

Fourth Quarter 2008



26 February 2008

## **Rocksource ASA Fourth Quarter 2008**

[www.rocksource.com](http://www.rocksource.com)

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## Agenda

- Introduction – highlights
- Financials Q4/2008
- Portfolio review
- Corporate development
- Summary/outlook
- Appendix

## Q4 2008 - Continued development since Q3

### Q3 Highlights

- Continued positive financial results
- Awaiting new awards
- Farm-in with ONGC on highly prospective block completed
- Initiated exploration program in West Africa
- Production to increase as additional production wells come on stream

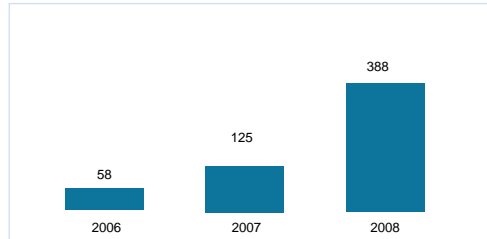


### Current situation

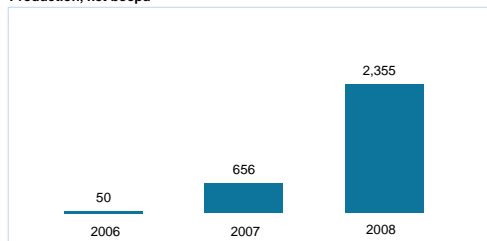
- Strong balance and cash situation, but lower gas prices influence financial results
- Successful awards:
  - Awarded 2 operated NCS licenses in APA 2008 and 4 new licenses in UKCS 25<sup>th</sup> round
  - Expects new awards in 20<sup>th</sup> round in April 2009
- India exploration:
  - Partner meeting scheduled March 5th.
  - Rocksource expects main CSEM positive prospect to be sanctioned
- Drilling decision expected in Q2 on two licences
  - AGC West Africa
  - PL 416 (Breiflabb) NCS
- Evaluating results from production and exploration wells in US
  - Average 2009 production from current wells expected to be 1,700 boepd. Evaluating growth options to add further 1,000 boepd

## Solid development and delivery

Net risk resources



Production, net boepd



- Portfolio growth in 2008

- Net risk resources increased from 280 to 388 mill bbls
- 8 new licences added

- Production target 2008: 2,350 boepd.

- Average production 2008: 2,355 boepd.

- Production target 2009

- From existing wells 1,700 boepd
- Additional growth options 1,000 boepd

- We aim to continue to grow the business without diluting shareholders in Rocksource ASA under the current market conditions

Rocksource Q4/2008

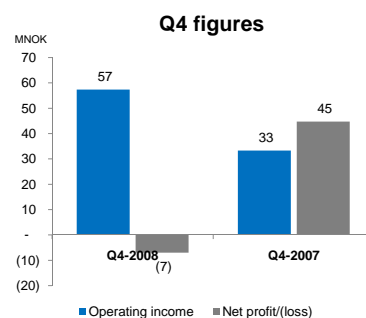
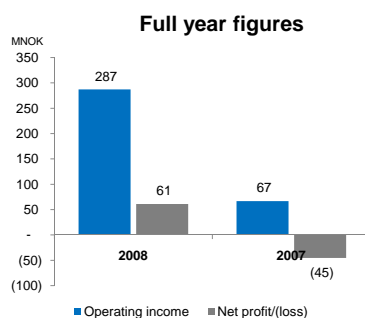
## Financials

## Financial highlights

### 2008 was a good year for Rocksource

- Fourfold increase in turnover
- Record high cash position
- High exploration activity

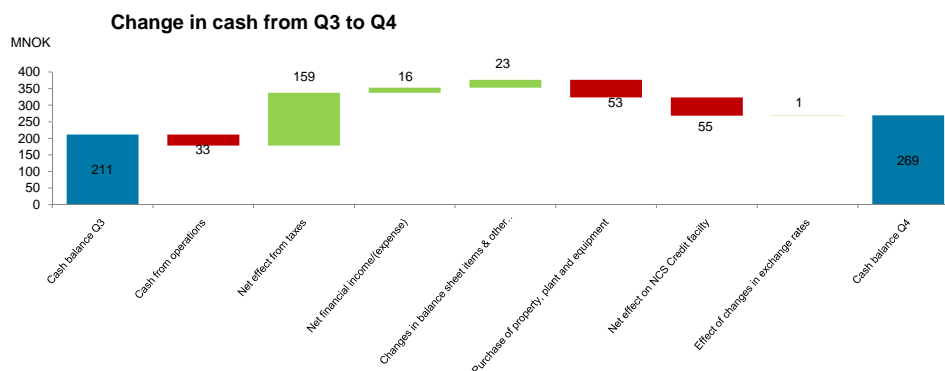
Key figures		
MNOK	2008	2007
Operating income	287	67
EBITDA	15	(175)
Net profit/(loss)	61	(45)



## Financial highlights

### Strongest cash position ever

- Cash at year end of NOK 269.4m - up NOK 58.0m in the quarter
- Tax refund of NOK 175.1m including interest received
- Repayment of debt of NOK 100.0m in the NOK150m credit facility with DnB NOR Bank
- Drawdown of NOK 44.9m in the NOK 250m credit facility with DnB NOR Bank
  - NOK 205m in facility still available to finance exploration on NCS



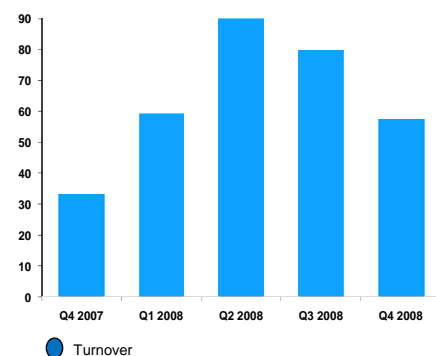


## Onshore production supports offshore exploration

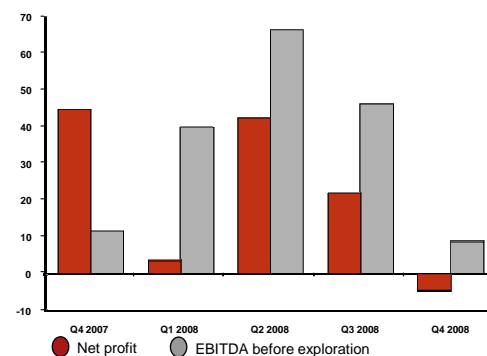
### Exploration activity remains high

- 20<sup>th</sup> licensing round on the NCS
- CSEM acquisition in West Africa
- Maturing of own portfolio

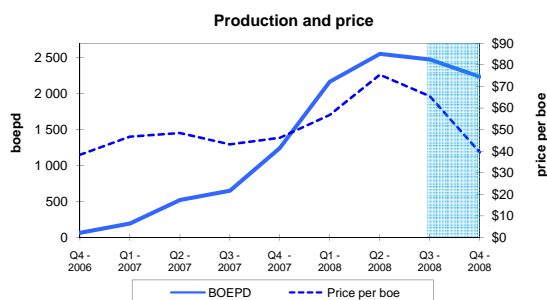
MNOK Turnover growth



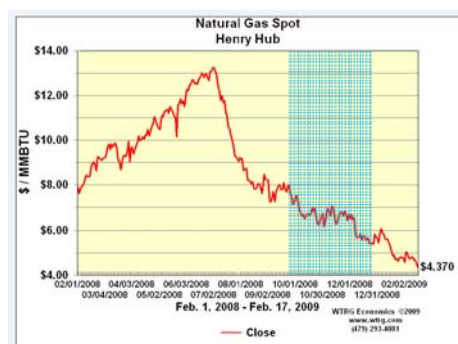
MNOK Result development



## Falling prices and reduced production in the quarter



	Q4 - 2007	Q1 - 2008	Q2 - 2008	Q3 - 2008	Q4 - 2008
Oil bbls	18 393	26 929	27 062	23 707	23 700
Gas mcf	539 096	953 276	1 150 438	1 143 625	1 019 517
BOEPD	1 244	2 163	2 551	2 473	2 233
Revenue(1,000 USD)					
Oil	1 508	2 604	3 343	2 806	1 264
Gas	3 776	8 573	14 144	12 083	6 857
Total revenue	5 284	11 177	17 487	14 889	8 121
USD/bbl	82,0	96,7	123,5	118,4	53,3
USD/mcf	7,0	9,0	12,3	10,6	6,7
Price per boe	46,2	56,8	75,3	65,4	39,5

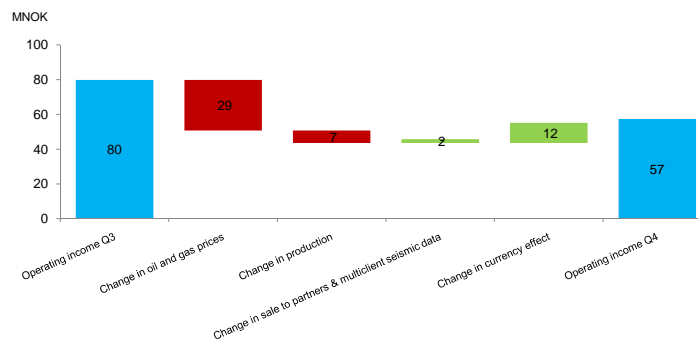


All produced natural gas, condensate and crude oil are sold under long-term arrangements with local buyers. The prices are tied to the daily prices as quoted by public sources with very small adjustments for quality. Rocksource do not give estimates of expected forward prices, but the market expectations for prices may be read from the forward prices published by NYMEX for Light Sweet Crude Oil at Cushing in US\$/barrel and Natural Gas at Henry Hub in US\$/million BTU.

## Lower income due to lower prices

- Average price per boe was \$39.5 in quarter – down from \$ 65.4
- Average production in Q4 was 2,233 boepd – down from 2,473 boepd in Q3
- Low cost production provides positive cash flows at current low prices
- Strengthening of USD to NOK partly offsets lower USD income

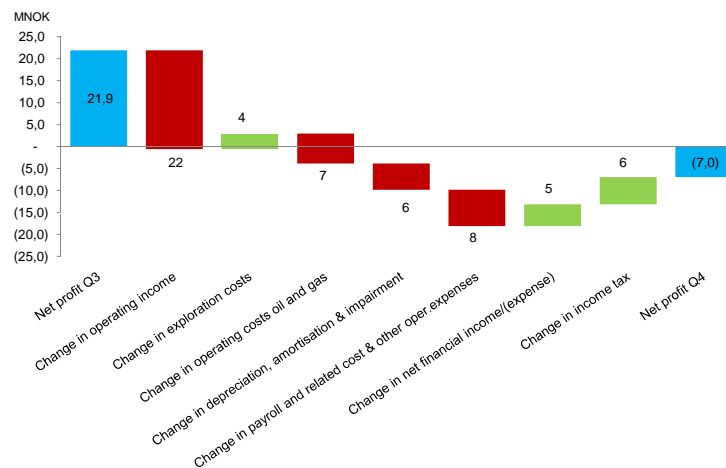
**Change in operating income from Q3 to Q4**



## Lower income impacts net profit in quarter

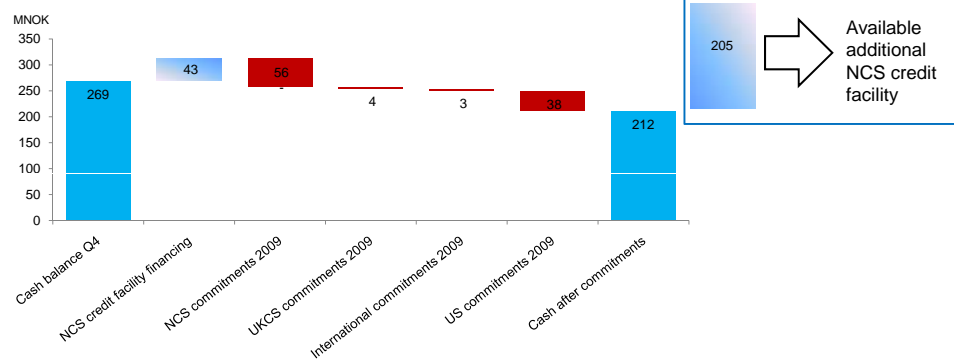
- Net profit down mainly due to low oil and gas prices and lower production
- Extraordinary write-down of multi-client seismic data of NOK 2.3m

**Change in net profit from Q3 to Q4**



## Low capital commitments in 2009

- Rocksource has low capital commitments
- US cash flow is expected to cover G&A for the Group
- Exploration commitments in India will be evaluated following partner meeting March 5<sup>th</sup>
- Rocksource will continuously monitor the macroeconomic fundamentals before taking on additional commitments



➤ All capital commitments fully funded by a combination of operational cash flow and available financial capabilities

Rocksource Q4/2008

## Portfolio review



## Portfolio highlights

### Building the exploration portfolio



- 25<sup>th</sup> round UKCS: Four new licenses awarded
- APA 2008 round on NCS: Successful awards with two new operated licenses
- 20<sup>th</sup> round NCS: Applications filed November 2008. Awards are expected in Q2 2009

### Preparing to build CSEM based wells



- Expecting drilling decisions
  - India decision Q1 for drilling 2009
  - NCS Breiflabb Q2 for drilling 2010
  - AGC West Africa Q2 for drilling 2010

### Focusing on cash generation from US



- Evaluating potential in recent exploration wells
- Natural decline in current wells
- Production in 2009 from current wells expected to be 1,700 boepd
- Evaluating growth options to add further 1,000 boepd

## Summary of US activities

- 2 production wells drilled and completed in Q4
  - Morian #10 is producing for sale
  - Lazy M #1 is currently under production testing
- 2 exploration wells have been drilled (1 in Q4 2008 and 1 in Q1 2009)
  - Logs in both wells indicated hydrocarbons in several zones
  - Both wells are currently being production tested
- 1 production well is currently being drilled
  - Well to be completed by end February 2009, and put on stream for sales during March

➤ **No further wells are currently planned. Results from testing and evaluation of future profitability will drive decisions on further drilling**

## US production guiding

- Significant reduction in oil and gas prices
- Natural decline in production from current wells in excess of expectations
- Evaluating growth options

Actual (boepd)	Current estimate of production from existing wells (annual average boepd)	
2008	2009	2010
2,355	1,700	1,450

- Growth options dependent on
  - Proving adequate well rate potential in exploration wells
  - Price development
  - Costs (rig-rates)
  - Partnering agreements



*Rocksource is currently evaluating growth options that may add up to 1,000 boepd in 2009*

## Exploration Portfolio Update

- India partner meeting scheduled for March 5<sup>th</sup>
  - Agenda items include decision on well location on well 3 and cost for well 1&2
  - Rocksource expects recommended location to be sanctioned
- Portfolio upgrade
  - Net risked resources upgraded from 280 to 388 mill boe
  - 6 new licences in Q4 2008
  - 2 licences relinquished
- Upcoming drilling decisions
 

- Q1 decision on India EM based exploration well	Drilling in 2009
- Q2 decision on drilling Breiflab PL 416	Possible drilling 2010
- Q2 decision on drilling AGC-Profond	Possible drilling 2010
- 20th round NCS awards expected Q2 2009
  - Rocksource has applied for licenses based on positive CSEM anomalies

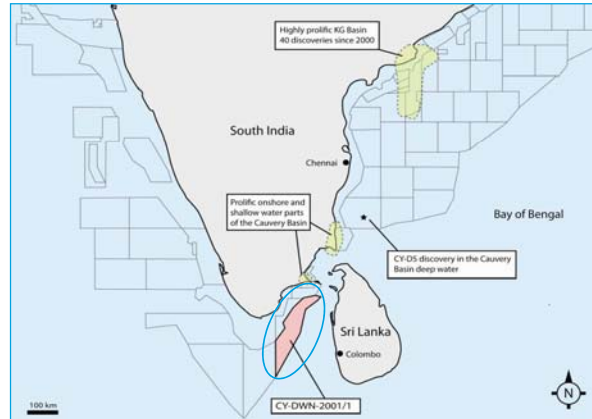
## CY-DWN-2001/1

- EM based well in 2009

- Farm-in completed Sept 15<sup>th</sup> 2008
- Full partner approval obtained
- Subject to Government approval

### Partners:

- ONGC (Op)	45%
- Oil India	20%
- Petrobras	25%
- Rocksource	10%



- Partner meeting scheduled for March 5<sup>th</sup>
- Agenda items include:
  - Decision on well 3 (location and timing)
  - Costs for well 1 & 2

## Operational Update: CY-DWN-2001/1

### Well CY-DWN 1

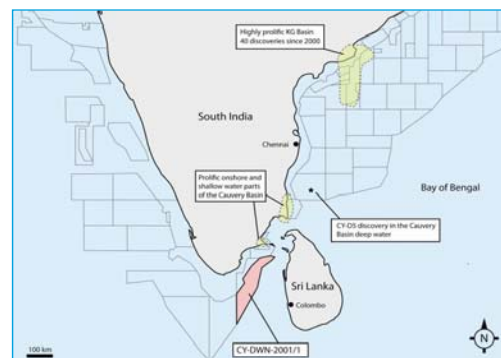
- Multi target well, dry hole
- **CSEM target still not tested**
- Full post well review, complete

### Well CY-DWN 2

- Targeting conventional prospects (not tested by CSEM)
- Well not approved by Rocksource
- Outcome, dry hole

### Well CY-DWN 3

- Rocksource proposal to test well defined CSEM anomaly
- **Similar volumetric potential and chance of success to original estimate**
- Well decision expected in early March
- Deep water drill ship available: Transocean Discoverer Seven Seas



*Rocksource remains optimistic that there is a low risk CSEM positive prospect containing considerable volumetric potential, and expects recommended location to be sanctioned*

## Operational Update: AGC Profond

### - Drilling decision Q2 2009

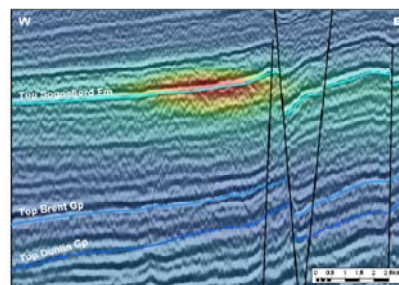
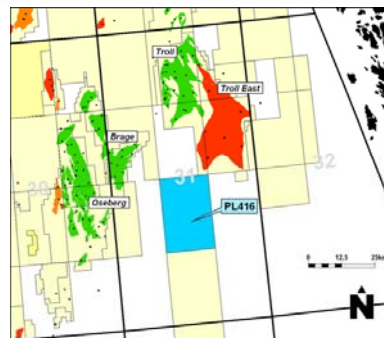
- Multi prospect test of ~1.1 billion boe mean unrisked gross resources.
- CSEM acquisition completed
- Successful acquisition of CSEM data by Western Geco
- Incident free and on budget
- Data currently being processed by Rocksource
- Results expected in Q2 2009
- Rocksource decision to drill first well expected by end Q2 2009



## Operational Update: PL 416 - "Breiflabb"

### - mature towards drilling

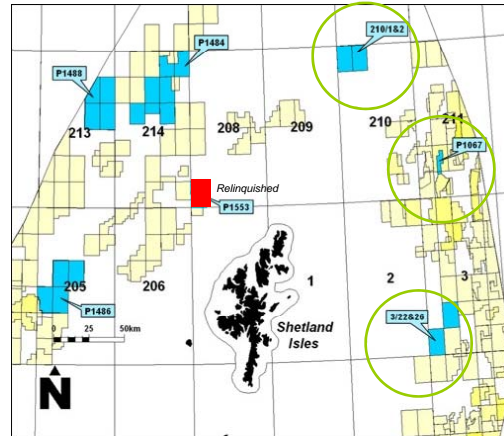
- Partners
  - EON (operator) 50%
  - RGT 35%
  - Aker Exploration 15%
- Second Stage Work Programme completed
  - Acquire and interpret 250sqkm 3D seismic
- Prospectivity
  - CSEM positive Breiflabb Prospect
  - High impact prospect
- Next Major Decision
  - Decision on well expected in late Q2 2009
  - Potential to be drilled in 2010



• Combined seismic and CSEM data across the Breiflabb prospect. Red and yellow colours indicate high resistivity

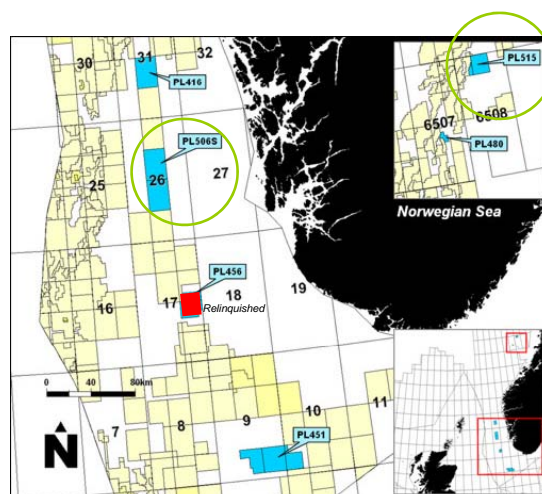
## UKCS 25th Round Success

- Added 4 new licences
  - Blocks 210/1 & 2
    - Rocksource 100%
  - Block 3/22
    - Nautical Petroleum (operator) 40%
    - Canamens Energy 40%
    - Rocksource 20%
  - Block 3/26
    - Nautical Petroleum (operator) 40%
    - Canamens Energy 40%
    - Rocksource 20%
- Low cost work programmes to further define leads and prospects prior to CSEM acquisition in 2010
  - Block 211/27d
    - DNO UK (operator) 50%
    - Elixir Petroleum 40%
    - Rocksource 10%
- Protection acreage covering the full extent of the 211/22-2 Mulle Discovery
- Work programme aligned to P1067



## NCS APA 2008 Round Success

- Added 2 new licences
- Rocksource awarded operatorship in both
- PL 515
  - Rocksource (operator) 60%
  - Lotos E&P Norge 20%
  - Skagen 44 20%
- CSEM and limited 2D seismic planned for 2009
- PL 506s
  - Rocksource (operator) 50%
  - Discover Petroleum 30%
  - Petoro 20%
- Petromarker EM data already acquired
- 3D seismic planned for 2010

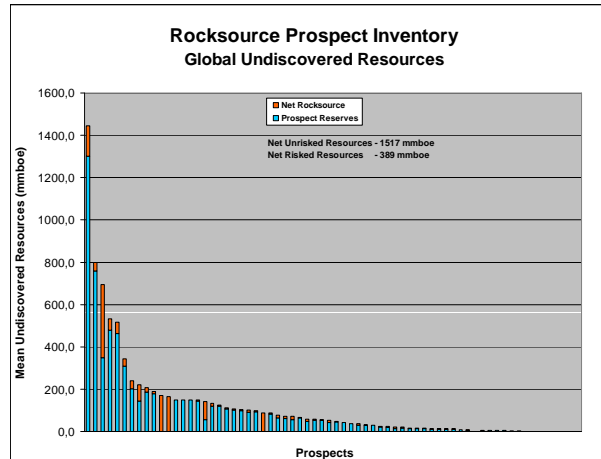


## Portfolio Optimisation

- 6 new licences added in Q4 2008
- Following the company's exploration model, PL 456 and P 1553 have been relinquished due to negative results
- UKCS Frontier licences P 1484, P 1486 and P 1488
  - 75% relinquishment required on 2nd licence anniversary
  - Part of the portfolio high grading process
- Currently 4 EM positive prospects in portfolio



**Net risked resources upgraded from 280 mill boe to 388 mill boe**



## Forthcoming 20th round Awards: "The Tip of The Iceberg"

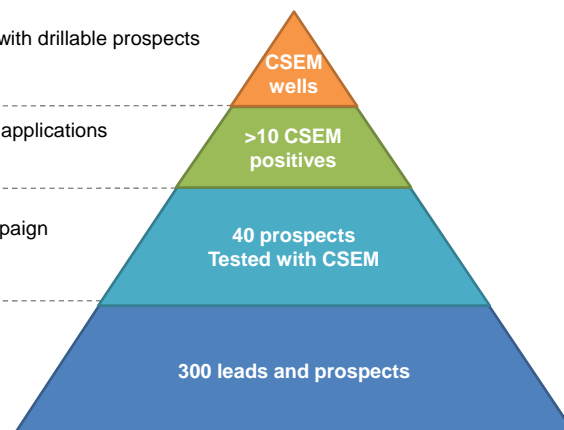
The forthcoming 20th round awards should yield the result of a significant investment and body of work over the past three years, giving rise to a portfolio of high impact, low risk exploration prospects including firm, CSEM positive wells.

2009 – 20th round awards with drillable prospects

2008 – Multiple 20th round applications

2007 – EM acquisition campaign

2006 – Prospect screening





## Short term exploration portfolio events

Opportunity	Events	Date
• India exploration	3rd Well Decision	Q1
• 20th Round	CSEM Positive Awards	early Q2
• PL 416, Breiflabb	Well Decision	late Q2
• AGC Profond	Rocksource Well Decision	late Q2
• PL 515	CSEM acquisition	Q2-Q3



This will give Rocksource the opportunity to participate in several high impact CSEM based wells over the next 2 years

## CSEM technology example

**Statement:**

"Rocksource CSEM technology is not yet proven!"

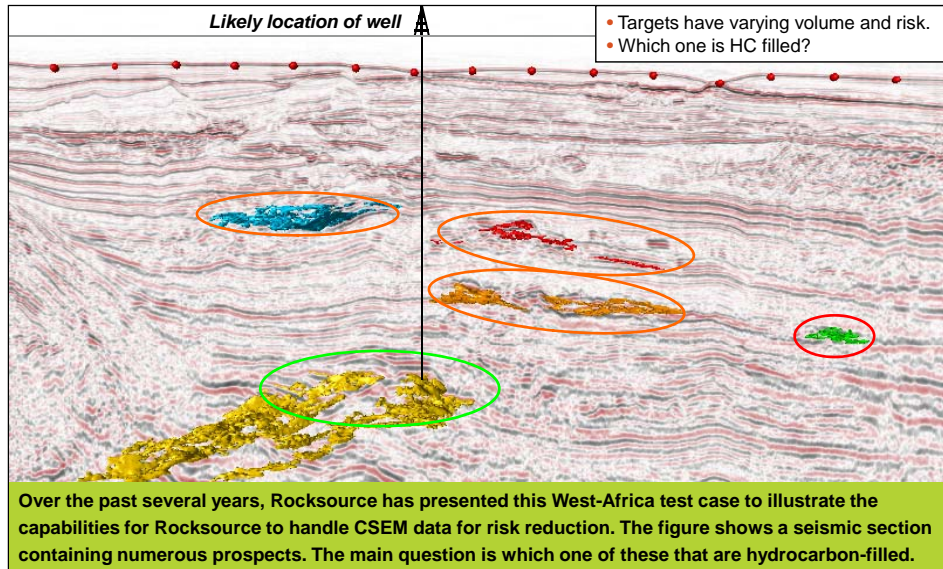
**Rocksource comment:**

"A well proven technology! Let's look at the statistics..."

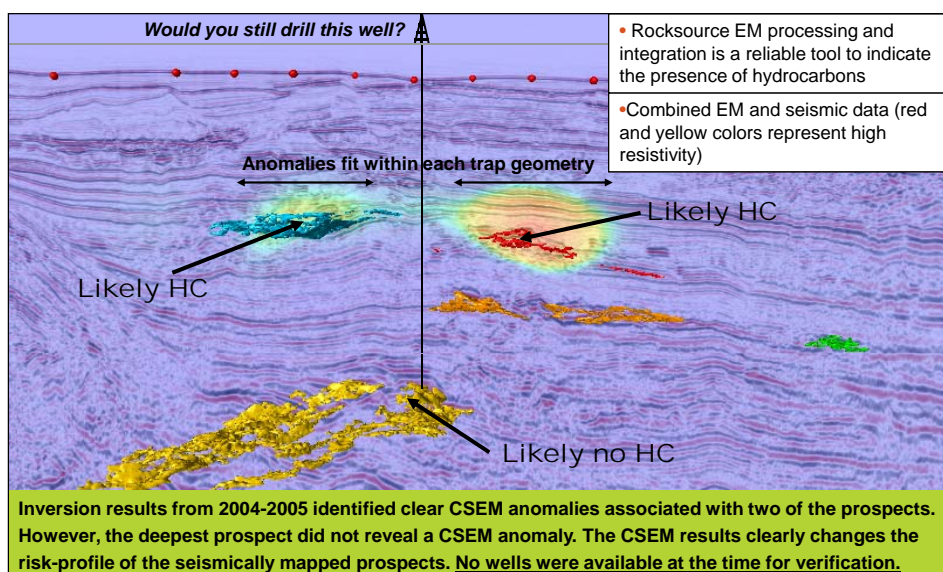


Example of Rocksource predictions and actual results

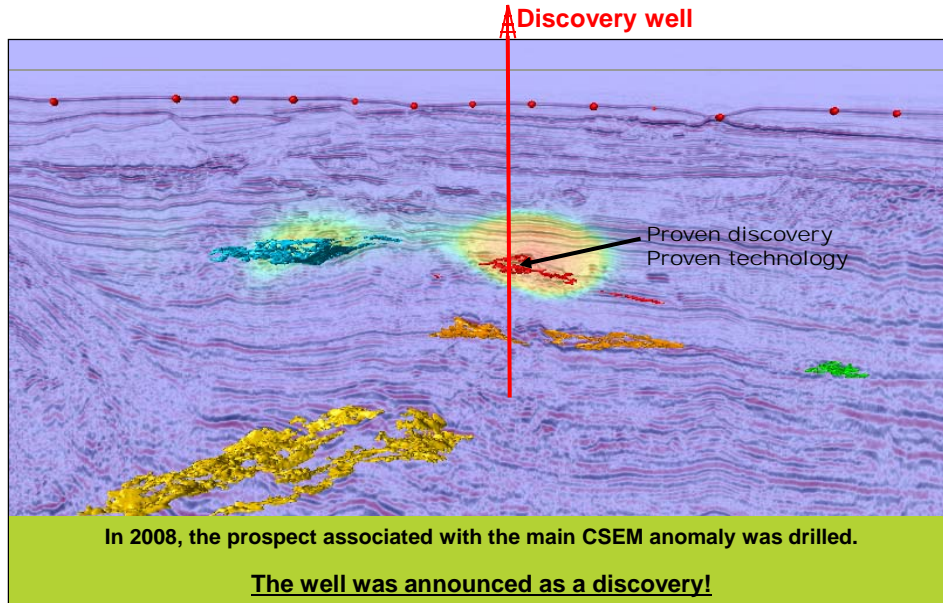
## Without EM – 20% chance of success



## With EM – Improved exploration efficiency



## Results proven by discovery in 2008!



## Rocksource prospect results

### EM data sets that has been tested with wells

- Discoveries drilled after analyses of CSEM data that interpreted hydrocarbons
  - 2
- Dry wells drilled after analyses of CSEM data that interpreted NO hydrocarbons
  - 3
- Successful blind tests with well results provided after analyses
  - 1
- Successful tests where well results were known at the time of CSEM analyses
  - 1 in the North Sea
  - 1 in the Norwegian Sea
  - 1 in the Barents Sea
  - 1 in India

### EM datasets that has not been tested with wells

- Positive anomalies not tested with wells yet
  - 12
- Negative/inconclusive results not tested with wells
  - 34
- Several data sets are still undergoing analyses

### Statistics (exclusive tests)

- 14 positive interpretations (27%)
- 37 negative/inconclusive interpretations (73%)

Rocksource Q4/ 2008

## Corporate development

### Rocksource growth model

Business area:	Onshore US	NCS Exploration	Technology	International Exploration
Business objectives:	Profitability and production growth	Reserves growth through CSEM based wells	Leverage established technology	Reserves growth through CSEM based wells
Partnering/financing model:	Utilise expertise and capabilities on "under exploited assets".	Organic growth financed by exploration loan facility	Evaluate partner options with strong industrial players	Commercial and technical partnering to share risk and upside

➤ Rocksource has the financial and commercial flexibility to grow the business without diluting ASA shareholders in the current market

Rocksource Q4/2008

## Summary/outlook

### Summary/outlook

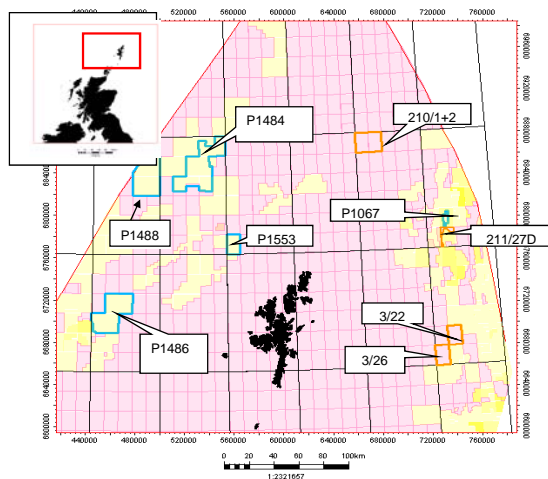
- Positive net result for 2008
- Balance sheet and cash position are strong
- Portfolio growth through farm-ins and licensing rounds
- Positioning for further production growth. Low cash commitments and lower exploration costs through CSEM technology
- All capital commitments fully funded by a combination of operational cash flow and available financial facilities
- We aim to grow the business without diluting the shareholders under the current market climate
- Large number of significant triggers for the company in the short term
  - Drilling large offshore exploration prospects
  - Options to sanction several CSEM based wells in 2009 for drilling 2010
  - Continued business development activity focusing on low initial financial exposure
  - Expecting 20th round awards early Q2 2009

## Appendix

- NCS/UKCS Exploration portfolio overview
- Financials

## Portfolio review

### Rocksource UKCS licenses



- Low cost, long term portfolio
- Currently no well commitments
- Focus on high grading prospects

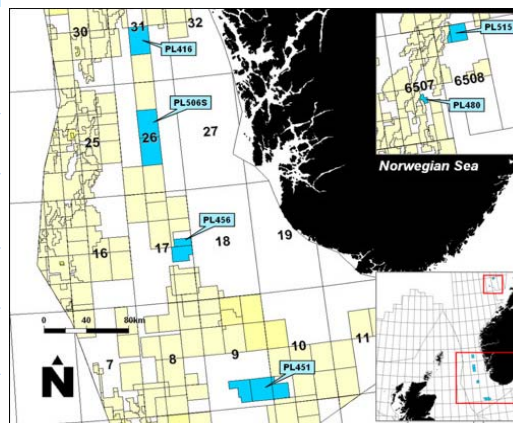
UKCS	2009	2010	2011	2012
P1484 RGT 15%	75% acreage relinquishment Possible EM	Detailed G&G	Drill or drop	Possible well
P1486 RGT 10%	75% acreage relinquishment Possible EM	Detailed G&G	Drill or drop	Possible well
P1488 RGT 15%	75% acreage relinquishment Possible EM	Detailed G&G	Drill or drop	Possible well
P1067 RGT 10%	Farm down Appraisal	Develop	Production	
P1553 RGT 100%	Relinquished			
210/1,2 RGT 100%	2D seismic G&G	EM 75% acreage relinquishment	Additional data	Detailed G&G
211/27d RGT 10%	Not confirmed			
3/22 RGT 20%	CSEM feasibility	Evaluation	Drill or drop	Possible well
3/26 RGT 20%	CSEM feasibility	Evaluation	Drill or drop	Possible well

Awards 25th Round



Licence	Status	Plans			
		2009	2010	2011	2012
PL 416 RGT 35%	EM test positive 3D seismic	3D interpret Drill or drop	Possible well	Possible appraisal well Dev. studies	PDO
PL 451 RGT 20%	EM test positive	3D seismic	Drill or drop	Possible well	Possible appraisal well
PL 456 RGT 100% (O)	EM acquired	Relinquished			
PL 480 RGT 20%	3D seismic	3D interpret	Drill or drop	Possible well	Dev. studies
PL 506S RGT 50% (O)	EM acquired	3D seismic	Possible well		PDO
PL 515 RGT 605 (O)	2D seismic	EM acquisition	3D seismic	Possible well	

Awards APA 2008



- 2 CSEM positive prospects
- Currently no well commitments
- CSEM negative prospects relinquished according to company strategy
- Expecting 20th round awards that includes CSEM positive prospectivity early Q2 2009

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## Profit and loss statement

NOK '000	QUARTERLY RESULTS				FULL YEAR	
	Q4 2008	Q3 2008	Q2 2008	Q1 2008	2008	2007
Operating income oil and gas	55 188	79 876	89 599	59 324	283 986	64 896
Operating income other	2 193	-	389	607	3 189	1 812
<b>Total operating income</b>	<b>57 381</b>	<b>79 876</b>	<b>89 988</b>	<b>59 931</b>	<b>287 175</b>	<b>66 708</b>
Operating costs oil and gas	(18 453)	(11 654)	(9 797)	(7 146)	(47 050)	(18 085)
Other operating expenses	(30 092)	(21 839)	(13 609)	(12 849)	(78 389)	(75 896)
<b>EBITDA before exploration</b>	<b>8 836</b>	<b>46 383</b>	<b>66 581</b>	<b>39 936</b>	<b>161 737</b>	<b>(27 273)</b>
Exploration costs	(42 008)	(45 536)	(36 612)	(22 952)	(147 108)	(147 712)
<b>EBITDA</b>	<b>(33 172)</b>	<b>847</b>	<b>29 969</b>	<b>16 984</b>	<b>14 628</b>	<b>(174 985)</b>
Depreciation and amortisation	(21 550)	(18 231)	(17 433)	(18 348)	(75 562)	(25 120)
Impairment loss	(2 675)	-	-	-	(2 675)	-
Net financial income/(expense)	9 215	4 253	(2 564)	(16 533)	(5 630)	(28 077)
<b>Profit/(loss) before taxes</b>	<b>(48 183)</b>	<b>(13 131)</b>	<b>9 972</b>	<b>(17 898)</b>	<b>(69 239)</b>	<b>(228 182)</b>
Income tax	41 222	35 038	32 460	21 438	130 158	182 825
<b>Net profit/(loss)</b>	<b>(6 960)</b>	<b>21 907</b>	<b>42 432</b>	<b>3 540</b>	<b>60 918</b>	<b>(45 357)</b>

## Balance sheet

NOK '000	31.12.2008	30.9.2008	30.6.2008	31.3.2008	31.12.2007
Deferred tax assets	27 443	7 829	10 774	10 915	7 998
Patents and development costs	5 265	1 670	1 877	2 084	2 290
Seismic library	5 351	9 364	10 702	12 040	13 377
Goodwill	154 563	154 563	154 563	154 563	154 563
Capitalised expl. and acq. costs	20 504	71	765	-	-
<b>Intangible non-current assets</b>	<b>213 126</b>	<b>173 497</b>	<b>178 681</b>	<b>179 601</b>	<b>178 229</b>
Oil and gas properties	261 704	205 280	181 793	179 512	183 938
Furniture, fixtures and office machines	8 175	8 565	5 613	5 754	4 928
Tax-receivable NCS	-	89 104	51 122	18 521	-
<b>Tangible non-current assets</b>	<b>269 879</b>	<b>302 949</b>	<b>238 528</b>	<b>203 787</b>	<b>188 866</b>
<b>Non-current assets</b>	<b>483 005</b>	<b>476 446</b>	<b>417 209</b>	<b>383 388</b>	<b>367 094</b>
Total receivables	24 516	27 109	65 963	45 406	30 482
Tax-receivable NCS	113 228	171 108	171 108	171 108	171 108
Cash and cash equivalents	269 381	211 399	163 054	155 402	86 996
<b>Current assets</b>	<b>407 125</b>	<b>409 616</b>	<b>400 126</b>	<b>371 916</b>	<b>288 586</b>
<b>TOTAL ASSETS</b>	<b>890 130</b>	<b>886 062</b>	<b>817 335</b>	<b>755 304</b>	<b>655 681</b>
Total equity	485 665	467 659	435 749	392 771	386 251
Total non-current liabilities	232 439	247 758	194 921	194 655	194 393
Total current liabilities	172 026	170 645	186 664	167 878	75 037
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>890 130</b>	<b>886 062</b>	<b>817 335</b>	<b>755 304</b>	<b>655 681</b>

## Cash flow

NOK '000	QUARTERLY RESULT				FULL YEAR	
	Q4 2008	Q3 2008	Q2 2008	Q1 2008	2008	2007
<b>Net cash flow from:</b>						
Operating activities	164 708	11 359	26 434	(6 661)	195 840	(114 219)
Investing activities	(53 108)	(15 457)	(19 143)	(24 594)	(112 302)	(171 634)
Financing activities	(54 810)	50 249	385	100 290	96 114	268 134
Exchange rate changes	1 191	2 194	(23)	(629)	2 733	(1 091)
<b>Net change in cash and cash equivalents</b>	<b>57 982</b>	<b>48 345</b>	<b>7 652</b>	<b>68 406</b>	<b>182 385</b>	<b>(18 809)</b>
Cash and cash equivalents at start of period	211 399	163 054	155 402	86 996	86 996	105 805
Cash and cash equivalents at end of period	269 381	211 399	163 054	155 402	269 381	86 996

# Solid financial position and successful awards in licensing rounds

## Rocksource's fourth quarter 2008 results and preliminary results for 2008

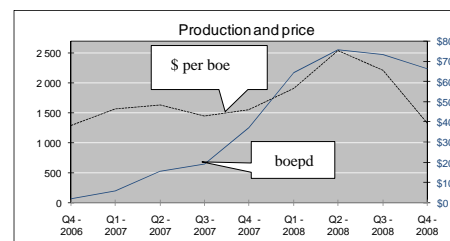
The fourth quarter 2008 was again a solid one for Rocksource, where the cash flow was positive in the quarter, giving a solid cash balance at the year-end. Successful awards in the APA 2008 round on NCS with two new operated licenses, as well as four new licenses awarded in the 25<sup>th</sup> licensing round on the UKCS, demonstrate that Rocksource is now regarded as a competent and competitive operator.

### KEY FINANCIAL FIGURES

NOK '000	QUARTERLY RESULTS		FULL YEAR	
	Q4 2008	Q4 2007	2008	2007
Operating income	57 381	33 296	287 175	66 708
Exploration costs	(42 008)	(23 368)	(147 108)	(147 712)
EBITDA *)	(33 172)	(11 867)	14 629	(174 986)
Income tax	41 222	76 474	130 158	182 825
Net profit/(loss)	(6 960)	44 753	60 918	(45 358)
Investment **)	53 108	66 353	112 350	171 634
Net production boepd	2 233	1 244	2 355	656

\*Earnings before interest, taxes, depreciation, amortisation and impairment

\*\*Investments in assets – cash effect



### FINANCIAL HIGHLIGHTS

All figures in million NOK (m)

#### Strong cash position

- Cash at year-end was NOK 269.4m, up from 211.4m previous quarter. This is the strongest cash position in the Group's history. The Group also has an unutilised bank facility of NOK 205.0m available.
- Operating income in fourth quarter was NOK 57.4m, up from NOK 33.3m same quarter 2007 and down from NOK 79.9 previous quarter. Total operating income in 2008 was NOK 287.2m, compared to NOK 66.7m in 2007.
- Net profit for 2008 was NOK 60.9m, a substantial improvement from net loss of NOK 45.4m in 2007.
- EBITDA was negative NOK 33.2m in the quarter, down from negative NOK 11.9m same quarter 2007. EBITDA for full year was NOK 14.6m, an improvement from negative NOK 175.0m in 2007.
- Income tax of NOK 41.2m relates to NCS in the quarter, down from NOK 76.5m same quarter 2007.

#### High exploration activity

- External exploration cost before the tax refund was NOK 42.0m in the quarter, mainly relating to NCS activities.
- The maturing of own prospects and preparation for the 20<sup>th</sup> licensing round on NCS explains the income tax of NOK 41.2m in the quarter.

#### Investments and financing

- Two production wells and one exploration well were drilled in the quarter. The capital expenditure in the quarter was NOK 53.1m, of which NOK 52.0m related to the well program. Total investment in 2008 was NOK 112.4m, of which NOK 106.3m related to investments onshore US.
- A drawdown of NOK 45.0m on the new NOK 250.0m bank loan facility.
- Received a refund of NOK 175.1m including interest related to the 2007 oil taxation, of which NOK 100.0m was used to partly repay the old NOK 150.0m bank loan facility where the remaining NOK 50.0m is due December 2009.

### OPERATIONAL HIGHLIGHTS

#### Onshore production US

- Average production in December was 2,320 boepd giving average production for fourth quarter of 2,233 boepd.
- Total 2008 production was 2,355 boepd, which compares to 656 boepd in 2007 and the 2008 target of 2,350 boepd. Average price per boe in the quarter was \$39.5, down from \$65.4 previous quarter.
- The first production well in the 2008 campaign started to deliver gas for sales late November, while the second development well started to deliver gas for sales late January 2009.
- The first exploration well drilled on a new structure spud in December. The second exploration well spud on 4 January 2009 on a separate structure. The logs indicate hydrocarbon presence and a testing programme has been initiated.

#### Successful awards in licensing rounds

- Successful awards in the APA 2008 round on the NCS with two new operated licenses.
- Awarded four new licenses for the UKCS in the UK 25<sup>th</sup> licensing round.
- Applications for the 20<sup>th</sup> round were submitted on 7 November 2008 and are expected to be announced in Q2 2009.
- The portfolio additions and revision has upgraded the net risked resources from 280 mill boe to a total of 388 mill boe.

#### Exploration

- CSEM data acquired over the AGC Profond PSC. The CSEM data are currently being processed and interpreted using Rocksource's proprietary software.
- Two wells out of a three well program on block CY-DWN-2001/1 in India have been completed. The wells did not encounter moveable hydrocarbons and failed to test the CSEM anomaly. Drilling decision of the third well is expected in early March. Government approval for the Rocksource assignment onto the PSC has not yet been granted.

## Fourth quarter 2008 results and preliminary results for 2008

### Financial and operational summary

*Rocksource aims to be an innovative, fast growing E&P company. Our vision is to deliver amongst the highest exploration success rates in the industry by appropriate application of technology. Our strategy is to build an early cash flow position in the US, while at the same time building a sustainable exploration-led portfolio in the North Sea. In the longer term the Company aims to build further reserves and production in basins where we can leverage out EM and reservoir technology.*

#### FINANCIAL SUMMARY

Total turnover in the fourth quarter was NOK 57.4m, compared to NOK 33.3m in the same quarter 2007 and NOK 79.9m previous quarter. The decline of NOK 22.5m from previous quarter was due to lower production and a substantial drop in oil and gas prices. The total turnover in 2008 was NOK 287.2m, compared to NOK 66.7m in 2007, a fourfold increase.

Net loss for the quarter was NOK 6.9m, giving a net profit for 2008 of NOK 60.9m, a substantial improvement from negative NOK 45.4m in 2007.

The exploration costs are on level with previous quarters, resulting in external exploration costs of NOK 42.0m. The cost was mainly driven by considerable work in preparation for the 20<sup>th</sup> round on the NCS and a CSEM acquisition campaign on the AGC Profond PSC in West Africa. In addition there has also been acquisition of seismic data on the Eiktyrne prospect in license PL 480. Total exploration costs, including internal cost, was NOK 65.0m in the fourth quarter.

EBITDA in the quarter was negative NOK 33.2m showing that the revenue from the production covered all operational costs and part of the exploration costs. The EBITDA is expected to fluctuate with production, oil and gas prices, as well as exploration activity levels. EBITDA for full year was NOK 14.6m, compared to negative NOK 175.0m in 2007.

Income tax relates to the tax refund on NCS exploration. The income tax in fourth quarter was NOK 41.2m, down from NOK 76.5m in the same quarter last year. The income tax for 2008 was NOK 130.2m, down from NOK 182.8m in 2007. The income tax mostly related to the acquisition of seismic data and the CSEM processing undertaken, as well as considerable work in preparations for the 20<sup>th</sup> licensing round on the NCS. The processing of CSEM surveys has been undertaken in the 100% owned subsidiary Rocksource Geotech AS.

Rocksource ASA has a unique access to the subsidiary's proprietary software and processing skills, which are vital to the Group's exploration programme.

The Group's working capital at the end of the quarter was NOK 235.1m, down NOK 3.9m from the previous quarter. The equity was NOK 485.7m, up from NOK 467.7m previous quarter, giving the Group an equity ratio of 54.6%, up from 52.8% previous quarter, mostly as a result of paying down on the credit facility.

The Group had a positive cash impact of NOK 58.0m in the quarter. This includes NOK 45.0m drawdown on the new NOK 250.0m bank loan facility. NOK 205m is still available to finance exploration on NCS. In addition, NOK 100.0m of the old bank loan facility of NOK 150.0m was paid back when the tax refund of NOK 166.2m, excluding interest, was received in December. Investments in the well program in the US subsidiaries in fourth quarter were NOK 53.1m. Cash balance at the end of the quarter was NOK 269.4m. This is the strongest cash position in the Group's history. There has been no cash impact or result effect from operations in India.

#### OPERATIONAL SUMMARY

##### Licensing rounds

In the APA 2008 Round on NCS, results announced late December, Rocksource was awarded both priority blocks with high equity and operatorship. These awards demonstrate that Rocksource is now regarded as a competent and competitive operator. License PL 506S is located in the Norwegian North Sea, east of the Grane and Jotun Fields. Rocksource holds 50% and operatorship, with Discover Petroleum and Petoro as partners. PL 515 is located east of the Norne Field. Rocksource holds 60% and operatorship, with partners Lotos Exploration & Production and Skagen44.

In the UK 25<sup>th</sup> round Rocksource was awarded four new licenses. These licenses have been awarded without well commitments, but give the Group excellent opportunities to high-grade prospectivity using CSEM technology and make drilling decisions based on this. Rocksource has 20% equity in Block 3/22 and 3/26 located in the Northern North Sea. Blocks 210/1&2 located in the Erlend basin, North of Shetland, were awarded as a promote license 100% to Rocksource. The fourth award, Block 211/27d, is located south of license P1067 (which includes the Mulle discovery) and was awarded to the P1067 partnership (Rocksource 10%).

Applications for the 20<sup>th</sup> round were submitted on 7 November 2008 and are expected to be announced in Q2 2009. Rocksource has prepared for this round by acquiring CSEM surveys over a number of prospects prior to selecting the blocks for application. All of the applied blocks have CSEM positive prospects and therefore have a high chance of containing commercial quantities of oil or gas.

### **Exploration**

The major activity in the fourth quarter was preparation for applications in the 20<sup>th</sup> licensing round and APA 2008 on NCS. In addition, CSEM acquisition on the AGC Profond PSC started in December, and there has been acquisition of seismic data on the Eiktyrne prospect PL 480 in the quarter.

### **Farm-in India**

Earlier in 2008 Rocksource farmed into CY-DWN-2001/1, partnering with ONGC, Oil India and Petrobras. The first two exploration wells of a three well work program commitment were completed without encountering movable hydrocarbons. However, the wells were drilled on locations that did not test the CSEM anomaly considered to be the primary prospectivity on the block. This means that the initial CSEM prospectivity of the block remains intact. Rocksource has evaluated the new well data from the first well, CY-DWN 1, and remains optimistic that there is a low risk CSEM positive prospect, containing considerable volumetric potential, which is yet to be tested by drilling. The company is working with the partners to best target the third well to complete the First Phase Work Programme. A meeting is scheduled in the partnership for 5 March to sanction the third well and agree the costs for the first two wells.

Until governmental approval is obtained, no drilling cost is expensed or any liability related to the two wells drilled will be reflected on the balance sheet.

### **West Africa**

In West Africa, CSEM acquisition on the AGC Profond PSC started in December 2008 with results expected later in 2009. The surveys tested four large structural prospects with potential in excess of 1 billion boe, gross unrisks resources.

### **Onshore Production**

The average production in the quarter was 2,233 barrels of oil equivalents per day (boepd), giving average production for 2008 of 2,355 boepd which compares to 656 boepd in 2007 and the 2008 target of 2,350 boepd.

The first production well in the 2008 campaign started to deliver gas for sale late November and continues to produce at the expected level. The second well was drilled in December, but not completed by end 2008. One exploration well was drilled on a new structure in December and the first production test has been completed. Preliminary result has been in the lower end of expectations. The second exploration well, drilled on a separate structure, reached target depth in February 2009.

Both exploration wells are on new structures and will have to be completed, with processing facilities installed and tied in to the gas delivery network, before the wells can start to produce for sales.

Due to low gas prices, additional wells must be drilled before new facilities are economically viable. Rocksource will start planning for such new facilities based on the test results from the wells and development of the gas prices in 2009.

### **Outlook**

The positive financial results from 2008, which has seen a significant improvement over the last years, are very pleasing given that Rocksource primarily is an exploration company. The development results have resulted in a very healthy balance sheet for the Rocksource group. The Group will continuously monitor the macroeconomic fundamentals before taking on additional material commitments.

The Group has low firm capital commitments and current cash position, available NCS loan facility and cash flow covers all commitments. This means that Rocksource has financial and commercial flexibility to continue to grow the company without seeking capital through share issues in the current market.

Rocksource believes that the exploration portfolio that has been established so far will give the company opportunities to drill exploration wells over the next two years of a unique quality. License awards in the 20<sup>th</sup> round will add further CSEM positive drillable prospects to the portfolio and further add attractive upside to the company's future outlook.

US activities will remain cash positive at current price levels. We expect an average of 1,700 boepd for 2009 from the existing Drews Landing and New Ace fields. Rocksource is currently evaluating development options for the two explorations wells together with acquisition opportunities to secure further production growth. Growth options could add an additional 1,000 boepd. The target of increasing production to

5,000 boepd by end 2010 remains, but may be changed if prices do not improve.

In 2007 the Rocksource stock was one of the highest gaining stocks of the E&P companies listed on the Oslo Stock Exchange. In 2008 and in this current financial turbulent market the share price has unfortunately seen a significant drop, and the share price currently trades at levels not seen since the company was established in 2004. In the meantime the company has significantly grown its business with an exciting portfolio that we believe can deliver some very high quality wells in the next years. It is our opinion that this build-up is not reflected at current share price levels, and we believe that the different segments of the business have a significant value potential.

We will continue to focus on the long term development of the company, and will seek to grow the different business areas by seeking partner structures directly into the assets and activities. Growth will be focused on partnering options for further onshore US developments, offshore exploration options, and technology development.



# ROCKSOURCE ASA

01.01 - 31.12.08

## CONSOLIDATED INCOME STATEMENT

NOK '000

	Q4 2008 IFRS	Q4 2007 IFRS	2008 IFRS	2007 IFRS
<b>Operating income</b>				
Revenue	57 381	33 296	287 175	66 708
<b>Total operating income</b>	<b>57 381</b>	<b>33 296</b>	<b>287 175</b>	<b>66 708</b>
<b>Operating expenses</b>				
Operating costs oil and gas	(18 453)	(6 587)	(47 050)	(18 085)
Payroll and related costs	(22 772)	(22 493)	(61 933)	(58 178)
Depreciation and amortisation	(21 550)	(12 243)	(75 562)	(25 120)
Impairment loss	(2 675)	-	(2 675)	-
Exploration costs	(42 008)	(23 368)	(147 108)	(147 712)
Other operating expenses	(7 320)	7 284	(16 456)	(17 718)
<b>Total operating expenses</b>	<b>(114 778)</b>	<b>(57 407)</b>	<b>(350 785)</b>	<b>(266 813)</b>
<b>Operating profit/(loss)</b>	<b>(57 397)</b>	<b>(24 110)</b>	<b>(63 610)</b>	<b>(200 106)</b>
<b>Financial income/(expenses)</b>				
Financial income	10 230	2 551	14 328	6 747
Foreign currency profit/(loss)	8 987	(3 279)	12 966	(18 650)
Financial expenses	(10 003)	(6 882)	(32 924)	(16 174)
<b>Net financial income/(expenses)</b>	<b>9 215</b>	<b>(7 611)</b>	<b>(5 630)</b>	<b>(28 077)</b>
<b>Profit/(loss) before taxes</b>	<b>(48 183)</b>	<b>(31 721)</b>	<b>(69 240)</b>	<b>(228 183)</b>
Income tax	41 222	76 474	130 158	182 825
<b>Net profit/(loss)</b>	<b>(6 960)</b>	<b>44 753</b>	<b>60 918</b>	<b>(45 358)</b>
<b>Attributable to:</b>				
Equity holders of the parent	(6 525)	44 679	59 870	(45 533)
Minority interest	(435)	116	1 048	175
Basic earnings per share (NOK)	(0,011)	0,077	0,102	(0,079)
Diluted earnings per share (NOK)	(0,011)	0,077	0,100	(0,079)

## CONSOLIDATED BALANCE SHEET

NOK '000	31.12.2008 IFRS	31.12.2007 IFRS
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible non-current assets</b>		
Deferred tax assets	27 443	7 998
Patents and development costs	5 265	2 290
Seismic library	5 351	13 377
Goodwill	154 563	154 563
Capitalised exploration and acquisition costs	20 504	-
<b>Total intangible non-current assets</b>	<b>213 126</b>	<b>178 229</b>
<b>Tangible non-current assets</b>		
Oil- and gas properties	261 704	183 938
Furniture, fixtures and office machines	8 175	4 928
<b>Total tangible non-current assets</b>	<b>269 879</b>	<b>188 866</b>
<b>Total non-current assets</b>	<b>483 005</b>	<b>367 095</b>
<b>CURRENT ASSETS</b>		
Accounts receivable	16 215	22 659
Tax-receivable NCS	113 228	171 108
Other receivables	8 301	7 823
Cash and cash equivalents	269 381	86 996
<b>Total current assets</b>	<b>407 125</b>	<b>288 586</b>
<b>Total assets</b>	<b>890 130</b>	<b>655 681</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	146 950	145 711
Treasury shares	(25)	(25)
Share premium reserve	105 338	105 338
Additional paid in capital	171 443	134 760
<b>Total paid in capital</b>	<b>423 705</b>	<b>385 785</b>
<b>Retained earnings</b>		
Retained earnings/(loss carried forward)	59 870	-
<b>Total equity attributable to equity holders of the parent</b>	<b>483 576</b>	<b>385 785</b>
Minority interest	2 090	467
<b>Total equity</b>	<b>485 665</b>	<b>386 251</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax	280	-
Bond loan	195 475	194 393
Other long-term liabilities	36 684	-
<b>Total non-current liabilities</b>	<b>232 439</b>	<b>194 393</b>
<b>Current liabilities</b>		
NCS credit facility	94 905	-
Accounts and other payables	65 275	44 208
Tax payable	-	10 101
Other current liabilities	11 846	20 728
<b>Total current liabilities</b>	<b>172 026</b>	<b>75 037</b>
<b>Total liabilities</b>	<b>404 465</b>	<b>269 430</b>
<b>Total equity and liabilities</b>	<b>890 130</b>	<b>655 681</b>

## CONSOLIDATED CASH FLOW STATEMENT

NOK '000

	Q4 2008 IFRS	Q4 2007 IFRS	2008 IFRS	2007 IFRS
<b>Cash flow from operating activities</b>				
Profit/(loss) from operations before exploration costs	(15 390)	(743)	83 499	(52 393)
- Exploration costs	(42 008)	(23 368)	(147 108)	(147 712)
<b>Operating profit/(loss)</b>	<b>(57 397)</b>	<b>(24 110)</b>	<b>(63 610)</b>	<b>(200 106)</b>
<b>Adjustments for:</b>				
Tax refund NCS exploration cost	166 178	22 064	166 178	22 064
Taxes paid onshore	(7 334)	-	(7 334)	-
Depreciation and amortisation	24 226	12 243	78 238	25 120
Share-based remuneration	1 940	6 721	3 505	11 976
Interest received	14 315	6 258	14 326	6 625
Interest paid	(7 435)	(5 689)	(22 310)	(11 055)
Foreign currency profit/(loss)	8 987	(3 279)	12 966	(18 650)
Changes in accounts receivable	2 786	(17 124)	6 443	(20 786)
Changes in accounts and other payables	28 866	33 129	21 067	73 285
Changes in other current balance sheet items	(10 423)	(25 290)	(13 629)	(2 693)
<b>Net cash from operating activities</b>	<b>164 708</b>	<b>4 922</b>	<b>195 840</b>	<b>(114 218)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(53 108)	(66 353)	(112 350)	(171 634)
Proceeds from sales of property, plant and equipment	-	-	48	-
<b>Net cash flow from investing activities</b>	<b>(53 108)</b>	<b>(66 353)</b>	<b>(112 302)</b>	<b>(171 634)</b>
<b>Cash flow from financing activities</b>				
Net capital increase	315	25	1 239	73 813
Proceeds from issuance of long-term debt	-	-	50 000	194 321
Proceeds from issuance of short-term debt	44 875	-	144 875	-
Repayment of short-term debt	(100 000)	-	(100 000)	-
<b>Net cash flow from financing activities</b>	<b>(54 810)</b>	<b>25</b>	<b>96 114</b>	<b>268 134</b>
Effect of changes in exchange rates on cash and cash equivalents	1 191	39	2 733	(1 090)
<b>Net change in cash and cash equivalents</b>	<b>57 982</b>	<b>(61 366)</b>	<b>182 385</b>	<b>(18 809)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>211 399</b>	<b>148 362</b>	<b>86 996</b>	<b>105 805</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>269 381</b>	<b>86 996</b>	<b>269 381</b>	<b>86 996</b>

NOK '000

	Share capital	Treasury shares	Share premium reserves	Additional paid in capital	Uncovered losses	Currency translation differences	Total majority	Minority interest	Total equity
<b>Equity 1 January 2008</b>	<b>145 711</b>	<b>(25)</b>	<b>105 338</b>	<b>125 111</b>	<b>-</b>	<b>9 649</b>	<b>385 784</b>	<b>467</b>	<b>386 251</b>
Net capital increase	1 239	-	-	-	-	-	1 239	-	1 239
Share based remuneration	-	-	-	3 505	-	-	3 505	-	3 505
Minority interest	-	-	-	-	-	-	-	575	575
Currency translation differences	-	-	-	-	-	33 177	33 177	-	33 177
<b>Total transactions recognised directly in equity</b>	<b>146 950</b>	<b>(25)</b>	<b>105 338</b>	<b>128 616</b>	<b>-</b>	<b>42 826</b>	<b>423 705</b>	<b>1 042</b>	<b>424 747</b>
Net profit/(loss) for the period	-	-	-	-	59 870	-	59 870	1 048	60 918
<b>Equity 31 December 2008</b>	<b>146 950</b>	<b>(25)</b>	<b>105 338</b>	<b>128 616</b>	<b>59 870</b>	<b>42 826</b>	<b>483 575</b>	<b>2 090</b>	<b>485 665</b>

	Ordinary	Weighted acc(1)	Weighted Q4 2008(1)
<b>Number of shares a NOK 0,25</b>			
Issued on 1 January 2008 in 1.000	582 845	582 845	582 845
- Treasury shares in 1.000	(100)	(100)	(100)
Issued on 10 March 2008 in 1.000	1 160	935	1 160
Issued on 14 May 2008 in 1.000	1 539	971	1 539
Issued on 22 August 2008 in 1.000	994	274	994
Issued on 26 November 2008 in 1.000	1 262	107	425
<b>Total number of shares in 1.000</b>	<b>587 700</b>	<b>585 033</b>	<b>586 864</b>

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

## ROCKSOURCE Group - Notes fourth quarter 2008

### Principles and reporting

These financial statements are the unaudited interim consolidated financial statements of Rocksource ASA and its subsidiaries (hereafter “the Group”) for the twelve-month period ended 31 December 2008. 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 2007, as they provide an update of previously reported information. The accounting policies used in the Interim Financial Statements are consistent with those used in the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. The fourth quarter 2008 results were approved in the Board meeting on 25 February 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	
	01.01.-31.12.		01.01.-31.12.		01.01.-31.12.		01.01.-31.12.		01.01.-31.12.	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	283 987	64 895	2 581	1 812	42 524	109 588	(41 917)	(109 588)	287 175	66 708
Operating costs oil and gas	(47 050)	(18 085)	-	-	-	-	-	-	(47 050)	(18 085)
Payroll and related costs	(16 965)	(14 016)	(37 258)	(15 314)	(7 710)	(28 847)	-	-	(61 933)	(58 178)
Depreciation and amortisation	(66 259)	(15 759)	(2 837)	(1 053)	(9 142)	(8 309)	-	-	(78 238)	(25 120)
Exploration costs	(14 504)	(2 611)	(132 605)	(145 102)	-	-	-	-	(147 108)	(147 712)
Other operating expenses	(6 374)	(4 179)	(43 197)	(87 908)	(8 802)	(21 503)	41 917	95 872	(16 456)	(17 718)
Operating profit/(loss)	132 834	10 246	(213 315)	(247 565)	16 871	50 928	-	(13 715)	(63 610)	(200 105)
Net financial income/(expenses)	(22 930)	(12 845)	24 498	(5 377)	(7 197)	(9 854)	-	-	(5 630)	(28 077)
Profit/(loss) before taxes	109 904	(2 600)	(188 818)	(252 942)	9 674	41 074	-	(13 715)	(69 240)	(228 183)
Income tax	-	10 790	127 392	182 135	2 766	(10 101)	-	-	130 158	182 825
Net profit/(loss)	109 904	8 191	(61 426)	(70 807)	12 440	30 973	-	(13 715)	60 918	(45 358)
Total assets	389 930	208 705	591 150	567 832	174 220	200 297	(265 170)	(321 152)	890 130	655 681
Investing activities (cash effect)	107 583	169 376	4 713	852	54	1 406	-	-	112 350	171 634

NOK '000	Onshore - Oil & Gas activities		Offshore Oil & Gas activities		Geo-technical activities		Non-allocated		Total	
	Q4		Q4		Q4		Q4		Q4	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	55 188	30 159	2 581	1 807	12 155	83 671	(12 544)	(82 341)	57 381	33 296
Operating costs oil and gas	(18 453)	(4 962)	-	-	-	-	-	(1 624)	(18 453)	(6 587)
Payroll and related costs	(6 872)	(5 627)	(12 133)	(5 514)	(3 767)	(11 352)	-	-	(22 772)	(22 493)
Depreciation and amortisation	(19 153)	(10 258)	(879)	(263)	(4 194)	(1 723)	-	-	(24 226)	(12 244)
Exploration costs	(4 577)	(2 001)	(37 431)	(21 367)	-	-	-	-	(42 008)	(23 368)
Other operating expenses	(2 513)	(911)	(18 040)	(61 559)	(3 758)	(6 547)	16 991	76 300	(7 320)	7 283
Operating profit/(loss)	3 621	6 400	(65 902)	(86 896)	436	64 049	4 447	(7 666)	(57 397)	(24 112)
Net financial income/(expenses)	(6 524)	(8 245)	22 794	10 363	(7 056)	(9 729)	-	-	9 215	(7 611)
Profit/(loss) before taxes	(2 903)	(1 845)	(43 107)	(76 533)	(6 619)	54 321	4 447	(7 666)	(48 183)	(31 723)
Income tax	-	10 790	38 456	75 785	2 766	(10 101)	-	-	41 222	76 474
Net profit/(loss)	(2 903)	8 945	(4 651)	(748)	(3 853)	44 220	4 447	(7 666)	(6 960)	44 752
Total assets	389 930	208 705	591 150	567 832	174 220	200 297	(265 170)	(321 152)	890 130	655 681
Investing activities (cash effect)	52 822	65 313	285	805	-	235	-	-	53 108	66 353

The post “*Depreciation and amortisation*” in the segment note includes impairment loss of NOK 2.7m in the fourth quarter. Please see note 4 for further details.

**Note 2: Related parties /share based remuneration**

Reference is made to detailed information disclosed in the Annual Report for 2007 regarding related parties transactions.

Options under the share based remuneration program, 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 2008 (including employer's social security contributions) is NOK 1.9m (fourth quarter 2007 NOK 0.9m).

**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 fourth quarter the Group has accounted a positive income tax of NOK 41.2m. (fourth quarter 2007 NOK 76.5m). Deferred tax assets of NOK 27.4m relates to unconditional deferred taxation from NCS activities.

<i>NOK '000</i>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Tax refund current year, NCS	24 124	64 758	113 228	171 108
Tax refund from prior year, NCS	(4 930)	4 977	(4 930)	4 977
Deferred income tax, NCS	19 266	6 050	19 098	6 050
Deferred income tax from acquisition	-	10 790	-	10 790
Payable taxes other	(4)	-	(4)	-
Payable taxes, on shore activities	2 766	(10 101)	2 766	(10 101)
<b>Total income tax in PL</b>	<b>41 222</b>	<b>76 474</b>	<b>130 158</b>	<b>182 825</b>
Tax refund paid NCS	166 178	22 064	166 178	22 604
Tax paid onshore	7 334		7 334	

**Note 4: Impairment of assets**

In 2005 Rocksource invested in a multi-client 3D seismic survey offshore Colombia. After delays in expected Colombian licensing rounds as well as lower sales than expected Rocksource has included an extraordinary write-down of NOK 2.7m in the quarter, giving the survey a book value of NOK 5.4m at year end. No further impairment charges have been deemed necessary.

**Note 5: Exploration costs**

<i>NOK '000</i>	<b>Q4 2008</b>	<b>Q4 2007</b>	<b>2008</b>	<b>2007</b>
Exploration cost, external	(42 008)	(23 368)	(147 108)	(147 712)
Exploration cost, internal	(22 948)	(63 876)	(42 904)	(87 548)
<b>Total exploration cost</b>	<b>(64 955)</b>	<b>(87 244)</b>	<b>(190 013)</b>	<b>(235 260)</b>