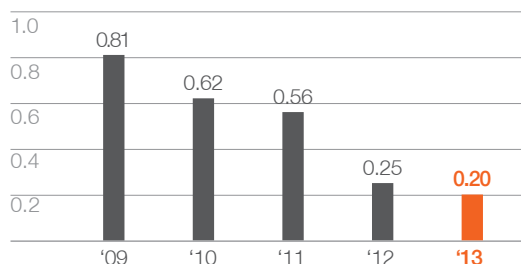
ROC's working interest in oil production from the Blane Oil Field was 0.2 MMBOE. Blane contributed 8% of ROC's total production for 2013 and revenue of US\$18.1 million. The decrease in production was due to several planned and unplanned shutdowns on the Ula platform, between May and September, which were unrelated to the Blane Field. The field is now operational.

Enoch remained shut in throughout 2013. Wellhead restoration works were completed with a new tree deployed and production testing carried out in December. Production is expected to resume during 2014.

## UK Revenue (US\$m)



## UK Production (MMBOE)



## Future Focus

The UK assets remain non-core for ROC and whilst the Blane and Enoch fields provide valuable production and cash flow for the business, the divestment of these assets and the redeployment of the capital to more geographically-aligned opportunities in Australia, South East Asia and China will be considered.

## Africa

ROC has now completed its exit from Africa with the completion of the sale of our interest in the Juan de Nova Maritime Profound Block to South Atlantic Petroleum Jdn Sas (SAPETRO) – on 28 November 2013 for US\$8.0 million (after-tax profit) – and the expiration of the permit on ROC's 20% interest in the Block H joint ventures, in Equatorial Guinea in February 2014. This completes the process of rebalancing ROC's portfolio to focus on the core regions of Australia, South East Asia and China.



# Looking forward

## China

- Zhao Dong development drilling programme continues
- 09/05 Block exploration drilling commences in second half 2014
- WZ12-8 East feasibility study and continued exploration potential assessments
- Pursuing Zhao Dong extension to 2023
- CNOOC and PetroChina offshore bid round.

## UK

- Progress sale of UK assets.

## South East Asia

- Production from D35/D21/J4 Fields and commencement of Phase 1 redevelopment activity
- Pursue mature field redevelopment opportunities
- Bentara field to commence production
- Finalise award of Block M07 and pursue farm-in opportunities in Myanmar
- Continue to pursue South East Asian opportunities.

## Australia

- Assess and progress attractive opportunities.

# 1

Grow the value of the business by leveraging the existing portfolio of assets and operational capacity.

# 2

Continue to focus on Australia, South East Asia and China.

# 3

Actively pursue further value growth opportunities in the focus region.

### Above

Beibu Gulf, offshore China



# Sustainability 3

ROC's Sustainability Report 2013 highlights the Company's commitment to sustainable business practices and identifies how we work with stakeholders to fulfil our strategic objectives. These include the pursuit of shareholder value creation, while ensuring the safety and wellbeing of our employees; maintaining the highest standard of asset integrity; minimising our impact on the environment; and contributing to the social, environmental and economic development of the communities in which we operate.

ROC's full Sustainability Report can be found via the following link [www.rockoil.com.au](http://www.rockoil.com.au)

# ROC's performance

ROC is committed to delivering sustainable business and works to continuously improve its overall performance. Social, environmental and governance considerations are core fundamentals embedded in the way we do business and in the relationships we seek to build with our stakeholders.

A summary of ROC's performance in terms of economic, people, health and safety, community and environment is presented below.

5 year performance summary	2013	2012	2011	2010	2009
<b>Economic</b>					
Total gross operated production (MMBOE)	7.3	8.2	9.0	9.2	10.0
Total working interest production (MMBOE)	2.7	2.4	2.7	2.7	3.7
Oil sales from working interest (MMBOE)	2.4	2.1	1.9	2.3	3.6
Sales Revenue (US\$m)	251.0	240.8	285.8	235.4	204.5
Operating cash flow (US\$m)	101.5	126.3	43.4	58.4	91.4
Net profit/(loss) after tax (US\$m)	45.2	61.0	27.7	(35.9)	(115.4)
Total income taxes, royalties and levies (US\$m)	49	47	97	46	47
Royalties to government (% of production)	7.8%	9.6%	7.0%	7.0%	5.0%
Market capitalisation (A\$m; at 31 December)	336.4	300.6	171.0	292.4	427.9
2P reserves	20.9 <sup>1</sup>	15.0	15.1	16.2	13.9
2C resources	48.8 <sup>1</sup>	22.9	NR	NR	NR
<b>People</b>					
Total number of employees <sup>2</sup>	199	186	185	182	160
Female	72	69	67	68	54
Male	127	117	118	114	106
Total turnover rate	9%	21%	11%	8%	20%
<b>Health and safety</b>					
Total man-hours <sup>3</sup>	1,930,054	1,699,790	1,710,062	2,022,000	2,549,973
Medical treatment cases	1	2	1	6	2
First aid cases	6	14	14	30	47
Lost time injuries	2	1	0	3	1
Lost time injury frequency rate (LTIFR) <sup>4</sup>	1.04	0.59	0	1.50	0.39
Restricted work cases	1	2	1	2	0
Fatalities	0	0	0	0	0
Total recordable injury frequency rate (TRIFR)	2.07	2.94	1.20	5.40	1.18
<b>Community</b>					
Voluntary social investment (US\$)	133,965	133,939	111,545	290,111	219,116
<b>Environment</b>					
<b>GHG emissions (tCO<sub>2</sub>-e)</b>					
China	110,165	92,057	108,678	156,796	NR
Australia	11,168	17,041	20,538	78,543	NR
Total GHG emissions (tCO <sub>2</sub> -e)	121,333	109,098	129,216	235,339	363,370
Intensity of hydrocarbon production (tCO <sub>2</sub> -e/t)	0.10	0.08	0.10	0.20	0.24
<b>Energy consumption<sup>5</sup></b>					
Total energy consumption (Tj)	2,369	2,034	2,535	4,162	4,171
Intensity (Tj of energy consumption per kt hydrocarbon production)	2.03	1.56	1.92	3.57	3.00
<b>Flared gas</b>					
Total flared gas (t)	10,105	7,365	17,455	57,025	52,741
Intensity (t of flared gas per t of hydrocarbon production)	0.009	0.006	0.010	0.050	0.030
<b>Significant loss of containment incidents</b>					
Oil spills	0	0	0	2	0
Gas releases	0	0	0	2	0
All other significant environment incidents	0	0	0	0	0
<b>Waste management</b>					
Total hazardous waste <sup>6</sup> (t)	3,425	51	34	60	52
Total non-hazardous waste (t)	2,635	1,592	2,931	3,751	5,061
<b>Water usage</b>					
Fresh water use (m <sup>3</sup> )	29,378	27,231	31,558	45,102	45,056
Fines					
Total number of fines and penalties	0	1	0	0	1

NR – not reported

## Notes

- As at 1 January 2014, post D35/D21/J4 farm-in and BMG sale.
- Total number of employees includes both full and part-time employees as at 31 December.
- Total man-hours includes both employees and contractors.
- Frequency rates are determined as the number of injuries per million hours worked.
- 2013 energy consumption and intensity numbers also include energy usage in Sydney, Beijing and Kuala Lumpur offices.
- Per IPIECA/API Guidelines (2010), hazardous waste includes all wastes that is defined as hazardous, toxic, dangerous, listed, priority, special or some other similar term as defined by an appropriate country, regulatory agency or authority.

# Goals and outcomes



## Community

ROC is committed to conducting all activities within a culture of trust, openness and cooperation.



The notion of giving back to the communities in which we operate is firmly entrenched in the ROC culture. ROC takes a proactive approach based on detection, engagement and providing solutions, and engages with all of the communities in which it operates. ROC places great emphasis on providing educational opportunities for the communities it supports.

The Company is mindful of human rights and indigenous rights issues and is proactive in its engagement. Establishing and maintaining meaningful relationships with local communities is paramount to the ongoing viability of our business.

### 2013 Goals

- Continue educational support with the Clontarf Foundation, Nan Pai He schools and MyKasih
- Identify new partnerships in new regions
- Maintain liaison with key community groups including fishing communities for BMG, Cliff Head and the Nan Pai He community.

### 2013 Outcomes

- Community support in Malaysia continued with the Love My School Program and Love My Neighbourhood Food Aid Program
- Ongoing China school program in Nan Pai He
- Ongoing support to the Clontarf Foundation
- Fishing Damages Protocol established for BMG.

### Future Focus

- Support the communities in which we operate, focusing on education solutions designed to produce a sustainable benefit
- Remain active and engaged with our local communities.



## Environment

ROC is committed to managing its environmental impacts throughout the lifecycle of all its projects and operations.



As an international upstream oil and gas company, ROC's activities have the potential to impact on the environment. In line with best corporate practice, ROC reports openly on environmental performance. Environmental management is a key aspect of the ROC HSE Management System. We hold ourselves accountable to leading environmental practices and all ROC operations are required to comply fully with regional environmental regulations and the Equator Principles.

ROC had no significant oil spills during 2013. The number of hydrocarbon loss of containment events fell by 50% during 2013 compared to the low number reported in 2012. The volume of hydrocarbon liquid released also reduced by 76% to 17 litres compared to the previous year and this oil was recovered from secondary containment facilities.

Environmental risk assessment tools such as Environmental Hazard Identification (ENVID) process and Environmental Impact Assessments (EIA) identify any significant environmental issues, and assess the potential impact on the environment within our operations. Environmental risks are managed according to accepted environmental management plans which document environmental objectives and targets.

### 2013 Goals

- Have zero oil spills greater than one barrel
- Ensure that hydrocarbon loss of containment incidents below are 2012 levels
- Reduce flaring through technological innovations.

### 2013 Outcomes

- Zero oil spills greater than one barrel loss
- 82% reduction in flaring since 2010
- No significant loss of containment incidents.

### Future Focus

- Maintain focus on oil spill prevention efforts
- Improve environmental systems and implement new ROC environmental management policy.



## People

The health, safety and wellbeing of employees, contractors and local communities are ROC's highest priority.



We are committed to ensuring that safety is not compromised in the delivery of business objectives. Throughout 2013, ROC reinforced its focus on process safety and asset integrity. ROC values and recognises its staff and encourages everyone to maximise their potential. Systems are in place to ensure ROC continues to focus on employee engagement, attraction and retention of key talent and fostering a high performance culture.

In 2013, the ROC Health, Safety and Environmental Management System was updated. The system is designed to ensure all business activities are conducted in a safe and environmentally responsible manner. ROC is committed to managing assets with a focus on process safety and the prevention of major accidents. Excellent progress was made on the development and implementation of Asset Integrity Management and Major Accident Prevention systems. In China, ROC rolled out its 'Case for Safety' and at Cliff Head work on their critical performance standards for safety critical equipment is close to completion.

### 2013 Goals

- Total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR) for ROC employees and contractors at or below OGP five-year average
- Have zero fatalities company-wide
- Training, induction and awareness programs around Code of Conduct and related policies
- Develop and implement recruitment tools.

### 2013 Outcomes

- TRIFR was 2.1
- LTIFR of 1
- Zero fatalities
- Refresher training on conduct policies and anti bribery and corruption policies
- Training on work place bullying, discrimination, harassment and sexual harassment.

### Future Focus

- Zero fatalities
- LTIFR and TRIFR below OGP five-year average
- Continue to improve our occupational safety and process safety performance by implementing robust HSE and asset integrity management controls
- Employee development, training and competency assurance.



## Economic

ROC delivered strong financial results in 2013 and is proud of its continued commitment to sustainable growth.



**In 2013, ROC achieved a third successive year of profit, with a profit after tax of US\$45.2 million and a strong net cash position at the end of 2013 of US\$65.1 million provides a solid foundation to continue responsible growth.**

In 2013, our workforce of 199 employees comprised 88% local employees, which is at the same level as that in 2012. In 2013, we invested over US\$75 million net to ROC in exploration and development expenditure mainly to the benefit of the local economies in which we work; and our income taxes, royalties and levies totaled US\$49 million creating a multiplied social benefit. ROC invested US\$133,965 in education sponsorship.

### Note

1. The 'reserves and resources' life is the 2P reserves (developed and undeveloped) plus the 2C resources divided by production during the year on an economic interest basis. This is assessed at 1 January 2014 after the sale of BMG, and the farm-in to D35/D21/J4 production assets effective from 1 January 2014.

### 2013 Goals

- Deliver positive shareholder returns
- Assess and secure growth opportunities in our focus regions.

### 2013 Outcomes

- Achieved share price appreciation in line with ASX 200 Index
- Delivered record \$45.2 million net profit after tax
- Completed seismic acquisition on exploration Block 09/05 in Bohai Bay, China
- Submitted a Field Development Plan for Balai Cluster which was approved in March 2014
- Achieved approximately 28<sup>1</sup> year's reserves and resources replacement ratio at 1 January 2014.

### Future Focus

- Continue to deliver on strategic objectives
- Deliver consistent value additions to shareholders
- Build on opportunities for local community participation
- Secure growth opportunities in our focus regions.

# Corporate governance

# 4

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# ASX Corporate Governance Council Recommendations Checklist

This table identifies the ASXCGC Recommendations and whether or not the ROC has complied with the Recommendations in the reporting period. Compliance with each Recommendation is addressed in detail in the Corporate Governance Statement under the relevant Principle heading. Where disclosure is required cross references are provided in the Corporate Governance Statement as to the location of relevant policies and charters.

ASX Corporate Governance Council Recommendations	Comply	Page no
<b>Principle 1: Lay solid foundations for management and oversight</b>		
1.1 Functions reserved to the board	✓	38
1.2 Process for evaluating the performance of senior executives	✓	38
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# Corporate governance statement

This statement reports on Roc Oil Company Limited's (ROC or Company) governance framework, principles and practices up to the reporting date. These principles and practices are reviewed regularly and revised as appropriate to reflect change in the law and best practice corporate governance. As a company listed on the Australian Securities Exchange (ASX) ROC is required to report on the extent to which the Company has followed the ASX Corporate Governance Council Corporate Governance Principles and Recommendations with 2010 Amendments (ASXCGC Principles and Recommendations or ASXCGC Recs) during the reporting period. Throughout 2013, the Company followed all of the recommendations set out in the ASXCGC Principles and Recommendations and this statement sets out in detail the Company's approach in following these recommendations. The Company's website at [www.rocoil.com.au](http://www.rocoil.com.au) also contains a corporate governance section including copies of the Company's corporate governance policies and Board committee charters referred to in this statement.

## Principle 1: Lay solid foundations for management and oversight

ASXCGC Recs 1.1, 1.2, 1.3

Comply

### Role of the Board

The Board is accountable to shareholders and other stakeholders for the performance of the Company. It is responsible for the overall corporate governance of ROC including its strategic direction, establishing goals for management and monitoring the achievement of these goals. In performing its responsibilities, the Board acts in the best interests of ROC, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by ROC's Constitution and the law.

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

### Delegation to Management

Under the Board Charter, the Board has delegated responsibility for the day-to-day management of the Company's business and affairs to the CEO. This responsibility is subject to an approved delegation of authority which is reviewed regularly. Internal control processes are in place to allow management to operate within the delegations approved by the Board and the CEO cannot commit the Company to activities or obligations outside these delegated authorities without the specific approval of the Board.

### Evaluation of Senior Executives

The process for evaluating the performance of senior executives is set out in the Remuneration Policy. This policy provides that each year senior executives will evaluate their performance in conjunction with the CEO. This evaluation is required to compare the performance of the individual senior executive with the requirements of the position and against any agreed performance goals and objectives and set the performance goals and objectives for the coming year.

A performance evaluation of senior executives and the CEO took place in the reporting period in accordance with the process set out above and in the ROC Remuneration Policy.

A copy of the Board Charter and the Remuneration Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>.

## Principle 2: Structure the board to add value

ASXCGC Reccs 2.1,2.2, 2.3,2.4,2.5,2.6

Comply

### Board Composition

The names of the Directors of the Company and details of their background, experience and professional skills are set out in the Directors' report. Information regarding each Director's responsibility on Board committees and attendance at Board and committee meetings is also set out in the Directors' report.

### Skills of the Board

The Board actively seeks to ensure that the Board and its committees have the right mix of background, skills, knowledge and experience necessary to guide and govern the Company effectively and in accordance with highest standards.

The Board considers that collectively the current Board has the range of skills, knowledge and experience necessary to direct the Company. The Non-Executive Directors represent a wide range of operational and international experience and an in depth understanding of the industry in which ROC operates. The combination of skills and experience allows for contributions on operational, financial and management matters and an understanding of health, safety and community issues. The presence of the CEO on the Board brings an additional perspective to the Board with a thorough understanding of ROC's business.

The following charts demonstrate the primary skills and experience of the current Board across the range of attributes that are relevant to ROC's business.

Directors are encouraged to attend appropriate training and professional development courses to update and enhance their skills and knowledge. Directors are also encouraged to build on their exposure to the Company's business by site visits and through Board meetings held throughout the year at ROC locations in Australia, China and Malaysia.

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

### Educational Qualifications

- Science and Engineering
- Finance and Accounting
- Science and Engineering / Finance and Accounting



### Industrial Experience

- Oil and Gas
- Professional or Technical Services
- Oil and Gas Professional or Technical Services



### Geographical Experience

- Australia
- Australia and Asia Pacific
- Australia and Asia Pacific and Europe
- Europe



### Independence

The Board assesses the independence of each director at least once in every financial year in accordance with the ROC Independence of Directors Policy. This policy sets out materiality thresholds for independence and relationships which affect independence thresholds. These thresholds are based on those set out in the ASXCGC Principles and Recommendations. At the conclusion of 2013, the Board assessed each of the Non-Executive Directors as independent. Only Alan Linn, the CEO and Executive Director was assessed as not independent.

### Chairman

In December 2013, the Company's longstanding Chairman Mr Andrew Love resigned and the Board appointed Mr Mike Harding as Chairman. Both Mr Love and Mr Harding were and are considered independent Non-Executive Directors.

Mr Harding is also Chairman of Downer EDI Limited (Downer) and is a non-executive director of Santos Limited and Transpacific Industries Group Ltd. The Board considers that neither Mr Harding's chairmanship of Downer nor any of his other commitments interferes with the discharge of his duties to the Company. The Board is satisfied that Mr Harding commits the time necessary to discharge his role as Chairman effectively.

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

The Chairman is responsible for leadership and effective performance of the Board and to ensure that a high standard of values, governance and constructive interaction between Directors and management is maintained.

The Company Secretary has a direct reporting line to the Chairman and is accountable through the Chairman on all matters to do with the proper functioning of the Board.

### **Nomination Committee**

The Board has established a Nomination Committee. The responsibilities of the Nomination Committee are set out in the Nomination Committee Charter and include assessing the necessary and desirable competencies of the Board, developing the succession plans of the Board to maintain an appropriate mix of skill, experience, expertise and diversity on the Board, establishing and monitoring Company strategies on diversity and the implementing the ROC Diversity Policy as it relates to Board appointments. Details of the names and qualifications of those appointed to the Nomination Committee in the reporting period and their attendance at meetings of the Nomination Committee are set out in the Directors' Report. All Directors on the Nomination Committee are independent. The Nomination Committee is chaired by an independent Non-Executive Director who is not the chair of the Board.

### **Succession Planning**

The Board has a Nomination and Appointment of Directors Policy which sets out the procedure for nomination of Directors and the suitability criteria for Directors as well as the selection and appointment process. This policy also provides an outline for new Director induction and requires the Nomination Committee, at least annually, to review the size and composition of the Board to ensure that it continues to have the right mix of experience and competencies to fulfil its responsibilities effectively and taking into account the ROC Independence of Directors Policy and the ROC Diversity Policy.

In recent years, the Company has been through a process of Board renewal. The Board recognises that this process is ongoing and in 2014 the Board will continue to consider appropriate appointments.

The Company's Constitution provides that all Directors, other than the CEO, must retire and if applicable stand for re-election, after being in office for three years or after three annual general meetings since last elected. At each annual general meeting, one third of the Directors in office must retire and if applicable stand for re-election.

All new Directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment. Induction training is also provided in accordance with the Nomination and Appointment of Directors Policy. Induction training includes an induction pack containing relevant information on the Company, discussions with the CEO and senior executives and site visits either on appointment or with the Board during its next site tour.

### **Evaluation of the Performance of the Board**

An evaluation of the performance of the Board is conducted annually in accordance with the ROC Board Performance Evaluation Process Policy. This policy provides that the Board, individual Directors' and committees' performances be evaluated by way of a questionnaire distributed by the Chairman and followed up where applicable with one-on-one discussions. A performance evaluation of the Board in accordance with this process took place in the reporting period. Any improvements identified will be implemented during the year.

A copy of the ROC Independence of Directors Policy, ROC Nomination Committee Charter, the Nomination and Appointment of Directors Policy and Board Performance Evaluation Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 3: Promote ethical and responsible decision-making

ASXCGC Recs 3.1, 3.2, 3.3, 3.4, 3.5

Comply

### Code of Conduct

The Company has adopted a Code of Conduct which is to apply to all Directors, employees and contractors of ROC. The Code of Conduct provides a guide as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account the legal obligations and the reasonable expectations of stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct covers matters such as ethical and responsible decision-making; raising of a concern and whistle blowing; conduct in the workplace including confidentiality; equal opportunity, privacy, harassment and health and safety; business conduct including compliance with laws and conflicts of interest and financial integrity. Specific prohibitions are included in the Code of Conduct regarding the making of improper payments and bribery and corruption practices.

In addition to the prohibitions regarding bribery and corruption included in the Code of Conduct, the Company has in place specific anti bribery and corruption and gifts and entertainment policies. These policies set standards and practices consistent with legislation and best practice guidelines applicable globally.

The Code of Conduct and all applicable conduct and corporate governance policies are incorporated into a ROC Personal and Business Conduct Handbook (Handbook). The Handbook is published in English and Chinese and is distributed to all employees and contractors engaged by the Company.

The Handbook includes all relevant policies and provides a clear guide as to acceptable practices and expectations in relation to the conduct of Directors, employees and all who conduct business with ROC. The Handbook reinforces the Company's messaging regarding whistle blowing and how to raise a concern. A ROC Conduct Helpline is in place to facilitate the confidential raising of concerns.

Corporate governance training sessions were held in ROC offices in Australia, China and Malaysia in 2013. These sessions included refresher training on the Handbook and the anti bribery and corruption and the gifts and entertainment policies as well as training on the updated Share Trading and Continuous Disclosure policies and unacceptable workplace behaviours such as bullying, discrimination, harassment and sexual harassment (2013 Corporate Governance Training).

Regular monitoring of compliance with the policies in the Handbook is undertaken and on an annual basis all employees are asked to confirm their understanding and compliance with the Handbook and its contents.

Failure to comply with the Code of Conduct, the anti bribery and corruption and gifts and entertainment policies or any of the policies included in the Handbook is regarded as a serious breach of the relevant policy and is investigated. Breaches may result in disciplinary action ranging from warnings to termination.

The Company has an established Share Trading Policy which governs the trading in ROC shares by Directors and employees. This policy was reviewed and updated in October 2013. The updated Share Trading Policy is included in the Handbook and its provisions were covered in the 2013 Corporate Governance Training.

A copy of the ROC Code of Conduct and the ROC Share Trading Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

### Diversity

As a company operating globally ROC strives to create an inclusive and diverse culture in which difference is recognised and valued. ROC's commitment to diversity is not limited to gender. ROC is committed to recruiting, training and promoting individuals based on competence and to attracting the best people in their fields, regardless of race, religion, national origin, sex, age, physical disability, marital status or sexual orientation. The Board believes that employee diversity encourages a broad range of skills and ideas and helps give ROC a competitive advantage in the countries where it operates. ROC employs locally in the countries in which it operates and is committed to providing leadership in the regions to build and strengthen the managerial and operational skills of the local teams who comprise, in all regional operations, the majority of the employees. In all locations the local teams far outweigh the percentage of expatriates:

- China – expatriates 9%, Chinese nationals 91%
- Malaysia (including joint ventures) - expatriates 25%, Malaysian locals 75%.

## 2013 Gender Diversity Measurable Objectives

### 2013 Measurable Objectives

Review and update the recruitment practices to provide that for all senior and technical positions to be filled, a balance of candidates by gender be considered for each position

Consider and review education levels of women across the organisation and identify applicable training or education programs which align with performance objectives or career goals.

Review and update the ROC policy on sex-based harassment in the workplace and provide either web or presentation style training on updated policy.

Maintain monitoring of flexible workplace practices, maternity leave and retention of women in the workplace.

### Progress in Meeting 2013 Measurable Objectives

Objective achieved

A web-based Manager Guide to Recruitment was introduced across all locations at ROC during 2013. This guide includes a workflow guide for the recruitment process and tools to ensure a fair and efficient recruitment process including, that in filling any vacancy, consideration be given to a balance of candidates by gender be selected where practical and possible.

Objective achieved

Education levels of women across the organisation were reviewed in 2013. It was determined that approximately 83% of women at ROC had tertiary education or above. 95% had completed secondary education or above. Applicable training or education goals were included in all employees' performance management plans. Over 70% of all women employees at ROC attended further education or training during 2013.

Objective achieved

Training on workplace bullying, harassment, sexual harassment and discrimination was conducted in ROC offices in Australia, China and Malaysia for all employees and contractors during 2013.

Objective achieved

**Flexible Working Practices;** In 2013, formalised part-time and flexible working arrangements continued to be put in place for a number of female employees.

**Provision of Paid Maternity/Paternity Leave;** In 2013, paid maternity/paternity leave was offered in all ROC locations in accordance with statutory or other applicable standards.

**Retention of Women in the Workplace;** In 2013, retention levels were stable. Over 18% had been with the Company more than 10 years, over 19% between 5 and 9 years and the remaining between less than 1 year and 4 years.

The Company has an established Diversity Policy and the ROC Code of Conduct addresses matters such as equal opportunity, discrimination and human rights and respect generally. In summary, the Diversity Policy provides guidelines in relation to ROC's commitment to diversity, the establishment of measurable objectives for achieving gender diversity, the annual assessment of the objectives set for achieving gender diversity and the progress made towards achieving the objectives set, the procedures to implement the Diversity Policy and the responsibilities of the Nomination Committee and the Remuneration Committee to consider the Diversity Policy. The Diversity Policy is included in the Handbook. Diversity was covered in the 2013 Corporate Governance Training through presentations on discrimination and discriminatory behaviours.

## 2013 Gender Diversity Measurable Objectives

The Diversity Policy requires the Company to set and report on a range of gender diversity objectives and measures each year.

The measurable objectives set by the Board for achieving gender diversity in 2013 and the progress toward achieving them in 2013 is set out in 2013 Gender Diversity Measurable Objectives table (above).

## 2014 Diversity Measurable Objectives

The Board has set the following measurable objectives for achieving gender diversity in 2014:

- Consider the matters set out in the Workplace Gender Equality Indicators set out in the *Workplace Gender Equality Act 2012* (Cth) and the applicability of ROC reporting against those indicators.
- Raise awareness of gender and all types of diversity across the organisation through web-based or presentation style training.
- Conduct a survey of women in senior management and technical roles to identify career needs and issues and concerns regarding diversity in the workplace.
- Identify issues or goals from the survey conducted to consider as measurable objectives for 2015.

Once again, consideration has been given by the Board to the setting of numerical targets for gender diversity in specified areas of the business but the Board has agreed that the nature of ROC's business and the growth of operational roles in South East Asia were such that aspirational initiatives were more appropriate to build on gender diversity in the organisation than numerical targets.

## Proportion of Women Employees

As at 31 December 2013, the proportion of women employees in the whole organisation was 72 out of 199 (36%), the proportion of women in senior executive positions is one out of five (20%) and the proportion of women on the Board is zero out of six (0%).

A copy of the Diversity Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 4: Safeguard integrity in financial reporting

ASXCGC Recs 4.1, 4.2, 4.3, 4.4 Comply

### Audit and Risk Committee

The Board is committed to ensuring the Company's financial reports present a true and fair view of the Company's financial position and comply with relevant accounting standards. In support of this commitment the Board has established an Audit and Risk Committee. The primary role of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and the internal and external audit functions and to make appropriate recommendations in respect of those responsibilities.

The Audit and Risk Committee has a formal charter which sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements.

The Audit and Risk Committee consists only of Non-Executive Directors, all of whom are independent. It is chaired by an independent chair who is not the chair of the Board and at all times is constituted by at least three members. At the discretion of the Audit and Risk Committee, the external auditor and the CEO and other executives are invited to attend meetings.

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

### External Auditor

The Audit and Risk Committee Charter provides that amongst other responsibilities, the Audit and Risk committee is responsible for monitoring compliance by the external auditor with the independence requirements imposed by the Corporations Act 2001. This includes a rotation of audit partner requirements. The Audit and Risk Committee is responsible for recommending to the Board the appointment and terms of

engagement of the external auditor. The external auditor attended the 2013 ROC annual general meeting and was available to answer questions from shareholders relevant to the audit.

A copy of the Audit and Risk Committee Charter is available on ROC's website under the 'Responsibility' tab or via the following link:

<http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 5: Make timely and balanced disclosure

ASXCGC Recs 5.1, 5.2 Comply

### Continuous Disclosure Policy

ROC is committed to ensuring that all investors and stakeholders have equal and timely access to material information about the Company.

The Company has a Continuous Disclosure Policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. This policy and ROC's disclosure processes were reviewed and updated in August 2013 in accordance with the updated guidance on continuous disclosure issued by the ASX that came into effect on 1 May 2013.

In summary, the updated Continuous Disclosure Policy addresses: the procedures for determining and disclosing material information; the roles and responsibilities of the Board, officers and employees in complying with the Company's disclosure obligations; the safeguarding of confidentiality of corporate information to avoid premature disclosure; and external communication including media, analysts and response to questions and measures for responding to or avoiding the emergence of a false market in ROC shares. The updated Continuous Disclosure Policy is included in the Handbook and its provisions and in particular the responsibilities of all ROC personnel under this policy were covered in the 2013 Corporate Governance Training.

A copy of ROC's Continuous Disclosure Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 6: Respect the rights of shareholders

ASXCGC Recs 6.1, 6.2

Comply

### Shareholder Communication

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

### Website

The Company maintains a website which has a corporate governance page where all relevant corporate governance information can be accessed. The website is kept up to date with all announcements to the market and related information after release to the ASX including annual reports and financial statements, webcasts and presentations to analysts and investors. ROC's website address is: [www.rocoil.com.au](http://www.rocoil.com.au).

A copy of ROC's Communications Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 7: Recognise and manage risk

ASXCGC Recs. 7.1,7.2,7.3,7.4

Comply

### Risk Management Roles and Responsibilities

ROC recognises the need to actively manage material business risks and to ensure that internal controls are in place to effectively monitor and manage the Company's risks. The Company has established a Risk Management Policy for the oversight and management of material business risks. In summary, this policy provides guidelines in relation to responsibility for risk management, ROC's risk management systems, ROC's risk profile, the monitoring of risk management performance and the disclosure of material change to risk profile and risk management reporting.

The Board is ultimately responsible for the oversight and integrity of the Company's risk management systems. The Board has established an Audit and Risk Committee to assist it in fulfilling its obligations in relation to the Company's risk management systems. The Board has also established a

Health Safety and Environment Committee to assist it in fulfilling its obligations in relation to the overseeing of the Company's work health, safety and environment obligations and risks. The Audit and Risk Committee also retain KPMG to provide support to the internal risk management process and assessment of risk profile.

Through the Audit and Risk Committee and the Health Safety and Environment Committee, the Board requires management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively.

With the support of these Board committees and through integrated risk management programmes that identify, assess and manage risks, management ensures that risks are well understood and managed proactively and reporting is kept up to date and relevant. During the reporting year, management provided the risk profile on a regular basis to the Audit and Risk Committee and the Health, Safety and Environment Committee. At least annually, management is required to report to the Board as to the effectiveness of the Company's management of its material business risks in accordance with the ROC Risk Management Policy. This report was provided to the Board regularly throughout 2013.

The Company's Sustainability Report for 2013 provides disclosure on how the Company has regard to economic, environmental and social sustainability risks.

### CEO and CFO Assurance

The CEO and the Chief Financial Officer (CFO) have stated in writing to the Board that for the financial year ended 31 December 2013, the statements made by them regarding the integrity of the financial statements are founded on a sound system of risk management, internal compliance and control, which in all material respects implements the policy as adopted by the Board and that the risk management and internal compliance control to the extent that they relate to financial reporting are operating effectively and efficiently in all material respects.

A copy of the ROC Risk Management Policy is available on ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>

## Principle 8: Remunerate fairly and responsibly

ASXCGC Recs. 8.1, 8.2, 8.3, 8.4

Comply

### Remuneration Practices

ROC is committed to adopting remuneration practices that align the interests of employees and shareholders by linking individual and company performance with remuneration outcomes; rewarding employees for financial and non-financial performance and driving behaviour and focusing performance in alignment with business objectives. In support of this commitment, the Board has established the Remuneration Committee and adopted the Remuneration Policy.

The Remuneration Committee consists of all independent Directors, is chaired by an independent chair and has at least three members. Details of the names and qualifications of those appointed to the Remuneration Committee in the reporting period and their attendance at meetings of the Remuneration Committee are set out in the Directors' Report. The roles, responsibilities, composition and the structure of the Remuneration Committee are set out in the Remuneration Committee Charter adopted by the Board in January 2012.

The Board has adopted the Remuneration Policy. In summary, this policy provides guidelines in relation to the Company's commitment to remuneration, remuneration packages for employees, short term and long term incentive plans, the policy in relation to Non-Executive Director remuneration and the performance evaluation of senior executives.

In accordance with this policy, the Remuneration Committee undertook a review of remuneration practices in 2012 and 2013 and in particular short term and long term incentive plans. The outcomes of this review were introduced by the Board in 2013. These outcomes are detailed in the 2013 Remuneration Report included in the Directors' Report.

An outcome of this review was the introduction of Board discretion to claw back performance-based remuneration from senior executives where a situation arises that impacts the assessment of performance. Such a situation may include material misrepresentations or material misstatements in the Company accounts.

The Company's Share Trading Policy prohibits employees participating in any equity-based incentive plan from entering into transactions which limit the risk of participating in any unvested entitlements.

### Non-Executive Director Remuneration

The Company clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives. The 2013 Remuneration Report included in the Directors' Report provides a separate table outlining the structure of Non-Executive Directors' remuneration. The ROC Remuneration Policy also provides that the total amount of remuneration paid to Non-Executive Directors is not to exceed the amount authorised by shareholders in general meetings.

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.

A copy of the ROC Nomination Committee Charter, the ROC Remuneration Policy and the ROC Share Trading Policy are available at ROC's website under the 'Responsibility' tab or via the following link: <http://www.rocoil.com.au/Responsibility/Corporate-governance.aspx>



# Annual financial statements

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# 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 2013.

## 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 Richard M ('Mike') Harding MSc (Mech Eng)

Independent Non-Executive Director  
Appointed 1 June 2012  
Appointed Chairman 11 December 2013

Mr Harding is the Chairman of Downer EDI Limited and a non-executive Director of Santos Limited and Transpacific Industries Group Ltd. Mr Harding is the former Chairman of Clough Limited (2006-2010) and a former non-executive Director of Arc Energy Limited (2003-2007). Mr Harding holds a Master of Science degree and had a 25 year career at BP PLC between 1978 and 2003. He held various project and business management positions at BP PLC, which provided upstream sector experience in the United Kingdom, South Korea, Western Australia, former USSR Republics, PNG, Malaysia and Thailand. His final position at BP PLC was as President and General Manager of BP Exploration Australia and CEO of BP Developments Australia Pty Limited. Mr Harding is a former Vice-Chairman and council member of the Australian Petroleum Production and Exploration Association.

During 2013, Mr Harding was the Chair of the Remuneration Committee of the Company and a member of the Nomination Committee and the Audit and Risk Committee. In addition to being Chairman of the Board, Mr Harding is currently the Chair of the Nomination Committee and a member of the Remuneration Committee, the Audit and Risk Committee and the Health, Safety and Environment Committee.

### Mr Alan Linn CEng, FIChemE

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 ExxonMobil in both downstream and upstream assignments in the UK and USA before moving into the independent Exploration & Production ('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.

### Mr Nigel D R Hartley FCA, BSc

Independent Non-Executive Director  
Appointed 1 June 2012

Mr Hartley is a non-executive Director of Phoenix Oil & Gas Limited and a former non-executive Director of Austin Exploration Limited. Mr Hartley holds a degree in economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and had a 20 year career at Oil Search Limited between 1991 and 2011, during which time he held various senior financial and executive general manager positions (including 12 years as Chief Financial Officer). His final position at Oil Search Limited was as Executive General Manager Sustainability. Prior to his career at Oil Search Limited, Mr Hartley held financial positions at Rio Tinto and Niugini Mining and was a manager with the accounting and audit firm Peat, Marwick, Mitchell & Co.

Mr Hartley is Chair of the Audit and Risk Committee and the Remuneration Committee and is a member of the Nomination Committee.

**Mr Christopher C Hodge**  
**MSc, DIC, FFin, MAICD**

Independent Non-Executive Director  
 Appointed 7 September 2010

Mr Hodge is a qualified geologist and petroleum geophysicist with extensive experience both in Australia and overseas. In addition to a variety of senior technical roles, he has held managerial positions in major petroleum exploration and production companies and played significant roles in substantially growing their asset bases through a mix of exploration and acquisition. Mr Hodge was Managing Director of ASX-listed Adelphi Energy Limited and is currently a Director of ASX-listed Xstate Resources Limited and the E&P Advisor to Mitsubishi in Australia. He is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists and holds a Graduate Diploma in Applied Finance and Investment.

Mr Hodge is Chair of the Health, Safety and Environment Committee.

**Mr Robert C A Leon**

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

Mr Leon is a member of the Audit and Risk Committee.

**Mr Graham D Mulligan**  
**BSc, DipAcc, FAIM, MAICD**

Independent 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, resources and petroleum. He holds both science and accountancy qualifications and has considerable experience as a senior executive in the international petroleum, infrastructure, transport and resources industries. This included over 16 years with the listed New Zealand Oil & Gas Limited Group as both a Director and senior executive. Mr Mulligan has held a number of other senior executive roles, including Chief Executive Officer of Port of Brisbane Corporation and Managing Director of Port Wellington Limited. He is a former Chairman of the Petroleum Exploration Association of New Zealand, is currently a Director of Chalmers Limited and has held director roles with other listed companies.

Mr Mulligan is a member of the Remuneration Committee, the Nomination Committee and the Audit and Risk Committee.

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

### Mr Andrew J Love BCom, FCPA, MAICD

Independent Non-Executive Director,  
former Chairman

Appointed 5 February 1997. Resigned 11 December 2013

Mr Love, a founding Director of ROC, is a Fellow of The Institute of Chartered Accountants in Australia and a consultant to Ferrier Hodgson, Chartered Accountants, where he was formerly a Senior Partner.

In the prior three years, Mr Love was Chairman of Lemur Resources Ltd and Deputy Chairman of Riversdale Mining Ltd. Mr Love is also currently a non-executive director of Charter Hall Office REIT.

During 2013, Mr Love was Chairman of the Nomination Committee and a member of the Remuneration Committee and Audit and Risk Committee until his resignation as a Director of ROC in December 2013.

## Company Secretary

### Ms Leanne E 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 The University of Sydney. Prior to joining ROC, Ms Nolan held the position of Corporate Counsel with Amplox Limited and prior to that was employed as a solicitor with Freehills.

Ms Nolan is a member of the Law Society of New South Wales, the Australian Mining Petroleum Law Association and the Australian Corporate Lawyers Association.

### Ms Jacquie A 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 Law from The University of Queensland. Prior to joining ROC, Ms Shanahan was involved in the review and monitoring of corporate governance reporting for the Australian Securities Exchange, 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.

Ms Shanahan is a member of the Law Society of New South Wales, the Australian Mining Petroleum Law Association and the Australian Corporate Lawyers Association.

## 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.

## Directors' Interests

	Ordinary Shares Fully Paid
<b>Non-Executive Directors</b>	
Mr R M Harding	30,000
Mr N D R Hartley	12,500
Mr C C Hodge	100,000
Mr R C A Leon	1,510,000
Mr G D Mulligan	25,000
Mr A J Love <sup>(1)</sup>	689,521
<b>Executive Director</b>	
Mr A S Linn	1,113,000

### Note:

1. As at date of resignation – 11 December 2013.

## Results

The net profit of the consolidated entity for the financial year after income tax was US\$45.2 million (2012: US\$61.0 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 2013.

## 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 31 to 34.

## 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 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.

## Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) and attendance during the financial year:

	Directors		Remuneration Committee		Nomination Committee		Audit and Risk Committee		Health, Safety and Environment Committee	
	A	B	A	B	A	B	A	A	A	B
Mr R M Harding	10	9	4	4	0	0	4	3	2	2
Mr A S Linn	10	10	-	1 <sup>(2)</sup>	-	-	-	4 <sup>(2)</sup>	-	2 <sup>(2)</sup>
Mr N D R Hartley	10	10	-	-	-	-	4	4	-	-
Mr C C Hodge	10	10	-	-	-	-	-	2 <sup>(2)</sup>	2	2
Mr R C A Leon	10	9	-	-	-	-	4	3	-	-
Mr G D Mulligan	10	10	4	4	0	0	4	4	-	2 <sup>(2)</sup>
Mr A J Love <sup>(1)</sup>	10	10	4	4	0	0	3	3	-	-

### Notes:

A Number of meetings held during the time that the Director held office during the financial year.

B Number of meetings attended.

1. Resigned 11 December 2013.

2. Number of meetings attended as observer

## Future Developments

### Business strategy

ROC's goal is to be a leading independent upstream oil and gas company, with a presence in and focus on China, South East Asia and Australia delivering value and growth for our shareholders.

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

- delivering existing production by optimising production performance from existing assets;
- delivering opportunities near to existing fields and basins;
- developing opportunities in new ventures in focus areas;
- selectively identifying and pursuing acquisition of value growth assets; and
- capitalising on our existing relationships and South East Asian regional presence.
- ROC aims to deliver value growth whilst preserving our goals of zero harm to people, minimising our impact on the environment, supporting the communities in which we operate and building a motivated and engaged workforce.

Key projects and opportunities being pursued during the 2014 financial year include:

### China

- 09/05 exploration well in 2H14;
- Beibu Gulf Phase II development plan for WZ-12-8 East commenced with feasibility study underway;

- progress extension possible extension to Zhao Dong licence beyond 2018; and
- reviews of further acreage opportunities to complement existing portfolio;

### Myanmar

- bidding results for the offshore licensing round in Myanmar are expected in early 2014; and
- pursuing farm-in opportunities for onshore and offshore blocks;

### Malaysia

- BCP Full Development Plan ('FDP') has been lodged with PETRONAS with Final Investment Decision ('FDP') expected in early 2014;
- pursuing mature field PSC redevelopment projects; and
- assessing current exploration licence rounds;

### Australia

- reviewing current acreage, looking for opportunities to complement the existing portfolio.

ROC will continue to pursue a range of other exploration and new business opportunities designed to deliver the profitable implementation of smaller field developments, mature field redevelopments and near term exploration.

### Material business risks

The following material business risks have the potential to impact ROC's ordinary operations and are monitored and managed on a regular basis:

- commodity price risk, which directly impacts ROC through the realised price received from the sale of hydrocarbons – ROC is predominantly an oil producer and is particularly exposed to movement in the oil price;

### Material business risks continued

- reserves and production risks, where future performance of individual assets may not meet current estimates and forecasts;
- implementation of development and operating projects, including meeting schedule and budget, which could be subject to changes in future industry and economic conditions;
- sovereign risk relating to the expected fiscal, tax and regulatory environment in jurisdictions that ROC does business; and
- health, safety and environmental risks which are recognised by ROC to be of critical importance in ensuring ROC continues to build and operate a sustainable business and this remain a key focus area for the Company

### Share Rights and Options

During the financial year, the Company granted 7,227,358 LTI Rights and 355,400 Deferred Short Term Incentive ('STI') Rights over unissued ordinary shares of ROC.

As at the date of this Directors' Report, there were 13,507,358 LTI Rights, 2,380,345 Deferred STI Rights and 980,000 executive share options granted over unissued ordinary shares of ROC under ROC's equity incentive plan and the Executive Share Option Plan. Refer to Note 23 to the financial statements for further details of the rights and options outstanding. During the financial year, 3,226,188 ordinary shares were issued as a result of vesting of LTI Rights.

Since the end of the financial year, no ordinary shares were issued as a result of vesting of LTI Rights or options and 2,095,985 Deferred STI Rights were granted in relation to the 2013 STI bonus accrual.

Rights 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

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

The Constitution also permits the Company to purchase and maintain a directors' and officers' insurance policy. During the year, the Company paid premiums in respect of directors' and officers' liability and legal expenses insurance

contracts. A condition of the contracts is that the nature of the liability indemnified and premium payable is not disclosed.

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

### Rounding

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

### Remuneration Report

The Remuneration Report is set out on pages 11 to 29 and forms part of the Directors Report for the financial year ended 31 December 2013.

### 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 regular basis.

The Board is currently comprised of five Non-Executive Directors including the Chairman and one Executive Director. 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 meets regularly throughout the year and at least once a year in both Kuala Lumpur and Beijing. Where appropriate, presentations are given to the Board 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 Harding, Mr Hartley (Chair), Mr Leon, Mr Mulligan, and Mr Love (until 11 December 2013), were members of the Company's Audit and Risk Committee. The Audit and Risk Committee 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 the Company. 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 PSC's 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 the 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 June 2013 interim review:

- tax compliance and accounting advice  
US\$174,494.

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;
- 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; and
- the non-audit services provided, particularly in relation to tax compliance advice to the internal tax accounting team, are seen as a cost effective and valuable resource to the Company. Expenditure levels vary from year to year depending on the activity levels and regulatory reviews. In addition, with the Company's extensive global operations, comprehensive tax advice across all jurisdictions is regarded as essential. In the circumstances, the Company's auditor is regarded as the most appropriate to provide this advice.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 30.

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

On behalf of the Directors:



**Mr R M Harding**  
Chairman



**Mr A S Linn**  
Director and Chief Executive Officer  
Sydney, 26 February 2014



# Introduction to remuneration report

**This introduction to the 2013 Remuneration Report does not form part of ROC's statutory Remuneration Report. It should be read in conjunction with the Remuneration Report which follows this introduction and which provides disclosures in accordance with ROC's statutory obligations and relevant accounting standards.**

The Board is pleased to introduce ROC's Remuneration Report for the year ended 31 December 2013.

## Remuneration Review

As foreshadowed in the 2012 Remuneration Report, the Remuneration Committee oversaw a review of a number of aspects of ROC's remuneration strategy in 2013 and in particular the performance criteria and conditions associated with 'at risk' components of senior executive remuneration. In reviewing both short term and long term incentive plans ('STI and LTI plans'), consideration has been given to latest trends and market practice with a view to ensuring that ROC's STI and LTI Plans are aligned with current best practice.

Significant changes have been introduced to both the STI and LTI framework for the Chief Executive Officer ('CEO') Mr Alan Linn and all Senior Executives as a direct consequence of the 2012 review. The revised STI and LTI frameworks were applied to Mr Linn's 2012 remuneration, and all equity awarded to Mr Linn in relation to 2012 performance was approved by shareholders at the 2013 Annual General Meeting. The changes have been introduced for all Senior Executives' remuneration in 2013 and are detailed in the following report. The STI has been updated to include a deferred equity component for all senior management. The LTI now includes a stronger link between senior executive personal performance and the value of LTI awarded through the linked alignment of STI award with the LTI award. Other LTI scheme changes include new performance conditions which better reflect current industry practice. The Remuneration Committee has removed the service conditions and absolute Total Shareholder Return ('TSR') performance conditions attaching to the LTI and introduced two separate relative TSR measures consistent with current industry best practice.

The positive and operational performance and focus on value growth of the Company over the last three years combined with the introduction of the existing LTI Plan in 2010, has gradually increased the 'at risk' equity issued to management over this period. LTI equity serves to motivate and retain senior management and ensure performance hurdles are in place which fully align with shareholder objectives.

As also foreshadowed in the 2012 Remuneration Report, a clawback provision has been introduced to all issued performance rights giving the Board discretion to intervene if a situation arises with the potential to impact assessment of Company performance. Such a situation may include material misrepresentations or material misstatements in the Company accounts.

## New CEO Service Contract

In advance of the 2013 Annual General Meeting, a new service contract was entered with the CEO Mr Alan Linn and announced to the market. The new service contract was effective from 1 January 2013 and includes the following key terms:

- an extension of Mr Linn's contract term until 31 December 2015;
- a fixed annual base salary for the three year period of the term; and
- changes to STI and LTI arrangements to more effectively link Company and individual performance with the STI and LTI awards.

## 2013 Annual General Meeting

At the 2013 Annual General Meeting, the Company enjoyed a strong level of support for the 2012 Remuneration Report from shareholders with a vote in favour of the Remuneration Report of in excess of 98%. This strong level of support was reassuring to the Board and it is anticipated that with the full implementation of the changes now in effect, the Board will continue to have strong support from shareholders for its proactive stance on executive remuneration.

## 2013 Strategy Success

The strategy to drive value growth opportunities in the South East Asian region and particularly in China and Malaysia outlined in the introduction to last year's Remuneration Report is making good progress. The strategy requires continuing corporate presence in the target operating regions and in country skills and experience to drive and secure existing and future value growth opportunities.

The success of ROC's focus and growth strategy is reflected in the following material outcomes in key areas of ROC business:

- share price – increased by 11% in 2013 which was comparable to the ASX 200 Energy Index and All Ords and better than the comparator group;
- profit – net profit after tax of US\$45.2 million;
- net cash – at year end of US\$65.1 million;
- production – increased from 6,445 BOEPD in 2012 to 7,263 BOEPD in 2013 ~ 2.65 MMBOE; and
- growth opportunities being pursued in China and South East Asia, including the successful seismic acquisition and farmout option to Horizon Oil (Beibu) Limited for Block 09/05 in Bohai Bay, China.

## Differentiation to Peer Group

ROC's strategy and business model continue to differentiate it from the Australian small-mid cap oil and gas peer group in a number of ways:

- ROC is a full cycle offshore operator of exploration and production assets. The scale and operating capability of ROC's overseas operations are unlike many of ROC's Australian small-mid cap peers.
- in 2013:
  - + China represented 78% of Company production;
  - + ROC operated approximately ~20,000 BOEPD on behalf of joint venture partners;
  - + growth opportunities being targeted in both Malaysia and in China;
  - + ROC's Beijing office is its largest with approximately 110 staff onshore and over 120 offshore under ROC management; and

- + Malaysia has approximately 90 staff both with ROC and through our joint venture operating company, BC Petroleum Sdn Bhd. Sydney is head office with approximately 26 staff looking after the Group in Australia and regionally; there is also a small operations office in Perth; and

- four out of five of the Company's Senior Executive's referred to in the 2013 Remuneration Report are located in either Malaysia or China together with a number of key technical/operations employees.

## Value of Expatriate Costs

The presence of strong expatriate teams in the regions provides leadership to build and strengthen the managerial and operational skills of the local teams as they develop and undertake regional operations. In all locations, the local teams far outweigh the percentage of expatriates:

- China – expatriates 9%, Chinese nationals 91%; and
- Malaysia (including joint ventures) - expatriates 25%, Malaysian locals 75%.

By necessity, the executives and technical/operations management seconded into the focus regions are very experienced, typically with greater than 20 years' technical/operations experience gained internationally.

ROC's ability to recruit and retain high calibre teams gives it an edge in building a regional business and also in ensuring appropriate risk mitigation. It is recognised that the regional deployment of Senior Executives and senior technical professionals reduces business risk by ensuring good technical understanding of the local geology and 'on the ground' management understanding of the optimum route to develop the business securely.

A consequence of the expatriate secondment of executives is the incremental business costs associated with the secondments and ensuring that executives are no worse off financially as a family in their host country environment. The Board continues to view these costs as a strategic investment in business growth and the Board acknowledges that the inclusion of expatriate benefits results in remuneration levels

### Value of Expatriate Costs continued

for KMPs which are not directly comparable with those employed in the Australian peer group. ROC is competing in an international market for talent and to do so it needs to remunerate accordingly.

The Board endorses the remuneration levels required to support the expatriate secondments and ROC's commitment to grow shareholder value by building on the business strategy in Asia.

### Resignation of Chairman

In December 2013, ROC's longstanding Chairman Mr Andrew Love resigned as a Director and as Chairman of the Board. It is noted that Mr Love was not eligible for and did not receive any retirement benefits as a result of his resignation.

### Financial Reporting Changes

To improve reporting clarity in the Remuneration Report for our shareholders, ROC has revised its approach to the reporting of STIs in the financial results year in which the STI was awarded. This change commenced with the 2013 reporting period and also impacted comparative 2012 information and this has now been restated to facilitate comparisons.

The Remuneration Committee timetable has also been amended during 2013 to ensure that the STI awards are accrued in the financial statements in the applicable year.

As noted above, as part of the review of senior management remuneration the Remuneration Committee has provided that the STI will be awarded partly in cash and partly in deferred equity. This is explained in the following Remuneration Report.

The changes to the LTIs, although introduced in 2013, do not apply to the LTIs awarded to Senior Executives in 2013. The changes only apply to the LTIs awarded to the CEO in 2013. A full explanation of both the new LTI framework and the previous LTI framework is therefore included within the following report.

# Remuneration report

This Remuneration Report for the year ended 31 December 2013 outlines the key management personnel remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* ('Act') and its regulations. The disclosures in this Remuneration Report have been audited as required by section 308(3C) of the Act.

## What is in this Remuneration Report?

This Remuneration Report is presented under the following sections:

1. Remuneration Review
2. Key Management Personnel
3. Remuneration Policy and Link to Company Performance
4. The Board's Role in Remuneration and Remuneration Governance
5. Description and Statutory Details of Non-Executive Director Remuneration in 2013
6. Description of Executive Remuneration
7. Company Performance and Remuneration Outcomes for Senior Executives in 2013
8. Statutory Details Executive Remuneration in 2013
9. Summary of Senior Executive Contractual Arrangements
10. Shareholdings of Key Management Personnel.

### 1. Remuneration Review

In late 2012, the Remuneration Committee engaged an independent remuneration consultant Aon Hewitt to review the Company's remuneration programs and practices and provide benchmarking of fixed and 'at risk' remuneration. Based upon the results of the 2012 review, the Remuneration Committee completed a full update of performance criteria and conditions associated with the short term and long term incentive plans to ensure that ROC's Short Term Incentive ('STI') and Long Term Incentive ('LTI') Plans were aligned with latest trends and current best practice.

The key outcomes of the comprehensive review were:

- the renegotiation of the CEO Mr Alan Linn's contractual arrangements and those components of Mr Linn's remuneration that are linked to company and individual performance. (See section 9 of this Remuneration Report);
- a deferred equity component has been introduced to the STI applicable to Senior Executives and the tier of employees below Senior Executive. (See section 6 of this Remuneration Report);
- the number of rights issued under the LTI plan are now linked with the award of STIs which has the benefit of ensuring the alignment of longer term performance incentives with immediate past performance. (See section 6 of this Remuneration Report);
- the three tiers of performance conditions attaching to the existing LTI plan (which was based upon absolute Total Shareholding Return ('TSR'), relative TSR and a service condition) has been replaced with two tiers of performance conditions based upon the relative TSR of two distinct comparator groups. It is the Boards view that these conditions will more effectively test the Company's performance and shareholder return over time. (See section 6 of this Remuneration Report); and
- a clawback provision has been included in all issued performance rights ensuring the Board has discretion to determine if some or all of the unvested rights will lapse should a situation arise which impacts the assessment of performance. Such a situation may include material misrepresentations or material misstatements in the Company accounts.

## 2. Key Management Personnel

For the purpose of this report, Key Management Personnel ('KMPs') of the Company 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 R M Harding	Chairman (Appointed Chairman 11 December 2013)
Mr N D R Hartley	Director
Mr C C Hodge	Director
Mr R C A Leon	Director
Mr G D Mulligan	Director
Mr A J Love	Chairman (Resigned 11 December 2013)

### Chief Executive Officer and Executive Director

Mr A S Linn	Chief Executive Officer and Executive Director
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### Senior Executives

Mr R L Morris	President – Roc Oil (China) Company
Mr R B Stork	Chief Operating Officer
Mr A M Neilson	Chief Financial Officer
Ms L E Nolan	General Counsel and Company Secretary
Dr P Eliet	General Manager – Exploration, Geoscience & Business Development

In this report, a reference to Senior Executive includes the Chief Executive Officer and Executive Director, Mr Alan Linn.

## 3. Remuneration Policy and Link to Company Performance

### Remuneration Policy

In 2013, the key business strategy for the Company was a continuing focus upon growth in Asia particularly Malaysia and China. The oil and gas market in these regions is competitive with a high degree of employment mobility across the sector. Within this context, the Company's remuneration policy is designed to:

- align the interests of employees and shareholders by linking individual and Company performance with remuneration outcomes;
- reward employees for financial and non-financial performance aligned with business objectives; and
- drive behaviour and focus performance in line with business objectives by setting key performance measures and targets for individuals and the Company aligned with these objectives.

### Link to Performance

- The Company's remuneration policy for Senior Executives is to reward performance by:
- attracting, motivating and retaining high performing individuals focused upon achieving the Company's objectives by offering fixed remuneration commensurate with the respective roles and responsibilities and accounting for market factors;

- linking the reward for Senior Executives with 'at risk' incentives based on short term performance goals aligned and linked with Company goals and objectives which are set and reviewed annually; and
- aligning the longer term 'at risk' incentive rewards with expectations and outcomes that match shareholder objectives and interests by:
  - + measuring longer term performance against shareholder return over the same period;
  - + benchmarking shareholder return against two groups of comparator companies;
  - + assessing the performance over a longer period of time (three years); and
  - + giving more equity-based rather than cash-based rewards as LTIs.

As part of the review of remuneration in 2013, a provision for clawback has been introduced which applies to equity rights awarded under the STI and LTI Plans. The provision gives the Board broad discretion to determine if some or all of an executive's unvested equity awards will lapse if any situation arises prior to the allocation of shares that, in the Board's view, will impact the assessment of performance. Such a situation may include material misrepresentations or material misstatements in the Company's accounts.

As in previous years, expatriate costs should be considered as separate from fixed remuneration and performance based incentives. The structure and quantum of expatriate benefits reflect the additional living costs and circumstances specific to an international location to where executive is assigned.

The Company's remuneration policy in relation to Non-Executive Directors is to offer a level of remuneration having regard for the Company's need to retain appropriately experienced and qualified directors and in accordance with competitive pressures in the marketplace. Remuneration levels for Non-Executive Directors are designed to attract and retain Directors; to motivate Directors to achieve the Company's business objectives; and to align the interests of Directors with the long term interests of shareholders. Non-Executive Directors are not provided with performance-based incentives.

#### **4. The Board's Role in Remuneration and Remuneration Governance**

The Board has overall responsibility for making decisions about the remuneration of KMPs. The Board engages with shareholders, management and other stakeholders as required to update and improve Company remuneration policies and practices and ensure remuneration practices are aligned with Company strategy and objectives. In support of the Board's role, the Board has the Remuneration Committee which operates under the Remuneration Committee Charter and the Remuneration Policy.

#### **Remuneration Committee**

The Remuneration Committee comprises three independent Non-Executive Directors and meets throughout the year. Details of the Remuneration Committee meetings and in 2013 attendance are outlined in the Directors' Report.

The Remuneration Committee is responsible for making recommendations to the Board on its remuneration policies applicable to the Board and employees of the Company, including compensation arrangements for Senior Executives, fees for Non-Executive Directors and the STI and LTI awards. Senior Executive performance reviews are also considered by the Remuneration Committee.

Remuneration levels are reviewed annually by the Remuneration Committee through a process which evaluates the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy. Fixed remuneration levels and remuneration packages are benchmarked against independently provided remuneration data of comparable Australian and

international energy and resources companies to ensure salary packages are reasonable and competitive, but not excessive. Total reward potential is targeted to provide employees with the opportunity to earn top percentile benefits versus the relevant industry benchmarks, assuming consistently outstanding performance versus personal and business objectives set.

Further details of the Company's remuneration policy are included in the Corporate Governance statement in the Annual Report and copies of the Remuneration Committee Charter and Remuneration Policy are available at [www.rocoil.com.au](http://www.rocoil.com.au).

#### **Remuneration Consultant**

In 2012, the Remuneration Committee engaged an independent remuneration consultant Aon Hewitt ('Consultant') to review the Company's remuneration programs and practices and provide an assessment of benchmarking and industry 'best practice' for fixed and 'at risk' remuneration. This review continued through 2013.

The Consultant made a number of recommendations on a range of remuneration matters including remuneration recommendations in relation to KMPs generally and specifically in relation to the terms of the new service contract agreed with the CEO Mr Linn.

The Consultant was paid A\$117,660 for the review of remuneration provided in the reporting period.

The members of the Remuneration Committee liaised directly with the Consultant and management only became involved to the extent of providing factual information to the Consultant. In this regard, the Remuneration Committee and the Board are satisfied that the remuneration recommendations made by the Consultant were made free from undue influence by any of the KMPs to whom the recommendations related.

#### **5. Description and Statutory Details of Non-Executive Director Remuneration in 2013**

The Company's Constitution specifies that the aggregate remuneration of Non-Executive Directors will be determined by a general meeting. At the 2011 Annual General Meeting ('AGM'), shareholders approved total remuneration for all Non-Executive Directors of up to A\$750,000 per annum. There was no subsequent increase in fees paid to Non-Executive Directors at this time and prior to 2013 the last increase in fees paid to Non-Executive Directors was approved in 2010. Fees paid to Non Executive Directors are set based on review of external market information in relation to fees paid to non-executive directors of comparable companies. In April 2013 the Board

## 5. Description and Statutory Details of Non-Executive Director Remuneration in 2013 *continued*

approved an increase in remuneration payable to individual Non-Executive Directors. These increases in Australian dollars are as follows:

- Chairman – from A\$110,000 to A\$140,000 per annum; and
- other Non-Executive Directors – from A\$75,000 to A\$90,000 per annum.

Non-Executive Directors' fees for the 2013 financial year were a total of US\$666,499.

Generally, no additional fees are paid for sitting on Board committees. In exceptional circumstances, the Board will approve the payment of additional fees for specific and defined subcommittee projects. In 2013, the Board approved the payment of additional fees to a number of Directors for time spent on specific projects. The details of the amounts of these payments are set out in the statutory table below.

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 paid to the Non-Executive Directors for the financial years ended 31 December 2012 and 2013. All of the Non-Executive Directors 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 2013 was 0.9685 (2012: 1.0359).

		Short Term				Post	Equity	Total	Percentage
		Fees	Cash Bonus	Non-Monetary Benefits	Super-annuation	Employment	Compensation		Performance Related
Non-Executive Directors		US\$	US\$	US\$	US\$	US\$	US\$	%	
Mr R M Harding <sup>(1)(2)</sup>	2013	104,114 <sup>(3)</sup>	-	-	7,954	-	112,068	-	
	2012	45,321	-	-	4,079	-	49,400	-	
Mr N D R Hartley <sup>(2)</sup>	2013	100,482 <sup>(4)</sup>	-	-	7,954	-	108,436	-	
	2012	45,321	-	-	4,079	-	49,400	-	
Mr C C Hodge	2013	94,429 <sup>(5)</sup>	-	-	7,954	-	102,383	-	
	2012	77,693	-	-	6,992	-	84,685	-	
Mr R C A Leon	2013	87,165	-	-	-	-	87,165	-	
	2012	77,693	-	-	-	-	77,693	-	
Mr G D Mulligan	2013	87,165	-	-	7,954	-	95,119	-	
	2012	77,693	-	-	6,992	-	84,685	-	
Mr A J Love <sup>(6)</sup>	2013	148,955 <sup>(7)</sup>	-	-	12,373	-	161,328	-	
	2012	113,949	-	-	10,255	-	124,204	-	
Mr W G Jephcott <sup>(8)</sup>	2013	-	-	-	-	-	-	-	
	2012	93,231	-	-	8,391	-	101,622	-	
Mr S J Jansma Jr <sup>(9)</sup>	2013	-	-	-	-	-	-	-	
	2012	38,846	-	-	-	-	38,846	-	
Total	2013	622,310	-	-	44,189	-	666,499	-	
	2012	569,747	-	-	40,788	-	610,535	-	

### Notes:

1. Mr Harding was appointed Chairman on 11 December 2013.
2. Mr Harding and Mr Hartley were appointed as Non-Executive Directors on 1 June 2012.
3. This amount includes US\$16,949 paid to Mr Harding as additional fees for specific project work.
4. This amount includes US\$13,317 paid to Mr Hartley as additional fees for specific project work.
5. This amount includes US\$7,264 paid to Mr Hodge as additional fees for specific project work.
6. Mr Love resigned as a Non-Executive Director on 11 December 2013.
7. This amount includes US\$13,366 paid to Mr Love as additional fees for specific project work.
8. Mr Jephcott resigned as a Non-Executive Director on 12 December 2012.
9. Mr Jansma resigned as a Non-Executive Director on 17 May 2012.

## 6. Description of Senior Executive Remuneration

This section provides details of the remuneration structure for Senior Executives (including the CEO and Executive Director) which were applied to remuneration in 2013.

### Remuneration Mix

<b>What is the balance between fixed and 'at risk' remuneration?</b>	<p>The remuneration structure and packages offered to Senior Executives for the period were:</p> <ul style="list-style-type: none"> <li>— fixed remuneration; and</li> <li>— performance-based remuneration consisting of an 'at risk' component which may be offered at the discretion of the Board and comprising: <ul style="list-style-type: none"> <li>+ short term incentive ('STI') - an annual bonus set as a percentage of base salary linked to Company and individual performance and paid partly in cash and partly in the grant of rights convertible to equity over a period of two to three years; and</li> <li>+ long term incentive ('LTI') – grant of rights convertible to equity on the attainment of performance conditions measured over a three year period.</li> </ul> </li> </ul> <p>In 2013, the actual paid or expensed 'at risk' performance-based remuneration comprised on average 30% of total remuneration paid to Senior Executives.</p>
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### Fixed Remuneration

<b>What is fixed remuneration?</b>	Fixed remuneration consists of base salary (which is calculated on a total cost basis and includes any tax charges related to employee benefits), as well as employer contributions to superannuation funds.
<b>How is fixed remuneration reviewed?</b>	<p>Fixed remuneration levels are reviewed annually* through a process which considers external data and takes into account the overall performance of the Company and the Senior Executive to ensure that remuneration is appropriate and competitive in the markets in which the Senior Executive is located. There is no contractual requirement or expectation that any adjustments will be made.</p> <p>In determining fixed remuneration of Senior Executives, the Remuneration Committee has regard to the following:</p> <ul style="list-style-type: none"> <li>+ executives with the ability to operate in the oil and gas sector in complex international business environments can command a premium relative to the pay of executives of similar companies whose business is predominantly Australian focused;</li> <li>+ independently sourced market remuneration data of comparable Australian energy and resources companies. Although this data provides a reference point as a benchmark, it is not always realistic in the context of the Company's South East Asian focus and the need to compete for executives in this market; and</li> <li>+ rewarding and retaining the Senior Executives with the requisite skills in the competitive oil and gas sector.</li> </ul> <p>* The 2013 CEO service contract provides that fixed remuneration levels are set for the three year term of the contract and accordingly, the CEO's fixed remuneration is not reviewed annually in this period.</p>

### Short Term Incentive ('STI')

<b>What is the STI?</b>	<p>The STI Plan is a variable performance-based cash and deferred equity incentive plan designed to reward Senior Executives and eligible employees for performance, following the end of the financial year. The amount of any STI award is determined by the Board having regard to both individual and Company performance over the preceding 12 month period ('Performance Year') and is subject to Board discretion.</p> <p>The STI Plan was reviewed in 2013 and all STIs awarded for the 2013 financial year are in accordance with the updated STI Plan.</p>
<b>What is the purpose of the STI Plan?</b>	<p>The purpose of the STI Plan is to drive achievement of annual business plans and objectives at both an individual and corporate level, to build shareholder value.</p> <p>The STI forms part of ROC's performance-based remuneration system and provides 'at risk' incentives based on short term performance goals aligned and linked with Company goals and objectives.</p>



## 6. Description of Senior Executive Remuneration continued

<b>How does the STI link to ROC's objectives?</b>	<p>ROC objectives are set by the Board on an annual basis and key performance measures are set annually for all employees and Senior Executives to support the Company objectives.</p> <p>Any STI payable is subject to the Board's assessment of the performance of the Company against the Company's annual objectives, individual performance and Board discretion generally.</p>																
<b>What are the performance conditions?</b>	<p>The performance conditions are Company performance conditions and individual performance conditions.</p> <p><b>Company Performance</b></p> <p>The Company performance conditions reflect the financial and operational goals of the Company and delivery is essential in meeting the Company's short and long term strategy and building shareholder value.</p> <p>The Board sets these strategic goals annually and the goals incorporate specific measurable annual objectives or targets against which the Board can assess Company performance. Details of the 2013 strategic goals and the weightings attributed to each are set out in section 7 of this report together with the actual Company performance against these goals.</p> <p><b>Individual Performance</b></p> <p>Individual performance conditions are set for each employee at the commencement of the financial year as part of individual performance management plans. The performance conditions are partly specific to an individual's role and responsibilities and partly aligned with delivery of the same strategic goals as set for the Company for the relevant year. Specific performance conditions for Senior Executives are not included within this report but typical performance measures for individuals will include meeting key operational objectives such as:</p> <ul style="list-style-type: none"> <li>— production targets;</li> <li>— health, safety and environment measures;</li> <li>— people measures;</li> <li>— expenditure controls;</li> <li>— profitability; and</li> <li>— business development and value growth.</li> </ul>																
<b>Are there different performance levels?</b>	<p>Performance levels for individuals are set in a range from below expectations (1/5) to exceed expectations (5/5). An individual must achieve a performance rating of at least 2/5 to be considered for a minimum STI.</p> <p>Company performance levels are assessed by the Board based on achievement of objectives or targets set for the relevant year, as well as share price performance and any other factors the Board in its discretion assess as relevant. The maximum Company rating in any year is 5/5.</p> <p>On completion of the Company performance rating by the Board, the individual STIs are calculated with reference to the individual performance rating and as a percentage of base salary and adjusted where appropriate to allow further distinction between individual performances.</p> <p>Where applicable, the STI is awarded partly in cash and partly in deferred equity.</p>																
<b>What is the maximum value of the STI opportunity?</b>	<p>STI is calculated each year as a percentage of the eligible employee's base salary ('Base Salary'). Base Salary does not include any allowances or incentive payments or superannuation/pension payments. The maximum STI opportunity available to any employee depends on the employee's position and level in the Company. The proportion of the STI opportunity payable in cash or deferred equity also depends on the employee's position and level. As part of the 2013 remuneration review, the maximum STI opportunity for senior managers and Senior Executives has marginally increased from that in previous years to take account of the deferred equity component.</p> <p>Maximum STI opportunities and award mix are set out in the following table:</p>																
	<table border="1"> <thead> <tr> <th data-bbox="383 1724 718 1780">Roles</th> <th data-bbox="718 1724 989 1780">Maximum Percentage of Base Salary</th> <th data-bbox="989 1724 1197 1780">Proportion of Cash and Equity</th> <th data-bbox="1197 1724 1407 1780">Deferral of Equity Period</th> </tr> </thead> <tbody> <tr> <td data-bbox="383 1792 718 1848">Chief Executive Officer</td> <td data-bbox="718 1792 989 1848">60%</td> <td data-bbox="989 1792 1197 1848">50% cash 50% equity</td> <td data-bbox="1197 1792 1407 1848">Up to 3 years</td> </tr> <tr> <td data-bbox="383 1859 718 1915">Senior Executives</td> <td data-bbox="718 1859 989 1915">50%</td> <td data-bbox="989 1859 1197 1915">65% cash 35% equity</td> <td data-bbox="1197 1859 1407 1915">Up to 2 years</td> </tr> <tr> <td data-bbox="383 1926 718 1971">Senior Managers, Senior Professionals</td> <td data-bbox="718 1926 989 1971">40%</td> <td data-bbox="989 1926 1197 1971">75% cash 25% equity</td> <td data-bbox="1197 1926 1407 1971">Up to 2 years</td> </tr> </tbody> </table>	Roles	Maximum Percentage of Base Salary	Proportion of Cash and Equity	Deferral of Equity Period	Chief Executive Officer	60%	50% cash 50% equity	Up to 3 years	Senior Executives	50%	65% cash 35% equity	Up to 2 years	Senior Managers, Senior Professionals	40%	75% cash 25% equity	Up to 2 years
Roles	Maximum Percentage of Base Salary	Proportion of Cash and Equity	Deferral of Equity Period														
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	<p>Details of the percentage of maximum STI awarded to Senior Executives in 2013 and amounts forfeited are set out in section 7 of this report.</p>																

<b>How is the STI deferred equity granted?</b>	Any deferred component of STI awarded in relation to a Performance Year will be delivered in the form of rights to acquire fully paid ordinary shares in the Company ('Shares') for nil consideration ('Deferred STI Rights').
<b>How is the number of Deferred STI Rights determined?</b>	The number of Deferred STI Rights granted in relation to any Performance Year will be determined by dividing the cash amount of the STI to be deferred, by the volume weighted average price ('VWAP') of Shares for the final 30 trading days of the Performance Year (usually 30 trading days up to 31 December).
<b>What are the performance conditions on Deferred STI Rights?</b>	<p>Deferred STI Rights are designed to reward past performance and encourage employee retention. Once granted, ordinarily, no further performance conditions will attach to Deferred STI Rights other than the employee remaining in the Company's employment at the time of vesting.</p> <p>From time to time, the Board may apply other conditions to the vesting of Deferred STI Rights. The Board ultimately has discretion in relation to the vesting of all Deferred STI Rights and may exercise this discretion to determine that some or all Deferred STI Rights vest at the relevant time.</p>
<b>When and how do the Deferred STI Rights vest?</b>	<p>Deferred STI Rights granted to the CEO are divided into three tranches that will vest (subject to Board discretion and the satisfaction of any applicable conditions) as follows:</p> <ul style="list-style-type: none"> <li>— 50% after 12 months;</li> <li>— 40% after 24 months; and</li> <li>— 10% after 36 month.</li> </ul> <p>Deferred STI Rights granted to Senior Executives (except CEO), Senior Managers and Senior Professionals are divided into two tranches that will vest (subject to Board discretion and the satisfaction of any applicable conditions) as follows:</p> <ul style="list-style-type: none"> <li>— 65% after 12 months; and</li> <li>— 35% after 24 months.</li> </ul> <p>Vesting periods will generally commence on 1 January of the year in which the Deferred STI Rights are granted.</p>
<b>Board discretion and clawback in relation to Deferred STI Rights</b>	<p>The Board retains a broad discretion to:</p> <ul style="list-style-type: none"> <li>— allow for accelerated vesting in special circumstances (e.g. death and incapacity);</li> <li>— determine that some or all unvested Deferred STI Rights will lapse if any situation arises that, in the Board's view, should impact the assessment of performance. Such situations may include material misrepresentations and material misstatements in the Company's accounts;</li> <li>— determine that some or all rights should lapse on cessation of employment in particular circumstances (e.g. termination for poor performance); and</li> <li>— determine that any rights that vest, are settled in cash not Shares (subject to any ASX Listing Rule or <i>Corporations Act 2001</i> requirements).</li> </ul>

### Existing Long Term Incentive ('LTI')

The Existing LTI Plan applies to the LTIs awarded to Senior Executives in 2013 (other than the CEO Alan Linn). It will not apply to the award of LTIs after 2013.

<b>What is the LTI?</b>	<p>The LTI is a variable performance-based equity plan designed to reward eligible employees for delivering sustained performance over a multi-year Performance Period (LTI Plan).</p> <p>The LTI Plan was reviewed and updated in 2013 ('New LTI Plan'). The New LTI Plan applies to the LTI awarded to Alan Linn in 2013 and will apply to all Senior Executives from 2014 onwards. The LTI Plan that applied to Senior Executives, other than Mr Linn, in 2013 was the Long Term Incentive Plan introduced in 2010 ('Existing LTI Plan'). Collectively, these plans are referred to in this report as 'LTI Plan'. The below table following this table details the differences in the New LTI Plan.</p>
<b>What is the purpose of the LTI?</b>	<p>The purpose of the LTI Plan is to focus participating employees on delivery of long term shareholder value over a multi-year period. The LTI Plan acts as a counter-balance to the mainly cash-based STI and is intended to ensure that overemphasis is not put on achieving short term performance to the detriment of longer term growth.</p> <p>The LTI Plan forms part of ROC's performance-based remuneration system and provides 'at risk' incentives based on longer term performance goals aligned and linked with Company goals and objectives.</p>

## 6. Description of Senior Executive Remuneration continued

<b>How does the LTI link to ROC's key objectives?</b>	<p>The LTI Plan links to ROC's key objectives by aligning long term 'at risk' incentive rewards with expectations and outcomes that match shareholder objectives and interests by:</p> <ul style="list-style-type: none"> <li>— linking the award of LTI in any year to the STI awarded to the employee for the previous year performance*;</li> <li>— measuring longer term performance against shareholder return over the same period;</li> <li>— benchmarking shareholder return against a peer group of comparator companies;</li> <li>— assessing the performance over a longer period of time (three years); and</li> <li>— giving more equity-based rather than cash-based rewards as LTI's.</li> </ul> <p>*This only applies to rights awarded under the New LTI Plan which in 2013 only apply to Alan Linn.</p>										
<b>How is the LTI equity granted?</b>	<p>The LTI Plan provides for the grant of rights to acquire Shares for nil consideration ('LTI Rights') if performance conditions are met. If the performance conditions are met, then, subject to the Board's determination as to how many LTI Rights will vest, recipients of the rights are entitled to receive one share in ROC for every vested right. Once a right is determined by the Board to vest, the holder is unconditionally entitled to the underlying share without taking any further action.</p>										
<b>What is the LTI opportunity?</b>	<p>Under the Existing LTI Plan, the determination of the number of LTI Rights granted to any individual was at the Board's discretion based on the individual and Company performance and any other factors relevant to the individual's long term performance and retention.</p>										
<b>Performance period for LTI Rights</b>	<p>The Performance Period for all LTI Rights is three years. Under the Existing LTI Plan the relevant Performance Period usually runs from the date of grant of the right to the third anniversary of the date of grant.</p>										
<b>Performance conditions under the Existing LTI Plan</b>	<p>The LTI Rights granted under the Existing LTI Plan are divided into three tranches with each tranche subject to different performance conditions.</p> <p>The three tranches and the performance conditions attached to each tranche are as follows:</p>										
<p><b>Tier One Rights</b></p>											
<p>With a weighting of 40%, these rights are subject to the compound annual TSR growth of ROC measured over the Performance Period applying to the right.</p>											
<p>The TSR calculations for the purpose of Tier One Rights are based on the difference between the VWAP of Shares in the 60 trading days before the date of grant of the rights and the VWAP of Shares in the 60 trading days before the date the performance condition is measured, expressed as a percentage.</p>											
<p>Subject to Board discretion, the percentage of Tier One Rights that vest will be determined as follows:</p>											
<table border="1"> <thead> <tr> <th data-bbox="391 1249 1141 1305">TSR Growth over Performance Period Based on Annual Growth Rates</th> <th data-bbox="1141 1249 1410 1305">% of Rights Vesting</th> </tr> </thead> <tbody> <tr> <td data-bbox="391 1305 1141 1350">&lt;6%</td> <td data-bbox="1141 1305 1410 1350">0%</td> </tr> <tr> <td data-bbox="391 1350 1141 1395">6% - 9%</td> <td data-bbox="1141 1350 1410 1395">Pro rata from 25% to 50%</td> </tr> <tr> <td data-bbox="391 1395 1141 1440">9% - 12%</td> <td data-bbox="1141 1395 1410 1440">Pro rata from 51% to 100%</td> </tr> <tr> <td data-bbox="391 1440 1141 1451">&gt;12%</td> <td data-bbox="1141 1440 1410 1451">100%</td> </tr> </tbody> </table>		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%
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%										

### Tier Two Rights

With a weighting of 40%, these rights are subject to a relative TSR test against a comparator group of companies. The comparator group of companies that applied to the rights granted under the Existing LTI Plan in 2013 are as follows ('Comparator Group'):

— Beach Energy Limited	— Tap Oil Limited
— AWE Limited	— Cooper Energy Limited
— Horizon Oil Limited	— Drillsearch Energy Limited
— New Zealand Oil & Gas Limited	— Otto Energy Limited
— Carnarvon Petroleum Limited	— Cue Energy Resources Limited
— Nexus Energy Limited	

The Comparator Group may be adjusted to take into account events during the Performance Period of the Tier Two Right including but not limited to takeovers, mergers, de-mergers or de-listings.

The TSR calculations for the purposes of Tier Two Rights are based on the difference between the VWAP of shares in each of the relevant companies in the 60 trading days before the date of grant of the rights and the VWAP of shares in each of the relevant companies in the 60 trading days before the date the performance condition is measured, expressed as a percentage.

Subject to Board discretion, 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 Vesting
Below Median	0%
Median	50%
Between Median and Upper Quartile	Pro rata from 50% to 100%
Upper Quartile and above	100%

### Tier Three Rights

With a weighting of 20%, these rights are subject to a service condition only. Subject to the Board's discretion, Tier Three Rights will vest provided that the employee has been continuously employed by ROC throughout the Performance Period and is employed by the Company on the vesting date.

<b>Why choose these performance conditions?</b>	These performance conditions were chosen at the time the Existing LTI Plan was established in 2010 as performance hurdles based on absolute TSR and relative TSR against comparable companies were regarded as an appropriate way to align Senior Executive remuneration with shareholder value at that time. Likewise, the service condition only on the Tier Three Rights was regarded as an appropriate way to retain key individuals. These conditions have been replaced with those applicable to the New LTI Plan.
<b>Cessation of employment</b>	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 by the Company.
<b>Board discretion and clawback in relation to rights</b>	Under the Existing LTI Plan, the Board has a broad discretion to make any determination in relation to unvested rights and regardless of performance conditions that apply no right will vest unless 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.

## 6. Description of Senior Executive Remuneration continued

### New LTI Plan

The New LTI Plan only applies to the rights issued to Alan Linn in 2013. The rights issued to Alan Linn were approved by shareholders at the 2013 AGM. The following table sets out only the differences between the New LTI Plan and the Existing LTI Plan. In all other respects, the New LTI Plan is same as the Existing LTI Plan.

<b>What is the maximum LTI opportunity under the New LTI Plan?</b>	<p>Under the New LTI Plan, LTI is calculated each year as a percentage of the eligible employee's Base Salary. The maximum LTI opportunity available to any employee depends on the employee's position and level in the Company.</p> <p>The maximum LTI opportunity for Alan Linn in 2013 is an amount equal to 100% of his fixed remuneration.</p>										
<b>Calculation of LTI Value</b>	<p>Under the New LTI Plan, the quantum of LTI for a particular Performance Year will be largely determined by reference to an employee's STI performance outcome for the relevant Performance Year.</p> <p>More specifically, the grant value of the LTI to be awarded will, subject to Board discretion and individual performance calibration, be determined by reference to the % of the employee's maximum STI for the relevant Performance Year and the maximum LTI opportunity (being the relevant % of Base Salary as a \$ amount). ('LTI Value').</p>										
<b>Determination of number LTI Rights</b>	<p>Under the New LTI Plan, subject to the discretion of the Board, the number of LTI Rights to be granted is calculated by dividing the LTI Value by the VWAP of Shares for the five trading days following the release of the Company's full year results for the previous Performance Year.</p>										
<b>Performance Period for LTI Rights</b>	<p>The Performance Period for all LTI Rights is three years. Under the New LTI Plan, the usual Performance Period will be the three years commencing 1 January in the year of grant ('Performance Period'). The exception to this will be for rights that may be granted throughout for the year for reasons independent of annual performance reviews. An example of such a grant are rights granted on commencement of employment as a "sign on" incentive.</p>										
<b>Performance conditions under the New LTI Plan</b>	<p>LTI Rights granted under the New LTI Plan are divided into two tranches with each tranche subject to a separate relative TSR hurdle.</p> <p><b>Tranche One</b>, with a weighting of 60%, will be tested against those companies in the ASX 200 Energy Index (as at the commencement of the Performance Period).</p> <p><b>Tranche Two</b>, with a weighting of 40%, will be tested against a comparator group of ASX-listed oil and gas companies. In 2013, the comparator group is the Comparator Group as listed in relation to Tier Two Rights granted under the Existing LTI Plan and detailed above.</p> <p>Both comparator groups may be adjusted to take into account events during the Performance Period including but not limited to takeovers, mergers, de-mergers or de-listings.</p> <p>The share prices used to calculate the TSR of a company for the Performance Period will be measured as follows:</p> <ul style="list-style-type: none"> <li>— the opening share price will be the VWAP on the ASX of that company for the 30 trading days up to 31 December in the year preceding the commencement of the Performance Period; and</li> <li>— the closing share price will be the VWAP on the ASX of that company for the 30 trading days ending on the last day of the Performance Period (i.e. 31 December of the year three years after the grant).</li> </ul> <p>Subject to Board discretion, the percentage of the LTI Rights in each tranche that vests, if any, will be determined by reference to the percentile ranking achieved by the Company over the Performance Period compared to the other entities in the relevant comparator group as follows:</p> <table border="1"> <thead> <tr> <th style="text-align: left;">Relative TSR Ranking of ROC</th> <th style="text-align: left;">% of TSR Rights that Will Vest</th> </tr> </thead> <tbody> <tr> <td>75th percentile or above</td> <td>100%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Below 50th percentile</td> <td>NIL</td> </tr> </tbody> </table>	Relative TSR Ranking of ROC	% of TSR Rights that Will Vest	75th percentile or above	100%	Between 50th and 75th percentile	Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)	50th percentile	50%	Below 50th percentile	NIL
Relative TSR Ranking of ROC	% of TSR Rights that Will Vest										
75th percentile or above	100%										
Between 50th and 75th percentile	Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)										
50th percentile	50%										
Below 50th percentile	NIL										

<b>Why choose these performance conditions?</b>	The performance conditions attaching to LTI Rights under the New LTI Plan were chosen following the remuneration review in 2013, as an appropriate way to align senior executive remuneration with shareholder value and effectively test the Company's performance and shareholder return over time. Consideration was given to longer Performance Periods and to a condition based on various profit measures. A Performance Period longer than three years was regarded as not aligning with the Company's strategic planning and the various profit measures such as earnings per share were regarded as not providing as effective a test of shareholder return and value versus the relative TSR tests chosen. A benchmark review was also undertaken of energy companies across the ASX and these measures were found to be representative of market practice and fitted the Company plans to grow shareholder value.
<b>Cessation of employment</b>	Under the New LTI Plan, subject to the Board exercising its discretion differently, the following treatment will generally apply in respect of unvested rights upon cessation of employment: <ul style="list-style-type: none"> <li>— where the relevant employee resigns or is terminated for cause, all unvested rights will lapse; and</li> <li>— where the relevant employee ceases employment in circumstances other than those described above (including expiry of fixed term contract), the unvested rights will remain in the plan and will generally vest in the ordinary course (i.e. as if the employee had remained in employment).</li> </ul> <p>Different arrangements have been made in relation to the treatment of Rights in the case of the cessation of employment of Mr Linn. These arrangements are detailed in section 9 of this report.</p>
<b>Board discretion and clawback in relation to rights</b>	Under the New LTI Plan, the Board retains a broad discretion to: <ul style="list-style-type: none"> <li>— allow for accelerated vesting in special circumstances (e.g. death and incapacity);</li> <li>— determine that some or all unvested rights will lapse if any situation arises that, in the Board's view, should impact the assessment of performance. Such situations may include material misrepresentations and material misstatements in the Company's accounts;</li> <li>— determine that some or all rights should lapse on cessation of employment in particular circumstances (e.g. termination for poor performance); and</li> <li>— determine that any rights that vest are settled in cash not Shares (subject to any ASX Listing Rule or <i>Corporations Act 2001</i> requirements).</li> </ul>
<b>Terms Applicable to Deferred STI Rights and LTI Rights Issued under the Existing LTI Plan and the New LTI Plan ('Rights')</b>	
<b>Limits on number of Rights</b>	Subject to a number of conditions, the Board may not issue Rights if immediately following the grant, the number of shares the subject of the grant of the Right when aggregated with all other Rights on issue could exceed 5% of the total number of issued shares in the Company at the time of issue of the Rights.
<b>Payment for Rights</b>	No consideration is payable upon grant or vesting of a Right by the employee.
<b>Disposal restrictions on Shares</b>	No disposal restrictions will apply to the shares once allocated, subject to the ROC Share Trading Policy.
<b>No retesting of performance conditions</b>	Performance conditions will not be retested if the Performance Conditions are not met at the end of the Performance Period in relation to any Rights.
<b>Restriction on dealing</b>	All dealing (as that term is defined in the ROC Share Trading Policy) is prohibited.
<b>Hedging of rights or options</b>	The Company prohibits executives from entering into arrangements to protect the value of unvested rights. The prohibition includes entering into contracts to hedge exposure to rights or options granted as part of their remuneration package.
<b>Lapse of Rights</b>	Rights will lapse: <ul style="list-style-type: none"> <li>— to the extent that relevant performance conditions are not satisfied;</li> <li>— where the relevant participant commits an act of fraud, major negligence or misconduct, unless the Board determines otherwise;</li> <li>— where the relevant participant resigns or is terminated for cause; or</li> <li>— where the Board exercises its discretion in relation to the unvested Rights (see explanation regarding the Board's Discretion in relation to each Right in the tables above).</li> </ul>
<b>Effect of change of control</b>	In the event of a change of control in the Company, the Board may determine in its absolute discretion that some or all Rights will vest, having regard to the portion of the Performance Period elapsed and the extent to which any relevant performance conditions have been satisfied between the commencement of the Performance Period and the change of control event. <p>The Board may determine that no Rights vest, but rather that new rights be granted in replacement in respect of any body corporate determined by the Board.</p>

## 6. Description of Senior Executive Remuneration continued

### Previous Executive and Employee Share Option Plans

Prior to the introduction of the Existing LTI Plan, the Company's remuneration policy included participation in an Executive Share Option Plan and an Employee Share Option Plan. All outstanding options issued under the Employee Share Option Plan lapsed in December 2013. A total of 980,000 options issued under the Executive Share Option Plan remain outstanding and are due to lapse during 2014 if unexercised. No further options are granted under these plans. Any options vesting under these plans in the 2013 financial year to Senior 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, 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.

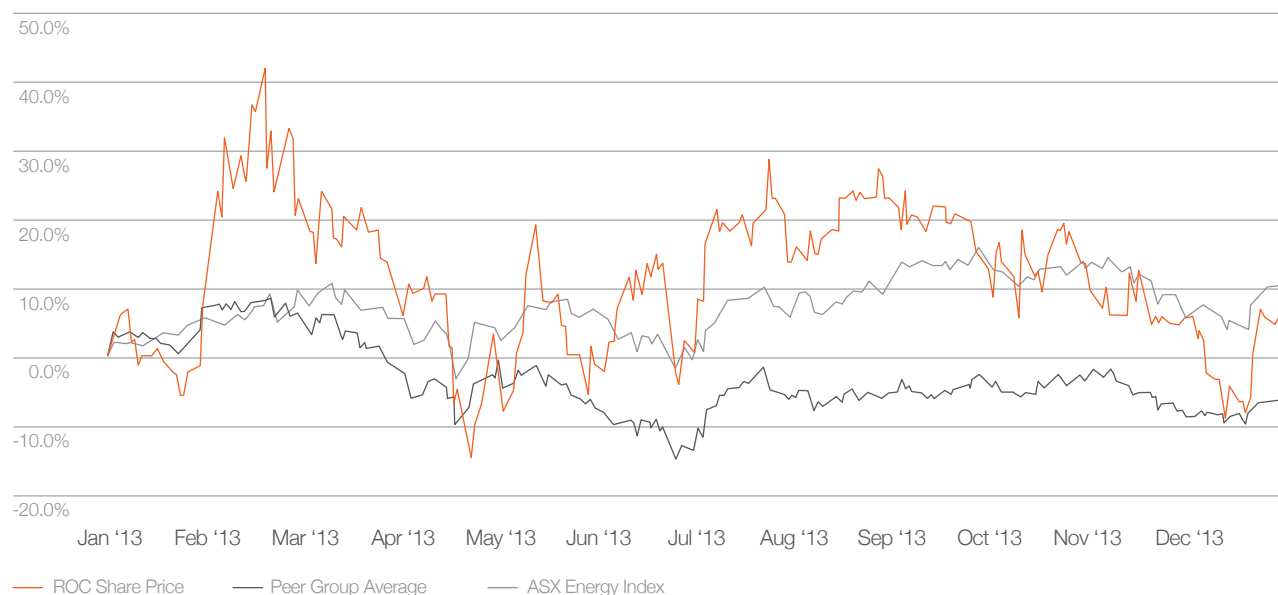
The exercise price of the price options is calculated as 115%, 122.5% and 130% of the volume weighted average price for the sale of ROC shares on the ASX in the 90 days before the issue date.

## 7. Company Performance and Remuneration Outcomes for Senior Executives in 2013

ROC remuneration policy is designed to align the interests of employees and shareholders by linking individual and Company performance with remuneration outcomes; reward employees for financial and non-financial performance aligned with business objectives; and drive behaviour and focus performance in alignment with business objectives by setting key performance measures and targets for individuals and the Company aligned with these objectives.

Following is a table outlining Company performance against stated objectives in 2013 and a graph indicating relative share price performance in the same period. Following that is a summary of the senior executive's fixed, STI and LTI remuneration in 2013.

### ROC Relative Share Price Performance since 1 January 2013



### Company Performance in 2013

Goal	Weighting	Objectives	Measure	Outcome
Operational	35%	HSE	Same or better than five year OGP averages (Asia and Australasia) for TRIFR and LTIFR, including implementation of 2013 corporate proactive milestones	ROC achieved TRIFR and LTIFR rates 60% below the APPEA 5 year average but were higher than the 5 year OGP average (Asia and Australasia). All quantitative HSE targets were achieved and proactive milestones were met.
		Deliver Production	6,500 – 7,500 BOEPD	Achieved. Production 7,263 BOEPD (2.65 MMBOE).
Growth	30%	Reserve Replacement	Maintain reserve replacement	In 2013 ROC achieved 2P reserve additions from existing assets of 0.6 MMBOE resulting in ROC's three year reserve replacement ratio of 55%
		Business Development and Growth	Add contingent and prospective resources to the portfolio by developing existing assets in the portfolio or adding at least one new prospective asset	Successful acquisition of seismic and option for Block 09/05 farmout completed.  Bids were also lodged for offshore acreage in Myanmar, and pursuing farm-in opportunities for onshore Myanmar blocks.
Financial	30%	Profitability ('NPAT')	Continued profitability of the business	Achieved NPAT of US\$45.2 million
		Cost Control	Development and exploration expenditure <US\$100 million - excludes Malaysia BCP equity funding estimated to be US\$40-45 million for 2013  Opex <US\$20/BBL (Profit & Loss).	Achieved YTD exploration and development expenditure of US\$76.7 million plus US\$40.7 million for Malaysia BCP equity funding  Achieved opex of US\$19/BBL.
People	5%	Committed Personnel	Ensure the business and its people are operating effectively and aligned with delivering objectives	Achieved. Corporate restructure completed and retention levels maintained across all locations. Malaysia office is now well established. Remuneration review completed.
Following assessment of the Company performance in accordance with the above objectives, the Board also takes into account the share price performance over the year as a final overriding factor in determining overall Company performance for the year.				
Share price		Used by Board as key determining factor	Deliver positive share price performance on absolute and comparative basis	Exceeded expectations with share price increase 11% for 2013 and top quartile performance against Comparator Group for 2013.

As set out in the graph above, the Company's share price increased by approximately 11% in 2013 which was comparable with All Ords and the ASX Energy Index and outperformed the Comparator Group:

Below is a table setting out Company earnings and ROC's year-end closing share price for the last five years:



## 7. Company Performance and Remuneration Outcomes for Senior Executives in 2013 continued

	2013	2012	2011	2010	2009
Net profit/(loss) after tax (US\$ million)	45.2	61.0	27.7	(35.9)	(115.4)
Share price (31 December) (A\$)	0.49	0.44	0.26	0.41	0.67

Taking all of the above into account, the Board concluded that the Company performance in 2013 was above expectations and continued to deliver strong performance and growth prospects.

### Fixed Remuneration Outcomes for Senior Executives in 2013

All Senior Executives were reviewed in accordance with the ROC performance management plan and their performance measured against the specific goals and objectives for the relevant performance year and in accordance with ROC remuneration policy and benchmarking processes.

On conclusion of these performance reviews, Senior Executive remuneration was set for 2013.

It is noted that the fixed remuneration of the CEO, Mr Linn has been set at A\$740,000 per annum until 31 December 2015. Some variations may appear in the statutory tables on account of exchange fluctuations from Australian to US dollars.

Fixed remuneration, excluding non-monetary benefits, is made up the following approximate percentages of fixed and 'at risk' remuneration for Senior Executives in 2013:

#### CEO

Fixed Remuneration 50%	'At risk' Remuneration 50%
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#### Senior Executives (Other than CEO) (averaged)

Fixed Remuneration 70%	'At risk' Remuneration 30%
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### STI and LTI Outcomes for Senior Executives in 2013

All Senior Executives' performance was assessed as being eligible for an STI in 2013.

The following table shows the percentage of maximum eligible STIs awarded to Senior Executives for 2013 performance. The percentages forfeited are a result of both Company performance objectives and personal performance objectives not being met in 2013.

	% of Maximum STI Awarded in the Year	% of Maximum STI Forfeited in the Year
Mr A S Linn	78%	22%
Mr R L Morris	68%	32%
Mr R B Stork	63%	37%
Mr A M Neilson	78%	22%
Ms L E Nolan	86%	14%
Dr P Eliet	69%	31%

The following table details the total LTI rights/options to Senior Executives up to 31 December 2013 and the Deferred STI Rights awarded for 2013 performance in early 2014. This table includes details on options and rights over ordinary shares in the Company that were granted as remuneration to each Senior Executive relevant to the period up to 31 December 2013 as well as details on options and rights that vested during 2013 and any historical share options vested or lapsed. No terms of any options or rights granted to Senior Executives have been modified during 2013.

**Total LTI rights/options to Senior Executives up to 31 December 2013 and the Deferred STI Rights awarded for 2013 performance in early 2014**

	Grant Date	Fair Value	Type	Exercise Price	Options/ Rights on 1 Jan 2013	Issued	Exercised	Lapsed	Options/ Rights on 31 Dec 2013	Vested	Exercis- able <sup>(1)</sup>	Date Options/ Rights First Vest
Mr A S Linn	19/05/08	1.14	Executive	2.28	400,000	-	-	-	400,000	400,000	200,000	19/05/10
	23/12/08	0.22	Executive	0.73	150,000	-	-	-	150,000	150,000	75,000	23/12/10
	12/11/10	0.32	LTI	-	1,250,000	-	(965,000)	(285,000)	-	-	-	12/11/13
	07/03/11	0.29	LTI	-	1,500,000	-	-	-	1,500,000	-	-	7/03/14
	16/12/11	0.20	LTI	-	500,000	-	-	-	500,000	-	-	16/12/14
	15/05/13	0.35	LTI	-	-	977,358	-	-	977,358	-	-	01/03/16
	15/05/13	0.48	Deferred STI	-	-	355,400	-	(71,040)	284,360	106,660	106,660	31/12/13
	29/01/14	0.46	Deferred STI <sup>(2)(3)</sup>	-	-	387,209	-	-	387,209	-	-	31/12/14
					<b>3,800,000</b>	<b>1,719,967</b>	<b>(965,000)</b>	<b>(356,040)</b>	<b>4,198,927</b>	<b>656,660</b>	<b>381,660</b>	
Mr R L Morris	23/12/08	0.23	Employee	0.54	200,000	-	-	(200,000)	-	-	-	23/12/10
	12/11/10	0.32	LTI	-	500,000	-	(386,000)	(114,000)	-	-	-	12/11/13
	16/12/11	0.20	LTI	-	400,000	-	-	-	400,000	-	-	16/12/14
	01/03/13	0.40	LTI	-	-	650,000	-	-	650,000	-	-	01/03/16
	29/01/14	0.46	Deferred STI <sup>(3)</sup>	-	-	153,105	-	-	153,105	-	-	31/12/14
					<b>1,100,000</b>	<b>803,105</b>	<b>(386,000)</b>	<b>(314,000)</b>	<b>1,203,105</b>	<b>-</b>	<b>-</b>	
Mr R B Stork	16/12/11	0.20	LTI	-	600,000	-	-	-	600,000	-	-	16/12/14
	01/03/13	0.40	LTI	-	-	650,000	-	-	650,000	-	-	01/03/16
	29/01/14	0.46	Deferred STI <sup>(3)</sup>	-	-	147,733	-	-	147,733	-	-	31/12/14
					<b>600,000</b>	<b>797,733</b>	<b>-</b>	<b>-</b>	<b>1,397,733</b>	<b>-</b>	<b>-</b>	
Mr A M Neilson	10/05/07	1.34	Executive	3.43	200,000	-	-	(200,000)	-	-	-	10/05/09
	19/05/08	1.14	Executive	2.28	20,000	-	-	-	20,000	20,000	10,000	19/05/10
	23/12/08	0.22	Executive	0.73	150,000	-	-	-	150,000	150,000	75,000	23/12/10
	12/11/10	0.32	LTI	-	400,000	-	(308,800)	(91,200)	-	-	-	12/11/13
	16/12/11	0.20	LTI	-	650,000	-	-	-	650,000	-	-	16/12/14
	01/03/13	0.40	LTI	-	-	750,000	-	-	750,000	-	-	01/03/16
	29/01/14	0.46	Deferred STI <sup>(3)</sup>	-	-	137,640	-	-	137,640	-	-	31/12/14
					<b>1,420,000</b>	<b>887,640</b>	<b>(308,800)</b>	<b>(291,200)</b>	<b>1,707,640</b>	<b>170,000</b>	<b>85,000</b>	
Ms L E Nolan	19/05/08	1.14	Executive	2.28	20,000	-	-	-	20,000	20,000	10,000	19/05/10
	23/12/08	0.23	Employee	0.54	60,000	-	-	(60,000)	-	-	-	23/12/10
	12/11/10	0.32	LTI	-	400,000	-	(308,800)	(91,200)	-	-	-	12/11/13
	16/12/11	0.20	LTI	-	650,000	-	-	-	650,000	-	-	16/12/14
	01/03/13	0.40	LTI	-	-	650,000	-	-	650,000	-	-	01/03/16
	29/01/14	0.46	Deferred STI <sup>(3)</sup>	-	-	153,153	-	-	153,153	-	-	31/12/14
					<b>1,130,000</b>	<b>803,153</b>	<b>(308,800)</b>	<b>(151,200)</b>	<b>1,473,153</b>	<b>20,000</b>	<b>10,000</b>	
Dr P Eliet	13/09/12	0.30	LTI	-	500,000	-	-	-	500,000	-	-	13/09/15
	01/03/13	0.40	LTI	-	-	500,000	-	-	500,000	-	-	01/03/16
	29/01/14	0.46	Deferred STI <sup>(3)</sup>	-	-	125,122	-	-	125,122	-	-	31/12/14
					<b>500,000</b>	<b>625,122</b>	<b>-</b>	<b>-</b>	<b>1,125,122</b>	<b>-</b>	<b>-</b>	

**Notes:**

1. These exercisable options relate to price options which have vested; however, their exercise price exceeds this current trading price of ROC's shares. The existing performance options granted in prior years, which have vested at December 2013, 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.
2. The grant of Deferred STI Rights to Mr Linn is subject to shareholder approval.
3. These Deferred STI Rights relate to 2013 performance.

## 7. Company Performance and Remuneration Outcomes for Senior Executives in 2013 continued

Details of the total value of the rights granted to and/or exercised by Senior Executives in 2013 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 2013	Value of Rights Exercised in 2013	Remuneration Consisting of Options/Rights Expensed for the Year
	A\$	A\$	%
Mr A S Linn	520,191 <sup>(1)</sup>	443,900	19.8%
Mr R L Morris	330,428	177,560	7.9%
Mr R B Stork	327,957	-	10.1%
Mr A M Neilson	363,314	142,048	19.6%
Ms L E Nolan	330,450	142,048	13.1%
Dr P Eliet	257,556	-	11.1%

The following table shows the shares issued on exercise of rights for the year ended 31 December 2013:

Senior Executive	No. of Shares Issued	Paid per Share	Unpaid per Share
Mr A S Linn	965,000	-	-
Mr R L Morris	386,000	-	-
Mr A M Neilson	308,800	-	-
Ms L E Nolan	308,800	-	-
Total	1,968,600	-	-

### Note:

- Mr Linn's 2012 Deferred STI Rights (issued on 15 May 2013) are not included in this number as they relate to 2012 performance. Included in this number are Mr Linn's proposed 2013 Deferred STI Rights which relate to 2013 performance and are subject to shareholder approval at the 2014 AGM.

## 8. Statutory Details of Senior Executive Remuneration in 2013

The consolidated entity's reporting currency is US\$ and the amounts shown in this report are in US\$ unless otherwise stated. A majority of Senior Executives are paid in Australian dollars. As a result, the US\$ amounts shown are affected by foreign currency movements between years. The exchange rate used is the average for the period. The A\$/US\$ average rate used for 2013 was 0.9685 (2012: 1.0359).

The table below outlines the remuneration of Senior Executives for year ended 31 December 2012 and 2013.

In relation to this table, the following is noted:

- the overall increase in total remuneration costs from 2012 to 2013 reflects:
  - + the full year costs of Pierre Eliet (prior year only partial as he commenced employment in September 2012);
  - + the inclusion of the deferred equity portion of the new STI Plan expensed in full (when in reality, it is subject to vesting at a later date);
  - + increased effect of LTI Plan over the last three years; and
  - + an overall increase in expatriate costs.
- to improve reporting clarity in the Remuneration Report for our shareholders, ROC has revised its approach to the reporting of STIs in the financial results year in which the STI was awarded. This change commenced with the 2013 reporting period and also impacted comparative 2012 information as this has now been restated to facilitate comparisons;
- as part of the review and renegotiation of Mr Linn's remuneration and overall changes to the methodology to apply to the calculation of LTIs, the number and value of the LTIs awarded to Mr Linn in 2013 was less than the number and value originally agreed by the Board to be awarded to Mr Linn. On account of this, the Board agreed to pay Mr Linn an equalisation payment of A\$35,540 (included in STI). The equalisation payment was a one off award for 2013 and no similar payment will be made in respect of future years. It is noted that balancing this payment is the exercise of the Board discretion to determine that 40% of Mr Linn's Deferred STI due to vest on 31 December 2013 would be forfeited on account of certain short term stretch targets not been met in 2013. This adjustment has been made to the number noted as awarded for 2012 performance; and
- the A\$/US\$ average rate used for 2013 was 0.9685 (2012: 1.0359).

## Remuneration of senior executives for year ending 31 December 2012 and 2013

		Short Term		Post Employment		Equity Compensation		Total	Percentage Performance Related
		Salary	Cash Bonus	Non-Monetary Benefits	Super-annuation	Value of LTI Rights	Value of STI Rights		
<i>Executive Director</i>		US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Mr A S Linn	2013	716,782	195,676	414,587	-	358,888	172,505	1,858,438	39.1%
	2012	766,971	161,969	364,430	-	328,841	139,920	1,762,131	35.8%
<i>Other KMPs</i>									
Mr R L Morris <sup>(1)</sup>	2013	1,147,288	118,414	306,621	-	140,528	68,210	1,781,061	18.4%
	2012	1,154,967	151,034	254,101	-	65,827	-	1,625,929	13.3%
Mr R B Stork <sup>(2)</sup>	2013	633,376	102,230	138,474	24,212	108,622	65,817	1,072,731	25.8%
	2012	497,232	180,868	153,844	44,751	40,984	-	917,679	24.2%
Mr A M Neilson	2013	446,395	106,453	13,317	23,376	158,374	61,320	809,235	40.3%
	2012	442,417	153,365	14,928	25,897	78,479	-	715,086	32.4%
Ms L E Nolan <sup>(3)</sup>	2013	514,476	118,451	255,255	24,213	147,558	68,231	1,128,184	29.6%
	2012	496,353	119,709	185,624	23,862	81,090	-	906,638	22.1%
Dr P Eliet <sup>(4)</sup>	2013	641,308	92,235	27,960	-	102,505	55,743	919,751	27.2%
	2012	221,369	25,315	20,012	-	15,609	-	282,305	14.5%
Total KMPs	2013	4,099,625	733,459	1,156,214	71,801	1,016,475	491,826	7,569,400	29.6%
	2012	3,579,309	792,260	992,939	94,510	610,830	139,920	6,209,768	24.8%

### Notes:

1. Mr Morris works predominantly for the Zhao Dong and Beibu Joint Ventures and a large percentage of his costs are recovered from the respective joint venture partners. The amount disclosed is 100% of his salary.
2. 80% of Mr Stork's costs are charged directly to BC Petroleum Snd Bhd. The amount disclosed is 100% of his salary.
3. Included in Ms Nolan's salary is an amount of US\$36,736 in 2012 as relocation allowance when she commenced her secondment in Malaysia.
4. Dr Eliet commenced employment with ROC on 13 September 2012. Most of Dr Eliet's secondment costs are paid as salary not as non-monetary benefits. Included in Dr Eliet's salary in 2012 is an amount of \$35,000 paid to Dr Eliet as a relocation allowance when he commenced his secondment to Malaysia.

## 9. Summary of Senior Executive Contractual Arrangements

### The Company has employment contracts with all Senior Executives ('Service Agreements').

A number of Senior Executives have entered into Secondment Agreements in relation to secondments in Malaysia and China. 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 dependent 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. Unless otherwise stated, the notice period for termination of all Service Agreements is three months.

Some Service Agreements include a provision that if employment of the Senior Executive terminates other than for cause within 12 months of a material diminution or the Senior Executive resigns within three months of a material diminution, the Company will pay the senior executive 12 months' base salary and statutory entitlements (inclusive of any payment in lieu of notice). Material diminution means a substantial diminution of the Senior Executive's job content, status, responsibilities and/or authority arising by either the Company being removed from the ASX or the Board directing (without the senior executive'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 the case of Mr Linn, for all other Senior Executives, where termination occurs as a result of injury, permanent disability, retirement or redundancy, any unvested LTI Rights are forfeited on termination of employment unless the Board determines otherwise.

## 9. Summary of Senior Executive Contractual Arrangements continued

### Alan Linn

Mr Linn was appointed as Chief Executive Officer on 23 February 2011 and an Executive Director on 27 February 2012. As part of the remuneration review that took place in 2012 and 2013, the Board entered into a new Service Agreement with Mr Linn on 9 April 2013 ("2013 CEO Service Agreement") which replaced existing Service Agreements and Secondment Agreements with Mr Linn in their entirety. The 2013 CEO Service Agreement provides for a maximum three year term from 1 January 2013 or as otherwise agreed in writing. The 2013 CEO Service Agreement provides that a total fixed remuneration of A\$740,000 (in 2013, US\$716,782) is payable to Mr Linn comprising base salary and superannuation ("TFR"). The 2013 CEO Service Agreement does not provide for a review of TFR in the agreed three year term. In addition to TFR, Mr Linn is entitled to participation in the Company STI and LTI Plans. The STI payable to Mr Linn is up to a maximum 60% of TFR based on the Board's assessment of the Company's performance and Mr Linn's performance. Any award of STI is to be 50% payable in cash and the remaining 50%, subject to shareholder approval, payable in deferred equity. The maximum value of Mr Linn's annual LTI opportunity is 100% of TFR. Mr Linn is entitled to Secondment Agreement Costs as non-monetary benefits under the 2013 CEO Service Agreement. Mr Linn is not entitled to any additional payments for acting as a Director of the Company.

As a Director of the Company, any equity to be issued or Deferred STI Rights or LTIs granted to Mr Linn are subject to shareholder approval.

The termination provisions under the 2013 CEO Service Agreement provide that either party may terminate by six months' notice in writing or payment in lieu of notice at the Company's election. In the event of misconduct, termination can occur without notice or payment. In circumstances of incapacity, the Company may give three months' notice or payment in lieu. No notice of termination is required at the expiration of the term.

In addition to accrued employee entitlements, the following termination benefits are contemplated under the 2013 CEO Service Agreement:

- a Material Diminution Termination Payment is payable in applicable circumstances;
- reasonable repatriation expenses will be payable in all termination scenarios other than cause;
- where the termination date falls part way through a performance year, Mr Linn may be entitled to pro rata STI (based on performance and time served), except where termination is for cause; and

- any previously granted STI and LTI entitlements will be dealt with in accordance with the terms on which they were granted. For grants made under the 2013 CEO Service Agreement, acceleration of vesting is only intended in the event of termination for death or total and permanent disablement. In all other termination scenarios (except termination for cause), it is intended that unvested entitlements will remain on foot and vest (subject to applicable vesting conditions) in the ordinary course.

Termination benefits in all scenarios will be capped at the maximum amount that can be paid without shareholder approval under termination benefits laws.

Following termination, the 2013 CEO Service Agreement provides that Mr Linn is subject to a number of non compete obligations for six months.

### 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's Service Agreement provides a notice period of six months.

Mr Morris's Salary of US\$1,147,288 per annum comprises base salary, taxes and specified Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation. In addition, 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 as non-monetary benefits.

### 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's Salary of US\$633,376 per annum comprises base salary and some Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation. In addition, Mr Stork is entitled to participation in the Company STI and LTI. Mr Stork is also entitled to Secondment Agreement Costs as non-monetary benefits.

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, a Change of Control 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's Salary of US\$446,395 per annum comprises base salary only. The base salary is reviewable annually without obligation. In addition, Mr Neilson is entitled to participation in the Company STI and LTI.

**Leanne Nolan**

Ms Nolan's appointment as General Counsel and Company Secretary commenced on 12 November 2010 and a Secondment Agreement entered in 2012 provides for a secondment to Malaysia 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. In 2013, Ms Nolan took on the additional responsibility of the Company's corporate human resources manager. During 2012, the functional responsibility for contracts and procurement also became part of the legal function. Ms Nolan's Salary of US\$514,476 per annum comprises base salary and some Secondment Agreement Costs payable as cash. The base salary is reviewable annually without obligation. In addition, Ms Nolan is entitled to participation in the Company STI and LTI. Ms Nolan is also entitled to Secondment Agreement Costs as non-monetary benefits.

**Pierre Eliet**

Dr Eliet's appointment as General Manager Exploration and New Ventures/Business Development commenced on 13 September 2012. Dr Eliet's Service Agreement contemplates a secondment arrangement to Malaysia for a period up to two years or such further period as is agreed. Other than provision for three months' salary in lieu of notice and, in the event of redundancy, a redundancy payment calculated in accordance with the minimum requirements of the *Fair Work Act 2009* (Cth), there is no entitlement to any payment on termination of employment.

Dr Eliet's Salary of US\$641,308 per annum comprises base salary and most Secondment Agreement Costs payable as cash. The base salary component of the fixed remuneration is reviewable annually without obligation. In addition, Dr Eliet is entitled to participate in the Company STI and LTI. During the term of the secondment arrangement in Malaysia, Dr Eliet is entitled to standard expatriate executive benefits, car and driver and expatriate medical insurance as non-monetary benefits. All other Secondment Agreement Costs are included in fixed remuneration.

**10. Shareholdings of Key Management Personnel**

	Opening Balance 1 January 2013	Share Options/ Rights Exercised	Market Transactions	Closing Balance 31 December 2013
Mr R M Harding	-	-	30,000	30,000
Mr N R Hartley	12,500	-	-	12,500
Mr C C Hodge	100,000	-	-	100,000
Mr R C A Leon	1,510,000	-	-	1,510,000
Mr A S Linn	148,000	965,000	-	1,113,000
Mr A J Love	689,521	-	-	689,521
Mr G D Mulligan	25,000	-	-	25,000
Mr R L Morris	656,000	386,000	-	1,042,000
Mr R B Stork	-	-	-	-
Mr A M Neilson	59,500	308,800	-	368,300
Ms L E Nolan	28,000	308,800	-	336,800
Dr P Eliet	-	-	-	-
	<b>3,228,521</b>	<b>1,968,600</b>	<b>30,000</b>	<b>5,227,121</b>



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## Auditor's Independence Declaration

TO THE DIRECTORS OF ROC OIL COMPANY LIMITED

In relation to our audit of the financial report of Roc Oil Company Limited for the financial year ended 31 December 2013, 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.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Trent van Veen', written in a cursive style.

Trent van Veen  
Partner  
26 February 2014

# 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 2013.

## Financial performance

### Consolidated Statement of Comprehensive Income

The Group reported a net profit after income tax of US\$45.2 million (2012: US\$61.0 million). The Group's gross profit was US\$96.1 million (2012: US\$106.2 million).

Included in the overall result were items relating to:

- After-tax profit on sale of Juan de Nova Maritime Profound Block of US\$8.0 million;
- Exploration expense of US\$16.5 million; and
- Impairment of the investment in BC Petroleum Sdn Bhd ('BCP') of US\$6.9 million.

Basic earnings per share for the year were US6.6 cents based on a weighted average number of fully paid ordinary shares on issue of 683,580,268 shares.

### Sales and Production Growth

The Group recorded reliable performance from its producing assets, with working interest production of 2.7 MMBOE (2012: 2.4 MMBOE), up 12% compared to the prior year. Of the total working interest production, 0.2 MMBBL (7.8%) was delivered to host governments in relation to respective governments' share of profit oil under the Group's Production Sharing Contracts. ROC's closing balance economic interest 2P reserves at 31 December 2013 was 12.2 MMBOE, including reserve revisions of 0.6 MMBBL, after allowing for 2013 production.

Oil and gas sales revenue of US\$251.0 million (2012: US\$242.1 million) was generated from sales volumes of 2.4 MMBOE (2012: 2.1 MMBOE), which achieved an average realised oil price of US\$104.61/BBL (2012: US\$113.60/BBL), a discount of 4% to the Brent oil price which averaged US\$108.66/BBL for 2013.

Operating costs of US\$154.9 million (2012: US\$135.9 million) comprised production costs of US\$51.0 million (US\$19.26/BOE), amortisation costs of US\$70.8 million (US\$26.71/BOE), and Chinese special oil income levy and royalty of US\$35.1 million offset by stock movements of US\$2.0 million.

### Exploration Expensed

Exploration and evaluation expenditure of US\$16.0 million (2012: US\$29.0 million) was incurred during the period, attributable to seismic acquisition and processing costs on Block 09/05 and new venture costs. In accordance with the Company's successful efforts accounting policy, US\$16.5 million (2012: US\$18.1 million) in exploration costs were expensed and written-off during the period.

### Income Tax

An income tax expense of US\$16.5 million (2012: US\$21.8 million) was incurred during the period, which included an income tax expense of US\$18.7 million and current PRRT of US\$11.0 million offset by a prior year over-provision of US\$0.3 million and an income tax credit of US\$12.9 million relating to timing differences.

The total tax paid during the year was US\$30.9 million (2012: \$47.0 million), relating to Zhao Dong, Beibu, UK assets and PRRT in Australia.

### Hedging

At 31 December 2013, ROC has no hedging in place.



**Financial performance** continued**Consolidated Statement of Financial Position**

During the period, total assets increased to US\$416.0 million (2012: US\$368.8 million) and total liabilities decreased to US\$149.8 million (2012: US\$150.2 million). As a result, net assets increased to US\$266.3 million (2012: US\$218.6 million).

Oil and gas assets decreased to US\$227.2 million (2012: US\$237.3 million) during the period, mainly as a result of \$60.7 million development expenditure incurred offset by amortisation of US\$70.8 million.

At 31 December 2013, ROC's net cash position was US\$65.1 million (2012: US\$56.8 million), consisting of cash assets held of US\$65.1 million (2012: US\$56.8 million) with no debt drawn (2012: US\$Nil). At year end, the loan facility available to ROC was US\$66.5 million relating to the remaining portion of the loan facility with Commonwealth Bank of Australia, BNP Paribas (Sydney Branch) and Sumitomo Mitsui Banking Corporation, maturing in June 2015.

**Consolidated Statement of Cash Flows**

Net cash generated from operating activities was US\$101.5 million (2012: US\$126.3 million). The funds were primarily used for development expenditure of US\$59.6 million (2012: US\$59.4 million) and investment in associate company BCP of US\$40.7 million (2012: US\$17.4 million). Proceeds received from sale of Juan de Nova Maritime Profound Block were US\$8.0 million.

**Corporate activity****Health, Safety and Environment (HSE)**

ROC reported two Lost Time Injuries sustained by contractor personnel at its Zhao Dong drilling operation and subsequently a safety improvement programme was initiated. Despite this injury disappointment, ROC reduced its total number of reported injuries to its lowest level and its Total Recordable Injury rate was 60% lower than the APPEA five year average.

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

**Operational overview****Production and Development**

The Group incurred US\$51.0 million in production costs (2012: US\$35.7 million) and US\$60.7 million (2012: US\$65.3 million) in development expenditure during 2013. Development costs primarily related to the development of Beibu and the ongoing development drilling at the Zhao Dong Fields.

**Zhao Dong Oil Fields, Bohai Bay, Offshore China**

ROC's working interest in oil production from the C and D Fields (24.5% and operator), the C4 unitised field (11.667% and operator) and Zhanghai Block (39.2% and operator) averaged 4,017 BOPD, down 8% compared to the previous year as a result of natural field decline.

Development expenditure of US\$33.9 million (2012: US\$26.7 million) was incurred. During the second half of 2013, development drilling was enhanced via the use of two drilling rigs simultaneously. A total of 18 wells were drilled during 2013 and the annual production target was achieved.

The H2 well drilled in 2012 in the Zhenghai area of Zhao Dong was completed and fracture stimulated. Results of this stimulation confirmed the reservoir to be water wet.

Electrical cable laying was completed from the shore out to the Zhao Dong platform. The cabling will be used to supply additional electricity in the future.

ROC submitted a five year Incremental Development Plan to PetroChina which included activities for 2013 to 2018 and continuous economic development activities for 2018 to 2023, which requires a PSC extension beyond 2018.

**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 1,061 BOPD, down 19% compared to the previous year due to natural decline.

**Blane Oil Field, North Sea (12.5%)**

ROC's working interest in oil production from the Blane Field averaged 565 BOEPD, down 15% compared to the previous year.

The decrease in production was attributable to several planned and unplanned shutdowns on the Ula host platform between May to September, which were not related to the Blane Field. The field is now fully operational.

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

Enoch remained shut in throughout 2013. Restoration works were carried out with new tree deployed and production testing completed in December. Production is expected to recommence in the first half of 2014.

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

ROC's working interest in oil production from the Beibu Field averaged 1,621 BOEPD, with production commencing in March and all 15 wells on production by August.

The Beibu Gulf development project is now complete, with all activities completed on schedule and within budget.

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

BMG remains in a non-production phase. The annual offshore inspection and monitoring program was completed, with no significant issues identified.

ROC's interest in BMG has increased from 37.5% to 50%, following the withdrawal of CIECO, Pertamina and Sojitz from the BMG Joint Venture in October 2013, subject to regulatory approval.

ROC continues to pursue a farm-down or divestment process for BMG, whilst evaluating options for a separate Phase 2 gas development given the improving east coast gas market pricing.

## **Exploration and Appraisal**

The Group incurred US\$16.0 million (2012: US\$29.0 million) in exploration and evaluation expenditure during 2013 and US\$40.7 million to BCP for pre-development work relating to the Balai Cluster.

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

The Balai Cluster comprises a cluster of four marginal fields: Balai, Bentara, Spaoh and West Acis, which are located offshore Sarawak in water depths of approximately 60 metres. A joint venture company, BCP was incorporated to manage the Risk Service Contract ('RSC'). The shareholders in BCP are ROC 48%, DIALOG Group 32% and PETRONAS Carigali 20%. ROC accounts for its investment in BCP under the equity method of accounting.

Balai Cluster RSC pre-development activities continued during 2013, with the drilling of three appraisal wells. All the wells were cased and completed in preparation for Extended Well Test

('EWT') which commenced in November with the Early Production Vessel ('EPV'), Balai Mutiara.

EWT on the Balai-2 well commenced on 6 November and flowed for an initial period for approximately 24 hours before shutting in to obtain reservoir pressure data. The initial average production rate from two perforated intervals in the Balai Z-5 upper reservoir sands (1,895 – 1,901 metres Measured Depth Rotary Table ('MDRT') and 1,906 – 1,912 metres MDRT) was in the range of 4,000 to 4,200 BOPD and the oil gravity was measured at 39 degrees API. EWT was then conducted for approximately two weeks, during which time well performance was recorded through three flow periods and three shut-in periods. The test met the defined objectives and good volumes and quality of pressure and production data collected to enable further studies.

A Field Development Plan ('FDP') for the Bentara Field, within the Balai Cluster RSC, was submitted to PETRONAS in December. This FDP proposes the development of the Bentara Field. At this stage, approval is being sought to deliver early production utilising the existing wells and facilities established during the pre-development phase, including Bentara-2 and Bentara-3 wells, Bentara well head platform and the EPV.

On approval of the FDP by PETRONAS, the project will progress to the development phase. The cost of pre development work undertaken by BCP in accordance with the agreed scope of work is reimbursable up to an agreed amount.

During 2013, ROC directly contributed funds of US\$40.7 million to BCP for pre-development phase activities relating to the Balai Cluster RSC.

### **Block 09/05, Bohai Bay (100% and Operator)**

Consistent with ROC's growth strategy to significantly increase the Company's long term reserve and resource base, ROC was awarded a prospective 335 square kilometres exploration Block 09/05 with CNOOC for a 100% operated interest in Bohai Bay in May 2012. The block is close to the existing ROC operated Zhao Dong infrastructure. ROC has 100% equity in the block and CNOOC has the right to back into the block for up to 50% following a commercial discovery.

ROC views the block as having significant exploration potential and the 3D seismic programme was recently completed with the aim of maturing exploration prospects on trend with Bohai Bay producing fields.

### Operational overview continued

The 162.5 square kilometres ocean bottom cable 3D seismic acquisition programme commenced in July and was completed in September ahead of schedule, within budget and without incident. Seismic processing of the 3D data was completed in January 2014; data quality is good and planning for exploration drilling in 2H14 is in progress as planned.

In October, ROC signed a farm-out option agreement with Horizon Oil (Beibu) Limited ('HZN') on the Block 09/05 licence. Under the terms of the agreement, HZN will pay 40% of all petroleum exploration costs incurred until the exercise or lapse of the option, which entitles HZN a right to farm in to a 40% working interest in Block 09/05. The right to acquire a 40% interest in Block 09/05 is exercised in advance of spudding the first exploration well through payment of a 2 for 1 promote on two exploration wells. The transfer of interest to HZN will be subject to CNOOC's approval.

This agreement helps underpin confidence in the prospectivity within the block and ensures a risk managed approach to our current exploration portfolio in China.

#### **WZ 12-8 East, Beibu Gulf, Offshore China (40% and Operator)**

Work continues on the WZ12-8 East project feasibility study report, with an Overall Development Plan under preparation.

### Myanmar

ROC pre-qualified for the Myanmar offshore licensing round and submitted bids for two offshore shallow water blocks in the 2013 offshore licensing round. ROC continues to actively pursue attractive farm-in opportunities for onshore acreage near to existing infrastructure. Entry into Myanmar remains aligned with ROC's wider strategic objective to identify and secure material exploration, appraisal and field redevelopment opportunities in South East Asia.

### Divestments and Withdrawals

During 2013, ROC divested or withdrew from the following assets:

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

The sale of ROC's interest in the Juan de Nova Maritime Profond Block to South Atlantic Petroleum JDN SAS ('SAPETRO') has been successfully completed following the approval by the French Government of the transfer to SAPETRO on 14 November 2013.

#### **Block H, Offshore Equatorial Guinea (20%)**

The Minister of Mines, Industry and Energy of Equatorial Guinea has advised the Block H Joint Ventures, that it has decided not to grant a further extension to the permit. Accordingly, the PSC expired on 2 February 2014.

# Consolidated statement of comprehensive income

For the financial year ended 31 December 2013

	<i>Note</i>	2013 US\$'000	2012 US\$'000
<b>Sales revenue</b>	4	<b>250,995</b>	<b>242,067</b>
Operating costs	5	(154,889)	(135,917)
<b>Gross profit</b>		<b>96,106</b>	<b>106,150</b>
Other income	6	189	3,967
Gain on sale of exploration and development assets		8,000	10,315
Net derivative losses		-	(878)
Exploration expensed and written off	7	(16,537)	(18,081)
Provision for restoration		-	(3,379)
Impairment of investment in associate company	29	(6,900)	-
Foreign currency translation reserve gain on liquidation of subsidiary		36	4,649
Other costs	8	(15,346)	(13,413)
Finance costs	9	(3,839)	(6,595)
<b>Profit before income tax</b>		<b>61,709</b>	<b>82,735</b>
Income tax expense	10	(16,520)	(21,781)
<b>Net profit</b>		<b>45,189</b>	<b>60,954</b>
<b>Other comprehensive loss</b>			
Foreign currency translation reserve gain on liquidation of subsidiary		(36)	(4,649)
<b>Other comprehensive loss net of tax</b>		<b>(36)</b>	<b>(4,649)</b>
<b>Total comprehensive profit</b>		<b>45,153</b>	<b>56,305</b>
Basic earnings per share – cents	24	6.6	8.9
Diluted earnings per share – cents	24	6.5	8.8

# Consolidated statement of financial position

As at 31 December 2013

	Note	2013 US\$'000	2012 US\$'000
<b>Current assets</b>			
Cash assets	11	65,140	56,783
Trade and other receivables	12	32,361	25,474
Inventories	14	2,133	658
<b>Total current assets</b>		<b>99,634</b>	<b>82,915</b>
<b>Non-current assets</b>			
Oil and gas assets	15	227,158	237,292
Exploration and evaluation expenditure	16	587	1,094
Property, plant and equipment	17	858	1,080
Deferred tax assets	10	20,594	13,021
Investments in associate companies	29	67,203	33,422
<b>Total non-current assets</b>		<b>316,400</b>	<b>285,909</b>
<b>Total assets</b>		<b>416,034</b>	<b>368,824</b>
<b>Current liabilities</b>			
Trade and other payables	20	42,247	36,088
Current tax liabilities	10	8,258	9,944
Provisions	21	14,235	10,868
<b>Total current liabilities</b>		<b>64,740</b>	<b>56,900</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	21,078	26,406
Provisions	21	63,961	66,869
<b>Total non-current liabilities</b>		<b>85,039</b>	<b>93,275</b>
<b>Total liabilities</b>		<b>149,779</b>	<b>150,175</b>
<b>Net assets</b>		<b>266,255</b>	<b>218,649</b>
<b>Equity</b>			
Share capital	22	734,150	734,150
Accumulated losses		(488,833)	(534,022)
Other reserves		20,938	18,521
<b>Total equity</b>		<b>266,255</b>	<b>218,649</b>

# Consolidated statement of cash flows

For the financial year ended 31 December 2013

	Note	Inflow/ (Outflow) 2013 US\$'000	Inflow/ (Outflow) 2012 US\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	154,341	190,336
Derivatives received/(paid)		68	(676)
Payments for exploration and evaluation expenses		(16,470)	(5,449)
Interest received		189	3,965
Finance costs paid		(1,579)	(2,866)
Payments made for abandonment costs		(2,299)	-
Payments for non-production phase for BMG		(1,837)	(12,099)
Income taxes and PRRT paid		(30,878)	(46,950)
<b>Net cash generated from operating activities</b>		<b>101,535</b>	<b>126,261</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(184)	(104)
Payments for development expenditure		(59,561)	(59,401)
Payments for exploration and evaluation expenditure initially capitalised		-	(19,404)
Proceeds from sale of exploration and development assets		7,985	1,779
Payments for acquisition of additional 5% interest in Cliff Head		-	551
Investment in associate company	29	(40,680)	(17,423)
<b>Net cash used in investing activities</b>		<b>(92,440)</b>	<b>(94,002)</b>
<b>Cash flows from financing activities</b>			
Bank loan repayments		-	(15,000)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(15,000)</b>
<b>Net increase in cash held</b>		<b>9,095</b>	<b>17,259</b>
Cash at beginning of financial year		56,783	39,624
Effect of exchange rate changes on the balance of cash held in foreign currencies		(738)	(100)
<b>Cash at end of financial year</b>	<b>11</b>	<b>65,140</b>	<b>56,783</b>

# Consolidated statement of changes in equity

For the financial year ended 31 December 2013

	Share Capital US\$'000	Accumulated Losses US\$'000	Share Equity Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Total US\$'000
<b>Balance at 1 January 2012</b>	<b>734,150</b>	<b>(594,976)</b>	<b>11,725</b>	<b>10,710</b>	<b>161,609</b>
Total comprehensive profit/(loss) net of tax	-	60,954	-	(4,649)	56,305
Share-based payments	-	-	735	-	735
<b>Balance at 31 December 2012</b>	<b>734,150</b>	<b>(534,022)</b>	<b>12,460</b>	<b>6,061</b>	<b>218,649</b>
Total comprehensive profit/(loss) net of tax	-	45,189	-	(36)	45,153
Share-based payments	-	-	2,453	-	2,453
<b>Balance at 31 December 2013</b>	<b>734,150</b>	<b>(488,833)</b>	<b>14,913</b>	<b>6,025</b>	<b>266,255</b>

# 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 26 February 2014 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.

The Group has adopted the following standards now effective, AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities. The Group has performed an assessment of the impact of these standards and notes that they do not have a material impact on the financial report.

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 2013 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.



## Note 1. Summary of Significant Accounting Policies continued

### (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.

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) Plant and equipment

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

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

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

**(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. Where no restoration asset exists, the corresponding adjustment is recognised in the Consolidated Statement of Comprehensive Income. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. This asset is subsequently depleted on a unit-of-production basis. Changes in the estimates of commercial reserves or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

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

**(l) Cash and cash equivalents**

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

**(m) Investments in associate companies**

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

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

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

**(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.

## Note 1. Summary of Significant Accounting Policies continued

### (s) Share-based payment transactions

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects: (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

#### Deferred tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred income tax liability is recognised for all taxable temporary differences except where:

- the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associate companies and interests in joint operations, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

##### **Transactions and balances**

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

## Note 1. Summary of Significant Accounting Policies 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) Interests in joint arrangements

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

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

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

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

**(a) Significant accounting judgements*****Exploration and evaluation***

The Group's accounting policy for exploration and evaluation assets is set out at Note 1(e). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Consolidated Statement of Comprehensive Income.

**(b) Significant accounting estimates and assumptions*****Impairment of assets***

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

***Restoration obligations***

The Group estimates the future removal costs of on and offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal data, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more details regarding the policy in respect of the provision for restoration, refer to Note 1(k).

***Reserve estimates***

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

carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of amortisation charged to the Consolidated Statement of Comprehensive Income. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

**Note 3. 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.

**Note 3. Financial Risk Management Objectives and Policies** continued**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:

As at 31 December 2013

Consolidated (US\$'000)	6 months or less	6 months – 1 year	1 – 4 year(s)	Total
Trade and other payables	42,247	-	-	42,247
<b>Total</b>	<b>42,247</b>	<b>-</b>	<b>-</b>	<b>42,247</b>

As at 31 December 2012

Trade and other payables	36,088	-	-	36,088
<b>Total</b>	<b>36,088</b>	<b>-</b>	<b>-</b>	<b>36,088</b>

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 long 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 13 *Fair Value Measurement* 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 2013 consisted of the oil price derivatives which have been classified as Level 2. There were no Level 1 or Level 3 financial assets or liabilities as at 31 December 2013, 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.

### 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 US\$; however, the Group is exposed to certain non-US\$ cash balances. As at 31 December 2013, the non-US\$ cash balances amounted to US\$4.8 million (2012: US\$26.6 million). The impact on the profit for the year assuming a +10% or 10% change in the foreign exchange rate would be US\$0.2 million (2012: US\$2.7 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 18).

A change of 100 basis points per annum in interest rates at the reporting date would have increased or decreased profit for the year by US\$0.1 million (2012: US\$0.1 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 enters into certain derivative instruments, in relation to the commodity price of a proportion of its forecast production from time to time in accordance with the Board approved hedging policy. At 31 December 2013, the Group had no derivatives (2012: Nil).

### 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.



<b>Note 4. Sales Revenue</b>	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Oil	250,995	240,786
NGL	-	1,281
	<b>250,995</b>	<b>242,067</b>

**Note 5. Operating Costs**

Production costs	51,044	35,710
Amortisation	70,816	70,871
Movement in stock and overlift	(2,026)	(2,536)
Royalty and other levies	35,055	31,872
	<b>154,889</b>	<b>135,917</b>

**Note 6. Other Income**

Interest income – external	189	3,967
	<b>189</b>	<b>3,967</b>

**Note 7. Exploration Expensed and Written-Off**

Africa	667	(298)
China	7,283	12,105
Other	8,587	6,274
	<b>16,537</b>	<b>18,081</b>

**Note 8. Other Costs**

Operating lease expenses	959	950
Depreciation	400	810
General and administration costs	11,027	10,310
Share-based payments	2,453	735
Net foreign currency loss	507	608
	<b>15,346</b>	<b>13,413</b>

**Note 9. Finance Costs**

Interest expensed on bank loans	106	607
Unwinding of discount – restoration provision	1,700	3,684
Other finance costs	2,033	2,304
	<b>3,839</b>	<b>6,595</b>

<b>Note 10. Income Tax</b>	<b>2013</b>	<b>2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>(a) Composition of income tax</b>		
Income tax charge – current period	(18,661)	(33,457)
Income tax credit – prior period	288	15,688
PRRT – current period	(11,048)	(17,289)
Deferred income tax – current period	10,283	11,259
Deferred income tax – PRRT	2,618	2,018
<b>Income tax expense</b>	<b>(16,520)</b>	<b>(21,781)</b>

	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>Current Tax</b>	<b>Deferred Income</b>	<b>Current Tax</b>	<b>Deferred Income</b>
	<b>Liabilities</b>	<b>Tax Liabilities</b>	<b>Liabilities</b>	<b>Tax Liabilities</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>(b) Recognised tax liabilities and assets</b>				
Opening balance	(9,944)	(13,385)	(21,195)	(26,662)
(Charged)/credited	(29,421)	12,901	(35,059)	13,277
Cash payments	30,878	-	46,950	-
Asset sold	-	-	(403)	-
Translation gain/(loss)	229	-	(237)	-
	<b>(8,258)</b>	<b>(484)</b>	<b>(9,944)</b>	<b>(13,385)</b>

Deferred income tax at 31 December relates to the following:

	<b>Consolidated Statement</b>	
	<b>of Financial Position</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>(i) Deferred tax assets</b>		
Asset timing differences	17,133	8,980
Provisions	3,461	4,041
<b>Net deferred tax assets</b>	<b>20,594</b>	<b>13,021</b>
<b>(ii) Deferred tax liabilities</b>		
Asset timing differences	(17,618)	(20,261)
Provisions	3,794	3,726
PRRT	(7,254)	(9,871)
<b>Net deferred tax liabilities</b>	<b>(21,078)</b>	<b>(26,406)</b>
<b>Total net deferred tax liabilities</b>	<b>(484)</b>	<b>(13,385)</b>
<b>(c) Tax losses</b>		
<b>Tax losses not recognised – revenue</b>	<b>67,095</b>	<b>68,944</b>

<b>Note 10. Income Tax</b> continued	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
<b>(d) Income tax reconciliation</b>		
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense in the financial statements as follows:		
Profit before income tax	61,709	82,735
Prima facie income tax expense calculated as 30% of profit before income tax	(18,512)	(24,821)
<b>Tax effect of adjustments</b>		
Non-deductible expenses	(472)	(1,497)
Non-assessable income	2,400	4,489
Overseas tax rate differential	(236)	(1,198)
Prior year over provision	288	15,688
Deferred tax asset not previously recognised	7,636	-
Tax losses not brought into account	(3,032)	(2,257)
PRRT	(8,430)	(15,270)
Other	3,838	3,085
<b>Income tax expense</b>	<b>(16,520)</b>	<b>(21,781)</b>

**(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.

<b>Note 11. Cash Assets</b>	<b>2013 US\$'000</b>	<b>2012 US\$'000</b>
Cash and cash equivalents	65,140	56,783
	<b>65,140</b>	<b>56,783</b>

#### **Reconciliation of net profit before tax to cash generated from operations**

Net profit before tax	61,709	82,735
<b>Add/(less) non-cash items</b>		
Amortisation	70,816	70,871
Provision for restoration	-	3,379
Depreciation	400	810
Other provisioning	273	146
Net foreign currency loss	507	608
Gain on sale of oil and gas exploration and development assets	(8,000)	(10,315)
Foreign currency translation reserve gain on liquidation of subsidiary	(36)	(4,649)
Share-based payments	2,453	735
<b>Add/(less) non-operating items</b>		
Net derivative losses	-	878
Interest income	(189)	(3,967)
Finance costs	3,839	6,595
Exploration expensed and Written Off	16,537	18,081
Impairment in investment in associate company	6,900	-
<b>Changes in net assets and liabilities</b>		
(Increase)/decrease in current trade and other receivables	(6,887)	43,204
(Increase)/decrease in inventories	(1,475)	1,647
Increase/(decrease) in trade and other payables	7,494	(20,422)
<b>Cash generated from operations</b>	<b>154,341</b>	<b>190,336</b>

#### **Note 12. Trade and Other Receivables**

Trade receivables	26,710	16,991
Other receivables	5,651	8,483
	<b>32,361</b>	<b>25,474</b>

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

	2013 US\$'000	2012 US\$'000
Current assets	185,503	185,538
Total assets	224,557	224,048
Current liabilities	2,805	3,324
Total liabilities	3,988	4,552
<b>Net assets</b>	<b>220,569</b>	<b>219,496</b>
Share capital	734,150	734,150
Accumulated losses	(598,077)	(596,697)
Share equity reserve	14,912	12,459
Foreign currency translation reserve	69,584	69,584
<b>Total equity</b>	<b>220,569</b>	<b>219,496</b>
Net (loss)/profit of the parent entity	(1,380)	116,163
<b>Total comprehensive (loss)/profit of the parent entity</b>	<b>(1,380)</b>	<b>116,163</b>

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 18. The Company has provided a parent company guarantee to Petroliaam Nasional Berhad ('PETRONAS') guaranteeing the performance of the obligation of its 48% interest in Balai Cluster RSC.

**Note 14. Inventories**

Oil and gas stock	2,133	658
	<b>2,133</b>	<b>658</b>

	Producing Assets US\$'000	Assets under Development US\$'000	Total US\$'000
<b>Note 15. Oil and Gas Assets</b>			
<b>Costs</b>			
Balance at 1 January 2012	986,395	19,871	1,006,266
Development expenditure incurred	26,667	38,609	65,276
Increase in restoration asset	8,542	6,056	14,598
Transfer from exploration and evaluation expenditure	-	10,973	10,973
Asset disposal	(46,575)	-	(46,575)
<b>Costs at 31 December 2012</b>	<b>975,029</b>	<b>75,509</b>	<b>1,050,538</b>
Development expenditure incurred	60,682	-	60,682
Transfer of assets under development to producing assets	75,509	(75,509)	-
<b>Costs at 31 December 2013</b>	<b>1,111,220</b>	<b>-</b>	<b>1,111,220</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2012	(787,924)	-	(787,924)
Charge	(70,871)	-	(70,871)
Asset disposal	45,549	-	45,549
<b>Accumulated amortisation at 31 December 2012</b>	<b>(813,246)</b>	<b>-</b>	<b>(813,246)</b>
Charge	(70,816)	-	(70,816)
<b>Accumulated amortisation at 31 December 2013</b>	<b>(884,062)</b>	<b>-</b>	<b>(884,062)</b>
<b>Net book value at 31 December 2013</b>	<b>227,158</b>	<b>-</b>	<b>227,158</b>
<b>Net book value at 31 December 2012</b>	<b>161,783</b>	<b>75,509</b>	<b>237,292</b>

<b>Note 16. Exploration and Evaluation Expenditure</b>	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Opening balance	1,094	1,169
Expenditure incurred	16,030	28,979
Expenditure transferred to assets under development	-	(10,973)
Amounts expensed and written-off	(16,537)	(18,081)
	<b>587</b>	<b>1,094</b>

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

### Note 17. Plant and Equipment

<b>Costs</b>		
Opening balance	7,971	7,759
Expenditure incurred	178	212
<b>Costs at 31 December</b>	<b>8,149</b>	<b>7,971</b>
<b>Accumulated depreciation</b>		
Opening balance	(6,891)	(6,081)
Charge	(400)	(810)
<b>Accumulated depreciation at 31 December</b>	<b>(7,291)</b>	<b>(6,891)</b>
<b>Net book value</b>	<b>858</b>	<b>1,080</b>

### Note 18. Bank Loan

(a) Secured bank loan – maturing June 2015	-	-
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(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 3.7% per annum.

#### (c) Financing facilities available

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

Total loan facilities	66,510	91,000
Facilities used at reporting date	-	-
Facilities unused at reporting date	66,510	91,000

#### (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, 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 Services (NSW) Pty Limited as security trustee. In addition, the shares of the following ROC subsidiaries have been mortgaged to CBA

Corporate Services (NSW) Pty Limited: Roc Oil (WA) 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\$228.7 million.

#### (e) Foreign exchange, interest rate and liquidity risks

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

<b>Note 19. Controlled Entities</b>	<b>Country of Incorporation</b>	<b>Ownership and Voting Interest 2013 %</b>	<b>Ownership and Voting Interest 2012 %</b>
<b>Name of entity</b>			
<b>Parent entity</b>			
Roc Oil Company Limited	Australia		
<b>Controlled entities</b>			
Roc Oil (WA) Pty Limited	Australia	100	100
Roc Oil (Madagascar) Pty Limited	Australia	-(1)	100
Roc Oil Australia Holdings Pty Ltd	Australia	100	100
Roc Oil International Holdings Pty Ltd	Australia	100	100
Roc Oil (Finance) Pty Limited	Australia	100	100
Anzon Energy Pty Limited	Australia	100	100
Roc Oil (VIC) Pty Limited	Australia	100	100
Roc Oil (Exploration No. 1) Pty Limited	Australia	100	100
Roc Oil (Ventures) Pty Limited	Australia	100	100
Roc Oil (Taranaki) Pty Limited	Australia	-(1)	100
Roc Oil (Tasman) Pty Limited	Australia	100	100
Roc Oil (Malaysia) Pty Limited	Australia	100	100
Roc Oil Malaysia (Holdings) Sdn Bhd	Malaysia	100	100
Anzon Energy Mauritius	Mauritius	-(1)	100
Anzon Investments Limited	Mauritius	-(1)	100
Anzon Africa Limited	Mauritius	-(1)	100
PT Anzon Energy Indonesia	Indonesia	-(1)	100
Anzon Energy Nigeria Limited	Nigeria	-(1)	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 (Equatorial Guinea) Company	Cayman Islands	100	100
Roc Oil (Angola) Limited	Cayman Islands	100	100
Lacula Oil Company Ltd	Cayman Islands	100	100
Roc Oil (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:**

1. Liquidated/deregistered during the period.

<b>Note 20. Trade and Other Payables</b>	<b>2013 US\$'000</b>	<b>2012 US\$'000</b>
Trade and other payables	18,832	21,369
Accrued liabilities	22,373	13,126
Stock overlift	1,042	1,593
	<b>42,247</b>	<b>36,088</b>

<b>Note 21. Provisions</b>	<b>Employee Benefits US\$'000</b>	<b>Restoration US\$'000</b>	<b>Total US\$'000</b>
Balance at 1 January 2013	2,860	74,877	77,737
Additions	1,267	-	1,267
Unwinding of discount	-	1,700	1,700
Utilised	(993)	(1,168)	(2,161)
Translation adjustments	(347)	-	(347)
<b>Balance at 31 December 2013</b>	<b>2,787</b>	<b>75,409</b>	<b>78,196</b>
Current – 2013	1,605	12,630	14,235
Non-current – 2013	1,182	62,779	63,961
<b>Total 2013</b>	<b>2,787</b>	<b>75,409</b>	<b>78,196</b>
Current – 2012	1,632	9,236	10,868
Non-current – 2012	1,228	65,641	66,869
<b>Total 2012</b>	<b>2,860</b>	<b>74,877</b>	<b>77,737</b>

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 utilised amount of US\$1.2 million relates to costs incurred to suspend the BMG project and the cash payments required in China which requires the provision for abandonment to be paid over the remaining life of the field.

<b>Note 22. Share Capital</b>	<b>2013 Number of Shares</b>	<b>2012 Number of Shares</b>	<b>2013 US\$'000</b>	<b>2012 US\$'000</b>
Balance at beginning of financial year	683,235,552	682,506,352	734,150	734,150
Issue of shares pursuant to the exercise of rights under the Long Term Incentive Plan	3,226,188	729,200	-	-
<b>Balance at end of financial year</b>	<b>686,461,740</b>	<b>683,235,552</b>	<b>734,150</b>	<b>734,150</b>

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



## Note 23. Employee Benefits

### (a) Long Term Incentive Plan

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

Features of the LTI Plan 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;
- different performance conditions apply to different rights. Rights issued up to May 2013 have three tiers of rights with performance conditions based on the total shareholder return ("TSR") growth of ROC, TSR of ROC relative to a comparator group of companies growth and a third tier based on continuous employment. From May 2013, rights granted have two tiers which have performance conditions tested against TSR relative to two different comparator groups of companies;
- there is no retesting of performance conditions;
- 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; and
- the Board also has an overriding discretion to determine that any unvested rights will lapse if the Board is not satisfied with certain performance related matters.

A summary of the LTI Rights granted is as follows:

Grant Date	Vesting Date	Opening Balance 1 Jan 2013	Granted	Exercised	Lapsed/ Cancelled	Closing Balance 31 Dec 2013	ROC Share Price at Date of Issue A\$
12/11/2010	12/11/2013	4,179,000	-	(3,226,188)	(952,812)	-	0.43
07/03/2011	07/03/2014	1,500,000	-	-	-	1,500,000	0.39
16/12/2011	16/12/2014	4,540,000	-	-	(130,000)	4,410,000	0.27
29/02/2012	01/03/2015	500,000	-	-	(300,000)	200,000	0.41
13/09/2012	13/09/2015	500,000	-	-	-	500,000	0.38
01/03/2013	01/03/2016	-	5,950,000	-	(330,000)	5,620,000	0.54
15/05/2013	01/03/2016	-	977,358	-	-	977,358	0.44
31/05/2013	25/05/2016	-	150,000	-	-	150,000	0.48
06/09/2013	06/09/2016	-	150,000	-	-	150,000	0.54
		<b>11,219,000</b>	<b>7,227,358</b>	<b>(3,226,188)</b>	<b>(1,712,812)</b>	<b>13,507,358</b>	

The fair value of the rights has been calculated at the grant date and allocated to each reporting period from grant date to vesting date. The rights outstanding at 31 December 2013 have a fair value in the range of A\$0.20 to A\$0.40, and a weighted average remaining contractual life of 1.5 years.

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

	06/09/2013	31/05/2013	15/05/2013	01/03/2013
Share price	A\$0.54	A\$0.44	A\$0.48	A\$0.54
Share price volatility	55%	60%	60%	60%
Risk free rate per annum	2.92%	2.61%	2.61%	2.73%
Dividend yield per annum	0%	0%	0%	0%
Share price correlation between companies	49%	50%	50%	35%

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) Short Term Incentive Plan

The ROC Short Term Incentive ('STI') plan is a variable performance-based cash and deferred equity incentive plan designed to reward Senior Executives and eligible employees for performance, following the end of the financial year. The deferred equity component of the STI is awarded in the form of share rights that may be converted into fully paid ordinary shares in the Company on satisfaction of performance conditions and Board approval ('Deferred STI Rights'). The features of the Deferred STI rights are the same as for the LTI Rights except for the performance conditions. Ordinarily, the only performance condition on an STI Deferred Right is that the participant remains continuously employed by ROC up to the end of the defined deferral period which ranges from one to three years.

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

Grant Date	Opening Balance 1 Jan 2013	Granted	Exercised	Lapsed/ Cancelled	Closing Balance 31 Dec 2013	ROC Share Price at Date of Issue A\$
15/05/2013	-	355,400	-	(71,040)	284,360	0.48
29/01/2014 <sup>(1)</sup>	-	2,095,985	-	-	2,095,985	0.46
	-	<b>2,451,385</b>	-	<b>(71,040)</b>	<b>2,380,345</b>	

#### Note:

1. Issued post year end relating to 2013 bonus accrual.

The fair value of the STI Rights has been calculated using share price at the date of issue. The rights outstanding at 31 December 2013 have a fair value in the range of A\$0.46 to A\$0.48 and a weighted average remaining contractual life of 1.3 years.

#### (c) 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 Plan 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.

All outstanding options issued under the Employee Share Option Plan lapsed in December 2013 and no further options will be granted under this plan.

**Note 23. Employee Benefits** continued

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

	2013		2012	
	Number of Options	Weighted Average Exercise Price A\$	Number of Options	Weighted Average Exercise Price A\$
Balance at beginning of financial year	1,878,000	0.85	2,670,000	0.79
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(352,000)	2.17	(792,000)	0.66
Lapsed	(1,526,000)	0.54	-	-
<b>Balance at end of financial year</b>	<b>-</b>	<b>-</b>	<b>1,878,000</b>	<b>0.85</b>
<b>Exercisable</b>	<b>-</b>	<b>-</b>	<b>1,878,000</b>	<b>0.85</b>

**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.

	2013		2012	
	Number of Options	Weighted Average Exercise Price A\$	Number of Options	Weighted Average Exercise Price A\$
Balance at beginning of financial year	1,500,000	2.36	4,126,000	2.99
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(20,000)	2.28	(590,000)	3.05
Lapsed	(500,000)	3.45	(2,036,000)	3.43
<b>Balance at end of financial year</b>	<b>980,000</b>	<b>1.80</b>	<b>1,500,000</b>	<b>2.36</b>
<b>Exercisable</b>	<b>490,000</b>	<b>1.80</b>	<b>750,000</b>	<b>2.36</b>

The range of exercise prices at the end of the financial year is between A\$0.65 and A\$2.65 per share, with a weighted average remaining contractual life of seven months.

**(d) Superannuation plans**

The Company makes contributions to complying accumulation type superannuation plans nominated by individual employees. The contribution made by the Company is at least the amount required under the Superannuation Guarantee Law. The amount recognised as an expense was US\$680,080 for the financial year ended 31 December 2013 (2012: US\$783,474).

(e) Employee benefits expensed	2013 US\$'000	2012 US\$'000
Salaries and wages	14,631	13,392
Share-based payments	2,453	735
Other associated personnel costs	1,758	2,442
	<b>18,842</b>	<b>16,569</b>

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.

#### Note 24. Earnings per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit 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 basic and diluted earnings per share computations:

	2013 Number of Shares	2012 Number of Shares
Weighted average number of ordinary shares for basic earnings per share	683,580,268	682,992,485
Effect of dilution		
Rights	16,470,834	12,788,981
Adjusted weighted average number of ordinary shares for diluted earnings per share	700,051,102	695,781,466
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share	583,131	1,550,778
Weighted average number of shares that were not included in the calculation of earnings per share as they are anti-dilutive	-	-

## Note 25. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the Chief Operating Decision Maker) 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 2013

US\$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Zhao Dong China	Beibu China	Other	Total
Sales revenue	-	41,104	18,052	-	134,662	57,177	-	250,995
Production costs	-	13,537	3,571	7,147	20,323	6,460	6	51,044
Amortisation	-	6,060	4,292	-	48,804	11,660	-	70,816
Segment results <sup>(1)</sup>	-	21,561	8,989	(7,160)	43,732	28,989	(5)	96,106
Exploration and development expenditure incurred	-	-	-	-	33,913	26,929	15,870	76,712
Segment assets	2,482	36,767	24,398	7,839	87,513	99,893	177	259,069
Current restoration provision	3,230	-	-	-	6,000	3,400	-	12,630
Non-current restoration provision	29,432	15,070	4,964	2,624	7,944	2,745	-	62,779

### For the financial year ended 31 December 2012

US\$'000	BMG Australia	Cliff Head Australia	Blane UK	Enoch UK	Chinguetti Africa <sup>(2)</sup>	Zhao Dong China	Beibu China	Other	Total
Sales revenue	-	54,011	23,630	2,494	4,538	157,376	-	18	242,067
Production costs	-	12,557	3,900	2,633	1,744	14,860	-	16	35,710
Amortisation	-	8,068	5,137	243	432	56,988	-	3	70,871
Segment results <sup>(1)</sup>	-	33,323	15,016	(1,488)	1,814	57,483	-	2	106,150
Exploration and development expenditure incurred	-	-	-	-	-	36,919	51,359	5,977	94,255
Segment assets	1,058	44,018	25,264	7,915	-	110,739	79,792	1,133	269,919
Current restoration provision	2,887	-	-	-	-	5,372	977	-	9,236
Non-current restoration provision	27,728	14,588	4,875	2,577	-	10,794	5,079	-	65,641

#### Notes:

- Total segment results ('gross profit') is reconciled to profit before income tax in the Consolidated Statement of Comprehensive Income.
- Sold during the financial year ended 31 December 2012.

In assessing the segment performance on a monthly basis, the Executive Committee analyses the segment results as described above and their relation to segment assets. Segment assets are those operating assets of the Groups 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 2013, all oil and gas sales have been made to various international oil companies. For each segment, sales have been made to individual customers.

## Reconciliation of segment assets to total assets

	2013 US\$'000	2012 US\$'000
Segment assets	259,069	269,919
Cash assets	64,050	45,539
Receivables	24,854	18,864
Plant and equipment	858	1,080
Investments in associate companies	67,203	33,422
<b>Total assets per the Consolidated Statement of Financial Position</b>	<b>416,034</b>	<b>368,824</b>

**Note 26. 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 19 as to investments in controlled entities;
- Note 29 as to investments in associate companies; and
- transactions with key management personnel ('KMPs').

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

	2013 US\$	2012 US\$
Short term employee benefits	6,611,608	5,934,255
Post-employment benefits	115,990	135,298
Share-based payments	1,508,301	750,750
	<b>8,235,899</b>	<b>6,820,303</b>

**Loans and other transactions**

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

Remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 5.4 to Aus 29.9.3 are disclosed in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

## Note 27. Commitments for Expenditure

	2013 US\$'000	2012 US\$'000
<b>(a) Capital commitments</b>		
<b>Not longer than one year</b>		
Joint operations	21,065	28,824
<b>Longer than one year but not longer than five years</b>		
Joint operations	14,736	11,000
	<b>35,801</b>	<b>39,824</b>
<b>(b) Operating lease expenditure commitments</b>		
Not longer than one year	2,331	4,781
Longer than one year but not longer than five years	4,589	8,178
Longer than five years	–	93
	<b>6,920</b>	<b>10,052</b>

## Note 28. Joint Operations

The Group has an interest (rounded to two decimal places) in the following joint operations as at 31 December 2013:

Country	Block	Principal Activities	Interest 2013 %	Interest 2012 %
Australia	WA-31-L (Cliff Head)	Oil production	42.50	42.50
	L14 (Jingemia)	Oil production	0.25	0.25
	VIC/L26, VIC/L27 and VIC/L28 (BMG)	Oil production	50.00 <sup>(1)</sup>	37.50
China	Beibu Gulf Development Areas (formerly Block 22/12)	Oil and gas development	40.00/19.60 <sup>(2)</sup>	40.00/19.60 <sup>(2)</sup>
	Zhao Dong Block (C and D Fields/C4 Field)	Oil development/production	24.50/11.67 <sup>(3)</sup>	24.50/11.58 <sup>(3)</sup>
	Chenghai and Zhanghai Blocks	Oil appraisal/development/production	80.00/39.20 <sup>(4)</sup>	80.00/39.20 <sup>(4)</sup>
	Block 09/05 (Bohai Bay)	Oil and gas exploration	100.00	100.00
UK North Sea	P111 (Block 30/3a Upper) (Blane)	Oil and gas production	15.24/12.50 <sup>(5)</sup>	15.24/12.50 <sup>(5)</sup>
	P219 (Block 16/13a and 16/13e) (Enoch)	Oil and gas production	15.00/12.00 <sup>(5)</sup>	15.00/12.00 <sup>(5)</sup>
Equatorial Guinea	Block H	Oil and gas exploration	20.00 <sup>(6)</sup>	20.00
Mozambique Channel	Juan de Nova Maritime Profond (France)	Oil and gas exploration	–	75.00

### Notes:

- The withdrawal by Pertamina Hulu Energi Australia Pty Limited and Sojitz Energy Australia Pty Ltd from the BMG Joint Venture, effective 27 October 2013, has been finalised amongst the joint operations parties and will result in a pro rata distribution amongst the remaining joint venture parties. Subject to regulatory approval, ROC will hold 50.00% interest in the BMG licence.
- Interest in field development post-government back-in.
- Unitised interest in the C4 Field. Final redetermination occurred in 2013, resulting in a small increase in interest to 11.667%.
- Interest in development/production following government back-in.
- Unitised interest in producing Blane and Enoch Fields.
- PSC expired on 2 February 2014.

The Group's share of working interest production from the above joint operations during the financial year was 2.7 MMBOE (2012: 2.4 MMBOE).

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

	2013 US\$'000	2012 US\$'000
Current assets	2,482	10,014
Non-current assets	227,745	238,386
<b>Total assets</b>	<b>230,227</b>	<b>248,400</b>
Current liabilities	25,949	10,116
Non-current liabilities	62,779	65,641
<b>Total liabilities</b>	<b>88,728</b>	<b>75,757</b>

Exploration expenditure commitments and contingent liabilities in respect of joint operations are detailed in Note 27 and Note 31 respectively.

### Note 29. 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		Book Value Shares at 31 December		Contribution to Consolidated Profit	
				2013 %	2012 %	2013 US\$'000	2012 US\$'000	2013 US\$'000	2012 US\$'000
Croft Exploration Limited	UK	Dormant	31 December	50	50	-	-	-	-
BC Petroleum Sdn Bhd	Malaysia	Development/ appraisal	31 December	48	48	25,933	32,833	(6,900)	-

The Group holds a 48% interest in BC Petroleum Sdn Bhd ('BCP'), the entity is involved in oil and gas appraisal in Malaysia. BCP is a private entity and is not listed on any public exchange.

A Field Development Plan ('FDP') for the Bentara Field, within the Balai Cluster RSC, was submitted to PETRONAS in December. This FDP proposes the development of the Bentara Field. At this stage, approval is being sought to deliver early production utilising the existing wells and facilities established during the pre-development phase, including Bentara-2 and Bentara-3 wells, Bentara well head platform and the EPV.

On approval of the FDP by PETRONAS, the project will progress to the development phase. The cost of pre development work undertaken by BCP in accordance with the agreed scope of work is reimbursable up to an agreed amount.

During the period, ROC recorded an impairment of \$6.9 million for its share of costs relating to non-recoverable expenditure in BCP, mainly interest on BCP bank loans which would not be reimbursable from PETRONAS. The asset valuations were based on discounted cash flows.



**Note 29. Associate companies** continued

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

	2013 US\$'000	2012 US\$'000
<b>Assets and liabilities</b>		
Current assets	321,942	240,496
Current liabilities	(253,539)	(58,658)
Non-current liabilities	-	(113,435)
<b>Equity</b>	<b>68,403</b>	<b>68,403</b>
Proportion of Group's ownership	48%	48%
<b>Carrying amount of the investment:</b>		
Equity	32,833	32,833
Impairment of investment	(6,900)	-
Net book value of investment	25,933	32,833
Loan to associate company	41,270	589
	<b>67,203</b>	<b>33,422</b>
<b>Share of the associate's revenue and profit:</b>		
Revenue	-	-
Profit	-	-

Cash contributions to BCP are initially made as a loan and subsequently converted to equity following shareholder approval. Cash contributions during the period were \$40.7 million.

**Note 30. Remuneration of Auditors**

	2013 US\$	2012 US\$
<b>Amounts due to and recoverable by the auditor of the parent entity for:</b>		
Audit and review of the financial report	266,490	365,538
Tax compliance and accounting advice	174,494	336,598
	<b>440,984</b>	<b>702,136</b>

Ernst & Young, Australia was the auditor for the Company in 2013.

**Note 31. Contingent Liabilities**

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

**Note 32. Subsequent Events**

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

**Note 33. 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:

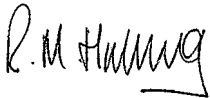
Level 18, 321 Kent Street      T: +61 2 8023 2000  
 Sydney NSW 2000              ABN: 32 075 965 856  
 Australia                          ASX code: ROC

# 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 2013 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards 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 2013.

On behalf of the Directors:



**Mr R M Harding**  
Chairman



**Mr A S Linn**  
Director and Chief Executive Officer  
Sydney, 26 February 2014



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## Independent Auditor's Report

TO THE MEMBERS OF ROC OIL COMPANY LIMITED

### Report on the financial report

We have audited the accompanying financial report of Roc Oil Company Limited, which comprises the consolidated statement of financial position as at 31 December 2013, 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, 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

### Opinion

In our opinion:

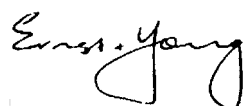
- (a) the financial report of Roc Oil Company Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
  - (ii) complying 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 2013. 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 2013, complies with section 300A of the Corporations Act 2001.



Ernst & Young



**Trent van Veen**

Partner

26 February 2014

# Additional information

ROC Reserves and Resources Statement (Unaudited)  
As at 31 December 2013

## Reconciliation of Economic Interest Reserves

	1P Developed and Undeveloped			2P Developed and Undeveloped		
	Oil (MMBBL)	Gas (BCF)	BOE (MMBOE)	Oil (MMBBL)	Gas (BCF)	BOE (MMBOE)
Opening Balance Working Interest (WI%)	11.1	1.1	11.3	14.7	1.6	15.0
Reserve revisions (WI%) <sup>(1)</sup>	1.0	0.1	1.0	0.6	-	0.6
Production (WI%)	(2.6)	(0.4)	(2.7)	(2.6)	(0.4)	(2.7)
Economic Interest Adjustment <sup>(2)</sup>	(0.5)	-	(0.5)	(0.6)	(0.2)	(0.7)
<b>Closing Balance 31 Dec 2013 (Economic Interest)</b>	<b>9.0</b>	<b>0.8</b>	<b>9.1</b>	<b>12.1</b>	<b>1.0</b>	<b>12.2</b>

## Economic Interest Reserves by Asset

	1P Dev	1P Undev	1P Dev	1P Undev	1P Total	2P Dev	2P Undev	2P Dev	2P Undev	2P Total
	Oil (MMBBL)	Oil (MMBBL)	Gas (BCF)	Gas (BCF)	BOE (MMBOE)	Oil (MMBBL)	Oil (MMBBL)	Gas (BCF)	Gas (BCF)	BOE (MMBOE)
Zhao Dong	2.2	0.6	0.5	0.2	2.9	2.4	1.2	0.6	0.3	3.7
Beibu	3.9	-	-	-	3.9	4.7	-	-	-	4.7
Cliff Head	1.4	-	-	-	1.4	2.2	-	-	-	2.2
Blane	0.7	-	0.1	-	0.7	1.3	-	0.1	-	1.3
Enoch	0.2	-	-	-	0.2	0.3	-	-	-	0.3
<b>Closing Balance 31/12/13</b>	<b>8.4</b>	<b>0.6</b>	<b>0.6</b>	<b>0.2</b>	<b>9.1</b>	<b>10.9</b>	<b>1.2</b>	<b>0.7</b>	<b>0.3</b>	<b>12.2</b>

## Economic Interest Reserves and Resources by Region

	2P			2C	Best Estimate Prospective Risked Resource		
	MMBOE	Oil MMBBL	Gas BCF	MMBOE	Oil MMBBL	Gas BCF	MMBOE
China	8.4	4.8	1.0	4.9	30.9	1.3	31.1
Australia	2.2	6.4	63.0	16.9	1.3	32.9	6.7
UK	1.6	0.9	5.6	1.8	0.0	0.0	0.0
<b>Closing balance 31/12/13</b>	<b>12.2</b>	<b>12.1</b>	<b>69.6</b>	<b>23.6</b>	<b>32.2</b>	<b>34.2</b>	<b>37.8</b>

## Reconciliation of Economic Interest Resources

	2C BOE (MMBOE)	Best Estimate Prospective Risky Resource <sup>(3)</sup> (MMBOE)
Opening Balance	22.9	43.6
Resource Revisions	1.4	2.0
Resources Disposed	-	(3.1)
Economic Interest Adjustment <sup>(2)</sup>	(0.7)	(4.7)
<b>Closing Balance 31/12/13</b>	<b>23.6</b>	<b>37.8</b>

### Notes:

1. Reserve revisions relate to +0.3MMBBL (WI%) for Zhao Dong Fields and +0.3MMBBL (WI%) for Blane Field.
2. Economic Interest adjustment relates to China production delivered to the host government.
3. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation are required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

## Reserves and Resources Methodology

The deterministic method has been used to compile Reserve and Contingent Resource estimates and the probabilistic method has been used to compile Prospective Resource estimates. The aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation. Prospective Resources have been adjusted for risk using the chance of discovery.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

## Reserves and Resources Governance

ROC has put in place an Estimation and Reporting of Reserves and Resources Guideline which sets out the governance arrangements and internal controls regarding the reported estimates of petroleum reserves and resources and the estimation process to apply at ROC. The guideline provides for an annual review of all reserves and resources by the ROC Chief Reservoir Engineer ('CRE') and for an annual audit covering all material assets over a rolling three year period.

All audits are undertaken by independent third party resource evaluators and are overseen by the CRE who is a petroleum reserves and resources evaluator qualified in accordance with ASX Listing Rule requirements. No public reporting of any reserves or resources estimate is permitted without the sign off in by the CRE and the approval of the Chief Executive Officer. All public reporting of the reserves or resources estimates is in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the ROC Continuous Disclosure Policy.

The reserves and resources reported in the Annual Report were estimated, reviewed and audited in accordance with this guideline.

### CRE Sign Off

The reserves and resources information in this Statement is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Bill Billingsley (Chief Reservoir Engineer and full time employee of ROC). Mr Billingsley BSc (Chem) MSc (Petroleum Engineering) DIC (Imperial College) is a member of the Society of Petroleum Engineers and has more than 18 years relevant experience within the petroleum industry. The reserves and resources information in this Statement has been issued with prior written consent of Mr Billingsley in the form and context in which it appears.

## ROC Licences at 31 December 2013 (Unaudited)

Country	Block	Field/Discovery	ROC Interest %	Operator
Australia	WA-31-L	Cliff Head	42.50	Roc Oil (WA) Pty Limited
	L14	Jingemia	0.25	Origin Energy Developments Pty Ltd
	VIC/L26, VIC/L27 and VIC/L28	BMG	50.00 <sup>(1)</sup>	Roc Oil (VIC) Pty Limited
China	Beibu Gulf Development Areas	WZ 6-12, WZ 12-8	40.00/19.60 <sup>(2)</sup>	Roc Oil (China) Company/ CNOOC
	Zhao Dong Block	C and D Fields, C4 Field	24.50/11.67 <sup>(2)(3)</sup>	Roc Oil (Bohai) Company
	Chenghai and Zhanghai Blocks	H1	80.00/39.20 <sup>(2)(3)</sup>	Roc Oil (Bohai) Company
	Block 09/05		100.00	Roc Oil (Bohai) Company
Equatorial Guinea	Block H		20.00 <sup>(4)</sup>	White Rose Energy Ventures (EG) Limited (Technical Manager)
UK North Sea	P111 (Block 30/3a Upper)	Blane	15.24/12.50 <sup>(3)</sup>	Talisman Sinopec Energy (UK) Limited
	P219 (Block 16/13a and 16/13e)	Enoch, J1	15.00/12.00 <sup>(3)</sup>	Talisman Sinopec North Sea Limited

### Notes:

1. The withdrawal by Pertamina Hulu Energi Australia Pty Limited and Sojitz Energy Australia Pty Ltd from the BMG Joint Venture, effective 27 October 2013, has been finalised amongst the joint venture parties and will result in a pro rata distribution amongst the remaining joint venture parties. Subject to regulatory approval, ROC will hold 50.00% interest in the BMG Joint Venture.
2. Interest in field development post-government back-in.
3. Unitised interest in producing fields.
4. PSC expired on 2 February 2014.

# Shareholder information

## 1. Ordinary Share Capital

As at 21 March 2014, the Company had on issue 686,568,400 fully paid ordinary shares held by 16,551 shareholders.

All issued fully paid ordinary shares carry one vote per share.

## 2. Options

As at 21 March 2014, the Company had on issue 980,000 options under the Executive Share Option Plan held by 15 option holders.

Options do not carry any voting rights or rights to dividends.

## 3. Long Term Incentive Rights

As at 21 March 2014, the Company had on issue 12,215,000 LTI Rights granted under the Existing LTI Plan held by 44 LTI Right holders.

As at 21 March 2014, the Company had on issue 7,527,358 LTI Rights granted under the New LTI Plan held by 32 LTI Right holders.

Different performance conditions attach to the LTI Rights granted under the different LTI Plans. Details of the conditions attaching to the LTI Rights granted under the Existing LTI Plan and the New LTI Plan are set out in the Remuneration Report. LTI Rights granted under both the Existing LTI Plan and the New LTI Plan are collectively referred to in the Financial Statements as LTI Rights.

LTI Rights do not carry any voting rights or rights to dividends.

## 4. Deferred STI Rights

As at 21 March 2014, the Company had on issue 1,866,473 Deferred STI Rights held by 30 Deferred STI Right holders. Details of the conditions attaching to the Deferred STI Rights are set out in the Remuneration Report. This number does not include the 2013 deferred STI Rights awarded to Alan Linn which are subject to shareholder approval at the 2014 AGM.

Deferred STI Rights do not carry any voting rights or rights to dividends.

## 5. Distribution of Holders

Holding at 21 March 2014	Shareholders	Executive Option Holders	LTI Right Holders under Existing LTI Plan	LTI Right Holders under New LTI Plan	Deferred STI Right Holders
1–1,000	5,261	0	0	0	0
1,001– 5,000	5,373	0	0	0	0
5,001–10,000	2,384	0	7	0	0
10,001–100,000	3,275	13	15	16	24
Over 100,001	258	2	22	16	6
<b>Total</b>	<b>16,551</b>	<b>15</b>	<b>44</b>	<b>32</b>	<b>30</b>
Number of Shareholders holding less than a marketable parcel	5,593				



## 6. Substantial Shareholders

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Shareholder	Number Held (Fully Paid Ordinary Shares)	% of Class Held
Allan Gray (formerly Orbis Investment Management (Australia) Pty Ltd)	137,906,663	19.56

## 7. Twenty Largest Shareholders as at 21 March 2014

Shareholder	Number Held	%	Rank
J P Morgan Nominees Australia Limited	123,991,916	18.06	1
HSBC Custody Nominees (Australia) Limited	101,838,128	14.83	2
Citicorp Nominees Pty Limited	85,012,960	12.38	3
National Nominees Limited	81,767,997	11.91	4
JP Morgan Nominees Australia Limited <Cash Income A/C>	30,681,673	4.47	5
ANZ Underwriting Limited <ANZ Underwriting Ltd NOM A/C>	29,593,302	4.31	6
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/C>	13,305,647	1.94	7
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	7,291,098	1.06	8
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,406,269	0.50	9
UBS Nominees Pty Ltd	3,061,502	0.45	10
Mr Timothy Bryce Kleemann	2,748,000	0.40	11
BNP Paribas Noms Pty Ltd <DRP>	2,664,458	0.39	12
Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	2,172,200	0.32	13
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,071,557	0.30	14
{Investsoft SA	1,600,000	0.23	15
Mr Jose Manuel Do Rego Medeiros	1,554,861	0.23	16
QIC Limited	1,355,925	0.20	17
UOB Kay Hian Private Limited <Clients A/C>	1,342,371	0.20	18
Mr Alan Scott Linn	1,219,660	0.18	19
Amalgamated Dairies Ltd	1,211,601	0.18	20
	<b>497,891,125</b>	<b>72.52</b>	

# Glossary and definitions

1P	Proven reserves
2C	Denotes best estimate scenario of Contingent Resources
2P	Proved and probable reserves
3D	Three dimensional
3P	Proved and probable and possible
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
CNOOC	China National Offshore Oil Corporation
Contingent resources	Quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies
Developed reserves	Are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered 'developed' only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Developed Reserves may be further classified as Producing or Non-Producing
Economic interest	The working interest share of production which is adjusted for production that is delivered to host governments under the petroleum contracts
EOR	Enhanced oil recovery
EWT	Extended well test
FDP	Field Development Plan
FID	Final Investment Decision
Group	Parent entity and its subsidiaries
GST	Goods and services tax
HSE	Health, Safety, Environment
IFRS	International Financial Reporting Standards
LTIFR	Lost time injury frequency rate
MDRT	Measured depth rotary table
MMBBL	One million barrels
MMBOE	One million barrels of oil equivalent
MMSCF/D	One million standard cubic feet of natural gas per day
NGL	Natural gas liquid
NPAT	Net profit after tax
NPP	Non-production phase
OGP	International Association of Oil & Gas Producers

## Glossary and definitions continued

<b>Possible reserves</b>	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
<b>PRMS</b>	Petroleum Resources Management System
<b>Probable reserves</b>	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate
<b>Proved reserves</b>	An incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as 'Proven'
<b>PRRT</b>	Petroleum Resource Rent Tax
<b>PSC</b>	Production Sharing Contract
<b>Reserves</b>	Are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied
<b>ROC or Company</b>	Roc Oil Company Limited and includes, where the context requires, its subsidiaries
<b>RSC</b>	Risk Service Contract
<b>SPE</b>	Society of Petroleum Engineers
<b>t</b>	Tonnes
<b>T1</b>	Tier 1 as defined by the API Standard 754
<b>T2</b>	Tier 2 as defined by the API Standard 754
<b>tCO<sub>2</sub>-e</b>	Tonnes of CO <sub>2</sub> Equivalent
<b>tCO<sub>2</sub>-e/t</b>	Tonnes of CO <sub>2</sub> Equivalent per tonne of hydrocarbon produced
<b>Tj</b>	Terajoules
<b>TRIFR</b>	Total recordable injury frequency rate
<b>TRIR</b>	Total recordable injury rate
<b>UK</b>	United Kingdom
<b>Undeveloped reserves</b>	Are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects
<b>USD/US\$ or cents</b>	United States currency
<b>WI%</b>	Working Interest Percentage

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## Directory

### Board of Directors

**Mr R Michael Harding**  
Chairman

**Mr Alan S Linn**  
Executive Director

**Mr Nigel D R Hartley**  
Director

**Mr Christopher C Hodge**  
Director

**Mr Robert C A Leon**  
Director

**Mr Graham D Mulligan**  
Director

### Company Secretary

Ms Leanne Nolan

### Assistant Company Secretary

Ms Jacquie Shanahan

### Share Registrar

Computershare Investor  
Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Australia

### Auditor

**Ernst & Young**  
Ernst & Young Centre  
680 George Street  
Sydney NSW 2000  
Australia

### Stock Exchange

**ASX Limited**  
20 Bridge Street  
Sydney NSW 2000  
Australia  
ASX code: ROC

### Registered Office

**Sydney**  
**(Office address)**  
Level 18, 321 Kent Street  
Sydney NSW 2000  
Australia  
Tel: +61 2 8023 2000  
Fax: +61 2 8023 2222

### (Postal address)

Roc Oil Company Limited  
PO Box Q1496  
Queen Victoria Building  
NSW 1230  
Australia

### Regional Offices

**Australia  
Perth**  
Roc Oil (WA) Pty Limited  
Suite 2, Ground Floor  
100 Havelock Street  
West Perth WA 6005  
Australia

### China

**Beijing**  
Roc Oil (Bohai) Company  
Level 18, Hyundai Motor Tower  
38 Xiaoyun Road  
Chaoyang District  
Beijing 100027  
PR China

### Malaysia

**Kuala Lumpur**  
Roc Oil Malaysia (Holdings)  
Sdn Bhd  
Level 16, West Block  
Wisma Selangor Dredging  
(Letter Box #8)  
142C Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

### Website

[www.rocoil.com.au](http://www.rocoil.com.au)



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## Roc Oil Company Limited

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# Commitment to **sustainability**

Sustainability Report 2013

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**About this report**

This report highlights ROC's commitment to sustainable business practices and identifies how we work with stakeholders to fulfill our strategic objectives.

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**Report boundaries and framework**

This report encompasses ROC's global operations and contains details of sustainable performance measures for the 12-month period ended 31 December 2013. Sustainable performance data is collated within each ROC-operated asset.

This report takes into account best practice guidelines, including the Global Reporting Initiative, and the International Petroleum Industry Environmental Conservation Association and the American Petroleum Institute (IPIECA/API) Guidelines. ROC's Sustainable Practices Framework aims to align the various guidelines with our overall business strategy and objectives.

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**What we report**

In ROC's fifth Sustainability Report, we disclose ROC's performance in each of the following areas:

- ROC's commitment to ensuring the safety and wellbeing of our employees and contractors;
- maintaining the highest standard of asset integrity and process safety;

- minimising our impact on the environment; and
- contributing to the social, environmental and economic development of the communities in which we operate.

This report provides stakeholders with details of our 2013 performance, and addresses how ROC integrates sustainability concepts and best practices when managing business risks and pursuing growth opportunities.

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**Materiality**

ROC considers an issue to be material if it affects our ability to deliver business objectives in a sustainable manner. ROC uses an Enterprise Risk Management Framework (see page 11) to assess business risks and ensure alignment with our core cultural values of openness and transparency.

Data is gathered from engagement with communities, employees, partners and contractors, monitoring of media, third-party risk analysis and issues identified by the industry, peers and partners.

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# About ROC

1

**4,317**  
BOEPD

Gross 2013 production  
(ROC 12.5% Blane interest)

**Blane & Enoch**

Non-core production assets

ROC is an Australian independent upstream oil and gas company with an operational presence in Australia, South East Asia and China.

The Company operates across the full range of upstream business activities, from exploration and appraisal to development and production.

ROC's core production assets performed reliably throughout the year delivering full year production of 2.7 MMBOE. ROC operates approximately 20,000 BOEPD gross production, ensuring strong cash flow from operations, which underpins the capacity of the business to fund growth projects. This reliable performance is attributable to the proactive HSE and asset integrity management practices within the business and the dedicated teams working across our core regions.

ROC continues to create and maintain the safest possible working environment for our teams and to build long-term beneficial relationships within the communities in which we work.

**20,000**  
BOEPD

2013 operated  
gross production

- Producing
- Development/Exploration

# 17,769 BOPD

Gross 2013 production (ROC 22% interest)

## Zhao Dong

Continues to deliver reliable performance underpinning ROC's annual production

# 162km<sup>2</sup>

Seismic acquisition (ROC 100% interest)

## Block 09/05 Bohai Bay

Exploration block located 15km from Zhao Dong. Exploration drilling scheduled in second half of 2014

# 8,270 BOPD

Gross 2013 production (ROC 19.6% interest)

## Beibu Gulf

Successful delivery of Beibu Gulf Project on time and under budget. First oil March 2013

## Balai Cluster (ROC 48% interest)

Commenced EWT and FDP for Bentara field approved. Production to commence in second quarter of 2014

# 10,000 BOPD

Gross current production (ROC 50% interest)

Asset added to ROC's portfolio effective 1 January 2014

## D35/D21/J4

Cornerstone development assets which will underpin the long-term production life of ROC

# 2,495 BOPD

Gross 2013 production (ROC 42.5% interest)

## Cliff Head

Mature asset continuing to produce in line with expectations

## BMG

(ROC 50% interest)

Non-production phase Asset sold in March 2014

# A message from the CEO

# 2

‘We will continue working to create and maintain the safest possible working environment for our teams and building long term beneficial relationships within the communities in which we work.’

## US\$45.2m

**Net profit after tax**

2013 was ROC's third consecutive year of profits

## 88% Local

of our 199 employees are hired locally

Sustainability involves working in partnerships with the communities in which we operate, being responsible for the management of environmental impacts associated with our activities, continual diligence to protect the health and safety of all our teams and ensuring we are a reliable and productive operator. The approach is integral and underlines everything we undertake at ROC; we regularly examine the best methods for embedding sustainable development values within our business practices. In 2013, we met all of our key targets, improved the foundations supporting our operating businesses and successfully implemented a number of growth opportunities which provide us with a longer term operational future.

A key challenge for ROC at the beginning of 2013 was successfully completing the Beibu Gulf project. Thanks to the hard work by ROC and the project teams, the development was successfully brought on line in March 2013. It is a credit to all those involved that the project was completed safely, under budget and on time. Production increased to approximately 15,000 BOPD gross in the third quarter of 2013, as development drilling was completed and all production wells were commissioned.



The second half of 2013 was characterised by progressing value growth opportunities for our shareholders by assessing exploration and development projects in South East Asia, as well as, delivering efficient production and cost outcomes from our established portfolio.

ROC is one of the few established mid cap energy sector operators. It is essential we harness this experience and strong operating values to grow and deliver, within the framework of operational integrity standards. Established systems ensure our approach to business sustainability meets the full requirements of the regulatory authorities, non-operating partners and communities in the countries where we work. That said, there is always room for improvement, and ROC will continue to develop best practice environmental policies and engage with stakeholders, to help provide a safe and rewarding place to work.

During 2013, our core business performed extremely well in a year during which we undertook significant levels of project activity, drilling and seismic acquisition.

We closed the year having delivered a significant reduction in the number of injuries sustained in our operations compared with the previous five years. Additionally hydrocarbon loss of containment incidents were reduced to their lowest ever frequency.

The ROC business is entering an exciting period in its development and we will rely heavily upon the skills available within our teams to safely deliver new projects reflecting our commitment to our value growth strategy.

In 2014, ROC farmed in to the D35/D21/J4 fields in offshore Malaysia. The assets are an excellent fit for our business and in line with our South East Asian Strategy. D35/D21/J4 will provide a portfolio of immediately bookable reserves plus contingent and prospective resources and extend the reserves and resources life of ROC.

We will work to continuously improve the safety and working environment for our teams and create lasting beneficial relationships within the communities in which we work.

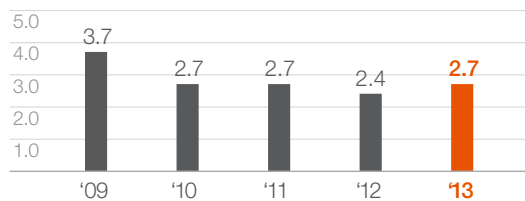
ROC is committed to fully reporting our sustainability performance in line with our value of ensuring openness in our communications. We are a reliable and responsible operator who seek to actively minimise environmental impacts and work to benefit the communities in which we operate.

**Alan Linn**  
Chief Executive Officer

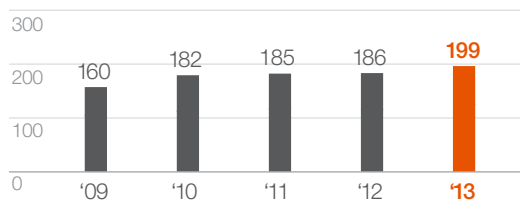


# Sustainability Highlights

Total working interest production (MMBOE)

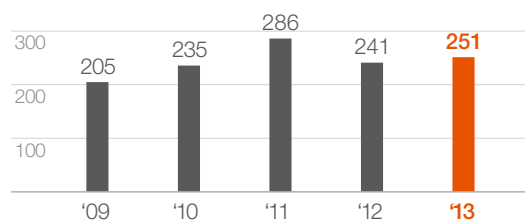


Total employees

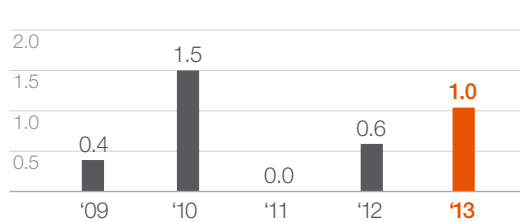


Above  
Left to right  
Nigel Hartley,  
Alan Linn and  
Lu Liyuan  
at Zhao Dong

Sales revenue (US\$m)



Lost time injury frequency rate (LTIFR)



# ROC's performance

# 3

ROC is committed to delivering sustainable business and works to continuously improve its overall performance. Social, environmental and governance considerations are core fundamentals embedded in the way we do business and in the relationships we seek to build with our stakeholders.

A summary of ROC's performance in terms of economic, people, health and safety, community and environment is presented below.

5 year performance summary	2013	2012	2011	2010	2009
<b>Economic</b>					
Total gross operated production (MMBOE)	7.3	8.2	9.0	9.2	10.0
Total working interest production (MMBOE)	2.7	2.4	2.7	2.7	3.7
Oil sales from working interest (MMBOE)	2.4	2.1	1.9	2.3	3.6
Sales Revenue (US\$m)	251.0	240.8	285.8	235.4	204.5
Operating cash flow (US\$m)	101.5	126.3	43.4	58.4	91.4
Net profit/(loss) after tax (US\$m)	45.2	61.0	27.7	(35.9)	(115.4)
Total income taxes, royalties and levies (US\$m)	49	47	97	46	47
Royalties to government (% of production)	7.8%	9.6%	7.0%	7.0%	5.0%
Market capitalisation (A\$m; at 31 December)	336.4	300.6	171.0	292.4	427.9
2P reserves	20.9 <sup>1</sup>	15.0	15.1	16.2	13.9
2C resources	48.8 <sup>1</sup>	22.9	NR	NR	NR
<b>People</b>					
Total number of employees <sup>2</sup>	199	186	185	182	160
Female	72	69	67	68	54
Male	127	117	118	114	106
Total turnover rate	9%	21%	11%	8%	20%
<b>Health and safety</b>					
Total man-hours <sup>3</sup>	1,930,054	1,699,790	1,710,062	2,022,000	2,549,973
Medical treatment cases	1	2	1	6	2
First aid cases	6	14	14	30	47
Lost time injuries	2	1	0	3	1
Lost time injury frequency rate (LTIFR) <sup>4</sup>	1.04	0.59	0	1.50	0.39
Restricted work cases	1	2	1	2	0
Fatalities	0	0	0	0	0
Total recordable injury frequency rate (TRIFR)	2.07	2.94	1.20	5.40	1.18
<b>Community</b>					
Voluntary social investment (US\$)	133,965	133,939	111,545	290,111	219,116
<b>Environment</b>					
<b>GHG emissions (tCO<sub>2</sub>-e)</b>					
China	110,165	92,057	108,678	156,796	NR
Australia	11,168	17,041	20,538	78,543	NR
Total GHG emissions (tCO <sub>2</sub> -e)	121,333	109,098	129,216	235,339	363,370
Intensity of hydrocarbon production (tCO <sub>2</sub> -e/t)	0.10	0.08	0.10	0.20	0.24
<b>Energy consumption<sup>5</sup></b>					
Total energy consumption (Tj)	2,369	2,034	2,535	4,162	4,171
Intensity (Tj of energy consumption per kt hydrocarbon production)	2.03	1.56	1.92	3.57	3.00
<b>Flared gas</b>					
Total flared gas (t)	10,105	7,365	17,455	57,025	52,741
Intensity (t of flared gas per t of hydrocarbon production)	0.009	0.006	0.01	0.05	0.03
<b>Significant loss of containment incidents</b>					
Oil spills	0	0	0	2	0
Gas releases	0	0	0	2	0
All other significant environment incidents	0	0	0	0	0
<b>Waste management</b>					
Total hazardous waste <sup>6</sup> (t)	3,425	51	34	60	52
Total non-hazardous waste (t)	2,635	1,592	2,931	3,751	5,061
<b>Water usage</b>					
Fresh water use (m <sup>3</sup> )	29,378	27,231	31,558	45,102	45,056
Fines					
Total number of fines and penalties	0	1	0	0	1

NR – not reported

**Notes**

- As at 1 January 2014, post D35/D21/J4 farm-in and sale of BMG.
- Total number of employees includes both full and part-time employees as at 31 December.
- Total man-hours includes both employees and contractors.
- Frequency rates are determined as the number of injuries per million hours worked.
- 2013 energy consumption and intensity numbers also include energy usage in Sydney, Beijing and Kuala Lumpur offices.
- Per IPIECA/API Guidelines (2010), hazardous waste includes all wastes that is defined as hazardous, toxic, dangerous, listed, priority, special or some other similar term as defined by an appropriate country, regulatory agency or authority.

# Goals and outcomes

# 4



## Community



Community support in Malaysia continued with the Love My School Program and Love My Neighbourhood Food Aid Program

### 2013 Goals

- Continue educational support with the Clontarf Foundation, Nan Pai He schools and MyKasih;
- Identify new partnerships in new regions; and
- Maintain liaison with key community groups including fishing communities for BMG, Cliff Head and the Nan Pai He community.

### 2013 Outcomes

- Community support in Malaysia continued with the Love My School Program and Love My Neighbourhood Food Aid Program;
- Ongoing China school program in Nan Pai He;
- Ongoing support to the Clontarf Foundation; and
- Fishing Damages Protocol established around BMG.

### Future Focus

- Support the communities in which we operate, focusing on education solutions designed to produce a sustainable benefit; and
- Remain active and engaged with our local communities.



## Environment



**0** Zero oil spills greater than 1 barrel were reported.

### 2013 Goals

- Have zero oil spills greater than one barrel;
- Ensure that hydrocarbon loss of containment incidents are below 2012 levels; and
- Reduce flaring through technological innovations.

### 2013 Outcomes

- Zero oil spills greater than one barrel loss;
- 82% reduction in flaring since 2010; and
- No significant loss of containment incidents.

### Future Focus

- Maintain focus on oil spill prevention efforts; and
- Improve environmental systems and implement new ROC environmental management policy.



## People



# 1

LTIFR

### 2013 Goals

- Total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR) for ROC employees and contractors at or below OGP five-year average;
- Have zero fatalities company-wide;
- Training, induction and awareness programs around Code of Conduct and related policies; and
- Develop and implement recruitment tools.

### 2013 Outcomes

- TRIFR was 2.1;
- LTIFR of 1;
- Zero fatalities;
- Refresher training on conduct policies and anti bribery and corruption policies; and
- Training on work place bullying, discrimination, harassment and sexual harassment.

### Future Focus

- Zero fatalities;
- LTIFR and TRIFR below OGP five year average;
- Continue to improve our occupational safety and process safety performance by implementing robust HSE and asset integrity management controls; and
- Employee development, training and competency assurance.



## Economic



# 11%

Share price increase

### 2013 Goals

- Deliver positive shareholder returns; and
- Assess and secure growth opportunities in our focus regions.

### 2013 Outcomes

- Achieved share price appreciation in line with ASX 200 Index;
- Delivered \$45.2 million net profit after tax;
- Completed seismic acquisition on exploration Block 09/05 in Bohai Bay, China;
- Submitted a Field Development Plan for Balai Cluster which was approved in March 2014; and
- Achieved approximately 28<sup>1</sup> year's reserves and resources replacement ratio at 1 January 2014.

### Future Focus

- Continue to deliver on strategic objectives;
- Deliver consistent value additions to shareholders;
- Build on opportunities for local community participation; and
- Secure growth opportunities in our focus regions.

#### Notes

1. The 'reserves and resources' life is the 2P reserves (developed and undeveloped) plus the 2C resources divided by production during the year on an economic interest basis. This is assessed at 1 January 2014 after the farm-in to D35/D21/J4 production assets and sale of BMG. Both effective 1 January 2014.



# Risk management

5

Contributing to ROC's competitive operating position is our capacity to identify risks and opportunities proactively from a social, environmental and economic perspective.

ROC has an established Enterprise Risk Management Framework to identify key risks, and to manage them with appropriate controls and actions. Embedding the framework into the business promotes a culture of accountability. Risks are reviewed annually for all operations. The ROC Board HSE Committee and Audit and Risk Committee meet regularly to review risks and the effective management of risk potential.

## Material risks identified

During 2013, our Risk Assessment Framework identified and addressed the following material risks relating to sustainability. These include:

### 1. Safety and environment

#### Maintaining a high standard of health, safety and environmental management and reporting.

ROC is committed to conducting its business in a manner that prevents injury or illness to employees, contractors and the community. ROC closely monitors performance indicators, and audits critical safety controls. Regular training sessions and emergency exercises are conducted to ensure staff are prepared in the event of a major incident.

As an international oil and gas company, ROC operates within a range of different environments. Success depends on our ability to understand risk potential and how we control impacts. ROC conducts Environmental Impact Assessments on all operated assets and has active Environmental Management Plans and oil spill contingency plans for all operations. ROC had no significant oil spills in 2013.

### 2. Risk management

#### Ensuring business practices remain ethical and comply with local and international laws.

ROC has an established suite of corporate governance charters and policies in place which apply to the Board and business practice globally. Copies of these charters and policies including a code of conduct are available on the ROC website ([www.rocoil.com.au](http://www.rocoil.com.au)). In addition to corporate governance policies, ROC has in place specific policies and procedures to prevent bribery and corruption and manage the giving and receiving of gifts and entertainment.

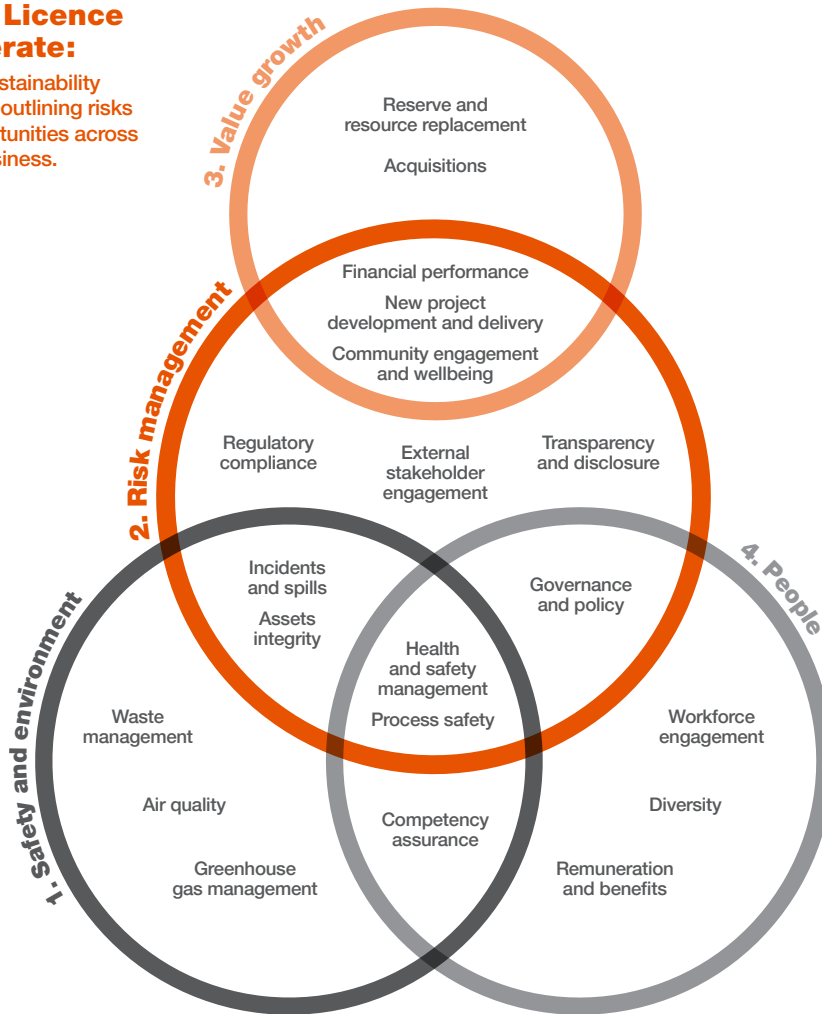
A ROC Personal and Business Conduct Employee Handbook published in English and Chinese is provided to all employees and contractors. This Handbook is updated regularly and provides a clear guide on acceptable practices and expectations in relation to the conduct of Directors, employees and all who conduct business for or on behalf of ROC. Governance training sessions were conducted in all ROC locations during 2013. This training included refresher training on the Handbook and the anti bribery and corruption and the gifts and entertainment policies as well as training on the updated Share Trading and Continuous Disclosure policies and unacceptable workplace behaviours such as bullying, discrimination, harassment and sexual harassment.

As ROC's business has grown in Malaysia and China, we have established separate divisional risk profiles to monitor the risks particular to the growth areas.

**Note:** Numbered headings relate to venn diagram on right-hand page.

**ROC's Licence to Operate:**

the key sustainability indicators outlining risks and opportunities across ROC's business.



**3. Value growth**

**Business development and reserve replacement.**

ROC added a new production asset D35/D21/J4 in Malaysia effective 1 January 2014, this gave a reserve replacement ratio of 344%<sup>1</sup> and maintains a reserves and resources life of 28<sup>2</sup> years. In 2013, the Company also reviewed its business development function, further committing to the regional focus. ROC will continue to pursue new opportunities aligned with its strategic objectives in Australia, South East Asia and China in 2014.

ROC is an international operator in Australia, South East Asia and China and works closely with partners and communities to ensure projects deliver value for all stakeholders.

During 2013, ROC worked with partners to deliver the Beibu Gulf project on schedule and under budget with no significant safety incidents. ROC also safely completed 162 km<sup>2</sup> seismic acquisition on the 09/05 offshore Block in China.

ROC openly engages with communities and is proactive in its approach. ROC has continued its focus on education and is looking forward to the university graduation of two sponsored students in China.

**4. People**

**Workforce composition, culture and commitment.**

ROC recognises the importance of attracting, developing and retaining staff. As an operator we value the cultural diversity that exists within the organisation across Australia, South East Asia and China. Our core values establish a framework for ROC, which is designed to promote both cultural and gender diversity. ROC is committed to creating a safe, supportive and productive work environment. We acknowledge the human rights of our employees, contractors and the communities in which we operate. In all regions where we operate, we uphold the Universal Declaration of Human Rights.

**Notes**

1. The reserve replacement ratio is the reserves (developed and undeveloped) change during the period, before the deduction of production, divided by production during the periods. This is assessed at 1 January 2014 after the farm-in to D35/D21/J4 production assets, and the divestment of BMG.
2. The 'reserves and resources' life is the 2P reserves (developed and undeveloped) plus the 2C resources divided by production during the year on an economic interest basis. This is assessed at 1 January 2014 after the farm-in to D35/D21/J4 production assets, and the divestment of BMG.

# Community

6



ROC proactively engages and works with the communities in which we operate.

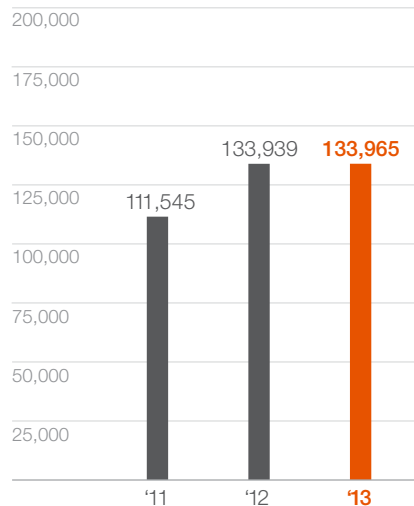
## A trusted neighbour in the Community

ROC is committed to conducting all activities within a culture of trust, openness and co-operation. The notion of giving back to the communities in which we operate is firmly entrenched in the ROC culture. ROC takes a proactive approach based on detection, engagement and providing solutions. ROC engages with all of the communities in which it operates and places great emphasis on providing educational opportunities for these communities.

### Malaysia

ROC continues its support of the Malaysian MyKasih organisation via its involvement with the Love My School Food Aid Program, which provides financial support to help underprivileged families educate their children, and the Love My Neighbourhood programme, which provides food aid. ROC has committed to supporting 50 secondary students through the Love My School programme. In 2013, ROC sponsored Youths Take Charge!, a youth empowerment programme.

## Voluntary social investment (US\$)



The Company is mindful of human rights and indigenous rights issues and is proactive in its engagement. Establishing and maintaining meaningful relationships with local communities is paramount to the ongoing sustainability of our business.

### **Nan Pai He – China community support**

The fishing village of Nan Pai He is located in the eastern Chinese province of Hebei, close to ROC's Zhao Dong operation. Throughout 2013, ROC invested in local education and supported the area via a number of community initiatives;

- ROC has sponsored four university students. Wang Xiong, the latest sponsored student, has the opportunity to study Marine Technology and two students will graduate in 2014;
- Donation of school bags filled with stationery. By the end of 2013 all students in primary and middle school in the Nan Pai He community had received school bags. Since commencement, this project has donated 5,500 school bags and supplies;
- The donation of sports equipment, books for the school libraries and refurbished laptops;
- ROC sponsored the first spoken English competition with 30 students participating;
- The supply of 400 costumes and shoes for the Children's Day performance;
- At the Fourth Annual Art Contest held for all students in Nan Pai He primary schools, the best pictures were chosen for the 2014 ROC calendar; and
- ROC supported the Fisherman Culture Festival for the second year.





### **The Clontarf Foundation, Ross Kelly Cup and Dongara site visit**

ROC and the Clontarf Foundation continued to strengthen their partnership in 2013. The Clontarf Foundation exists to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.

In 2013, ROC supported the inaugural Ross Kelly Cup – a Rugby League carnival that involved teams from seven of Clontarf's NSW Academies.

In November, 20 students from the Clontarf Geraldton Academy visited the ROC-operated Cliff Head offshore platform and Arrowsmith Stabilisation Plant (ASP) near Dongara, Western Australia. The students, from Years 11 and 12, started off the day by boarding a vessel and travelling out to view the platform, 14 km off the Dongara shoreline. The students were

accompanied by Clontarf staff and ASP Operations Manager, Mick Bowyer, who provided an insight into the asset's operation from producing oil from beneath the ocean floor to transporting water and oil via a 14km pipeline to the mainland to be processed.

The students were then taken to ASP on a supervised tour to gain an understanding of the processing of oil and the recycling of water.





ROC has been a sponsor of the Clontarf Foundation since 2010.

## ROC builds productive relationships and works collaboratively and transparently with all of our stakeholders.

### Stakeholder engagement

ROC works to understand its stakeholders – whether they are employees or contractors, a community, or a partner in business or government. ROC builds productive relationships and works collaboratively and transparently with all of our stakeholders.

### Summary of core stakeholder groups

 <b>Stakeholder groups</b>	 <b>Specific groups</b>	 <b>Engagement methods</b>	 <b>Key sustainability indicators</b>
<b>Employees and contractors</b>	<ul style="list-style-type: none"> <li>— Current, past and potential employees and contractors</li> </ul>	<ul style="list-style-type: none"> <li>— Sponsorship of annual university awards</li> <li>— Induction training and Personal and Business Conduct Employee Handbook</li> <li>— Clear rules of engagement for contractors (e.g. contract HSE requirements)</li> <li>— Intranet and external website</li> <li>— Annual corporate governance training</li> </ul>	<ul style="list-style-type: none"> <li>— A healthy and safe workplace</li> <li>— Workforce remuneration and benefits</li> <li>— Workforce composition, culture and commitment</li> <li>— Governance and policy</li> </ul>
<b>Investment community</b>	<ul style="list-style-type: none"> <li>— Retail and institutional investors</li> <li>— Stockbrokers</li> <li>— Financial media</li> </ul>	<ul style="list-style-type: none"> <li>— Periodic reporting and announcements</li> <li>— Investor events (e.g. AGM; investor roadshows)</li> <li>— Direct contact available on website for investor relations and media to access</li> </ul>	<ul style="list-style-type: none"> <li>— Financial and non-financial performance</li> <li>— New project development and reserve replacement</li> <li>— Transparency and disclosure</li> <li>— Value creation and distribution</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>— Joint venture (JV) partners</li> <li>— National oil companies</li> <li>— Service providers</li> </ul>	<ul style="list-style-type: none"> <li>— Joint committee approach for JVs</li> <li>— Project joint operating agreements</li> <li>— Co-operation with regular audits</li> </ul>	<ul style="list-style-type: none"> <li>— Project delivery</li> <li>— Risk management</li> <li>— Financial performance</li> </ul>
<b>Government, non-government organisations and industry groups</b>	<ul style="list-style-type: none"> <li>— Government organisations; industry regulatory bodies</li> <li>— Industry media</li> </ul>	<ul style="list-style-type: none"> <li>— Membership of business councils in China and Malaysia</li> <li>— Co-operation with regular audits</li> <li>— Face-to-face meetings</li> <li>— External website</li> <li>— Active engagement</li> </ul>	<ul style="list-style-type: none"> <li>— Adherence to government policy</li> <li>— Regulatory and social licences to operate</li> <li>— Corporate social responsibility</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>— Local councils</li> <li>— Community groups</li> <li>— Charities</li> <li>— Individuals</li> </ul>	<ul style="list-style-type: none"> <li>— Community engagement</li> <li>— Sponsorships and educational initiatives</li> <li>— Senior management visits to communities where we operate</li> <li>— External website</li> </ul>	<ul style="list-style-type: none"> <li>— Social impacts and community wellbeing</li> <li>— External stakeholder engagement</li> <li>— Environmental impacts</li> </ul>

# Environment

# 7



Management of environmental impacts and understanding the needs of stakeholders continues throughout the lifecycle of all ROC projects and operations.

As an international upstream oil and gas company, ROC's activities have the potential to impact the environment. We have systems and procedures in place to manage our activities responsibly. In line with best corporate practice, ROC reports openly on environmental performance. Reliable environmental management performance and a process of continuous improvement within our operations are essential for our business and operating reputation.

Environmental management is a key aspect of the ROC HSE Management System. We hold ourselves accountable against leading environmental practices and all ROC operations are required to comply fully with regional environmental regulations and the Equator Principles.

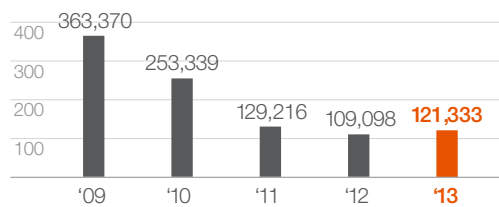
Environmental risk assessment tools such as the Environmental Hazard Identification process and Environmental Impact Assessments identify any significant environmental issues, and assess the potential impact on the environment within our operations. Environmental risks are managed according to accepted Environmental Management Plans, which document environmental objectives, controls and targets.

Stakeholder engagement forms part of ROC's commitment to the environment and to communities. ROC talks and listens to stakeholders to gain an in-depth understanding of any potential local impact of ROC operations. Management of environmental impacts and understanding the needs of stakeholders continue throughout the lifecycle of any ROC project and operation.

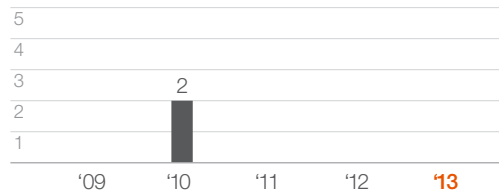
### Loss of containment

ROC had no oil spills during 2013. The number of hydrocarbon loss of containment events fell by 50% during 2013 compared with the number reported in 2012. The volume of hydrocarbon liquid released also reduced by 76% to 17 litres compared with the previous year, and the oil was recovered from secondary containment facilities.

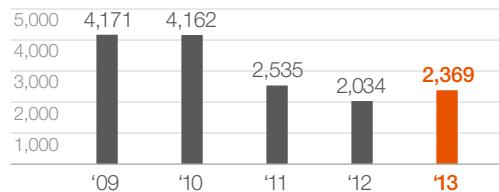
Total GHG emissions (tCO<sub>2</sub>-e)



Oil spills

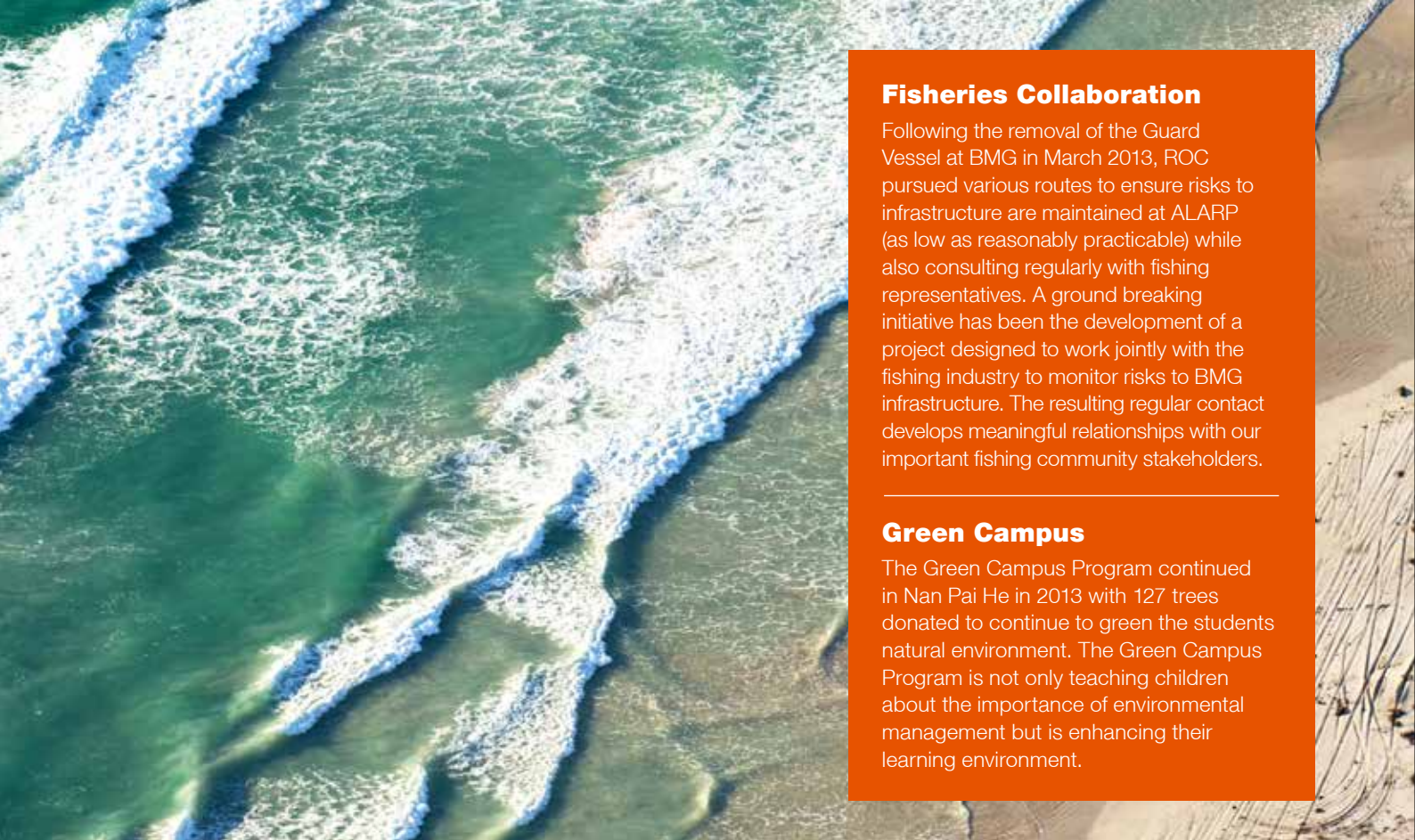


Total energy consumption (Tj)



Environmental Management Plans allow all operations to monitor the surrounding environment and support the implementation of preventative controls to reduce or eliminate environmental impact.

ROC's Asset Integrity Management process structures our activities to prevent loss of containment from our facilities. ROC manages the potential risk of oil spills from pipelines and facilities by performing regular equipment inspections and preventative maintenance activities designed to prevent loss of containment. During 2013, corporate audits included an HSE Management System Audit at Cliff Head, an HSE Regulatory Audit at BMG, and an external audit of ROC's Emergency Response systems was undertaken during November and December 2013.



## Fisheries Collaboration

Following the removal of the Guard Vessel at BMG in March 2013, ROC pursued various routes to ensure risks to infrastructure are maintained at ALARP (as low as reasonably practicable) while also consulting regularly with fishing representatives. A ground breaking initiative has been the development of a project designed to work jointly with the fishing industry to monitor risks to BMG infrastructure. The resulting regular contact develops meaningful relationships with our important fishing community stakeholders.

## Green Campus

The Green Campus Program continued in Nan Pai He in 2013 with 127 trees donated to continue to green the students natural environment. The Green Campus Program is not only teaching children about the importance of environmental management but is enhancing their learning environment.

## Emissions and flaring

ROC works to reduce the greenhouse emissions from its operations. In 2013, ROC continued to calculate and report total GHG emissions in accordance with the Australian Government's National Greenhouse and Energy Reporting (NGER) Act 2007. Flaring is the controlled burning of natural gas during routine oil and gas operations, and primarily acts as a means of relieving pressure during production. ROC actively seeks to reduce flaring where possible using technological innovation and since 2010 has reduced the percentage of flared gas by 82%. In 2013, the level of flared gas temporarily increased due to onshore equipment operating problems.

## Biodiversity

At the beginning of every project, ROC implements an Environmental Impact Assessment to assess the project's likely effect upon biodiversity. ROC manages the monitoring and protection of sensitive environmental ecosystems by implementing project-specific Environmental Management Plans.

## Water

Managing water is a key environmental consideration for ROC. Fresh water usage in ROC operations is minimal and limited to human consumption. During 2013, a new domestic sewage treatment unit was installed at Zhao Dong. Authorities inspected the new unit which supports processing of domestic sewage to meet relevant national standards by reducing the effluent COD (Chemical Oxygen Demand) to below 300mg/L.

## Waste

Where possible, ROC segregates waste materials based on their general physical and chemical characteristics to maximise recycling potential. Field personnel identify and monitor all waste generated within the facilities. They are trained in key elements of waste management, including information on the legislative background relating to waste disposal and waste disposal procedures. Effective waste management by ROC reduces the environmental impact across the business and reduces costs relating to waste disposal.

As part of our sustainability governance framework, ROC seeks to continuously improve the way in which it reports on environmental performance. This is inclusive of considering the coverage of reporting, reviewing data integrity and legislative requirements. As part of our review process in 2013, we identified an improvement opportunity at our Cliff Head asset to incorporate additional elements which now have been included in waste material recordings.

**50%**

In 2013, ROC achieved over 50% reduction in the number of hydrocarbon loss of primary containment events.

**82%**

Since 2010 ROC's total flared gas volumes have decreased by 82%.

ROC had no significant loss of containment incidents during 2013.



# People

# 8



The health, safety and wellbeing of employees, contractors and local communities are ROC's highest priorities, and we are committed to ensuring that safety is not compromised in the delivery of business objectives.

ROC is committed to providing a safe, open, supportive and productive environment for its entire staff. ROC encourages all members of staff to maximise their potential. ROC believes that its strong corporate culture is one of the keys to its success. Systems are in place to ensure ROC continues to focus on employee engagement, attraction and retention of key talent and fostering a high performance culture.

### Core values

The foundation of our sustainable organisation is set by our core values. ROC's core values were created in consultation with our employees, and are promoted across our operations. They underpin the way we conduct business and interact with our stakeholders, and are aligned with our Code of Conduct. We are a Company that;

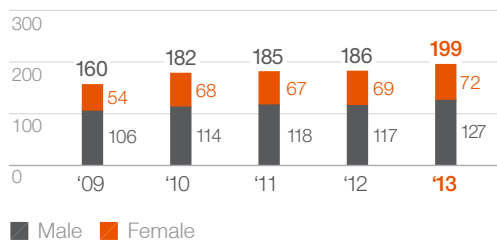
- Is open in our communications;
- Pursues excellence in all our activities; and
- Respects our teams, partners and stakeholders.

### Occupational health and safety and process safety

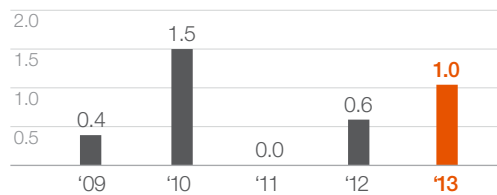
In 2013, the ROC HSE Management System was updated. The system is designed to ensure all business activities are conducted in a safe and environmentally responsible manner. ROC is committed to managing assets with a focus on process safety and the prevention of major accidents.

In 2013, ROC reinforced its focus on process safety and asset integrity. ROC-operated assets recorded their best-ever performance with fewer hydrocarbon loss of containment incidents (six releases for a total volume of 17 litres); no

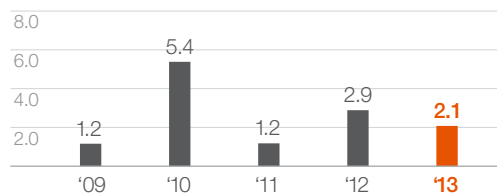
### Staff numbers



### Lost time injury frequency rate (LTIFR<sup>1</sup>)



### Total recordable injury frequency rate (LTIFR)



### Note

<sup>1</sup> Frequency rates are determined as the number of injuries per million hours worked.



### Grace Zhang

I joined ROC in November 2012 as a Senior Petroleum Engineer. I have over 10 years' experience working in petroleum fields. My role focuses on reservoir management, reservoir and production surveillance and optimisation. ROC gives everyone opportunities and encourages people to face challenges and resolve them.

### Low Siew Lin

I joined ROC as a Drilling Engineer in December 2007. From 2010 until May 2013, I was the Night Drilling Supervisor on the Zhao Dong project. I am now the Senior Drilling Engineer in the Beijing office. Throughout my career with ROC, I have enjoyed the day-to-day challenges. I find my role personally rewarding and I enjoy working with a great team who are professional, enthusiastic and performance driven. ROC has given me the opportunities and challenges that I am looking for. The management has always been encouraging and supportive and allowed me to grow and develop.



process-related fires; and only two non-process-related minor fires/ignition source events. This achievement was due to the excellent progress made on the development and implementation of Asset Integrity Management and Major Accident Prevention Systems. In China, ROC rolled out its 'Case for Safety' and at Cliff Head work on critical performance standards for safety critical equipment is close to completion.

### HSE vision and guiding principles

Our HSE Vision and Guiding Principles are integrated into all ROC operations and guide our commitment to the following goals:

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

### ROC's HSE Management System seeks to:

- Demonstrate managements commitment to safety, health and environmental stewardship.
- Ensure that all reasonable steps are taken to identify and reduce the hazards and risks arising from ROC activities to ALARP.
- Establish adequate control over activities with the aim of achieving safe, incident free and injury free working conditions.
- Maintain asset integrity and process safety to prevent major accidents and to maximise reliability and efficiency.
- Ensure HSE regulatory compliance.
- Promote high standards and a continuous improvement in HSE performance.



**Zhao Dong, China, has achieved seven years without a T1 or T2 API recordable loss of primary containment event. Major well and facilities integration work and process safety activities completed throughout 2013 included:**

- Bow-tie risk assessment and development of major hazard registers;
- Roll out of improved and simplified safety systems for defining the responsibilities and accountabilities for maintaining preventative barriers against major accident events;
- Development and roll out of a uniquely developed Zhao Dong ‘Case for Safety’ document;
- Corrosion management – above/underwater platform structure inspection, platform decks/tank-top painting and pipelines inspections;
- Remediation of exposed sections of subsea hydrocarbon transferring pipelines.

### **Ethical labour practices**

ROC’s approach to recruitment and selection ensures consistency and fully incorporates equal employment opportunity (EEO) principles. As an EEO employer, ROC follows recruitment practices designed to attract and retain highly skilled and motivated staff. ROC’s recruitment and selection are merit based, with selection determined by assessment of applicants’ skills, knowledge and behaviours in relation to the relevant position description criteria. ROC’s practices promote and support a diverse workforce, ensure candidates are treated ethically, fairly and respectfully, and provide employees with the opportunity for advancement.

### **Workforce diversity**

ROC recognises that employee and cultural diversity encourages a broad range of skills and ideas. ROC is committed to recruiting, training and promoting individuals based on competence and in attracting the best people in their fields, irrespective of race, religion, national origin, sex, age, physical disability, marital status or sexual orientation. ROC believes employee diversity encourages a broad range of skills and ideas and gives ROC a competitive advantage.

ROC actively recruits local personnel in its countries of operation and invests in mentoring and capacity-building initiatives. In China, 91% of staff are local while in Malaysia 75% (including joint ventures) of staff are locally employed.

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**ROC recognises that employee and cultural diversity encourages a broad range of skills and ideas.**

## Recruitment

ROC recognises there is increasing competition for skilled workers in the oil and gas industry worldwide. Employee attraction and retention are critical for the long-term success of the Company, enabling a productive workforce, retention of knowledge and effective succession planning. ROC is committed to attracting talented employees to support our business.

In 2013, a Manager's Guide to Recruitment was rolled out. This toolkit is a comprehensive step-by-step guide to the recruitment process, from identifying a vacancy to induction. A Behavioural Profile Assessment was introduced to further enhance the recruitment process. Identifying people whose behavioural profiles match the requirements of the position leads to improved communication and improved team cohesion, performance and effectiveness. ROC has implemented LinkedIn Recruiter as a source of attracting potential candidates.

## Safety governance

The Board has oversight of safety via the HSE Committee and the Audit and Risk Committee:

- The HSE Committee is a subcommittee of the Board, with overall responsibility for issues relating to HSE and community across all operational regions. The Committee meets at least twice a year to discuss the progress and status of ROC's sustainability activities, including compliance with all relevant HSE legislation; and
- The Audit and Risk Committee is responsible for monitoring management's progress in addressing ROC's business, financial and non-financial risks, which include the sustainability risks identified through the Enterprise Risk Management Framework.

## People, governance and human and indigenous rights

As a global operator, ROC offers an inclusive and diverse culture in which differences are recognised and valued. ROC is committed to conducting business ethically and responsibly in all locations in which it operates and recognises the human and indigenous rights of all people affected by ROC's business. ROC employs locally where possible and is committed to providing leadership regionally. ROC actively seeks to build and strengthen the managerial and operational skills of the local teams.

The Company has an established Diversity Policy and the ROC Code of Conduct addresses matters such as equal opportunity, discrimination, human rights and general respect.

The Code of Conduct encompasses ethical and responsible decision making; raising a concern and whistle blowing, conduct in the workplace including confidentiality; equal opportunity, privacy, harassment and health and safety; business conduct including compliance with laws; conflicts of interest; and financial integrity. Specific prohibitions are included in the Code of Conduct regarding the making of improper payments and bribery and corruption practices.

The Company has in place specific anti bribery and corruption and gifts and entertainment policies. These policies set standards and practices consistent with legislation and best practice guidelines applicable globally.

The Code of Conduct and all applicable conduct and corporate governance policies are incorporated into a ROC Personal and Business Conduct Handbook. The Handbook is published in English and Chinese and is distributed to all employees and contractors engaged by the Company.

The Handbook includes all relevant policies and provides a clear guide as to acceptable practices and expectations in relation to the conduct of Directors, employees and all who conduct business with ROC. The Handbook reinforces the Company's messaging regarding whistle blowing and how to raise a concern. A ROC Conduct Helpline is in place to facilitate the confidential raising of concerns.

Governance training sessions were held in ROC offices in Australia, China and Malaysia in 2013. These sessions included refresher training on the Handbook and the anti bribery and corruption and the gifts and entertainment policies. Training was also provided on the updated Share Trading and Continuous Disclosure policies and unacceptable workplace behaviours, such as bullying, discrimination, harassment and sexual harassment. Regular monitoring of compliance with the policies in the Handbook is undertaken and on an annual basis all employees are asked to confirm their understanding and compliance with the Handbook and its contents.

ROC is committed to conducting business ethically and responsibly in all locations in which it operates, and to recognising the rights of all people affected by ROC's business and operations.

# Economic

# 9



ROC plans to deliver on its base business, execute its growth strategy, be an employer which values its staff and delivers superior shareholder return in a sustainable and safe manner.

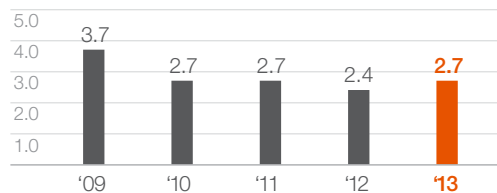
At ROC, we know our ability to grow our business sustainably is dependent upon operating in a socially and environmentally responsible manner. ROC is able to deliver significant economic benefits to the communities and regions in which we operate. With our local employment policies, supply contracts and investment in social and environmental programs.

ROC delivered very positive financial results in 2013, and is proud of its continued commitment to sustainable growth. In 2013, ROC achieved a third successive year of profit, with a net profit after tax of US\$45.2 million and a strong net cash position at the end of 2013 of US\$65.1 million. This provides a strong foundation to continue responsible growth.

ROC's commitment to our strategy has supported delivery of business growth through successful implementation of the projects in our portfolio. Our business development success will help ensure the next 12 months will be defined by new growth projects. The Beibu Gulf project was delivered on time, under budget and without incident. Appraisal projects work was completed on the Balai Cluster and seismic acquisition was completed on 09/05 Block.

Proved plus probable (2P) petroleum reserves have increased to 20.9 MMBOE as at 1 January 2014. The 2P reserves increase of 8.7 MMBOE (economic interest to ROC 50%) from 12.2 MMBOE at 31 December 2013, represents a 71% increase in 2P resources which is attributable to the farm-in to the D35/D21/J4 fields, located offshore Malaysia.

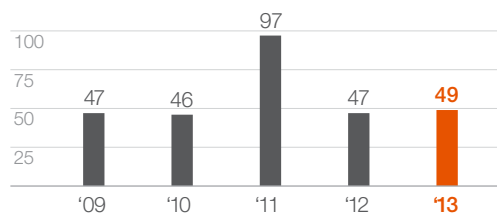
Total working interest production (MMBOE)



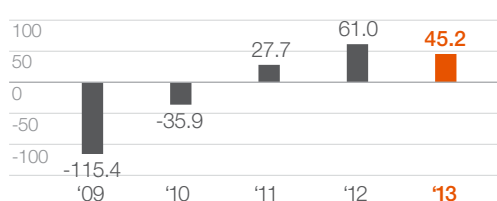
**\$45.2m**

In 2013, ROC achieved a third successive year of profit, with a profit after tax of US\$45.2 million.

Total income taxes royalties and levies (US\$m)



Net profit (loss)





ROC understands it needs to be continually innovative in its approach, embracing new technology, increasing productivity and lowering costs and engaging with our stakeholders.

D35/D21/J4 provides a portfolio of immediately bookable reserves and contingent plus prospective resources, which combined add significant scale to and extend the reserves and resources life of ROC. In addition the fields also provide access to 2C Contingent Resources of 39.8 MMBOE (economic interest to ROC 50%). This provides a reserves and resources (2P + 2C) life of approximately 28 years<sup>1</sup>. ROC is differentiated from its peers as an offshore operator with a South East Asian and Asian focus with proven capacity to operate throughout the lifecycle of a project, from exploration to production. ROC's consistent financial performance has enabled the expansion of our business through existing growth projects. The Company will continue to pursue growth opportunities within our focus regions of Australia, South East Asia and China. A central theme of ROC's Sustainable Practices Framework is the delivery of value to our shareholders and all other stakeholders. These results are underpinned by our systems and procedures that manage and mitigate risks in our business. ROC is committed to continue to produce positive outcomes for all our stakeholders and to work collaboratively and productively, with our partners and the communities in which we work.

In 2013, our workforce of 199 employees comprised 88% local employees, which is at the same level as that in 2012. In 2013, we invested over US\$75 million net to ROC in exploration and development expenditure mainly to the benefit of the local economies in which we work; and our income taxes, royalties and levies totalled US\$49 million creating a multiplied social benefit. ROC invested US\$133,965 in education sponsorship.

ROC aims to be innovative in its approach, embracing new technologies, increasing productivity and lowering costs and engaging with our stakeholders. ROC works constructively with communities, governments, partners, suppliers and our employees. ROC will continue to develop and grow as a business which creates value for all of our stakeholders in a sustainably responsible manner.

ROC plans to deliver on its base business, execute the growth strategy, be an employer which values its staff and delivers superior shareholder return in a sustainable and safe manner.

#### Notes

1. The reserve replacement ratio is the reserves (developed and undeveloped) change during the period, before the deduction of production, divided by production during the periods. This is assessed at 1 January 2014 after the sale of BMG and the farm-in to D35/D21/J4 production assets, farm-in was effective from 1 January 2014.
2. The 'reserves and resources' life is the 2P reserves (developed and undeveloped) plus the 2C resources divided by production during the year on an economic interest basis. This is assessed at 1 January 2014 after the sale of BMG and the farm-in to D35/D21/J4 production assets, farm-in was effective from 1 January 2014.

# Glossary

# 10

<b>2C resources</b>	Proved and probable contingent resources
<b>2P reserves</b>	Proved and probable reserves
<b>ALARP</b>	As low as reasonably practicable
<b>API</b>	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
<b>ASP</b>	Arrowsmith Stabilisation Plant
<b>ASX</b>	Australian Securities Exchange
<b>AUD/A\$ or cents</b>	Australian currency
<b>BBL(S)</b>	Barrel(s)
<b>BCF</b>	One billion cubic feet of natural gas
<b>BMG</b>	Basker-Manta-Gummy
<b>BOE</b>	Barrels of oil equivalent (6 MSCF = 1 BOE)
<b>BOEPD</b>	Barrels of oil equivalent per day
<b>BOPD</b>	Barrels of oil per day inclusive of natural gas liquids
<b>Clontarf</b>	The Clontarf Foundation
<b>COD</b>	Chemical oxygen demand
<b>EEO</b>	Equal employment opportunity
<b>EIA</b>	Environmental Impact Assessment
<b>EWT</b>	Extended well test
<b>FDP</b>	Field development plan
<b>GHG</b>	Greenhouse gas
<b>HSE</b>	Health, safety & environment
<b>IPIECA</b>	International Petroleum Industry Environmental Conservation Association
<b>kt</b>	Kilo tonnes
<b>LTI</b>	Lost time injury
<b>LTIFR</b>	Lost time injury frequency rate
<b>m<sup>3</sup></b>	Cubic meters
<b>mg/L</b>	Milligrams per litre
<b>MMBBL</b>	One million barrels
<b>MMBOE</b>	One million barrels of oil equivalent
<b>MMSCFD</b>	One million standard cubic feet of natural gas per day
<b>NGER</b>	National Greenhouse Gas and Energy Reporting
<b>NPAT</b>	Net profit after tax
<b>NPP</b>	Non-production phase
<b>OGP</b>	International Association of Oil & Gas Producers
<b>Reserves</b>	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied
<b>ROC or Company</b>	Roc Oil Company Limited and includes, where the context requires, its subsidiaries
<b>SPE</b>	Society of Petroleum Engineers
<b>t</b>	Tonnes
<b>T1</b>	Tier 1 as defined by the API Standard 754
<b>T2</b>	Tier 2 as defined by the API Standard 754
<b>tCO<sup>2</sup>-e</b>	Tonnes of CO <sup>2</sup> Equivalent
<b>tCO<sup>2</sup>-e/t</b>	Tonnes of CO <sup>2</sup> Equivalent per tonne of hydrocarbon produced
<b>Tj</b>	Terajoules
<b>TRIFR</b>	Total recordable injury frequency rate
<b>TRIR</b>	Total recordable injury rate
<b>USD/US\$ or cents</b>	United States currency
<b>YTD</b>	Year to date





