# Annexure A

Directors' Report and Financial Report for the Financial Half Year Ended 30 June 2014

# Directors' Report and Financial Report for the Financial Half Year Ended 30 June 2014

ABN 32 075 965 856

# DIRECTORS' REPORT

The Directors of Roc Oil Company Limited ("ROC" or the "Company") have pleasure in submitting the Financial Report and Directors' Report for the financial half year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

## Directors

The names of the Directors of the Company during or since the end of the financial half year are:

Mr Michael Harding (Non-Executive Director, Chairman)

Mr Alan Linn (Executive Director)

Mr Robert Leon (Non-Executive Director)

Mr Graham Mulligan (Non-Executive Director)

Mr Christopher Hodge (Non-Executive Director)

Mr Nigel Hartley (Non-Executive Director)

The above Directors were in office for the entire Period unless otherwise stated.

## Corporate Information

ROC is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

## Review and Results of Operations

The consolidated entity's principal activities during the financial Period were oil and gas exploration, development and production. There were no significant changes in the nature of those activities during the financial Period.

A review of the consolidated entity's operations during the financial Period and the results of those operations are included in the Half Year Financial Report on pages 2 to 6.

## 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 the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

## Auditor

The Auditor's Independence Declaration is included on page 6 and forms part of this report.

This Directors' Report is made in accordance with a resolution of the Board of Directors on 28 August 2014 pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

R.M Harding

**Mr R M Harding**
*Chairman*

Sydney, 19 August 2014

# DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

This discussion and analysis is provided to assist readers in understanding the Financial Statements for the financial half year ended 30 June 2014.

## FINANCIAL PERFORMANCE

### Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014, the Group reported a net profit after income tax of US$53.8 million (1H13: US$20.5 million) from a gross profit of US$56.3 million (1H13: US$49.0 million). Included in the current period result was an after tax profit on the sale of ROC's interest in BMG for US$32.6 million.

***Sales and Production Growth***

The Group's working interest production of 1.72 MMBOE (9,487 BOEPD), was an increase of 46% compared with 1H13 of 1.17 MMBOE (6,478 BOEPD) primarily driven by the farm-in to the D35/D21/J4 PSC (D35 Project) and a full period of Beibu Gulf production. From the total working interest production, 0.3 MMBOE (14.8%) was delivered to host governments in relation to the respective governments' share of profit oil under the Groups Production Sharing Contracts.

Oil and gas sales revenue was US$143.4 million (1H13: US$114.1 million) generated from sales volumes of 1.4 MMBOE (1H13: 1.1 MMBOE), which achieved an average realised oil price of US$105.75/BBL (1H13: US$104.21/BBL), a discount of 3% to the average Brent oil price for the Period of US$108.93/BBL.

Operating costs were US$87.1 million (1H13: US$65.1 million) and included production costs of US$25.8 million (US$15.04/BOE), amortisation of US$39.7 million (US$23.11/BOE) and Special levy and royalty costs of US$25.3 million.

***Exploration Expenditure***

Exploration expenditure of US$2.2 million (1H13: US$4.7 million) was incurred during the Period mainly relating to new venture costs and studies. In accordance with ROC's Successful Efforts accounting policy US$2.1 million (1H13: US$4.6 million) in exploration costs were expensed during the Period.

***Income Tax***

An income tax expense of US$19.1 million (1H13: US$14.2 million) was incurred during the Period, which included a current income tax expense of US$16.4 million, a prior year under provision of US$2.3 million, PRRT expense of US$4.5 million offset by a favourable movement in deferred income tax of US$4.1 million.

***Financial Ratios***

The basic earnings per share for the Period was US 7.8 cents based upon a weighted average number of fully paid ordinary shares on issue of 687,010,999 million shares.

### Consolidated Statement of Financial Position

At 30 June 2014, ROC's net cash position was US$67.2 million (2013: US$65.1 million) and the total undrawn debt facility limit available was US$60.0 million.

Oil and gas assets decreased by US$17.6 million to US$209.6 million (2013: US$227.2 million) during the Period mainly as a result of amortisation of US$39.7 which was partly offset by US$5.6 million of development expenditure; D35 project acquisition of US$8.9 million and an increase in the restoration costs of US$7.6 million.

### Consolidated Statement of Cash Flows

Net cash generated during the Period from operating activities was US$32.1 million (1H13: US$42.1 million) and was mainly used to fund development of US$21.7 million and the ongoing investment in BC Petroleum Sdn Bhd (BCP) of US$8.5 million.

# DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS
CONTINUED

## OPERATIONAL OVERVIEW

The Group undertook and was involved in a number of exploration, development and production activities during the Period.

### Corporate activity

***Health, Safety, Environment and Community ("HSEC") Issues***

ROC's continuing focus on HSEC and asset integrity performance has helped produce another half year with no significant process or personnel safety incidents.

### Production and Development

The Group incurred US$25.8 million in production expenditure and US$5.6 million in development expenditure during the Period. Development expenditure was incurred mainly in relation to Zhao Dong development drilling programme (US$5.4 million).

***Malaysia***

***D35/D21/J4, Offshore Malaysia (ROC: 30% & Project Development Manager)***

On 1 April ROC announced the farm-in to a PSC of the D35, D21 and J4 fields PSC (D35 project), effective 1 January 2014 with ROC production reported from 1 April 2014. Gross oil production for the 2Q averaged 9,330 BOPD (ROC: 2,799 BOPD) and gross gas production for the 2Q14 averaged 15.4 MMscfd (ROC: 4.6 MMscfd) which was in line with expectations. ROC is in the process of finalising a sale and purchase agreement with PETRONAS for the sale of ROC's share of the D35 project crude entitlement. The agreement is expected to be finalised in the 2H14.

The D35 project farm-in which includes three producing fields D35, D21 and J4 is located offshore Malaysia and fully aligned with the ROC regional development strategy. The fields are expected to become cornerstone development assets within our growth portfolio and contain material in place oil and gas volumes. The 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, and materially add to and extend the production life of ROC's reserves and resources inventory.

PETRONAS Carigali is the Operator of the PSC and it has appointed ROC as the Project Development Manager, responsible for subsurface management, well engineering, new facilities projects and project execution. During the reporting period hand over activities have continued as ROC transitions into the role of Project Development Manager. Development planning activities for the remainder of 2014 and 2015 is underway with PETRONAS Carigali.

On 30 May ROC announced that it had entered into a binding Letter of Intent to farm-out a 20% participating interest in the PSC for the D35 project, to Dialog Resources Sdn Bhd (Dialog). The Dialog farm-in reduces ROC's participating interest to 30%. The 20% farm-out has been approved by PETRONAS and existing joint venture partners and is subject to completion of documentation.

***China***

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

Gross oil production for the Period averaged 12,545 BOPD (ROC: 2,459 BOPD); up 245% compared to 1H13 average production of 3,633 BOPD (ROC: 712 BOPD) recognising a full period of production compared to 1H13 as the fields originally commenced production in March 2013.

The fields are performing in line with expectations, with well performance being assessed during the 1H14 to ensure appropriate reservoir management and continuing stable production.

# DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS
## CONTINUED

***Zhao Dong Oil Fields, Bohai Bay, Offshore China (C&D Oil Fields ROC: 24.5% & Operator, C4 Oil Field ROC: 11.667% unitised & Operator, Zhanghai and Chenghai Oil Field ROC: 39.2% & Operator)***

Gross oil production for the Period averaged 16,365 BOPD (ROC: 3,801 BOPD); down 6% compared to with 1H13 average production of 17,786 BOPD (ROC: 4,024 BOPD) due to natural oil field decline.

During the Period five development wells were drilled.

ROC was advised by PetroChina of its intention to assume operatorship of Zhao Dong in 2Q15. ROC will continue as a full partner, post transition, and will continue to assist PetroChina in building their offshore operations and international management team whilst maximising the hydrocarbon recovery from Zhao Dong and area opportunities and ensuring the continued sustainable development of the Zhao Dong fields.

### *Australia*

***Cliff Head Oil Field, WA-31-L, Perth Basin, Offshore Western Australia (ROC: 42.5% & Operator)***

Gross oil production for the Period averaged 1,988 BOPD (ROC: 845 BOPD); down 25% compared with 1H13 average production of 2,638 BOPD (ROC: 1,121 BOPD) due to natural field decline and CH-13 being off-line for part of the current reporting period.

During the period the Electrical Submersible Pump on CH-13 failed. Workover activities were successfully undertaken during 2Q14. The well was recommissioned recently and is performing in line with expectations.

***BMG Oil and Gas Fields, VIC/L26, VIC/L27, VIC/L28, Offshore Victoria (ROC: 37.5% & Operator)***

In line with ROC's strategy to exit from non-core assets, on 31 March ROC announced that it signed a Sale and Purchase Agreement to sell its entire 50% participating interest in the BMG field to Cooper Energy Limited (ASX: COE). The sale of the BMG asset generated a profit of US$32.6 million mainly from the reversal of the restoration provision; released personnel for new projects and mitigated a significant future abandonment obligation. ROC received an upfront cash consideration of A$1 million and a A$5 million contingent consideration, subject to first hydrocarbons from a commercial development.

The sale was effective 1 January 2014 and all regulatory approvals have been received and the interests and operatorship have now been transferred to COE.

### *United Kingdom*

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

Gross production for the Period averaged 4,704 BOEPD (ROC: 588 BOEPD); down 5% compared to 1H13 average production of 4,968 BOEPD (ROC: 621 BOEPD). During the Period there was downtime on the Ula platform caused by unavailability of compression during part of January and repair to storm damage in February. Production since March has been in line with expectations.

***Enoch Oil & Gas Field, North Sea (ROC: 12.0%)***

Restoration works were completed on Enoch in early 2014 with production expected to resume during 3Q14.

### Exploration and New Ventures

The Group incurred US$2.2 million in exploration expenditure during the Period.

### *China*

***WZ 6-12 and WZ 12-8 West Oil Field Development, Beibu Gulf, Offshore China (ROC: 40% & Operator)***

The 12-8E feasibility study continues, and overall development plan study is scheduled to complete by the end of 2014.

# DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS
## CONTINUED

***Block 09/05, Bohai Bay, Offshore China (ROC: 100% & Operator)***

Seismic processing of the 3D data is completed and an initial prospect identified. Well planning is complete and on 14 August, ROC announced the spudding and farm-out of a 40% interest in Block 09/05 to AWE China Pte. Ltd (AWE) for US$2 million and a part carry of two exploration wells, subject to regulatory approvals.

### *Malaysia*

***Balai Cluster Risk Service Contract, offshore Sarawak, Malaysia (ROC: 48%, equity investment of BCP)***

In March BC Petroleum (BCP) received Field Development Plan (FDP) approval from PETRONAS for the development of the Bentara Field within the Balai Cluster.

On 25 May, oil production from the Bentara Field was successfully brought on stream. The Bentara Field has achieved the First Oil milestone with a stabilised start-up rate of approximately 1,300 BOPD of oil and 0.8 MMSCFD of gas.

Production from the Bentara Field is from the two appraisal wells through the existing platform and then processed onboard the EPV. The Crude is transferred to point of sale via a ship-to-ship transfer with a shuttle tanker, and the first transfer of ~50,000 barrels completed on 18 July.

BC Petroleum Sdn. Bhd. (BCP) is the ROC 48% owned company incorporated to operate and manage the Balai Cluster RSC. Under the terms of the RSC, BCP (and ROC) do not have title to the oil produced and therefore are not able to book reserves and resources associated with the Bentara oil field. ROC is unable to show Bentara production and revenue within its owned reported volumes.

### *Myanmar*

In March, ROC was notified by the Myanmar Ministry of Energy (MOE) of the successful award of a PSC for shallow water Block M07 in the Moattama basin. M07 plays to ROC's core capabilities in offshore shallow water exploration and development, and offers the potential for exploration led growth close to producing fields and existing infrastructure.

ROC is continuing to work through the award process which is subject to finalisation of terms with the MOE and is targeted during 2H14.

ROC continues to actively pursue attractive farm-in opportunities near existing infrastructure. Entry into Myanmar remains aligned with ROC's wider strategic objective to identify and secure material exploration, appraisal and field re-development opportunities in established petroleum provinces across South East Asia.

### *Africa*

***Block H, Offshore Equatorial Guinea (ROC: 20%)***

In line with our strategy to progressively increase our business focus in South East Asia and China ROC finalised its exit non-core assets Block H Equatorial Guinea. The Minister of Mines, Industry and Energy of Equatorial Guinea did not extended the Block H permit; consequently the PSC expired on 2 February 2014.

### Corporate Activity

ROC and Horizon Oil Limited (Horizon) announced on 29 April that they entered into a Merger Implementation Deed (MID) under which they agreed to merge via a Horizon Scheme of Arrangement. As a result of the Fosun takeover Offer on 5 August 2014 Horizon notified ROC that they had terminated the MID.

On 4 August 2014, ROC announced that it has entered into a Bid Implementation Agreement (BIA) under which it is proposed that Fosun International Limited or a subsidiary of it (Fosun) will acquire all of the ROC shares currently on issue for A$0.69 cash per share by way of off-market takeover offers (Fosun Offer). The BIA, sets out the conditions of the Fosun Offer which include:

- Termination of the Horizon Merger Implementation Deed
- FIRB approval;

## DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS
### CONTINUED

- More than 50% acceptance of the offer;
- No material adverse change until 5.00pm (Sydney time) on 19 October 2014;
- No prescribed occurrences; and
- Various other business conduct conditions until 5.00pm (Sydney time) on 19 October 2014.

The ROC directors unanimously recommend the ROC shareholders accept the Fuson Offer in the absence of a superior proposal. All of the ROC directors have advised their intention to accept the Fuson Offer with respect to the ROC shares they own or control, in the absence of a superior proposal.

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

## Auditor's Independence Declaration to the Directors of Roc Oil Company Limited

In relation to our review of the financial report of Roc Oil Company Limited for the half year ended 30 June 2014, 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.

Ernst & Young

Trent van Veen
Partner
Sydney
19 August 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2014

| | Note | 30 June 2014 US$'000 | 30 June 2013 US$'000 |
|---|---|---|---|
| **Sales revenue** | 2 | 143,426 | 114,130 |
| Operating costs | 3 | (87,126) | (65,082) |
| **Gross profit** | | **56,300** | **49,048** |
| Other income | 4 | 1,443 | 144 |
| Gain on sale of non-production asset | 7 | 32,597 | - |
| Impairment of investment in associate | 12 | (1,500) | - |
| Exploration expensed | 5 | (2,078) | (4,648) |
| Other costs | | (11,427) | (7,791) |
| Finance costs | | (2,415) | (2,041) |
| **Profit before income tax** | | **72,920** | **34,712** |
| Income tax expense | 6 | (19,111) | (14,218) |
| **Net profit for the Period** | | **53,809** | **20,494** |
| **Other comprehensive income** | | | |
| Foreign currency translation reserve gain on liquidation of Subsidiary | | - | (37) |
| **Other comprehensive income for the Period, net of tax** | | - | (37) |
| **Total comprehensive income for the Period** | | **53,809** | **20,457** |
| Basic earnings per share (cents) | | 7.8 | 3.0 |
| Diluted earnings per share (cents) | | 7.7 | 2.9 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

| | Note | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash assets | | 67,178 | 65,140 |
| Trade and other receivables | 9 | 82,624 | 32,361 |
| Inventories | | 7,382 | 2,133 |
| **Total Current Assets** | | **157,184** | **99,634** |
| **Non-Current Assets** | | | |
| Oil and gas assets | 7 | 209,592 | 227,158 |
| Exploration and evaluation expenditure | 8 | 739 | 587 |
| Property, plant and equipment | | 197 | 858 |
| Deferred tax assets | | 22,642 | 20,594 |
| Investment in associate | 12 | 74,199 | 67,203 |
| **Total Non-Current Assets** | | **307,369** | **316,400** |
| **Total Assets** | | **464,553** | **416,034** |
| **Current Liabilities** | | | |
| Trade and other payables | | 53,012 | 42,247 |
| Current tax liabilities | | 12,999 | 8,258 |
| Provisions | | 14,995 | 14,235 |
| **Total Current Liabilities** | | **81,006** | **64,740** |
| **Non-Current Liabilities** | | | |
| Long term liabilities | | 7,500 | - |
| Deferred tax liabilities | | 19,066 | 21,078 |
| Provisions | | 36,037 | 63,961 |
| **Total Non-Current Liabilities** | | **62,603** | **85,039** |
| **Total Liabilities** | | **143,609** | **149,779** |
| **Net Assets** | | **320,944** | **266,255** |
| **Equity** | | | |
| Share capital | 10 | 734,150 | 734,150 |
| Accumulated losses | | (435,024) | (488,833) |
| Other reserves | | 21,818 | 20,938 |
| **Total Equity** | | **320,944** | **266,255** |

# CONSOLIDATED STATEMENT OF CASH FLOW

For the half year ended 30 June 2014

| | Inflow/ (Outflow) 30 June 2014 US$'000 | Inflow/ (Outflow) 30 June 2013 US$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | 55,641 | 67,734 |
| Derivatives settled | - | 68 |
| Payments for exploration and evaluation expenses | (2,850) | (5,514) |
| Receipts/(Payments) for the non-production phase for BMG | 1,824 | (1,825) |
| Interest received | 51 | 144 |
| Finance costs paid | (1,216) | (912) |
| Payments made for abandonment costs | (2,990) | - |
| Income taxes and PRRT paid | (18,340) | (17,580) |
| **Net cash generated from operating activities** | **32,120** | **42,115** |
| **Cash flows from investing activities** | | |
| Payments for plant and equipment | (95) | (168) |
| Payments for development expenditure | (21,661) | (19,586) |
| Investment in associate | (8,496) | (20,569) |
| **Net cash used in investing activities** | **(30,252)** | **(40,323)** |
| **Net increase in cash held** | **1,868** | **1,792** |
| Cash at beginning of Period | 65,140 | 56,783 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 170 | (457) |
| **Cash at end of financial half year** | **67,178** | **58,118** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2014

| | Share Capital US$'000 | Accumulated Losses US$'000 | Share Equity Reserve US$'000 | Foreign Currency Translation Reserve US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2013 | 734,150 | (534,022) | 12,460 | 6,061 | 218,649 |
| Total comprehensive income for the Period, net of tax | - | 20,494 | - | (37) | 20,457 |
| Total transactions with owners: share based payments | - | - | 744 | - | 744 |
| **Balance at 30 June 2013** | **734,150** | **(513,528)** | **13,204** | **6,024** | **239,850** |
| Balance at 1 January 2014 | 734,150 | (488,833) | 14,913 | 6,025 | 266,255 |
| Total comprehensive income for the period, net of tax | - | 53,809 | - | - | 53,809 |
| Total transactions with owners: share based payments | - | - | 880 | - | 880 |
| **Balance at 30 June 2014** | **734,150** | **(435,024)** | **15,793** | **6,025** | **320,944** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies

**(a) Basis of preparation**

The Half Year Financial Report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The Half Year Financial Report should be read in conjunction with the Annual Financial Report of ROC as at 31 December 2013.

It is also recommended that the Half Year Financial Report be considered together with public announcements made by ROC and its controlled entities during the half year ended 30 June 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The Half Year Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The financial report has been prepared on the historical cost basis except for financial instruments that have been measured at fair value.

For the purpose of preparing the Half Year Financial Report, the half year has been treated as a discrete reporting Period.

The financial report is presented in US dollars with all values 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.

Australian accounting standards and interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Group for the reporting Period ending 30 June 2014 and are not expected to have a material impact, but are assessed by management on an ongoing basis.

**(b) Significant Accounting Policies**

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2013.

**Changes in accounting policy and disclosures**

The Group has adopted all the new and amended Australian Accounting Standards and AASB Interpretations that are effective as of 1 January 2014.

The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

| | 30 June 2014 US$'000 | 30 June 2013 US$'000 |
|---|---|---|
| **Note 2. Sales Revenue** | | |
| Oil | 141,841 | 114,130 |
| Gas | 1,585 | - |
| | **143,426** | **114,130** |
| **Note 3. Operating Costs** | | |
| Production costs | 25,823 | 17,762 |
| Amortisation | 39,690 | 32,303 |
| Movement in stock and underlift | (3,723) | 321 |
| Royalty and other levies | 25,336 | 14,696 |
| | **87,126** | **65,082** |
| **Note 4. Other Income** | | |
| Interest income - external | 51 | 144 |
| Sale of sundry equipment | 1,392 | - |
| | **1,443** | **144** |
| **Note 5. Exploration Expensed** | | |
| China | 798 | 568 |
| Other (includes new ventures) | 1,280 | 4,080 |
| | **2,078** | **4,648** |
| **Note 6. Income Tax** | | |
| Composition of income tax | | |
| Income tax charge – current Period | 16,405 | 13,541 |
| Income tax charge – prior Period | 2,313 | (44) |
| PRRT – current period | 4,454 | 5,917 |
| Deferred income tax | (4,061) | (5,196) |
| | **19,111** | **14,218** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

## Note 7. Oil and Gas Assets

| | Producing Assets US$'000 | Assets under Development US$'000 | Total US$'000 |
|---|---|---|---|
| **Costs** | | | |
| Balance at 1 January 2013 | 975,029 | 75,509 | 1,050,538 |
| Development expenditure incurred | 60,682 | - | 60,682 |
| Transfers | 75,509 | (75,509) | - |
| **Costs at 31 December 2013** | **1,111,220** | **-** | **1,111,220** |
| Development expenditure incurred | 5,585 | - | 5,585 |
| Increase in restoration asset | 7,637 | - | 7,637 |
| Asset acquisition | 8,902 | - | 8,902 |
| Asset disposal | (245,182) | - | (245,182) |
| **Costs at 30 June 2014** | **888,162** | **-** | **888,162** |
| **Accumulated Amortisation** | | | |
| Balance at 1 January 2013 | (813,246) | - | (813,246) |
| Charge for the year | (70,816) | - | (70,816) |
| **Accumulated Amortisation at 31 December 2013** | **(884,062)** | **-** | **(884,062)** |
| Charge for the Period | (39,690) | - | (39,690) |
| Asset disposal | 245,182 | - | 245,182 |
| **Accumulated Amortisation at 30 June 2014** | **(678,570)** | **-** | **(678,570)** |
| **Net book value at 30 June 2014** | **209,592** | **-** | **209,592** |
| **Net book value at 31 December 2013** | **227,158** | **-** | **227,158** |

On 31 March ROC announced that it signed a Sale and Purchase Agreement to sell its entire 50% participating interest in the BMG field to Cooper Energy Limited. The sale of the BMG asset generated a profit of US$32.6 million mainly from the reversal of the restoration provision. ROC received an upfront cash consideration of A$1 million and a A$5 million contingent consideration, subject to first hydrocarbons from a commercial development

## Note 8. Exploration and Evaluation Expenditure

| | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|
| Opening balance | 587 | 1,094 |
| Expenditure incurred | 2,230 | 16,030 |
| Amounts expensed | (2,078) | (16,537) |
| | **739** | **587** |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

### Note 9. Trade and other receivables

| | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|
| Trade receivables | 55,546 | 26,710 |
| Other receivables | 27,078 | 5,651 |
| | **82,624** | **32,361** |

Included in Trade receivables is US$13.3million relating to ROC's D35 project share of net entitlement production of 153,220 BOE for 1Q14.

Included in Other receivable is US$10.9 million relating to cash calls paid on behalf of Dialog for their 20% interest of the D35 project which is recoverable from Dialog, subject to meeting conditions precedent and completion of documentation

### Note 10. Share Capital

| | 30 June 2014 Number of Shares | 31 Dec 2013 Number of Shares | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|---|---|
| Movement in fully paid ordinary shares | | | | |
| Balance at beginning of Period | 686,461,740 | 683,235,552 | 734,150 | 734,150 |
| Issue of shares pursuant to the exercise of rights and the Long Term Incentive Plan | 1,156,660 | 3,226,188 | - | - |
| **Balance at end of Period** | **687,618,400** | **686,461,740** | **734,150** | **734,150** |

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

### Note 11. Commitments for Expenditure

| | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|
| (a) **Capital commitments** | | |
| **Not longer than one year** | | |
| Joint operations | 9,074 | 21,065 |
| **Longer than one year but not longer than five years** | | |
| Joint operations | 72,778 | 14,736 |
| | **81,852** | **35,801** |
| (b) **Operating expenditure commitments** | | |
| Not longer than one year | 2,920 | 2,331 |
| Longer than one year but not longer than five years | 2,658 | 4,589 |
| | **5,578** | **6,920** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

### Note 12. Investment in associate

| | 30 June 2014 US$'000 | 31 Dec 2013 US$'000 |
|---|---|---|
| Equity | 32,833 | 32,833 |
| Impairment of investment | (8,400) | (6,900) |
| **Net book value of investment** | 24,433 | 25,933 |
| Loan to associate company | 49,766 | 41,270 |
| | **74,199** | **67,203** |

During the Period, ROC recorded an impairment of US$1.5 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. Cost recovery is subject to PETRONAS approval and substantiation.

Cash contributions to BCP are initially made as a loan and subsequently converted to equity following shareholder approval. Cash contributions during the period were US$8.5 million.

### Note 13. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer 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 half year ended 30 June 2014**

| US$'000 | BMG Australia | Cliff Head Australia | Blane UK | Enoch UK | D35[2] Malaysia | Zhao Dong China | Beibu China | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales revenue | - | 16,462 | 15,854 | - | 1,585 | 65,702 | 43,823 | - | 143,426 |
| Production costs | - | 5,724 | 2,187 | 855 | 5,915 | 6,749 | 4,392 | 1 | 25,823 |
| Amortisation | - | 2,304 | 1,828 | - | 3,250 | 23,148 | 9,160 | - | 39,690 |
| Segment results[1] | - | 8,513 | 8,007 | (872) | (6,684) | 25,008 | 22,329 | (1) | 56,300 |
| Exploration and Development expenditure incurred | - | - | - | - | - | 6,202 | 333 | 1,280 | 7,815 |
| Segment assets | - | 33,615 | 23,140 | 7,839 | 42,454 | 85,620 | 102,278 | 176 | 295,122 |
| Current restoration provision | - | - | - | - | - | 3,710 | 9,562 | - | 13,272 |
| Non-current restoration provision | - | 15,318 | 6,427 | 2,648 | - | 7,300 | 2,925 | - | 34,618 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

### Note 13. Segment Information (continued)

| US$'000 | BMG Australia | Cliff Head Australia | Blane UK | Enoch UK | D35[2] Malaysia | Zhao Dong China | Beibu China | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **30 June 2013** | | | | | | | | | |
| Sales revenue | - | 21,558 | 12,343 | - | - | 68,433 | 11,796 | - | 114,130 |
| Production costs | - | 6,800 | 1,502 | 669 | - | 7,286 | 1,501 | 4 | 17,762 |
| Amortisation | - | 3,177 | 2,338 | - | - | 24,247 | 2,541 | - | 32,303 |
| Segment results[1] | - | 11,542 | 6,441 | (601) | - | 25,761 | 5,909 | (4) | 49,048 |
| Exploration and Development expenditure incurred | - | - | - | - | - | 11,325 | 21,357 | 4,649 | 37,331 |
| **31 December 2013** | | | | | | | | | |
| 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 |

*Note:*

(1) Total segment results ("gross profit") is reconciled to net profit before income tax on the Consolidated Statement of Comprehensive Income.

(2) ROC's 30% participating interest after farm-out to Dialog, subject to meeting conditions precedent and documentation.

### Note 14. 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 15. Subsequent Events

On 4 August 2014, ROC announced that it has entered into a Bid Implementation Agreement (BIA) under which it is proposed that Fosun International Limited or a subsidiary of it (Fosun) will acquire all of the ROC shares currently on issue for A$0.69 cash per share by way of off-market takeover offers (Fosun Offer). The BIA, sets out the conditions of the Fosun Offer which include:

- Termination of the Horizon Merger Implementation Deed
- FIRB approval;
- More than 50% acceptance of the offer;
- No material adverse change until 5.00pm (Sydney time) on 19 October 2014;
- No prescribed occurrences; and
- Various other business conduct conditions until 5.00pm (Sydney time) on 19 October 2014.

The ROC directors unanimously recommend the ROC shareholders accept the Fosun Offer in the absence of a superior proposal. All of the ROC directors have advised their intention to accept the Fuson Offer with respect to the ROC shares they own or control, in the absence of a superior proposal.

On the 5 August 2014 Horizon Oil Limited notified ROC that they had terminated the Merger Implementation Deed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## CONTINUED

### Note 15. Subsequent Events (continued)

On 14 August, ROC announced the spudding and farm-out of a 40% interest in Block 09/05 to AWE China Pte Ltd (AWE) for US$2 million and a part carry of two exploration wells, subject to regulatory approvals.

### Note 16. Additional Company Information

Roc Oil Company Limited is a public company listed in Australia on the ASX and incorporated in Australia and operating in Australia and overseas.

The registered office and principal place of business is:

Level 36,
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

# DIRECTORS' DECLARATION

In the opinion of the Directors:

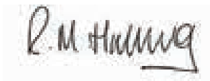
(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the half year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



**Mr R M Harding**
Chairman

Sydney, 19 August 2014

Building a better working world

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

To the members of Roc Oil Company Limited

## Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Roc Oil Company Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, 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 half year end or from time to time during the half year.

### Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Roc Oil Company Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, 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.

Building a better working world

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Roc Oil Company Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney

19 August 2014

# GLOSSARY

| | |
|---|---|
| APPEA | Australian Petroleum Production & Exploration Association |
| AUD/A$ | Australian currency. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | Australian Securities Exchange. |
| BBL(s) | Barrel(s), oil barrel is equivalent to 0.159 cubic metres. |
| BCF | One billion cubic feet of natural gas. |
| 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 inclusive of NGLs. |
| CNOOC | China National Offshore Oil Company. |
| FPSO | Floating production, storage and offloading vessel. |
| km | Kilometres. |
| m | Metre. |
| MCF | One thousand cubic feet of natural gas. |
| MM | Millions. |
| MMBBL | One million barrels of oil. |
| MMBOE | One million barrels of oil equivalent. |
| MMSCFD | One million standard cubic feet of natural gas per day. |
| NGL | Natural gas liquid. |
| Period | The financial half year ended 30 June 2014. |
| pound or £ | UK pounds. |
| PRRT | Petroleum Resource Rent Tax. |
| ROC | Roc Oil Company Limited. |
| TRIFR | Total Recordable Injury Frequency Rate |
| UK | United Kingdom. |
| US$ | United States dollars. |
| 3D | Three dimensional. |
| 2P | Proved and probable reserves. |