

Rocksource ASA
Fourth Quarter 2010



Rocksource ASA

Fourth quarter 2010

Rocksource ASA's reported operating income of NOK 13.0 million in the fourth quarter of 2010, down from NOK 20.9 million in the previous quarter and down from NOK 19.9 million in corresponding quarter 2009.

Revenue from the US onshore production totalled NOK 9.0 million versus NOK 10.6 million in the previous quarter. The Company's net loss in the quarter equalled NOK 42.9 million, compared to a loss of NOK 81.9 million in the fourth quarter of 2009.

On 1 February 2011 Rocksource conducted a NOK 250 million equity issue directed towards Norwegian and international institutional investors. 83,335,000 shares will be issued following the private placement. The completion of the private placement is partially conditional upon the approval by the Extraordinary General Meeting in Rocksource. Following this successful raise Rocksource will be fully funded for its upcoming 2011 drilling campaign and into 2012, without utilizing the existing NOK 150 million tranche based equity facility.

Rocksource is about to embark on the Company's offshore exploration programme. The 2011 schedule currently counts five sanctioned wells. The Company aims to firm up a similar programme for 2012.

Q4 and subsequent key events

- Additional prospects firmed up for 2011 drilling
 - Drilling decision on NCS licence PL 559 announced in December
 - Drilling decision on NCS licence PL 535 announced in October
- Longer term prospectivity secured through licensing rounds
 - Successful awards in the Norwegian APA 2010 round announced in January
 - Successful award in the UKCS 26th round announced in October
- Process to optimize portfolio initiated
 - Rocksource in talks with bidders for its US onshore assets
 - Third party verification of Trident discovery received in the quarter
- Notice of possible change in tax assessment received in October
 - The Oil Taxation Office (OSK) has challenged pricing of EM interpretation services
 - Rocksource strongly disagrees with the alleged basis for OSK's preliminary view and has contested the notices

- Financial flexibility strengthened following recent equity raise
 - NOK 250 million raised at NOK 3 per share on 1 February 2011
 - Partially conditional upon the approval by the Extraordinary General Meeting

Key financial & operational figures

<i>NOK '000</i>		Q4 2010	Q4 2009	2010	2009
Operating income		13 033	19 878	70 309	105 635
Exploration expenses		(40 802)	(62 942)	(239 736)	(231 344)
EBITDA	(1)	(43 604)	(73 872)	(246 019)	(234 254)
Net profit/(loss)		(42 948)	(81 935)	(274 017)	(217 294)
Basic earnings per share (kr)	(2)	(0.163)	(0.459)	(1.178)	(1.320)
Investment	(3)	17 695	25 293	36 145	133 682
Cash balance		224 870	166 214	224 870	166 214
Net average production boepd		515	1 013	692	1 314
Realised gas price USD/mcf		4.2	4.7	5.0	4.2

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

(2) Adjusted for reverse split of shares

(3) Cash effect investment in assets & companies

Portfolio review

(As of 14 February 2011)

License/Lease/PSC	Country	Equity	Operator	Award	EM status	Current Activity
PL 416	NCS	35 %	E.ON	APA 2006	EM positive	Well planning
PL 451	NCS	20 %	Noreco	APA 2007	Inconclusive	Prospect evaluation
PL 506 S	NCS	50 %	Rocksource ASA	APA 2008	Not yet tested	Prospect evaluation
PL 506 BS	NCS	50 %	Rocksource ASA	APA 2010	Not yet tested	Prospect evaluation
PL 506 CS	NCS	50 %	Rocksource ASA	APA 2010	Not yet tested	Prospect evaluation
PL 515	NCS	60 %	Rocksource ASA	APA 2008	EM positive	Prospect evaluation
PL 528	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	EM positive	Well planning
PL 559	NCS	60 %	Rocksource ASA	APA 2009	EM positive	Well planning
PL 572	NCS	45 %	E.ON	APA 2010	Not yet tested	Establish licence JV
PL 581	NCS	30 %	Dana Petroleum	APA 2010	Not yet tested	Establish licence JV
PL 588	NCS	40 %	Rocksource ASA	APA 2010	EM acquired	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	25 %*	Ophir	Farm-in	EM positive	Well planning
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 acquired	EM evaluation
EB 512	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
EB 475	USA	100 %	Rocksource GOM	Farm-in	EM acquired	EM & 'Haystack' Discovery evaluation
EB 519	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
GB 407	USA	35 %	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	30 %	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 positive	Prospect evaluation

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

Operational review

Rocksource is a Norwegian, independent oil and gas company focusing on exploration. Through a strictly disciplined, selective approach to exploration Rocksource has built a high quality portfolio of drillable prospects with a high chance of discovery and commercial volumes. Rocksource will embark on its offshore exploration programme in 2011, drilling five wells which will test approximately 200 million barrels of oil equivalents (boe) net risked exploration resources.

Exploration

NCS

The Norwegian Continental Shelf is one of Rocksource's focus areas. Rocksource currently holds 13 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:

- Drill decision on PL 559 announced in December with spud expected in Q3 2011
- Drill decision on PL 535 announced in October with spud expected in Q2 2011
- Successful awards in the APA 2010 round, adding five licences and approximately 45 million boe in net risked resources
- Selective application submitted for the NCS 21st Round, awards expected in Q2 2011

The Company has currently four firm wells planned (PL 416, PL 530, PL 535 and PL 599).

In October Rocksource received a notice from The Norwegian Oil Taxation Office (OSK) of a possible change to the tax assessments for 2007, 2008 and 2009. For further information, please refer to note 3 in the Financial Statements.

Senegal/Guinea Bissau – AGC Profond

Rocksource expects to spud the "Kora" well in April. The Company independently estimates the Kora prospect to contain mean recoverable resources of approximately 450 million barrels of oil equivalents, with a chance of success (CoS) estimated at above 50 per cent. In the event of a discovery there is significant follow up potential. To date, 16 prospects have been mapped and these represent an estimated total, un-risked resource potential of approximately 1.7 billion boe. Four of these prospects have been tested by acquiring EM data. The processing and interpretation of these surveys revealed strong positive EM anomalies in three prospects.

Gulf of Mexico

Rocksource entered into the Gulf of Mexico (GoM) in 2009. The strategic rationale behind the entry into GoM was to accelerate the Company's drill programme of EM positive prospects and create opportunities for short to medium term production growth and value creation. However, as a result of the blow-out suffered by BP on its Macondo prospect, exploration activity in the GoM has suffered significant delays.

The decision by US authorities to lift the ban on deep-water drilling is a first step towards a normalisation of the market, but several important issues remain unclear, amongst other issues related to financial liability.

With a high potential drilling programme already lined up for 2011 Rocksource is currently not aiming for GoM drilling in 2011. Instead the Company will continue to mature the GoM portfolio and prepare for a potential 2011 farm down process once regulatory and liability issues has been clarified, with the goal to launch a drilling campaign in 2012.

In November Rocksource received a third party review of resources in its Trident Field in the Gulf of Mexico. The report from Gaffney, Cline & Associates (GCA) indicates a significant contingent resource base which Rocksource believes could ultimately support a stand-alone development of the Trident Field. Rocksource has initiated further studies to test the potential in Trident. The goal is that these studies will provide the basis for further maturing the Trident Field including a potential farm-down to a development operator in 2011.

India – CY-DWN-2001/1

Rocksource is currently in negotiations with ONGC about its participation in the partnership. The operator, the Oil and Natural Gas Company of India Ltd (ONGC), is currently drilling a third well on the block. As for the first two wells, this third well will not test the prospect associated with the primary positive electromagnetic (CSEM) anomaly, as interpreted by Rocksource.

The process for assignment of a 10 per cent Participating Interest under the Farm-out Agreement (FOA) is not completed and Rocksource has not signed the Production Sharing Contract (PSC) or Joint Operating Agreement (JOA). It is Rocksource's considered position that, unless there is a successful outcome from the ongoing negotiations, Rocksource will not be liable for any costs on the block, nor will the Company take part in a potential discovery in the ongoing well.

Production

Production from the US subsidiaries averaged 515 boepd in the fourth quarter versus 562 boepd in the previous quarter. Average realised gas price in the fourth quarter was USD/mcf 4.2 versus USD/mcf 4.83 in the previous quarter.

On 8 December 2010, Rocksource announced that its US subsidiaries are pursuing bids for its onshore producing gas fields. The US onshore assets consist of gas producing fields in San Jacinto and Polk Counties, Texas and are owned through Rocksource's subsidiaries Rocksource Energy Corporation (REC) and Sandhawk Energy LLC (SHK). The fields are in natural decline and are considered non-core by Rocksource.

Financial summary

OPERATIONS

Rocksource ASA's reported operating income of NOK 13.0 million in the fourth quarter of 2010, down from NOK 20.9 million in the previous quarter and down from NOK 19.9 million in corresponding quarter 2009. Total revenue in 2010 was NOK 70.3 million compared to NOK 105.6 million in 2009.

EBITDA before exploration was negative NOK 2.8 million in the quarter, down from NOK 13.0 million in the previous quarter. Exploration expenses and net financial expenses resulted in a net loss in the quarter of NOK 42.9 million compared to a net loss of NOK 59.0 million last quarter, and net loss of NOK 81.9 million in the corresponding quarter in 2009. Net loss for 2010 was NOK 274.0 million, versus a loss of NOK 217.3 million in 2009. The loss in 2010 includes a non-cash write-down of assets related to the Company's onshore business in the US of NOK 103.6 million in the second quarter.

Exploration expenses totalled NOK 40.8 million in the quarter, down from NOK 65.4 million in the previous quarter and down from NOK 62.9 million in the fourth quarter 2009. The exploration expenses were mainly driven by NCS and Gulf of Mexico activity. Exploration expenses in 2010 were NOK 239.7 million, up from NOK 231.3 million in 2009.

EBITDA was negative with NOK 43.6 million in the quarter versus minus NOK 73.9 million in the corresponding quarter 2009. EBITDA in 2010 was negative with NOK 246.0 million versus NOK 234.3 million in 2009.

Net financials were negative with NOK 9.2 million in the quarter, influenced by loss in associates of NOK 4.5 million. Net financials were negative with NOK 3.0 million in the corresponding quarter 2009. In 2010 net financials were negative with NOK 32.1 million versus minus NOK 40.9 million in 2009.

Income tax in the fourth quarter was NOK 16.3 million, down from NOK 33.0 million in the third quarter mainly due to lower exploration expenses. The income tax in 2010 was positive with NOK 143.9 million, compared to NOK 137.9 million in 2009.

Cash flow from operating activities in the fourth quarter 2010 was NOK 55.4 million, compared to NOK 88.5 million in the corresponding period in 2009.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 31 December 2010 was NOK 766.2 million compared to NOK 771.7 million at year-end 2009. The Group's working capital at the end of the fourth quarter 2010 was NOK 215.0 million, down from NOK 236.4 million in the previous quarter and up from NOK 115.8 million at the end of the corresponding quarter in 2009.

The equity at 31 December 2010 was NOK 363.7 million compared to NOK 380.5 million at the year-end 2009, giving an equity ratio of 47.5 per cent, down from 49.3 per cent at the end of the corresponding quarter 2009.

The cash balance at the end of the fourth quarter was NOK 224.9 million compared to NOK 263.8 million at the end of previous quarter and NOK 166.2 million at the end of 2009. Total repayment on the credit facility was NOK 101 million in the quarter and total available facility amount was NOK 351.5 million at the end of the fourth quarter 2010.

As of 31 December 2010 Rocksource ASA had 262,612,031 shares and a total of 24,846 treasury shares.

Outlook

With a five well sanctioned drilling programme for 2011 and a sound financial position, Rocksource is now in a good position to realise shareholder value through success in its upcoming exploration campaign. The 2011 programme will test approximately 200 million boe net risked resources, and the Company aims to firm up a similar programme for 2012. The recent awards in the APA 2010 Round in Norway once again demonstrated the Company's ability to add quality acreage and future prospectivity.

In the fourth quarter of 2010 Rocksource submitted a selective application in the NCS 21st Round. Awards are expected announced in the second quarter, and given successful awards the Company will be able to add prospective resources to its 2012 campaign and beyond.

CONSOLIDATED INCOME STATEMENTS

<i>NOK '000</i>	Q4 2010 IFRS <i>Unaudited</i>	Q4 2009 IFRS <i>Unaudited</i>	2010 IFRS <i>Unaudited</i>	2009 IFRS <i>Audited</i>
Operating income				
Revenue	13 033	19 878	70 309	105 635
Total operating income	13 033	19 878	70 309	105 635
Operating expenses				
Operating expenses oil and gas	(3 983)	(5 649)	(19 433)	(31 114)
Exploration expenses	4 (40 802)	(62 942)	(239 736)	(231 344)
Other general and administrative expenses	2,5 (11 852)	(25 158)	(57 159)	(77 430)
Depreciation and amortisation	(6 446)	(10 341)	(36 229)	(56 937)
Impairment loss	-	(23 117)	(103 629)	(23 117)
Total operating expenses	(63 082)	(127 208)	(456 185)	(419 942)
Operating profit/(loss)	(50 050)	(107 330)	(385 876)	(314 308)
Financial income/(expenses)				
Share of income/(loss) in associates	(4 529)	(1 080)	(9 729)	(1 080)
Net financial income/(expenses)	6 (4 677)	(1 962)	(22 333)	(39 830)
Net financial income/(expenses)	(9 206)	(3 043)	(32 061)	(40 911)
Profit/(loss) before taxes	(59 256)	(110 373)	(417 938)	(355 218)
Income tax	3 16 308	28 438	143 920	137 924
Net profit/(loss)	(42 948)	(81 935)	(274 017)	(217 294)
Attributable to:				
Equity holders of the parent	(42 825)	(81 932)	(272 811)	(217 445)
Minority interest	(123)	(3)	(1 206)	151
Net profit/(loss)	(42 948)	(81 935)	(274 017)	(217 294)
Earnings per share ⁽¹⁾				
Basic earnings per share (kr)	(0.163)	(0.459)	(1.178)	(1.320)
Diluted earnings per share (kr)	(0.163)	(0.459)	(1.178)	(1.320)

⁽¹⁾ Earnings per share are adjusted for reverse split of shares as of 20 May 2009

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>NOK '000</i>	Q4 2010	Q4 2009	2010	2009
	IFRS	IFRS	IFRS	IFRS
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net profit/(loss)	(42 948)	(81 936)	(274 017)	(217 294)
Exchange differences on translating foreign operations	836	(4 453)	13 869	(13 471)
Total comprehensive income/(loss) for the period	(42 112)	(86 388)	(260 149)	(230 765)
Total comprehensive income attributable to:				
Equity holders of the parent	(41 989)	(86 385)	(258 942)	(230 916)
Minority interest	(123)	(3)	(1 206)	151
Total comprehensive income/(loss) for the period	(42 112)	(86 388)	(260 149)	(230 765)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>NOK '000</i>	31.12.2010	31.12.2009
	IFRS	IFRS
	<i>Unaudited</i>	<i>Audited</i>
ASSETS		
Non-current assets		
Intangible assets		
Deferred tax assets	3	35 147
Patents and development costs		75
Goodwill		154 563
Capitalised exploration and acquisition costs		75 691
Total intangible assets	265 476	254 987
Tangible assets		
Oil- and gas properties		47 567
Furniture, fixtures and office machines		4 795
Investments in associates		25 130
Other investments		9 095
Total tangible assets	86 587	213 799
Total non-current assets	352 063	468 785
Current assets		
Accounts receivable		12 422
Tax receivable NCS, short-term		163 898
Other receivables		12 901
Cash and cash equivalents		224 870
Total current assets	414 091	302 956
TOTAL ASSETS	766 154	771 741

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31.12.2010	31.12.2009
	IFRS	IFRS
<i>NOK '000</i>	<i>Unaudited</i>	<i>Audited</i>
EQUITY AND LIABILITIES		
Equity		
Share capital	262 612	178 618
Treasury shares	(25)	(25)
Share premium reserve	197 581	132 030
Additional paid-in capital	240 702	225 763
Total paid-in capital	700 870	536 386
Retained earnings		
Retained earnings/(loss carried forward)	(337 647)	(157 575)
Total equity attributable to equity holders of the parent	363 223	378 811
Minority interest	518	1 724
Total equity	363 741	380 535
Liabilities		
Non-current liabilities		
Bond loan	198 014	196 693
Derivative financial instruments	4 759	5 841
Other long-term liabilities	584	1 529
Total non-current liabilities	203 358	204 064
Current liabilities		
NCS credit facility, short-term	143 716	103 629
Accounts and other payables	36 523	60 224
Other current liabilities	18 816	23 289
Total current liabilities	199 055	187 143
Total liabilities	402 413	391 206
TOTAL EQUITY AND LIABILITIES	766 154	771 741

CONSOLIDATED CASH FLOW STATEMENTS

<i>NOK '000</i>	Q4 2010 IFRS <i>Unaudited</i>	Q4 2009 IFRS <i>Unaudited</i>	2010 IFRS <i>Unaudited</i>	2009 IFRS <i>Audited</i>
Cash flow from operating activities				
Profit/(loss) from operations before exploration expenses	(9 247)	(44 388)	(146 141)	(82 963)
- Exploration expenses	(40 803)	(62 942)	(239 736)	(231 344)
Profit/(loss) from operations	(50 049)	(107 330)	(385 876)	(314 308)
Adjustments for:				
Tax refund NCS exploration expenses	109 246	111 771	109 246	111 771
Taxes paid onshore	-	5 600	-	5 600
Depreciation, amortisation and impairment	6 446	33 459	139 857	80 054
Previously capitalised exploration expenses	-	83	-	38 052
Share-based remuneration	(320)	356	1 070	1 745
Interest received	2 785	4 048	5 794	7 012
Interest paid	(7 432)	(5 995)	(25 444)	(22 060)
Foreign currency profit/(loss)	(44)	(96)	(990)	(21 840)
Changes in accounts receivable	(7 760)	12 187	3 598	196
Changes in accounts and other payables	(12 375)	21 711	(23 701)	(5 051)
Changes in other current balance sheet items	14 888	12 701	(10 752)	21 640
Net cash flow from operating activities	55 384	88 495	(187 199)	(97 188)
Cash flow from investing activities				
Purchase of tangible and intangible assets	(15 947)	(19 489)	(28 127)	(104 535)
Investment in associates	(1 748)	(5 804)	(8 018)	(29 147)
Net cash flow from investing activities	(17 695)	(25 293)	(36 145)	(133 682)
Cash flow from financing activities				
Net capital increase	3 181	(43)	242 284	122 298
Dividends, minority	-	-	-	(517)
Proceeds from issuance of short-term debt	20 589	25 000	140 172	91 000
Repayment of short-term debt	(101 106)	(83 371)	(101 106)	(83 371)
Net cash flow from financing activities	(77 335)	(58 413)	281 351	129 411
Effect of changes in exchange rates on cash and cash equivalents	755	(202)	650	(1 708)
Net change in cash and cash equivalents	(38 891)	4 587	58 657	(103 167)
Cash and cash equivalents at beginning of the period	263 762	161 627	166 214	269 381
Cash and cash equivalents at the end of the period	224 870	166 214	224 870	166 214

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(2010 unaudited)

NOK '000	Share capital	Treasury shares	Share premium reserves	Additional paid-in capital	Retained earnings	Currency translation differences	Total majority	Minority interest	Total equity
Equity 1 January 2010	178 618	(25)	132 030	196 408	(157 575)	29 355	378 811	1 724	380 535
Net profit/(loss) for the period	-	-	-	-	(272 811)	-	(272 811)	(1 206)	(274 017)
Other comprehensive income/(loss) for the period	-	-	-	-	-	13 869	13 869	-	13 869
Total comprehensive income/(loss) for the period	-	-	-	-	(272 811)	13 869	(258 942)	(1 206)	(260 149)
Net capital increase	83 994	-	158 290	-	-	-	242 284	-	242 284
Share-based remuneration	-	-	-	1 070	-	-	1 070	-	1 070
Transfers	-	-	(92 739)	-	92 739	-	-	-	-
Equity 31 December 2010	262 612	(25)	197 581	197 478	(337 647)	43 224	363 222	518	363 741

NOK '000	Share capital	Treasury shares	Share premium reserves	Additional paid-in capital	Retained earnings	Currency translation differences	Total majority	Minority interest	Total equity
Equity 1 January 2009	146 950	(25)	105 338	128 616	59 870	42 826	483 576	2 090	485 665
Net profit/(loss) for the period	-	-	-	-	(217 445)	-	(217 445)	151	(217 294)
Other comprehensive income/(loss) for the period	-	-	-	-	-	(13 471)	(13 471)	-	(13 471)
Total comprehensive income/(loss) for the period	-	-	-	-	(217 445)	(13 471)	(230 916)	151	(230 765)
Net capital increase	31 668	-	26 474	66 265	-	-	124 407	-	124 407
Share-based remuneration	-	-	218	1 527	-	-	1 745	-	1 745
Minority interests, dividends	-	-	-	-	-	-	-	(517)	(517)
Equity 31 December 2009	178 618	(25)	132 030	196 408	(157 575)	29 355	378 811	1 724	380 536

Number of shares a NOK 1,00(1)	Ordinary	Weighted Q4 2010⁽²⁾	Weighted accumulated⁽²⁾
Issued on 1 January 2010 in 1.000	178 618	178 618	178 618
- Treasury shares in 1.000	(25)	(25)	(25)
Issued on 25 February 2010 in 1.000	600	600	508
Issued on 30 April 2010 in 1.000	34 232	34 232	22 978
Issued on 26 May 2010 in 1.000	48 799	48 799	29 279
Issued on 3 June 2010 in 1.000	120	120	70
Issued on 3 June 2010 in 1.000	102	102	59
Issued on 31 August 2010 in 1.000	78	78	26
Issued on 18 November 2010 in 1.000	63	29	7
Total number of shares in 1.000	262 612	262 579	231 545

(1) Number of shares are adjusted for reverse share split as of 20 May 2009

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

NOTES FOURTH QUARTER 2010

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 31 December 2010. 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 2009, 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 fourth quarter 2010 results were approved in the Board meeting on 14 February 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	
	Q4		Q4		Q4		Q4		Q4	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	8 966	17 070	11 730	2 807	3 851	10 604	(11 515)	(10 604)	13 033	19 878
Operating costs oil and gas	(3 983)	(5 649)	-	-	-	-	-	-	(3 983)	(5 649)
Exploration expenses	(330)	(1 337)	(42 840)	(61 605)	-	-	2 369	-	(40 802)	(62 942)
Other general and administrative expenses	(4 409)	(4 540)	(8 584)	(22 720)	(8 005)	(6 612)	9 146	8 714	(11 852)	(25 158)
Depreciation, amortisation and impairment	(5 501)	(31 387)	(866)	(675)	(79)	(1 397)	-	-	(6 446)	(33 459)
Operating profit/(loss)	(5 257)	(25 842)	(40 560)	(82 193)	(4 233)	2 595	-	(1 890)	(50 050)	(107 330)
Net financial income/(expenses)	(5 663)	(5 572)	(31)	2 013	(3 512)	516	-	-	(9 206)	(3 043)
Operating profit/(loss)	(10 920)	(31 414)	(40 591)	(80 180)	(7 745)	3 111	-	(1 890)	(59 256)	(110 373)
Income tax	-	-	15 453	31 653	855	(3 216)	-	-	16 308	28 437
Net profit/(loss)	(10 920)	(31 414)	(25 138)	(48 527)	(6 890)	(105)	-	(1 890)	(42 948)	(81 935)
Total assets	58 278	195 893	1 011 904	631 126	267 509	242 525	(571 537)	(297 802)	766 154	771 741
Investing activities (cash effect)	13	274	15 951	19 215	(17)	-	-	-	15 947	19 489

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	52 090	83 587	35 841	17 481	31 556	41 326	(49 178)	(36 760)	70 309	105 635
Operating costs oil and gas	(19 433)	(31 114)	-	-	-	-	-	-	(19 433)	(31 114)
Exploration expenses	(768)	(46 355)	(258 500)	(184 990)	-	-	19 533	-	(239 736)	(231 344)
Other general and administrative expenses	(18 573)	(23 361)	(41 925)	(64 697)	(26 307)	(24 242)	29 646	34 870	(57 159)	(77 430)
Depreciation, amortisation and impairment	(135 713)	(71 028)	(3 473)	(2 567)	(672)	(6 459)	-	-	(139 858)	(80 054)
Operating profit/(loss)	(122 397)	(88 270)	(268 057)	(234 772)	4 577	10 624	-	(1 890)	(385 876)	(314 308)
Net financial income/(expenses)	(23 050)	(24 441)	(1 097)	(17 218)	(7 915)	748	-	-	(32 061)	(40 911)
Operating profit/(loss)	(145 447)	(112 711)	(269 153)	(251 990)	(3 338)	11 373	-	(1 890)	(417 938)	(355 218)
Income tax	-	-	145 756	117 122	(1 835)	20 802	-	-	143 920	137 924
Net profit/(loss)	(145 447)	(112 711)	(123 398)	(134 868)	(5 173)	32 175	-	(1 890)	(274 017)	(217 294)
Total assets	58 278	195 893	1 011 904	631 126	267 509	242 525	(571 537)	(297 802)	766 154	771 741
Investing activities (cash effect)	1 269	46 023	26 814	58 435	43	77	-	-	28 127	104 535

Note 2: Related parties/share-based remuneration

Reference is made to detailed information disclosed in the Annual Report for 2009 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 fourth quarter 2010 (including employer's social security contributions) is NOK 0.2 million.

Note 3: 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 fourth quarter the Group has accounted a positive income tax of NOK 16.3 million (fourth quarter 2009 NOK 28.4 million). Deferred tax assets of NOK 35.1 million relates to both deferred taxation from NCS activities and from onshore activities.

<i>NOK '000</i>	Q4 2010	Q4 2009	2010	2009
Tax refund this year, NCS	31 274	30 050	163 898	110 881
Tax refund from prior year, NCS	(252)	(1 457)	(1 634)	(1 457)
Deferred income tax, NCS	(15 569)	(6 860)	(15 189)	(3 372)
Deferred income tax from prior year, NCS	-	-	(1 319)	1 151
Payable taxes, other	-	-	-	(1)
Tax receivable, "Government tax package"	-	-	-	7 334
Deferred income tax, onshore activities	855	6 705	(1 835)	23 389
Total income tax through profit and loss	16 308	28 438	143 920	137 924
Tax refund received, NCS	109 246	111 771	109 246	111 771
Tax received/(paid), corporate tax	-	5 600	-	5 600

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 4: Exploration expenses

<i>NOK '000</i>	Q4 2010	Q4 2009	2010	2009
Exploration expenses related to license participation	(21 704)	(5 820)	(145 292)	(35 561)
Exploration expenses, other external expenses (seismic, EM, etc)	223	(43 394)	(34 192)	(100 705)
Exploration expenses, external	(21 481)	(49 214)	(179 484)	(136 266)
Reclassified from general and administrative expenses	(19 648)	(13 644)	(55 432)	(57 026)
Exploration expenses, previously capitalised	328	(83)	(4 820)	(38 052)
Total exploration expenses, income statement	(40 802)	(62 942)	(239 736)	(231 344)
Exploration expenses, internal	(2 369)	(6 462)	(19 533)	(30 368)
Total exploration expenses	(43 171)	(69 404)	(259 268)	(261 713)

Note 5: Other general and administrative expenses

<i>NOK '000</i>	Q4 2010	Q4 2009	2010	2009
Payroll and other related expenses	(28 294)	(24 960)	(78 358)	(74 519)
Other expenses	(3 207)	(13 842)	(34 234)	(59 937)
Total	(31 500)	(38 802)	(112 591)	(134 456)
- Reclassified as exploration expenses	19 648	13 644	55 432	57 026
Total general and administrative expenses, income statement	(11 852)	(25 158)	(57 159)	(77 430)

Note 6: Financial items

<i>NOK '000</i>	Q4 2010	Q4 2009	2010	2009
Financial income	2 785	4 166	5 794	7 009
Financial expenses	(8 173)	(6 033)	(27 786)	(25 000)
Foreign currency gain/(loss)	(89)	(246)	(1 423)	(48 052)
Net income/(expense) from derivatives	800	151	1 082	26 212
Net financial income/(expenses)	(4 677)	(1 962)	(22 333)	(39 830)

Changes in fair value of the interest and currency swap in the fourth quarter, included in the net financial income/(expenses), gave a gain of NOK 0.8 million. Total fair value of the swap was negative NOK 4.8 million as of 31 December 2010.

Note 7: Subsequent events

Rocksource ASA announced on 2 February 2011 that the Company has successfully completed a NOK 250 million equity issue directed towards Norwegian and international institutional investors. 83,335,000 shares will be issued following the private placement. The completion of the private placement is partially conditional upon the approval by an Extraordinary General Meeting in Rocksource. Following such a resolution by the Extraordinary General Meeting, the Company's share capital will be NOK 345,947,031 and will consist of 345,947,031 shares with a nominal value of NOK 1.00 per share.