

Rocksource ASA

Second quarter 2010

Rocksource ASA had operating income of NOK 16.6 million in the second quarter of 2010, down from NOK 19.8 million in the previous quarter and down from NOK 22.6 million in corresponding quarter 2009.

EBITDA before exploration was minus NOK 7.2 million in the quarter, roughly in line with previous quarters. Significant exploration expenses in combination with a non-cash write-down of assets related to the company's onshore business in the US of NOK 103.6 million resulted in a net loss in the quarter of NOK 136.9 million.

The major part of the NOK 91.1 million in exploration expenses in the quarter was related to the acquisition of seismic and electromagnetic (EM) data on the Norwegian Continental Shelf (NCS), in preparations for the upcoming drilling campaign and future licensing rounds. These expenses are refundable under the 78 per cent petroleum tax regime in Norway.

The company's US onshore activity has in the past supported the development of the Rocksource offshore exploration portfolio. These producing assets are however now on a natural decline. Rocksource has evaluated a number of growth opportunities within the current field area to maintain and grow production in the short term. However none of these have shown the required potential for profits. Over the last couple of months a thorough technical and financial review of the producing assets onshore US has been undertaken to reassess the assets. As a result expected value potential has been lowered. Marginal profitability in further activities in current fields due to expected lower reservoir deliverability, and continued low gas prices resulted in a non-cash write-down in the second quarter of USD 16 million (NOK 103.6 million).

Rocksource recently announced a rig and an estimated spud of the "Kora" well in Q1 2011 in AGC Profond of the coast of West-Africa. The company also expects to drill 3 - 4 wells on the NCS during 2011, while exploration drilling in the Gulf of Mexico (GoM) has been delayed by the Macondo incident and drilling ban imposed by US authorities. The company's main priority going forward is to firm up further wells with drilling rigs and spud dates, and prepare for execution of the 2011 drilling campaign.

Q2 and subsequent key events

- Rig secured for AGC well
 - +400 mmbœ “Kora” prospect to be drilled in Q1 2011
 - To be drilled by deepwater semi-sub Maersk Deliverer

- Q2 revenue down 16 per cent compared with the previous quarter
 - Average production 744 barrels of oil equivalents per day (boepd)
 - Average realised gas price USD/mcf 4.8 in Q2 versus USD/mcf 5.7 in Q1

- Financial position strengthened in Q2
 - NOK 249 million private placement completed in April
 - Rocksource funded for an extensive drilling campaign

Key financial & operational figures

<i>NOK '000</i>		Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Operating income		16 605	22 576	36 406	51 659	105 635
Exploration expenses		(91 098)	(53 402)	(133 568)	(76 392)	(231 344)
EBITDA	(1)	(98 303)	(56 814)	(150 058)	(81 474)	(234 254)
Net profit/(loss)		(136 873)	(39 094)	(172 086)	(80 050)	(217 294)
Basic earnings per share (kr)	(2)	(0.619)	(0.254)	(0.860)	(0.532)	(1.320)
Investment	(3)	10 188	17 636	12 446	58 998	133 682
Cash balance		288 628	265 027	288 628	265 027	166 214
Net average production boepd		744	1 422	848	1 564	1 314
Realised gas price USD/mcf		4.8	4.0	5.2	4.4	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 23 August 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	EM positive	Prospect evaluation
PL 506S	NCS	50 %	Rocksource ASA	APA 2008	Not yet tested	3D Seismic processing
PL 515	NCS	60 %	Rocksource ASA	APA 2008	EM positive	3D Seismic processing
PL 528	NCS	30 %	Suncor	20th Round	EM positive	3D Acquisition in progress
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	3D Seismic processing
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	Work programme completed. 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	EM feasibility study
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	Database creation
EB 419	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
EB 425	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
EB 475	USA	10 %	Royal Exploration	Farm-in	EM acquired	EM evaluation
EB 512	USA	100 %	Rocksource GOM	WGOM 210	EM acquired	EM evaluation
EB 519	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
EB 832	USA	30 %	Royal Exploration	Farm-in	EM positive	Prospect evaluation
GB 185	USA	30 %	Royal Exploration	Farm-in	EM positive	Prospect evaluation
GB 407	USA	10 %	Royal Exploration	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 %	Focus Exploration	Farm-in	EM positive	Prospect evaluation

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

Operational review

Rocksource is an exploration focused oil and gas company and has over the last few years successfully gained access to a number of quality exploration opportunities in Norway, UK, West Africa, India and the Gulf of Mexico. Since the beginning of 2008 Rocksource has made significant additions to its exploration portfolio. Net risked resources have grown from 125 million barrels of oil equivalents (mboe) to above 1 billion boe, representing a substantial exploration portfolio to be tested.

Exploration

NCS

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

- Drill decision on PL 416 was made with spud expected in July 2011
- Well sanction on PL 530 and PL 535 and rig selection in progress for 2011 spud
- Rocksource is in the process of allocating rig capacity (Borgland Dolphin) to an operated license to allow for 2011 drilling
- EM data acquisition in preparation for the upcoming licensing rounds on the NCS
- 3D seismic data acquisition on PL 506s, PL 515 and PL 559 completed
- 3D seismic data acquisition on PL 528 completed in August

Rocksource is currently preparing for the NCS APA 2010 and 21st licensing round applications.

Senegal/Guinea Bissau – AGC Profond

Rocksource announced in July that Ophir Energy plc, the operator of the AGC Profond PSC, had agreed a rig contract for the deepwater semi-submersible Maersk Deliverer to drill the first exploration well on the block. Based on the current operational schedule the Maersk Deliverer will arrive on location during the first quarter of 2011. The well will target the "Kora" prospect which Rocksource has independently estimated to contain mean recoverable resources in excess of 400 million barrels of oil equivalents.

Gulf of Mexico

As a result of the incident suffered by BP in its Macondo exploration well in the Gulf of Mexico (GoM), exploration activity in the Gulf has suffered significant delays. Rocksource Gulf of Mexico (RGOM) continued to mature its portfolio of 20 lease blocks during the quarter. RGOM is awaiting outcome of regulatory changes resulting from the incident and is preparing its portfolio for numerous potential outcomes.

India – CY-DWN-2001/1

As previously communicated Rocksource intends to sign the Block Production Sharing Contract (PSC) once the Government of India grants a suitable extension to the Phase 1 period and certain other commercial negotiations are concluded with block operator ONGC. So far there has not been any official notification from Indian authorities regarding extension of the PSC terms (also referred to as Drilling Moratorium).

Further, there has not been a decision within the partnership regarding timing and location of the third and final well in phase one of the work programme. As a consequence Rocksource does not expect a well to be drilled on the block in 2010. Rocksource will work towards a conclusion in the partnership that allows either participation in an exploration well, or an amicable exit as described in Stock Exchange announcement of 19th of April 2010.

Negotiations will continue in the third quarter and Rocksource will report on any outcome if or when any decisions have been made.

Production

Production from the US subsidiaries averaged 744 boepd in the second quarter versus 954 boepd in the previous quarter. The onshore production is on a natural decline and the production in the second quarter was in line with expectations. Average realised gas price in the second quarter was USD/mcf 4.8 versus USD/mcf 5.7 in previous quarter. The company's production guidance for 2010 remains unchanged at 600 boepd, but after a technical reassessment of the reserves and resources a write-down of NOK 103.6 million has been taken as described in the previous section of the report ("Second quarter 2010").

Financial summary

OPERATIONS

Revenue in the second quarter was NOK 16.6 million, down from NOK 19.8 million in the previous quarter. The corresponding figure in second quarter 2009 was NOK 22.6 million.

Net loss for the second quarter was NOK 136.9 million, compared to a net loss of NOK 39.1 million in corresponding quarter 2009.

EBITDA before exploration was minus NOK 7.2 million in the quarter, roughly in line with previous quarters. Significant exploration expenses in combination with a non-cash write-down of assets related to the company's onshore business in the US of NOK 103.6 million resulted in a net loss in the quarter of NOK 136.9 million.

Exploration costs totalled NOK 91.1 million in the quarter, up from NOK 42.5 million in the previous quarter and up from NOK 53.4 million in the second quarter 2009. The exploration costs were mainly related to acquisition of EM and seismic data on the NCS as described in the previous section of the report ("Exploration, NCS").

EBITDA was negative with NOK 98.3 million in the quarter versus negative NOK 56.8 million in the corresponding quarter 2009.

Net financials were positive with NOK 12.0 million influenced by currency gain due to strengthening of the USD/NOK ratio. Net financials were negative with NOK 4.0 million in the corresponding quarter 2009.

Income tax in the second quarter was NOK 64.2 million, up from NOK 30.4 in the first quarter due to higher exploration costs related to activities on the NCS.

Cash flow from operating activities in the second quarter 2010 was negative with NOK 63.6 million, compared to minus NOK 55.2 million in the corresponding period in 2009.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 30 June 2010 was NOK 935.7 million compared to NOK 771.7 million at year-end 2009. The Group's working capital at the end of the second quarter 2010 was NOK 243.4 million, up from NOK 79.1 million from the previous quarter and NOK 255.6 million at the end of the corresponding quarter 2009.

The equity at 30 June 2010 was NOK 443.4 million compared to NOK 380.5 million at the year-end 2009, giving an equity ratio of 47.4 per cent, down from 56.0 per cent at the end of the corresponding quarter 2009.

The cash balance at the end of the second quarter was NOK 288.6 million compared to NOK 85.1 million at the end of previous quarter. Total draw down on the credit facility was NOK 39 million in the quarter and total available facility amount was NOK 329 million at the end of the second quarter 2010.

As of 30 June 2010 Rocksource ASA had 262,471,598 shares and a total of 24,846 treasury shares.

Outlook

The main priority for Rocksource going forward is to continue to firm up exploration wells, prepare for drilling and execute the drilling campaign planned for 2011. The company has announced four firm wells for 2011 and will work to further increase the number of wells being drilled. The prospect portfolio is a result of a very selective approach over the last years, and as such provides a series of high value potential triggers over the next 12 months. Rocksource will continue to add to the prospect portfolio going forward, mainly through participation in licensing rounds on the NCS.

CONSOLIDATED INCOME STATEMENTS

(Quarter and YTD unaudited)

NOK '000	Notes	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
		IFRS	IFRS	IFRS	IFRS	IFRS
Operating income						
Revenue		16 605	22 576	36 406	51 659	105 635
Total operating income		16 605	22 576	36 406	51 659	105 635
Operating expenses						
Operating expenses oil and gas		(5 046)	(10 659)	(10 639)	(20 252)	(31 114)
Exploration expenses	4	(91 098)	(53 402)	(133 568)	(76 392)	(231 344)
Other general and administrative expenses	2, 5	(18 764)	(15 331)	(42 257)	(36 489)	(77 430)
Depreciation and amortisation		(11 201)	(15 751)	(22 534)	(34 483)	(56 937)
Impairment loss		(103 629)	-	(103 629)	-	(23 117)
Total operating expenses		(229 738)	(95 141)	(312 627)	(167 616)	(419 942)
Operating profit/(loss)		(213 133)	(72 565)	(276 221)	(115 957)	(314 308)
Financial income/(expenses)						
Share of income/(loss) in associates		(2 178)	-	(3 468)	-	(1 080)
Financial income		19 197	503	24 185	2 221	35 444
Financial expenses		(4 970)	(4 466)	(11 195)	(18 110)	(75 275)
Net financial income/(expenses)	6	12 049	(3 963)	9 522	(15 889)	(40 911)
Profit/(loss) before taxes		(201 084)	(76 528)	(266 698)	(131 846)	(355 218)
Income tax	3	64 211	37 434	94 613	51 797	137 924
Net profit/(loss)		(136 873)	(39 094)	(172 086)	(80 050)	(217 294)
Attributable to:						
Equity holders of the parent		(136 852)	(39 313)	(172 067)	(80 246)	(217 445)
Minority interest		(22)	219	(19)	196	151
Net profit/(loss)		(136 873)	(39 094)	(172 086)	(80 050)	(217 294)
Earnings per share ⁽¹⁾						
Basic earnings per share (kr)		(0.619)	(0.254)	(0.860)	(0.532)	(1.320)
Diluted earnings per share (kr)		(0.619)	(0.254)	(0.860)	(0.532)	(1.320)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Quarter and YTD unaudited)

<i>NOK '000</i>	Q2 2010 IFRS	Q2 2009 IFRS	1H 2010 IFRS	1H 2009 IFRS	2009 IFRS
Net profit/(loss)	(136 873)	(39 094)	(172 086)	(80 050)	(217 294)
Exchange differences on translating foreign operations	(8 589)	(9 134)	(7 817)	(11 368)	(13 471)
Total comprehensive income/(loss) for the period	(145 462)	(48 228)	(179 903)	(91 418)	(230 765)
Total comprehensive income attributable to:					
Equity holders of the parent	(145 441)	(48 447)	(179 884)	(91 614)	(230 916)
Minority interest	(22)	219	(19)	196	151
Net profit/(loss)	(145 462)	(48 228)	(179 903)	(91 418)	(230 765)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Quarter and YTD unaudited)

<i>NOK '000</i>	Notes	30.6.2010 IFRS	30.6.2009 IFRS	31.12.2009 IFRS
ASSETS				
Non-current assets				
Intangible assets				
Deferred tax assets	3	49 569	28 301	50 371
Patents and development expenses		258	4 683	636
Seismic library		-	2 675	-
Goodwill		154 563	154 563	154 563
Capitalised exploration and acquisition expenses		60 159	34 737	49 417
Total intangible assets		264 549	224 960	254 987
Tangible assets				
Oil and gas properties		69 306	236 988	172 496
Furniture, fixtures and office machines		6 482	6 032	8 078
Investments in associates		31 156	13 417	25 125
Other investments		8 654	-	8 099
Tax receivable NCS, long-term		99 892	52 801	-
Total tangible assets		215 490	309 238	213 799
Total non-current assets		480 039	534 198	468 785
Current assets				
Accounts receivable		4 359	10 882	16 020
Tax receivable NCS, short-term		109 498	113 228	110 881
Other receivables		53 130	2 976	9 842
Cash and cash equivalents		288 628	265 027	166 214
Total current assets		455 615	392 112	302 956
TOTAL ASSETS		935 654	926 310	771 741

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Quarter and YTD unaudited)

<i>NOK '000</i>	Notes	30.6.2010 IFRS	30.6.2009 IFRS	31.12.2009 IFRS
EQUITY AND LIABILITIES				
Equity				
Paid-in capital				
Share capital		262 472	178 071	178 618
Treasury shares		(25)	(25)	(25)
Share premium reserve		290 380	198 410	132 030
Additional paid-in capital		218 545	161 014	225 763
Total paid-in capital		771 371	537 470	536 386
Retained earnings				
Retained earnings/(loss carried forward)		(329 642)	(20 375)	(157 575)
Total equity attributable to equity holders of the parent		441 730	517 095	378 811
Minority interest		1 705	1 769	1 724
Total equity		443 435	518 864	380 535
Liabilities				
Non-current liabilities				
Deferred tax liabilities		-	280	-
Bond loan		197 338	196 018	196 693
NCS credit facility, long-term		61 864	54 000	-
Derivative financial instruments		19 782	-	5 841
Other non-current liabilities		1 066	20 620	1 529
Total non-current liabilities		280 051	270 918	204 064
Current liabilities				
NCS credit facility, short-term		103 629	95 522	103 629
Accounts and other payables		103 257	33 538	60 224
Other current liabilities		5 282	7 467	23 289
Total current liabilities		212 169	136 528	187 143
Total liabilities		492 219	407 446	391 206
TOTAL EQUITY AND LIABILITIES		935 654	926 310	771 742

CONSOLIDATED CASH FLOW STATEMENTS

(Quarter and YTD unaudited)

NOK '000	Notes	Q2 2010 IFRS	Q2 2009 IFRS	1H 2010 IFRS	1H 2009 IFRS	2009 IFRS
Operating activities						
Profit/(loss) from operations before exploration expenses		(122 035)	(19 164)	(142 652)	(39 564)	(82 963)
- Exploration expenses		(91 098)	(53 402)	(133 568)	(76 392)	(231 344)
Operating profit/(loss)		(213 133)	(72 565)	(276 221)	(115 957)	(314 308)
Adjustment for:						
Tax refund NCS exploration expenses		-	-	-	-	111 771
Taxes paid onshore		-	-	-	-	5 600
Depreciation, amortisation and impairment	114 830	15 751	126 163	34 483	80 054	80 054
Previously capitalised exploration expenses		-	-	-	-	38 052
Share-based remuneration		263	525	598	940	1 745
Interest received		982	755	1 683	2 158	7 012
Interest paid		(4 043)	(4 650)	(10 268)	(10 744)	(22 060)
Foreign currency profit/(loss)		17 937	(681)	22 088	(6 189)	(21 840)
Changes in accounts receivable		19 700	(7 098)	11 661	5 334	196
Changes in accounts and other payables		83 586	10 537	43 033	(31 737)	(5 051)
Changes in other current balance sheet items		(83 772)	2 273	(84 983)	1 446	21 640
Net cash flow from operating activities		(63 648)	(55 152)	(166 246)	(120 266)	(97 188)
Investing activities						
Purchase of tangible and intangible assets		(3 918)	(4 219)	(6 176)	(45 581)	(104 535)
Investment in associates		(6 270)	(13 417)	(6 270)	(13 417)	(29 147)
Net cash flow from investing activities		(10 188)	(17 636)	(12 446)	(58 998)	(133 682)
Financing activities						
Net capital increase		238 509	121 749	239 109	122 332	122 298
Dividends, minority		-	(284)	-	(517)	(517)
Proceeds from issuance of long-term debt		38 582	54 000	61 582	54 000	-
Proceeds from issuance of short-term debt		-	-	-	-	91 000
Repayment of short-term debt		-	-	-	-	(83 371)
Net cash flow from financing activities		277 092	175 465	300 692	175 815	129 411
Effect of changes in exchange rates on cash and cash equivalents		277	(421)	414	(905)	(1 708)
Net change in cash and cash equivalents		203 533	102 256	122 414	(4 355)	(103 167)
Cash and cash equivalents at beginning of the period		85 095	162 770	166 214	269 381	269 381
Cash and cash equivalents at the end of the period		288 628	265 027	288 628	265 027	166 214

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Quarter and YTD 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	-	-	-	-	-	(172 067)	(172 067)	(19)	(172 086)
Other comprehensive income/(loss) for the period	-	-	-	-	(7 817)	-	(7 817)	-	(7 817)
Total comprehensive income/(loss) for the period	-	-	-	-	(7 817)	(172 067)	(179 884)	(19)	(179 903)
Net capital increase	83 854	-	150 392	-	-	-	234 246	-	234 246
Transaction costs for issued share capital	-	-	7 958	-	-	-	7 958	-	7 958
Share-based remuneration	-	-	-	598	-	-	598	-	598
Equity 30 June 2010	262 472	(25)	290 380	197 006	21 538	(329 642)	441 730	1 705	443 435

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	-	-	-	-	-	(80 246)	(80 246)	196	(80 050)
Other comprehensive income/(loss) for the period	-	-	-	-	(11 368)	-	(11 368)	-	(11 368)
Total comprehensive income/(loss) for the period	-	-	-	-	(11 368)	(80 246)	(91 614)	196	(91 418)
Net capital increase	31 121	-	93 072	-	-	-	124 193	-	124 193
Share-based remuneration	-	-	-	940	-	-	940	-	940
Minority interests, dividends	-	-	-	-	-	-	-	(517)	(517)
Equity 30 June 2009	178 071	(25)	198 410	129 556	31 458	(20 375)	517 095	1 769	518 864

Number of shares (in '000) of nominal value of NOK 1.00 ⁽¹⁾	Ordinary	Weighted accumulated	Weighted accumulated
		Q2 2010 ⁽²⁾	1H 2010 ⁽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	414
Issued on 30 April 2010 in 1.000	34 232	22 947	11 537
Issued on 26 May 2010 in 1.000	48 799	18 769	9 436
Issued on 3 June 2010 in 1.000	222	66	33
Total number of shares	262 447	220 975	200 013

⁽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 SECOND 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 June 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. IAS 1 Revised financial statement presentation has been implemented from 1 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details on transactions with owners, with non-owners changes in equity presented as a single line. In addition the standard introduces a statement of comprehensive income presenting income and expenses of non-owner transactions either as an addition in the income statement or as a separate statement of comprehensive income. The Group has elected to present two statements.

The second quarter 2010 results were approved in the Board meeting on 23 August 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	
	Q2		Q2		Q2		Q2		Q2	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	13 927	22 200	10 328	377	7 378	6 667	(15 028)	(6 667)	16 605	22 576
Operating expenses oil and gas	(5 046)	(10 659)	-	-	-	-	-	-	(5 046)	(10 659)
Exploration expenses	(593)	(4 176)	(96 376)	(49 225)	-	-	5 871	-	(91 098)	(53 402)
Other general and administrative expenses	(4 486)	(6 928)	(18 745)	(11 028)	(4 690)	(3 937)	9 157	6 563	(18 764)	(15 331)
Depreciation, amortisation and impairment	(113 947)	(13 382)	(670)	(499)	(212)	(1 869)	-	-	(114 830)	(15 750)
Operating profit/(loss)	(110 146)	(12 945)	(105 463)	(60 376)	2 476	861	-	(105)	(213 133)	(72 564)
Net financial income/(expenses)	(5 881)	(6 306)	19 830	2 340	(1 901)	2	-	-	12 049	(3 963)
Profit/(loss) before taxes	(116 027)	(19 250)	(85 632)	(58 036)	575	863	-	(105)	(201 084)	(76 528)
Income tax	-	-	64 982	37 434	(772)	-	-	-	64 211	37 434
Net profit/(loss)	(116 027)	(19 250)	(20 650)	(20 602)	(196)	863	-	(105)	(136 873)	(39 094)
Total assets	82 672	305 003	892 456	688 074	200 277	191 009	(239 750)	(257 775)	935 654	926 310
Investing activities (cash effect)	(13)	4 105	3 931	37	6 270	77	-	-	3 918	4 219

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.		01.01 - 30.06.	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	32 574	50 800	16 827	855	18 187	19 222	(31 182)	(19 217)	36 406	51 659
Operating expenses oil and gas	(10 639)	(20 252)	-	-	-	-	-	-	(10 639)	(20 252)
Exploration expenses	(760)	(6 511)	(145 749)	(69 882)	-	-	12 941	-	(133 568)	(76 392)
Other general and administrative expenses	(8 959)	(13 309)	(36 865)	(31 984)	(14 674)	(9 060)	18 241	17 864	(42 257)	(36 489)
Depreciation, amortisation and impairment	(124 353)	(29 670)	(1 364)	(1 340)	(446)	(3 473)	-	-	(126 163)	(34 483)
Operating profit/(loss)	(112 138)	(18 941)	(167 151)	(102 351)	3 068	6 690	-	(1 354)	(276 221)	(115 957)
Net financial income/(expenses)	(11 496)	(12 874)	23 942	(3 019)	(2 924)	4	-	-	9 522	(15 889)
Profit/(loss) before taxes	(123 634)	(31 815)	(143 208)	(105 371)	144	6 694	-	(1 354)	(266 698)	(131 846)
Income tax	-	-	95 624	51 797	(1 012)	-	-	-	94 613	51 797
Net profit/(loss)	(123 634)	(31 815)	(47 584)	(53 574)	(868)	6 694	-	(1 354)	(172 086)	(80 050)
Total assets	82 672	305 003	892 456	688 074	200 277	191 009	(239 750)	(257 775)	935 654	926 310
Investing activities (cash effect)	409	45 426	5 655	78	6 382	77	-	-	6 176	45 581

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 second quarter 2010 (including employer's social security contributions) is NOK 0.3 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 second quarter the Group has accounted a positive income tax of NOK 64.2 million (second quarter 2009 NOK 37.4 million). Deferred tax assets of NOK 49.6 million relates to both deferred taxation from NCS activities and from onshore activities.

NOK '000	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Tax refund this year, NCS	70 154	37 306	99 892	52 801	110 881
Tax refund from prior year, NCS	-	-	(1 383)	-	(1 457)
Deferred income tax, NCS	(5 173)	128	(2 886)	(1 003)	(2 221)
Payable taxes, other	1	-	-	(1)	(1)
Payable taxes, onshore activities	-	-	-	-	-
Tax receivable, "Government tax package"	-	-	-	-	7 334
Deferred income tax, onshore activities	(771)	-	(1 012)	-	23 389
Total income tax through profit and loss	64 211	37 434	94 613	51 797	137 924
Tax refund received, NCS	-	-	-	-	111 771
Tax received/(paid), corporate tax	-	-	-	-	5 600

Note 4: Exploration expenses

<i>NOK '000</i>	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Exploration expenses related to license participation	(70 721)	(2 333)	(89 220)	(3 136)	(35 561)
Exploration expenses, other external expenses (seismic, EM, etc)	(11 520)	(42 690)	(24 723)	(55 646)	(100 705)
Exploration expenses, external	(82 241)	(45 023)	(113 942)	(58 782)	(136 266)
Reclassified from general and administrative expenses	(8 858)	(8 378)	(19 626)	(17 610)	(57 026)
Exploration expenses, previously capitalised	-	-	-	-	(38 052)
Total exploration expenses, income statements	(91 098)	(53 402)	(133 568)	(76 392)	(231 344)
Exploration expenses, internal	(5 871)	(7 252)	(12 941)	(19 842)	(30 368)
Total exploration expenses	(96 969)	(60 654)	(146 509)	(96 234)	(261 713)

Note 5: Other general and administrative expenses

<i>NOK '000</i>	Q2 2010	Q2 2009	1H 2010	1H 2009	2009
Payroll and other related expenses	(12 372)	(13 488)	(32 292)	(31 314)	(74 519)
Other expenses	(15 249)	(10 220)	(29 591)	(22 786)	(59 937)
Total	(27 621)	(23 709)	(61 883)	(54 099)	(134 456)
- Reclassified as exploration expenses	8 858	8 378	19 626	17 610	57 026
Total general and administrative expenses, income statements	(18 764)	(15 331)	(42 257)	(36 489)	(77 430)

Note 6: Interest and currency swap

Changes in fair value of the interest and currency swap in the second quarter, included in the net financial income/(expenses), gave a loss of NOK 10.0 million. Total fair value of the swap was negative NOK 19.8 million as of 30 June 2010.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2010 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 23 August 2010

Mimi K. Berdal
Chairman
Sign.

Ole Wiborg
Board Member
Sign.

Marianne E. Johnsen
Board Member
Sign.

Ole Nygaard
Board Member
Sign.

Bjarte Fagerås
Board Member
Sign.

Trygve Pedersen
Chief Executive Officer
Sign.