

Rocksource ASA

Fourth quarter 2009

2009 was a challenging year for the E&P industry with sharp drops in oil and gas prices, and significant cutbacks in capital expenditures. Rocksource chose to maintain a high activity level throughout the year, with exploration costs in 2009 exceeding prior years. The company also continued to build on its acreage position, capitalising on a subdued bidders market in the Western Gulf of Mexico Lease Sale 210.

The goal throughout 2009 was to continue the build-up of the high quality exploration portfolio, now exceeding more than 1 billion barrels in net risked resources, and to also build near term drilling opportunities. In preparation for the company's upcoming drilling campaign, Rocksource also recruited a number of skilled professionals throughout 2009.

The financials for the fourth quarter and full year 2009 are heavily influenced by the continued build-up of the company coupled with sharp drops in prices and lower production. Rocksource had operating revenue of NOK 19.9 million in the fourth quarter of 2009, a decrease of NOK 37.5 million compared to the corresponding quarter 2008. Total revenue for 2009 was NOK 105.6 million versus NOK 287.2 million in 2008.

The company posted a net loss in the fourth quarter of NOK 81.9 million, including an impairment of the US onshore oil- and gas assets of NOK 23.1 million, versus a net loss of NOK 7.0 million in the corresponding quarter 2008. The net loss for 2009 amounted to NOK 217.3 million versus a profit in 2008 of NOK 60.9 million.

Preparations are ongoing ahead of the company's drilling campaign, expected to commence in 2010. An important milestone was the recently announced strengthening of the company's financial position. Rocksource has completed a bank loan facility of NOK 500 million with SEB Merchant Banking related to exploration on the Norwegian Continental Shelf (NCS). The NCS bank loan facility will replace the existing facility of NOK 250 million. The three-year facility will finance the increased activities in the company's significant Norwegian exploration portfolio and will also support the overall corporate financing. Also, the company announced an agreement with Yorkville Advisors for a NOK 150 million Equity Line of Credit Facility. The four year facility secures Rocksource access to new equity, if needed.

Currently, Rocksource expects to participate in between 8 to 10 wells over the next two years. The upcoming drilling campaign is aiming to test approximately 200 million barrels of oil equivalents (mmboc) per year.

Q4 and subsequent key events

- Financial position strengthened in preparations for drilling
 - NOK 500 million NCS bank loan facility established
 - NOK 150 million Equity Line of Credit Facility established
- First sanctioned well on the NCS announced in February 2010
 - “Breiflabb” prospect expected to be drilled in May 2011
 - To be drilled by Borgland Dolphin, utilising Rocksource rig slot
- Successful award of PL 559 (60% and operatorship) in APA 2009 on the NCS
 - Selective application based on positive EM anomalies
 - PL 559 adjacent to Rocksource license PL 515 which was EM tested and confirmed positive in 2009
- Encouraging 3rd party drilling results where EM data is positive
 - Strong correlation between exploration success and presence of resistive anomalies
 - Significant sample size with 50+ wells reviewed
- Gulf of Mexico position strengthened in Q4
 - EM acquisition campaign completed
 - Currently maturing prospects for drilling, further two leases awarded bringing total to 20 leases
- Q4 financials reflecting preparations for drilling campaign
 - Significant exploration costs reflecting acquisition of EM and seismic data
 - Continued build up of organisation to prepare for high-impact exploration drilling

Key financial & operational figures

<i>NOK '000</i>	Q4 2009	Q4 2008	2009	2008
Operating income	19 878	57 381	105 635	287 175
Exploration costs	(62 942)	(42 008)	(231 344)	(147 108)
EBITDA	(1) (73 872)	(33 172)	(234 254)	14 629
Net profit/(loss)	(81 936)	(6 960)	(217 294)	60 918
Basic earnings per share (kr)	(2) (0.459)	(0.044)	(1.320)	0.409
Investment	(3) 25 293	50 914	133 682	110 109
Cash balance	166 214	269 381	166 214	269 381
Net risked resources, million boe	1 233	388	1 233	388
Net average production boepd	1 013	2 233	1 314	2 355
Realised gas price USD/mcf	4.7	6.7	4.2	9.8

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

(2) Adjusted for reverse split of shares

(3) Cash effect investment in assets & companies

Portfolio review

License/Lease/PSC	Country	Equity	Operator	Award	EM status	Current Activity
PL 416	NCS	35 %	EON	APA 2006	EM positive	Preparation for sanctioned well in May 2011
PL 451	NCS	20 %	Noreco	APA 2007	EM positive	3D seismic processing
PL 480	NCS	20 %	Statoil	APA 2007	EM negative	To be relinquished
PL 506S	NCS	50 %	Rocksource	APA 2008	Not yet tested	Planning 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	3D seismic processing
PL 559	NCS	20 %	Rocksource	APA 2009	EM positive	Licence start up
P 1484 & 1488	UKCS	15 %	OMV	24th Round	Not yet tested	Work programme completed. Under evaluation
P 1486	UKCS	10 %	Talisman	24th Round	Not yet tested	Under evaluation
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 & 1574	UKCS	20 %	Nautical Petroleum	25th Round	Not yet tested	EM feasibility study
AGC Profond	AGC	*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	Not yet tested	Database creation
EB 475	USA	10 %	Royal Exploration	Farm-in	EM acquired	EM evaluation
EB 512	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
EB 519	USA	100 %	Rocksource GOM	WGOM 210	Not yet tested	Database creation
EB 832	USA	30 %	Royal Exploration	Farm-in	EM acquired	EM evaluation
GB 185	USA	30 %	Royal Exploration	Farm-in	EM acquired	EM 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 & 947	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 Gulf of Mexico. Rocksource has since the beginning of 2008 made significant additions to its exploration portfolio. Net risked resources have grown from 125 million barrels of oil equivalents (mmboe) to more than 1 billion boe, representing a substantial exploration portfolio to be tested.

Exploration

NCS

Rocksource currently holds nine 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 and processed on PL 480 and PL 515
- PL 515 has progressed to the acquisition of 3D seismic based on positive EM results
- Drill decision on PL 416 announced in February 2010, sanctioned for May 2011
- PL 480 to be relinquished following negative EM results
- Operatorship on PL 559 with a EM positive prospect was awarded to Rocksource in the APA 2009 licensing round

The company has currently three firm wells planned (PL 530, PL 535 and PL 416) with further low risk prospects pending drill or drop decisions. Rocksource is currently preparing for the 21st licensing round and APA 2010 on the NCS, expected in 2010, where a major EM acquisition campaign is planned for later Q1 and Q2 2010.

Gulf of Mexico

The Rocksource Gulf of Mexico portfolio totals 20 individual leases captured either as farm-in opportunities or as part of the Western Gulf of Mexico Lease Sale 210. These additions are all covered by high quality 3D data and are EM suitable. This allows for rapid maturation of drillable low risk prospects to add to the drilling campaign. Towards the end of 2009 the company successfully acquired EM data to test certain prospects within the portfolio. These data are now under evaluation and are a part of the ongoing process to identify exploration targets for the 2010 drilling.

In the Western Gulf of Mexico Lease Sale 210, Rocksource Gulf of Mexico was awarded Alaminos Canyon leases 903, 904 and 947 which includes the Trident Field, discovered by Unocal in 2001. The Trident structure is large (>9,000 acres) and was appraised by two further appraisal wells each finding substantial thickness of oil pay. Rocksource is currently evaluating the range of resources in place and potential development alternatives.

India – CY DWN 2001/1

Rocksource has been notified by the Ministry for Oil and Natural Gas in India that it has been approved as a licensee for the Cauvery Basin block. The approval was given in January 2010 and paves the way for the company to sign the block Production Sharing Contract (PSC).

Rocksource fully intends to sign the PSC once the Government of India grants the Rig Moratorium and other commercial conditions are agreed to with block operator ONGC.

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.

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 due to rig scheduling. The 2010 well will target the “Kora” prospect which is estimated to contain resources in excess of 400 mmboe, of which +100 mmboe net to Rocksource on the assumption that right to acquire up to a 25 per cent participating interest is exercised. Rocksource estimates the chance of success for the well targeting this prospect to be above 50 per cent based on an integrated G&G and EM data evaluation.

Production

The average production in the fourth quarter was 1,013 barrels of oil equivalents per day (boepd), down from 1,134 boepd in the third quarter, caused by the planned shutdown of an export pipeline in October. As a result of continued weak gas prices the company has concluded to write down parts of its producing oil and gas assets. The average production target for 2009 of 1,300 boepd was achieved.

Financial summary

OPERATIONS

Revenue in the fourth quarter was NOK 19.9 million, a reduction of NOK 14.2 million from the previous quarter. The corresponding amount in fourth quarter 2008 was NOK 57.4 million. 2009 was characterised by low gas prices and decline in US onshore production assets. Total revenue in 2009 was NOK 105.6 million, compared to NOK 287.2 million in 2008.

Net loss for the fourth quarter was NOK 81.9 million, compared to a net loss of NOK 7.0 million in corresponding quarter 2008. Net profit in 2008 was NOK 60.9 million, while higher exploration costs and adverse currency effects coupled with lower revenue led to a net loss of NOK 217.3 million in 2009.

Exploration costs totalled NOK 62.9 million in the quarter, down from NOK 92.0 million in the previous quarter and up from NOK 42.0 million in fourth quarter 2008. The exploration costs are mainly related to acquisition of EM data in Gulf of Mexico and a success fee related to acquisition of EM data for the 20th licensing round on the NCS.

As a result of continued weak gas prices the company has concluded to write down parts of its producing oil and gas assets. This has led to an impairment cost in the quarter of NOK 23.1 million.

EBITDA was negative with NOK 73.9 million in the quarter versus negative NOK 33.2 in the corresponding quarter 2008.

Net financial expenses were NOK 3.0 million in the quarter, negatively influenced by currency loss due to weakening of the USD/NOK rate and lower interest rate in 2009 compared to corresponding quarter 2008.

Income tax in the fourth quarter was positive with NOK 28.4 million, down from NOK 41.2 in fourth quarter 2008 due to lower exploration costs related to activities on the NCS. The income tax in 2009 was positive with NOK 137.9 million, compared to NOK 130.2 million in 2008.

Cash flow from operating activities for the fourth quarter 2009 was positive with NOK 88.5 million, mainly influenced by the tax refund of NOK 111.8 million in the period.

The capital expenditure in the quarter was NOK 25.3 million, of which NOK 19.5 million were related to building a portfolio of leases from the Western Gulf of Mexico lease sale 210. NOK 5.8 million relate to a tranche of the USD 5 million investments in TechnoImaging.

Net cash flow from financing activities in the quarter was negative NOK 58.4 million which related to a net repayment on the NCS bank loan facility.

BALANCE SHEET

Rocksource's total balance sheet as of 31 December 2009 was NOK 771.7 million compared to NOK 890.1 million at year-end 2008. The working capital at the year-end 2009 was NOK 115.8 million, down from NOK 163.2 million from the previous quarter and NOK 235.1 million at year-end 2008.

The equity at 31 December 2009 was NOK 380.5 million compared to NOK 485.7 million at the year-end 2008, giving an equity ratio of 49.3 per cent, down from 54.6 per cent at year-end 2008.

The cash balance at the year-end 2009 was NOK 166.2 million compared to NOK 161.6 million at the end of the previous quarter.

As of 31 December 2009 Rocksource ASA had 178,617,683 shares outstanding and a total of 24,846 treasury shares.

Outlook

Rocksource has an improved financial foundation in place. Rocksource's main operational focus will be to firm up spud dates and move the company rapidly towards a period of continuous drilling.

The recent sanctioning of a well on PL 416 on the NCS represents the company's first sanctioned well on the NCS. The sanctioned well is estimated to be drilled in May 2011 with the drilling rig Borgland Dolphin. Rocksource has swapped the company's rig slot in 2011 with an E.ON Ruhrgas slot in 2012, to allow the operator to drill this well earlier. The well will target the "Breiflabb" prospect, which Rocksource estimates to contain mean recoverable resources amounting to 170 million barrels of oil equivalents. The prospect has an associated EM anomaly, and Rocksource estimates a chance of success of 44 per cent.

Internationally, Rocksource is preparing for well operations in 2010 on the AGC Profond PSC. Spud date of the first well is uncertain and dependent upon rig scheduling. In India, the company has been in recent discussions with ONGC over the 2010 work programme for the exploration block CY DWN 2001/1. Rocksource still expects a 2010 spud for the third and final well in the Phase One work programme.

Drilling on PL 530 on the NCS is likely to slip into 2011. The operator Gaz de France is still considering options with regards to rig availability and conclusions have yet to be drawn with regards to drilling rig and estimated spud date.

In the US Gulf of Mexico Rocksource still expects to participate in two wells in 2010.

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. The company expects its current US production to average 600 boepd in 2010.

2010 will represent the initiation of a major drilling campaign. The company expects to participate in approximately 8 to 10 offshore wells over the next two years. At the same time Rocksource will continue to actively pursue growth opportunities that may add to the company's longer term portfolio of low risk, high potential exploration wells. It is Rocksource's ambition to retain a level of activity in the order of 4 to 5 wells per year.

CONSOLIDATED INCOME STATEMENT

(Quarter and 2009 unaudited)

<i>NOK '000</i>	Q4 2009 IFRS	Q4 2008 IFRS	2009 IFRS	2008 IFRS
Operating income				
Revenue	19 878	57 381	105 635	287 175
Total operating income	19 878	57 381	105 635	287 175
Operating expenses				
Operating costs oil and gas	(5 649)	(18 453)	(31 114)	(47 050)
Payroll and related costs	(24 960)	(22 772)	(74 519)	(61 933)
Depreciation and amortisation	(10 341)	(21 550)	(56 937)	(75 562)
Impairment loss	(23 117)	(2 675)	(23 117)	(2 675)
Exploration costs	(62 942)	(42 008)	(231 344)	(147 108)
Other operating expenses	(198)	(7 320)	(2 911)	(16 456)
Total operating expenses	(127 208)	(114 778)	(419 942)	(350 785)
Operating profit/(loss)	(107 330)	(57 397)	(314 308)	(63 610)
Financial income/(expenses)				
Share of income/(loss) in associates	(1 080)	-	(1 080)	-
Financial income	4 166	10 230	7 009	14 328
Foreign currency profit/(loss)	(96)	8 987	(21 840)	12 966
Financial expenses	(6 033)	(10 003)	(25 000)	(32 924)
Net financial income/(expenses)	(3 043)	9 214	(40 911)	(5 630)
Profit/(loss) before taxes	(110 373)	(48 183)	(355 218)	(69 240)
Income tax	28 438	41 222	137 924	130 158
Net profit/(loss)	(81 936)	(6 960)	(217 294)	60 918
Attributable to:				
Equity holders of the parent	(81 932)	(6 525)	(217 445)	59 870
Minority interest	(3)	(435)	151	1 048
Net profit/(loss)	(81 936)	(6 960)	(217 294)	60 918
Earnings per share ⁽¹⁾				
Basic earnings per share (kr)	(0.459)	(0.044)	(1.320)	0.409
Diluted earnings per share (kr)	(0.459)	(0.044)	(1.320)	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 2009 unaudited)

<i>NOK '000</i>	Q4 2009	Q4 2008	2009	2008
	IFRS	IFRS	IFRS	IFRS
Net profit/(loss)	(81 936)	(6 960)	(217 294)	60 918
Exchange differences on translating foreign operations	(4 453)	2 131	(13 471)	33 177
Total comprehensive income/(loss) for the period	(86 389)	(4 829)	(230 765)	94 095
Total comprehensive income attributable to:				
Equity holders of the parent	(86 385)	(4 394)	(230 916)	93 047
Minority interest	(3)	(435)	151	1 048
Net profit/(loss)	(86 389)	(4 829)	(230 765)	94 095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Quarter and 2009 unaudited)

<i>NOK '000</i>	31.12.2009	31.12.2008
	IFRS	IFRS
ASSETS		
Non-current assets		
Intangible non-current assets		
Deferred tax assets	50 371	27 443
Patents and development costs	636	5 265
Seismic library	-	5 351
Goodwill	154 563	154 563
Capitalised exploration and acquisition costs	49 417	20 504
Total intangible non-current assets	254 987	213 126
Tangible non-current assets		
Oil- and gas properties	172 496	261 704
Furniture, fixtures and office machines	8 078	8 175
Investments in associates	25 125	-
Other investments	8 099	-
Total tangible non-current assets	213 799	269 879
Total non-current assets	468 785	483 005
Current assets		
Accounts receivable	16 020	16 215
Tax receivable NCS, short-term	110 881	113 228
Other receivables	9 842	8 301
Cash and cash equivalents	166 214	269 381
Total current assets	302 956	407 125
Total assets	771 741	890 130
EQUITY AND LIABILITIES		
Equity		
Share capital	178 618	146 950
Treasury shares	(25)	(25)
Share premium reserve	198 295	105 338
Additional paid-in capital	159 499	171 443
Total paid-in capital	536 386	423 705
Retained earnings		
Retained earnings/(loss carried forward)	(157 575)	59 870
Total equity attributable to equity holders of the parent	378 811	483 576
Minority interest	1 724	2 090
Total equity	380 535	485 665
Liabilities		
Non-current liabilities		
Deferred tax	-	280
Bond loan	196 693	195 475
Other long-term liabilities	7 371	36 684
Total non-current liabilities	204 064	232 439
Current liabilities		
NCS credit facility, short-term	103 629	94 905
Accounts and other payables	60 224	65 275
Other current liabilities	23 289	11 846
Total current liabilities	187 143	172 026
Total liabilities	391 206	404 465
Total equity and liabilities	771 741	890 130

Rocksource fourth quarter 2009

CONSOLIDATED CASH FLOW STATEMENT

(Quarter and 2009 unaudited)

<i>NOK '000</i>	Q4 2009	Q4 2008	2009	2008
	IFRS	IFRS	IFRS	IFRS
Cash flow from operating activities				
Profit/(loss) from operations before exploration costs	(44 388)	(15 390)	(82 963)	83 499
- Exploration costs	(62 942)	(42 008)	(231 344)	(147 108)
Profit/(loss) from operations	(107 330)	(57 398)	(314 308)	(63 610)
Adjustments for:				
Tax refund NCS exploration costs	111 771	166 178	111 771	166 178
Taxes paid onshore	5 600	(7 334)	5 600	(7 334)
Depreciation, amortisation and impairment	33 459	24 226	80 054	78 238
Previously capitalised exploration costs	83	-	38 052	-
Share-based remuneration	356	1 940	1 745	3 505
Interest received	4 048	14 315	7 012	14 326
Interest paid	(5 995)	(7 435)	(22 060)	(22 310)
Foreign currency profit/(loss)	(96)	8 987	(21 840)	12 966
Changes in accounts receivable	12 187	2 786	196	6 443
Changes in accounts and other payables	21 711	28 866	(5 051)	21 067
Changes in other current balance sheet items	12 701	(12 616)	21 640	(15 822)
Net cash flow from operating activities	88 495	162 515	(97 188)	193 647
Cash flow from investing activities				
Purchase of subsidiaries, net of cash	-	2 193	-	2 193
Proceeds from sales of assets	-	-	-	48
Purchase of tangible and intangible assets	(19 489)	(53 108)	(104 535)	(112 350)
Investment in associates	(5 804)	-	(29 147)	-
Net cash flow from investing activities	(25 293)	(50 915)	(133 682)	(110 109)
Cash flow from financing activities				
Net capital increase	(43)	315	122 298	1 239
Dividends, minority	-	-	(517)	-
Proceeds from issuance of long-term debt	-	-	-	50 000
Proceeds from issuance of short-term debt	25 000	44 875	91 000	144 875
Repayment of short-term debt	(83 371)	(100 000)	(83 371)	(100 000)
Net cash flow from financing activities	(58 413)	(54 810)	129 411	96 114
Effect of changes in exchange rates on cash and cash equivalents	(202)	1 191	(1 708)	2 733
Net change in cash and cash equivalents	4 587	57 982	(103 167)	182 385
Cash and cash equivalents at beginning of the period	161 627	211 399	269 381	86 996
Cash and cash equivalents at the end of the period	166 214	269 381	166 214	269 381

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Quarter and 2009 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	-	-	-	-	(217 445)	-	(217 445)	151	(217 294)
Other comprehensive income/(loss) for the period	-	-	-	-	-	(13 471)	(13 471)	-	(13 471)
Total comprehensive income/(loss) for the period	-	-	-	-	(217 445)	(13 471)	(230 916)	151	(230 765)
Net capital increase	31 668	-	92 739	-	-	-	124 406	-	124 406
Share-based remuneration	-	-	-	1 745	-	-	1 745	-	1 745
Minority interest, dividends	-	-	-	-	-	-	-	(517)	(517)
Equity 31 December 2009	178 618	(25)	198 077	130 361	(157 575)	29 355	378 811	1 724	380 535

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	-	-	-	-	59 870	-	59 870	1 048	60 918
Other comprehensive income/(loss) for the period	-	-	-	3 505	-	33 177	36 682	-	36 682
Total comprehensive income/(loss) for the period	-	-	-	3 505	59 870	33 177	96 552	1 048	97 600
Net capital increase	1 239	-	-	-	-	-	1 239	-	1 239
Share-based remuneration	-	-	-	-	-	-	-	-	-
Equity effect from acquisition of subsidiary	-	-	-	-	-	-	-	575	575
Equity 31 December 2008	146 950	(25)	105 338	128 616	59 870	42 826	483 575	2 090	485 665

Number of shares (in '000) of nominal value of NOK 1.00 ⁽¹⁾	Ordinary	Weighted accumulated Q4 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	480
Issued on 28 May 2009	839	839	499
Issued on 10 June 2009	12 700	12 700	7 133
Issued on 10 June 2009	17 000	17 000	9 501
Issued on 24 August 2009	92	92	32
Issued on 1 September 2009	279	279	93
Issued on 19 November 2009	175	80	20
Total number of shares	178 593	178 497	164 683

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

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

NOTES FOURTH QUARTER 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 31 December 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 fourth quarter 2009 results were approved in the Board meeting on 16 February 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.

Reporting segments

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	Q4		Q4		Q4		Q4		Q4	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	17 070	55 188	2 807	2 581	10 604	12 155	(10 604)	(12 544)	19 878	57 381
Operating costs oil and gas	(5 649)	(18 453)	-	-	-	-	-	-	(5 649)	(18 453)
Payroll and related costs	(2 451)	(6 872)	(18 124)	(12 133)	(4 384)	(3 767)	-	-	(24 960)	(22 772)
Depreciation, amortisation and impairment	(31 387)	(19 153)	(675)	(879)	(1 397)	(4 194)	-	-	(33 459)	(24 226)
Exploration costs	(1 337)	(4 577)	(61 605)	(37 431)	-	-	-	-	(62 942)	(42 008)
Other operating expenses	(2 088)	(2 512)	(4 596)	(18 040)	(2 228)	(3 758)	8 714	16 991	(198)	(7 319)
Operating profit/(loss)	(25 842)	3 621	(82 193)	(65 902)	2 595	436	(1 890)	4 447	(107 330)	(57 398)
Net financial income/(expenses)	(5 572)	(6 524)	2 013	22 794	516	(7 056)	-	-	(3 043)	9 215
Profit/(loss) before taxes	(31 414)	(2 903)	(80 180)	(43 108)	3 111	(6 620)	(1 890)	4 447	(110 373)	(48 183)
Income tax	-	-	31 653	38 456	(3 216)	2 766	-	-	28 438	41 222
Net profit/(loss)	(31 414)	(2 903)	(48 527)	(4 652)	(105)	(3 853)	(1 890)	4 447	(81 936)	(6 961)
	-	-	-	-	-	-	-	-	-	-
Total assets	195 893	389 930	631 126	591 150	242 525	174 220	(297 802)	(265 170)	771 741	890 130
Investing activities (cash effect)	274	52 870	19 215	(2 233)	-	277	-	-	19 489	50 915

NOK '000	Onshore - Oil & Gas activities		Offshore - Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.		01.01 - 31.12.	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	83 587	283 987	17 481	2 581	41 326	42 524	(36 760)	(41 917)	105 635	287 175
Operating costs oil and gas	(31 114)	(47 050)	-	-	-	-	-	-	(31 114)	(47 050)
Payroll and related costs	(15 911)	(16 965)	(47 074)	(37 258)	(11 533)	(7 710)	-	-	(74 519)	(61 933)
Depreciation, amortisation and impairment	(71 028)	(66 259)	(2 567)	(2 837)	(6 459)	(9 142)	-	-	(80 054)	(78 238)
Exploration costs	(46 355)	(14 504)	(184 990)	(132 605)	-	-	-	-	(231 344)	(147 108)
Other operating expenses	(7 450)	(6 374)	(17 622)	(43 197)	(12 709)	(8 802)	34 870	41 917	(2 911)	(16 456)
Operating profit/(loss)	(88 270)	132 834	(234 772)	(213 316)	10 624	16 871	(1 890)	-	(314 308)	(63 610)
Net financial income/(expenses)	(24 441)	(22 930)	(17 218)	24 498	748	(7 197)	-	-	(40 911)	(5 630)
Profit/(loss) before taxes	(112 711)	109 904	(251 990)	(188 818)	11 373	9 674	(1 890)	-	(355 218)	(69 240)
Income tax	-	-	117 122	127 391	20 802	2 766	-	-	137 924	130 158
Net profit/(loss)	(112 711)	109 904	(134 868)	(61 427)	32 175	12 441	(1 890)	-	(217 294)	60 918
Total assets	195 893	389 930	631 126	591 150	242 525	174 220	(297 802)	(265 170)	771 741	890 130
Investing activities (cash effect)	46 023	107 583	58 435	4 713	77	(2 187)	-	-	104 535	110 109

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 fourth quarter 2009 (including employer's social security contributions) is NOK 0.14 million.

Note 3: Tax

Companies operating on the Norwegian Continental Shelf can claim a 78 per cent refund of their exploration costs limited to the taxable losses for the year. In the fourth quarter the Group has accounted a positive income tax of NOK 28.4 million (fourth quarter 2008 NOK 41.2 million). Deferred tax assets of NOK 50.4 million relates to deferred taxation from NCS activities with NOK 27.0 million and deferred tax income of onshore activities of NOK 23.4 million.

NOK '000	Q4 2009	Q4 2008	2009	2008
Tax refund this year, NCS	30 050	24 124	110 881	113 228
Tax refund from prior year, NCS	(1 457)	(4 930)	(1 457)	(4 930)
Deferred income tax, NCS	(6 860)	19 266	(2 221)	19 098
Payable taxes, other	-	(4)	(1)	(4)
Payable taxes, onshore activities	-	2 766	-	2 766
Tax receivable, "Government tax package"	-	-	7 334	-
Deferred income tax, onshore activities	6 705	-	23 389	-
Total income tax through profit and loss	28 438	41 222	137 924	130 158
Tax refund received, NCS	111 771	166 178	111 771	166 178
Tax received/(paid), corporate tax	5 600	(7 334)	5 600	(7 334)

Note 4: Exploration costs

<i>NOK '000</i>	Q4 2009	Q4 2008	2009	2008
Exploration costs, external	(62 859)	(42 008)	(193 292)	(147 108)
Exploration costs, previously capitalised	(83)	-	(38 052)	-
Exploration costs, internal	(6 462)	(22 948)	(30 368)	(42 904)
Total exploration costs	(69 404)	(64 956)	(261 713)	(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 the fourth quarter gave an effect on profit of NOK 0.9 million. Total fair value of the swap was negative NOK 5.8 million as of 31 December 2009.

Note 6: Subsequent events

On 11 February 2010, Rocksource announced that the company has strengthened its financial flexibility in preparations for its scheduled drilling campaign, expected to commence in 2010. Rocksource has completed a bank loan facility of NOK 500 million with SEB Merchant Banking related to exploration on the Norwegian Continental Shelf. Also, the company has signed an agreement with YA Global Master SPV, Ltd. an investment fund managed by Yorkville Advisors for a NOK 150 million Equity Line of Credit Facility.