

Rocksource ASA

Third quarter 2011

Rocksource ASA posted a net loss in the third quarter of 2011 of NOK 93.9 million, compared to a loss of NOK 59.0 million in the third quarter of 2010.

Exploration expenses totalled NOK 300.4 million in the quarter, including previously capitalised exploration expenses of NOK 255.8 million. Exploration expenses reflected a high activity level in the quarter. EBITDA was negative with NOK 294.7 million in the quarter versus negative NOK 53.2 million in the corresponding quarter 2010.

The cash balance at the end of the third quarter was NOK 340.7 million, a NOK 140.1 million reduction from the end of previous quarter.

The Company's 2011 drilling campaign has now come to an end with a disappointing overall result. Out of five wells drilled, four did not contain hydrocarbons. However, the Norvarg gas discovery in the Barents Sea looks promising. Rocksource expects an appraisal well to be sanctioned for drilling late 2012 or early 2013.

The Company's main priority going forward is to strengthen its financial position and to firm up a new drilling program. An ambitious cost cutting programme has been initiated which includes reductions in both staff and offices.

Over the last few weeks Rocksource has bought back parts of its bond loan maturing in May 2012. The Company is continuously evaluation options on how to optimise its capital structure going forward. Equity is currently not considered a preferable option.

Q3 and subsequent key events

- Weaker than expected drilling results from 2011 campaign
 - Five exploration wells completed in Q3 and Q4 with one major discovery
 - Post well analysis ongoing, learning to be incorporated in future operations
- Norvarg gas discovery looks promising
 - Revised estimates indicate potential upside in resource estimates
 - Appraisal well expected late 2012
- Next set of exploration wells currently being firmed up
 - Drill or drop decisions on PL 528, PL 506s and PL 515 to be made by February
 - Still slow progress in Gulf of Mexico

- Ambitious cost programme initiated
 - Goal to reduce the cost of running the organisation with more than 30 per cent
 - Measures include reductions in organisation and release of offices

- Bond debt reduced through buy back in the market
 - Bonds at nominal value of NOK 53.0 million bought back at an average price of 81 per cent in Q4, reducing the bond loan to NOK 129.5 million.
 - Continuously evaluation of options to optimise capital structure going forward

Key financial & operational figures

NOK '000	Q3 2011	Q3 2010 ⁽⁴⁾	1.1.- 30.09.2011	1.1.- 30.09.2010 ⁽⁴⁾	2010 ⁽⁴⁾
Operating income	9 095	10 320	169 556	14 153	18 218
Exploration expenses	(300 352)	(65 688)	(468 039)	(198 496)	(238 967)
EBITDA	(1) (294 730)	(53 215)	(314 884)	(215 487)	(259 335)
Net profit/(loss)	(93 906)	(58 984)	(74 915)	(231 069)	(298 661)
Basic earnings per share (NOK) from continued operations	(2) (0.270)	(0.221)	(0.225)	(1.040)	(1.285)
Investment	(3) 350 856	5 157	541 933	17 194	34 876
Cash balance	340 696	263 762	340 696	263 762	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 21 November 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 anomaly	Prospect evaluation
PL 528	NCS	30 %	Suncor	20th Round	EM anomaly	Prospect evaluation
PL 528b	NCS	30 %	Suncor	21th Round	EM anomaly	Prospect evaluation
PL 530	NCS	20 %	GDF Suez Norge	20th Round	Dry hole	Post well evaluation
PL 535	NCS	20 %	Total E&P Norge	20th Round	Discovery	Post well evaluation
PL 559	NCS	60 %	Rocksource ASA	APA 2009	Dry hole	Post well evaluation
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 1638	UKCS	100 %	Rocksource UK	25th Round	Not yet tested	Prospect 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	Discovery evaluation finalised, on hold
EB 419	USA	100 %	Rocksource GOM	WGOM 210	EM positive	Evaluation finalised, marketing ongoing
EB 512	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	Inconclusive EM, on hold
EB 475	USA	100 %	Rocksource GOM	Farm-in	EM acquired	On hold
EB 519	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
GB 407	USA	100 %	Rocksource GOM	Farm-in	EM acquired	EM PH1 starting up
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	G&G finalised, EM evaluation on hold
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 finalised
MC 337 & 381	USA	40 %	Rocksource GOM	Farm-in	EM acquired	EM PH1 starting up

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

Operational review

NCS

The Norwegian Continental Shelf is Rocksource's main focus area. Out of five exploration wells drilled in 2011, four were drilled on the NCS. In the Company's Q2 2011 Financial Report in August, Rocksource reported on two of the NCS wells; The Norvarg discovery and the unsuccessful well on the Breiflabb prospect in PL 416. Since then the remaining two NCS wells have been completed.

The Phoenix well in PL 559 was drilled during September and October. The well did not encounter hydrocarbons. The primary reservoir interval for the well targeted fluvial deposits of the Åre Formation in the Lower Jurassic Båt Group. The primary target was present and found to be poorly developed at the well location. Despite this, reservoir quality sands were still encountered but these were water wet. Secondary reservoir targets included the lower part of the Åre Formation and Upper Triassic deposits within the Grey and Red Beds. These targets proved good quality reservoir sands as prognosed but were also water bearing. The well has now been permanently plugged and abandoned. Data acquisition has been carried out, and will be used to evaluate remaining exploration potential in the license and to improve the regional understanding of the area.

This Phoenix well was the first operated well on the NCS for Rocksource and was completed with no HSE incidents. Despite the disappointing result the drilling of the Phoenix prospect represents a major milestone for Rocksource and successfully demonstrates the Company's competence as an operator in the Norwegian sector.

The Heilo well in PL 530 was drilled during September and October. The well did not encounter hydrocarbons. The well was located about 105 kilometres north of Hammerfest and about 70 kilometres northeast of the Goliat field in the Barents Sea. The Heilo well was drilled to a vertical depth of 2 690 metres below the sea surface, and was terminated 200 metres into the Havert formation. The result was disappointing as all target levels were water wet. Primary exploration targets, Jurassic and Triassic reservoir rocks, encountered water wet reservoir rocks with good reservoir quality. Secondary exploration targets, Middle and Lower Triassic formations, encountered reservoir rocks of moderately good reservoir quality, but no indications of hydrocarbons. Data acquisition has been carried out, and will be used to evaluate remaining exploration potential in the license and to improve the regional understanding of the area.

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

Senegal/Guinea Bissau – AGC Profond

The current exploration period has been extended by one year, until September 18, 2012. The licensees will by then independently have to decide whether to pursue to the next exploration period with the obligation to drill one more exploration well, or to drop the license. Rocksource retains the right to earn 12.5 per cent in the PSC through participation in a second exploration well.

The drilled exploration well Kora-1A fulfills the commitment for the current phase of the AGC Profond PSC, and the evaluations of the well result are ongoing in order to re-evaluate the total block potential. AGC Profond PSC is covering a large offshore area and several prospects and leads are identified that will go into the evaluation of the future exploration potential.

Gulf of Mexico

Drilling activity is returning to pre Macondo level for the major operators in deep water Gulf of Mexico (GoM), but the smaller and medium sized operators are still evaluating the situation. Most operators have a backlog of prospects to be drilled due to the moratorium period, thus the activity on the lease trades has remained low. The exploration application and the permitting time are significantly higher than before Macondo. The number of approved new exploration wells has increased significantly lately and permitting time is expected to be reduced as backlog of prospects declines.

Rocksource has actively been marketing one prospect in the East Breaks area, EB 419, for farm down. There has been no success so far, but the process is ongoing. The exploration activity in the East Breaks area is currently low and this influences the marketability of EB 419.

The AC 855 prospect is in the final risking process and active marketing is expected to start in January 2012. The prospect has a large oil potential and a distinct EM anomaly. Geologically, the prospect is sitting on top of the Frio reservoirs of the Perdido development.

Maturation of new prospects in the lease portfolio is continuing. Acquisitions and divestments of deepwater projects in the GoM together with all activity in the greater Trident area are being monitored closely to decide when to re-initiate the Trident project.

Improved financing models for the GoM is under evaluation in order to reduce the net cost for Rocksource. This is vital if the activity in the GoM is to be continued at the current level.

Financial summary

OPERATIONS

Rocksource's reported operating income was NOK 9.1 million in the third quarter and NOK 169.6 million for the first nine months of 2011. The accumulated operating income includes an income of NOK 152.8 million from the farm-down agreement with Noble Energy in the AGC Profond PSC in June.

Net loss in the quarter was NOK 93.9 million, compared to a loss of NOK 59.0 million in the third quarter of 2010. Accumulated loss in 2011 was NOK 74.9 million, compared to NOK 231.0 million for the same period in 2010.

Exploration expenses totalled NOK 300.4 million in the quarter, including exploration expenses previously capitalised at NOK 255.8 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 third quarter 2010 were NOK 65.7 million.

EBITDA was negative with NOK 294.7 million in the quarter versus negative NOK 53.2 million in the corresponding quarter 2010. EBITDA for the first nine months was negative with NOK 314.9 million.

Net financial income was NOK 5.7 million in the quarter, influenced by currency gain due to strengthening of the USD/NOK exchange rate.

Income tax in the third quarter was NOK 195.8 million, up from NOK 49.7 million in second quarter 2011 due to higher exploration expenses related to drilling operations on the NCS. Income tax in the first nine months was NOK 270.9 million up from NOK 127.6 million in 2010.

Cash flow from operating activities in the third quarter 2011 was negative with NOK 139.7 million, compared to minus NOK 76.3 million in the corresponding period in 2010.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 30 September 2011 was NOK 1,395.5 million compared to NOK 1,185.9 million in second 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 September 2011 was NOK 513.6 million compared to NOK 614.9 million at 30 June 2011 and NOK 339.6 million at the year-end 2010, giving an equity ratio of 36.8 per cent, down from 45.8 per cent at the year-end 2010.

The cash balance at the end of the third quarter was NOK 340.7 million compared to NOK 480.8 million at the end of previous quarter.

In the third quarter Rocksource increased the total amount available in the exploration credit facility from SEB Merchant Bank from NOK 500 million to NOK 850 million. Total draw down on the credit facility was NOK 568 million as of 30.9.2011, of which NOK 368 million in the third quarter. Available facility amount was NOK 282 million at the end of the third quarter 2011.

As of 30 September 2011 Rocksource ASA had 348,155,121 shares and a total of 24,846 treasury shares.

Outlook

Following a weaker than expected outcome of the Company's 2011 drilling campaign, Rocksource is now focusing its efforts to secure a basis for future growth. This includes reduction in cost base in the short term, and to firm up the next set of wells in the medium term. There is still a large exploration potential in the existing portfolio, and the Company aims to repeat previous successes with awards in the upcoming licensing rounds on the NCS.

Further, the Company has taken a strategic decision to expand its business model to also include non-EM prospectivity. EM technology shall remain an important part of the Company's exploration model.

However, the Company realises the need to mature more wells faster and at lower cost than what has been the case in the past. Hence Rocksource will going forward evaluate non-EM prospectivity to add to the Company's opportunity set.

In October the Company completed its first operated exploration well on the NCS. The operations were conducted in a safe and timely manner without incidents. Having demonstrated its capabilities as an operator, Rocksource is now in a position to capitalise on this going forward, in both upcoming licensing rounds and in potential farm-in negotiations.

The Norvarg gas discovery is looking promising. Rocksource expects an appraisal well to be sanctioned for drilling late 2012 or early 2013. Rocksource believes Norvarg has the potential to be a key asset in the development of gas infrastructure in the Barents Sea. The Company will carefully consider all options to maximise shareholder value based on the Norvarg discovery.

Currently there are no firm exploration wells sanctioned for drilling in 2012. There are however several upcoming drill or drop decisions, including PL 506S, 515 and 528. Progress in the Gulf of Mexico is still slow and the Company has so far not succeeded in farming down its drill ready prospect in the Gulf, although this process is still ongoing. A second drill ready prospect will be marketed early in 2012.

With its current portfolio and financial frame Rocksource aims to firm up a minimum of four wells to be drilled over the next 18 months.

ROCKSOURCE GROUP - CONSOLIDATED INCOME STATEMENTS

(Quarter and YTD unaudited)

NOK '000	Notes	Q3 2011 IFRS	Q3 2010 IFRS	1.1. - 30.09.2011 IFRS	1.1. - 30.09.2010 IFRS	2010 IFRS
Operating income						
Revenue	3	9 095	10 320	169 556	14 153	18 218
Total operating income		9 095	10 320	169 556	14 153	18 218
Operating expenses						
Exploration expenses	6	(300 352)	(65 688)	(468 039)	(198 496)	(238 967)
Other general and administrative expenses	7	(3 473)	2 154	(16 401)	(31 144)	(38 587)
Depreciation and amortisation		(688)	(993)	(2 301)	(3 200)	(4 144)
Total operating expenses		(304 513)	(64 527)	(486 741)	(232 840)	(281 698)
Operating profit/(loss)		(295 418)	(54 207)	(317 185)	(218 687)	(263 479)
Financial income/(expenses)						
Share of income/(loss) in associates		(2 001)	(1 732)	(7 245)	(5 200)	(9 729)
Financial income		1 472	1 326	4 993	25 511	6 993
Financial expenses		6 271	(31 972)	(25 695)	(43 167)	(29 326)
Net financial income/(expenses)	8	5 743	(32 377)	(27 947)	(22 855)	(32 061)
Profit/(loss) before taxes from continued operations		(289 675)	(86 585)	(345 132)	(241 542)	(295 541)
Income tax	5	195 769	33 000	270 893	127 612	143 920
Net profit/(loss) from continued operations		(93 906)	(53 585)	(74 239)	(113 930)	(151 620)
Net profit/(loss) from discontinued operations	2	-	(5 399)	(676)	(117 140)	(147 041)
Net profit/(loss)		(93 906)	(58 984)	(74 915)	(231 069)	(298 661)
Attributable to:						
Equity holders of the parent		(93 906)	(57 919)	(74 903)	(229 986)	(296 962)
Minority interest		-	(1 064)	(13)	(1 083)	(1 699)
Net profit/(loss)		(93 906)	(58 984)	(74 915)	(231 069)	(298 661)
Earnings per share						
Basic earnings per share (NOK)		(0.270)	(0.221)	(0.225)	(1.040)	(1.285)
Diluted earnings per share (NOK)		(0.270)	(0.221)	(0.225)	(1.040)	(1.285)
Earnings per share from continued operations						
Basic earnings per share (NOK) from continued operation:		(0.270)	(0.200)	(0.223)	(0.515)	(0.655)
Diluted earnings per share (NOK) from continued operatic		(0.270)	(0.200)	(0.223)	(0.515)	(0.655)

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Quarter and YTD unaudited)

<i>NOK '000</i>	Q3 2011 IFRS	Q3 2010 IFRS	1.1. - 30.09.2011 IFRS	1.1. - 30.09.2010 IFRS	2010 IFRS
Net profit/(loss)	(93 906)	(58 984)	(74 915)	(231 069)	(298 661)
Exchange differences on translating foreign operations	(8 247)	20 850	(872)	13 033	14 372
Total comprehensive income/(loss) for the period	(102 152)	(38 134)	(75 787)	(218 037)	(284 290)
Total comprehensive income attributable to:					
Equity holders of the parent	(102 152)	(37 070)	(75 774)	(216 953)	(282 590)
Minority interest	-	(1 064)	(13)	(1 083)	(1 699)
Total comprehensive income/(loss) for the period	(102 152)	(38 134)	(75 787)	(218 037)	(284 290)

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(YTD unaudited)

<i>NOK '000</i>	Notes	30.9.2011 IFRS	31.12.2010 IFRS
ASSETS			
Non-current assets			
Intangible assets			
Deferred tax assets		-	35 147
Patents and development costs		17	75
Goodwill		154 563	154 563
Capitalised exploration and acquisition costs	9	277 602	75 691
Total intangible assets		432 183	265 476
Tangible assets			
Oil- and gas properties		-	23 426
Furniture, fixtures and office machines		4 057	4 795
Investments in associates		27 542	25 130
Other investments		-	9 095
Tax receivable NCS, long-term		414 957	-
Total tangible assets		446 556	62 446
Total non-current assets		878 738	327 922
Current assets			
Accounts receivable		893	12 422
Tax receivable NCS, short-term		160 173	163 898
Other receivables		14 963	12 901
Cash and cash equivalents		340 696	224 870
Total current assets		516 725	414 091
TOTAL ASSETS		1 395 463	742 013

ROCKSOURCE GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(YTD unaudited)

<i>NOK '000</i>	30.9.2011	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	335 930	333 945
Total paid-in capital	1 043 063	794 113
Retained earnings		
Retained earnings/(loss carried forward)	(529 440)	(454 538)
Total equity attributable to equity holders of the parent	513 623	339 574
Minority interest	-	25
Total equity	513 623	339 600
Liabilities		
Non-current liabilities		
Deferred tax liabilities	5 101 720	-
Bond loan	-	198 014
NCS credit facility, long-term	419 595	-
Derivative financial instruments	8 -	4 759
Other long-term liabilities	-	584
Total non-current liabilities	521 315	203 358
Current liabilities		
Bond loan	181 601	-
NCS credit facility, short-term	143 716	143 716
Accounts and other payables	27 546	36 523
Other current liabilities	7 663	18 816
Total current liabilities	360 526	199 055
Total liabilities	881 841	402 413
TOTAL EQUITY AND LIABILITIES	1 395 463	742 013

ROCKSOURCE GROUP - CONSOLIDATED CASH FLOW STATEMENTS

(Quarter and YTD unaudited)

<i>NOK '000</i>	Q3 2011 IFRS	Q3 2010 IFRS	1.1. - 30.09.2011 IFRS	1.1. - 30.09.2010 IFRS	2010 IFRS
Cash flow from operating activities					
Profit/(loss) before taxes from continued operations	(289 675)	(86 585)	(345 132)	(241 542)	(295 541)
Net profit/(loss) from discontinued operations	-	(5 399)	(676)	(117 140)	(147 041)
Profit/(loss) before taxes	(289 675)	(91 983)	(345 808)	(358 682)	(442 582)
Adjustments for:					
Net interest expense/(income)	8 349	7 091	22 328	16 603	21 992
Tax refund NCS exploration expenses	-	-	-	-	109 246
Depreciation, amortisation and impairment	663	993	2 277	3 200	4 144
Previously capitalised exploration expenses	255 812	-	338 359	-	-
Share-based remuneration	915	290	2 858	888	1 070
Interest received	1 472	1 326	4 993	3 009	5 794
Interest paid	(9 537)	(7 744)	(25 640)	(18 011)	(25 444)
Changes in accounts receivable	(711)	(303)	11 528	11 358	3 598
Changes in accounts and other payables	(105 604)	(54 359)	(8 977)	(11 326)	(23 701)
Changes in other current balance sheet items	(1 358)	61 249	(8 709)	(21 089)	24 821
Discontinued operations	-	7 103	6 571	131 468	136 982
Net cash flow from operating activities	(139 673)	(76 336)	(220)	(242 582)	(184 081)
Cash flow from investing activities					
Additions to tangible assets and capitalised exploration expenses	(350 856)	(5 157)	(541 933)	(10 924)	(26 858)
Investment in associates	-	-	-	(6 270)	(8 018)
Cash flow from discontinued operations	-	(847)	16 854	(1 256)	(1 269)
Net cash flow from investing activities	(350 856)	(6 004)	(525 079)	(18 450)	(36 145)
Cash flow from financing activities					
Net capital increase	-	(6)	243 493	239 103	239 166
Proceeds from issuance of long-term debt	368 000	58 000	419 000	119 582	-
Proceeds from issuance of short-term debt	-	-	-	-	140 172
Repayment of short-term debt	(17 500)	-	(17 500)	-	(101 106)
Net cash flow from financing activities	350 500	57 994	644 993	358 685	278 232
Effect of changes in exchange rates on cash and cash equivalents	(116)	(520)	(3 869)	(105)	650
Net change in cash and cash equivalents	(140 146)	(24 866)	115 825	97 548	58 657
Cash and cash equivalents at beginning of the period	480 842	288 628	224 870	166 214	166 214
Cash and cash equivalents at the end of the period ⁽¹⁾	340 696	263 762	340 696	263 762	224 870

⁽¹⁾ Available cash is TNOK 268 452 as of 30 September 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	-	-	-	-	-	(74 903)	(74 903)	(13)	(74 915)
Other comprehensive income/(loss) for the period	-	-	-	-	(872)	-	(872)	-	(872)
Total comprehensive income/(loss) for the period	-	-	-	-	(872)	(74 903)	(75 774)	(13)	(75 787)
Net capital increase ⁽¹⁾	85 610	-	161 355	-	-	-	246 965	-	246 965
Share-based remuneration	-	-	-	2 858	-	-	2 858	-	2 858
Minority interest, dividends	-	-	-	-	-	-	-	(12)	(12)
Equity 30 September 2011	348 222	(25)	358 936	293 075	42 855	(529 440)	513 623	-	513 623

⁽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	-	-	-	-	-	(229 986)	(229 986)	(1 083)	(231 069)
Other comprehensive income/(loss) for the period	-	-	-	-	13 033	-	13 033	-	13 033
Total comprehensive income/(loss) for the period	-	-	-	-	13 033	(229 986)	(216 953)	(1 083)	(218 036)
Net capital increase	83 932	-	158 290	-	-	-	242 222	-	242 222
Share-based remuneration	-	-	-	888	-	-	888	-	888
Equity 30 September 2010	262 550	(25)	290 320	197 296	42 388	(387 561)	404 968	641	405 609

Number of shares in thousands a NOK 1,00 ⁽¹⁾	Weighted Q3		
	Ordinary	2011	Weighted 1.1-30.9.2011 ⁽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	23 247
Issued on 22 February 2011 in 1.000	147	147	119
Issued on 23 February 2011 in 1.000	57 110	57 110	45 814
Issued on 22 March 2011 in 1.000	2 061	2 061	1 450
Issued on 23 May 2011 in 1.000	67	67	32
Total number of shares in 1.000	348 197	348 197	333 247

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

ROCKSOURCE GROUP - NOTES THIRD QUARTER AND YTD 30.9.2011

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 September 2011 and year to date 30.9.2011. 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 third quarter and year to date 30.9.2011 results were approved by the Board of Directors in a board meeting on 21 November 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	
	Q3		Q3		Q3		Q3		Q3	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	-	-	10 206	7 283	3 155	9 518	(4 265)	(6 481)	9 095	10 320
Operating expenses oil and gas	-	-	-	-	-	-	-	-	-	-
Exploration expenses	-	-	(300 342)	(65 688)	(10)	-	-	-	(300 352)	(65 688)
Other general and administrative expenses	-	-	(2 430)	(699)	(5 308)	(3 629)	4 265	6 481	(3 473)	2 154
Depreciation, amortisation and impairment	-	-	(661)	(846)	(27)	(147)	-	-	(688)	(993)
Operating profit/(loss)	-	-	(293 227)	(59 949)	(2 190)	5 742	-	-	(295 418)	(54 207)
Net financial income/(expenses)	-	(5 891)	7 687	(25 008)	(1 944)	(1 479)	-	-	5 743	(32 377)
Net profit/(loss) before taxes	-	(5 891)	(285 541)	(84 957)	(4 135)	4 263	-	-	(289 675)	(86 584)
Income tax	-	-	195 172	35 690	597	(2 690)	-	-	195 769	33 000
Net profit/(loss) from continued operations	-	(5 891)	(90 369)	(49 267)	(3 537)	1 573	-	-	(93 906)	(53 584)
Total assets, incl. assets classified as held for sale	949	68 931	1 189 320	1 122 361	267 174	273 444	(61 980)	(570 137)	1 395 463	894 600
Investing activities (cash effect)	-	-	95 044	5 208	-	(52)	-	-	95 044	5 157

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	01.01 - 30.09.		01.01 - 30.09.		01.01 - 30.09.		01.01 - 30.09.		01.01 - 30.09.	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	-	-	179 606	24 111	9 023	27 705	(19 073)	(37 663)	169 556	14 153
Operating expenses oil and gas	-	-	-	-	-	-	-	-	-	-
Exploration expenses	-	-	(468 024)	(198 496)	(15)	-	-	-	(468 039)	(198 496)
Other general and administrative expenses	-	-	(16 019)	(50 505)	(19 455)	(18 303)	19 073	37 663	(16 401)	(31 144)
Depreciation, amortisation and impairment	-	-	(2 213)	(2 607)	(88)	(593)	-	-	(2 301)	(3 200)
Operating profit/(loss)	-	-	(306 650)	(227 497)	(10 535)	8 810	-	-	(317 185)	(218 687)
Net financial income/(expenses)	(8 797)	(17 387)	(9 320)	(1 066)	(9 830)	(4 403)	-	-	(27 947)	(22 855)
Net profit/(loss) before taxes	(8 797)	(17 387)	(315 970)	(228 562)	(20 365)	4 407	-	-	(345 132)	(241 542)
Income tax	-	-	268 162	130 302	2 731	(2 690)	-	-	270 893	127 612
Net profit/(loss) from continued operations	(8 797)	(17 387)	(47 808)	(98 260)	(17 634)	1 717	-	-	(74 239)	(113 930)
Total assets, incl. assets classified as held for sale	949	68 931	1 189 320	1 122 361	267 174	273 444	(61 980)	(570 137)	1 395 463	894 600
Investing activities (cash effect)	-	-	203 574	10 864	-	61	-	-	203 574	10 924

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 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	Q3 2011	Q3 2010	1.1. - 30.09.2011	1.1. - 30.09.2010	2010
Revenue	-	10 550	14 217	43 124	52 091
Gain from sale of assets	-	-	1 336	-	-
Operating expenses oil and gas	-	(4 810)	(5 473)	(15 449)	(19 433)
Exploration expenses	-	323	3 271	(437)	(769)
Other general and administrative expenses	-	(5 204)	(6 077)	(14 164)	(18 573)
Depreciation, amortisation and impairment	-	(6 257)	(7 950)	(130 213)	(160 357)
Net profit/(loss) from discontinued operations	-	(5 399)	(676)	(117 140)	(147 041)

The net proceeds from the sale are approximately USD 3.5 million and the sale has a marginal positive effect in the profit and loss statement of NOK 1.3 million in Q2 2011. The net proceeds from the sale are used to make a partial early redemption of the bond loan in August 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-down deal in section "Operational review" in the second quarter 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 third quarter 2011 (including employer's social security contributions) is NOK 0.9 million and NOK 2.9 million for the year to date 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 third quarter the Group has accounted a positive income tax of NOK 195.8 million (third quarter 2010 NOK 33.0 million).

<i>NOK '000</i>	Q3 2011	Q3 2010	1.1. - 30.09.2011	1.1. - 30.09.2010	2010
Tax refund this year, NCS	259 883	32 732	414 957	132 624	163 898
Tax refund from prior year, NCS	-	-	(3 725)	(1 383)	(1 634)
Deferred income tax, NCS	(64 711)	4 649	(144 524)	380	(15 189)
Deferred income tax from prior year, NCS	-	(2 702)	1 454	(1 319)	(1 319)
Payable taxes, other	-	-	-	-	-
Deferred income tax, onshore activities	597	(1 679)	2 731	(2 690)	(1 835)
Total income tax through profit and loss	195 769	33 000	270 893	127 612	143 920
Tax refund received, NCS	-	-	-	-	109 246
Tax received/(paid), corporate tax	-	-	-	-	-

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>	Q3 2011	Q3 2010	1.1. - 30.09.2011	1.1. - 30.09.2010	2010
Exploration expenses related to license participation	(11 959)	(34 691)	(48 155)	(123 911)	(145 292)
Exploration expenses, other external expenses (seismic, EM, etc)	(9 657)	(9 692)	(22 054)	(33 655)	(33 423)
Exploration expenses, external	(21 616)	(44 383)	(70 209)	(157 566)	(178 715)
Reclassified from general and administrative expenses	(22 924)	(16 158)	(59 471)	(35 784)	(55 432)
Exploration expenses, previously capitalised	(255 812)	(5 148)	(338 359)	(5 148)	(4 820)
Total exploration expenses, income statement	(300 352)	(65 688)	(468 039)	(198 497)	(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 255.8 million in the table above represent the effect of the negative result from drilling the PL 530, PL 559, PL 416 and the Kora well in AGC Profond. The spud date for PL 559 and PL 530 wells were September and drilling expenses incurred after 30.9.2011 will be expensed in the fourth quarter.

Note 7: Other general and administrative expenses

<i>NOK '000</i>	Q3 2011	Q3 2010	1.1. - 30.09.2011	1.1. - 30.09.2010	2010
Payroll and other related expenses	(20 010)	(15 324)	(52 472)	(43 642)	(70 253)
Other expenses	(6 388)	1 320	(23 400)	(23 285)	(23 766)
Total	(26 397)	(14 004)	(75 872)	(66 927)	(94 018)
- Reclassified as exploration expenses	22 924	16 158	59 471	35 784	55 432
Total general and administrative expenses, income statement	(3 473)	2 154	(16 401)	(31 144)	(38 587)

Note 8: Financial items

<i>NOK '000</i>	Q3 2011	Q3 2010	1.1. - 30.09.2011	1.1. - 30.09.2010	2010
Share of income/(loss) in associates	(2 001)	(1 732)	(7 245)	(5 200)	(9 729)
Financial income	1 472	1 326	4 993	3 009	5 794
Financial expenses	(9 821)	(8 418)	(24 968)	(19 613)	(27 786)
Foreign currency gain/(loss)	16 092	(37 777)	(5 486)	(1 334)	(1 423)
Net income/(expenses) from derivatives	-	14 223	4 759	282	1 082
Net financial income/(expenses)	5 743	(32 377)	(27 947)	(22 855)	(32 061)

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

Note 9: Capitalised exploration and acquisition costs

As of 30.9.2011, item “capitalised exploration and acquisition costs” in the balance sheet shows a net booked value of NOK 277.6 million. The amount is related to capitalised exploration expenses on the PL 535 (Norvarg) license and to acquisition costs of licenses in the Gulf of Mexico.

Note 10: Subsequent event

In Q4 Rocksource has bought back parts of its bond loan maturing in May 2012. Bonds have been bought back at nominal value of NOK 53.0 million at an average price of 81 per cent, reducing the bond loan to NOK 129.5 million.