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# Rocksource ASA

Presentation @ Pareto Securities' 7<sup>th</sup> E&P Conference

CEO Chris Spencer

[www.rocksource.com](http://www.rocksource.com)



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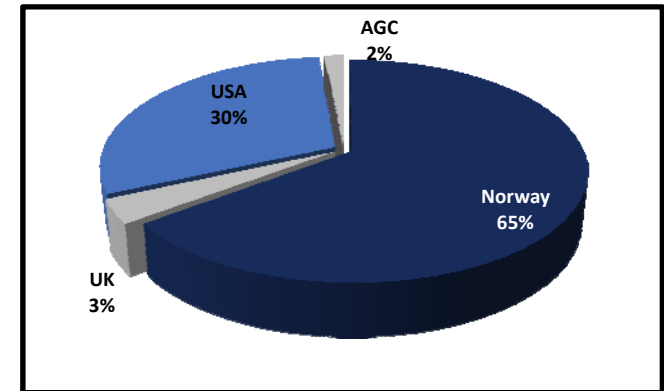
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- **Rocksource in brief**
- **Portfolio update and way forward**
- **Summary**
- **Appendix**

- Rocksource is an oil and gas company focused on high impact exploration
- Total of 42 licenses; 18 in Norway, 17 in Gulf of Mexico, six in the UK and one in West Africa (AGC)
- Contingent resources of more than 150 mmboe
- Partner in the Norvarg discovery in the Barents Sea
- Proven ability to access attractive acreage through licensing rounds
- Qualified as operator on the NCS – drilled first operated well in Q3 2011
- Listed on the Oslo Børs, current market capitalisation ca. NOK 150 million

Resource potential exploration portfolio (as of Q3 '11):



- Partner in one of the major discoveries on the NCS in 2011
  - “Norvarg “ expected to be appraised early 2013, revised estimates indicate upside in resources
- Four unsuccessful exploration wells
  - Weaker than expected overall results in 2011
  - EM tested in wide range of geologic settings, learnings incorporated in future operations
- Successfully completed first operated NCS well
  - PL 559 drilled without incidents, operator capabilities confirmed
- Successful awards in the NCS 21<sup>st</sup> Round and in the APA 2011
  - Another acknowledgement of the Company's technical qualities
- Trident Discovery in the GoM further matured
  - Volumes revised upwards, feasibility studies completed with positive results
- New CEO appointed
  - Trygve Pedersen stepped down in November, Christopher Spencer appointed as acting CEO

# Business model revised with aim to mature quality wells faster and cheaper

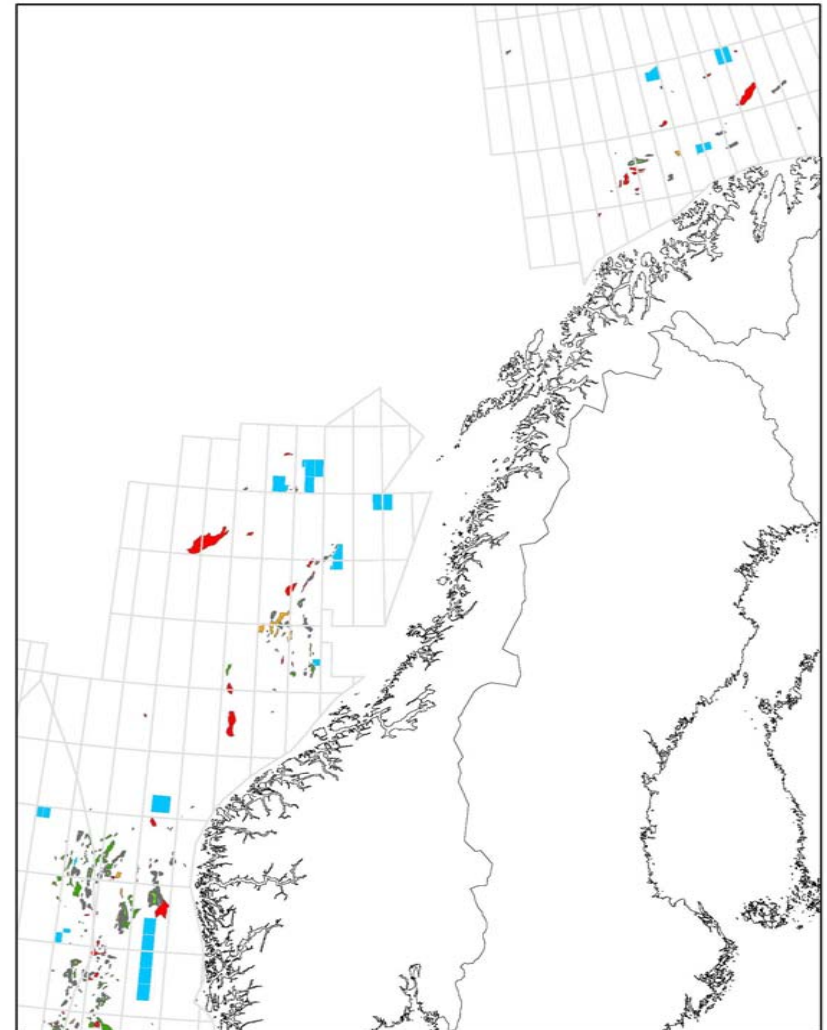


- Focus on geographic core areas
  - Further concentration towards NCS exploration; industry results in 2011 demonstrates potential
  - GoM and UK activities limited to existing portfolio; with clear decision gates
- Broaden play-types to be targeted on NCS
  - EM to remain a key differentiator within Rocksource
  - But “EM only” opportunity set is too narrow within core areas
  - Greater focus on proven petroleum systems
- Subsurface organisation restructured and lessons learned incorporated
  - Improve cycle time and cost effectiveness
  - Upgrade of EM software ongoing
  - Re-assess risk polarisation derived from EM data

- Cash: Year end 2011 cash position in excess of NOK 200 million
- Bond: NOK 129.5 million loan maturing in May
  - Committed term sheet for 2012 NCS credit facility in place with SEB Enskilda
- Evaluating options to generally improve liquidity and balance sheet
  - Cost reduction programme (announced with Q3 results) now under implementation
  - Asset sales
  - New debt financing
  - Equity currently not considered a preferred option

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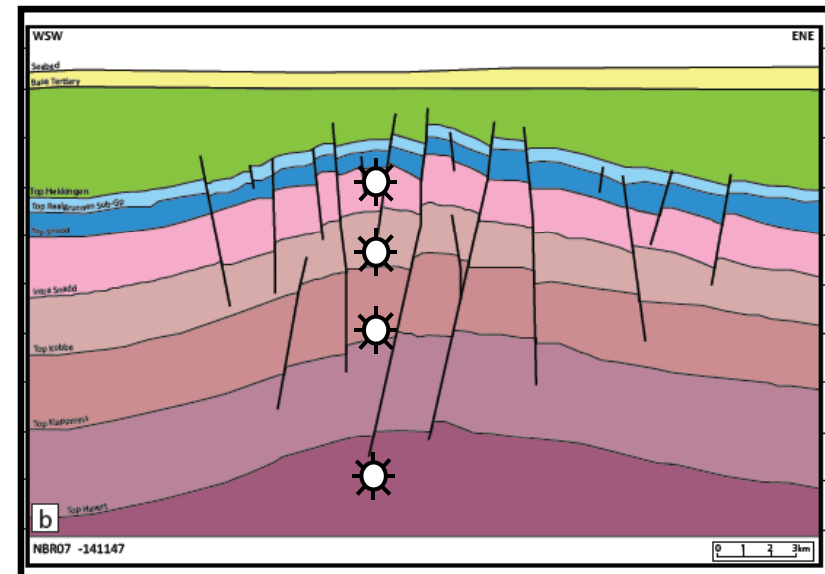
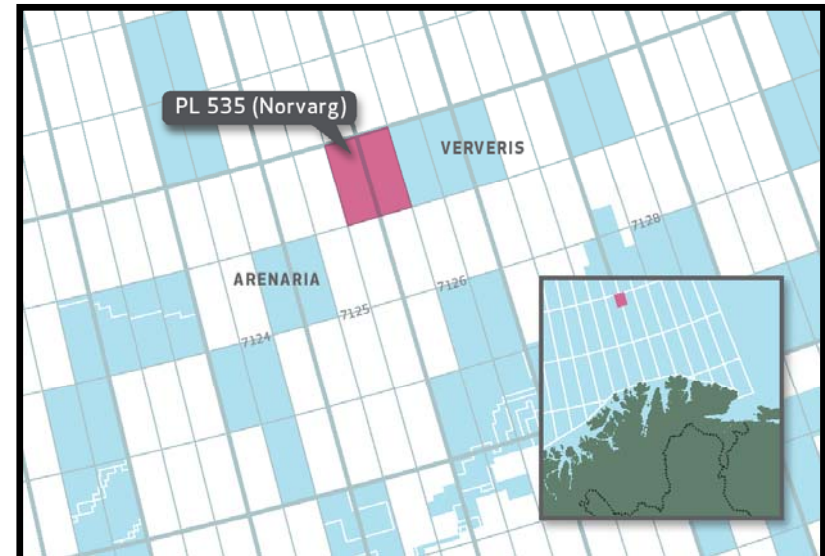
- A total of 18 exploration licenses in North Sea, Norwegian Sea and Barents Sea
- North Sea:
  - Seven exploration licenses, whereof six in the Stord Basin
- Norwegian Sea:
  - Seven exploration licenses, whereof two are in close vicinity to the Luva gas development
- Barents Sea:
  - Four exploration licenses including 20% net interest in the PL 535, containing the large Norvarg discovery



# The Norvarg gas discovery (Rocksourc 20%)



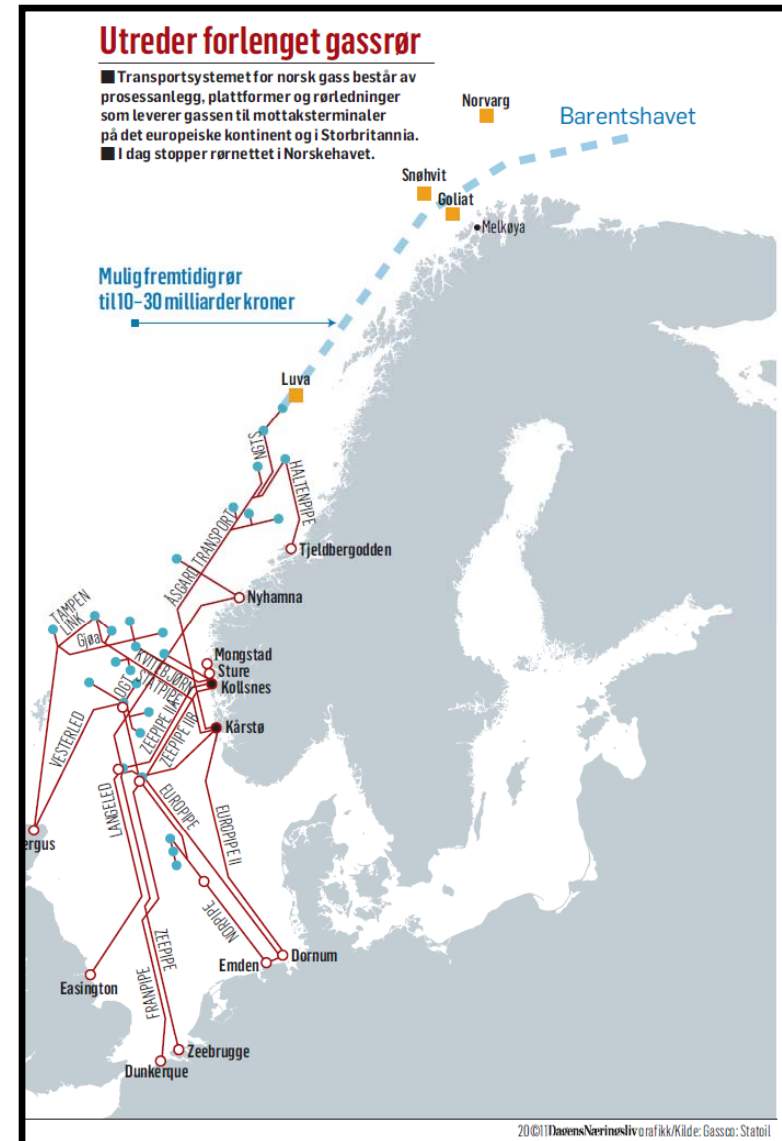
- Significant gas discovery announced in June '11
  - Operator Total's initial resource range was 60-315 mmboe (15-63 mmboe net Rocksourc)
  - Later defined as "Big Cat (> 200 mmboe)" by Total in September \*
- Upside potential identified
  - Evaluations indicate reduced risk associated with reservoir quality in undrilled segments in the main Kobbe Formation
  - Intra Snadd and Kobbe Formation seismic anomalies in the undrilled segments provide an upside to the current resource estimates
- Further appraisal expected
  - Comprehensive post-drill analysis currently ongoing based on an extensive data acquisition program
  - Appraisal well expected early 2013



\* Total's Investor Day, September 26, 2011, London

# Norvarg – A strategic asset

- Secure gas supplies to Europe has political dimensions
- Can drive Barents Sea infrastructure developments and increase commerciality of the area
- Opening of the Grey Zone will lead to increased regional activity in the coming years



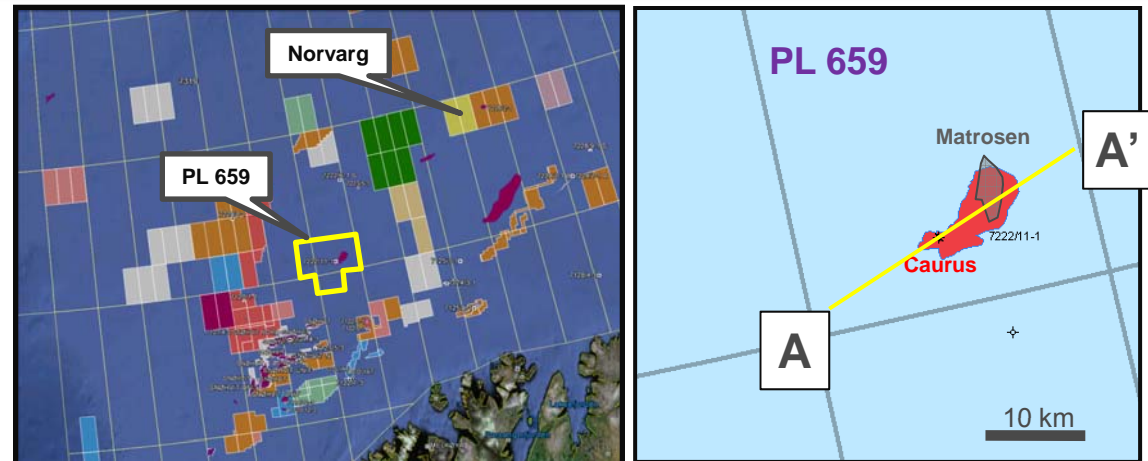
# APA 2011 award: PL 659, “Matrosen”



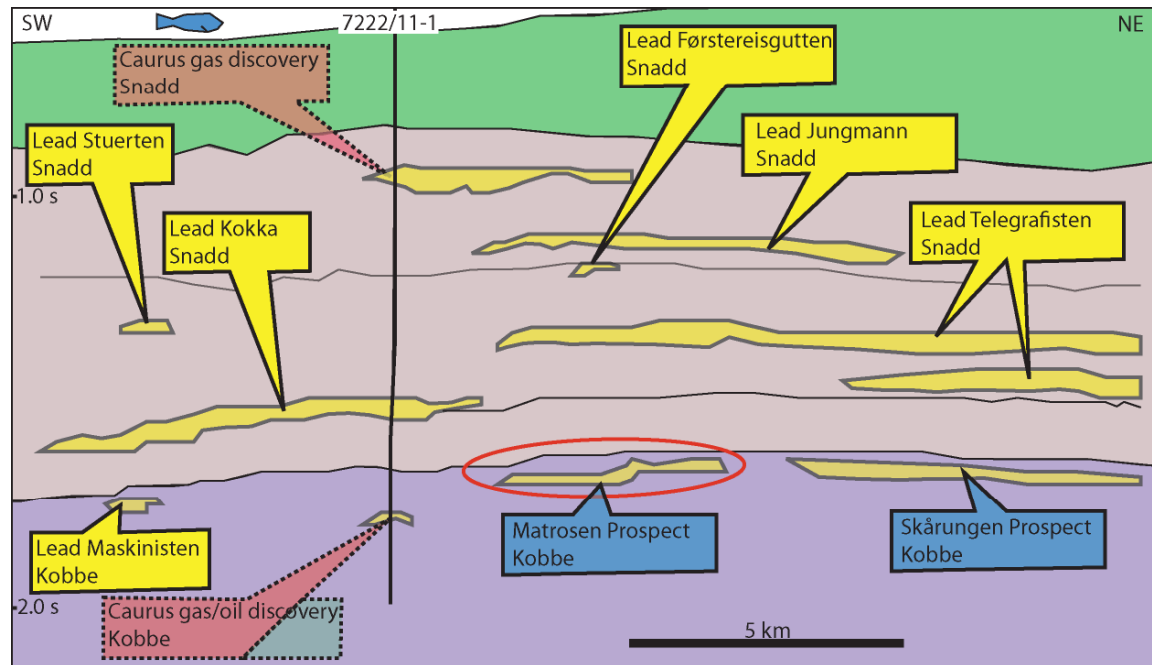
**Blocks:** 7221/12, 7222/10, 7222/11, 7222/12 (full blocks), 7121/3, 7122/1, 7122/2 (part blocks)

**Partnership:** Det norske 30% (Op)  
 Petoro 30%  
 Lundin 20%  
 Spring Energy 10%  
 Rocksource 10%

**Work programme:**  
 Acquire 3D seismic  
 Drill one exploration well within 4 years

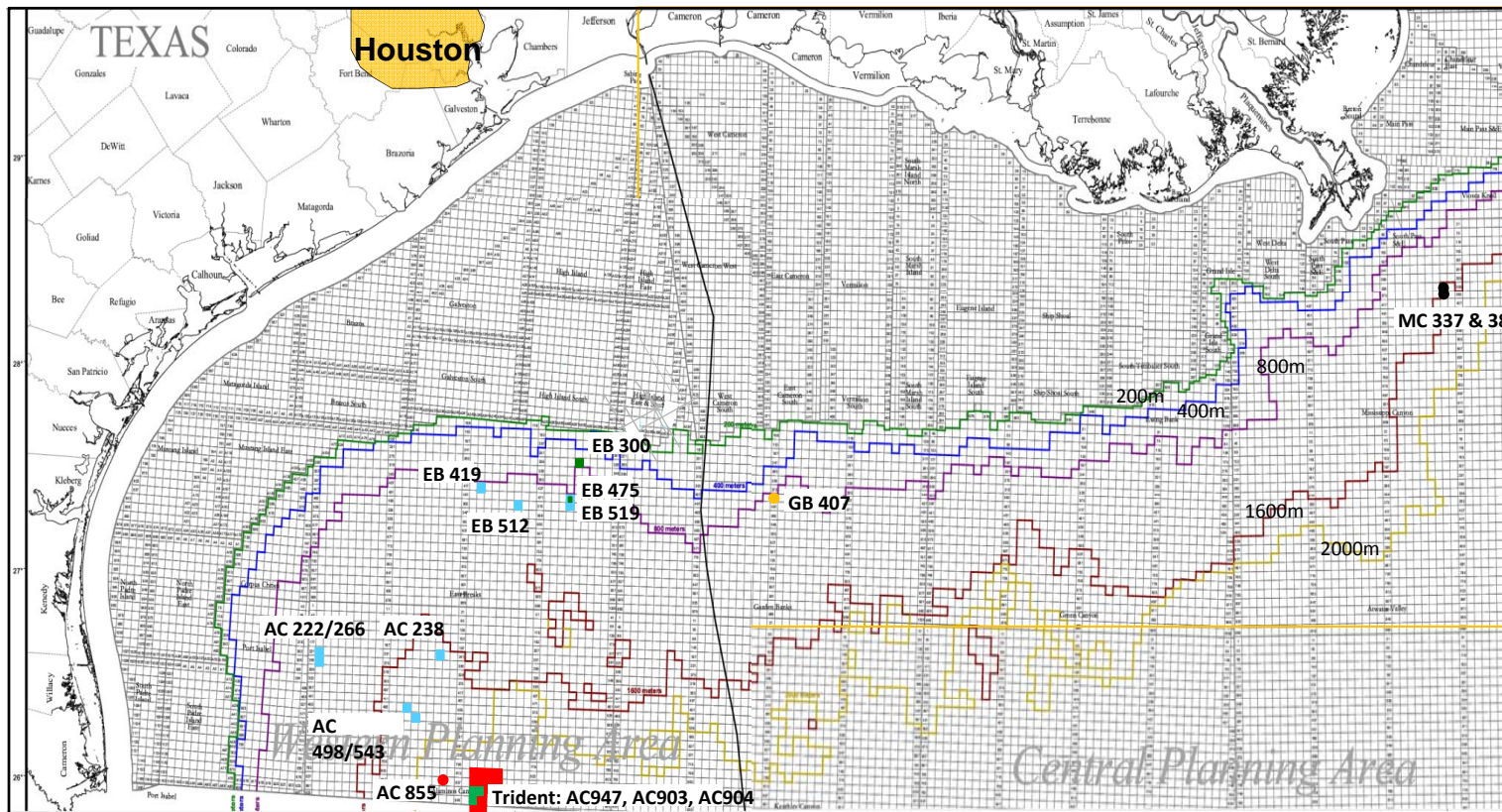


- Multi-level prospectivity from Permian to Lower Cretaceous (two prospects and 12 leads)
- Includes the 7222/11-1 Caurus gas discovery (29.9M Sm<sup>3</sup>o.e.)
- Multiple channel systems with seismic DHIs mapped within an overall 4-way dip closure at the top Kobbe level
- Based on the Caurus well (gas & oil) and source-migration studies, Matrosen is assumed to contain a gas cap with an oil leg
- The main prospect, Matrosen, is updip of (not tested by) the 7222/11-1 (Caurus) well



# Gulf of Mexico (GoM) overview

- 17 deep water leases in the Gulf of Mexico
  - Leases acquired in 2009 through farm-ins and through awards in the Western Gulf of Mexico Lease Sale 210
  - Estimated exploration potential of 200 mmbøe net risked
  - Three discoveries, whereof Trident most significant



# The Trident Discovery (Rocksource 100%)

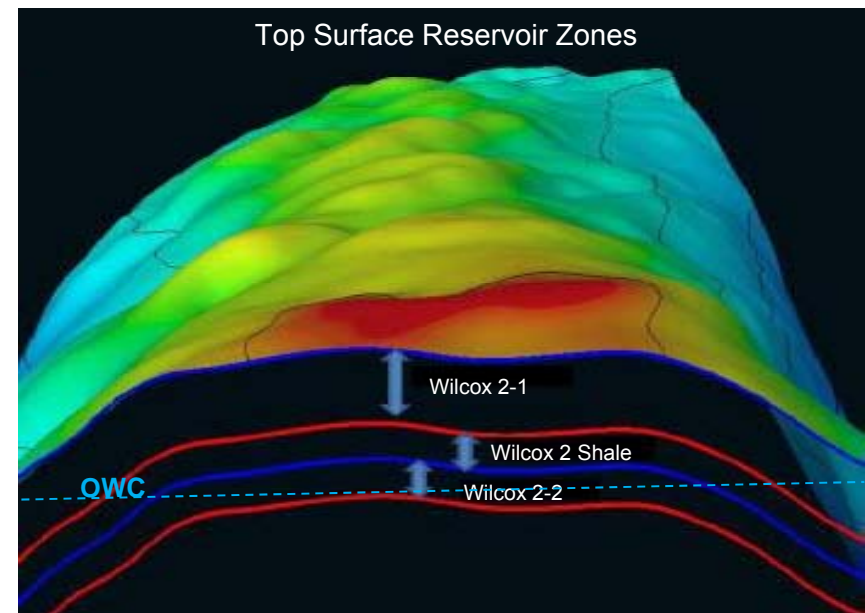
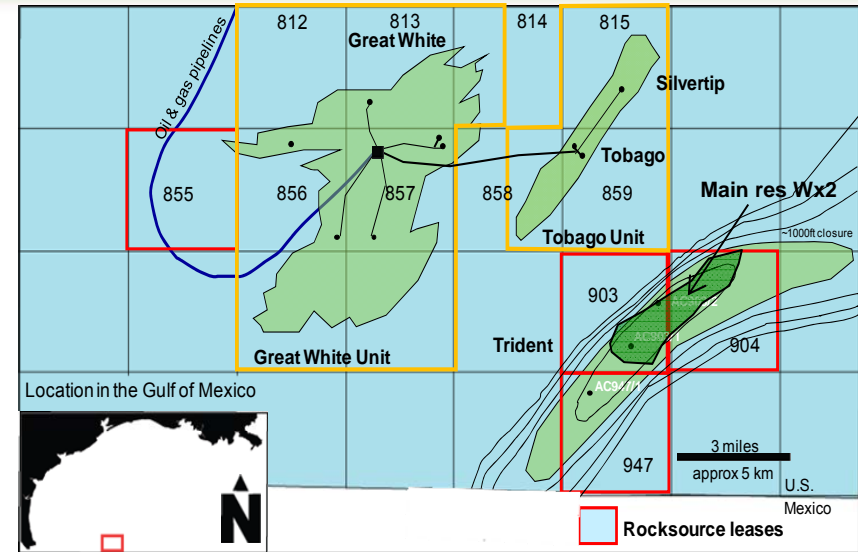


- General information

- Three well oil discovery (2001 & 2002), located in Alaminos Canyon
- 12 km from Shell's Perdido Spar regional hub (Great White, Silvertip & Tobago)
- Two 18" O & G pipelines with ullage, Perdido Norte transport system (Williams Co)
- Water depth in area is c. 9800 ft
- Good data coverage, seismic and well data available

- Contingent resources of 133 mmboe

- Multiple stacked pay zones in the Wilcox formation
- STOOIP : 200 - 600 mill bbl
- Contingent resource (2C): 108 mmbbl oil & 25 mmboe gas (133 mmboe combined)
- Light, low viscous oil @ 39 -41 API, 0.35 cP

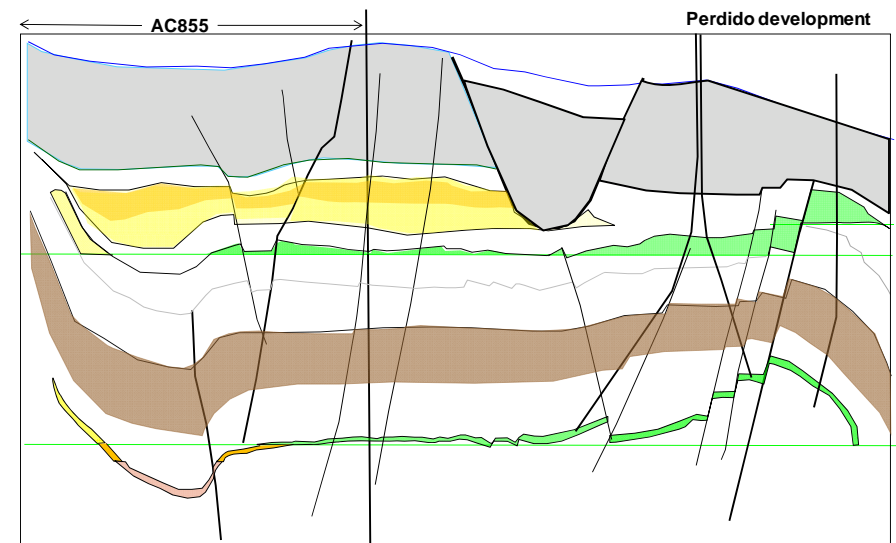
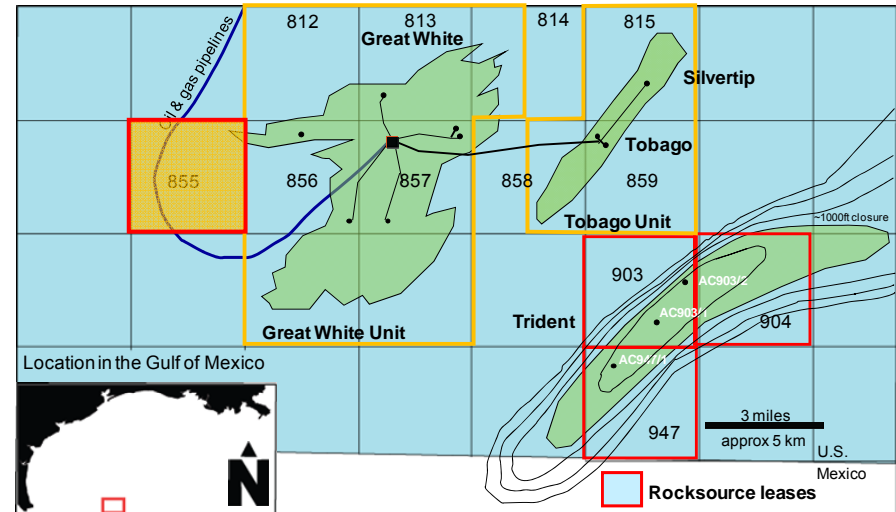


- Currently looking to attract partners to move project into concept selection phase
  - Feasibility studies have been completed with positive results
- Project economics are encouraging with all short-listed development alternatives
  - FPSO (export through Williams Perdido Norte pipeline or offshore loading)
  - Spar buoy (export through Williams Perdido)
  - Semi-sub (export through Williams Perdido)
  - Subsea tieback to the Perdido Spar production facility

# AC 855 – GoM opportunity for 2013 (Rocksource 65%)



- Multi-level prospectivity in a highly productive region
- +200 mmbob oil prospect
- Water depth: 2200m
- Key risk: Reservoir
- Extensive data from wells at Perdido
- Good 3D seismic coverage and one EM line
- Potential joint development with Trident discovery (100% owned by Rocksource) in order to enhance the economy of both licenses
- Farm down process under initiation in order to attract funding and a deepwater operator, with goal to drill in 2013



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- Norvarg discovery was the highlight in the 2011 drilling campaign
  - Upside potential identified, likely to be appraised early 2013
  - Considered a strategic asset
- Successfully completed first operated well on the NCS
  - PL 559 drilled without incidents
  - Operator capabilities confirmed
- Financial position to be improved prior to next set of wells
  - Equity currently not a preferred instrument
  - Asset sales / debt instruments under consideration
- Preparing the next drilling campaign of high impact exploration wells
  - Backbone strategy remains
  - Lack of short term wells, goal to firm up new campaign commencing late 2012

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# Profit and loss statement



| <i>NOK '000</i>                                    | Q3 2011          | Q2 2011        | Q1 2011         | Q4 2010         | Q3 2010         |
|--|------------------|----------------|-----------------|-----------------|-----------------|
| Operating income                                   | 9 095            | 159 215        | 1 246           | 4 066           | 10 320          |
| <b>Total operating income</b>                      | <b>9 095</b>     | <b>159 215</b> | <b>1 246</b>    | <b>4 066</b>    | <b>10 320</b>   |
| Other general and administrative expenses          | (3 473)          | (9 445)        | (7 733)         | (7 443)         | 2 154           |
| <b>EBITDA before exploration expenses</b>          | <b>5 622</b>     | <b>149 770</b> | <b>(6 487)</b>  | <b>(3 377)</b>  | <b>12 474</b>   |
| Exploration expenses                               | (300 352)        | (123 708)      | (39 729)        | (40 471)        | (65 688)        |
| <b>EBITDA</b>                                      | <b>(294 730)</b> | <b>26 062</b>  | <b>(46 216)</b> | <b>(43 847)</b> | <b>(53 215)</b> |
| Depreciation and amortisation                      | (688)            | (682)          | (931)           | (945)           | (993)           |
| Net financial income/(expenses)                    | 5 743            | (15 443)       | (18 247)        | (9 206)         | (32 377)        |
| <b>Profit/(loss) before taxes</b>                  | <b>(289 675)</b> | <b>9 937</b>   | <b>(65 394)</b> | <b>(53 999)</b> | <b>(86 585)</b> |
| Income tax   | 195 769          | 49 739         | 25 385          | 16 308          | 33 000          |
| <b>Net profit/(loss) from continued operations</b> | <b>(93 906)</b>  | <b>59 676</b>  | <b>(40 009)</b> | <b>(37 691)</b> | <b>(53 585)</b> |
| Net profit/(loss) from discontinued operations     | -                | 1 237          | (1 913)         | (29 902)        | (5 399)         |
| <b>Net profit/(loss)</b>                           | <b>(93 906)</b>  | <b>60 913</b>  | <b>(41 923)</b> | <b>(67 593)</b> | <b>(58 984)</b> |

# Balance sheet



| <i>NOK '000</i>                               | 30.9.2011        | 30.6.2011        | 30.3.2011      | 31.12.2010     | 30.9.2010      |
|---|------------------|------------------|----------------|----------------|----------------|
| Deferred tax assets                           | -                | -                | 36 097         | 35 147         | 49 861         |
| Patents and development costs                 | 17               | 34               | 52             | 75             | 134            |
| Goodwill                                      | 154 563          | 154 563          | 154 563        | 154 563        | 154 563        |
| Capitalised exploration and acquisition costs | 277 602          | 179 972          | 111 818        | 75 691         | 59 533         |
| <b>Total intangible assets</b>                | <b>432 183</b>   | <b>334 570</b>   | <b>302 529</b> | <b>265 476</b> | <b>264 091</b> |
| Oil- and gas properties                       | -                | -                | -              | 23 426         | 52 828         |
| Furniture, fixtures and office machines       | 4 057            | 3 760            | 4 475          | 4 795          | 5 489          |
| Investments in associates                     | 27 542           | 27 324           | 22 060         | 25 130         | 29 542         |
| Other investments                             | -                | -                | 9 315          | 9 095          | 8 874          |
| Tax receivable NCS, long-term                 | 414 957          | 155 074          | 31 631         | -              | 132 624        |
| <b>Total tangible assets</b>                  | <b>446 556</b>   | <b>186 158</b>   | <b>67 480</b>  | <b>62 446</b>  | <b>229 357</b> |
| <b>Total non-current assets</b>               | <b>878 738</b>   | <b>520 728</b>   | <b>370 009</b> | <b>327 922</b> | <b>493 448</b> |
| Total receivables                             | 15 856           | 24 174           | 27 871         | 25 323         | 27 892         |
| Tax receivable NCS, short-term                | 160 173          | 160 173          | 160 173        | 163 898        | 109 498        |
| Cash and cash equivalents                     | 340 696          | 480 842          | 385 347        | 224 870        | 263 762        |
| <b>Total current assets</b>                   | <b>516 725</b>   | <b>665 189</b>   | <b>573 391</b> | <b>414 091</b> | <b>401 151</b> |
| <b>Assets classified as held for sale</b>     | -                | -                | 17 415         | -              | -              |
| <b>TOTAL ASSETS</b>                           | <b>1 395 463</b> | <b>1 185 917</b> | <b>960 816</b> | <b>742 013</b> | <b>894 600</b> |
| Total equity                                  | 513 623          | 614 860          | 550 437        | 339 600        | 405 609        |
| Total non-current liabilities                 | 521 315          | 89 375           | 220 641        | 203 358        | 324 263        |
| Total current liabilities                     | 360 526          | 481 683          | 189 738        | 199 055        | 164 728        |
| <b>TOTAL EQUITY AND LIABILITIES</b>           | <b>1 395 463</b> | <b>1 185 917</b> | <b>960 816</b> | <b>742 013</b> | <b>894 600</b> |

# Cash flow



| <i>NOK '000</i>                                | Q3 2011          | Q2 2011       | Q1 2011        | Q4 2010         | Q3 2010         |
|--|------------------|---------------|----------------|-----------------|-----------------|
| <b>Net cash flow from:</b>                     |                  |               |                |                 |                 |
| Operating activities                           | (139 673)        | 203 166       | (63 712)       | 55 384          | (76 336)        |
| Investing activities                           | (350 856)        | (134 803)     | (39 420)       | (17 695)        | (6 004)         |
| Financing activities                           | 350 500          | 28 858        | 265 635        | (77 335)        | 57 994          |
| Exchange rate changes                          | (116)            | (1 726)       | (2 026)        | 755             | (520)           |
| <b>Net change in cash and cash equivalents</b> | <b>(140 146)</b> | <b>95 494</b> | <b>160 476</b> | <b>(38 890)</b> | <b>(24 865)</b> |
| Cash and cash equivalents at start of period   | 480 840          | 385 346       | 224 870        | 263 762         | 288 628         |
| Cash and cash equivalents at end of period     | 340 696          | 480 840       | 385 346        | 224 870         | 263 762         |

# Shareholder list



| <b>Investor</b>                     | <b># of shares</b> | <b>% of total</b> | <b>Type</b> | <b>Country</b> |
|-------------------------------------|--------------------|-------------------|-------------|----------------|
| VENTURE DRILLING AS                 | 32,452,490         | 9.32%             | Comp.       | NOR            |
| LARSEN OIL & GAS AS                 | 14,021,424         | 4.03%             | Comp.       | NOR            |
| OM HOLDING AS                       | 9,063,644          | 2.60%             | Comp.       | NOR            |
| SYNESI AS                           | 6,700,000          | 1.92%             | Comp.       | NOR            |
| STATOIL PENSJON                     | 5,402,085          | 1.55%             | Comp.       | NOR            |
| BALANCED ROCK AS                    | 5,250,130          | 1.51%             | Comp.       | NOR            |
| RINGDAL HELGE                       | 5,112,500          | 1.47%             | Priv.       | NOR            |
| VEEN EIENDOM A/S                    | 5,000,000          | 1.44%             | Comp.       | NOR            |
| HSBC BANK PLC                       | 4,970,000          | 1.43%             | Nom.        | GBR            |
| SIX SIS AG                          | 4,094,234          | 1.18%             | Nom.        | CHE            |
| NORDNET BANK AB                     | 3,172,198          | 0.91%             | Nom.        | SWE            |
| BV BEWAARB RABO NED PRIV BANK       | 3,085,000          | 0.89%             | Comp.       | NLD            |
| NORDNET PENSJONSFORSIKRING          | 2,848,187          | 0.82%             | Comp.       | NOR            |
| JONNY HESTHAMMER AS                 | 2,800,000          | 0.80%             | Comp.       | NOR            |
| AVANZA BANK AB MEGLERKONTO          | 2,658,827          | 0.76%             | Meg.        | SWE            |
| DANSKE BANK A/S                     | 2,451,955          | 0.70%             | Nom.        | DNK            |
| COLLINS THOMAS ARTHUR               | 2,403,626          | 0.69%             | Priv.       | USA            |
| RBC DEXIA INVESTOR SERVICES BA      | 2,385,000          | 0.68%             | Comp.       | LUX            |
| NHO - P665AK                        | 2,000,000          | 0.57%             | Comp.       | NOR            |
| GOLDMAN SACHS INT. - EQUITY         | 1,930,103          | 0.55%             | Comp.       | GBR            |
| <b>Total number owned by top 20</b> | <b>117,801,403</b> | <b>33.83%</b>     |             |                |
| <b>Total number of shares</b>       | <b>348,221,787</b> | <b>100 %</b>      |             |                |

| <b>Company</b>            | <b>Research analyst</b> | <b>Telephone</b> | <b>Website</b>    |
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