



**REPORT TO SHAREHOLDERS**  
**Activities for the Quarter Ended 30 June 2006**

**CEO COMMENTS**

It was a big Quarter for ROC. The Company agreed to a US\$260 million acquisition of producing reserves, with upside, offshore China and commenced production from the ROC-operated Cliff Head Oil Field, offshore Western Australia.

During the Quarter, ROC production, which had been close to zero in February 2006, went from 1,700 BOPD to 4,300 BOPD and by Quarter-end was set to rise to more than 12,000 BOPD during 3Q 2006.

A potentially significant ROC-operated oil discovery offshore China and the start-up of development drilling at the Blane Oil Field in the North Sea, were other Quarter highlights. Lowlights included rising development costs a ubiquitous blight on the local and global industry; and the underperformance of the Chinguetti Oil Field, offshore Mauritania.

Perhaps, the main thing for shareholders to take from ROC's activities during the Quarter is that the Company's strategy is working well. Diversification of its development and production portfolio, a consistent exploration effort and a steadfast focus on international operations are about to catapult ROC into a different league.

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**HIGHLIGHTS**

**PRODUCTION & SALES**

- Total production of 250,107 BBLs (2,748 BOPD), up 249% on the previous Quarter.
- Total sales revenue of \$16.752 million, up 226% on the previous Quarter.
- Production from the Cliff Head Oil Field (ROC: 37.5% and Operator) commenced 1 May, less than 14 months after project sanction. Production from three of six scheduled production wells averaged 3,704 BOPD for the Quarter. At Quarter-end production was 8,500 BOPD from three wells.
- Production from the Chinguetti Oil Field (ROC: 3.25%) averaged approximately 41,600 BOPD for the Quarter which was at the low end of expectations following reservoir and facility problems. At Quarter-end production was about 34,000 BOPD.

**DEVELOPMENT**

- Cliff Head Development Project achieved a number of milestones including the completion of most of the development drilling activities and the commissioning work at the Arrowsmith Stabilisation Plant. Due to delays related to drilling and completion of wells, and increased construction and commissioning costs the overall budget increased by approximately 15% from the previously reported \$285 million to \$327 million (ROC net: \$123 million).

- Development drilling commenced at the Blane Oil Field in the North Sea (ROC: 12.5%) and was continuing at Quarter-end. First oil production is scheduled for 2Q 2007. Current development cost estimate is £206 million/\$515 million (ROC net: \$64 million) 25% above the previously stated budget of £165 million/\$413 million, largely due to general increase in industry costs and the impact of pipelay delay.
- Development activities at the Enoch Oil and Gas Field, in the North Sea (ROC: 12.0%) continued through the Quarter. First oil production is now expected to commence 1Q 2007 compared with the previously reported 4Q 2006. Current development cost estimate is £93 million/\$233 million (ROC net: \$28 million), up 24% on the previously stated budget of £75 million/\$188 million, primarily due to a general increase in industry costs and to an extended project execution timeframe, both resulting from the current high demand for offshore contracting resources.

## EXPLORATION/APPRaisal

- In Block 22/12, Beibu Gulf, offshore China, the Wei 6-12S-1 exploration well is regarded as a potentially significant discovery after drilling approximately 90 metres of net hydrocarbon pay, mainly oil. Testing of three separate zones resulted in a total collective stabilised flow rate of 5,750 BOPD. An appraisal sidetrack Wei 6-12S-1a commenced drilling on 13 June.

## CORPORATE

- On 26 June, ROC agreed to acquire a 24.5% operated interest in the Zhao Dong Block ("Block"), Bohai Bay, offshore China for US\$260 million. At Quarter-end, the Block, which has upside potential, was producing about 30,000 BOPD from two fields (ROC designated interest: 7,300 BOPD). Gross proved and probable remaining reserves for the field approximate to 61 MMBO (ROC designated interest: 15 MMBO).

## FINANCIAL

- At Quarter-end ROC had approximately \$45.3 million in cash and a \$35 million debt relating to a deposit for the Zhao Dong acquisition.
- During the Quarter, ROC acquired an additional 380,000 BBLs put options at a Brent oil price of US\$67/BBL and crude oil prices swaps for 1,200,000 BBLs at a weighted average Brent oil price of US\$71.43/BBL covering the one year period to 30 June 2007.

## POST QUARTER EVENTS

- Development drilling operations at Cliff Head were completed on 16 July with four of the six wells producing an average of 12,500 BOPD. In addition, the field achieved a significant milestone when cumulative oil production exceeded half a million barrels.
- Appraisal of the Wei 6-12S-1 continued with the first sidetrack well, Wei 6-12S-1a, reaching a Total Depth of 2,530 mBRT. Initial analysis indicated that the five cores cut display similar reservoir quality to the discovery well. A second sidetrack well, Wei 6-12S-1b, commenced drilling on 13 July. The well was designed to intersect all the reservoir intervals seen in the upper part of the original discovery well downdip from that well. On 31 July, the second sidetrack well had reached a revised Total Depth of 2,950 mBRT and logging was underway. Preliminary appraisal results appear to range from as expected to somewhat encouraging.
- Moodah-1 exploration well in TP/15, Perth Basin, offshore Western Australia reached a Total depth of 1,450 mBRT without encountering significant hydrocarbons.
- ROC entered into further Brent crude oil price swaps for 1,017,000 BBLs for the period 1 July 2007 to 30 June 2008 at a weighted average price US\$73.62/BBL. As a result of this and previously announced hedging programmes for the period July 2006 to 30 June 2008, ROC has hedged via swaps approximately 32% of its forecast company-wide 2P production for that period including Zhao Dong.
- Government authorities in China extended the term of the Production Sharing Contract for Block 22/12, Beibu Gulf, offshore China for a further two years.

**1. PRODUCTION**

OIL (BBL)	June '06 Quarter	March '06 Quarter	Change %
Mauritania – Chinguetti	123,055	69,319	78
Australia – Cliff Head	126,409	-	N/A
Other	643	2,301	(72)
<b>TOTAL PRODUCTION</b>	<b>250,107</b>	<b>71,649</b>	<b>249</b>

\* Production quoted is ROC's working interest share of total production.

**2. SALES****2.1 Volume**

OIL (BBL)	June '06 Quarter	March '06 Quarter	Change %
Mauritania – Chinguetti	62,093	62,295	-
Australia – Cliff Head	126,409	-	N/A
Other	1,052	2,366	(56)
<b>TOTAL SALES VOLUME</b>	<b>189,554</b>	<b>64,661</b>	<b>193</b>

**2.2 Revenue**

(Unaudited)	June '06 Quarter \$'000	March '06 Quarter \$'000	Change %
Mauritania – Chinguetti	5,261	4,952	6
Australia – Cliff Head	11,397	-	N/A
Other	94	185	(49)
<b>TOTAL SALES REVENUE</b>	<b>16,752</b>	<b>5,137</b>	<b>226</b>

**3. EXPENDITURE**

	June '06 Quarter \$'000	March '06 Quarter \$'000
<b>Exploration</b>		
Australia	4,201	3,863
UK	4,284	1,468
Mauritania	485	1,353
Angola	7,056	2,413
Equatorial Guinea	124	10
China	9,543	102
Other	763	140
<b>Total Exploration</b>	<b>26,456</b>	<b>9,349</b>
<b>Development</b>		
Australia – Cliff Head	17,173	27,922
Mauritania – Chinguetti	(312)	2,433
UK/Norway – Blane	12,689	1,959
UK/Norway – Enoch	1,939	2,352
<b>Total Development</b>	<b>31,489</b>	<b>34,666</b>
<b>TOTAL EXPLORATION &amp; DEVELOPMENT</b>	<b>57,945</b>	<b>44,015</b>

**4. DRILLING**

Cliff Head development drilling continued. Blane development drilling commenced. Exploration and appraisal drilling activity for the Quarter is summarised below:

Category	Well % Interest	Location	Operator	Comment
Exploration	Wei 6-12S-1 (40%)	Block 22/12 Beibu Gulf Offshore China	ROC	The well was drilled to a Total Depth of 2,650 mBRT encountering potentially significant hydrocarbons. Testing of three hydrocarbon zones resulted in a total collective stabilised rate of 5,750 BOPD.

Category	Well % Interest	Location	Operator	Comment
Appraisal	Wei 6-12S-1a (40%)	Block 22/12 Beibu Gulf Offshore China	ROC	Commenced 13 June. <i>Please refer to Section 10: Post Quarter Events</i>
Exploration	Jacala -1 (20%)	WA-351-P Canarvon Basin Offshore Western Australia	BHP Billiton Petroleum Pty Ltd	The well was plugged and abandoned at a Total Depth of 2,217 mBRT, without encountering hydrocarbons.
Exploration	Willows-1 (100%)	PEDL030 Onshore UK	ROC	The well was plugged and abandoned at a Total Depth of 2,405 mBRT without encountering significant hydrocarbons.

## 5. SEISMIC

Line clearing commenced in preparation for a 254 sq km 3D and 220km 2D seismic programme in the Cabinda South Block, onshore Angola. *Please refer to Section 10: Post Quarter Events*

## 6. PRODUCTION

### 6.1 AUSTRALIA

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

Cliff Head production commenced 1 May, less than 14 months after project sanction. Production from three of six scheduled production wells averaged 3,074 BOPD for the Quarter. At Quarter-end production was 8,500 BOPD from three wells. *Please refer to Section 10: Post Quarter Events*

### 6.2 WEST AFRICA

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

Chinguetti Oil Field production averaged approximately 41,600 BOPD for the Quarter which was at the low end of expectations due to reservoir and facility problems. Natural decline in production is expected to continue through the balance of 2006 unless well intervention takes place. Given the underperformance of the Chinguetti Oil Field to date, reserves are currently being reviewed and are expected to be reduced. At Quarter-end production was about 34,000 BOPD.

## 7. DEVELOPMENT

### 7.1 AUSTRALIA

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

The Cliff Head Development Project continued to achieve a number of milestones with the completion of most of the development drilling activities including completion of four of the six production wells. The Arrowsmith Stabilisation Plant started up and was operating very satisfactorily at Quarter-end.

Due to delays related to the drilling and completion of wells and increased construction and commissioning costs, the Cliff Head budget increased by approximately 15% from the previously reported \$285 million to \$327 million (ROC net: \$123 million).

### 7.2 NORTH SEA

#### Blane Oil Field (ROC: 12.5%)

Development drilling commenced 13 May and was ongoing at Quarter-end. Development activities continued on schedule for first oil production 2Q 2007. Current development cost estimate is £206 million/\$515 million (ROC net: \$64 million), 25% above the previously stated budget of £165 million/\$413 million, largely due to general increase in industry costs and the impact of pipelay delay.

#### Enoch Oil and Gas Field (ROC: 12.0%)

Development activities continued through the Quarter. First oil production is now expected to commence 1Q 2007 compared with the previously reported 4Q 2006. Current development cost estimate is £93 million/\$233 million (ROC net: \$28 million), 24% above the previously stated budget of £75 million/\$188 million, primarily due to a general increase in industry costs

and to an extended project execution timeframe, reflecting the current high demand on offshore contracting resources.

### 7.3 CHINA

#### **Wei 12-8 West Oil Field, Beibu Gulf, Block 22/12 (ROC: 40% & Operator)**

There is no further progress to report since the last Quarter.

## 8. EXPLORATION AND APPRAISAL

### 8.1 AUSTRALIA

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

Planning continued for up to three wells scheduled to be drilled in 3Q 2006 in the offshore Perth Basin. *Please refer to Section 10: Post Quarter Events*

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

On 23 April, the rank exploration wildcat well, Jacala-1, was plugged and abandoned at a Total Depth of 2,217 mBRT without encountering hydrocarbons.

### 8.2 CHINA

#### **Wei 6-12-South Oil Field, Beibu Gulf, Block 22/12 (ROC: 40% & Operator)**

The Wei 6-12S-1, exploration well commenced drilling 25 April and reached a Total Depth of 2,650 mBRT. The well is regarded as a potentially significant oil discovery after encountering 90 metres of net hydrocarbon pay, mainly oil, in generally good to excellent reservoirs. Three intervals were tested resulting in a total collective stabilised oil flow rate of 5,750 BOPD.

On 13 June, appraisal of the discovery commenced with the drilling of the first of two sidetrack wells, Wei 6-12S-1a. *Please refer to Section 10: Post Quarter Events*

### 8.3 WEST AFRICA

#### **Mauritania (ROC: 2.0 – 5.0%)**

Preparations continued for the 2H 2006 exploration programme with the Atwood Hunter drilling rig scheduled to commence drilling in 3Q 2006. *Please refer to Section 10: Post Quarter Events*

In addition, the Operator delivered preliminary development concept studies relating to the Tiof Oil Field which are currently being assessed.

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

The drilling of the Aleta Prospect continues to be subject to securing a suitable rig contract. Discussions with rig contractors suggest that the well may be drilled in 3Q 2007.

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

During the Quarter, seismic work commenced in the Cabinda South Block with the mobilisation of contract seismic crews and equipment and line clearing ahead of seismic acquisition.

At Quarter-end ROC's discussions with a number of rig contractors were continuing with regard to a multi-well exploration drilling programme in the Cabinda South Block. The stretch target for the commencement of drilling is late 2006, subject to rig availability and timing.

### 8.4 ONSHORE UK

#### **PEDL030 (ROC: 100% & Operator)**

The Willows-1 exploration well encountered minor gas shows before reaching a Total Depth of 2,405 mBRT before being plugged and abandoned.

## 9. CORPORATE

### 9.1 Purchase of 24.5% interest in the Zhao Dong Block, Bohai Bay, offshore China

On 26 June, ROC agreed to acquire a 24.5% operated interest in the Zhao Dong Block ("Block"), Bohai Bay, offshore China, for a cash consideration of US\$260 million/A\$354 million. The acquisition is via the purchase of 100% of shares of Apache China Corporation LDC and is expected to be completed in August 2006. As at Quarter-end, the Block, which has upside potential, was producing from two fields at about 30,000 BOPD (ROC designated interest: 7,300 BOPD). Gross proved and probable remaining reserves for the Block are estimated to be approximately 61 MMBO (ROC designated interest: 15 MMBO).

ROC will finance the purchase via a 12 month loan facility provided by the Commonwealth Bank of Australia.

## 9.2 Signing of Revised Mauritanian Production Sharing Contracts

In June 2006, the relevant joint venturers signed revised Production Sharing Contracts for offshore zones A, B, C2 and C6. As a consequence of these revisions the PSC Area B co-venturers collectively paid US\$100 million production bonus to the Mauritanian Government.

## 9.3 Hedging

ROC implemented further oil price hedging to take advantage of historically high oil prices while still maintaining shareholder exposure to further upside price movement by leaving the majority of the Company's anticipated production unhedged. Specifically, as at 31 July 2006, ROC had hedged for the two years through to 30 June 2008, a total of 3.815 MMBO

Period	BBLs	Average Brent Price USD/BBI
<b>Oil Price Puts</b>		
July 2006 -December 2006	400,000	61.90
January 2007 - June 2007	295,000	55.76
July 2007 - December 2007	165,000	50.00
<b>Total Puts</b>	<b>860,000</b>	<b>57.51</b>
<b>Oil Price Swaps</b>		
July 2006 -December 2006	903,000	63.74
January 2007 - June 2007	843,000	65.52
July 2007 - December 2007	746,000	67.85
January 2008 - June 2008	463,000	72.95
<b>Total Swaps</b>	<b>2,955,000</b>	<b>66.73</b>

**Please note** that if strong oil prices continue at levels above the put option prices those options will be allowed to lapse and the equivalent oil will be sold at the then prevailing spot price which will, by definition, be higher than the option prices quoted above. In this context, the US\$63.74 to US\$72.95/bbl swaps represent the only hedging instrument to which ROC is irrevocably committed. Collectively these swaps represent 32% of the Company's total forecast 2P production – including Zhao Dong – for the two year period to June 2008, the 68% balance remains exposed to upside oil price movements.

## 10. POST QUARTER EVENTS

- Cliff Head development drilling operations were completed on 16 July with four of the six wells were collectively producing 12,500 BOPD. Hookup and commissioning of the remaining two designated oil producers is expected to be completed during August 2006. In addition, on 16 July, the field achieved a significant milestone when cumulative oil production exceeded half a million barrels.
- Appraisal of the Wei 6-12S-1 oil discovery continued with the first sidetrack well, Wei 6-12S-1a, reaching a Total Depth of 2,530 mBRT. Initial analysis indicated that the five core samples cut, with effectively 100% recovered, were similar to the reservoir quality found in the discovery well. A second side-track well, Wei 6-12S-1b, commenced drilling on 13 July. This well was designed to intersect a number of the reservoir intervals seen in the upper part of the reservoir section in the original discovery well downdip from that well. On 31 July, the second sidetrack well had reached a revised Total Depth of 2,950 mBRT and logging was underway. Preliminary appraisal results appear to range from as expected to somewhat encouraging.
- The 2006 Mauritanian Offshore Drilling Programme commenced 21 July with the *Atwood Hunter* drilling rig commencing drilling at the Woodside-operated Colin-1 exploration well in PSC Area A.
- On 24 July, Moondah-1 in TP/15 commenced drilling. This is the first well in a two or three well offshore Perth Basin exploration drilling programme. As of 31 July Moondah-1 was being plugged and abandoned after drilling to a Total Depth of 1,450 mBRT without encountering

significant oil shows. The next exploration well to be drilled is Frankland-1 in WA-286-P, which is expected to be drilled during August 2006. A third well, Perserverance-1 in WA-325-P, is expected to be drilled if rig timing permits.

- Seismic recording of the 254 sq km 3D programme in the Cabinda South Block, onshore Angola, commenced on 2 July and at month end approximately 27% of the planned survey has been completed.
- Government authorities in China extended the term of the Production Sharing Contract for Block 22/12, Beibu Gulf, offshore China for a further two years.

## FURTHER INFORMATION

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### DEFINITIONS

BBLs	means barrels
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
GMT	means Greenwich Mean Time
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
NGL	means natural gas liquids
ORR	Means overriding royalty
OWC	means oil-water contact
PEDL	means Petroleum Exploration Development Licence (Onshore United Kingdom)
PSC	means Production Sharing Contract
Quarter	means the period 1 April 2006 to 30 June 2006
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
\$	means Australian dollars
WST	means Western Standard Time