

Rocksource ASA

Third quarter 2010

Rocksource ASA had operating income of NOK 20.9 million in the third quarter of 2010, up from NOK 16.6 million in the previous quarter and down from NOK 34.1 million in corresponding quarter 2009.

The company's net loss in the quarter equalled NOK 59.0 million, compared to a loss of NOK 55.3 million in the third quarter of 2009.

Since the company's second quarter report, Rocksource has firmed up additional two high potential exploration wells for 2011. The current firm four-well exploration programme for 2011 will expose the company to 150 mmboe net risked resources. The company will continue its focus to firm up further wells for 2011 and 2012 drilling.

Q3 and subsequent key events

- Rigs secured for "Heilo" and "Norvarg" prospects in the Barents Sea
 - 270 mmboe Norvarg prospect to be drilled in Q2 2011
 - 200 mmboe Heilo prospect to be drilled in Q3 2011

- Letter of Intent signed for sale of US assets
 - USD 9.35 million cash bid
 - A sale is subject to certain conditions, including the signing of a final Sales and Purchase Agreement (SPA)

- Third party review of Trident discovery suggests significant value potential
 - Gaffney Cline concludes on gross 90 mmboe light oil in C2 contingent resources
 - Rocksource to actively assess commercial solutions

- Selective applications submitted for NCS 21st Round and APA 2010
 - All applications include prospects with stand-alone development potential in a success case
 - All applications are based on EM suitable or positive prospectivity

- Successful award of protection acreage in the UK 26th Round
 - Acreage situated west of Shetland, adjacent to existing discoveries and Rocksource acreage (P1484)
 - 2012 drilling candidate

- Management strengthened through two new appointments
 - Chris Spencer (ex Shell) appointed VP Commercial & Engineering
 - Per Anders Muri (ex Revus) appointed VP Corporate Communications

- 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 will contest the notices

Key financial & operational figures

<i>NOK '000</i>		Q3 2010	Q3 2009	1.1.-30.9 2010	1.1.-30.9 2009	2009
Operating income		20 870	34 098	52 276	85 757	105 635
Exploration expenses		(65 365)	(92 010)	(198 934)	(168 402)	(231 344)
EBITDA	(1)	(52 357)	(78 907)	(202 415)	(160 382)	(234 254)
Net profit/(loss)		(58 984)	(55 309)	(231 069)	(135 359)	(217 294)
Basic earnings per share (kr)	(2)	(0.221)	(0.310)	(1.040)	(0.847)	(1.320)
Investment	(3)	6 004	49 391	18 450	108 389	133 682
Cash balance		263 762	161 627	263 762	161 627	166 214
Net average production boepd		562	1 134	753	1 415	1 314
Realised gas price USD/mcf		4.8	3.5	5.1	4.1	4.2

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

(2) Adjusted for reverse split of shares

(3) Cash effect investment in assets and companies

Portfolio review

(As of 10 November 2010)

License/Lease/PSC	Country	Equity	Operator	Award	EM status	Current activity
PL 416	NCS	35 %	EON	APA 2006	EM positive	Well planning
PL 451	NCS	20 %	Noreco	APA 2007	Needs re-testing	Prospect evaluation
PL 506S	NCS	50 %	Rocksource	APA 2008	Not yet tested	3D Seismic Processing
PL 515	NCS	60 %	Rocksource	APA 2008	EM positive	3D Seismic Processing
PL 528	NCS	30 %	Petro-Canada Norge	20th Round	EM positive	3D Seismic Processing
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	20 %	Rocksource	APA 2009	EM positive	Prospect evaluation
P 1484 & 1488	UKCS	15 %	OMV	24th Round	Not yet tested	Work programme completed. Under evaluation
P 1067	UKCS	10 %	DNO	Farm-in	n/a	Mulle' Discovery under evaluation
P 1638	UKCS	100 %	Rocksource	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	Decision on work programme/3rd well
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.

Exploration

NCS

The Norwegian Continental Shelf is one of Rocksource's main focus areas. Rocksource currently holds eight licenses offshore Norway. The portfolio will continue to be matured and all licenses are progressing well. Some of the recent headlines include:

- Drill decision on PL 530 was made with spud expected in September 2011
- Drill decision on PL 535 was made with spud expected in May 2011
- Selective applications submitted in the Norwegian 21st Round and APA 2010
- 3D seismic acquisition completed on PL 528 in October

The company has currently three firm wells planned (PL 416, PL 530 and PL 535) with a further three low risk prospects pending drill or drop decisions. The company has a rig slot in the Borgland Dolphin consortium during the second half of 2011 which will be allocated to an operated license.

In October Rocksource received a notice from The Norwegian Oil Taxation Office (OSK) of a possible change to the tax assessments for 2007 and 2008, and a notice of a possible reduction of claimed tax deductions for 2009. Rocksource strongly disagrees with the alleged basis for OSK's preliminary view and will contest the notices accordingly. For more details on this issue, see note 7 in the Financial Statements.

Senegal/Guinea Bissau – AGC Profond

Rocksource still expects to spud the “Kora” well in the first quarter of 2011. The company independently estimates the Kora prospect to contain mean recoverable resources in excess of 400 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 barrels of oil equivalents. Four of these prospects have been tested by acquiring EM data across them. 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 recent 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 drill programme already lined up for 2011 Rocksource will most likely not aim for GoM drilling next year. Instead the company will continue to mature the GoM portfolio and prepare for a 2011 farm down process with the goal to launch a drilling campaign in 2012. As part of this assessment the company has relinquished three leases which it has evaluated as likely sub-commercial, reducing costs for 2011.

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.

GCA has endorsed Rocksource’s view that the volume of gross recoverable resources in the Upper Wilcox formation at Trident could vary from 53 to 101 mmbbl of oil together with 55 to 105 Bscf of associated gas – together equivalent to 63 to 120 mmboe – of which 85 per cent is oil, with the best estimate being 76 mmbbl oil and 79 Bscf gas, together 90 mmboe. After deducting volumes associated with royalty payments (totalling 23.25 per cent), GCA concludes that Rocksource holds net contingent resources of 58 mmbbl oil and 61 Bscf gas, together 69 mmboe, as the best estimate.

GCA supports classifying Trident as “Contingent Resources, Development Pending”. GCA is an international advisory firm focused on the provision of integrated technical and managerial services, plus independent advice to all sectors of the oil and gas industry.

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 on the participation in the block partnership. Key issues include location and timing of the third and final well in the Phase 1 work programme.

Production

Production from the US subsidiaries averaged 562 boepd in the third quarter versus 744 boepd in the previous quarter. The onshore production is on a natural decline and the production in the third quarter was in line with expectations. Average realised gas price in the third quarter was USD/mcf 4.83 versus USD/mcf 4.77 in the previous quarter. The company’s production guidance for 2010 remains unchanged at 600 boepd.

In connection with its third quarter 2010 results presentation Rocksource announced that its US subsidiaries have signed a Letter of Intent (LOI) for the sale of its US onshore producing gas fields for a consideration of USD 9.35 million with effective date 1st November 2010. The sale is subject to certain conditions, including the signing of a final Sales and Purchase Agreement (SPA).

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 on a natural decline and have been classified as non-core by Rocksource. A sale of these assets would allow the company to re-allocate proceeds into its core business; drilling high potential EM positive offshore exploration wells. Rocksource has a NOK 200 million bond maturing in May 2012 which has security in the US onshore assets. A final SPA is amongst other subject to the bondholders accepting to release pledge of security in REC/Sandhawk assets and shares in the two subsidiaries.

Financial summary

OPERATIONS

Revenue in the third quarter was NOK 20.9 million, up from NOK 16.6 million in the previous quarter. The corresponding figure in third quarter 2009 was NOK 34.1 million. The overall revenue figure of NOK 20.9 million included other operating revenue of NOK 10.3 million. This is mainly related to external sale of EM data processing to license partners.

EBITDA before exploration was NOK 13.0 million in the quarter, up from minus NOK 7.2 million in the previous quarter. Exploration expenses and net financial expenses resulted in a net loss in the quarter of NOK 59.0 million.

Exploration costs totalled NOK 65.4 million in the quarter, down from NOK 91.1 million in the previous quarter and down from NOK 92.0 million in the third quarter 2009. The exploration costs were mainly driven by NCS activity including seismic data on PL 528 and completion of the application for the NCS 21st licensing round. In addition, previously capitalised costs of NOK 5.2 million on two licenses in Gulf of Mexico were expensed as exploration costs in the quarter.

EBITDA was negative with NOK 52.4 million in the quarter versus minus NOK 78.9 million in the corresponding quarter 2009.

Net financials were negative with NOK 32.4 million influenced by currency loss due to weakening of the USD/NOK ratio. Net financials were negative with NOK 22.0 million in the corresponding quarter 2009.

Income tax in the third quarter was NOK 33.0 million, down from NOK 64.2 in the second quarter due to lower exploration costs related to activities on the NCS.

Cash flow from operating activities in the third quarter 2010 was negative with NOK 76.3 million, compared to minus NOK 65.4 million in the corresponding period in 2009.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 30 September 2010 was NOK 894.6 million compared to NOK 771.7 million at year-end 2009. The Group's working capital at the end of the third quarter 2010 was NOK 236.4 million, down from NOK 243.4 million from the previous quarter and NOK 163.2 million at the end of the corresponding quarter 2009.

The equity at 30 September 2010 was NOK 405.6 million compared to NOK 380.5 million at the year-end 2009, giving an equity ratio of 45.3 per cent, down from 52.8 per cent at the end of the corresponding quarter 2009.

The cash balance at the end of the third quarter was NOK 263.8 million compared to NOK 288.6 million at the end of previous quarter. Total draw down on the credit facility was NOK 58 million in the quarter and total available facility amount was NOK 271 million at the end of the third quarter 2010.

As of 30 September 2010 Rocksource ASA had 262,549,531 shares and a total of 24,846 treasury shares.

Outlook

Rocksource has spent 2010 firming up wells for drilling in 2011. Currently four firm wells have been announced; one in West Africa and three on the Norwegian Continental Shelf. These wells are all characterised by a high chance of success and commercial volumes. The current 2011 program will, based on current equity levels, expose Rocksource to net risked resources of 150 million barrels of oil equivalents. Rocksource expects to embark on its drilling campaign in the first quarter of 2011.

The NCS wells in the 2011 programme are a result of previous successful awards in Norwegian licensing rounds. Growing the company organically through licensing rounds remains a core strategy within Rocksource. In recent weeks the company has submitted selective applications for new acreage in two licensing rounds in Norway; in the APA 2010 and 21st Round respectively. Awards are expected around year end for APA 2010, and during spring 2011 for the 21st round.

As an exploration company with limited cash flow from operating activities, Rocksource will continuously assess funding options to match its planned activity set. Such assessments could include selling non-core assets and farming down acreage positions in order to balance capital exposure and overall portfolio chance of commercial success. The ongoing sales process of the US onshore assets is an example in this respect.

The company will continue its efforts to firm up further wells for 2011 and 2012 drilling. With focus on cost efficient exploration, Rocksource will primarily aim towards firming up additional NCS wells in the short term.

The company will continue to mature the GoM portfolio by preparing EM positive prospects for drilling and clarifying the commerciality of the discoveries in the portfolio. The Gaffney Cline report on the Trident discovery is encouraging and suggests in Rocksource's view that there could be sufficient resources in the field to support a stand-alone development. Rocksource owns the majority of GoM leases 100 per cent, and will seek to sell part of the discoveries in the portfolio and farm-down exploration acreage during 2011. The goal is to continue to optimise the portfolio during 2011 and launch a drilling campaign in 2012.

CONSOLIDATED INCOME STATEMENTS

(Quarter unaudited)

NOK '000	Notes	Q3 2010 IFRS	Q3 2009 IFRS	1.1. - 30.9.2010 IFRS	1.1.- 30.9.2009 IFRS	2009 IFRS
Operating income						
Revenue		20 870	34 098	57 276	85 757	105 635
Total operating income		20 870	34 098	57 276	85 757	105 635
Operating expenses						
Operating expenses oil and gas		(4 810)	(5 213)	(15 450)	(25 465)	(31 114)
Exploration expenses	4	(65 365)	(92 010)	(198 934)	(168 402)	(231 344)
Other general and administrative expenses	2, 5	(3 051)	(15 783)	(45 308)	(52 272)	(77 430)
Depreciation and amortisation		(7 249)	(12 113)	(29 783)	(46 595)	(56 937)
Impairment loss		-	-	(103 629)	-	(23 117)
Total operating expenses		(80 476)	(125 118)	(393 103)	(292 734)	(419 942)
Operating profit/(loss)		(59 606)	(91 020)	(335 827)	(206 977)	(314 308)
Financial income/(expenses)						
Share of income/(loss) in associates		(1 732)	-	(5 200)	-	(1 080)
Financial income/(expenses) net	6	(30 646)	(21 979)	(17 655)	(37 868)	(39 830)
Net financial income/(expenses)		(32 377)	(21 979)	(22 855)	(37 868)	(40 911)
		-				
Profit/(loss) before taxes		(91 983)	(112 999)	(358 682)	(244 845)	(355 218)
Income tax	3	33 000	57 690	127 612	109 487	137 924
Net profit/(loss)		(58 984)	(55 309)	(231 069)	(135 359)	(217 294)
Attributable to:						
Equity holders of the parent		(57 919)	(55 268)	(229 986)	(135 513)	(217 445)
Minority interest		(1 064)	(41)	(1 083)	155	151
Net profit/(loss)		(58 984)	(55 309)	(231 069)	(135 359)	(217 294)
Earnings per share ⁽¹⁾						
Basic earnings per share (kr)		(0.221)	(0.310)	(1.040)	(0.847)	(1.320)
Diluted earnings per share (kr)		(0.221)	(0.310)	(1.040)	(0.847)	(1.320)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Quarter unaudited)

<i>NOK '000</i>	Q3 2010 IFRS	Q3 2009 IFRS	1.1. - 30.9.2010 IFRS	1.1. - 30.9.2009 IFRS	2009 IFRS
Net profit/(loss)	(58 984)	(55 309)	(231 069)	(135 359)	(217 294)
Exchange differences on translating foreign operations	20 850	2 350	13 033	(9 018)	(13 471)
Total comprehensive income/(loss) for the period	(38 134)	(52 958)	(218 037)	(144 377)	(230 765)
Total comprehensive income attributable to:					
Equity holders of the parent	(37 070)	(52 917)	(216 953)	(144 531)	(230 916)
Minority interest	(1 064)	(41)	(1 083)	155	151
Total comprehensive income/(loss) for the period	(38 134)	(52 958)	(218 037)	(144 377)	(230 765)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Quarter unaudited)

<i>NOK '000</i>	Notes	30.9.2010 IFRS	30.9.2009 IFRS	31.12.2009 IFRS
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax assets	3	49 861	50 465	50 371
Patents and development costs		134	843	636
Seismic library		-	1 338	-
Goodwill		154 563	154 563	154 563
Capitalised exploration and acquisition costs		59 533	36 701	49 417
Total intangible assets		264 091	243 910	254 987
Tangible assets				
Oil- and gas properties		52 828	201 343	172 496
Furniture, fixtures and office machines		5 489	5 031	8 078
Investments in associates		29 542	23 344	25 125
Other investments		8 874	7 658	8 099
Tax receivable NCS, long-term		132 624	80 831	-
Total tangible assets		229 357	318 207	213 799
Total non-current assets		493 448	562 117	468 785
Current assets				
Accounts receivable		4 662	28 207	16 020
Tax receivable NCS, short-term		109 498	113 228	110 881
Other receivables		23 230	18 022	9 842
Cash and cash equivalents		263 762	161 627	166 214
Total current assets		401 151	321 084	302 956
TOTAL ASSETS		894 600	883 201	771 741

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Quarter unaudited)

<i>NOK '000</i>	Notes	30.9.2010 IFRS	30.6.2009 IFRS	31.12.2009 IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		262 550	178 442	178 618
Treasury shares		(25)	(25)	(25)
Share premium reserve		290 320	198 234	132 030
Additional paid-in capital		239 684	163 814	225 763
Total paid-in capital		792 529	540 465	536 386
Retained earnings				
Retained earnings/(loss carried forward)		(387 561)	(75 643)	(157 575)
Total equity attributable to equity holders of the parent		404 968	464 822	378 811
Minority interest		641	1 728	1 724
Total equity		405 609	466 550	380 535
Liabilities				
Non-current liabilities				
Bond loan		197 674	196 291	196 693
NCS credit facility, long-term		120 203	54 000	-
Derivative financial instruments		5 559	-	5 841
Other long-term liabilities		827	8 477	1 529
Total non-current liabilities		324 263	258 768	204 064
Current liabilities				
NCS credit facility, short-term		103 629	107 834	103 629
Accounts and other payables		48 898	38 513	60 224
Other current liabilities		12 201	11 536	23 289
Total current liabilities		164 728	157 883	187 143
Total liabilities		488 991	416 651	391 206
TOTAL EQUITY AND LIABILITIES		894 600	883 201	771 741

CONSOLIDATED CASH FLOW STATEMENTS

(Quarter unaudited)

NOK '000	Q3 2010	Q3 2009	1.1. - 30.9.2010	1.1. - 30.9.2009	2009
	IFRS	IFRS	IFRS	IFRS	IFRS
Cash flow from operating activities					
Profit/(loss) from operations before exploration expenses	5 759	990	(136 893)	(38 575)	(82 963)
- Exploration expenses	(65 365)	(92 010)	(198 934)	(168 402)	(231 344)
Profit/(loss) from operations	(59 606)	(91 020)	(335 827)	(206 977)	(314 308)
Adjustments for:					
Tax refund NCS exploration expenses	-	-	-	-	111 771
Taxes paid onshore	-	-	-	-	5 600
Depreciation, amortisation and impairment	7 249	12 113	133 412	46 595	80 054
Previously capitalised exploration expenses	-	37 969	-	37 969	38 052
Share-based remuneration	791	449	1 389	1 389	1 745
Interest received	1 326	807	3 009	2 964	7 012
Interest paid	(7 744)	(5 321)	(18 011)	(16 065)	(22 060)
Foreign currency profit/(loss)	(23 034)	(15 555)	(946)	(21 744)	(21 840)
Changes in accounts receivable	(303)	(17 325)	11 358	(11 991)	196
Changes in accounts and other payables	(54 359)	4 974	(11 326)	(26 762)	(5 051)
Changes in other current balance sheet items	59 343	7 493	(25 640)	8 939	21 640
Net cash flow from operating activities	(76 336)	(65 417)	(242 582)	(185 683)	(97 188)
Cash flow from investing activities					
Purchase of tangible and intangible assets	(6 004)	(39 464)	(12 180)	(85 046)	(104 535)
Investment in associates	-	(9 927)	(6 270)	(23 344)	(29 147)
Net cash flow from investing activities	(6 004)	(49 391)	(18 450)	(108 389)	(133 682)
Cash flow from financing activities					
Net capital increase	(6)	9	239 104	122 341	122 298
Dividends, minority	-	-	-	(517)	(517)
Proceeds from issuance of long-term debt	58 000	12 000	119 582	66 000	-
Proceeds from issuance of short-term debt	-	-	-	-	91 000
Repayment of short-term debt	-	-	-	-	(83 371)
Net cash flow from financing activities	57 994	12 009	358 686	187 824	129 411
Effect of changes in exchange rates on cash and cash equivalents	(520)	(601)	(105)	(1 506)	(1 708)
Net change in cash and cash equivalents	(24 865)	(103 400)	97 549	(107 754)	(103 167)
Cash and cash equivalents at beginning of the period	288 628	265 027	166 214	269 381	269 381
Cash and cash equivalents at the end of the period	263 762	161 627	263 762	161 627	166 214

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Quarter unaudited)

NOK '000	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)	(218 037)
Net capital increase	83 932	-	150 332	-	-	-	234 264	-	234 264
Transaction costs for issued share capital	-	-	7 958	-	-	-	7 958	-	7 958
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

NOK '000	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 2009	146 950	(25)	105 338	128 616	42 826	59 870	483 576	2 090	485 665
Net profit/(loss) for the period	-	-	-	-	-	(135 513)	(135 513)	155	(135 359)
Other comprehensive income/(loss) for the period	-	-	-	-	(9 018)	-	(9 018)	-	(9 018)
Total comprehensive income/(loss) for the period	-	-	-	-	(9 018)	(135 513)	(144 531)	155	(144 377)
Net capital increase	31 492	-	92 896	-	-	-	124 388	-	124 388
Share-based remuneration	-	-	-	1 389	-	-	1 389	-	1 389
Minority interests, dividends	-	-	-	-	-	-	-	(517)	(517)
Equity 30 september 2009	178 442	(25)	198 234	130 005	33 808	(75 643)	464 822	1 728	466 550

Number of shares (in '000) of nominal value of NOK 1.00 ⁽¹⁾	Ordinary	Weighted accumulated Q3 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	477
Issued on 30 April 2010 in 1.000	34 232	34 232	19 185
Issued on 26 May 2010 in 1.000	48 799	48 799	22 701
Issued on 3 June 2010 in 1.000	120	120	52
Issued on 3 June 2010 in 1.000	102	102	45
Issued on 31 August 2010 in 1.000	78	25	9
Total number of shares in 1.000	262 525	262 472	221 062

⁽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 THIRD 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 30 September 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 third quarter 2010 results were approved in the Board meeting on 10 November 2010.

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	10 550	15 717	7 283	13 819	9 518	11 501	(6 481)	(6 939)	20 870	34 098
Operating expenses oil and gas	(4 810)	(5 213)	-	-	-	-	-	-	(4 810)	(5 213)
Exploration expenses	(3 046)	(38 507)	(66 543)	(53 503)	-	-	4 223	-	(65 366)	(92 010)
Other general and administrative expenses	(5 205)	(5 512)	3 524	(9 993)	(3 629)	(8 571)	2 259	8 293	(3 051)	(15 783)
Depreciation, amortisation and impairment	(6 431)	(9 972)	(671)	(550)	(147)	(1 591)	-	-	(7 249)	(12 113)
Operating profit/(loss)	(8 942)	(43 487)	(56 407)	(50 227)	5 742	1 339	-	1 354	(59 607)	(91 021)
Net financial income/(expenses)	(5 891)	(5 995)	(25 008)	(16 212)	(1 480)	228	-	-	(32 378)	(21 979)
Profit/(loss) before taxes	(14 833)	(49 482)	(81 415)	(66 439)	4 263	1 567	-	1 354	(91 985)	(112 999)
Income tax	-	-	34 678	33 672	(1 679)	24 018	-	-	33 000	57 690
Net profit/(loss)	(14 833)	(49 482)	(46 736)	(32 767)	2 584	25 585	-	1 354	(58 985)	(55 309)
Total assets	68 931	270 731	1 122 361	686 420	273 444	203 097	(570 137)	(277 047)	894 600	883 201
Investing activities (cash effect)	847	323	5 208	39 142	(52)	-	-	-	6 004	39 464

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.	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	43 124	66 517	24 111	14 674	27 705	30 723	(37 663)	(26 156)	57 276	85 758
Operating expenses oil and gas	(15 450)	(25 465)	-	-	-	-	-	-	(15 450)	(25 465)
Exploration expenses	(5 586)	(45 017)	(210 512)	(123 385)	-	-	17 164	-	(198 934)	(168 402)
Other general and administrative expenses	(14 164)	(18 822)	(33 341)	(41 976)	(18 303)	(17 630)	20 500	26 156	(45 308)	(52 272)
Depreciation, amortisation and impairment	(130 784)	(39 642)	(2 036)	(1 891)	(593)	(5 063)	-	-	(133 412)	(46 596)
Operating profit/(loss)	(122 860)	(62 429)	(226 926)	(152 578)	8 810	8 030	-	-	(335 828)	(206 977)
Net financial income/(expenses)	(17 387)	(18 869)	(1 066)	(19 231)	(4 403)	232	-	-	(22 855)	(37 868)
Profit/(loss) before taxes	(140 246)	(81 298)	(227 991)	(171 809)	4 407	8 262	-	-	(358 682)	(244 845)
Income tax	-	-	130 302	85 469	(2 690)	24 018	-	-	127 612	109 487
Net profit/(loss)	(135 097)	(81 298)	(97 689)	(86 340)	1 717	32 280	-	-	(231 069)	(135 358)
	-									
Total assets	68 931	270 731	1 122 361	686 420	273 444	203 097	(570 137)	(277 047)	894 600	883 201
Investing activities (cash effect)	1 256	45 749	10 864	39 220	61	77	-	-	12 180	85 046

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 third quarter 2010 (including employer's social security contributions) is NOK 0.8 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 third quarter the Group has accounted a positive income tax of NOK 33.0 million (third quarter 2009 NOK 57.7 million). Deferred tax assets of NOK 49.9 million relates to both deferred taxation from NCS activities and from onshore activities.

NOK '000	Q3 2010	Q3 2009	1.1. - 30.9.2010	1.1. - 30.9.2009	2009
Tax refund this year, NCS	32 732	28 030	132 624	80 831	110 881
Tax refund from prior year, NCS	-	-	(1 383)	-	(1 457)
Deferred income tax, NCS	4 649	5 642	380	4 639	(3 372)
Deferred income tax from prior year, NCS	(2 702)	-	(1 319)	(1)	1 151
Payable taxes, other	-	-	-	-	(1)
Tax receivable, "Government tax package"	-	7 334	-	7 334	7 334
Deferred income tax, onshore activities	(1 679)	16 683	(2 690)	16 683	23 389
Total income tax through profit and loss	33 000	57 690	127 612	109 487	137 924
Tax refund received, NCS	-	-	-	-	111 771
Tax received/(paid), corporate tax	-	-	-	-	5 600

For more details of the notices from The Norwegian Oil Taxation Office (OSK) please refer to note 7.

Note 4: Exploration expenses

<i>NOK '000</i>	Q3 2010	Q3 2009	1.1. - 30.9.2010	1.1. - 30.9.2009	2009
Exploration expenses related to license participation	(34 368)	(26 605)	(123 588)	(29 741)	(35 561)
Exploration expenses, other external expenses (seismic, EM, etc)	(9 692)	(1 665)	(34 415)	(57 310)	(100 705)
Exploration expenses, external	(44 060)	(28 270)	(158 003)	(87 052)	(136 266)
Reclassified from general and administrative expenses	(16 158)	(25 771)	(35 784)	(43 382)	(57 026)
Exploration expenses, previously capitalised	(5 148)	(37 969)	(5 148)	(37 969)	(38 052)
Total exploration expenses, income statement	(65 365)	(92 010)	(198 934)	(168 402)	(231 344)
Exploration expenses, internal	(4 223)	(4 065)	(17 164)	(23 906)	(30 368)
Total exploration expenses	(69 588)	(96 074)	(216 098)	(192 309)	(261 713)

Note 5: Other general and administrative expenses

<i>NOK '000</i>	Q3 2010	Q3 2009	1.1. - 30.9.2010	1.1. - 30.9.2009	2009
Payroll and other related expenses	(17 772)	(18 245)	(50 064)	(49 559)	(74 519)
Other expenses	(1 436)	(6 375)	(31 027)	(29 160)	(59 937)
- Reclassified as exploration expenses	16 158	8 837	35 784	26 447	57 026
Total general and administrative expenses, income statement	(3 051)	(15 783)	(45 308)	(52 272)	(77 430)

Note 6: Financial items

<i>NOK '000</i>	Q3 2010	Q3 2009	1.1. - 30.9.2010	1.1. - 30.9.2009	2009
Financial income	1 326	623	3 009	2 843	7 009
Financial expenses	(8 418)	(7 046)	(19 613)	(18 967)	(25 000)
Foreign currency gain/(loss)	(37 777)	(26 769)	(1 334)	(47 806)	(48 052)
Net income/(expense) from derivatives	14 223	11 213	282	26 062	26 212
Net financial income/(expenses)	(30 646)	(21 979)	(17 655)	(37 868)	(39 830)

Changes in fair value of the interest and currency swap in the third quarter, included in the net financial income/(expenses), gave a gain of NOK 14.2 million. Total fair value of the swap was negative NOK 5.6 million as of 30 September 2010.

Note 7: Subsequent events

Rocksource ASA has received a notice from Oljeskattekontoret (OSK/The Norwegian Oil Taxation Office) of a possible change to the tax assessments for 2007 and 2008, and a notice of a possible reduction of claimed tax deductions for 2009. 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 for 2007 and 2008, neither the total amount of possible change. 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.