



Rocksource ASA
Second Quarter 2011

Rocksource ASA

Second quarter and first half year 2011

Rocksource ASA with subsidiaries (Rocksource/Company/Group) reported operating income (excluding revenue from US onshore assets) of NOK 159.2 million in the second quarter of 2011 and NOK 160.5 million for the first six months of 2011. The operating income includes an income of NOK 152.8 million from the farm-down agreement with Noble Energy in AGC Profond PSC in June.

Rocksource's US onshore assets were divested in June, and income and expenses from the US onshore assets and the profit of the sale, have been presented on a separate line "Net profit/ (loss) from discontinued operations" in the income statements. Net profit in second quarter, including profit from sale of the assets, totalled NOK 1.2 million. In the first half year of 2011 the discontinued operations gave a loss of NOK 0.7 million.

Exploration expenses totalled NOK 123.7 million in the quarter, including exploration expenses previously capitalised at NOK 82.5 million. Net profit in the quarter was NOK 60.9 million, compared to a loss of NOK 136.9 million in the second quarter of 2010. Accumulated profit for the first half year 2011 was NOK 19.0 million.

The Company's exploration campaign embarked in April with the spud of the Norvarg well in PL 535 in the Barents Sea. The well was later reported as a gas discovery, with a current resource estimate of 10 – 50 recoverable GSm³ (billion cubic meters). Well two and three in the campaign, the Breiflabb and Kora wells respectively, both spudded in June. Results were published in July and both wells were confirmed dry. Well four and five in the 2011 campaign are both expected to spud in September.

Q2 and subsequent key events

- Gas discovery announced on Norvarg prospect in the Barents Sea
 - Successful production test announced in August, preliminary resource estimate 63 - 315 mmbbl (gas)
 - High quality fit to pre-drill electromagnetic (EM) model
- Breiflabb well dry
 - Test of new petroleum system unsuccessful
 - EM false positive understood
- Kora well dry
 - Test of new frontier basin unsuccessful, EM false positive understood
 - Significant data point to be incorporated in the future evaluation of the large AGC Profond block

- Financial basis strengthened following Kora farm-down in June
 - USD 28 million received prior to spud
 - Cash balance end Q2 of NOK 481 million

- US Onshore divestment completed in June
 - Net proceeds USD 3.5 million
 - Marginal P&L effect

Key financial & operational figures

<i>NOK '000</i>	Q2 2011	Q2 2010⁽⁴⁾	1H 2011	1H 2010⁽⁴⁾	2010⁽⁴⁾
Operating income	159 215	2 678	160 461	3 833	18 218
Exploration expenses	(123 708)	(92 285)	(163 438)	(132 808)	(238 967)
EBITDA	(1) 26 062	(103 884)	(20 154)	(162 273)	(259 335)
Net profit/(loss)	60 913	(136 873)	18 990	(172 086)	(298 661)
Basic earnings per share (NOK) from continued operations	(2) 0.175	(0.619)	0.058	(0.860)	(1.285)
Investment	(3) 151 657	10 201	191 077	12 037	34 876
Cash balance	480 842	288 628	480 842	288 628	224 870

(1) Earnings before interest, taxes, depreciation, amortisation and impairment.

(2) Adjusted for reverse split of shares.

(3) Cash effect from investment in assets and companies.

(4) The figures are restated to reflect the discontinued operations.

Portfolio review

Updated as of 10 August 2011

License/Lease/PSC	Country	Equity	Operator	Award	EM status	Current Activity
PL 416	NCS	35 %	E.ON	APA 2006	Dry hole	Post well evaluation
PL 506S	NCS	50 %	Rocksource ASA	APA 2008	EM acquired	Prospect evaluation
PL 506BS	NCS	50 %	Rocksource ASA	APA 2010	EM acquired	Prospect evaluation
PL 506CS	NCS	50 %	Rocksource ASA	APA 2010	EM acquired	Prospect evaluation
PL 515	NCS	60 %	Rocksource ASA	APA 2008	EM positive	Prospect evaluation
PL 528 & 528b	NCS	30 %	Suncor	20th Round	EM positive	Prospect evaluation
PL 530	NCS	20 %	GDF Suez Norge	20th Round	EM positive	Well planning
PL 535	NCS	20 %	Total E&P Norge	20th Round	Discovery	Post well evaluation
PL 559	NCS	60 %	Rocksource ASA	APA 2009	EM positive	Well planning
PL 572	NCS	45 %	E.ON	APA 2010	EM acquired	Prospect evaluation
PL 581	NCS	30 %	Dana Petroleum	APA 2010	EM acquired	Prospect evaluation
PL 588	NCS	40 %	Rocksource ASA	APA 2010	EM acquired	Prospect evaluation
PL 601	NCS	20 %	Wintershall	21st Round	EM positive	Establish licence JV
PL 602	NCS	20 %	Statoil	21st Round	EM positive	Establish licence JV
PL 610	NCS	25 %	GDF Suez Norge	21st Round	EM positive	Establish licence JV
P 1484 & 1488	UKCS	15 %	OMV	24th Round	n/a	Prospect Evaluation
P 1067	UKCS	10 %	DNO	Farm-in	n/a	Mulle discovery under evaluation
P 1638	UKCS	100 %	Rocksource UK	25th Round	Not yet tested	Regional evaluation
P 1573 & 1574	UKCS	20 %	Nautical Petroleum	25th Round	Not yet tested	Prospect evaluation
AGC Profond	Sen/G-B	*12.5%	Ophir	Farm-in	Dry hole	Post well evaluation
CY DWN 2001-1	India	10 %	ONGC	Farm-in	EM positive	ONGC negotiation
EB 300	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Thunder discovery evaluation
EB 419	USA	100 %	Rocksource GOM	WGOM 210	EM positive	Prospect evaluation
EB 512	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
EB 475	USA	100 %	Rocksource GOM	Farm-in	EM acquired	EM and haystack discovery evaluation
EB 519	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
GB 407	USA	100 %	Rocksource GOM	Farm-in	EM acquired	EM evaluation
AC 222 & 266	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
AC 238	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
AC 498 & 543	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
AC 855	USA	65 %	Royal Exploration	Farm-in	EM positive	Prospect evaluation
AC 903, 904 & 907	USA	100 %	Rocksource GOM	WGOM 210	n/a	Trident field evaluation
MC 337 & 381	USA	40 %	Rocksource GOM	Farm-in	EM acquired	Prospect evaluation

* Assumes completion of the full farm-in, over two wells

Operational review

NCS

The Norwegian Continental Shelf (NCS) is one of Rocksource's focus areas and Rocksource currently holds 16 licenses offshore Norway, including six operatorships. The portfolio will continue to be matured and all licenses are progressing well. Some of the recent headlines include:

- Gas discovery at the Norvarg prospect with gas found at multiple reservoir levels, fitting with the pre-drill EM model. The operations were completed after performing a production test in the Kobbe Formation interval which was successful flowing at 180,000 scm³. The well was drilled without incident.
- EM acquisitions on PL 506, 572 and 581 completed successfully and now under evaluation.
- Well results on the Breiflabb prospect were disappointing and the dry hole analysis is ongoing integrating well results with implications for the remaining Stord Basin licences (PL 506 area and PL 572). The well was drilled without incident.

The Company has drill or drop decisions to be made on PL 506, 515, 528 and 588 within the coming two to six months and is currently completing the prospect evaluations in preparation for those decisions.

Senegal/Guinea Bissau – AGC Profond

The Kora-1 well was spud on the 28th of June with the Maersk Deliverer and operations were completed on the 31st of July 2011. The well was plugged and abandoned as a dry hole. The exploration well fulfils the commitment for the current phase of the AGC Profond PSC.

The evaluations of the well results are ongoing although the preliminary results suggest the EM response was caused by lithology. The well was drilled without incident.

Rocksource announced in June a farm-down agreement with Noble Energy. The deal, which is a three-way agreement between Rocksource, Noble and Ophir, resulted in Noble taking a 30 per cent participating interest. Rocksource retains the right to earn 12.5 per cent in the PSC, through participation in the first two exploration wells (prior to the deal, this was 25 per cent). The initial committed value of this transaction was USD 28 million and is reflected in the Company's Q2 financial results.

Gulf of Mexico

Drilling activity is increasing in the deepwater Gulf of Mexico (GoM) with the granting of further exploration permits. Liability levels have not been increased beyond inflationary levels and it is unclear whether further changes will be applied by the regulatory body.

With a return to activity in the GoM and in preparation for 2012 the Company has high graded two leases for potential drilling.

Near the Perdido Regional Development lease AC855 and EB419 between the Nansen/Boomvang and Cerveza developments both contain prospects which display well developed EM anomalies associated with the identified prospectivity. The Company intends to market the prospects for farm-out.

Rocksource has completed market screening for the Trident discovery and has decided to postpone further activity until market conditions in the GoM improve. The evaluation shows the presence of a significant contingent resource (85-131 mmboe, gross) and viable development solutions for both tie back and stand alone scenarios. The Company will monitor activity in the Perdido Region and GoM asset transactions to determine when to re-activate the project.

India – CY-DWN-2001/1

Rocksource participation in the PSC will require a decision by the partnership to enter into the Second Phase of Exploration phase and a successful outcome to the ongoing negotiations with ONGC.

Financial summary

OPERATIONS

Rocksource's reported operating income (excluding revenue from US onshore assets) was NOK 159.2 million in the second quarter of 2011 and NOK 160.5 million for the first six months of 2011. The operating income includes an income of NOK 152.8 million from the farm-down agreement with Noble Energy in AGC Profond PSC in June.

Rocksource's US onshore assets were divested in June, and income and expenses from the US onshore assets and the profit of the sale, have been presented on a separate line "Net profit/(loss) from discontinued operations" in the income statements. Net profit in second quarter, including profit from sale of the assets, totalled NOK 1.2 million. In the first half year of 2011 the discontinued operations gave a loss of NOK 0.7 million.

Net profit in the quarter was NOK 60.9 million, compared to a loss of NOK 136.9 million in the second quarter of 2010. Accumulated profit for the first half year of 2011 was NOK 19.0 million.

Exploration expenses totalled NOK 123.7 million in the quarter, including exploration expenses previously capitalised at NOK 82.5 million. Other exploration expenses mainly related to licenses on the NCS. Exploration expenses also related to the Gulf of Mexico, where Rocksource continued to mature its lease portfolio. Exploration expenses in second quarter 2010 were NOK 92.3 million.

EBITDA was positive with NOK 26.1 million in the quarter versus negative NOK 103.9 million in the corresponding quarter 2010. EBITDA for the first half year was negative with NOK 20.2 million.

Net financial expenses were NOK 15.4 million in the quarter, influenced by currency loss due to weakening of the USD/NOK exchange rate.

Income tax in the first quarter was NOK 49.8 million, down from NOK 64.2 million in corresponding quarter 2010 due to lower exploration expenses related to activities on the NCS. Income tax in first half year was NOK 75.1 million down from NOK 94.6 million in 2010.

Cash flow from operating activities in the second quarter 2011 was positive with NOK 203.2 million, compared to minus NOK 63.6 million in the corresponding period in 2010. The positive cash flow was mainly due to the farm-down on the AGC Profond block, as well as an increase in accounts payable. The majority of the increase has been paid in July and August.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 30 June 2011 was NOK 1,185.9 million compared to NOK 960.8 million in first quarter 2011 and NOK 742.0 million at year-end 2010.

To strengthen its financial situation, Rocksource successfully completed a NOK 250 million equity issue in February 2011. The equity at 30 June 2011 was NOK 614.9 million compared to NOK 550.4 million at 31 March 2011 and NOK 339.6 million at the year-end 2010, giving an equity ratio of 51.9 per cent, up from 47.4 per cent at the end of the corresponding quarter 2010.

The cash balance at the end of the second quarter was NOK 480.8 million compared to NOK 385.3 million at the end of previous quarter. The increase is mainly due to the positive cash flow from operating activities as a result of the farm-down transaction with Noble Energy. The net proceeds from the sale of the US assets have been used to repay the bond holders by NOK 17.5 million in the third quarter. Most of the cash impact from the drilling campaign will be booked in third and fourth quarter.

Current liabilities have increased in the quarter as a consequence of a reclassification of the bond loan to short term debt due to maturity in May 2012.

Draw down on the credit facility was NOK 29 million in the quarter and available facility amount was NOK 300 million at the end of the second quarter 2011. In the third quarter Rocksource has increased the total amount available in the exploration credit facility from SEB Merchant Bank from NOK 500 million to NOK 850 million.

As of 30 June 2011 Rocksource ASA had 348,221,787 shares and a total of 24,846 treasury shares.

Outlook

The final two wells in 2011 will test the Heilo (PL 530) and Phoenix (PL 559) prospects on the NCS. Both are expected to spud in September and both wells are within proven petroleum systems and on trend with earlier oil discoveries.

PL 530 which includes the Heilo prospect is located in the Barents Sea on trend with the Goliat discovery to the west and the Nucula discovery to the southeast.

The license which is operated by GDF Suez was reported to be the most sought after block in the Norwegian 20th Licensing Round. Rocksource carries a mean volume estimate of 200 mmboe and a chance of success of approximately 50 per cent for the Heilo prospect. A success in the initial target will trigger a sidetrack to allow further efficient appraisal of the structure.

PL 559 which includes the Phoenix prospect was Rocksource's highest priority application in the Norwegian APA 2009 license round and is located on the Nordland Ridge, immediately to the east of the Norne, Urd, Falk and Linerle fields. Prospectivity within the license consists of three main prospects and several leads. All three prospects have encouraging EM responses. Rocksource carries a mean volume estimate of 160 mmboe for the Phoenix prospect and a chance of success of approximately 50 per cent.

On the NCS the Company has drill or drop decisions to be made on PL 506, 515, 528 and 588 within the coming two to six months and is currently completing the prospect evaluations in preparation for those decisions. Success in the 2011 campaign could trigger follow up wells in 2012 which could include an appraisal well in PL 535. In the GoM the Company has high graded two leases for potential drilling. Portfolio additions following the successful awards in APA 2010 and NCS 21st Round add long term exploration opportunities to the Rocksource portfolio.

ROCKSOURCE GROUP - CONSOLIDATED INCOME STATEMENTS

(Quarter and YTD unaudited)

NOK '000	Notes	Q2 2011 IFRS	Q2 2010 IFRS	1H 2011 IFRS	1H 2010 IFRS	2010 IFRS
Operating income						
Revenue	3	159 215	2 678	160 461	3 833	18 218
Total operating income		159 215	2 678	160 461	3 833	18 218
Operating expenses						
Exploration expenses	6	(123 708)	(92 285)	(163 438)	(132 808)	(238 967)
Other general and administrative expenses	7	(9 445)	(14 277)	(17 178)	(33 298)	(38 587)
Depreciation and amortisation		(682)	(1 082)	(1 613)	(2 207)	(4 144)
Total operating expenses		(133 835)	(107 644)	(182 228)	(168 313)	(281 698)
Operating profit/(loss)		25 380	(104 966)	(21 767)	(164 480)	(263 479)
Financial income/(expenses)						
Share of income/(loss) in associates		(3 622)	(2 178)	(5 244)	(3 468)	(9 729)
Financial income		2 119	19 197	3 521	24 185	6 993
Financial expenses		(13 941)	(4 970)	(31 967)	(11 195)	(29 326)
Net financial income/(expenses)	8	(15 443)	12 049	(33 690)	9 522	(32 061)
Profit/(loss) before taxes from continued operations		9 937	(92 917)	(55 457)	(154 957)	(295 541)
Income tax	5	49 739	64 211	75 124	94 613	143 920
Net profit/(loss) from continued operations		59 676	(28 706)	19 666	(60 345)	(151 620)
Net profit/(loss) from discontinued operations	2	1 237	(108 167)	(676)	(111 741)	(147 041)
Net profit/(loss)		60 913	(136 873)	18 990	(172 086)	(298 661)
Attributable to:						
Equity holders of the parent		60 913	(136 852)	19 003	(172 067)	(296 962)
Minority interest		-	(22)	(13)	(19)	(1 699)
Net profit/(loss)		60 913	(136 873)	18 990	(172 086)	(298 661)
Earnings per share						
Basic earnings per share (NOK)		0.175	(0.619)	0.058	(0.860)	(1.285)
Diluted earnings per share (NOK)		0.175	(0.619)	0.058	(0.860)	(1.285)
Earnings per share from continued operations						
Basic earnings per share (NOK) from continued operations		0.171	(0.130)	0.060	(0.301)	(0.655)
Diluted earnings per share (NOK) from continued operations		0.171	(0.130)	0.060	(0.301)	(0.655)

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Quarter and YTD unaudited)

<i>NOK '000</i>	Q2 2011 IFRS	Q2 2010 IFRS	1H 2011 IFRS	1H 2010 IFRS	2010 IFRS
Net profit/(loss)	60 913	(136 873)	18 990	(172 086)	(298 661)
Exchange differences on translating foreign operations	2 685	(8 589)	7 375	(7 817)	14 372
Total comprehensive income/(loss) for the period	63 598	(145 462)	26 365	(179 903)	(284 290)
Total comprehensive income attributable to:					
Equity holders of the parent	63 598	(145 441)	26 378	(179 884)	(282 590)
Minority interest	-	(22)	(13)	(19)	(1 699)
Total comprehensive income/(loss) for the period	63 598	(145 462)	26 365	(179 903)	(284 290)

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(YTD unaudited)

<i>NOK '000</i>	Notes	30.6.2011 IFRS	31.12.2010 IFRS
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets		-	35 147
Patents and development costs		34	75
Goodwill		154 563	154 563
Capitalised exploration and acquisition costs		179 972	75 691
Total intangible assets		334 570	265 476
Tangible assets			
Oil- and gas properties		-	23 426
Furniture, fixtures and office machines		3 760	4 795
Investments in associates		27 324	25 130
Other investments		-	9 095
Tax receivable NCS, long-term		155 074	-
Total tangible assets		186 158	62 446
Total non-current assets		520 728	327 922
Current assets			
Accounts receivable		182	12 422
Tax receivable NCS, short-term		160 173	163 898
Other receivables		23 992	12 901
Cash and cash equivalents		480 842	224 870
Total current assets		665 189	414 091
TOTAL ASSETS		1 185 917	742 013

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(YTD unaudited)

NOK '000	30.6.2011	31.12.2010
	IFRS	IFRS
EQUITY AND LIABILITIES		
Equity		
Share capital	348 222	262 612
Treasury shares	(25)	(25)
Share premium reserve	358 936	197 581
Additional paid-in capital	343 262	333 945
Total paid-in capital	1 050 395	794 113
Retained earnings		
Retained earnings/(loss carried forward)	(435 535)	(454 538)
Total equity attributable to equity holders of the parent	614 860	339 574
Minority interest	-	25
Total equity	614 860	339 600
Liabilities		
Non-current liabilities		
Deferred tax liabilities	5 37 607	-
Bond loan	-	198 014
NCS credit facility, long-term	51 682	-
Derivative financial instruments	8 -	4 759
Other long-term liabilities	85	584
Total non-current liabilities	89 375	203 358
Current liabilities		
Bond loan	198 729	-
NCS credit facility, short-term	143 716	143 716
Accounts and other payables	133 150	36 523
Other current liabilities	6 088	18 816
Total current liabilities	481 683	199 055
Total liabilities	571 058	402 413
TOTAL EQUITY AND LIABILITIES	1 185 917	742 013

ROCKSOURCE GROUP - CONSOLIDATED CASH FLOW STATEMENTS

(Quarter and YTD unaudited)

<i>NOK '000</i>	Q2 2011 IFRS	Q2 2010 IFRS	1H 2011 IFRS	1H 2010 IFRS	2010 IFRS
Cash flow from operating activities					
Profit/(loss) before taxes from continued operations	9 937	(92 917)	(55 457)	(154 957)	(295 541)
Net profit/(loss) from discontinued operations	1 237	(108 167)	(676)	(111 741)	(147 041)
Profit/(loss) before taxes	11 174	(201 084)	(56 133)	(266 698)	(442 582)
Adjustments for:					
Net interest expense/(income)	8 115	3 988	13 979	9 512	21 992
Tax refund NCS exploration expenses	-	-	-	-	109 246
Depreciation, amortisation and impairment	682	1 082	1 613	2 207	4 144
Previously capitalised exploration expenses	82 547	-	82 547	-	-
Share-based remuneration	966	263	1 943	598	1 070
Interest received	2 119	982	3 521	1 683	5 794
Interest paid	(9 463)	(4 400)	(16 103)	(10 268)	(25 444)
Changes in accounts receivable	6 839	19 700	12 240	11 661	3 598
Changes in accounts and other payables	96 795	77 733	96 627	43 033	(23 701)
Changes in other current balance sheet items	2 831	(75 647)	(7 351)	(82 338)	24 821
Discontinued operations	561	113 735	6 571	124 364	136 982
Net cash flow from operating activities	203 166	(63 648)	139 453	(166 246)	(184 081)
Cash flow from investing activities					
Additions to tangible assets and capitalised exploration expenses	(151 657)	(3 931)	(191 077)	(5 767)	(26 858)
Investment in associates	-	(6 270)	-	(6 270)	(8 018)
Cash flow from discontinued operations	16 854	13	16 854	(409)	(1 269)
Net cash flow from investing activities	(134 803)	(10 188)	(174 223)	(12 446)	(36 145)
Cash flow from financing activities					
Net capital increase	(142)	238 509	243 493	239 109	239 166
Proceeds from issuance of long-term debt	29 000	38 582	51 000	61 582	-
Proceeds from issuance of short-term debt	-	-	-	-	140 172
Repayment of short-term debt	-	-	-	-	(101 106)
Net cash flow from financing activities	28 858	277 092	294 493	300 692	278 232
Effect of changes in exchange rates on cash and cash equivalents	(1 726)	277	(3 752)	415	650
Net change in cash and cash equivalents	95 494	203 533	255 971	122 414	58 657
Cash and cash equivalents at beginning of the period	385 347	85 095	224 870	166 214	166 214
Cash and cash equivalents at the end of the period ⁽¹⁾	480 842	288 628	480 842	288 628	224 870

⁽¹⁾ Restricted cash amounts to TNOK 26 147 as of 30 June 2011.

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Quarter and YTD unaudited)

<i>NOK '000</i>	Share capital	Treasury shares	Share premium reserves	Additional paid-in capital	Currency translation differences	Retained earnings	Total majority	Minority interest	Total equity
Equity 1 January 2011	262 612	(25)	197 581	290 217	43 727	(454 538)	339 574	25	339 600
Net profit/(loss) for the period	-	-	-	-	-	19 003	19 003	(13)	18 990
Other comprehensive income/(loss) for the period	-	-	-	-	7 375	-	7 375	-	7 375
Total comprehensive income/(loss) for the period	-	-	-	-	7 375	19 003	26 378	(13)	26 365
Net capital increase ⁽¹⁾	85 610	-	161 355	-	-	-	246 965	-	246 965
Share-based remuneration	-	-	-	1 943	-	-	1 943	-	1 943
Minority interest, dividends	-	-	-	-	-	-	-	(12)	(12)
Equity 30 June 2011	348 222	(25)	358 936	292 160	51 102	(435 535)	614 860	-	614 860

⁽¹⁾ Transaction costs related to issued share capital amounts to TNOK 12 340, net of tax.

<i>NOK '000</i>	Share capital	Treasury shares	Share premium reserves	Additional paid-in capital	Currency translation differences	Retained earnings	Total majority	Minority interest	Total equity
Equity 1 January 2010	178 618	(25)	132 030	196 408	29 355	(157 575)	378 811	1 724	380 535
Net profit/(loss) for the period	-	-	-	-	-	(172 067)	(172 067)	(19)	(172 086)
Other comprehensive income/(loss) for the period	-	-	-	-	(7 817)	-	(7 817)	-	(7 817)
Total comprehensive income/(loss) for the period	-	-	-	-	(7 817)	(172 067)	(179 884)	(19)	(179 903)
Net capital increase	83 854	-	158 350	-	-	-	242 204	-	242 284
Share-based remuneration	-	-	-	598	-	-	598	-	598
Equity 30 June 2010	262 472	(25)	290 380	197 006	21 538	(329 642)	441 730	1 705	443 435

Number of shares in thousands a NOK 1,00 ⁽¹⁾	Ordinary	Weighted Q2 2011	Weighted 1H 2011 ⁽¹⁾
Issued on 1 January 2011 in 1.000	262 612	262 612	262 612
- Treasury shares in 1.000	(25)	(25)	(25)
Issued on 1 February 2011 in 1.000	26 225	26 225	21 733
Issued on 22 February 2011 in 1.000	147	147	104
Issued on 23 February 2011 in 1.000	57 110	57 110	40 072
Issued on 22 March 2011 in 1.000	2 061	2 061	1 139
Issued on 23 May 2011 in 1.000	67	14	14
Total number of shares	348 197	348 144	325 649

⁽¹⁾ Weighted average number of outstanding ordinary shares are used in calculations of basic earnings per share.

ROCKSOURCE GROUP - NOTES SECOND QUARTER AND FIRST HALF YEAR 2011

Principles and reporting

These financial statements are the unaudited interim consolidated financial statements of Rocksource ASA and its subsidiaries (hereafter “the Group”) for the three-month period ended 30 June 2011 and for the first half year of 2011. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2010, as they provide an update of previously reported information.

The accounting policies used in the Interim Financial Statements are consistent with those used in the Annual Financial Statements.

The second quarter and first half year 2011 results were approved by the Board of Directors in a board meeting on 16 August 2011.

Note 1: Segment information

The Group’s main business segments are:

1. Onshore oil & gas activities
2. Offshore oil & gas activities
3. Geo-technical activities

The transactions between the segments include internal project and administrative support.

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	Q2		Q2		Q2		Q2		Q2	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	-	-	165 173	10 328	3 110	7 378	(9 068)	(15 028)	159 215	2 678
Operating expenses oil and gas	-	-	-	-	-	-	-	-	-	-
Exploration expenses	-	-	(123 703)	(98 156)	(5)	-	-	5 871	(123 708)	(92 285)
Other general and administrative expenses	-	-	(12 487)	(18 745)	(6 025)	(4 690)	9 068	9 157	(9 445)	(14 277)
Depreciation, amortisation and impairment	-	-	(655)	(869)	(27)	(212)	-	-	(682)	(1 082)
Operating profit/(loss)	-	-	28 327	(107 442)	(2 947)	2 476	-	-	25 380	(104 965)
Net financial income/(expenses)	(3 444)	(5 881)	(5 523)	19 830	(6 477)	(1 901)	-	-	(15 443)	12 049
Net profit/(loss) before taxes	(3 444)	(5 881)	22 804	(87 612)	(9 424)	575	-	-	9 937	(92 917)
Income tax	-	-	49 057	64 983	682	(772)	-	-	49 739	64 211
Net profit/(loss) from continued operations	(3 444)	(5 881)	71 862	(22 629)	(8 742)	(197)	-	-	59 676	(28 706)
Total assets, incl. assets classified as held for sale	1 656	82 672	978 193	892 456	268 047	200 277	(61 980)	(239 750)	1 185 917	935 655
Investing activities (cash effect)	-	(13)	69 147	3 931	-	-	-	-	69 147	3 918

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	-	-	169 400	16 827	5 868	18 187	(14 808)	(31 182)	160 461	3 833
Operating expenses oil and gas	-	-	-	-	-	-	-	-	-	-
Exploration expenses	-	-	(163 433)	(145 749)	(5)	-	-	12 941	(163 438)	(132 808)
Other general and administrative expenses	-	-	(17 839)	(36 865)	(14 147)	(14 674)	14 808	18 241	(17 178)	(33 298)
Depreciation, amortisation and impairment	-	-	(1 552)	(1 761)	(61)	(446)	-	-	(1 613)	(2 207)
Operating profit/(loss)	-	-	(13 423)	(167 548)	(8 345)	3 067	-	-	(21 768)	(164 480)
Net financial income/(expenses)	(8 797)	(11 496)	(17 007)	23 942	(7 886)	(2 924)	-	-	(33 690)	9 522
Net profit/(loss) before taxes	(8 797)	(11 496)	(30 430)	(143 605)	(16 231)	143	-	-	(55 457)	(154 958)
Income tax	-	-	72 990	95 624	2 133	(1 012)	-	-	75 124	94 612
Net profit/(loss) from continued operations	(8 797)	(11 496)	42 561	(47 981)	(14 097)	(869)	-	-	19 666	(60 346)
Total assets, incl. assets classified as held for sale	1 656	82 672	978 193	892 456	268 047	200 277	(61 980)	(239 750)	1 185 917	935 655
Investing activities (cash effect)	-	-	108 530	5 655	-	112	-	-	108 530	6 176

The segment “Onshore – Oil and gas activities” relates to the US onshore activity which has been stated as discontinued operations due the sale of the onshore oil and gas assets. Specification of financials related to this segment is included below in Note 2: Discontinued operations.

Note 2: Discontinued operations

In Q2 Rocksource’s US subsidiaries have sold the US onshore producing fields to a Texas-based oil and gas company. The US onshore assets, which in Rocksource’s Q1 2011 financial report were recorded as “assets classified as held for sale” in the consolidated statements of financial position and the according income and expenses from the US onshore assets were presented on a separate line “Net profit/(loss) from discontinued operations” in the income statements. Historical results from the operations are stated in the table below.

NOK '000	Q2 2011	Q2 2010	1H 2011	1H 2010	2010
Revenue	5 871	13 927	14 217	32 574	52 091
Gain from sale of assets	1 336	-	1 336	-	-
Operating expenses oil and gas	(1 637)	(5 046)	(5 473)	(10 639)	(19 433)
Exploration expenses	-	1 187	(12)	(760)	(769)
Other general and administrative expenses	(1 200)	(4 684)	(2 794)	(8 959)	(18 573)
Depreciation, amortisation and impairment	(3 133)	(113 551)	(7 950)	(123 956)	(160 357)
Net profit/(loss) from discontinued operations	1 237	(108 168)	(676)	(111 741)	(147 041)

The net proceeds from the sale are approximately USD 3.5 million and the sale has a marginal effect in the profit and loss statement of NOK 1.3 million.

Rocksource has a NOK 200 million bond maturing in May 2012 which had security in the US onshore and other assets. The net proceeds from the sale will be used to make a partial early redemption of the bond loan in August 2011, and cash received from the sale is booked as restricted cash as of 30 June 2011.

The transaction also terminates potential arbitration proceedings from the former owners of the US subsidiary Sandhawk Energy LLC, as described in Rocksource’s Annual Report for 2010.

Note 3: Operating income

Rocksource announced in June a farm-down agreement with Noble Energy. The initial committed value of this transaction was USD 28 million and is reflected in the operating income in Q2 2011. See more information about the farm-out deal in section "Operational review" in this quarterly report.

Note 4: Related parties/share-based remuneration

Reference is made to detailed information disclosed in the Annual Report for 2010 regarding related parties transactions.

Options under the share-based remuneration programme, as approved by the Annual General Meeting on 26 May 2010, are recognised in the financial statements from the grant dates. Expensed share-based remuneration for the second quarter 2011 (including employer's social security contributions) is NOK 1.0 million and NOK 1.9 million for the first half year 2011.

Note 5: Tax

Companies operating on the Norwegian Continental Shelf can claim a 78 per cent refund of their exploration expenses limited to the taxable losses for the year. In the second quarter the Group has accounted a positive income tax of NOK 49.7 million (second quarter 2010 NOK 64.2 million).

<i>NOK '000</i>	Q2 2011	Q2 2010	1H 2011	1H 2010	2010
Tax refund this year, NCS	123 443	70 154	155 074	99 892	163 898
Tax refund from prior year, NCS	-	-	(3 725)	(1 383)	(1 634)
Deferred income tax, NCS	(74 386)	(5 173)	(79 813)	(2 886)	(15 189)
Deferred income tax from prior year, NCS	-	-	1 454	-	(1 319)
Payable taxes, other	-	1	-	-	-
Deferred income tax, onshore activities	682	(771)	2 133	(1 012)	(1 835)
Total income tax through profit and loss	49 739	64 211	75 124	94 613	143 920
Tax refund received, NCS	-	-	-	-	109 246

Rocksource ASA has received a notice from Oljeskattekontoret (OSK/The Norwegian Oil Taxation Office) of a possible change to the tax assessments for 2007, 2008 and 2009. The notice relates to the pricing of proprietary electromagnetic interpretation services provided to Rocksource and its license partners from Rocksource's wholly owned subsidiary Rocksource Geotech AS.

Rocksource's opinion is that the pricing of the services provided by Rocksource Geotech AS is on arm's-length terms and in compliance with Norwegian tax legislation. Rocksource strongly disagrees with the alleged basis for OSK's preliminary view and will contest the notices accordingly.

The notices do not conclude on the legal basis for the change of the assessments. If the tax authorities' view prevails, Rocksource interprets that the negative cash effect for the income years 2007-2009 can be estimated within a range up to NOK 60 million. Tax refund for 2009 has been paid out according to the Company's tax assessments.

Note 6: Exploration expenses

<i>NOK '000</i>	Q2 2011	Q2 2010	1H 2011	1H 2010	2010
Exploration expenses related to license participation	(5 336)	(70 721)	(16 121)	(89 220)	(145 292)
Exploration expenses, other external expenses (seismic, EM, etc)	(21 599)	(12 707)	(27 511)	(23 963)	(33 423)
Exploration expenses, external	(26 935)	(83 428)	(43 632)	(113 182)	(178 715)
Reclassified from general and administrative expenses	(14 226)	(8 858)	(37 259)	(19 626)	(55 432)
Exploration expenses, previously capitalised	(82 547)	-	(82 547)	-	(4 820)
Total exploration expenses, income statement	(123 708)	(92 285)	(163 438)	(132 808)	(238 967)

In accordance with the successful effort method, the previously capitalised exploration expenses are reclassified to exploration expenses in the income statement when then the drilling results are negative.

The item exploration expenses, previously capitalised of NOK 82.5 million in the table above represent the effect of the negative result from drilling the PL 416 Breiflabb well and the Kora well in AGC Profond in June, respectively with NOK 25.2 million and NOK 57.6 million. The spud date for both of the wells were end of June and drilling expenses incurred after 30.6.2011 will be expensed in the third quarter.

Note 7: Other general and administrative expenses

<i>NOK '000</i>	Q2 2011	Q2 2010	1H 2011	1H 2010	2010
Payroll and other related expenses	(12 580)	(10 587)	(32 462)	(28 318)	(70 253)
Other expenses	(11 090)	(12 547)	(21 974)	(24 605)	(23 766)
Total	(23 671)	(23 134)	(54 436)	(52 923)	(94 018)
- Reclassified as exploration expenses	14 226	8 858	37 259	19 626	55 432
Total general and administrative expenses, income statement	(9 445)	(14 277)	(17 178)	(33 298)	(38 587)

Note 8: Financial items

<i>NOK '000</i>	Q2 2011	Q2 2010	1H 2011	1H 2010	2010
Share of income/(loss) in associates	(3 622)	(2 178)	(5 244)	(3 468)	(9 729)
Financial income	2 119	982	3 521	1 683	5 794
Financial expenses	(7 881)	(4 970)	(15 147)	(11 195)	(27 786)
Foreign currency gain/(loss)	(6 059)	28 215	(21 578)	36 443	(1 423)
Net income/(expenses) from derivatives	-	(10 000)	4 759	(13 941)	1 082
Net financial income/(expenses)	(15 443)	12 049	(33 690)	9 522	(32 061)

The interest and currency swap, described in note 18 in the Annual Report 2010, was settled in February 2011.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2011 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 16 August 2011

Mimi K. Berdal
Chairman
Sign.

Ole Wiborg
Board Member
Sign.

Marianne E. Johnsen
Board Member
Sign.

Ole Nygaard
Board Member
Sign.

Bjarte Fagerås
Board Member
Sign.

Trygve Pedersen
Chief Executive Officer
Sign.