



**REPORT TO SHAREHOLDERS**  
**Activities for the Quarter Ended 31 March 2007**

**CEO COMMENTS**

The Quarter was characterised by major progress in terms of key Government approvals for substantial ROC-operated development projects in China; the arrival of the ROC-owned *Explorer* rig onshore Angola ahead of a 2Q 2007 drilling campaign; subdued production due to a variety of quite separate factors affecting different field operations and a reduction in total sales revenue and volume that was accentuated by overlift at the end of the previous Quarter and underlift during the current Quarter. In other words: situation normal for a company that is actively operating a variety of projects.

Perhaps, the most appropriate perspective to bring to bear on the Quarter is that it followed a Quarter that showcased the magnitude of the corporate transformation which ROC underwent during the latter part of 2006, and precedes a Quarter that is expected to see a new North Sea field come on stream and multi-well exploration drilling programmes undertaken offshore Western Australia and onshore Angola. In this sense, 1Q 2007 was a relatively quiet Quarter sandwiched between a landmark 4Q 2006 and a potentially very significant 2Q 2007.

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**KEY ACTIVITIES**

**1. REVENUE & PRODUCTION**

- Total working interest oil production of 782,544 BBLs (8,695 BOPD): down 8% compared to 847,087 BBLs (9,207 BOPD) in the previous Quarter.
- Total sales volume of 574,408 BBLs; down 45% compared to 1,048,282 BBLs in the previous Quarter, partly due to significant overlift during 4Q 2006 and underlift in 1Q 2007. Specifically, ROC sold 258,000 BBLs more than it produced in 4Q 2006, as advised in the last Quarterly Report and produced 174,000 BBLs more than it sold in 1Q 2007.
- Total sales revenue of \$38.9 million; down 41% compared to \$66.1 million in the previous Quarter for reasons referred to above. The average received price for the Quarter was \$67.71/BBL (US\$53.49/BBL) up 7% from the previous Quarter.

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

Gross oil production average of approximately 7,900 BOPD (ROC WI: 2,948 BOPD), down 9% on previous Quarter due to a planned shut-in during the period and intermittent mechanical and downstream constraints. At the end of the Quarter, the field was producing at a relatively steady rate, generally between 8,000 and 9,000 BOPD from five of the six designated oil producers.

On 5 February 2007, an important Health, Safety, Environment & Community ("HSE&C") milestone was reached with 12 months of production operations completed without a Lost Time Injury.

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

Gross oil production averaged about 21,000 BOPD (ROC WI: 5,143 BOPD) down 1% on the previous Quarter due to intermittent port congestion and inclement weather, partially offset by the lifting of the Government production constraint.

On 27 March 2007, a significant HSE&C milestone was reached when operations at Zhao Dong achieved one million man-hours without a Lost Time Injury.

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

Gross oil production averaged approximately 18,300 BOPD (ROC WI: 596 BOPD) down 22% on the previous Quarter. The Chinguetti-18 development well was brought on stream during the Quarter.

## **2. DEVELOPMENT**

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

The US\$373 million (ROC: US\$91 million) Incremental Development Plan ("IDP") for the C and D Oil Fields was approved during the Quarter. The 5-year IDP includes the drilling of approximately 100 wells for a cost of US\$331 million with 65 of the wells being drilled from the enhanced C and D facilities. The balance of the cost relates to new facilities including construction and installation of a second drilling platform and a second fluid processing and storage facility, both of which will be located adjacent to the existing Zhao Dong platforms.

As part of the approved IDP, the undeveloped Extended Reach Area ("ERA"), in the north-eastern part of the C Field, which contains a significant part of the possible reserves in the Block, will be targeted over the next 5 years by at least 35 wells, all to be drilled from the future C4 facilities.

In February 2007, the US\$150 million (ROC: US\$17.4 million) development programme for the C4 Oil Field was approved including the construction of new facilities and the drilling of 24 wells. The development contemplates drilling the wells from two conductor pods while a third, separate pod will also be installed to serve as a pipeline terminal which will be tied back to the existing Zhao Dong platforms via a 4.5 km pipeline.

C4 development drilling is planned to commence in mid-2008 and to continue to 2011. The current target for first oil from the C4 - ERA is late 2008.

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

The project remains on schedule for first production in 2Q 2007. Development expenditure of \$5.9 million (net ROC) in the Quarter related to host platform facilities construction work on the Brae A platform, umbilical installation work, rock dumping on pipeline crossings, subsea pipe spool work and pipeline and umbilical pressure testing. The total capital cost of the Enoch development is now expected to be approximately £100 million (ROC: £12 million).

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

On 27 March 2007, it was announced that first oil from Blane will be delayed to 3Q 2007 due to inclement weather periods and delays with topside construction on the third party host platform. These, and other factors, have contributed to a cost increase for the Blane development which is now likely to total approximately £250 million, (ROC: £31.5 million). Development expenditure of \$11 million (net ROC) in the Quarter was related to the host platform facilities construction work on the Ula platform, umbilical installation work and pipeline trenching work.

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

From 10 March to 2 April 2007, a high resolution 4-D seismic survey over the Chinguetti Oil Field was acquired, with the aim of assisting in planning the second phase in-fill drilling programme and optimising the reservoir development plan over its expected field life.

## **3. EXPLORATION AND APPRAISAL**

### **3.1 Perth Basin, Offshore Western Australia (ROC: 7.5% - 50% & Generally Operator)**

The *Premium Wilcraft* jack-up drilling rig was contracted for a three well exploration drilling programme which commenced in early April 2007. The programme includes Frankland-1 and

Dunsborough-1 in WA-286-P and Perseverance-1 in WA-325-P. See Section 6.1 Post-Quarter Events.

### 3.2 Block 22/12, Beibu Gulf, Offshore China (ROC: 40% & Operator)

An Appraisal Report and Final Reserves Assessment relating to the Wei 6-12 South and Wei 6-12 oil fields was completed during the Quarter. The most likely oil-in-place for the two fields is 56 MMBO. When combined with the two adjacent undrilled prospects, the most likely oil-in-place for the four features within the Wei 6-12S/6-12 Complex is 83 MMBO. The most likely recoverable oil estimate for the four features is 29 MMBO, of which 19 MMBO relates to the two known fields.

On this basis, the Joint Venture is moving towards a formal Front End Engineering and Design ("FEED") phase which is scheduled to begin in 2Q 2007 and a Final Investment Decision ("FID") which is targeted for 2H 2007.

In response to an invitation to tender, issued during Q1 2007, ROC received a number of bids relating to jack-up rigs that could be made available for a multi-well exploration drilling programme scheduled to commence in late 2007/very early 2008.

### 3.3 Angola (ROC: 60% & Operator)

Following completion of upgrade work on the ROC-owned *Explorer* rig in the UK, the rig arrived in Cabinda in mid-March 2007 where it awaits the completion of the construction of the first well site scheduled for May 2007.

The *Simmons 80* rig, which is being upgraded in Dubai, is expected to depart for Angola in late May 2007.

Ongoing interpretation of the 2005 and 2006 seismic surveys has confirmed more than 30 prospects and leads. In addition to the two prospects previously identified, Massambala and Soja (formerly Caju), three other prospects have been high graded as potential drilling candidates for 2007. Two of these latest additions to the prospect inventory represent pre-salt pays.

The exploration drilling programme is planned to commence in May 2007 with up to six exploration wells due to be drilled.

Based on the encouraging results achieved to date, ROC and its co-venturers have agreed to acquire a further 200 sq km of 3-D seismic during 2007 in the eastern part of the block.

### 3.4 Equatorial Guinea (ROC: 18.75% & Technical Manager)

Activity continued to focus on a number of rig contract options including contract negotiations for the *Aban Abraham* deep water drilling vessel, currently being upgraded in Singapore.

## 4. CORPORATE

In March 2007, the Chinese government changed the corporate tax rate from 33% to 25%, effective 1 January 2008. This will result in ROC's deferred tax liability being reduced by 24% and accordingly it is anticipated that a non-cash deferred tax benefit of approximately \$27 million will be recognised in the Income Statement for the current period.

The £250,000 sale of ROC's 100% interest in the onshore UK PEDL 005 (Remainder) licence, including the Keddington Oil Field, to Egdon Resources plc, was completed on 12 March, 2007.

Consistent with a Farm-in Agreement signed in 2003, Dana Petroleum (E&P) Limited's assignment of 3% interest in Block 8, offshore Mauritania, to ROC was concluded on 15 January 2007. This takes ROC's total equity in Block 8 from 2% to 5%.

Formal consent was received relating to the relinquishment of the WA-349-P permit in the Perth Basin, Australia, effective 5 January 2007. ROC withdrew from the WA-226-P permit in the Perth Basin, Australia, effective 5 March 2007.

On 26 March 2007, ROC advised that Mr Richard Burgess has given notice of his intention to retire as a Director of the Company effective from the Annual General Meeting to be held on 10 May

2007. Mr Burgess has agreed to become an Advisor to ROC and he will therefore retain a close association with the Company. On 26 March, the Company also announced the appointment of Mr Dennis Paterson, President, Roc Oil (China) Company, based in Beijing, as an Executive Director effective 23 March 2007.

## 5. FINANCIAL

At Quarter-end ROC had approximately \$64.1 million in cash and debt of \$170.8 million.

### 5.1 Production

	<b>1Q 2007 BBLs</b>	<b>4Q 2006 BBLs</b>	<b>Change %</b>
Australia – Cliff Head	265,358	300,030	(12)
China – Zhao Dong C & D Fields	462,914	476,514	(3)
Mauritania – Chinguetti	53,623	69,895	(23)
Other	649	648	-
<b>TOTAL PRODUCTION</b>	<b>782,544</b>	<b>847,087</b>	<b>(8)</b>

Production quoted is ROC's working interest share of total production. ROC's net entitlement production for the period was 747,938 (4Q 06: 790,344)

### 5.2 Sales

	<b>1Q 2007</b>		<b>4Q 2006</b>	
	<b>BBLs</b>	<b>\$'000</b>	<b>BBLs</b>	<b>\$'000</b>
Australia – Cliff Head	259,517	19,124	300,982	21,401
China – Zhao Dong C & D Fields	314,242	19,722	620,191	36,334
Mauritania – Chinguetti	-	-	126,483	8,366
Other	649	47	626	45
<b>TOTAL SALES</b>	<b>574,408</b>	<b>38,893</b>	<b>1,048,282</b>	<b>66,146</b>

ROC's net entitlement crude stock position increased by 173,530 BBLs during the period and at the end of the 1Q 2007 ROC was in a net underlift position of 73,930 BBLs compare to a 99,600 BBLs overlift in the previous Quarter.

### 5.3 Expenditure

	<b>1Q 2007 \$'000</b>	<b>4Q 2006 \$'000</b>
<b>Exploration</b>		
Angola	7,578	10,511
China	614	11
Mauritania	145	3,885
Australia	130	182
UK	105	58
Equatorial Guinea	102	55
Other	251	949
<b>Total Exploration</b>	<b>8,925</b>	<b>15,651</b>
<b>Development</b>		
Cliff Head	-	736
Zhao Dong C & D Fields	1,201	(531)
Blane	11,048	16,772
Enoch	5,883	5,841
Chinguetti	2,462	1,664
<b>Total Development</b>	<b>20,594</b>	<b>24,482</b>
<b>TOTAL EXPLORATION &amp; DEVELOPMENT</b>	<b>29,519</b>	<b>40,133</b>

### 5.4 Hedging

During the Quarter ROC executed an additional 1,400,000 BBLs of crude oil price swap contracts at a weighted average Brent oil price of US\$66.22/BBL for the period 1 January 2008 to 31 December 2011.

At Quarter end, ROC's oil price hedging for the period through to December 2011 was:

	BRENT OIL PRICE SWAPS		BRENT OIL PRICE PUTS	
	Volume	Weighted Average Brent Price USD/BBL	Volume	Weighted Average Brent Price USD/BBL
2007	1,156,980	67.17	285,000	51.79
2008	1,177,987	71.40	-	-
2009	851,998	70.01	-	-
2010	686,994	68.46	-	-
2011	455,997	66.31	-	-
	<b>4,329,956</b>	<b>68.99</b>	<b>285,000</b>	<b>51.79</b>

## 6. POST QUARTER EVENTS

- 6.1** On 23 April, ROC announced that, Frankland-1, the first well in a three well exploration drilling programme in the offshore Perth Basin, was a gas discovery. The well, drilled by the *Premium Wilcraft* jack-up rig, was plugged and abandoned according to the well plan on 25 April, 2007.
- 6.2** During April 2007, a workover programme commenced at Cliff Head Oil Field which will not significantly disrupt production.
- 6.3** Drilling activities at Zhao Dong commenced in April 2007.
- 6.4** During April a high-resolution 3-D seismic survey was acquired over the undeveloped Tiof Oil Field, in PSC Area B, offshore Mauritania.
- 6.5** On 26 April, ROC together with the Government of Madagascar and US-based private company Marex, Inc signed a Production Sharing Contract ("PSC") covering an exploration area of 13,770 sq km in the Mozambique Channel area offshore Madagascar. The PSC is subject to Presidential Decree. ROC will operate the PSC with an initial Working Interest of 75% which under certain circumstances may rise to 100% over time. The initial mandatory work programme commitment relates to 2-D and 3-D seismic acquisition.

## 7. FURTHER INFORMATION

For further information please contact ROC's Chief Executive Officer, Dr John Doran on:

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### DEFINITIONS

BBL(S)	means barrel(s)
BCF	means billion cubic feet
BOE	means barrels of oil equivalent
BOPD	means barrels of oil per day
BOEPD	means barrels of oil equivalent per day
BCPD	means barrels of condensate per day
GWC	means gas-water contact
MCF	means thousand cubic feet
m BRT	means metres below rotary table
mTVDSS	means metres true vertical depth below sea level
MMSCF	means million standard cubic feet
MMSCF/D	means million standard cubic feet per day
MMBO	means million barrels of oil
MMBOE	means million barrels of oil equivalent
OWC	means oil-water contact
PSC	means Production Sharing Contract
Quarter	means the period 1 January 2007 to 31 March 2007
ROC	means Roc Oil Company Limited and includes, where the context requires, its subsidiaries
SCF	means standard cubic feet
TCF	means trillion cubic feet
US\$	means US dollars
WI	Working Interest
\$	means Australian dollars
£	Means Pounds Sterling