

Rocksource

Buy (na)
Analysis

Equity Research

Date of publication: 13/12/2010
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Oil Exploration and Prod

Rating: Buy
Target price: 6.00 NOK

Price: 2.7 NOK
Ticker: RGT.OL

Market capitalisation: 706 MNOK
Enterprise value: 783 MNOK
Fully diluted no. of shares: 262M
Free float: 100.0%

Next report date: 15/02/2010

Share price development



	-1m	-3m	-12m
Absolute	24.5%	50.3%	-20.6%
Rel. OSEBX	23.0%	34.0%	-31.2%
Rel. peers	na	na	na
Price High	2.71	2.71	4.80
Price Low	2.20	1.59	1.52

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Betting on hit ratio

What:

Rocksource is an exploration focused company with an active use of its in-house EM technology, which could result in a high hit ratio. The company trades at a low P/NAV of less than 0.5x and an EV/GAV of 0.3x. We initiate coverage with a Buy recommendation and a target price of NOK 6/share.

Why:

Most exploration focused companies are valued at relatively low multiples compared to their fundamental values, probably due to their uncertain hit ratios and financing requirements. Rocksource could potentially provide a different exploration story, given success in the upcoming exploration programme and successful utilisation of its EM technology and expertise. The next triggers for the share are drilling of the high-potential Kora prospect in West Africa and of the Breiflabb well in Norway. Both these prospects have a relative high hit probability and potential discoveries on these could imply a NAV increase that exceeds the current market cap. Rocksource is well funded for its 2011 exploration programme, but will face external financing needs for further exploration and development of potential discoveries.

Investment case:

The primary reasons for our Buy recommendation are 1) cheap exploration, 2) prospects of a high hit ratio, and 3) a different exploration story. The main risk factors are related to volume estimates for the prospects, hit ratio and financing beyond 2011.

Changes to forecast	2010E			2011E			2012E		
	new	prev	diff	new	prev	diff	new	prev	diff
Sales	69	na	na	40	na	na	33	na	na
None	na	na	na	na	na	na	na	na	na
Pretax profit	-386.3	na	na	-489.1	na	na	-282.9	na	na
EPS recurring	-0.94	na	na	-0.53	na	na	-0.37	na	na
Key figures (MNOK)									
	2007	2008	2009	2010E	2011E	2012E			
Sales	0	287	106	69	40	33			
EBITDA	0	15	-234	-220	-443	-237			
EBIT	0	-64	-314	-362	-470	-255			
Reported pretax profit	0	-69	-355	-386	-489	-283			
EPS recurring	0.00	0.32	-1.09	-0.94	-0.53	-0.37			
EPS reported fully diluted	0.00	0.41	-1.22	-1.05	-0.53	-0.37			
DPS	0.00	0.00	0.00	0.00	0.00	0.00			
Sales growth	na	nm	-63.2%	-35.1%	-41.1%	-19.1%			
EBIT growth	na	nm	nm	nm	nm	nm			
EPS recurring growth	na	nm	nm	nm	nm	nm			
EBITDA margin	nm	5.1%	nm	nm	nm	nm			
EBIT margin	nm	-22.1%	nm	nm	nm	nm			
Debt/Equity ratio	nm	11.4%	37.3%	19.5%	224.2%	386.0%			
EV/Sales	nm	1.48	6.93	nm	nm	nm			
EV/EBITDA	nm	29.0	nm	nm	nm	nm			
EV/EBIT	nm	nm	nm	nm	nm	nm			
P/E recurring	nm	7.8	nm	nm	nm	nm			
P/E	nm	6.1	nm	nm	nm	nm			
FCF-yield	nm	-83.0%	-39.2%	-25.4%	-69.0%	-4.3%			
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
BV/share 2010E	1.49	CAGR sales	2009-12E	-32.4%	ROE 2010E	-63.2%			
P/BV 2010E	1.81	CAGR EBT	2009-12E	nm	ROCE 2010E	-67.7%			
Equity ratio 2010E	51.2%	CAGR rec EPS	2009-12E	nm	ROIC 2010E	-119.4%			

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Investment case

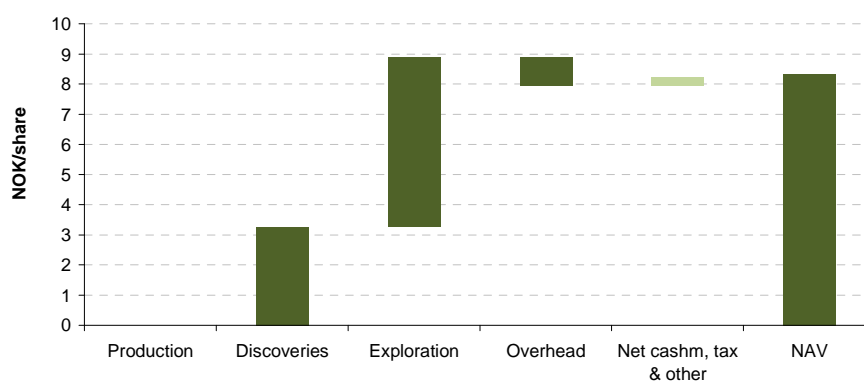
Rocksourc is an exploration focused company with an active use of its in house EM technology. The company focuses primarily on exploration activities in the Norway, but have exploration licenses UK, West Africa and India, as well as discoveries in the US. In our view, there are several reasons for investors to buy the share:

- 1. Cheap exploration:** Rocksourc proceeds cheap access to exploration in the North Sea, both in Norway, on the UK shelf and in Africa. The current share price includes only discoveries and the net cash position, meaning that you get the exploration portfolio for free.
- 2. Prospects for a high hit ratio:** The company's in house EM expertise and an selective exploration approach should result in a higher drilling hit ratio over time. Our valuation assumes a volume weighed hit ratio of 37%, which we are slightly higher compared to what we have observed over the past years on the NCS, but significantly lower compared to the historical hit ratio for EM tested prospects.
- 3. A different exploration story:** Most exploration focused companies are valued on relatively low multiples compared to its fundamental values, probably due to uncertain hit ratio and financing requirements. A successful exploration programme over the next couple of years could make Rocksourc to a different exploration story as the company has a dedicated EM approach compared to its peers.

Primary risk factors:

- 1. Hit ratio:** In our opinion the drilling hit ratio will could have a significant impact on Rocksourc's potential value creation over the next few quarters and years.
- 2. Volume estimates:** There are obvious risk factors associated with our anticipated volumes for each exploration prospect. Any material changes to these estimates could have a negative impact on our NAV.
- 3. Financing:** The company is fully funded for its 2011drilling programme. However, in 2012 Rocksourc will face new funding new requirements regardless of whether or not the current exploration drilling is successful. Any potential new capital will likely go towards further exploration drilling or development of potential discoveries.

Valuation summary



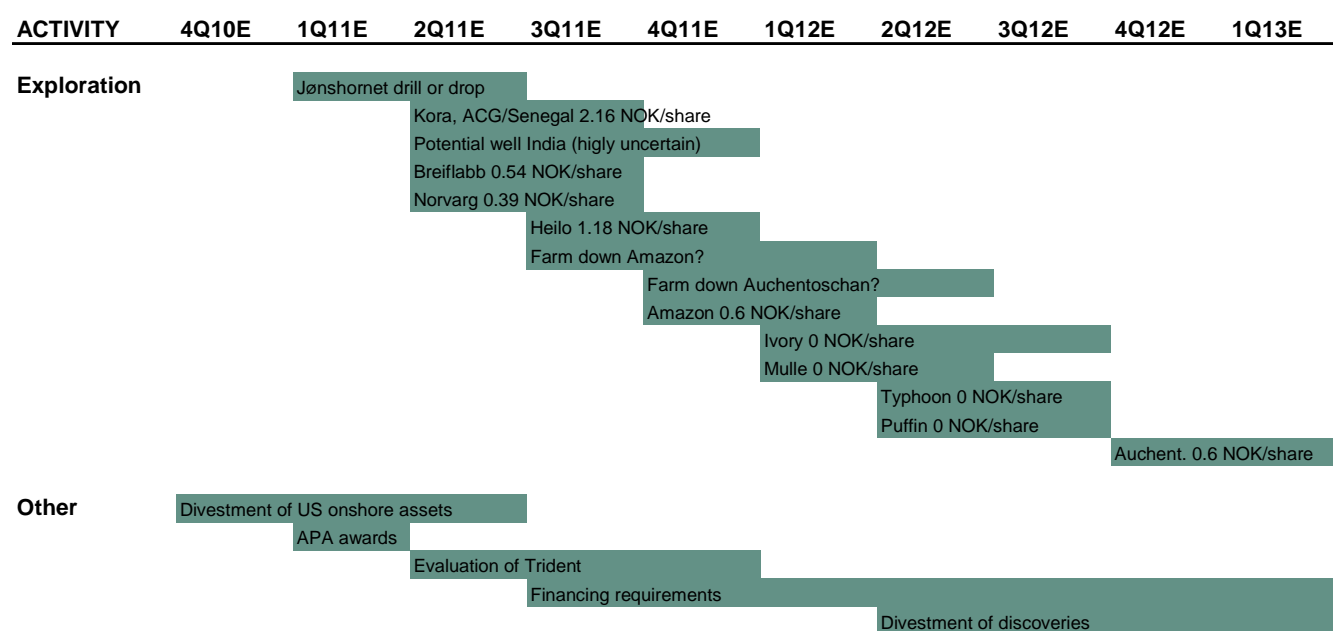
Source: First Securities estimates, company data

Triggers and timeline

Over the next few quarters Rocksourc will be more focused on exploration than it has been over the past few years. The most important events going forward are

- 2011 exploration programme:** During 2011 the company plans to drill three to five wells, with the bulk of the wells being drilled in Norway. The first well will most likely be drilled on the Kora prospect in West Africa. This prospect could hold around 400 mmboe of gross resources. Rocksourc has contributed EM data to the partnership and thereby gained the option to increase its ownership share in the well from 5% to 25%. In Norway the company plans to drill Breiflabb, Heilo and Norvang. In our valuation we have included these prospects at a value in excess of NOK 1/share, with significant upside potential. The Heilo prospect was awarded in the 20th licensing round and is often referred to as "the golden black" as it has a high probability of a discovery due to certain geological properties and nearby discoveries. In sum, the 2011 programme holds around 150 mmboe of net risked resources.
- 2012 exploration programme.** The exploration drilling in 2012 is likely to be slightly tilted towards the UK shelf compared to the 2011 programme. The Mulle and Typhoon prospects are both located in the UK, with Puffin and Ivory located in Norway.
- Trident evaluation.** Rocksourc has initiated further studies to test the potential in Trident. The goal is that these studies will provide the basis for further maturing the Trident field including a potential farm down to a development operator in 2011. The final decision for E&P companies' liability related to potential oil spills triggered by the Macondo accident will have a material impact on the future development of the Trident discovery.
- Financing requirements.** Although Rocksourc currently has a strong cash position and enjoys an exploration-friendly tax regime in Norway, the combination of high exploration activity and no production will lead to requirements for additional external financing. This need could to some extent be mitigated by asset divestments.

Timeline



Source: First Securities estimates and company data

Company description

History and overview

Rocksourc is an independent Norwegian oil and gas company focusing on exploration. The company's strategy is to build reserves and production by focusing its business on where its proprietary electromagnetic processing technology (EM) works. The data will be used to reduce risk in exploration and enhance recovery in production.

The company has over the last few years gained access to a number of exploration opportunities in Norway, the UK, West Africa, India and the Gulf of Mexico. In recent years Rocksourc has made significant additions to its exploration portfolio, and the current portfolio represents in excess of 1 bn barrels of net risked resources, representing a substantial exploration portfolio to be tested. The majority of these resources have been tested by electromagnetic data.

Management

Mimi K. Berdal, Chairman

Ms. Berdal currently runs a private corporate law and consultant practice after a number of years as partner in the law firm Arntzen de Besche advokatfirma AS in Oslo, Norway. She has extensive experience e.g. within the areas of corporate law, M&A and oil and gas. She has previously also been an advisor to Total Norge AS. Ms. Berdal holds a law degree from the University of Oslo. She is on the board of several Norwegian companies, listed, public and private, including deputy chairman of Itera ASA and Infratek ASA, and non-executive director of Gassco AS, Q-Free ASA, Gjensidige Pensjon og Sparing AS, Copeinca ASA and Camposol PLC.

Trygve Pedersen, Chief Executive Officer

Mr Trygve Pedersen has 15 years of industry experience and has been in management positions in Statoil, BP and Petoro. He has several years of international experience from working in London (Commercial Manager, Statoil UK) and Caracas (Commercial Manager Statoil Venezuela). NCS experience includes positions as Commercial Manager in BP and Asset Manager in Petoro with responsibility for follow-up of several fields including the Troll field.

Tommy Sundt, Chief Financial Officer

Mr. Sundt has been Chief Financial Officer in the company since the inception of Amergy AS - one of the precursors of Rocksourc. Prior to joining Rocksourc, he was a financial analyst and portfolio manager in an investment company. Mr. Sundt is also a former auditor at the Oslo office of Deloitte & Touche. Mr. Sundt holds a Master of Science degree in business from the Norwegian School of Economics and Business Administration (NHH).

John Howell, Chief Technology Officer

After a brief period in industry Dr. John Howell read for a PhD in reservoir sedimentology at the University of Birmingham (1992). He proceeded to the University of Liverpool where he spent ten years working as a researcher and lecturer. During that time he participated in numerous oil industry funded projects, collaborating with virtually all the major oil companies, primarily in the fields of sedimentology, sequence stratigraphy and latterly reservoir modelling. In 2002 he took a professorship/senior research position at the University of Bergen to further his applied research interests in analogue reservoir modelling. He has worked in a diverse range of basins on six continents, published over 60 scientific papers and edited three books. His current focus is the application of advanced, integrated geo-modelling techniques for optimising recovery from old reservoirs.

Arild Thorsrud, VP Drilling

Arild Thorsrud holds a Master of Science degree in engineering from the Royal Norwegian Naval Academy. Instead of pursuing a naval career, he signed on as a roughneck on a floating drilling rig and has since then worked in various positions with drilling contactors, service providers and operators. His experience ranges from planning and managing HPHT well drilling, to engineering and project management in Norway and abroad.

Gregor Maxwell, Chief Operating Officer

Rocksourc - 13 December 2010

Dr Gregor Maxwell is employed as Chief Operating Officer with responsibility for the technical evaluation of exploration and production growth opportunities for Rocksourc. He has a PhD in reservoir geology and has nine years of industry experience with Texaco and Chevron, three of which were as a team leader at Chevron. He has had several years of international experience whilst part of the development team of a major deep water asset in West Africa. UKCS experience includes positions as team leader on appraisal and pre-development assets at Chevron Europe Value Creation and as a production geologist with Texaco UK.

Christopher Spencer, VP Commercial and Engineering

Christopher Spencer has over 20 years of industry experience with Shell and BP. In this time, he has held positions in engineering, commercial and business development. He has broad international experience, having worked on oil and gas projects and opportunities in the U.K., Norway, the Netherlands, Australia, India and Indonesia. He is a chartered engineer through the Institute of Chemical Engineers (UK).

Per Anders Muri, VP Corporate Communications

Per Anders Muri was previously head of IR and Communications with oil company Revus Energy (now Wintershall Norway). He has extensive experience as a communications adviser, among others with Axxept and Burson-Marsteller. His background includes several years of media experience, as a journalist and senior editor with Reuters and he has worked as a stockbroker and equity analyst with Handelsbanken Capital Markets.

Shareholders

Among the major shareholders are Odin, a Norwegian fund manager, DNO Invest, a subsidiary of DNO international, OM Holding controlled by Ole Morten Halvorsen and Balanced Rock AS controlled by John Howell, the company's Chief Technology Officer.

Shareholders

Investor	# shares	% shares	Type	Country
ODIN OFFSHORE	7 433 000	2.8 %	Comp.	NOR
DNO INVEST AS	5 668 222	2.2 %	Comp.	NOR
MORGAN STANLEY	5 483 918	2.1 %	Nom.	GBR
OM HOLDING AS	5 401 000	2.1 %	Comp.	NOR
BALANCED ROCK AS	5 250 130	2.0 %	Comp.	NOR
SIX SIS AG	5 134 962	2.0 %	Nom.	CHE
RBC DEXIA INVESTOR SERVICES BANK	5 112 500	2.0 %	Priv.	NOR
JONNY HESTHAMMER AS	5 109 725	2.0 %	Comp.	NOR
DNB NOR SMB VPF	4 500 000	1.7 %	Comp.	NOR
UBS AG, LONDON BRANCH	4 205 661	1.6 %	Nom.	GBR
ODIN NORGE	3 814 500	1.5 %	Comp.	NOR
JPMORGAN CHASE BANK	3 627 744	1.4 %	Nom.	LUX
BANK OF NEW YORK	3 000 000	1.1 %	Nom.	GBR
CREDIT SUISSE SECURITIES	3 000 000	1.1 %	Nom.	GBR
GOLDMAN SACHS INT	2 716 215	1.0 %	Nom.	GBR
COLLINS THOMAS ARTHUR	2 603 626	1.0 %	Priv.	USA
BANK OF NEW YORK	2 583 655	1.0 %	Comp.	GBR
VPF NORDEA SMB	2 553 213	1.0 %	Comp.	NOR
DEXIA BANQUE INTERNATIONALE	2 382 825	0.9 %	Comp.	LUX
RBC DEXIA INVESTOR SERVICES BANK	2 255 000	0.9 %	Nom.	LUX
Other	180 776 135	68.8 %		
Total number of shares	262 612 031	100 %		

Source: First Securities estimates, company data

E&P asset description

Rocksourc has an asset portfolio comprised of exploration licences in Norway, the UK, India, West Africa and the Gulf of Mexico. Rocksourc currently holds eight licenses offshore Norway, consisting of 18 blocks or part blocks, and six licenses on the United Kingdom Continental Shelf (UKCS). In addition to the exploration portfolio, the company also owns onshore gas production in the US and two discoveries in Gulf of Mexico.

Production

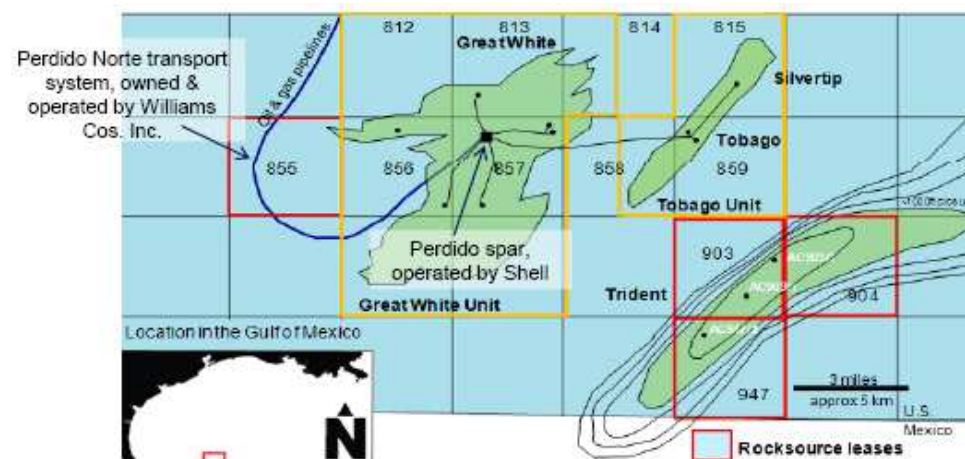
Rocksourc has currently onshore gas production in the US. The production level is relative low at 500-600 boe/day and has a high decline rate. As these assets not a part of future strategy, we expect that the assets will be divested over the next couple of quarters.

Main discoveries

Thunder: The licence is located in the Gulf of Mexico and holds the Thunder discovery. The prospect is not yet EM tested.

Trident: The Trident discovery is located in the south western part of the Gulf of Mexico. In November Rocksourc received a third-party review of resources of 58 mmboe oil and 61 Bscf of gas, together 69 mmboe, as the best estimate. 85% of the hydrocarbon volumes are oil. Rocksourc has initiated further studies to test the potential in Trident and aims to farm down to a development operator in 2011.

Trident discovery located in the south west of the GoM



Source: Company data

Exploration portfolio

The major exploration assets are located in Norway, India and ACG / Senegal. In Norway there are three to four high potential wells that are planned to be drilled in 2011. Among these, PL 530 ("The Golden block") is probably the most exciting one. During 2011 the company also plans to drill the Kora exploration well in ACG in West Africa. Originally, Rocksourc had a 5% stake in this prospect, but the owner share increases to 15% when one well is drilled and finally to 25% if a second well is drilled. In the US the company's activities have been delayed following the BP blow-out and strategic alternatives to reduce its exposure to this part of the portfolio are being considered.

Near term exploration

Name	Location	RGT share	Other partners	Likely drilling	Gross prospect size , mmboe (RGT est.)
Kora	ACG Profond / Senegal	5-25%*	Ophir Energy, 63-83%* L'Enterprise, 12%	1Q11	450 mmboe
Breiflabbb	North Sea, PL 416	35 %	E.ON Ruhrgas, 50% Det Norske, 15%	2/3Q11	170 mmboe
Heilo	Barents Sea, PL 530	20 %	Gaz de France, 40% North Energy, 20%	3Q11	200 mmboe
Norvarg	Barents Sea, PL 535	20 %	Front Exploration, 20% Total, 40% Det Norske, 20% North Energy, 20%	2Q11	270 mmboe

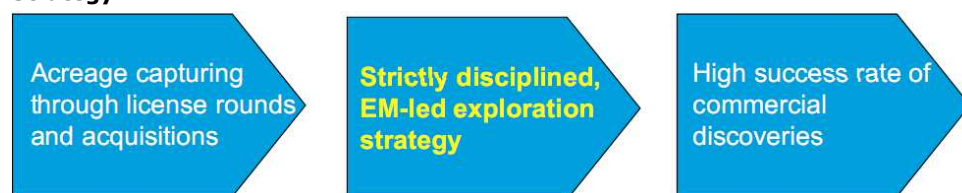
* Original owner share of 5%, which increases to 15% and 25% if one or two more wells are drilled

Source: First Securities estimates and company data

Strategy

The company's strategy is to utilise its EM data interpretation skills to achieve high exploration success rates. By solely focusing EM positive prospects Rocksourc aim to significantly de-risk its portfolio compared to conventional selection methods. A consequence of the strategy is the company drills relatively few exploration wells, but with an anticipated high chance of success when a prospects actually is drilled.

Strategy



Source: Company data

Technology

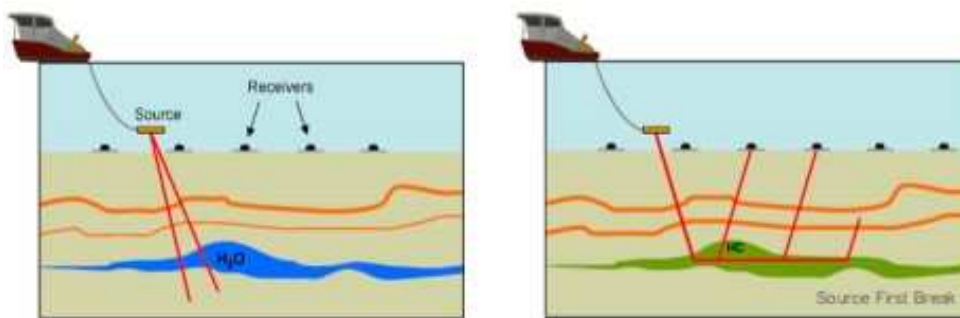
In addition to its portfolio of exploration and discoveries, Rocksourc possesses an internally developed technology and analysis methodology for interpretation of EM (electromagnetic) data. The company's strategy is to utilise its EM data interpretation skills to achieve a higher hit ratio for an exploration portfolio.

This is EM

In contrast to seismic, which uses acoustic signals to detect hydrocarbons, EM uses electromagnetic signals to detect hydrocarbons. EM adds a new dimension to the toolkit when analysing geological data. CSEM (controlled source electromagnetic sounding) measures resistivity contrasts in the subsurface. In essence, it shows which parts of the subsurface are resistive. While these areas can contain hydrocarbons, it can also contain salt, carbonates or volcanic rocks, which are other examples that will cause resistivity contrasts. In addition, natural background noise as well as source and receiver noise can complicate the analysis.

EM data is gathered by dragging a source above several receivers containing electric antennae and magnetic coils placed on the seabed. The source emits electromagnetic energy with low frequency. Where there is high resistivity, the electromagnetic signals resonate more strongly back to the receivers.

EM data gathering

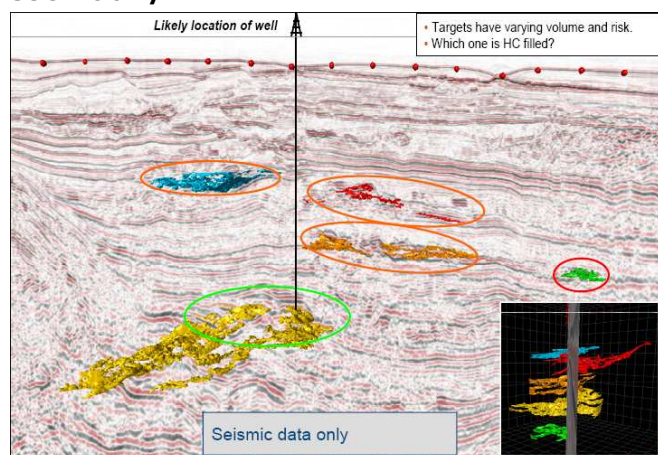


Source: Rocksource

This results in a normalised plot, which can be further analysed to evaluate if the resistivity anomaly has resulted from hydrocarbons or other known resistive sources. Using EM beyond its limits will not provide value added information, and is the source of much debate regarding EM. The “EM window” can be said to be limited by the following:

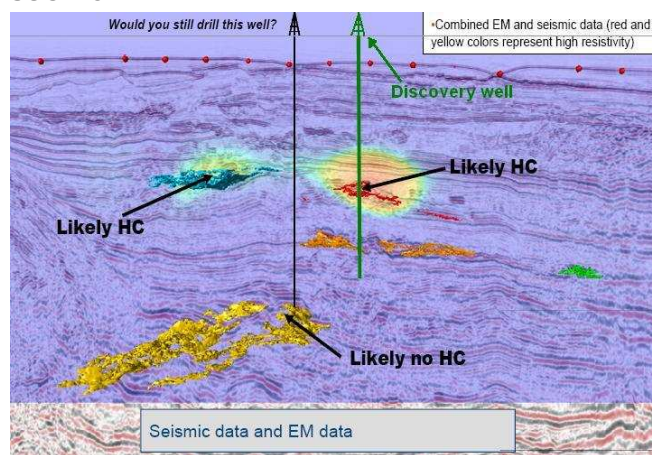
It is important to note that EM is not a technology that will determine if there are hydrocarbons in the subsurface. It will only provide a resistivity reading, and further interpretation is needed to turn the EM data into valuable information. Used as a tool in conjunction with geological studies and seismic data, EM can significantly increase the probability of a hydrocarbon discovery. EM technology addresses a main weakness associated with seismic data. Whereas seismic data can successfully define a structure, it is not reliable as a fluid indicator. Seismic energy reacts to variations in rock density and velocity. EM energy reacts to variations in resistivity. This is why resistivity logs provide a main input to identifying hydrocarbon zones when drilling wells.

Seismic only



Source: Rocksource

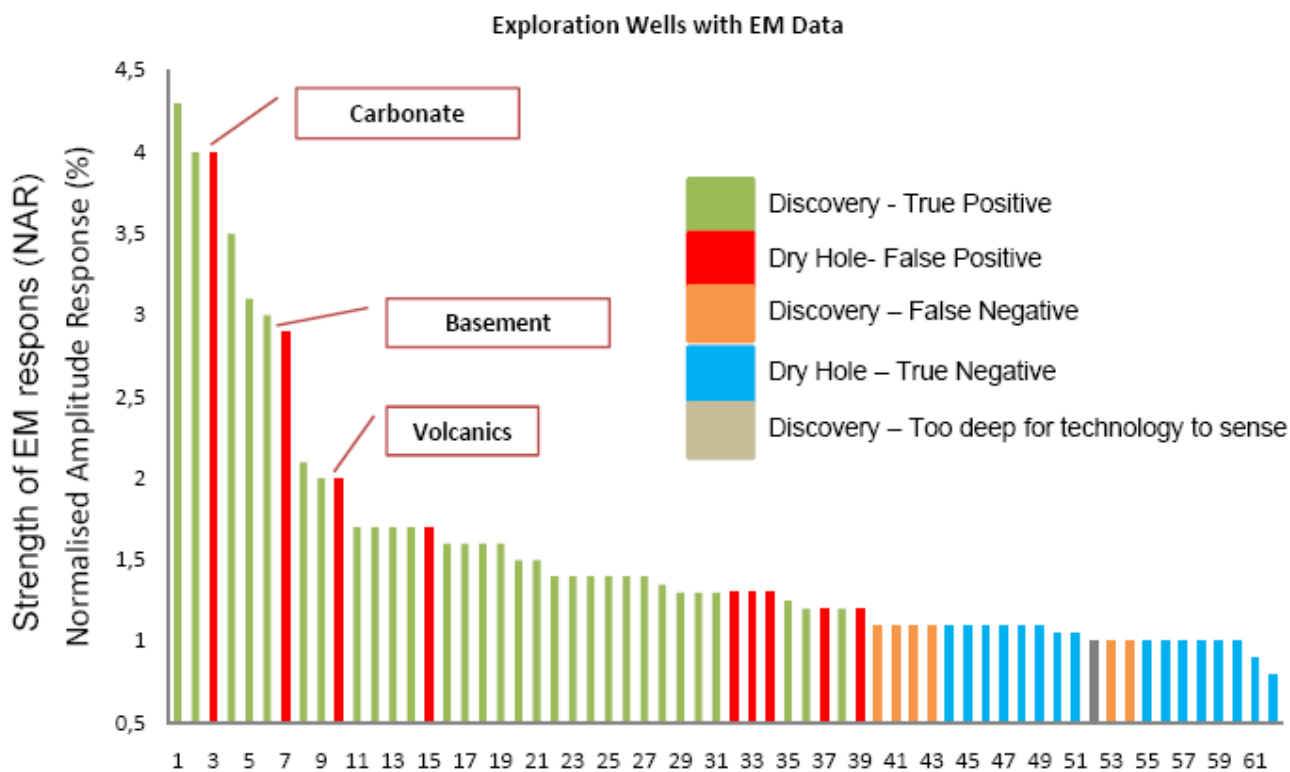
Seismic + EM



Source: Rocksource

Rocksource has built an organisation with expertise in EM data analysis and interpretation, as well as the tools and algorithms needed to process the data effectively. It combines this additional data with all other conventional exploration techniques to be able to view one more piece of the puzzle before drawing conclusions. A sample of over 50,000 projects using seismic technology had an average discovery rate of 25%, while a sample of 50 projects with EM data collected had a technical discovery rate of roughly 70%.

EM sample discovery rate



Source: Rocksource

Estimates and assumptions

Given the company's strategy to focus on the exploration part of the value chain, the key financial items going forward will be exploration expenses and well as drilling results from prospected wells. For oil and gas companies, the accounting principle is that seismic activities and dry exploration wells are expensed in the P&L and successful exploration wells (i.e. discoveries) are capitalised in the balance sheet. Whether these costs are expensed or capitalised does not impact the company's cash flow or tax position.

Financial estimates and exploration costs

Rocksourc has a low production level and we thus expect P&L figures going forward to be negative. The main financial items over the next few quarters are 1) exploration expenditures (seismic and dry wells are charged over the P&L, successful wells are capitalised), and 2) utilisation of exploration loan facilities. The latter refers to the fact that banks are willing to finance a material portion of exploration expenses given a pledge in the tax receivable generated from exploration activities.

Estimated drilling cost

Prospect	Est dilling	RGT %	Est cost bef tax	Est cost after tax	Est cash req @ time of drilling
Kora	1Q11	15-25%	78	78	78
Breiflabbb	2/3Q11	35 %	118	26	35
Norvarg	2/3Q11	20 %	144	32	43
Heilo	3/4Q11	20 %	86	19	26
Jønshornet	3/4Q11	20 %	58	13	17
Amazon	3/4Q11	60 %	158	35	48
Ivory	1Q12	30 %	130	29	39
Mulle	1/2Q12	10 %	24	12	24
Typhoon	2/3Q12	15 %	43	22	43
Puffin	2/3Q12	50 %	168	37	50
Auchentoschan	4Q12	60 %	173	38	52
Sum			1 180	339	456

*Note: We assume that RGT will farm down in several of the prospects before any drilling commences
Source: FS estimates and company data*

Yearly financial estimates

P&L, NOKm	2009	2010E	2011E	2012E	2013E	2014E	2015E
Total revenues	106	69	40	33	27	22	20
EBITDA	-234	-220	-443	-237	-243	-248	-251
EBITDA margin	-222 %	-321 %	-1098 %	-728 %	-911 %	-1104 %	-1276 %
EBIT	-314	-362	-470	-255	-255	-255	-256
EBIT margin	-298 %	-528 %	-1165 %	-782 %	-954 %	-1138 %	-1302 %
Pretax profit	-355	-386	-489	-283	-276	-280	-284
Pretax profit margin	-336 %	-563 %	-1212 %	-867 %	-1035 %	-1247 %	-1442 %
Tax	138	143	350	185	183	185	186
Minorities	0	0	0	0	0	0	0
Net income	-217	-243	-139	-98	-93	-95	-98
Rec. EPS	0.00	-0.28	-0.52	-0.82	-0.96	-0.89	-0.80
Balance sheet, NOKm	2009	2010E	2011E	2012E	2013E	2014E	2015E
Total fixed assets	469	501	846	776	823	876	932
Cash and equivalents	166	249	-64	-423	-595	-741	-894
Other current assets	137	14	11	9	27	23	21
Total Assets	772	763	793	363	255	158	59
Total equity	381	391	252	154	62	-34	-132
Total non current liabilities	204	324	324	128	128	128	128
Total current liabilities	187	48	0	0	0	0	0
Total equity and liabilities	772	763	576	282	189	94	-4
NIBD (cash)	141	76	563	593	760	905	1 058
NIBD incl tax receivable	-20	-60	258	401	567	713	866
Cash flow, NOKm	2009	2010E	2011E	2012E	2013E	2014E	2015E
Cash flow from operations	-97	-161	-328	38	-98	-77	-85
Cash flow from investments	-134	-18	-159	-68	-68	-68	-68
Cash flow from financing (incl FX)	128	262	174	-329	-6	0	0
Change in cash	-103	82	-313	-359	-173	-145	-153
Cash CB	166	249	-64	-423	-595	-741	-894

Source: FS estimates and company data

Quarterly financial estimates

P&L, NOKm	1Q10	2Q10	3Q10	4Q10E	1Q11E	2Q11E	3Q11E
Total revenues	20	17	21	11	11	10	10
EBITDA	-52	-98	-52	-18	-70	-137	-98
EBITDA margin	-261 %	-592 %	-251 %	-156 %	-627 %	-1346 %	-1010 %
EBIT	-63	-213	-60	-26	-78	-144	-104
EBIT margin	-319 %	-1284 %	-286 %	-229 %	-696 %	-1415 %	-1077 %
Pretax profit	-66	-201	-90	-30	-81	-148	-110
Pretax profit margin	-331 %	-1211 %	-430 %	-264 %	-721 %	-1452 %	-1132 %
Tax	30	64	33	15	56	108	77
Minorities	0	0	0	0	0	0	0
Net income	-35	-137	-57	-14	-25	-40	-32
Rec. EPS	-0.20	-0.15	-0.13	-0.05	-0.09	-0.15	-0.12

Balance sheet, NOKm	1Q10	2Q10	3Q10	4Q10E	1Q11E	2Q11E	3Q11E
Total fixed assets	499	480	493	501	435	587	692
Cash and equivalents	85	289	264	249	214	104	89
Other current assets	141	167	137	14	150	149	148
Total Assets	726	936	895	763	800	840	929
Total equity	347	443	406	391	366	326	294
Total non current liabilities	231	280	324	324	324	324	324
Total current liabilities	147	212	165	48	109	190	311
Total equity and liabilities	726	936	895	763	800	840	929

NIBD (cash)	239	74	158	76	172	365	503
NIBD incl tax receivable	99	-135	-84	-60	28	153	198

Cash flow, NOKm	1Q10	2Q10	3Q10	4Q10E	1Q11E	2Q11E	3Q11E
Cash flow from operations	-103	-64	-76	81	-73	-142	-104
Cash flow from investments	-2	-10	-6	0	-23	-51	-34
Cash flow from financing (incl FX)	24	277	57	-96	61	83	123
Change in cash	-81	203	-25	-15	-34	-110	-15
Cash CB	85	289	264	249	214	104	89

Note: RGT is currently in negotiation to divest its US onshore assets. Potential proceeds from this transaction is not included in out cash and cash flow estimates.

Source: FS estimates and company data

Financing requirements

Rocksourc e is well funded for its 2011 exploration programme, but will face external financing needs for further exploration and development of potential discoveries. As the current debt capacity is low, we think that equity is the most likely funding source beyond 2011. The table and chart below shows our current estimated NAV and three scenarios for a post share issue NAV. We have assumed that RGT will raise NOK 500m in equity. For these three scenarios we estimate a post share issue NAV in the range of NOK 4.5 to NOK 7.1/share.

Dilution scenarios

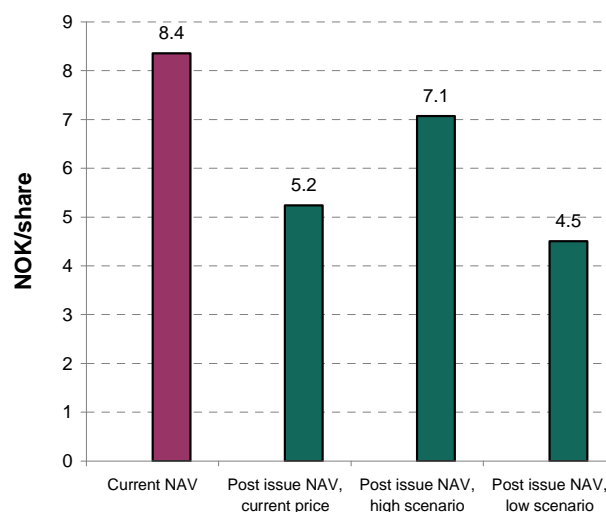
Assumptions financing scenarios	
Issued amount , NOKm	500
Subscription discount	0.2
Existing number of shares	262.0

As is scenario, share price at NOK 2.7/share	
NAV, NOK/share	8.4
Assumed share price	2.7
Subscription price	2.2
# shares issued, mill	231.5
Post issue NAV, current price	5.24

High scenario, share price at NOK 6/share	
NAV, NOK/share	8.4
Assumed share price	6.0
Subscription price	4.8
# shares issued, mill	104.2
Post issue NAV, high scenario	7.07

Low scenario, share price at NOK 2/share	
NAV, NOK/share	8.4
Assumed share price	2.0
Subscription price	1.6
# shares issued, mill	312.5
Post issue NAV, low scenario	4.50

Dilution scenarios



Note: The calculations assume that net cash position before a share issue is zero.

Source: FS estimates

Source: FS estimates

Tax regime

As a non-mature upstream oil company, Rocksourc benefits from the exploration-friendly regime under Norwegian petroleum tax legislation. A quick review of the tax regimes may be useful.

The Norwegian petroleum tax regime in brief

The Norwegian tax regime for upstream activities is based on the regular Norwegian corporate tax system with a marginal tax rate of 28%, albeit with some adjustments. In addition, a special petroleum tax of 50% is applied to certain parts of a company's taxable income, which brings the marginal tax rate for upstream activities to 78%. Thus, total tax for upstream activities is based on 1) the ordinary corporate tax base and 2) the special petroleum tax base.

The corporate tax base is defined (simplified) as revenues minus opex, depreciation, exploration costs, net financial costs, exploration and losses carried forward. Depreciations are calculated by using a six-year linear schedule that applies to production equipment and pipelines. Revenues are calculated based on a norm price set by the Norm Price Board.

The special tax base is calculated from the corporate tax base, deducted for an uplift allowance from offshore installation. The uplift is 7.5% annually of investments in offshore installations over a four-year period, in total 30%. Put differently, many assets can be depreciated by 130% (100% related to the corporate tax and 30% related to the special tax).

The advantages of the Norwegian petroleum tax regime

The Norwegian petroleum tax system implies a high marginal tax rate for mature companies with a significant portion of production activities compared to exploration and development activities. However, the system does have several advantages: licenses are awarded for free, but companies are committed to carrying through certain activities in order to obtain the licences. Exploration costs are 78% tax deductible and refundable in the fourth quarter the year after the relevant costs are incurred. The refund is limited to the taxable loss; i.e. the refunded amount is a minimum of 78% of exploration costs and the taxable loss. The exploration refund system enables smaller upstream players to engage in significant exploration activities, as the tax receivable often can be used as collateral for banks providing financing for exploration activities. Assets (exploration, development or production) are sold and purchased on an after-tax basis.

The post-2005 petroleum tax regime in Norway implies that 78% of exploration expenses are refundable. The deferred tax benefit is transformed into cash and minimises funding requirements (below left) compared to other fiscal regimes (below right). Total taxes paid by a company are not impacted by the refund scheme; however, the timing is changed in favour of the E&P players.

Norwegian tax system before and after 2005

Norwegian tax system after 2005				Norwegian tax system before 2005			
Year	1	2	3	Year	1	2	3
P&L				P&L			
Revenue	0	0	0	Revenue	0	0	0
EBITDA	0	-500	-10	EBITDA	0	-500	-10
Tax	0	390	8	Tax	0	390	8
Net income	0	-110	-2	Net income	0	-110	-2
Balance sheet				Balance sheet			
Equity	500	390	388	Equity	500	390	388
Liabilities	0	0	0	Liabilities	0	0	0
Equity & liab.	500	390	388	Equity & liab.	500	390	388
Deferred tax asset	0	0	8	Deferred tax asset	0	390	398
Tax refund	0	390	0	Tax refund	0	0	0
Curr assets & cash	500	0	380	Curr assets & cash	500	0	-10
Total assets	500	390	388	Total assets	500	390	388
Cash flow				Cash flow			
Operations	0	-500	380	Operations	0	-500	-10
Investments	0	0	0	Investments	0	0	0
Financing	500	0	0	Financing	500	0	0

Assumptions for example:

- *Company is established in year one with cash opening balance of NOK 500m*
- *One exploration drilling carried out, pre-tax cost of NOK 500m in year one. The exploration well is dry and thus expensed in the P&L*
- *Annual G&A expenses of NOK 10m*
- *No taxable profit and all taxable deduction are under the 78% tax regime (simplification)*
- *No exploration loan facility is included in the example*

Source: First Securities estimates and company data

Bond and debt overview

Estimated rating: No rating

Key risks: Cash flow US operations, refinancing in 2012

Triggers for re-pricing: na

Bonds outstanding

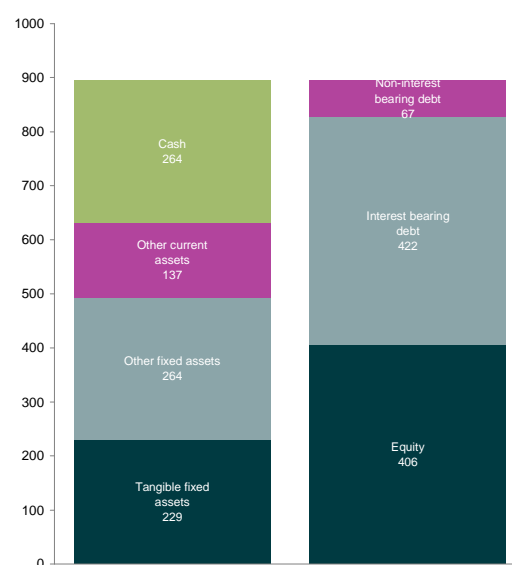
	Amount outstanding	Maturity	Coupon	Security	Call options	Bid/offer	Spread bid/offer
FRM Rocksourc ASA Senior Secured Callable and Putable Bond	NOK 200m	04 May 2012	3m NIBOR + 3.00%	Share pledge guarantee, Rocksourc GoM assets, RUK Security Documents	Mar 2012 @ 102%	-	-

Source: First Securities estimates and company data

Key figures (NOKm)

CASH FLOW (NOKm)	2008	2009	2010	2011	2012	2013	2014	2015
Revenues	287	106	69	40	33	27	22	20
EBITDA	15	-234	-220	-443	-237	-243	-248	-251
Net interest expenses	-19	-18	2	-19	-28	-22	-25	-28
Capex	-110	-134	-18	-159	-68	-68	-68	-68
Tax, NWC and other	-190	155	56	134	303	166	195	194
FCF	-304	-231	-180	-487	-30	-167	-145	-153
BALANCE ITEMS	2008	2009	2010	2011	2012	2013	2014	2015
Total assets	890	772	763	793	363	255	158	59
Cash	269	166	249	-64	-423	-595	-741	-894
Interest bearing debt	325	308	325	499	171	164	164	164
Equity	486	381	391	252	154	62	-34	-132
CREDIT RATIOS	2008	2009	2010	2011	2012	2013	2014	2015
EBITDA-margin	5 %	-222 %	-321 %	-1098 %	-728 %	-911 %	-1104 %	-1276 %
ROCE	-8 %	0 %	-225 %	-223 %	-370 %	-344 %	-81 %	3254 %
ROE	12 %	0 %	-120 %	-180 %	-209 %	-347 %	90 %	-241 %
Equity ratio	55 %	49 %	51 %	32 %	43 %	24 %	-21 %	-222 %
NIBD/Total assets	6 %	18 %	10 %	71 %	164 %	298 %	572 %	1784 %
Debt/(Mcap+Debt)	11 %	100 %	10 %	15 %	6 %	5 %	5 %	5 %
EBITDA/gross interest	0.4x	n.m.	-0.8x	-3.3x	-3.0x	-4.6x	-6.4x	-7.8x
Debt/EBITDA	22.2x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
NIBD/EBITDA	3.8x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

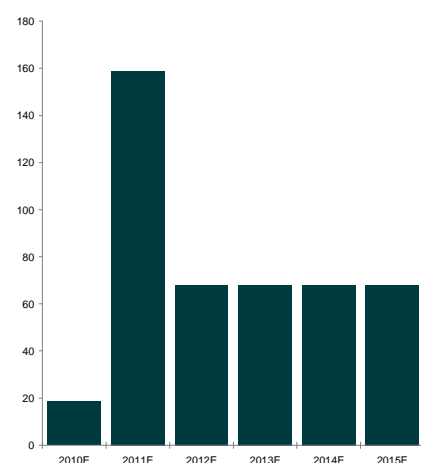
Balance sheet as of 3Q10 (NOKm)



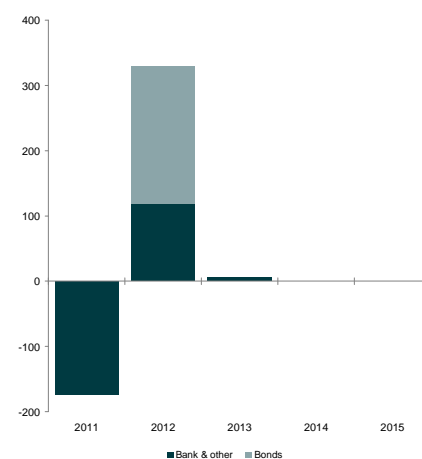
Source: First Securities estimates and company data

Note: ROCE: Return on capital employed = EBIT/(Book equity + Interest bearing debt)

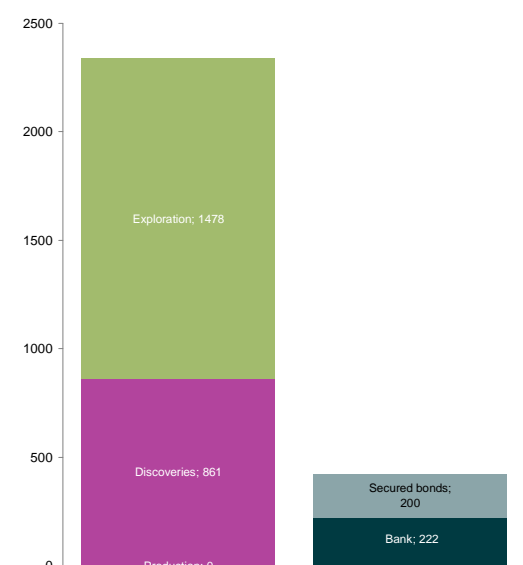
Capex schedule (NOKm)



Est. debt maturity (NOKm)



DCF-values vs. debt (NOKm)



Source: First Sec estimates and company data

Note: Negative values for debt maturity indicate gross debt increase related to the exploration loan facility, capex related primarily to capitalised exploration

Source for all data: First Securities estimates, Stamdata and company data

Valuation

In line with our valuation approach for oil minors, we have valued Rocksourc on a sum-of-the-parts basis. In our view, a sum-of-the-parts approach is the correct valuation methodology for minor oil companies, as earnings-based approached valuation methods normally underestimate (or in some cases grossly overestimate) the underlying value of the company's assets. For Rocksourc's sake, a multiple-based approach would fall short, because we do not expect the company to make any accounting profits in the few next years as we do not expect the company to generate any revenue in the next few years. Compared to its peers Rocksourc's asset mix is skewed towards exploration assets.

The main assets and the applied valuation methodology are:

- **Discoveries in GoM:** These assets are valued by a DCF analysis which assumes a production start up in eight to ten years, adjusted for applicable federal taxes, state taxes and royalties.
- **Exploration:** We have assessed a value per barrel depending on under which fiscal regime the exploration is carried out under and on distance to existing infrastructure, adjusted for an appropriate risk factor.
- **Technology:** In our view, the RGT's technology contributes to high-grade the exploration portfolio and the value is thus implicitly included in the value of the assets.

In sum, we estimate a NAV for Rocksourc at NOK 7 per share. The bulk of our NAV is cash and the firm exploration wells. The value of the US gas production, which the company has decided to divest, is included in the net cash at NOK 57m, or NOK 0.21/share.

Sum of the parts

Asset	Area	Stake	Net mboe*	USD/boe	Unrisked USDm	Prob.	Risked NOKm FS assumpt.	Risked NOK/share FS case	Risked NOK/share low case	Risked NOK/share Fwd curve
Production										
US onshore	US	70-75%	1.4	3.6	5.0	100 %	32	0.12	0.12	0.12
Sum Production			1.4	3.6	5.0	100 %	32	0.12	0.12	0.12
Discoveries										
Trident	US	100.0 %	69.0	4.7	327.3	40 %	825	3.14	1.51	3.20
Thunder	US	100.0 %	5.0	3.8	18.9	30 %	36	0.14	0.07	0.14
Sum discoveries			74.0	8.5	346	39 %	861	3.28	1.57	3.33
Exploration										
PL 416 Breiflabb	Norway	35.0 %	28.0	2.0	56	40 %	141	0.54	0.54	0.54
PL 451 Jønshornet	Norway	20.0 %	0.0	0.0	0	30 %	0	0.00	0.00	0.00
PL 506 Puffin	Norway	50.0 %	0.0	0.0	0	30 %	0	0.00	0.00	0.00
PL 515 Auchentoschan	Norway	60.0 %	0.0	0.0	0	30 %	0	0.00	0.00	0.00
PL 528 Ivory	Norway	30.0 %	0.0	2.0	0	30 %	0	0.00	0.00	0.00
PL 530 Heilo	Norway	20.0 %	49.0	2.0	98	50 %	309	1.18	1.18	1.18
PL 559 Amazon	Norway	60.0 %	0.0	2.0	0	30 %	0	0.00	0.00	0.00
PL 535 Norvarg	Norway	20.0 %	54.0	1.0	54	30 %	102	0.39	0.39	0.39
GOM 1-4	US	10%-100%	10.0	2.0	20	30 %	38	0.14	0.14	0.14
Kora	ACG / Senegal	15%-25%	90.0	2.0	180	50 %	567	2.16	2.16	2.16
CY DWN 2001/1	India	10.0 %	170.0	1.0	170	30 %	321	1.22	1.22	1.22
P 1484 & 1488 Typhoon	UK	15.0 %	0.0	2.0	0	30 %	0	0.00	0.00	0.00
P 1067 Mulle	UK	10.0 %	0.0	0.0	0	30 %	0	0.00	0.00	0.00
P 1573/1574 Lusca	UK	20.0 %	0.0	0.0	0	30 %	0	0.00	0.00	0.00
Sum exploration			401.0	16.0	578	38 %	1 478	5.63	5.63	5.63
Overhead					-40		-253	-0.96	-0.96	-0.96
Gross asset value							2 117	8.07	6.36	8.12
Net cash (debt)							135	0.52	0.52	0.52
Drilling commitment India							-30	-0.11	-0.11	-0.11
Tax claim							-30	-0.11	-0.11	-0.11
NPV of Equity							2 222	8.35	6.65	8.41

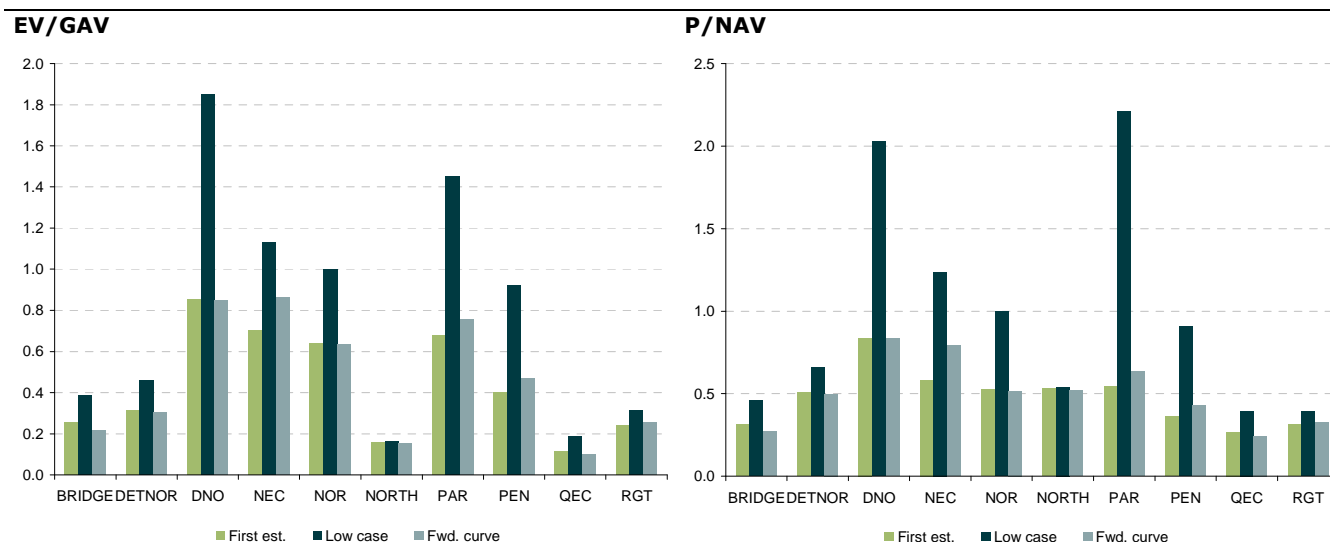
Notes:

- Our fundamental valuation of E&P companies is based on a blend of traditional cash flow analysis and relative approaches (e.g. USD/boe). We think that these methods provide the most accurate estimate for the underlying asset values. However, historically small cap E&P companies have been traded at a discount to fundamental valuations. To assess a typical fair target price, based on the stock market's valuation, we have analysed which levels small cap E&P companies have been traded on compared to their fundamental value and thus apply a discount to our GAV & NAV estimates.
- WACC = 12%

Source: First Securities estimates and company data

Peer group comparison and relative valuation

The charts below summarise our estimated P/NAV and EV/GAV for our small cap E&P universe. As can be seen from the charts, Rocksourc is currently valued at the lower end of the range for its peers group, both on P/NAV and EV/GAV measures.



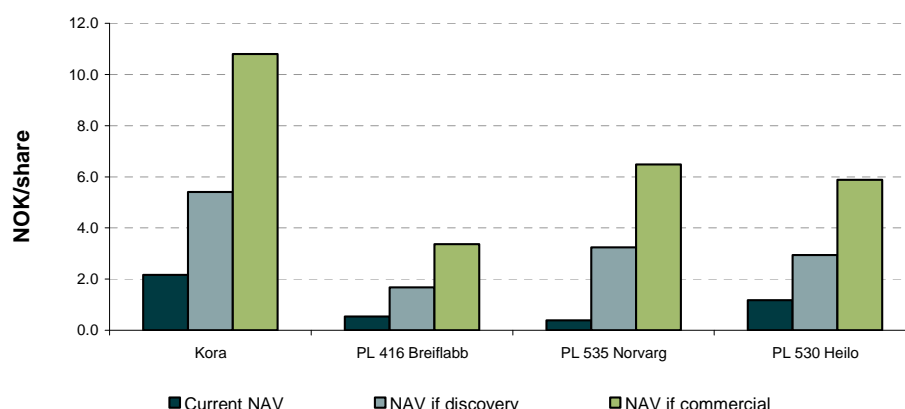
Source: First Securities estimates and company data

Source: First Securities estimates and company data

Value scenarios for exploration drilling

Rocksourc plans to drill approximately one exploration well each quarter. These wells comprise a large portion of the estimated NAV and therefore the outcome of these wells will have an explosive impact on our valuation and future target price. The chart below indicates the potential estimated values under various scenarios, including whether oil is discovered and the prospects are declared to be commercially viable. Assuming dry wells, the likely reduction in our NAV corresponds to our current valuation of the prospects, which is represented by the dark green bars.

NAV scenarios of upcoming drilling



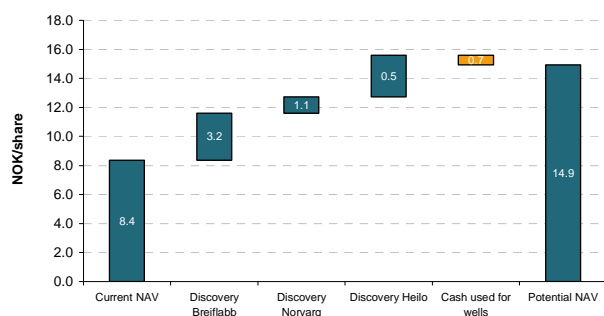
Source: First Securities estimates, company data

Upside potential and downside risks to our valuation

In general, our valuation of the company could change materially if we observe certain company-specific factors or market factors that could potentially alter our estimates and perceptions of the success of Rocksourc's future exploration activities. We believe that

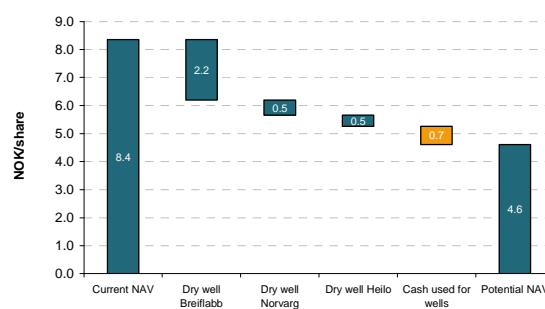
both the upside and downside potential is significant. We consider that the main upside potential in our valuation is related to exploration wells drilled in Norway. However, both the Kora prospect in West Africa and exploration in India could provide material upside potential. The charts below illustrate the estimated upside and downside potential, assuming various degrees of exploration success for the next three wells to be drilled in Norway.

Valuation upside potential exploration NCS



Source: First Securities estimates and company data

Valuation downside risk exploration NCS



Source: First Securities estimates and company data

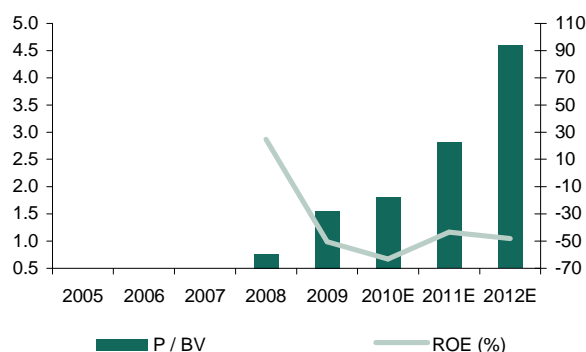
Drilling hit ratio is key to success

As almost the entire asset base of Rocksoruce consists of exploration licences, the company's future success and investors' returns are heavily dependent upon the exploration hit ratio.

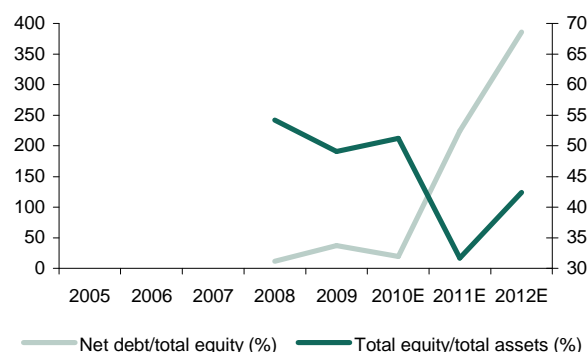
In general, one can say that the hit ratio in the North Sea is high and the size of potential prospects is small, while in contrast both the Norwegian Sea and the Barents Sea offer a low hit ratio and potential discoveries that are huge. Rocksoruce's strategy of de-risking exploration by achieving a higher hit ratio can greatly benefit the risk/reward perception of the stock. Our overall valuation implies a volume-weighted hit ratio of 37%.

Company Information

ROE vs. P/BV



Net debt/total equity vs. Total equity/total assets



Other company information

CEO	Trygve Pedersen
CFO	Tommy Sundt
IR	Per Anders Muri
Website	www.rocksource.no
Tel	+47 05369
Address	Thormøhlensgate 53 D, Postboks 994 Sentrum, N-5808 Bergen
Annual meeting	00 January 0000
Dividend paid date	00 January 0000

Shareholders

	Votes	Capital
ODIN OFFSHORE	2.8%	2.8%
DNO INVEST AS	2.2%	2.2%
MORGAN STANLEY	2.1%	2.1%
OM HOLDING AS	2.1%	2.1%
BALANCED ROCK AS	2.0%	2.0%
SIX SIS AG	2.0%	2.0%
RBC DEXIA INVESTOR SERVICES BANK	2.0%	2.0%
International investors	na	na
Free float	100.0%	100.0%
A/B-votes	1	1

Quarterly P&L estimates

Quarterly P&L estimates (MNOK)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010E	Q4 2010E
Net Sales	29	23	30	20	25	24	18	8
EBITDA	3	- 13	- 46	- 20	26	- 98	- 52	- 18
EBITA	- 15	- 28	- 58	- 53	14	- 213	- 60	- 26
EBIT	- 15	- 28	- 58	- 53	14	- 213	- 60	- 26
Non-recurring items	0	0	0	0	0	0	0	0
Operating profit	- 15	- 28	- 58	- 53	14	- 213	- 60	- 26
Income from associated companies	0	0	0	0	0	0	0	0
Net financial items	- 12	- 4	- 22	- 3	- 3	12	- 30	- 4
Reported pre-tax profit	- 27	- 32	- 80	- 57	12	- 201	- 90	- 30
Recurring pre-tax profit	- 22	- 32	- 64	- 55	13	- 199	- 66	- 30
Total tax	14	37	58	28	30	64	33	15
Minority interest	0	0	0	0	0	0	0	0
Reported net profit	- 13	5	- 22	- 28	42	- 137	- 57	- 14
Recurring net profit	- 7	6	- 6	- 27	43	- 135	- 33	- 14
EPS reported fully diluted	0.00	0.03	-0.12	-0.16	0.24	-0.62	-0.22	-0.05
EPS recurring	0.00	0.03	-0.04	-0.15	0.24	-0.61	-0.13	-0.05
Tax rate	52.7%	115.7%	72.4%	50.3%	-259.4%	31.9%	36.7%	51.8%

Recurring EPS excludes or normalises gains/losses on equity investments, asset sales/writedowns and currency positions and is based on long-term tax rates. Other valuation measures are based on such recurring earnings.

Annual P&L estimates & Balance sheet

Annual P&L estimates (MNOK)	2005	2006	2007	2008	2009	2010E	2011E	2012E
Net Sales	0	0	0	287	106	69	40	33
Other revenues	na	na	na	0	0	0	0	0
Operating costs	0	0	0	- 273	- 340	- 289	- 484	- 270
Cost of Goods Sold	na	na	na	- 47	- 31	- 19	- 11	- 8
R&D	na	na	na	0	0	0	0	0
Selling expenses	na	na	na	0	0	0	0	0
Administrative costs	na	na	na	- 78	- 77	- 65	- 82	- 84
Other operating costs	na	na	na	- 147	- 231	- 204	- 390	- 179
Write backs	na	na	na	0	0	0	0	0
EBITDA	0	0	0	15	- 234	- 220	- 443	- 237
Depreciation of property, plant & equipment	na	na	na	- 78	- 80	- 142	- 27	- 18
EBITA	0	0	0	- 64	- 314	- 362	- 470	- 255
Goodwill amortisation	na	na	na	0	0	0	0	0
Development and amortisation	na	na	na	0	0	0	0	0
EBIT	0	0	0	- 64	- 314	- 362	- 470	- 255
Write-downs	na	na	na	0	0	0	0	0
Capital gains	na	na	na	0	0	0	0	0
Restructuring charges and provisions	na	na	na	0	0	0	0	0
Other non-recurring items	na	na	na	0	0	0	0	0
Operating profit	0	0	0	- 64	- 314	- 362	- 470	- 255
Income from associated companies	0	0	0	0	0	0	0	0
Net interest	0	0	0	- 19	- 18	2	- 19	- 28
Interest Income	na	na	na	14	7	27	3	- 4
Interest expenses	0	0	0	- 33	- 25	- 25	- 22	- 23
Other financial items	0	0	0	13	- 23	- 27	0	0
Extra ordinary items	na	na	na	0	0	0	0	0
Reported pre-tax profit	0	0	0	- 69	- 355	- 386	- 489	- 283
Total tax	na	na	na	130	138	143	350	185
Minority interest	na	na	na	- 1	0	0	0	0
Reported net profit	0	0	0	60	- 217	- 243	- 139	- 98
Recurring net profit	0	0	0	47	- 195	- 216	- 139	- 98
EPS reported fully diluted	0.00	0.00	0.00	0.41	-1.22	-1.05	-0.53	-0.37
EPS recurring	0.00	0.00	0.00	0.32	-1.09	-0.94	-0.53	-0.37
Balance sheet, annual (MNOK)	2005	2006	2007	2008	2009	2010E	2011E	2012E
Goodwill	0	0	0	155	155	155	155	155
Other Intangible assets	0	0	0	31	50	121	324	385
Tangible assets	0	0	0	270	181	50	23	5
Shares and participations	0	0	0	0	0	0	0	0
Other fixed financial assets	0	0	0	27	50	137	305	193
Other fixed assets	0	0	0	0	33	38	38	38
Fixed assets	0	0	0	483	469	501	846	776
Inventories	0	0	0	0	0	0	0	0
Receivables	0	0	0	16	16	2	2	2
Cash and liquid assets	0	0	0	269	166	249	- 64	- 423
Other current assets	0	0	0	122	121	11	9	8
Current assets	0	0	0	407	303	263	- 53	- 413
Total Assets	0	0	0	890	772	763	793	363
Shareholders Equity	0	0	0	484	379	391	251	154
Minority interest	0	0	0	2	2	1	1	1
Convertible debt	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	2	0	6	6	6
Long-term interest bearing debt	0	0	0	230	204	318	318	121
Provisions for pensions	0	0	0	0	0	0	0	0
Deferred tax liability	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0	0
Short-term interest bearing debt	0	0	0	95	104	7	182	50
Accounts and notes payable	0	0	0	65	60	28	23	19
Other short-term liabilities	0	0	0	12	23	12	12	12
Total Liabilities & Equity	0	0	0	890	772	763	793	363

Cash Flow & Key figures

Cashflow analysis, annual (MNOK)	2005	2006	2007	2008	2009	2010E	2011E	2012E
Operating profit	0	0	0	- 64	- 314	- 362	- 470	- 255
Depreciation & amortisation	0	0	0	78	80	142	27	18
Other non-cash adjustments	0	0	0	0	0	0	0	0
Net financial items	0	0	0	- 6	- 41	- 25	- 19	- 28
Paid taxes	0	0	0	0	0	109	137	305
Cash earnings in operations	0	0	0	- 194	- 97	- 155	- 326	40
Change in working capital	0	0	0	0	0	- 7	- 3	- 2
Operating cash flow	0	0	0	- 194	- 97	- 161	- 328	38
Capex	na	na	na	- 110	- 134	- 18	- 159	- 68
Other investments (including leasing)	0	0	0	0	0	0	0	0
Divestments of fixed assets	0	0	0	0	0	0	0	0
Free cash flow	0	0	0	- 304	- 231	- 180	- 487	- 30
Other investments in fixed financial assets	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	0	0	0	0	0	0	0
Free cash flow after Div & Acq	0	0	0	- 304	- 231	- 180	- 487	- 30
Dividend paid	0	0	0	0	0	0	0	0
Share issues & buy-backs	0	0	0	1	122	0	0	0
Change in interest-bearing liabilities	0	0	0	98	5	- 38	174	- 329
Others	0	0	0	0	0	0	0	0
Change in liquid capital / (debt)	0	0	0	- 205	- 103	- 218	- 313	- 359
FCF, excluding interest charges	0	0	0	- 271	- 206	- 155	- 465	- 7

Per share data (NOK)	2005	2006	2007	2008	2009	2010E	2011E	2012E
EPS reported fully diluted	0.00	0.00	0.00	0.41	-1.22	-1.05	-0.53	-0.37
EPS recurring	0.00	0.00	0.00	0.32	-1.09	-0.94	-0.53	-0.37
Cash earnings	0.0	0.0	0.0	0.9	-0.8	-0.4	-0.4	-0.3
Cash earnings recurring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.0	0.0	0.0	-1.3	-0.5	-0.7	-1.3	0.1
Free cash flow recurring	nm	nm	nm	-2.1	-1.3	-0.8	-1.9	-0.1
Book value	0.0	0.0	0.0	3.3	2.1	1.5	1.0	0.6
Book Value (ex Goodwill)	nm	nm	nm	2.2	1.3	0.9	0.4	nm
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Valuation	2005	2006	2007	2008	2009	2010E	2011E	2012E
EV/Sales	nm	nm	nm	1.5	6.9	nm	nm	nm
EV/EBITDA	nm	nm	nm	29.0	nm	nm	nm	nm
EV/EBIT	nm	nm	nm	nm	nm	nm	nm	nm
P/FCF	nm	nm	nm	nm	nm	nm	nm	nm
P/E recurring (Year End)	nm	nm	nm	7.8	nm	nm	nm	nm
P/E recurring (High)	nm	nm	nm	26.4	nm	nm	na	na
P/E recurring (Low)	nm	nm	nm	7.8	nm	nm	na	na
P/E	nm	nm	nm	6.1	nm	nm	nm	nm
P/BV	nm	nm	nm	0.76	1.55	1.81	2.81	4.59
P/BV (ex goodwill)	nm	nm	nm	1.11	2.63	2.99	7.30	nm
FCF-yield	nm	nm	nm	-83.0%	-39.2%	-25.4%	-69.0%	-4.3%

Margins	2005	2006	2007	2008	2009	2010E	2011E	2012E
Gross margin	na	na	na	83.6%	70.5%	72.0%	71.7%	77.0%
EBITDA margin	nm	nm	nm	5.1%	nm	nm	nm	nm
EBIT margin	nm	nm	nm	-22.1%	nm	nm	nm	nm
PTP margin	nm	nm	nm	-24.1%	nm	nm	nm	nm
Net margin	nm	nm	nm	20.8%	nm	nm	nm	nm
Recurring net margin	nm	nm	nm	-13.8%	nm	nm	nm	nm

Profitability	2005	2006	2007	2008	2009	2010E	2011E	2012E
FCF/Sales	nm	nm	nm	nm	nm	nm	nm	-92.1%
ROA	na	na	na	-5.5%	-39.8%	-43.8%	-58.9%	-71.6%
ROCE	na	na	na	-18.3%	-58.0%	-67.7%	-72.9%	-33.3%
ROIC	nm	nm	nm	-32.2%	-88.2%	-119.4%	-124.3%	-51.9%
ROE	nm	nm	nm	24.8%	-50.4%	-63.2%	-43.4%	-48.2%
ROE recurring	nm	nm	nm	-16.4%	-36.3%	-43.9%	-71.6%	-65.7%

Company specific disclaimer

Price target methodology and risks;

The target price is based on our SOTP valuation, adjusted for appropriate discounts

Critical assumptions;

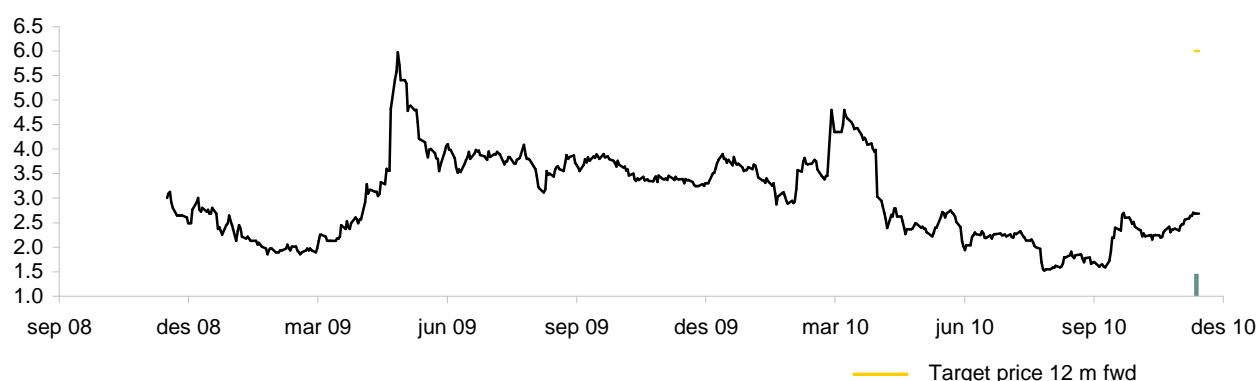
Exploration hit ratio, future oil and gas prices

Planned updates;

First Securities AS plans to update the recommendation on the company when;

- The price target is achieved or
- When new accounting figures are released or
- If any material news on the company or on the industry is released

Share price, rating history and target price 12 m fwd (NOK)*



*Note: Change in recommendation structure Jan 1 2008

Sources of information;

The sources have been;

- Annual reports from the company
- Quarterly reports from the company
- Presentation from the company
- JCF
- Reuters
- Bloomberg

Share ownership

First Securities AS may have holdings in the companies described herein as a result of market making operations and/or underlying shares as a result of derivatives trading. First Securities AS may buy or sell such shares both for own account, and as a principal agent. Due to internal professional secrecy such holdings are not known to others outside the department which carries out the operations.

Analyst Teodor Nilsen owns 0 Shares in Rocksourc.

Employees in First Securities AS own 30000 Shares in Rocksourc.

Details of stock holdings are updated once a week.

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General disclaimer

Recommendation structure and definitions

First Securities AS Research department operates with 5 recommendation categories based on expected absolute return for the security 12 months forward. The absolute return includes share appreciation and dividend yield combined.

Strong Buy:	The absolute return is estimated to be in excess of 15%
Buy:	The absolute return is estimated between 5% and 25%
Neutral:	The absolute return is estimated between 0% and 10%
Reduce:	The absolute return is estimated between 5% and -10%
Sell:	The absolute return is estimated to be less than -5%
Share price target:	All share price targets are based on a 12 month horizon

Model for value evaluation

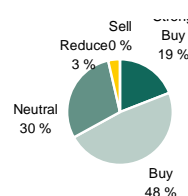
First Securities AS Research department bases the recommendations on a variety of standard valuation models. Shares are commonly valued on a DCF-basis, except financial companies. Price-to-book value relative to long term historical empirical averages and/or relative to Return on equity are commonly deployed as are Net Asset Value models for companies with liquid markets for their assets.

Shorter-term considerations are often included in the form of relative Price-to-Earnings ratios and Enterprise Value-to-Earnings before amortization, depreciation, interest and taxes.

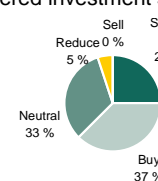
Distribution of recommendation as of 10 December 2010

	No of Stocks	% of total	Mcap-weighted rating
Strong Buy	22	19 %	56 %
Buy	55	48 %	25 %
Neutral	34	30 %	14 %
Reduce	4	3 %	6 %
Sell	0	0 %	0 %

Total distribution of recommendations



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Key data summary

P&L (MNOK)	2005	2006	2007	2008	2009	2010E	2011E	2012E
Sales	0	0	0	287	106	69	40	33
Sales growth	na	na	na	nm	-63.2%	-35.1%	-41.1%	-19.1%
EBITDA	0	0	0	15	- 234	- 220	- 443	- 237
EBITDA margin	na	na	na	5.1%	-221.8%	-320.9%	-1098.4%	-727.6%
EBIT	0	0	0	- 64	- 314	- 362	- 470	- 255
EBIT margin	nm	nm	nm	-22.1%	nm	nm	nm	nm
Non-recurring items	na	na	na	0	0	0	0	0
Income from associated companies	0	0	0	0	0	0	0	0
Net financial items	0	0	0	-6	-41	-25	-19	-28
Reported pre-tax profit	0	0	0	- 69	- 355	- 386	- 489	- 283
Reported net profit	0	0	0	60	- 217	- 243	- 139	- 98
Recurring net profit	0	0	0	47	- 195	- 216	- 139	- 98
Cash flow	2005	2006	2007	2008	2009	2010E	2011E	2012E
Operating cash flow	0	0	0	- 194	- 97	- 161	- 328	38
Capex	na	na	na	- 110	- 134	- 18	- 159	- 68
Other net investments in fixed assets	0	0	0	0	0	0	0	0
Free cash flow	0	0	0	- 304	- 231	- 180	- 487	- 30
Other investments/divestments	0	0	0	0	0	0	0	0
Free cash flow after Div & Acq	0	0	0	- 304	- 231	- 180	- 487	- 30
Financing activities	0	0	0	- 99	- 128	38	- 174	329
Change in liquid capital	0	0	0	- 205	- 103	- 218	- 313	- 359