

Rocksource ASA

Third quarter 2009

Rocksource ASA had operating revenue of NOK 34.1 million in the third quarter 2009, an increase of NOK 11.5 million from previous quarter and a decrease of NOK 45.8 million compared to the corresponding quarter 2008. The change was primarily driven by the sharp drop in gas prices and declining production from the company's activities onshore US, offset by revenue from sales to license partners.

As a consequence of the continued low gas prices, Rocksource has concluded not to move the US onshore Granbury discovery forward towards production. The capitalised exploration and acquisition costs related to Granbury have therefore been expensed as exploration costs. The company's net loss in the third quarter was NOK 55.3 million, of which NOK 36.2 million relates to Granbury. The cash effect from the Granbury wells was included in the first quarter 2009.

Preparations are ongoing ahead of the company's extensive drilling campaign, expected to commence in the first half of 2010. Currently, Rocksource expects to participate in between two to five wells in 2010 and up to another six wells in 2011. The upcoming 2010-2011 drilling campaign is aiming to test approximately 200 million barrels of oil equivalents (mmboe) per year.

Q3 and subsequent key events

- Rapid acreage build-up in the US Gulf of Mexico
 - Drilling targets firming up, a minimum of two wells expected in 2010
 - Encouraging results from preliminary evaluations of the Trident field
- Drilling decision in AGC Profond announced in July
 - Preparations on track, drilling scheduled for summer of 2010
 - Initial prospect +400 mmboe gross, with +50 per cent chance of success
- Revenue hit by low prices and production problems in the third quarter
 - Average production 1,134 barrels of oil equivalents per day (boepd)
 - Positive effect of sales to license partners
- Encouraging EM results on NCS license PL 515
 - License entered into second phase including 3D seismic acquisition
 - Sizeable prospect with high equity stake
- New board member elected at EGM on 20 October
 - Bjarte Fagerås elected new Director of the Board
 - Mimi K. Berdal elected as Chairman of the Board

Key financial & operational figures

NOK '000	Q3 2009	Q3 2008	1.1.2009- 30.9.2009	1.1.2008- 30.9.2008	2008
Operating income	34 098	79 876	85 757	229 794	287 175
Exploration costs	(92 010)	(45 536)	(168 402)	(105 101)	(147 108)
EBITDA	(1) (78 907)	847	(160 382)	47 800	14 629
Net profit/(loss)	(55 309)	21 907	(135 359)	67 879	60 918
Basic earnings per share (NOK)	(2) (0.310)	0.146	(0.847)	0.454	0.409
Investment	(3) 49 391	15 505	108 389	59 194	110 109
Cash balance	161 627	211 399	161 627	211 399	269 381
Available, undrawn credit facility	139 000	250 000	139 000	250 000	205 000
Net risked resources, million boe	980	280	980	280	388
Net average production boepd	1 134	2 473	1 415	2 396	2 355
Realised gas price USD/mcf	3.5	10.6	4.1	10.6	9.8

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

EBITDA in third quarter 2009, adjusted for expensed capitalised exploration costs, was negative NOK 42.7 million

(2) Adjusted for reverse split of shares

(3) Cash effect investment in assets & companies

Portfolio review

License/PSC	Country	Equity	Operator	Awarded	EM status	Upcoming events
PL 416	NCS	35 %	E-on	APA 2006	EM positive	Work programme completed. Drill or drop in Q1 2010
PL 451	NCS	20 %	Noreco	APA 2007	EM positive	Completion of 3D seismic processing
PL 480	NCS	20 %	StatoilHydro	APA 2007	EM acquired	Work programme completed. EM processing
PL 506S	NCS	50 %	Rocksource	APA 2008	Not yet tested	EM positive by Discover, 3D seismic acquisition
PL 515	NCS	60 %	Rocksource	APA 2008	EM positive	Planning 3D seismic acquisition
PL 528	NCS	30 %	Petro-Canada Norge	20th Round	EM positive	Planning 3D seismic acquisition
PL 530	NCS	20 %	GDF Suez Norge	20th Round	EM positive	Planning for 2010 well
PL 535	NCS	20 %	Total E&P Norge	20th Round	EM positive	Completion of 3D seismic processing
P 1484	UKCS	15 %	OMV	24th Round	Not yet tested	Work programme completed. Under evaluation
P 1488	UKCS	15 %	OMV	24th Round	Not yet tested	Work programme completed. Under evaluation
P 1486	UKCS	10 %	Talisman	24th Round	Not yet tested	Seismic reprocessing ongoing
P 1067	UKCS	10 %	DNO	Farm-in	n/a	Work programme completed. Under evaluation
P 1638	UKCS	100 %	Rocksource	25th Round	Not yet tested	2D seismic data purchase
P 1573	UKCS	20 %	Nautical Petroleum	25th Round	Not yet tested	EM feasibility study
P 1574	UKCS	20 %	Nautical Petroleum	25th Round	Not yet tested	EM feasibility study
AGC Profond	Senegal/ Guinea	*25 %	Ophir	Farm-in	EM positive	Well Planning
CY-DWN-2001/1	India	10 %	ONGC	Farm-in	EM positive	Decision on work programme/third well
Various	GoM	10-30 %	Various	Farm-in	EM positive	Decision on drilling schedule and further growth
Various	GoM	100 %	Rocksource	210 Lease sale	Not yet tested	EM acquisition, decision on drilling schedule

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

Operational review

Rocksource is an exploration focused oil and gas company and has during the last years successfully gained access to a number of quality exploration opportunities in Norway, UK, West Africa, India and 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 (mmboe) to 980 mmboe, representing a substantial exploration portfolio.

Exploration

INTERNATIONAL

Gulf of Mexico

Rocksource Gulf of Mexico has added further lease holdings to its portfolio as part of the Western Gulf Lease Sale 210. The addition of the Gulf of Mexico (GoM) portfolio has been a strategic decision to include prospectivity from one of the world's most prolific hydrocarbon provinces in the Rocksource portfolio. These additions are all covered by high quality 3D data and are EM suitable, allowing for the rapid maturation of drillable low risk prospects to add to the 2010 drill queue and beyond. Rocksource expects to test part of the portfolio in 2009 with EM, in preparation for drilling. More information on the GoM portfolio will be released as it matures.

So far 13 additional leases have been awarded with a further two pending. The awarded leases include the three leases covering the Trident field which has been estimated to hold approximately 100 mmboe in contingent resources by the previous operator. Preliminary evaluations made by Rocksource suggest that the field may contain recoverable resources in the range of 80 to 400 mmboe. This is based on the information from the three successful wells drilled on the field. Rocksource will continue its technical evaluations with the aim to improve the understanding of this potentially high impact field.

West Africa – AGC Profond

Rocksource is preparing for well operations in 2010 on the AGC Profond PSC. Spud date of the first well is uncertain but could be as early as in the second quarter, dependant on rig scheduling. The 2010 well will target the “Kora” prospect previously named “Cheval North”, which is estimated to contain resources in excess of 400 mmboe, of which +100 mmboe net to Rocksource on the assumption that further rights to acquire up to a 25 per cent participating interest are exercised. Rocksource estimates the chance of success for the well targeting this prospect to be above 50 per cent.

India – CY-DWN-2001/1

The company will during fourth quarter participate in an Operational and Management meeting related to the participation on block CY-DWN-2001/1 in India. Rocksource expects the third well in the work programme to be drilled in 2010.

UKCS

The Rocksource strategy in the UK has been to participate as a low equity player in partnerships who acknowledge and appreciate the benefit of Rocksource technology as a de-risking tool. The 75 per cent areal relinquishments of frontier licenses have been completed in agreement with the company's partners. The evaluation of the Mulle discovery on P 1067 is ongoing, and option to optimise the company's portfolio is continuously ongoing.

NCS

Rocksource currently holds eight licenses offshore Norway. The portfolio will continue to be matured and all licenses are progressing well. The following activities have been completed:

- 3D seismic has been acquired on PL 535 and PL 451
- EM data has been acquired on PL 480 and PL 515
- PL 515 has progressed to the acquisition of 3D seismic based on positive EM results
- Drill or drop decisions on PL 416 and PL 480 are pending, due in the first quarter 2010

The company has currently two firm wells planned (PL 530 and PL 535) with a further four low risk prospects pending drill or drop decisions. Rocksource awaits awards in the 2009 APA license round on the NCS and is currently preparing for the NCS 21st licensing round expected in 2010.

Production

The average production in the third quarter was 1,134 barrels of oil equivalents per day (boepd), down from 1,420 boepd in the second quarter, caused by technical challenges in key wells. Wells have been shut in to replace production tubing and allow for stimulation. The average production target for 2009 of 1,300 boepd remains unchanged.

Evaluation of development options for the Granbury discovery has been concluded. Under the terms of the leases for the Granbury wells, production must be established by 1 December 2009, or the leases will expire. The current gas prices are not high enough nor stable enough for Rocksource to earn a reasonable return on the required investments, and Rocksource has therefore concluded not to develop the discovered gas itself. An agreement has been entered into to assign the leases and the exploration wells including all obligations in exchange for a carried working interest of 20 per cent. This agreement may give future financial income to Rocksource without any further capital investment in the field.

Technology

The recent entry into Gulf of Mexico has once again demonstrated how Rocksource with its EM led exploration model can access significant acreage positions in prolific oil and gas regions. Rocksource will continue to improve the scope and quality of its EM processing skills for the company's existing and future business activities within hydrocarbon exploration, appraisal and production.

Financial summary

OPERATIONS

Revenue in the third quarter was NOK 34.1 million, of which revenue from oil and gas production accounted for NOK 15.7 million, a reduction of 30 per cent compared to the previous quarter. The reduction is due to lower production, continued low gas prices in the US and a weakened USD currency rate. Turnover in the corresponding quarter 2008 was NOK 79.9 million. The overall revenue figure of NOK 34.1 million included other operating revenue of NOK 18.4 million. This is mainly related to external sale of EM data and data processing to license partners.

The combined fall in gas prices, lower production, high exploration costs and weakened USD currency rate compared to the third quarter of 2008 gave a net loss of NOK 55.3 million in the third quarter 2009 compared to a net profit of NOK 21.9 million in the corresponding quarter 2008.

Exploration costs totalled NOK 92 million in the quarter, an increase of NOK 38.6 million from the previous quarter and up from NOK 45.5 million in the third quarter of 2008. The exploration costs in the quarter were mainly driven by NCS activity including completion of acquisition of 3D seismic on PL 535 and PL 451, and EM data on PL 480 and PL 515. In addition, previously capitalised costs of NOK 36.2 million on the Granbury field in the US were expensed as exploration costs in the quarter. Total exploration costs in third quarter, including internal costs, were NOK 96.1 million.

EBITDA, adjusted for the exploration costs from the US Granbury field, was negative with NOK 42.7 million in the quarter. Operating income in the quarter covered G&A costs. Rocksource is an exploration oriented company and the purpose of the onshore production in the US is to generate cash flow in order to cover G&A costs and to support offshore led exploration.

Net financial expenses were NOK 22 million in the quarter, negatively influenced by currency loss due to weakening of the USD/NOK rate. Income tax in third quarter was NOK 57.7 million.

Cash flow from operating activities in the third quarter 2009 was negative with NOK 65.4 million compared to a positive cash flow of NOK 11.4 million in the corresponding period of 2008.

The capital expenditure in the quarter was NOK 39.5 million and related to building a portfolio of leases from the Western Gulf lease sale 210. So far 13 additional leases have been awarded with a further two pending. NOK 9.9 million relates to a payment of the staged investment in TechnoImaging LLC.

BALANCE SHEET AND LIQUIDITY

Rocksource's total balance sheet as of 30 September 2009 was NOK 883.2 million compared to NOK 926.3 million at the end of the previous quarter. The working capital at the end of third quarter 2009 was NOK 163.2 million, down from NOK 255.6 million in the previous quarter.

The cash balance at the end of the third quarter was NOK 161.6 million compared to NOK 265 million in the previous quarter. The reduction in the cash balance is due to significant investments of NOK 49.4 million and high exploration costs with a cash effect of NOK 54 million.

The equity at the end of the third quarter was NOK 466.6 million compared to NOK 518.9 million at the end of the previous quarter, giving an equity ratio of 52.8 per cent, down from 56 per cent in the previous quarter.

Rocksource has a NCS exploration credit facility of NOK 250 million. In third quarter NOK 12 million has been drawn from the facility. Total draw down on the facility is NOK 111 million and the available facility amount was NOK 139 million at the end of the quarter.

As of 30 September 2009 Rocksource ASA had 178,442,318 shares outstanding and a total of 24,846 treasury shares.

Outlook

Rocksource is actively working its recently acquired and awarded Gulf of Mexico portfolio and expects to firm up at least two exploration wells to be drilled in 2010. The Gulf of Mexico prospects will add to an already ambitious drill queue for 2010 which includes significant EM positive prospects in West Africa, India and Norway.

Preliminary evaluations of the recently awarded Trident field in the Gulf of Mexico are encouraging. Rocksource will continue its technical evaluations with the aim to improve the understanding of this potentially high impact field.

The US onshore production assets are on a natural decline, and Rocksource is continuously monitoring the market with the aim to strengthen its onshore production base. Offshore the company has made significant progress since the beginning of 2008, with net risked resources increasing from 125 mmboe to the current level of approximately 980 mmboe. Rocksource will continue to play an active role in upcoming licensing rounds.

Preparations are ongoing ahead of the company's extensive drill queue, expected to embark in the first half of 2010. Currently, Rocksource expects to participate in between two to five wells in 2010 and up to another six wells in 2011. The upcoming 2010-2011 drilling campaign is aiming to test approximately 200 mmboe per year.

CONSOLIDATED INCOME STATEMENT

(Quarter and YTD unaudited)

NOK '000	Q3 2009 IFRS	Q3 2008 IFRS	1.1.2009- 30.9.2009 IFRS	1.1.2008- 30.9.2008 IFRS	2008 IFRS
Operating income					
Revenue	34 098	79 876	85 757	229 794	287 175
Total operating income	34 098	79 876	85 757	229 794	287 175
Operating expenses					
Operating costs oil and gas	(5 213)	(11 654)	(25 465)	(28 597)	(47 050)
Payroll and related costs	(18 245)	(15 924)	(49 559)	(39 161)	(61 933)
Depreciation and amortisation	(12 113)	(18 231)	(46 595)	(54 012)	(75 562)
Impairment loss	-	-	-	-	(2 675)
Exploration costs	(92 010)	(45 536)	(168 402)	(105 101)	(147 108)
Other operating expenses	2 462	(5 915)	(2 713)	(9 136)	(16 456)
Total operating expenses	(125 118)	(97 259)	(292 734)	(236 006)	(350 785)
Operating profit/(loss)	(91 020)	(17 384)	(206 977)	(6 212)	(63 610)
Financial income/(expenses)					
Financial income	623	1 749	2 843	4 098	14 328
Foreign currency profit/(loss)	(15 555)	11 346	(21 744)	3 979	12 966
Financial expenses	(7 046)	(8 842)	(18 967)	(22 921)	(32 924)
Net financial income/(expenses)	(21 979)	4 253	(37 868)	(14 845)	(5 630)
Profit/(loss) before taxes	(112 999)	(13 131)	(244 845)	(21 057)	(69 240)
Income tax	57 690	35 038	109 487	88 935	130 158
Net profit/(loss)	(55 309)	21 907	(135 359)	67 879	60 918
Attributable to:					
Equity holders of the parent	(55 268)	21 387	(135 513)	66 396	59 870
Minority interest	(41)	520	155	1 483	1 048
Net profit/(loss)	(55 309)	21 907	(135 359)	67 879	60 918
Earnings per share ⁽¹⁾					
Basic earnings per share (NOK)	(0.310)	0.146	(0.847)	0.454	0.409
Diluted earnings per share (NOK)	(0.310)	0.143	(0.847)	0.444	0.401

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Quarter and YTD unaudited)

	Q3 2009	Q3 2008	1.1.2009- 30.9.2009	1.1.2008- 30.9.2008	2008
NOK '000	IFRS	IFRS	IFRS	IFRS	IFRS
Net profit/(loss)	(55 309)	21 907	(135 359)	67 879	60 918
Exchange differences on translating foreign operations	2 350	8 910	(9 018)	11 041	33 177
Total comprehensive income/(loss) for the period	(52 958)	30 817	(144 377)	78 920	94 095
Total comprehensive income attributable to:					
Equity holders of the parent	(52 917)	30 297	(144 531)	77 437	93 047
Minority interest	(41)	520	155	1 483	1 048
Net profit/(loss)	(52 958)	30 817	(144 377)	78 920	94 095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Quarter and YTD unaudited)

	30.9.2009	30.9.2008	31.12.2008
NOK '000	IFRS	IFRS	IFRS
ASSETS			
Non-current assets			
Intangible non-current assets			
Deferred tax assets	50 465	7 829	27 443
Patents and development costs	843	1 670	5 265
Seismic library	1 338	9 364	5 351
Goodwill	154 563	154 563	154 563
Capitalised exploration and acquisition costs	36 701	71	20 504
Total intangible non-current assets	243 910	173 497	213 126
Tangible non-current assets			
Oil- and gas properties	201 343	205 280	261 704
Furniture, fixtures and office machines	5 031	8 565	8 175
Investment in associates	23 344	-	-
Other investments	7 658	-	-
Tax receivable NCS, long-term	80 831	89 104	-
Total tangible non-current assets	318 207	302 949	269 879
Total non-current assets	562 117	476 446	483 005
Current assets			
Accounts receivable	28 207	19 002	16 215
Tax receivable NCS, short-term	113 228	171 108	113 228
Other receivables	18 022	8 107	8 301
Cash and cash equivalents	161 627	211 399	269 381
Total current assets	321 084	409 616	407 125
Total assets	883 201	886 062	890 130
EQUITY AND LIABILITIES			
Equity			
Share capital	178 442	146 635	146 950
Treasury shares	(25)	(25)	(25)
Share premium reserve	198 234	105 338	105 338
Additional paid-in capital	163 814	147 366	171 443
Total paid-in capital	540 465	399 313	423 705
Retained earnings			
Retained earnings/(loss carried forward)	(75 643)	66 396	59 870
Total equity attributable to equity holders of the parent	464 822	465 709	483 576
Minority interest	1 728	1 950	2 090
Total equity	466 550	467 659	485 665
Liabilities			
Non-current liabilities			
Deferred tax	-	-	280
Bond loan	196 291	195 194	195 475
NCS credit facility, long-term	54 000	49 946	-
Other long-term liabilities	8 477	2 618	36 684
Total non-current liabilities	258 768	247 758	232 439
Current liabilities			
NCS credit facility, short-term	107 834	99 848	94 905
Accounts and other payables	38 513	36 410	65 275
Tax payable	-	10 101	-
Other current liabilities	11 536	24 286	11 846
Total current liabilities	157 883	170 645	172 026
Total liabilities	416 651	418 403	404 465
Total equity and liabilities	883 201	886 062	890 130

CONSOLIDATED CASH FLOW STATEMENT

(Quarter and YTD unaudited)

	Q3 2009	Q3 2008	1.1.2009- 30.9.2009	1.1.2008- 30.9.2008	2008
NOK '000	IFRS	IFRS	IFRS	IFRS	IFRS
Cash flow from operating activities					
Profit/(loss) from operations before exploration costs	990	28 152	(38 575)	98 889	83 499
- Exploration costs	(92 010)	(45 536)	(168 402)	(105 101)	(147 108)
Profit/(loss) from operations	(91 020)	(17 384)	(206 977)	(6 212)	(63 610)
Adjustments for:					
Tax refund NCS exploration costs	-	-	-	-	166 178
Taxes paid onshore	-	-	-	-	(7 334)
Depreciation and amortisation	12 113	18 231	46 595	54 012	78 238
Previously capitalised exploration costs	37 969	-	37 969	-	-
Share-based remuneration	449	845	1 389	1 565	3 505
Interest received	807	4	2 964	11	14 326
Interest paid	(5 321)	(5 965)	(16 065)	(14 875)	(22 310)
Foreign currency profit/(loss)	(15 555)	11 346	(21 744)	3 979	12 966
Changes in accounts receivable	(17 325)	25 576	(11 991)	3 657	6 443
Changes in accounts and other payables	4 974	(27 420)	(26 762)	(7 799)	21 067
Changes in other current balance sheet items	7 493	6 125	8 939	(3 207)	(15 822)
Net cash from operating activities	(65 417)	11 359	(185 683)	31 132	193 647
Cash flow from investing activities					
Purchase of subsidiaries, net of cash	-	-	-	-	2 193
Proceeds from sales of assets	-	48	-	48	48
Purchase of tangible and intangible assets	(39 464)	(15 505)	(85 046)	(59 242)	(112 350)
Investment in associates	(9 927)	-	(23 344)	-	-
Net cash flow from investing activities	(49 391)	(15 457)	(108 389)	(59 194)	(110 109)
Cash flow from financing activities					
Net capital increase	9	248	122 341	923	1 239
Dividends, minority	-	-	(517)	-	-
Proceeds from issuance of long-term debt	12 000	50 000	66 000	50 000	50 000
Proceeds from issuance of short-term debt	-	-	-	100 000	144 875
Repayment of short-term debt	-	-	-	-	(100 000)
Net cash flow from financing activities	12 009	50 248	187 824	150 923	96 114
Effect of changes in exchange rates on cash	(601)	2 194	(1 506)	1 542	2 733
Net change in cash and cash equivalents	(103 400)	48 344	(107 754)	124 403	182 385
Cash and cash equivalents at beginning of the period	265 027	163 054	269 381	86 996	86 996
Cash and cash equivalents at the end of the period	161 627	211 399	161 627	211 399	269 381

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Quarter and YTD 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 2009	146 950	(25)	105 338	128 616	59 870	42 826	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	-	-	-	-	(135 513)	(9 018)	(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 interest, dividends	-	-	-	-	-	-	-	(517)	(517)
Equity 30 September 2009	178 442	(25)	198 234	130 005	(75 643)	33 808	464 822	1 728	466 550

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 2008	145 711	(25)	105 338	125 111	-	9 649	385 784	467	386 251
Net profit/(loss) for the period	-	-	-	-	66 396	-	66 396	1 483	67 879
Other comprehensive income/(loss) for the period	-	-	-	-	-	11 041	11 041	-	11 041
Total comprehensive income/(loss) for the period	-	-	-	-	66 396	11 041	77 437	1 483	78 920
Net capital increase	923	-	-	-	-	-	923	-	923
Share-based remuneration	-	-	-	1 565	-	-	1 565	-	1 565
Minority interest, dividends	-	-	-	-	-	-	-	-	-
Equity 30 September 2008	146 634	(25)	105 338	126 676	66 396	20 690	465 709	1 950	467 659

Number of shares (in '000) of nominal value of NOK 1.00 ⁽¹⁾	Ordinary	Weighted accumulated Q3 2009 ⁽²⁾	Weighted accumulated ⁽²⁾
Issued on 1 January 2009	146 950	146 950	146 950
- Treasury shares	(25)	(25)	(25)
Issued on 5 March 2009	582	582	446
Issued on 28 May 2009	839	839	384
Issued on 10 June 2009	12 700	12 700	5 257
Issued on 10 June 2009	17 000	17 000	6 974
Issued on 24 August 2009	92	37	12
Issued on 1 September 2009	279	88	30
Total number of shares	178 417	178 171	160 028

⁽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 2009

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 2009. 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 2008, 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 addition in the income statement or as a separate statement of comprehensive income. The Group has elected to present two statements.

The third quarter 2009 results were approved in the Board meeting on 11 November 2009.

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.

Reporting segments

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	Q3		Q3		Q3		Q3		Q3	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	15 717	79 876	13 819	-	11 501	11 568	(6 939)	(11 568)	34 098	79 876
Operating costs oil and gas	(5 213)	(11 654)	-	-	-	-	-	-	(5 213)	(11 654)
Payroll and related costs	(3 814)	(3 645)	(11 155)	(10 513)	(3 276)	(1 766)	-	-	(18 245)	(15 924)
Depreciation and amortisation	(9 972)	(15 792)	(550)	(2 127)	(1 591)	(312)	-	-	(12 113)	(18 231)
Exploration costs	(38 507)	(5 401)	(53 503)	(40 135)	-	-	-	-	(92 010)	(45 536)
Other operating expenses	(1 698)	(1 328)	1 162	(16 485)	(5 295)	(1 204)	8 293	13 102	2 462	(5 915)
Operating profit/(loss)	(43 487)	42 056	(50 227)	(69 260)	1 339	8 285	1 354	1 535	(91 020)	(17 384)
Net financial income/(expenses)	(5 995)	(5 380)	(16 212)	9 464	228	169	-	-	(21 979)	4 253
Profit/(loss) before taxes	(49 481)	36 676	(66 439)	(59 796)	1 567	8 454	1 354	1 535	(112 999)	(13 131)
Income tax	-	-	33 672	35 038	24 018	-	-	-	57 690	35 038
Net profit/(loss)	(49 481)	36 676	(32 766)	(24 758)	25 585	8 454	1 354	1 535	(55 309)	21 907
Total assets	270 731	311 322	686 420	725 010	203 097	187 992	(277 047)	(338 263)	883 201	886 062
Investing activities (cash effect)	323	12 294	39 142	3 157	-	54	-	-	39 464	15 505

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.	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	66 517	228 798	14 674	-	30 723	30 369	(26 156)	(29 373)	85 757	229 794
Operating costs oil and gas	(25 465)	(28 597)	-	-	-	-	-	-	(25 465)	(28 597)
Payroll and related costs	(13 460)	(10 094)	(28 950)	(25 124)	(7 149)	(3 943)	-	-	(49 559)	(39 161)
Depreciation and amortisation	(39 642)	(47 106)	(1 891)	(3 296)	(5 063)	(3 610)	-	-	(46 595)	(54 012)
Exploration costs	(45 017)	(9 927)	(123 385)	(95 174)	-	-	-	-	(168 402)	(105 101)
Other operating expenses	(5 362)	(3 862)	(13 026)	(25 157)	(10 481)	(5 044)	26 156	24 926	(2 713)	(9 136)
Operating profit/(loss)	(62 428)	129 213	(152 579)	(148 751)	8 030	17 773	-	(4 447)	(206 977)	(6 212)
Net financial income/(expenses)	(18 869)	(16 406)	(19 231)	1 703	232	(141)	-	-	(37 868)	(14 845)
Profit/(loss) before taxes	(81 297)	112 807	(171 810)	(147 048)	8 262	17 631	-	(4 447)	(244 845)	(21 057)
Income tax	-	-	85 469	88 935	24 018	-	-	-	109 487	88 935
Net profit/(loss)	(81 297)	112 807	(86 341)	(58 113)	32 279	17 631	-	(4 447)	(135 359)	67 879

Total assets	270 731	311 322	686 420	725 010	203 097	187 992	(277 047)	(338 263)	883 201	886 062
--------------	---------	---------	---------	---------	---------	---------	-----------	-----------	----------------	----------------

Investing activities (cash effect)	45 749	54 761	39 220	4 427	77	54	-	-	85 046	59 242
------------------------------------	--------	--------	--------	-------	----	----	---	---	---------------	---------------

Note 2: Related parties /share-based remuneration

Reference is made to detailed information disclosed in the Annual Report for 2008 regarding related parties transactions.

Options under the share-based remuneration programme, as approved by the Annual General Meeting on 7 May 2008, are recognised in the financial statements from the grant dates. Expensed share-based remuneration for the third quarter 2009 (including employer's social security contributions) is NOK 0.45 million.

Note 3: Tax

Companies operating on the Norwegian Continental Shelf can claim a 78% refund of their exploration costs limited to the taxable losses for the year. In the third quarter the Group has accounted a positive income tax of NOK 57.7 million (third quarter 2008 NOK 35.0 million). Deferred tax assets of NOK 50.5 million relates to deferred taxation from NCS activities with NOK 33.8 million and deferred tax income of onshore activities of NOK 16.7 million.

NOK '000	Q3 2009	Q3 2008	1.1. - 30.9.2009	1.1. - 30.9.2008	2008
Tax refund this year, NCS	28 030	37 982	80 831	89 104	113 228
Tax refund from prior year, NCS	-	-	-	-	(4 930)
Deferred income tax, NCS	5 642	(2 945)	4 639	(169)	19 098
Payable taxes, other	-	-	(1)	-	(4)
Payable taxes, onshore activities	-	-	-	-	2 766
Tax receivable, "Government tax package"	7 334	-	7 334	-	-
Deferred income tax, onshore activities	16 683	-	16 683	-	-
Total income tax through profit and loss	57 690	35 038	109 487	88 935	130 158
Tax refund received, NCS	-	-	-	-	166 178
Tax paid, corporate tax	-	-	-	-	(7 334)

Note 4: Exploration costs

<i>NOK '000</i>	Q3 2009	Q3 2008	1.1. - 30.9.2009	1.1. - 30.9.2008	2008
Exploration costs, external	(54 041)	(45 536)	(130 433)	(105 101)	(147 108)
Exploration costs, previously capitalised	(37 969)	-	(37 969)	-	-
Exploration costs, internal	(4 065)	(10 518)	(23 906)	(30 475)	(42 904)
Total exploration costs	(96 074)	(56 054)	(192 309)	(135 576)	(190 012)

Note 5: Interest and currency swap

Profit/loss from changes in the fair value of the interest and currency swap has been included in “foreign currency profit/(loss)” in the income statement. Changes in fair value of the interest and currency swap in third quarter gave an effect on profit of NOK 11.9 million. Total fair value of the swap was negative NOK 6.7 million as of 30 September 2009.

Note 6: Subsequent events

At the end of October an agreement has been entered into to assign the Granbury leases and the exploration wells including all obligations in exchange for a carried working interest of 20 per cent. This agreement may give future financial income to Rocksource without any further capital investment in the field.