



REPORT TO SHAREHOLDERS
Activities for the Quarter Ended 31 December 2006

CEO COMMENTS

ROC's quarterly sales volume hit the one million barrel mark for the first time. This represents reasonable progress compared to 4Q 2005 when the sales volume was about 3,000 barrels. Other quarterly records include \$66 million sales revenue and 0.85 MMBO production. Gross oil production from the ROC-operated Cliff Head Oil Field, offshore Western Australia, hit the two million barrel mark, just eight months after production start-up.

In the above context, ROC's upside share price potential during 2007 could be viewed as being tied to oil price movements. To ensure that the share price is not simply a captive of the oil price, the Company's 2007 drilling and new venture programmes have been designed on a scale that would allow the share price to disconnect from oil price trends in the event of successful exploration/appraisal drilling and/or new asset acquisition. If the Company achieves a measure of success on these fronts then, regardless of whether oil prices stabilise, weaken or strengthen, the share price would have the potential to jump ahead of the oil price trend line.

This sequential growth strategy means that the big growth year which has just gone will be followed immediately by another with equal growth potential.

KEY ACTIVITIES

1. REVENUE & PRODUCTION

- Total working interest oil production of 847,087 BBLS (9,207 BOPD); up 3% compared to 825,039 BBLS (8,968 BOPD) in the previous Quarter
- Total sales revenue of \$66.1 million; up 4% compared to \$63.4 million in the previous Quarter.
- Total sales volume of 1,048,282 BBLS; up 33% compared to 788,749 BBLS in the previous Quarter.

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

Gross oil production rates of approximately 8,700 BOPD (ROC WI: 3,261 BOPD) for the Quarter with a high of 15,500 BOPD. Intermittent production constraints related to separate issues including: trucking capacity; electrical malfunction at the offshore platform; and minor mechanical downtime at the onshore plant. On 31 December, the field produced its two millionth barrel of oil, eight months after production start-up

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

Following the imposition of a 22,000 BOPD production constraint announced in October 2006, gross oil production was approximately 21,100 BOPD (ROC WI: 5,180 BOPD) with minor downtime experienced due to winter weather conditions. *See Section 6: Post Quarter Events*

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

Gross oil production averaged approximately 23,400 BOPD (ROC WI: 760 BOPD). On 1 November, ROC announced a downgrade of initial gross 2P reserves to 52.4 MMB0. On 16 November, the Operator, Woodside, issued an interim gross 2P reserve estimate of 53.0 MMB0. The CH-18 production infill well commenced drilling on 29 December. *See Section 6: Post Quarter Events*

2. DEVELOPMENT

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

Development drilling and completion of the second production well was accomplished on 13 October. Pipe-lay work for the flow line to the Ula platform commenced in early October and was completed by November. The Operator advises that first oil production is still expected during 2Q 2007. For internal planning purposes ROC is assuming first oil late in that period.

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

Production testing of the single development well was completed 21 October with the well recording several flow rates on various choke sizes generally in line with expectations. Pipeline post-lay work was also completed during the Quarter. The Operator advises that first oil production is now expected during 2Q 2007. For internal planning purposes ROC is assuming first oil early in that period.

2.3 Zhao Dong C4 Oil Field, Bohai Bay, Offshore China (ROC: 11.58% unitised & Operator)

On 31 December, PetroChina advised ROC that it had been notified by the National Development and Reform Commission of the Chinese Government's approval to proceed with the C4 Development Plan. The next step is the approval of the Development Budget by the Joint Management Committee.

3. EXPLORATION AND APPRAISAL

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

Activity focused on contracting a suitable rig for 1H 2007 to drill the Frankland-1 and Perseverance-1 exploration wells in WA-286-P and WA-325-P respectively.

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

Appraisal studies of the Wei 6-12 South and Wei 6-12 oil fields continued during the Quarter. *See Section 6: Post Quarter Events*

3.3 Mauritania (ROC: 2.0 – 5.0%)

On 8 December the Dana-operated Aigrette-1 exploration well in Block 7 (ROC: 4.95%) was drilled to a Total Depth of 5,152 metres and plugged and abandoned after encountering

hydrocarbon-bearing sandstones within the Cretaceous target zone. Whilst the result is technically encouraging, the discovery is likely to be sub-commercial. The well completed the 2006 Mauritanian exploration drilling programme.

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

Activity focused on finalising contract negotiations for the *Aban Abraham* deep water drilling vessel, currently being upgraded in Singapore, with a view to drilling the Aleta Prospect in 2H 2007.

3.5 Angola (ROC: 60% & Operator)

A two-year drilling rig contract was signed with Simmons Drilling Overseas Limited for the *Simmons 80* rig to commence drilling in the onshore Cabinda South Block by May 2007. The rig is currently being upgraded in Dubai.

Upgrade work commenced in the UK on the ROC-owned *Explorer* rig with a view to shipping it to Cabinda during 1Q 2007 for start-up of drilling during April/May 2007.

On 11 December, the Cabinda South Joint Venture formally approved the 2007 Work Programme and Budget which includes three firm exploration wells. The total budget approximates to US\$54 million of which approximately US\$43 million relates to drilling activity.

The 217 km 2D seismic programme was completed in the Cabinda South Block, onshore Angola, marking the end of an 18-month seismic acquisition phase which acquired a total of 416 sq km of 3D and 722 km of 2D seismic. This work effort represents in excess of 75,000 man-days on ground in Cabinda.

4. CORPORATE

On 2 November, ROC announced a fully underwritten 3 for 8 Renounceable Rights Issue, at \$2.70 per share, which raised approximately \$219 million. The purpose of the Rights Issue was to reduce debt incurred in relation to the acquisition of the Zhao Dong asset and to provide greater financial flexibility for the Company as it continues to build shareholder value. Approximately 91% of eligible shareholders subscribed to the issue.

The final number of shares allotted on 8 December under the terms of the Rights Issue was 81,226,213, taking ROC's total issued capital to 297,822,206 fully paid ordinary shares.

As at 31 December, ROC had approximately 18,450 shareholders, up 44% compared to 1 July 2006

5. FINANCIAL

Approximately \$200 million of the funds raised in the Rights Issue was used to reduce corporate debt so that, at Quarter-end ROC had approximately \$60.6 million in cash and \$173.7 million of debt.

5.1 Production

	4Q 2006 BBLS	3Q 2006 BBLS	Change %
Australia – Cliff Head	300,030	321,721	(7)
China – Zhao Dong C & D Fields	476,514	410,225	16
Mauritania – Chinguetti	69,895	92,687	(25)
Other	648	406	60%
TOTAL PRODUCTION	847,087	825,039	3%

Production quoted is ROC's working interest share of total production. ROC's net entitlement production for the period was 790,344 BBLs (3Q: 775,064 bbls)

5.2 Sales

	4Q 2006		3Q 2006	
	BBLs	\$'000	BBLs	\$'000
Australia – Cliff Head	300,982	21,401	320,604	28,789
China – Zhao Dong C & D Fields	620,191	36,334	405,036	29,334
Mauritania – Chinguetti	126,483	8,366	62,740	5,268
Other	626	45	369	34
TOTAL SALES	1,048,282	66,146	788,749	63,425

ROC's net entitlement crude stock position decreased by 258,000 BBLs during the period and at the end of 4Q 2006 ROC was in a net overlift position of 102,000 BBLs.

5.3 Expenditure

	4Q 2006 \$'000	3Q 2006 \$'000
Exploration		
Angola	10,511	14,882
China	11	4,306
Mauritania	3,885	4,643
Australia	182	1,863
UK	58	694
Equatorial Guinea	55	51
Other	949	558
Total Exploration	15,651	26,997
Development		
Cliff Head	736	9,926
Zhao Dong	(531)	4,155
Blane	16,772	13,723
Enoch	5,841	5,239
Chinguetti	1,664	545
Total Development	24,482	33,588
TOTAL EXPLORATION & DEVELOPMENT	40,133	60,585

5.4 Hedging

No additional oil price hedging was undertaken in the current Quarter. The following hedges were settled during the period for which ROC received revenue of \$3 million.

	BBLs	Weighted Average Brent Price USD/BBL	BBLs	Weighted Average Brent Price USD/BBL	TOTAL BBLs
Oil Price Swaps	141,000	49.58	300,000	72.47	441,000
Oil Price Puts	60,000	50.00	140,000	67.00	200,000

6. POST QUARTER EVENTS

6.1 On 9 January, ROC was advised that oil production at the Zhao Dong C & D oil fields, Bohai Bay, offshore China could be increased subject to an overall fluid rate constraint. As a result daily production has risen from the curtailed level of 22,000 BOPD to approximately 24,000 BOPD, subject to normal winter weather constraints.

6.2 As of 14 January, the CH-18 production well at the Chinguetti Oil Field, offshore Mauritania, had been drilled to a Total Depth of approximately 2,883 metres after

encountering a gross oil pay interval of approximately 213 metres and a net oil pay of 35 metres which is in line with pre-drill expectations. The well is scheduled for completion in mid-February.

- 6.3** On 30 January, ROC announced that it had completed an Appraisal Report relating to the Wei 6-12 South and Wei 6-12 oil fields in Block 22/12 in the Beibu Gulf, offshore China (ROC 40%¹ & Operator). The most likely oil in-place for the two fields is 56 MMBO. When the results of the Report, which focused only on the two known fields, are combined with the current understanding of the two adjacent, undrilled prospects, the most likely oil in-place for the four features in the Wei South Complex is approximately 83 MMBOIP. The upside oil in-place for these four features is 108 MMBOIP.

The most likely recoverable oil estimate for the four features is 29 MMBO, of which 19 MMBO relates to the two known fields. The upside potential of the four features is 37 MMBO of which 27 MMBO relates to the two known fields. On this basis, the Joint Venture is moving towards Front End Engineering and Design ("FEED") which is scheduled to begin in 2Q 2007 and a Final Investment Decision which is expected in 2H 2007.

- 6.4** Formal consent was received relating to the relinquishment of the WA-349-P permit in the Perth Basin, effective 5 January 2007.

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
MMSCF	means million standard cubic feet
MMSCF/D	means million standard cubic feet per day
MMBO	means million barrels of oil
MMBBLs	means million barrels
MMBOE	means million barrels of oil equivalent
MMBOIP	means million barrels of oil in place
NGL	means natural gas liquids
OWC	means oil-water contact
PSC	means Production Sharing Contract
Quarter	means the period 1 October 2006 to 31 December 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
WI	means working interest entitlement

¹ Pre Government back-in for 51%