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## MAIN EVENTS 2006

- Issued convertible bond NOK 140 million (USD 21 million) in February
- Private placement NOK 270 million (USD 44 million) in December
- Listed on the Oslo Stock Exchange in December
- Ordered equipment for upgrade of RXT1 to increase operational efficiency
- RXT2 - “Ocean Pearl” - started operation as the world’s first “single vessel” solution in the global OBC market, and has proven, as expected, to be a very successful operation
- RXT2 completed major contracts in North Sea, both in UK and Norwegian sector
- Ordered third VSO system and other seismic equipment for RXT3
- Chartered two new seismic vessels, RXT5 and RXT6, for delivery Q2 2008 and Q1 2009
- Letter of intent for major contract in Caspian Sea for RXT3 in 2007
- Alliance agreement signed with Enovation Resources

## MAIN EVENTS 2007

- Letter of intent for major follow-on contract in Caspian Sea for RXT3
- Two letter of intent for contract award in the Gulf of Mexico for RXT1
- RXT3 to commence operation in April/ May 2007
- Ordered fourth VSO system and other seismic equipment for RXT4

# LETTER TO THE SHAREHOLDERS

## THE FUTURE IS ON THE SEAFLOOR



### Reserve replacement ratio is close to historical low, and oil companies have to increase production and replace declining reserves.

Under-investment in exploration in the late 1990s and early 2000s has resulted in reserve replacement issues on a global basis. Consequently, oil and gas companies are challenged with increasing production and replacing declining reserves.

This is being addressed through three specific activities:

1. Accelerating exploration in new areas
2. Re-visiting existing, mature areas with new technologies
3. Improving recovery from existing, producing fields

RXT's technology is a fundamental component in two of these three activities, i.e. exploration and development in mature areas and improving recovery from existing, producing fields. In order for oil companies to achieve their objectives in mature areas and producing fields, they need better quality seismic data

with higher resolution and, in many cases, deeper imaging than has been achieved through conventional seismic acquisition. In other words, data quality is now rapidly becoming a market driver, and not just cost, which has traditionally been the case.

The consequence of these facts is that the general market demand for both RXT products (2C for exploration and 4C for improved oil recovery) is high and growing. This is evidenced by the number of large programs presently tendered in the Gulf of Mexico, West Africa and Far East, with further large scale programs coming out for tender in all regions. All these programs are tendered at rates significantly higher than the "introductory" rates used to develop our market position in 2006. The total value of outstanding tenders is over \$300m.

Going forward, RXT is ideally placed to meet these growing requirements. With a doubling of operational capacity by the end

of 2007, RXT's market share will be in excess of 50%. Two further operations, comprising purpose built vessels, by Q1 2009, will further consolidate this position.

The Input-Output (I/O) VectorSeis Ocean (VSO) sensor and associated technology are resulting in what many are confirming to be the best quality seismic data seen in the industry. In addition to this the unique buoy based recording system, combined with RXT's innovative in-sea systems handling, is providing a very flexible, operationally effective and cost efficient operation with minimal safety exposure and environmental impact.

Irrespective of how good operational efficiency is, RXT is continually striving to improve it. Further enhancements to the VSO system, due for implementation during the first quarter of 2007, are designed to deliver even higher operational performance.

This, combined with substantially higher rates for both awarded contracts and outstanding tenders, lends great confidence to the probability of at least achieving the targeted financial projections for the year.

RXT1 will complete the current program in May 2007 and will thereafter mobilise for a 4-5 month program in the Gulf of Mexico. There is sufficient interest in our operation to further validate our projection that this operation will continue to operate in the Gulf of Mexico area, at least through 2007.

RXT2 will complete its current scheduled programs in mid March and will then mobilise for West Africa.

RXT3 will be mobilised and deployed in the Caspian Sea in April 2007. The first survey is expected to last around 4-5 months. RXT3 will thereafter mobilise for another survey in the Southern Caspian, with estimated start around 1 November 2007. Estimated duration for this survey is 5 months. Despite the complications of mobilising for shallow water operations in the Northern Caspian, everything is on target for an April/May start-up. The recent award of this second major program in the Caspian, once again by a Super Major oil company operator, further supports RXT's strategy to keep this operation permanently in the Caspian region.

RXT has ordered cables and other seismic equipment for a fourth operation (RXT4), to commence operations at end of Q4 2007 or early 2008. Targeted areas of operations are the Middle East or Brazil, where large scale programs are coming out for tender in

both regions for a start around the end of the year.

RXT5, a purpose built vessel presently being built in Norway, will be introduced in April 2008. It will be equipped to handle both cables and energy source for single vessel operation where appropriate.

RXT6, a second purpose built vessel, also under construction in Norway, will be introduced in Q1 2009. It will be similarly equipped to RXT5, but with an increased cable handling capacity.

Going forward, as the VSO system functionality is further developed, longer and more cables will be deployed per operation, further improving operational performance and hence cost efficiency.

Also, technology is being developed to take the systems into deep water (1500 m - 2000 m) and through shallow water into the transition zone bordering to land. This will further expand the range of applications for this unique technology on a global basis.

In addition to the organic growth plan outlined, RXT is continuously evaluating new methodologies and applications for sea floor seismic in addition to complementary sea floor technologies.

Whichever way you look at it, for development and exploration in mature areas and improved recovery from existing producing fields, the future is on the sea floor!



Michael Scott  
Chief Executive Officer

## ABOUT RXT



**Reservoir Exploration Technology ASA ("RXT") provides geophysical services to the oil and gas industry. The company is specialised in multi-component seafloor seismic data acquisition and it's vision is to become the world leading supplier of these services.**

There are two main uses for seafloor seismic data:

- Improved development of existing fields
- Better quality data for exploration

RXT was incorporated in April 2002 under the name Terra Seismic Services AS. The company changed its name to Reservoir Exploration Technology AS in October 2004 and was converted to a public limited liability company (ASA) in November 2005. The Company's management consist of highly qualified personnel with extensive technological and operational experience from the seismic industry.

### Strategy

RXT's strategy is to deliver high quality and lower cost multi-component acquisition services by the utilization of

state-of-the-art equipment. In addition RXT has developed innovative, cost efficient acquisition techniques based on the management's operational experience. RXT's new equipment and acquisition techniques allow for better data quality at lower cost than traditional methods.

### Location

The company is located at Lysaker, Norway, in Epsom, England and in Houston, Texas and employs 17 persons in RXT ASA and around 100 in the RXT Group. RXT has been listed on the Oslo Stock Exchange in Norway since December 2006.

### Marketing

The marketing resources of the RXT's organization include 20-30+ years experience from the marine seismic market, combined with a comprehensive contact network within the seismic industry,

with local authorities and with international and national oil companies, in particular in the North Sea and West Africa.

RXT has built up a significant presence world-wide through agencies and representative offices. To prepare for the upcoming work in the Caspian Sea in 2007, a subsidiary was established in Kazakhstan, with an office in Aktau. An office will also be established in Baku in Azerbaijan. The Middle East and Brazil are also focus areas going forward, and RXT has established agencies as well as offices in Abu Dhabi and Rio.

#### Operations

Since August 2004 RXT has continuously had one operation in the Gulf of Mexico. Since June 2006 a second operation (“RXT2”) has operated in the North Sea. A third operation will commence in the Caspian Sea from spring 2007 and a fourth operation is expected to be operational in the end of fourth quarter of 2007. In addition has RXT entered into a long term charter for two vessels which are to be newly constructed. Delivery is estimated to second quarter 2008 and first quarter 2009, respectively. RXT does not invest in vessels. Vessels are leased on time-charter, and equipped with the company’s own seismic equipment.

#### Customers

The customers will, in most cases, be oil and gas companies. However, RXT could also perform multi component acquisition work for other companies in the seismic industry that lack these capabilities, in connection with other companies’ build up of their multi-client data library or as part of a larger contract.

## SEISMIC TECHNOLOGY



Seismic data enable oil companies to detect potential oil and gas reservoirs, and to assess their size and structure. Seismic projects generally consist of planning, acquisition, processing and interpreting seismic data.

Seismic surveys and further development of this technique have been important for the oil industry. Detailed seismic data allow the oil and gas companies to make informed decisions and have a better understanding on where to drill and how to develop existing reserves.

The most common technique for acquiring seismic data is to record waves of sound vibrations using geophones and/or hydrophones on magnetic tapes. When processed and displayed, the recorded patterns appear as “traces” with specific events corresponding to geological compositions in the subsurface.

#### There are different seismic technologies:

2D - Two Dimensional Seismic Data represents the intersection of two axes, one horizontal and one vertical. The seismic data acquired typically represent a vertical cross section.

3D -Three Dimensional surveys involve shooting and recording an additional horizontal axis to provide a 3 dimensional image.

4D - Seismic technology, composed of 3D readings in the same location over time -making time the fourth dimension. This displays the movement patterns of subsurface reserves and allows companies to plan their drilling activity accordingly.

2C - Multi component sea-bed seismic exploration, where imaging is improved by using dual sensor. Hydrophones and geophones have somewhat different qualities. By combining these (2 components), in addition to placing the cables on the seabed you increase the accuracy and quality of the recorded data.

4C - Multi component sea-bed seismic exploration, where quality and accuracy of the data is additionally improved by using one hydrophone and three geophones (4 components) orthogonal on the ocean bottom.

In virgin areas, oil and gas companies will often use the less expensive 2D method to roughly “map” a large area to identify potential hydrocarbon reserves before following up with a 3D seismic survey in a strategic grid of that area. 4D seismic is traditionally used on producing fields in order to maximize recovery.

Multi component seismic data are used for both exploration purposes (mainly 2C) and on producing fields (mainly 4C).



On existing fields this method is used to obtain higher quality data to more accurately estimate reserves and optimize recovery, in addition to discover adjacent reservoirs not found with traditional seismic surveys. For exploration purposes multi component gives better quality data than traditional seismic surveys, and solves challenges such as obstacles in the water and shallow water.

Seismic data have been used on the Norwegian continental shelf since operations began there in the 1960s, and most of it has been covered by 2D surveys. The breakthrough with three-dimensional mapping at the end of the 1970s gave a significant improvement in data quality, and a large part of the Norwegian continental shelf is also surveyed in 3D.

Before the use of modern seismic technology, one out of ten drilling operations produced hydro-carbons. Due to the evolution of the seismic technology, four out of ten drilling operations are now successful. Further development and use of new seismic technology and methods will contribute to improving the success rate in the future.

## SEA-FLOOR SEISMIC



**Multi-component seismic surveys give better quality data than conventional methods. The benefits of the technology are recognised among oil and gas companies, and the demand for 4 component (4C) for increasing production and 2 component (2C) for better quality data during exploration is anticipated to grow substantially in the coming years.**

### 2C – P-waves only

Acquisition of 2C multi-component seismic involves measuring P-waves only by using one hydrophone and one geophone, both placed on the seafloor. This gives a better image of the structures compared to conventional towed streamers due to better signal/noise ratios and increased data bandwidth.

The technology is also being used to image in producing fields where towed streamer operations are impractical due to the density of obstructions.

Additionally, the technology is also being used to image in shallow water areas, where again towed streamer operations are impractical due to water depth limitations inherent with towed streamers. For both of the above, seafloor methods are the only practical options.

Multi-azimuth or wide-azimuth surveys, which have recently

been developed for improved resolution using towed streamer operations, are readily acquired using 2C multi-component sensors on the seafloor. The uplift in image quality observed in 2C multi-component data compared to single azimuth towed streamer is expected to extend to multi-azimuth 2C data and lead to increasing demand in this area. In summary, 2C multi-component acquisition will compete with or replace conventional streamer acquisition in the following applications:

- Where improved data quality is needed for exploration purposes in mature areas
- In producing fields/shallow water where towed streamer operations are impractical
- Multi azimuth/wide azimuth application
- 4D

#### 4C – P-waves and S-waves

Acquisition of 4C multi-component seismic involves using one hydrophone and three orthogonal sensors; all placed on the seafloor. 4C seismic not only provides significantly better data quality than that acquired with conventional towed streamers, but also solves several imaging challenges which cannot be resolved using conventional towed streamers.

4C seismic is ideally suited for improved oil recovery from producing fields. With improved reservoir imaging through 4C seismic, recent advances in drilling and injection technology can, in many cases, be applied to improve the recoverable reserves prior to shutdown.

4C seismic is a proven technology, and the benefits of the technology are recognised among the oil companies. The demand for 4C and 4D is anticipated to grow substantially in the coming years.

## RXT TECHNOLOGY AND OPERATIONS



### The RXT concept

The Company does not invest in vessels. Vessels are leased on long term contracts from various shipowners, and equipped with the Company's own seismic equipment. The Shipowner also provides the maritime crew, while the seismic crew comes from RXT.

#### The Company's multi-component acquisition methods include:

- New 4C sensor and cable technology developed by a leading seismic equipment manufacturer, I/O, which are unique in the marine environment. RXT has exclusivity until the end of 2007
- Application of the last ten years of experience in developments of other seismic systems and methods, in which the members of RXT's management has been a significant driver through their previous positions

Combining state-of-the art technology with the development of innovative acquisition methods has resulted in highly cost-efficient data acquisition with significantly enhanced imaging data quality. The buoy-based recording system allows for one less vessel in the operation, compared with any competing system and a much

higher degree of operational flexibility around obstructions. RXT's usage of in-sea buoys for recording instead of a dedicated recording vessel saves significant time and cost, resulting in lower cost per acquired km<sup>2</sup> of seismic data.

### Fleet and vessel overview

#### RXT1:

- RXT1 is operating in the Gulf of Mexico as a dual vessel configuration

#### The vessels used are:

##### Beulah Chouest

- Source/ shooting vessel
- Rigged with RXT's source and navigation equipment
- Chartered from Edison Chouest. Charter expires August 2008

##### Bourbon

- Cable handling vessel with DP2
- Rigged with RXT's cable handling equipment, winches, control systems etc



- Chartered from Rigdon Marine. Charter expires December 2008

The crew is equipped with six 6km VSO cables. These were upgraded to six 12km in Q1 2007.

**RXT2:**

The vessel used is Ocean Pearl:

- Combined source/ cable handling vessel
- Rigged with RXT's cable handling equipment, winches, source and navigation equipment etc
- Chartered from the Østervold group in Norway on a 5 year time charter from May 2006. RXT has an option to extend the charter (5 x 1 years)

The vessel is equipped with nine 6km VSO cables. This allows for eight operational cables and one spare cable. This is assumed to increase the productivity with approximately 20% compared with a six cable configured crew.

**RXT3:**

RXT3 will initially consist of 3 ships + 1 spare operating in Kazakhstan on the Kashagan field in northern Caspian. The survey area is located in very shallow water, and requires several shallow draft vessels.

The vessels used are:

- Caspian Maria (cable handling vessel)
- Geofizik-1 (shooting vessel)
- Sara Maatje II (cable handling vessel)
- Sara Maatje IX (standby shooting vessel)

The vessels are chartered for the 2007 season in the Caspian. RXT has option to extend the charter for three of them until end 2010.

The vessels will be equipped with nine 6km VSO cables, and RXT's cable handling and shooting equipment.

**RXT4:**

RXT is planning for RXT4 to be operational from Q4 2007. The

potential work currently being evaluated for this crew requires a vessel configuration with 9 - 12 cables.

**RXT5 and RXT6:**

The company has secured long term charters for two purpose built, high specification seismic vessels for delivery in Q2 2008 and Q1 2009, Sanco Star and Sanco Spirit. These vessels are combined source/cable handling vessels which will allow for "single vessel operation".

Both vessels will be rigged with RXT's cable handling equipment, winches, source and navigation equipment etc. The shipowner is Sanco Holding in Norway and the vessels are chartered on 5 year time charters from delivery. RXT has option to extend the charters with (5 x 1 years).

## RXT'S COMPETITIVE ADVANTAGES



**RXT has several significant competitive advantages including higher data quality and lower costs than competitors.**

RXT focuses on multi-component 2D/3D acquisition of seismic data for both exploration purposes (2C) and on producing fields (4C) where conventional seismic methods give insufficient reservoir imaging, on producing fields where towed streamer operations are impractical due to the obstructions and in shallow waters where towed streamer operations are impractical due to water depth limitations. In addition, the RXT's cost efficient solution will allow for the use of 4C techniques to compete in the rapidly growing 4D market.

**Summary of competitive advantages:**

**Lower base cost**

- One less vessel than any current competing operation
- Approximately 25% lower cost than competitors

**Enhanced operational efficiency**

- Buoy based technology, advanced back deck systems

**Improved data quality**

- RXT has exclusivity with VectorSeis Ocean until end of 2007
- VectorSeis Ocean system has currently the best sensor characteristics in the industry, and a patented sensor isolation mechanism
- In combination they provide the highest quality 4C data in the industry

**HSE strengths**

- Fewer vessels and less people at risk during a survey
- Highly automated back deck systems

## HEALTH, SAFETY AND ENVIRONMENT EFFORTS IN 2006



It is RXT's stance that getting HSE right is a prerequisite for doing business and therefore fundamental to the way RXT operate. It is our overall objective to cause no harm to people, no accidents and no damage to the environment. We align our HSE management system with guidelines developed by OGP, the International Association of Oil and Gas Producers, ensuring we meet Industry expectations.

During 2006, we have continued to build an HSE culture that emphasize:

- being proactive through observation programmes and risk assessments
- extensive reporting and follow ups
- individual's responsibilities and involvement.
- openness about HSE issues both internally and externally

Further to the behavior aspects above, we have built the organisation by recruiting key people that are amongst the most experienced in the industry. On the equipment side, we have chosen technology and implemented a design for obtaining an

operation that requires fewer vessels than comparable OBC surveys. We are putting less people at risk. High risk areas such as the back deck, have been automated extensively to reduce the manual handling, again resulting in reduced risk.

Also in 2006, RXT have invested in, and deployed, a global accessible tool for handling the dynamics of HSE. This web based tool employs distributed databases. It is used for capturing information at source, reporting and assigning and follow up of actions. Through this support system, people at all levels may have a virtually instant overview of the HSE situation of our operation.

There were no fatalities in 2006. We experienced six recordable cases though: one Lost Time Injury, one Restricted Work Case and four Medical Treatment Cases. The associated Lost Time Injury Frequency (LTIF) was 1.3 and the Total Recordable Case Frequency (TRCF) was 7.8. While comparable OBC benchmarking data are not readily available, it is our assessment that the LTIF is on par or better than the industry while the TRCF is higher than desired. It is however, reassuring that only one recordable case since 2004 is attributable to the high risk areas.

We have been operating in the Gulf of Mexico and North Sea

and our clients have expressed their satisfaction with our HSE performance. A major oil company stated: "We are very pleased with the excellent HSE standard on the vessel. This is a result of each individual crew member's positive attitude towards health, safety and the environment."

## SHAREHOLDER INFORMATION



### Shareholder Policy

RXT will openly provide shareholders, Oslo Stock Exchange and the market as a whole, with information on the Company. Such information will take the form of annual reports, quarterly reports, stock exchange bulletins, press releases and investor presentations when appropriate. The Company will also strive to ensure that its progress is monitored by research analysts. The Company shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors. The Company shall maintain an open and proactive investor relations policy, a best-practice website and shall give presentations regularly in connection with interim results.

### Dividend Policy

The Company is young and in a start-up and growth phase. It is RXT's policy to maintain and increase the equity ratio to provide a platform for the Company's expected expansion and growth. The company has no current plans to pay dividends; however, this policy will be reviewed by the Board periodically in light of the current financial conditions. The Company's shareholders shall

achieve a competitive return in relation to the underlying risk involved in RXT's activities. In the start-up phase, such returns will consist of value added through growth in the Company's stock. In the longer run, the Company might pay out of dividends dependent on the Company's earnings, financial conditions and other factors, including cash requirements, future prospects, taxation and regulations.

### Share information

As of 31 December 2006 the issued share capital of Company is NOK 2,555,202 consisting of 25,552,020 shares, all fully paid, with a par value of NOK 0.10 per Share. There is one class of shares. The shares are equal in all respects, and each share carries one vote at the Company's general meeting. Per 31 December 2005 and 1 January 2006, the share capital was NOK 2,000,000 constituting of 20,000,000 shares each with a nominal value of NOK 0.10. The Company had previously two share classes (A and B shares). Class A constituted of 2,402,380 shares which were owned by Lime Rock. Pursuant to a resolution of the general meeting of the Company on 20 November 2006, the A shares and B shares were

merged into one class of ordinary shares in which all shares are equal in all respects.

### Incentive agreements

RXT has established an option plan under which a compensation committee is authorised to grant key employees and consultants options to purchase RXT shares. As per 31 December 2006, there are issued 2,229,545 share options in the Company as further described in Note 14 to the Financial Statements. The options may be exercised by written notice to RXT. The exercise price is to be paid in full at the time of exercise.

### Outstanding authorisations

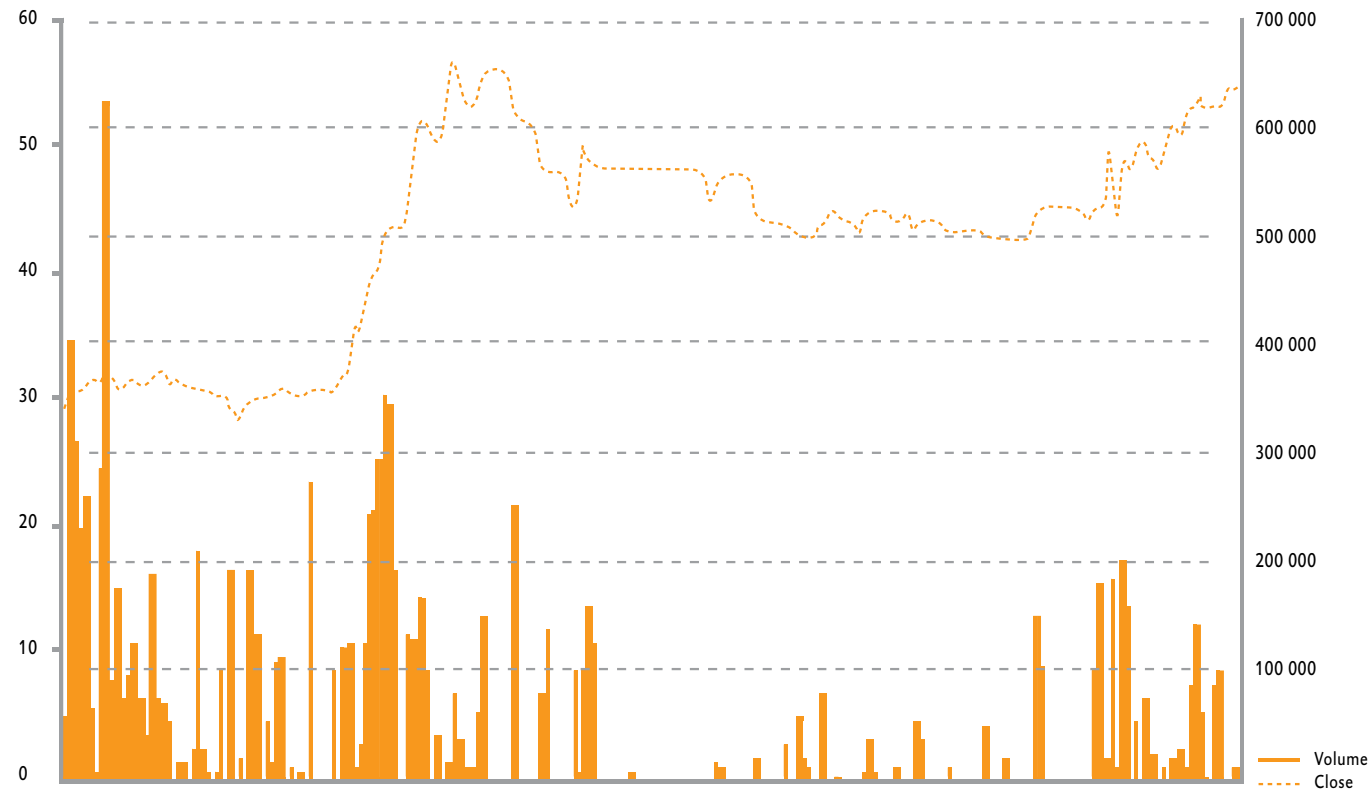
At an extraordinary general meeting held on 15 November 2005, the Board was granted an authorisation to increase the share capital with up to NOK 233,334 in connection with the issue of new shares pursuant to the share options described above. The authorisation is valid until 15 November 2007. Currently 41,295 shares have been issued under the authorisation. At an extraordinary general meeting held on 20 November 2006, the Board was granted an authorisation to increase the share capital with up to NOK 700,000 corresponding to up to 7,000,000 shares, in connection with the share capital increase completed in December 2006. The Board has the right to waive the shareholders' pre-emption rights. The authorisation is valid until the ordinary general meeting in 2007, and 30 June 2007 at the latest. Currently 5,510,200 shares have been issued under the authorisation.

### Convertible Bond

The Company has issued a convertible bond loan of NOK 140,000,000 which runs until February 2011. The bond notes may be converted to shares in the Company at any time until maturity, with a conversion price of NOK 40 per share. The maximum number of new shares to be issued upon conversion of the bond loan is 3,500,000 corresponding to a maximum share capital increase of NOK 350,000.

### Share price development

The RXT shares were traded on the OTC market in Oslo under the ticker RXTB before listing on the OSE 21 December 2006. The share price performance in 2006 is shown in the graph on the next page. The tables set forth price and trading volume for the shares as reported on the OTC market until 20 December 2006, and as reported on the OSE after 20 December 2006.



### Ownership structure

Ownership structure as per 31 December 2006 is described in Note 15 to the Financials Statements.  
 Ownership structure as per 19 March 2007:

| SHAREHOLDER                                 |         | SHARES            | %             |
|---|---------|-------------------|---------------|
| Credit Suisse Securi (Europe) LTD./Firms    | GBR     | 2 463 807         | 9.6 %         |
| Lime Rock Partners II                       | USA     | 2 402 380         | 9.4 %         |
| Credit Suisse Securi (Europe) Prime Broke   | NOM GBR | 2 284 370         | 8.9 %         |
| Bank of New York, BR BNY GCM client account | NOM GBR | 1 851 180         | 7.2 %         |
| Morgan Stanley and C client equity account  | NOM GBR | 1 686 197         | 6.6 %         |
| Storebrand Livsforsikring, Aksjefondet      | NOR     | 1 159 180         | 4.5 %         |
| Bear Sterns Securit A/C clearing account    | NOM USA | 751 480           | 2.9 %         |
| Odin Offshore Odin Forvaltning AS           | NOR     | 750 000           | 2.9 %         |
| JP Morgan Chase Bank S/A Escrow account     | NOM GBR | 607 029           | 2.4 %         |
| JP Morgan Chase Bank S/A BT Pension Schem   | GBR     | 580 000           | 2.3 %         |
| JP Morgan Chase Bank M. Stanley Norway Equ  | GBR     | 498 750           | 2.0 %         |
| Waterman Holding INC                        | GBJ     | 465 000           | 1.8 %         |
| Kollerud Nils Jørgen                        | NOR     | 450 000           | 1.8 %         |
| Goldman Sachs Intern Equity nontreaty cus   | NOM GBR | 448 600           | 1.8 %         |
| UBS AG, London Brac S/A IPB Segregated C    | NOM GBR | 444 478           | 1.7 %         |
| Verdipapirfondet KLP                        | NOR     | 425 000           | 1.7 %         |
| Varma Mutual Pension Company                | FIN     | 415 696           | 1.6 %         |
| Carnegie Aksje Norge VPF                    | NOR     | 370 100           | 1.5 %         |
| Pactum AS                                   | NOR     | 350 000           | 1.4 %         |
| Verdipapirfondet STO C/O Storebrand Kapit   | NOR     | 335 218           | 1.3 %         |
| <b>Total 20 Largest</b>                     |         | <b>18 738 465</b> | <b>73.3 %</b> |
| <b>Others</b>                               |         | <b>6 813 555</b>  | <b>26.7 %</b> |
| <b>Total</b>                                |         | <b>25 552 020</b> |               |



# MANAGEMENT



**Name:** Einar Nielsen  
**Born:** 1955  
**Who:** Vice President Acquisition

Mr. Nielsen has 22 years of experience in advanced technology seismic business from PGS. He has held various management positions in Petroleum Geo-Services (PGS), including the position as VP Marine Acquisition from 1997-2000. From 2000-2002 he was the General Manager of GeoBird Management AS. Mr. Nielsen is a Norwegian citizen and resides in Norway.



**Name:** Chris Walker  
**Born:** 1952  
**Who:** Vice President Geophysics

Mr. Walker holds a Ph.D. degree from Durham University, and has 30 years of experience in the marine seismic exploration business. He held various management positions in GECO from 1984-1991. From 1991-1998 he was the Vice President Geophysics in PGS Exploration. He held the position as Managing Director of PGS Research UK from 1998-2002. Mr. Walker joined the senior management of RXT in December 2002. Mr. Walker is a UK citizen and resides in UK.



**Name:** Odd Erik Rudshaug  
**Born:** 1966  
**Who:** Vice President & CFO

Mr. Rudshaug has a Master of Management from Norwegian School of Management (BI). He was the Financial Controller in PGS from 1995-2000 and the CFO of GeoBird Management AS from 2000-2002. Mr. Rudshaug is a Norwegian citizen and resides in Norway.



**Name:** Martin J. Lode  
**Born:** 1950  
**Who:** Vice President HSEQ

Mr Lode holds a M.Sc from the Norwegian Institute of Technology (NTH). He has 20 years industry experience including 15 years in management positions from companies including Mobil Exploration and Exxon Company International. He has further held management positions in Storebrand and worked as a Management Consultant for PriceWaterhouse-Coopers in Scandinavia. Mr Lode is a Norwegian citizen and resides in Norway.

# MANAGEMENT



**Name:** Larry Wagner

**Born:** 1954

**Who:** Vice President US

Mr. Wagner has 32 years of experience from marine seismic business. He has 28 years of experience with Western, 2 years with WesternGeco, and 1 year with consulting to the oil service business. Mr. Wagner is a US citizen and resides in US.

## THE BOARD OF DIRECTORS



**Name:** Thomas R. Bates  
**Born:** 1949  
**Who:** Board member

Mr. Bates joined Lime Rock as a Managing Director in 2001. Prior to joining the firm, Mr. Bates served from 1998 through 2000 as President of the Discovery Group of Baker Hughes (Western Geophysical, Baker Atlas, and Baker Hughes Inteq) and was responsible for the integration of Western Atlas into Baker Hughes. Earlier, he served as President and CEO of Weatherford Enterra and was responsible in 1998 for its sale to EVI in the third largest oil service merger ever completed at that time. Previously, Mr. Bates spent 15 years with Schlumberger in both domestic and international locations. Mr. Bates was responsible for the Sedco-Forex rig fleet in the North Sea from 1986 through 1990 and in the Asia/Middle East region from 1990 through 1992. Mr. Bates is a US citizen and resides in the US.



**Name:** William (Bill) McCall  
**Born:** 1964  
**Who:** Chairman of the Board

Mr. McCall was appointed Chairman of the Company in May 2004. Mr. McCall acts as Chairman of a number of private equity backed companies. He is a former individual member of the London Stock Exchange, and regulated individual by the UK Securities and Futures Authority (SFA). He is a former Director of Charterhouse Tilney, a securities firm, and Singer & Friedlander, a UK merchant bank. McCall has been principal of his own firm, McCall & Partners since 1999. Mr. McCall is a UK citizen and resides in the UK (Scotland).



**Name:** Thorhild Widvey  
**Born:** 1956  
**Who:** Board member

Thorhild Widvey was elected as board member at the Company's EGM 15 November 2005, and replaced Michael Scott as Board member on 18 April 2006. Mrs Widvey has extensive political experience, and has been Member of the Parliament for Norway, State Secretary at the Ministry of Fishery and Coastal affairs and at the Ministry of Foreign Affairs and has been Minister of Petroleum and Energy. Mrs. Widvey is a Norwegian citizen with residence in Oslo, Norway.

# REPORT FROM BOARD OF DIRECTORS 2006

## RXT Group



### Operations

Reservoir Exploration Technology Group (“RXT”) is a marine geophysical company specializing in multi-component sea-floor seismic acquisition. The Company is located at Lysaker, Norway, in Epsom, England and in Houston, Texas. RXT is also represented world-wide by agencies or operating offices in the following countries: Azerbaijan, Brazil, Egypt, India, Italy, Kazakhstan, Malaysia, Nigeria, Pakistan, Saudi-Arabia and UAE.

The Company is listed on the Oslo Stock Exchange.

The Company’s objective is to create a strong niche multi-component seismic acquisition Company based on the competence of the Board, management and employees, state-of-the-art technology, cost-efficient acquisition methods and a proven ability through the management’s prior engagements to drive the market growth.

The Company’s activities have in 2006 been conducted in the Gulf of Mexico and in the North Sea.

Following successful commercialisation of the VectorSeis Ocean (“VSO”) acquisition system through 2005, RXT has, in 2006, firmly established itself as the leading provider of the highest quality and most cost efficient multi-component (2C and 4C) data acquisition.

The Company had two operations in 2006. RXT1, consisting of the vessels Beulah Chouest and Bourbon, was deployed in the Gulf of Mexico (GOM) during the whole year. Both vessels went to yard in February, one for 25 year classification and the other for replacement of its generators. After completion of the extensive yard work, RXT1 has mainly been working on a large program offshore Louisiana. A small 4C program was acquired in October 2006, and the operation reverted to the larger program thereafter. Operation has been negatively affected by considerable third party diving activity related to subsea platform repairs after the 2005 hurricane activity. There was also an unusual technical problem with one of the vessels in September, which was entirely unrelated to our seismic activity. The vessel had to go in for repairs, and the yard stay lasted almost two weeks. Excluding those unusual events, production has been on target.

RXT2 consists of the vessel Ocean Pearl, which started production West of Shetland on the 6th of June 2006. This was approximately 4 weeks later than planned, primarily due to late delivery of seismic equipment from several vendors, a problem presently being encountered throughout the industry as a result of huge

demand on equipment suppliers to the sector. The first program completed very successfully in the first week of September 2006. This was a very high profile program involving three supermajor oil companies and was completed on time and on budget. The vessel then mobilised for reservoir specific 4C programs on the Norwegian continental shelf, which was completed in December 2006. Ocean Pearl is the first “single vessel” solution in the global Ocean Bottom Cable (OBC) market, and has turned out to be very successful. RXT believes that this concept gives a significant competitive advantage for 4C applications due to lower cost base and less Health, Safety and Environmental (HSE) risk.

### Going concern

In accordance with the Accounting Act § 3-3 we confirm that the Financial Statements have been prepared under the assumption that we are a going concern. The basis of this assumption lies in income projections for the year 2007 and the improved equity situation during 2006. The Group has been awarded new contracts which will secure activity for the operations into 2007, minimizing the Group’s risk regarding future activity. The Company’s economic and financial position is sound after the issuance of the convertible bond in February 2006 and the equity placement in December 2006, and the Group has by the end of 2006 a total equity of US\$ 71.0 millions. Based on this, the assumption of going concern is considered to be met.

### Organisation

At year-end, the Group had 100 employees.

### The working environment

Absence due to sickness totalled 0.67% of total working time in 2006, which is about identical to the absence rate in 2005. The Company will continue to make efforts to reduce the number of sick days.

Six minor injuries resulting in first aid help were reported from the Company’s vessels during 2006.

While the working environment is considered to be good, efforts for improvement are made on an ongoing basis. It is the

objective of the Company to provide for safe practices in ship operation and a safe working environment. This objective will be achieved by;

*Maintaining high standards for safety consciousness, personal discipline and individual accountability by adherence to a comprehensive and documented system of training.*

*Actively promoting employee participation in measures aimed at improving safety.*

*Keeping all personnel informed of any known or potential hazards that may affect themselves and their colleagues.*

The Company’s overall HSE statistics are very good and better than the industry average.

### Equal opportunities

The Company is committed to providing a workplace with equal opportunities. The group will not tolerate gender discrimination regarding salary, promotion and recruitment in its policies. Of the Company’s employees as per December 31, 2006, only five out of 100 were women (5.0%). The female employees are all office based. The percentage of females in the Company is low. The reason for this is that the Company recruits from offshore environments which have historically been dominated by men, such as engineers, technicians and vessel crew. Consequently, there is no gender discrimination represented by the low number of female employees within the Company.

Average yearly salary for women is NOK 425 000, while the average yearly salary for men is NOK 643 000. This is because of the fact that men are better represented in higher paid offshore positions.

### External environment

The Company’s geophysical operations offshore raise some environmental issues. RXT places considerable emphasis on prevention of negative environmental impact of their operations.

It is the policy of the Company to maintain a safe and pollution-free operating practice that complies with national and international regulations and relevant standards and guidelines.

The Geophysical HSE Management Plan, along with procedures, describes in further detail the pollution prevention.

It is the objective of the Company to continuously improve the management skills in relation to environmental protection.

### Future challenges and economic forecasts

The Company has been awarded contracts for 2007 in the Caspian Sea, in the Gulf of Mexico and in the North Sea.

Pricing has improved significantly in the past few months. The contracts which start in 2007 are at pricing levels significantly higher than 2006. RXT is confident that earnings in the future will reflect the high current backlog of work and the improved pricing environment as well as productivity gains in longer contract periods.

RXT's third operation, RXT3, will commence operations in the Caspian Sea in May 2007 for AgipKCO. The contract period is around 5 months. RXT3 will then mobilise for another survey in the Southern Caspian, with estimated start around 1st November 2007. Estimated duration for this survey is five months.

Operating costs increased significantly during 2006, and the Company expects this to continue into 2007. However, the Company remains watchful of all aspects of expenditure.

The Company believes that the market demand for multi-component seismic is sufficient for the rigging of a 4th operation. Contract visibility is strong, and RXT has ordered seismic equipment for delivery in Q4 2007.

The Company entered into two long term charters in 2006 for vessels which are to be newly constructed. Delivery is estimated to be Q2 2008 and Q1 2009. The vessels will be chartered from Sanco Holding AS in Norway. The time charters are for a period of 5 years with options of up to 5 more years. The vessels will be rigged with state of the art seismic equipment to operate as combined shooting and cable handling vessels for multi component sea-floor acquisition.

### Net income, investments, financing and liquidity

The Company's revenues increased from US\$ 19.1 million in 2005 to US\$ 48.5 million in 2006. Net loss in 2006 was US\$ 12.5 million,

compared to US\$ 13.0 million in 2005. The loss for the year 2006 was mainly due to a non-cash charge on the derivative of the convertible bond amounting to US\$ 10.3 million. EBIT for 2006 was US\$ -5.1 million compared to US\$ -5.6 million in 2005.

Cash flow from operating activities was US\$ 3.9 million in 2006 compared to US\$ -10.2 million in 2005. Operating loss for 2006 was US\$ 5.1 million in the same period. The difference in 2006 between the operating loss and the cash flow from operating activities is mainly due to ordinary depreciation (US\$ 10.2 million).

The Company has invested US\$ 58.3 million in new seismic equipment during 2006, mainly for RXT 2 which commenced operation in June 2006.

The Company's liquidity as of 31.12.06 amounted to US\$ 35.5 million, compared to US\$ 31.2 million in December, 31 2005. The liquidity situation as per December 31, 2006 is considered to be sufficient in relation to the predicted level of activity in 2007.

The short-term debt as of 31.12.06 constituted 36.3% of total Company debt, compared to 70.3% as of 31.12.05. This reduction is attributable to the issuance of the convertible bond in February 2006.

RXT entered into a financial lease in Q4 2006 for some of the cables for the third operation (RXT3). Total proceeds from the financial lease will be NOK 40 million.

The Company issued in February 2006 a convertible bond of NOK 140 million with pre-emptive rights for existing shareholders. The convertible bond has a 5% coupon, a 5 year maturity and a strike price of NOK 40 per share. According to IFRS, a convertible bond shall be split into an equity element and a debt element. However, this is not the case if the currency of the convertible bond and the conversion right currency is different from the functional currency of the issuing company. The convertible bond is convertible in NOK, and was issued in NOK by RXT ASA, having USD as its functional currency. Consequently, the convertible bond includes a financial derivative that has to be recorded as a financial liability at inception and with following changes in estimated market value through the profit and loss statement. Reference is made to IAS 32.16. The financial liability at inception was US\$ 5.0 million. Following changes have been made during 2006:

| In US\$ million | Change during quarter | Market value end of period |
|-----------------|-----------------------|----------------------------|
| Inception       |                       | 5.0                        |
| Q1-2006         | 2.6                   | 7.6                        |
| Q2-2006         | 5.7                   | 13.3                       |
| Q3-2006         | -2.9                  | 10.4                       |
| Q4-2006         | 4.9                   | 15.3                       |

The change is mainly related to the change in RXT's share price, and has no impact on EBITDA or cash flow.

RXT carried out a private placement in December 2006 of 5,510,200 shares at NOK 49 per share. Gross proceeds from the placement were NOK 270 million (approximately \$44 million).

The Company's financial position is good, and its ability to service its short-term debt as of 31.12.06 is covered by liquid assets.

Total Assets at year end amounted to US\$ 125.9 millions, as compared to US\$ 58.4 millions in the prior year. The increase in assets consists mainly of increasing of non-current assets. Equity as a percentage of Total Assets was 56.4% as of 31.12.2006, compared to 70% as of 31.12.2005.

The Company has no Research & Development activity.

The Company's Annual Accounts for 2006 do not, according to the knowledge of the Board of the Directors, contain any significant source of uncertainty or errors.

In February 2007, the Company was awarded a contract for the acquisition of multi-component seismic data for BP in the Caspian Sea. The Company also signed a letter of intent with GXT for acquisition of multi-component data in the GOM. (These are further described in the notes of the Annual Accounts).

There have not been, to the knowledge of the Board of Directors, any other material events with relevance to the Company's Annual Accounts as per December 31, 2006.

### Financial Risk

#### Market Risk

Any investment in the Company's shares is associated with an element of risk. The Company operates in a market featuring open competition and numerous factors outside RXT's control. In addition, the price of the shares will also be subject to fluctuations in line with general movements in the capital markets and the liquidity of secondary market. Historically, the earnings of offshore companies and the value of the equipment used have seen major fluctuations.

All securities investments involve the risk of loss of capital. Investment in RXT involves economic risks. Although the Company's investment and management strategy is expected to provide some protection from the risk of loss inherent in the ownership of such assets, there can be no assurance that these strategies completely protect against that risk or that the Company's investment objective will be met.

Borrowings create leverage. To the extent income derived from assets obtained with borrowed funds exceeds the interest and other expenses that the Company will have to pay, the Company's net income will be greater than if borrowings were not used. Conversely, if the income from the assets obtained with borrowed funds is not sufficient to cover the costs of borrowings, the net income of the Company will be less than if borrowings were not used. The Company will borrow only when the Board believes that such borrowings will benefit the Company after taking into account considerations such as the costs of the borrowing and the likely return on the assets purchased with the borrowed money.

Currency exchange fluctuations could have a material impact on the Company's results from time to time, although RXT will routinely consider hedging activities to reduce risks.

#### Credit Risk

The Company's plans for further international expansion could impose financial and administrative burdens on its business. Expansions in accordance with the Company's business plan will require investments to increase the Company's seismic data acquisition capacity. No assurance can be provided with regard to the Company's access to financing of such investments.

The Company's trade receivables are primarily from oil companies with a generally high credit rating. The Board of Directors believes that the Company's exposure to credit risk from the loss of trade receivables is relatively low. Credit evaluations of customers are performed regularly in order to manage potential risk.

#### Liquidity risk

The Company's cash base as per December 31, 2006 was US\$ 35.5 millions. Based on the year end cash balance and the current structure and terms of the Company's debt, the liquidity risk is considered to be adequate.

### Board of Directors and Corporate Governance

Reservoir Exploration Technology ASA is dedicated to maintaining high standards of corporate governance, and to be in compliance with the law. Effective corporate governance is essential to the general health of the Company and outlines the framework in which we conduct the delivery of the services to our customers, relations to our employees and the value to our shareholders.

All shareholders are treated on an equal basis.

The shareholders are not exposed to differential treatment that lacks a factual basis in the Company's and the shareholders' common interest. The Company's share capital is divided on 25,552,020 shares. Each share in the Company carries one vote. The Company had earlier A- and B-shares. Conversion to one class of shares was executed in December 2006, when the Company listed on the Oslo Stock Exchange.

All shares in the Company are freely transferable.

The Company's equity is considered to be appropriate to its

objectives, strategy and risk profile.

The Company's information policy is based on openness and equal treatment of all shareholders.

RXT ASA is listed on the Oslo Stock Exchange, and the Company's corporate governance model is built on Norwegian corporate law. Within this given framework, the Company implements corporate governance guidelines beneficial to its business.

### Governance structure

#### The General Meeting

Through the General Meeting the shareholders exercise the highest authority in the Company. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings.

The General Meeting elects the members of the Board of Directors, determines the remuneration of the members of the board of directors, approves the annual accounts and decides such other matters which by law or the Company's Articles of Association are to be transacted at the General Meeting.

#### The Board of Directors

In 2006 the Board of Directors consisted of William McCall (Chairman), Thomas R. Bates (Board Member) and Thorhild Widvey (Board Member). The Board has established two sub-committees, the Audit Committee, consisting of Bates, Widvey and Odd Erik Rudshaug as ex-officio member and the Remuneration Committee consisting of McCall, Bates and Michael Scott as ex-officio member.

A nomination committee will be elected in the next ordinary General Meeting.

#### Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Company. The Chief Executive Officer is responsible for ensuring that the Company's accounts are in accordance with existing Norwegian legislation and regulations and other relevant laws, and that the assets of the Company are soundly managed. The Chief Executive Officer is appointed by the Board of Directors and reports to the Board of Directors.

The powers and responsibilities of the Chief Executive Officer are defined in instructions adopted by the Board of Directors. The instructions from the Board of Directors are given in these guidelines and in meetings of the Board. The Chief Executive Officer shall participate in the meetings of the Board of Directors and is allowed to table items for discussion and speak at board meetings but does not have voting rights.

### Allocation of net income

The Company's free equity as per December 31, 2006 is 0.

The Board of Directors has proposed the following allocation of the net loss of RXT ASA for 2006 (NOK 1 000):

|                  |            |
|------------------|------------|
| Accumulated loss | NOK 21 371 |
| Net Loss         | NOK 21 371 |

The Net Loss of 2006 is added to accumulated losses in the Balance Statement instead of deducting Share Premium Reserves.

New York, 14 March 2007



Thorhild Widvey  
Board Member



William McCall  
Board Member/Chairman of the Board



Thomas R. Bates  
Board Member



Michael Scott  
Chief Executive Officer

# RESERVOIR EXPLORATION TECHNOLOGY GROUP

## Income Statements

| In US\$ 1,000   |      | 2006           | 2005           | 2004           |
|---|------|----------------|----------------|----------------|
| <b>REVENUE:</b>   |      |                |                |                |
| Sales revenue   | 3,4  | 48 514         | 19 113         | 2 568          |
| <b>Total revenue</b>  |      | <b>48 514</b>  | <b>19 113</b>  | <b>2 568</b>   |
| <b>OPERATING EXPENSES:</b>  |      |                |                |                |
| Cost of sales   | 4    | 35 982         | 16 369         | 7 730          |
| Selling, general and administrative cost                                  | 4,12 | 7 361          | 3 934          | 1 717          |
| Other expenses  | 8    | 10 248         | 4 459          | 1 175          |
| <b>OPERATING LOSS / EBIT</b>  |      | <b>-5 077</b>  | <b>-5 649</b>  | <b>-8 054</b>  |
| <b>FINANCIAL INCOME AND EXPENSES:</b>                                     |      |                |                |                |
| Financial income  | 4    | 420            | 792            | 0              |
| Financial expenses  | 4    | -2 581         | -8 113         | -2 218         |
| <b>Financial items</b>  |      | <b>-2 160</b>  | <b>-7 321</b>  | <b>-2 218</b>  |
| <b>NET RESULT BEFORE VARIANCES ON DERIVATIVE OF CONVERTIBLE BOND (CB)</b> |      |                |                |                |
|   |      | <b>-7 237</b>  | <b>-12 970</b> | <b>-10 272</b> |
| Variance on derivative of CB  | 24   | -10 290        | 0              | 0              |
| <b>Net result before tax</b>  |      | <b>-17 527</b> | <b>-12 970</b> | <b>-10 272</b> |
| Income tax expense (benefit)  | 5,6  | -5 000         | 0              | 0              |
| <b>NET PROFIT (LOSS)</b>  |      | <b>-12 528</b> | <b>-12 970</b> | <b>-10 272</b> |
| Earnings per share (US\$)   | 7    | -0.62          | -1.24          | -3.96          |
| Earnings per share (US\$) - Diluted                                       | 7    | -0.62          | -1.24          | na             |
| Average shares outstanding  | 7    | 20 211 904     | 10 456 765     | 2 591 785      |
| Average shares outstanding - Diluted                                      | 7    | 24 471 882     | 10 667 454     | 2 591 785      |



# RESERVOIR EXPLORATION TECHNOLOGY GROUP

## Balance Sheets

| In US\$ 1,000                   |     | Dec 31,<br>2006 | Dec 31,<br>2005 |
|---------------------------------|-----|-----------------|-----------------|
| <b>ASSETS</b>                   |     |                 |                 |
| <b>Non-current assets:</b>      |     |                 |                 |
| Deferred tax asset              | 5,6 | 5 000           | 0               |
| Seismic equipment               | 8   | 69 778          | 21 067          |
| Other fixed assets              | 9   | 1 159           | 1 886           |
| <b>Total non-current assets</b> |     | <b>75 937</b>   | <b>22 953</b>   |
| <b>Current assets:</b>          |     |                 |                 |
| Accounts receivable             | 11  | 12 185          | 3 216           |
| Other current assets            |     | 2 302           | 983             |
| <b>Total receivables</b>        |     | <b>14 487</b>   | <b>4 198</b>    |
| Cash and cash equivalents       | 13  | 35 523          | 31 207          |
| <b>Total current assets</b>     |     | <b>50 010</b>   | <b>35 406</b>   |
| <b>TOTAL ASSETS</b>             |     | <b>125 947</b>  | <b>58 359</b>   |
| <b>EQUITY AND LIABILITIES</b>   |     |                 |                 |
| <b>Shareholders' equity:</b>    |     |                 |                 |
| <b>Paid in capital:</b>         |     |                 |                 |
| Share capital                   | 15  | 391             | 302             |
| Share premium reserve           |     | 103 548         | 62 149          |
| Other equity                    |     | 1 559           | 559             |
| <b>Accumulated profits</b>      |     |                 |                 |
| Retained earnings/(loss)        |     | -34 530         | -22 316         |
| <b>Total equity</b>             |     | <b>70 968</b>   | <b>40 694</b>   |

|                                     |           | Dec 31,<br>2006 | Dec 31,<br>2005 |
|-------------------------------------|-----------|-----------------|-----------------|
| <b>Long-term liabilities:</b>       |           |                 |                 |
| Convertible bond                    | 24        | 15 686          | 0               |
| Fair value of conversion right CB   | 24        | 15 285          | 0               |
| Capital lease obligations           | 25        | 1 322           | 0               |
| Other long-term liabilities         | 17        | 2 734           | 5 239           |
| <b>Total long-term liabilities</b>  | <b>26</b> | <b>35 027</b>   | <b>5 239</b>    |
| <b>Current liabilities:</b>         |           |                 |                 |
| Short term interest bearing debt    | 18        | 4 697           | 2 733           |
| Accounts payable                    | 18        | 12 284          | 5 301           |
| Other current liabilities           | 18        | 2 970           | 4 392           |
| <b>Total current liabilities</b>    |           | <b>19 952</b>   | <b>12 426</b>   |
| <b>Total liabilities</b>            |           | <b>54 979</b>   | <b>17 665</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> |           | <b>125 947</b>  | <b>58 359</b>   |

New York, 14 March 2007



Thorhild Widvey  
Board Member



William McCall  
Board Member/Chairman of the Board



Thomas R. Bates  
Board Member



Michael Scott  
Chief Executive Officer

# RESERVOIR EXPLORATION TECHNOLOGY GROUP

## Consolidated Statement of Changes in Equity

In US\$ 1,000

|                             | Issued capital<br>A-shares | Issued capital<br>B-shares | Share<br>premium | Other<br>equity | Retained<br>earnings | Total<br>Equity |
|-----------------------------|----------------------------|----------------------------|------------------|-----------------|----------------------|-----------------|
| At January 1, 2005          | 17                         | 31                         | 0                |                 | -9 346               | -9 298          |
| Share issue July            |                            | 145                        | 34 846           |                 |                      | 34 991          |
| Share issue September       |                            | 52                         | 17 518           |                 |                      | 17 570          |
| Share issue cost            |                            |                            | -3 014           |                 |                      | -3 014          |
| Debt conversion             | 29                         | 29                         | 13 743           |                 |                      | 13 800          |
| Other                       |                            |                            | -943             |                 |                      | -943            |
| Share options               |                            |                            |                  | 559             |                      | 559             |
| Net result                  |                            |                            |                  |                 | -12 970              | -12 970         |
| <b>At December 31, 2005</b> | <b>45</b>                  | <b>256</b>                 | <b>62 149</b>    | <b>559</b>      | <b>-22 317</b>       | <b>40 694</b>   |
| Share options               |                            |                            |                  | 1 000           |                      | 1 000           |
| Share issue                 |                            | 90                         | 43 674           |                 |                      | 43 764          |
| Share issue cost            |                            |                            | -2 278           |                 |                      | -2 278          |
| Debt conversion             |                            |                            | 3                |                 |                      | 3               |
| Merging of A- and B-shares  | 346                        | -346                       |                  |                 |                      | 0               |
| Other                       |                            |                            |                  |                 | 314                  | 314             |
| Net result                  |                            |                            |                  |                 | -12 528              | -12 528         |
| <b>At December 31, 2006</b> | <b>391</b>                 |                            | <b>103 548</b>   | <b>1 559</b>    | <b>-34 530</b>       | <b>70 968</b>   |

# RESERVOIR EXPLORATION TECHNOLOGY GROUP

## Cash flow statements

In US\$ 1,000

|  | 2006           | 2005           | 2004           |
|--|----------------|----------------|----------------|
| <b>Cash flow from operating activities:</b>    |                |                |                |
| Net result before income taxes                 | -17 527        | -12 970        | -10 272        |
| Depreciation                                   | 10 248         | 4 459          | 1 175          |
| Fair value of conversion right CB              | 10 290         | 0              | 0              |
| Changes in current assets/ liabilities         | 917            | -1 643         | 6 882          |
| <b>Net cash flow from operating activities</b> | <b>3 928</b>   | <b>-10 155</b> | <b>-2 215</b>  |
| <b>Cash flow from Investing activities:</b>    |                |                |                |
| Purchase of seismic equipment                  | -59 050        | -2 778         | -23 832        |
| Change in prepaid seismic equipment            | 727            | -1 886         | 0              |
| <b>Net cash flow from investing activities</b> | <b>-58 323</b> | <b>-4 664</b>  | <b>-23 832</b> |
| <b>Cash flow from financing activities:</b>    |                |                |                |
| Proceeds from new equity raised                | 41 781         | 49 547         | 1 231          |
| Proceeds from debt raised                      | 19 436         | 7 902          | 25 602         |
| Payment of liabilities                         | -2 506         | -11 485        | -724           |
| <b>Net cash flow from financing activities</b> | <b>58 712</b>  | <b>45 964</b>  | <b>26 109</b>  |
| <b>Cash balance:</b>                           |                |                |                |
| Net change in cash                             | 4 317          | 31 145         | 62             |
| Cash beginning of period                       | 31 207         | 62             | 0              |
| <b>Cash end of period</b>                      | <b>35 523</b>  | <b>31 207</b>  | <b>62</b>      |



# RESERVOIR EXPLORATION TECHNOLOGY GROUP

## Notes to the consolidated financial statements

### Note 1 Introduction

Reservoir Exploration Technology Group (“RXT”) is a marine geophysical company specializing in multi-component seismic sea-floor acquisition. The Group is located at Lysaker, Norway, in Epsom, England and in Houston, Texas. RXT is also represented world-wide by agencies or operating offices in the following countries: Azerbaijan, Brazil, Egypt, India, Italy, Kazakhstan, Malaysia, Nigeria, Pakistan, Saudi-Arabia and UAE.

The Company is listed on the Oslo Stock Exchange.

The consolidated accounts are in accordance with International Financial Reporting Standards (IFRS).

RXT management believes that the following accounting policies have the greatest effect on the amounts in the financial statements: number 2.9 regarding non-current assets and leases, number 2.16 regarding loans and number 2.17 regarding income tax.

The Board approved the financial statements on March 14th, 2007.

### Note 2 Summary of significant accounting policies

#### 2.1 Basis for preparation

The consolidated financial statements of Reservoir Exploration Technology ASA, (“RXT” or “The Group”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as adopted by EU, published by the International Accounting Standards Board and the Norwegian Accounting Act.

The consolidated financial statements have been prepared on an historical cost basis, except for the derivatives related to the convertible bond, which are recorded to market value.

#### 2.2 Changes in accounting policies

No changes in accounting policies have been made after December 31, 2005.

#### 2.3 Presentation currency

The Group presents its financial statements in US\$.

#### 2.4 Basis of consolidation

The Group’s consolidated financial statements comprise RXT ASA and companies in which RXT has a controlling interest. A controlling interest is normally attained when the Group owns, either directly or indirectly, more than 50% of the shares in the company and is capable of exercising control over the company. There are no minority interests.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are consolidated from/until the date when the purchase/sale is carried out. The carrying value of the investments is reviewed when there are indications of a fall in value or when there is no longer any need for previously recognised impairment losses.

All other investments are accounted for at market value in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. As of December 31, 2006, there are none such investments. RXT has no investments in associated companies or joint ventures.

Intercompany transactions and balances, including internal profits and unrealized gains and losses are eliminated in full. Unrealized gains that have arisen due to transactions with associates are eliminated against the Group’s share in the associate. Unrealized losses are correspondingly eliminated, but only to the extent that there are no indications of a fall in the value of the asset that has been sold internally.

The consolidated financial statements are prepared based on the

assumption of uniform accounting policies for identical transactions and other events under equal circumstances.

The conversion of subsidiaries with other functional currencies than US\$ is done on a consecutive basis throughout the year using the exchange rate from Norges Bank for every period.

#### 2.5 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

#### 2.6 Trade receivables

Trade receivables are carried at amortized cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognised as a loss, discounted by the receivable amount’s effective interest rate.

#### 2.7 Hedging

Before a hedging transaction is carried out, the Group’s finance department assesses whether a derivative is to be used to a) hedge the fair value of an asset or liability, b) hedge a future cash flow from an investment, debt payment or future identified transaction.

The Group’s criteria for classifying a derivative as a hedging instrument are as follows:

- (1) the hedge is expected to be effective in that it counteracts changes in the fair value of or cash flows from an identified asset - a hedging efficiency within the range of 80-125% is expected,
- (2) the effectiveness of the hedge can be reliably measured,
- (3) there is adequate documentation when the hedge is entered into that the hedge is effective,
- (4) for cash-flow hedges, the forthcoming transaction must be probable, and
- (5) the hedge is evaluated regularly and has proven to be effective.

As of December 31, 2006, the Group has not carried out any hedging activity.

#### 2.8 Derivatives that are not hedging instruments

Derivatives that are not classified as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value. Changes in the fair value of such derivatives are recognised in the income statement.

#### 2.9 Non-current assets and leases

Non-current assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement. The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance cost, are normally expensed in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be capitalised.

Depreciation is calculated using the straight-line method over the following periods:

|                                 |           |
|---------------------------------|-----------|
| Seismic equipment               | 5-7 years |
| Fixtures, fittings and vehicles | 3 years   |

The depreciation period and method are assessed each year to ensure that the method and period used harmonise with the useful life of the non-current asset. The same applies to the scrap value.

Equipment under construction are classified as non-current assets and recognised at the costs incurred in relation to the non-current asset. Equipment under construction is not depreciated until the non-current asset is taken into use.

#### Software

Costs linked to the purchase of new computer programs are recognised in the balance sheet as a tangible non-current asset provided these costs do form part of the hardware acquisition costs. Cost incurred as a result of maintaining or upholding the future usefulness of software are expensed as incurred unless the changes in the software increase the future economic benefit from the software.

### The Group as a lessee Finance leases

The Group presents finance leases in the financial statements as assets and liabilities, equal to the cost price of the asset or, if lower, the present value of the minimum lease payments. When calculating the present value of the lease the implicit interest cost in the lease is used when it can be determined. If it cannot be determined, the Group's marginal borrowing rate in the market is used. Direct costs relating to the lease are included in the asset's cost price. Monthly rent is separated into an interest element and a repayment element. Interest cost are allocated to different periods, so that the interest cost for the remaining debt is the same in the different periods.

Assets that form part of a finance lease are depreciated. The depreciation period is consistent for equivalent assets that are owned by the Group. If it is not certain that the Group will take over the asset when the lease expires, the asset is depreciated over the lease's term or the depreciation period for equivalent assets owned by the Group, whichever is the shorter.

### Operating leases

Leases for which most of the risk rests with the other contracting party are classified as operating leases. Lease payments are classified as operating costs and recognised in the income statement in the contract period.

### 2.10 Research and development

Expenses relating to research are expensed as accrued. Expenses relating to development are recognised in the income statement when they are incurred unless the following criteria are met in full:

- the product or process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or process will be sold or used in the Group's operations;
- the asset will generate future economic benefits; and
- sufficient technical, financial and other resources for completing the project are present.

When all the above criteria are met, the costs relating to development are capitalised. Costs that have been charged as expenses in previous accounting periods are not capitalised.

Capitalised development costs are depreciated on a straight-line basis over the estimated useful life of the asset.

The depreciation period will normally not exceed five years.

The fair value of the development costs will be estimated when there is an indication of a fall in value or that the need for previous periods' impairment losses no longer exists.

### 2.11 Provisions

Provisions are recognised when, and only when, the Group has a valid liability (legal or constructive) as a result of events that have taken place and it can be proven probable (more probable than not) that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

### 2.12 Equity

#### (i) Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying financial reality.

#### (ii) Costs of equity transactions

Transaction costs relating to an equity transaction are recognised directly in equity after deducting tax expenses. Only transaction costs directly linked to the equity transaction are recognised directly in equity.

### 2.13 Revenue recognition

Revenue is recognised when it is probable that transactions will generate future economic benefits to the Group and the size of the amount can be reliably estimated. Sales rev-

enues are presented net of accrued value added tax and discounts.

RXT is a supplier of geophysical services to the oil and gas industry, and revenues are related to the acquisition of multi component seismic sea-floor acquisition on contract basis for oil and gas companies worldwide.

Contract revenues from acquisition of seismic data is recognised in the income statement once the data has been acquired and delivered to be invoiced to the customer.

The revenue and the related steaming and mobilization costs when moving the seismic vessels to the location specified by the contract are deferred until the contracted services commence and are recognised over the duration of the contract by reference to the stage of completion.

### 2.14 Currency

Currency transactions are translated at the rate applicable on the transaction date. Foreign exchange gain/losses that arise as a result of changes in the exchange rate between the transaction date and the payment date are recognised in the income statement. At the balance sheet date, monetary items not being reflected in US\$ are translated to US\$ at the value applicable at the balance sheet date.

### 2.15 Employee benefits

#### Defined contribution plan

The Group has made contributions to local pension plans. These contributions have been made to the pension plan for full-time employees. The Group has no part-time employees. The Group's payments are expensed in the period to which the contribution applies.

#### Share options

The employees and management of the Group have been given options to buy shares in the parent Company. The fair value of the options is calculated on the grant date, and expensed over the vesting period.

### 2.16 Loans

Borrowing costs are capitalised in the income statement when they arise. Borrowing costs are capitalised to the extent that they are directly related to the construction or production of a non-

current asset. Borrowing costs are capitalised when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalised until the date when the non-current asset is ready for use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognised.

Loans are recognised at the amount received, net of transaction costs. The loans are thereafter recognised at amortised costs using the effective interest rate method.

RXT ASA has a convertible bond that is denominated in a foreign currency. Following IFRS, a foreign currency convertible bond is not a compound financial instrument and is classified wholly as a liability in the financial statements. Following IAS 32, by definition, foreign currency denominated convertible debt contains embedded derivative in relation to the conversion option, and the foreign exchange rates must be remeasured to market at reporting date.

### 2.17 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all taxable temporary differences, with the exception of:

- temporary differences relating to investments in subsidiaries when the Group decides when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the Group will have a sufficient profit for tax purposes to utilise the tax asset. At each balance sheet date, the Group carries out a review of its unrecognised deferred tax assets and the value it has recognised. The Group recognise formerly unrecognised deferred tax assets to the extent that it has become probable that the Group can utilise the deferred tax asset. Similarly, the Group will reduce its deferred tax assets to the extent that it can no longer utilise these.

The tax payable and deferred tax are recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

### 2.18 Impairment of assets

An assessment of impairment losses on other assets is made when

there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong.

Impairment losses recognised in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was.

#### 2.19 Fuel inventory

The fuel inventory on every vessel in operation is measured at year end and capitalised using FIFO pricing, stated to the lower of cost and net realizable value.

#### 2.20 Segments

The Group has one business segment. The note disclosures include segment information per geographical area.

#### 2.21 Contingent liabilities and assets

Contingent liabilities are defined as

- (i) possible obligations resulting from past events whose existence depends on future events.
- (ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources.
- (iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity (refer to 2.16). Significant contingent liabilities are booked, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not disclosed in the annual financial statements, but is stated if there is a certain level of probability that a benefit will accrue to the Group.

#### 2.22 Events after the balance sheet date

New information about the Group's position that existed at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date but which will affect the Group's position in the future are disclosed if significant.

#### 2.23 Use of estimates when preparing the annual financial statements

The annual financial statements have been prepared in accordance with IFRS (International Reporting Financial Standards). This means that the management might use estimates and assumptions that can affect assets, liabilities, revenues, expenses and information on potential liabilities.

#### Depreciation of seismic equipment

Depreciation is based on management estimates of the future life of the equipment and residual values. Estimates may change due to technological development, competition and environmental and legal requirements. The management reviews the future useful life of the equipment and each component periodically taking into consideration the above mentioned factors. In case of changes in estimated useful lives and/or residual values, the depreciation of the equipment is adjusted prospectively

#### Impairment of tangible fixed assets

The Group determines whether fixed assets are impaired when circumstances indicate there may be a potential impairment. Estimating recoverable amounts of assets are partly based on management evaluations, including estimates of future performance, revenue generating capacity of the asset, and assumptions of the future market conditions. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. The carrying value of fixed assets as of December 31, 2006 and 2005 was MUSD 69,778 and MUSD 21,067 respectively.

#### Onerous contracts

IAS 37 defines an onerous contract as a "contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it."

As such, management must make estimates and use judgement in determining the expected economic benefits.

#### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised deferred tax assets at December 31, 2006 and 2005 was MUSD 5 and MUSD 0 respectively.

#### Convertible bond

The embedded derivative in the convertible bond is estimated at fair value using the Black & Scholes model. The value is remeasured at every balance-sheet day, using a volatility of 45%.

#### 2.24 IFRSs and IFRIC Interpretations not yet effective

IAS 1 (Amendment), Presentation of Financial Statements - Capital Disclosures. The amendment requires additional disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply the amendment to IAS 1 from annual periods beginning 1 January 2007.

IFRS 7 — Financial Instrument; Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. The Group will apply IFRS 7 from annual periods beginning 1 January 2007.

IFRS 8 — Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performances. IFRS 8 also requires additional disclosures, including information about how the entity identifies its operating segments and the types of products and services from which each segment derives its revenues from. The Group will apply IFRS 8 from annual periods beginning 1 January 2009.

IFRIC 8 — Scope of IAS 2. IFRIC 8 requires consideration of

transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2, the Group will apply IFRIC 8 from annual periods beginning 1 January 2007.

IFRIC 9 — Reassessment of Embedded Derivatives. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply IFRIC 9 from annual periods beginning 1 January 2007.

IFRIC 10 — Interim Financial Reporting and Impairment. IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from annual periods beginning 1 January 2007.

IFRIC 11 — Group and Treasury Share Transactions. IFRIC 11 addresses how to apply IFRS 2— Share-based Payment to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. The Interpretation requires a share-based arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The Group will apply IFRIC 11 from annual periods beginning 1 January 2008.

IFRIC 12 — Service Concession Arrangements, IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. The Group will apply IFRIC 12 from annual periods beginning 1 January 2008.

The Group expects that adoption of the pronouncements listed above will not significantly impact on the Group's financial statements in the period of initial application.

### Note 3 Segment information

US\$ 1,000

In 2006 the business was managed in one operational segment, seafloor seismic data acquisition. The product is identical across geographical markets. The group had by the end of 2006 activity in two geographical areas, the Gulf of Mexico (Americas) and the North Sea (EAME). Because the group has only one business segment, the primary reporting format is the geographical segment. The EAME segment includes the rigging of the Caspian crew, which will be in operation during 2007, and the office at Lysaker.

| 2006                   | Americas | EAME   | Total  |
|------------------------|----------|--------|--------|
| Revenue                | 25 428   | 23 086 | 48 514 |
| Operating profit/ loss | -2 956   | -2 121 | -5 077 |

#### Assets and liabilities

|                     |        |         |         |
|---------------------|--------|---------|---------|
| Segment assets      | 21 819 | 104 128 | 125 947 |
| Segment liabilities | 10 482 | 44 497  | 54 979  |

#### Capital expenditure

|                   |       |        |        |
|-------------------|-------|--------|--------|
| Intangible assets | 0     | 0      | 0      |
| Tangible assets   | 3 049 | 55 274 | 58 323 |
| Depreciation      | 4 860 | 5 479  | 10 339 |

| 2005                   | Americas | EAME   | Total  |
|------------------------|----------|--------|--------|
| Revenue                | 19 113   | 0      | 19 113 |
| Operating profit/ loss | -1 699   | -3 950 | -5 649 |

#### Assets and liabilities

|                     |        |        |        |
|---------------------|--------|--------|--------|
| Segment assets      | 22 334 | 36 025 | 58 359 |
| Segment liabilities | 16 369 | 1 296  | 17 665 |

#### Capital expenditure

|                   |       |       |       |
|-------------------|-------|-------|-------|
| Intangible assets | 0     | 0     | 0     |
| Tangible assets   | 265   | 4 399 | 4 664 |
| Depreciation      | 4 443 | 16    | 4 459 |

| 2006                                 | Americas      | EAME          | Total        |
|--------------------------------------|---------------|---------------|--------------|
| Cash flow from operating activities  | -4 809        | 8 736         | 3 927        |
| Cash flow from investment activities | -3 049        | -55 274       | -58 323      |
| Cash flow from financing activities  | -539          | 59 251        | 58 712       |
| <b>Net Cash flow</b>                 | <b>-8 397</b> | <b>12 713</b> | <b>4 316</b> |

| 2005                                 | Americas      | EAME          | Total         |
|--------------------------------------|---------------|---------------|---------------|
| Cash flow from operating activities  | 562           | -10 717       | -10 155       |
| Cash flow from investment activities | -265          | -4 399        | -4 664        |
| Cash flow from financing activities  | -1 485        | 47 449        | 45 964        |
| <b>Net Cash flow</b>                 | <b>-1 188</b> | <b>32 333</b> | <b>31 145</b> |

### Note 4 Revenues and expenses

US\$ 1,000

| Sales Revenue       | 2006          | 2005          |
|---------------------|---------------|---------------|
| Acquisition revenue | 48 495        | 18 981        |
| Other revenue       | 19            | 132           |
| <b>Total</b>        | <b>48 514</b> | <b>19 113</b> |

#### Costs of Sales

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Charterhire                           | 16 088        | 7 534         |
| Maritime salaries and social expenses | 4 866         | 913           |
| Maritime consultants                  | 1 620         | 2 859         |
| Fuel cost                             | 5 031         | 2 620         |
| Travel expenses crew                  | 1 435         | 459           |
| Insurance                             | 775           | 508           |
| Other maritime cost                   | 6 168         | 1 476         |
| <b>Total</b>                          | <b>35 982</b> | <b>16 369</b> |

#### Selling, general and administrative costs

|                              |              |              |
|------------------------------|--------------|--------------|
| Salaries and social expenses | 2 432        | 2 217        |
| Travel/Entertainment         | 776          | 520          |
| Office expenses              | 697          | 412          |
| Depreciation                 | 91           | 16           |
| Other                        | 3 365        | 769          |
| <b>Total</b>                 | <b>7 361</b> | <b>3 934</b> |

|                         |             |             |
|-------------------------|-------------|-------------|
| <b>Financial Income</b> | <b>2006</b> | <b>2005</b> |
| Interest income         | 420         | 373         |
| Foreign exchange gain   | 0           | 419         |
| <b>Total</b>            | <b>420</b>  | <b>792</b>  |

|                           |              |              |
|---------------------------|--------------|--------------|
| <b>Financial Expenses</b> |              |              |
| Interest expense          | 1 276        | 8 062        |
| Foreign exchange loss     | 838          | 0            |
| Other financial expense   | 467          | 50           |
| <b>Total</b>              | <b>2 581</b> | <b>8 113</b> |

## Note 5 Income Taxes

US\$ 1,000

|                                     |               |                |
|-------------------------------------|---------------|----------------|
|                                     | <b>2006</b>   | <b>2005</b>    |
| Result before tax                   | -17 527       | -12 970        |
| Change in temporary differences     | 10 375        | 5 310          |
| Permanent differences               | 5 172         | -4 580         |
| <b>Losses to be carried forward</b> | <b>-1 980</b> | <b>-12 240</b> |

### Temporary differences consists of:

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Fixed assets                       | -17 060        | -6 685         |
| Losses to be carried forward       | -21 109        | -19 129        |
| <b>Total temporary differences</b> | <b>-38 169</b> | <b>-25 814</b> |

### Tax expense:

|                                      |               |          |
|--------------------------------------|---------------|----------|
| Current taxes payable                | 0             | 0        |
| Changes to deferred tax assets       | -5 000        | 0        |
| <b>Recorded in the Balance Sheet</b> | <b>-5 000</b> | <b>0</b> |

See note 6 regarding deferred taxation.

### Reconciliation of tax expense (income)

|   |               |          |
|---|---------------|----------|
| Result before tax                                       | -17 527       | -12 970  |
| Statutory tax rate                                      | 28 %          | 28 %     |
| Estimated tax expense (income) at statutory rate        | -4 908        | -3 632   |
| Tax effect of permanent differences                     | 1 448         | -1 282   |
| Tax effect of change in temporary differences           | 2 905         | 1 487    |
| Tax effect of change in losses to be carried forward    | 554           | 3 427    |
| Recapture deferred tax assets not recognised previously | -5 000        | 0        |
| <b>Income tax</b>                                       | <b>-5 000</b> | <b>0</b> |
| Effective tax rate                                      | 0 %           | 0 %      |

## Note 6 Deferred Income Tax

US\$ 1,000

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

|   |                |               |
|---|----------------|---------------|
| <b>Deferred Tax Assets:</b>                               | <b>2006</b>    | <b>2005</b>   |
| - Deferred tax assets recovered after more than 12 months | -5 687         | -7 228        |
| - Deferred tax assets to be recovered within 12 months    | -5 000         | 0             |
| <b>Total</b>  | <b>-10 687</b> | <b>-7 228</b> |

### Deferred Tax Liabilities:

|  |          |          |
|--|----------|----------|
| - Deferred tax liability recovered after more than 12 months | 0        | 0        |
| - Deferred tax liability recovered within 12 months          | 0        | 0        |
| <b>Total</b>   | <b>0</b> | <b>0</b> |

RXT Group has capitalised a deferrred tax asset, amounting to MUSD 5 (47%), of a total deferred tax asset MUSD 10,6 (100%). The background for the recorded lossess are lossess in a start up phase of the Company, including introduction of new technology. The tax lossess are in Norway (the parent company) and US (branch). The basis for capitalising are the budgeted taxable result for 2007, taking into account signed contracts, letter of intents and awards for work for RXT 1 and RXT 2, and the significant improved relevant market conditions. The budget is approved by the Board of Directors and the assessment includes analysis of several scenarios. The analysis indicates that the deferred tax asset that may be capitalised, according to the management and the Board of Directors, varies from MUSD 4,2 to MUSD 6,2.

The deferred tax assets recorded in the balance sheet is calculated as the tax expense on expected profit on signed contracts. Nominal tax rate in Norway is 28%.

## Note 7 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent Company by the weighted average numbers of shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and convertible bonds).

|  | Years ended December 31. |                   |
|--|--------------------------|-------------------|
|  | 2006                     | 2005              |
| Net loss   | -12 528                  | -12 970           |
| Earnings per share   | -0.62                    | -1.24             |
| Earnings per share diluted   | -0.62                    | -1.24             |
| Average shares outstanding   | 20 211 904               | 10 456 765        |
| Average shares outstanding diluted   | 24 471 882               | 10 667 454        |
| Weighted average number of ordinary shares for basic earnings per share effect of dilution | 20 211 904               | 10 456 765        |
| Share options  | 760 503                  | 210 689           |
| Convertible bond   | 3 499 475                | -                 |
| <b>Adjusted weighted average number of ordinary shares for diluted earnings per share</b>  | <b>24 471 882</b>        | <b>10 667 454</b> |

## Note 8 Non-current assets

| US\$ 1,000                          | Office machines & Software | Seismic equipment | Total fixed assets |
|-------------------------------------|----------------------------|-------------------|--------------------|
| Acquisition cost at 01.01.05        | 70                         | 23 878            | 23 947             |
| Additions                           | 30                         | 2 747             | 2 778              |
| <b>Acquisition cost at 31.12.05</b> | <b>100</b>                 | <b>26 625</b>     | <b>26 725</b>      |
| Acc depreciation 31.12.05           | 36                         | 5 622             | 5 658              |
| <b>Net carrying amount 31.12.05</b> | <b>64</b>                  | <b>21 003</b>     | <b>21 067</b>      |
| Acquisition cost at 01.01.06        | 100                        | 26 625            | 26 725             |
| Additions                           | 410                        | 58 640            | 59 050             |
| <b>Acquisition cost at 31.12.06</b> | <b>510</b>                 | <b>85 265</b>     | <b>85 775</b>      |

|  | Office machines & Software | Seismic equipment | Total fixed assets |
|--|----------------------------|-------------------|--------------------|
| Acc depreciation 31.12.06                        | 127                        | 15 870            | 15 997             |
| <b>Net carrying amount 31.12.06</b>              | <b>383</b>                 | <b>69 395</b>     | <b>69 778</b>      |
| <b>Depreciation for the year</b>                 | <b>91</b>                  | <b>10 248</b>     | <b>10 339</b>      |
| The following depreciation rates have been used: | %                          |                   |                    |
| Office machines                                  | 30                         |                   |                    |
| Software   | 30                         |                   |                    |
| Seismic equipment                                | 14-20                      |                   |                    |

The depreciation rates are unchanged from 2004. The seismic equipment has no residual value.

## Note 9 Other fixed assets

US\$ 1,000

Other fixed assets consist of prepaid seismic equipment for delivery in 2007.

## Note 10 Subsidiaries

The ownership percentage in subsidiaries per December 31, 2006 is as follows:

| Company            | Jurisdiction | Shares / Voting rights | Establishment |
|--------------------|--------------|------------------------|---------------|
| RXT Inc            | USA          | 100 %                  | May 2005      |
| RXT Management AS  | Norway       | 100 %                  | Feb 2006      |
| RXT UK Ltd         | UK           | 100 %                  | Nov 2006      |
| RXT BVI Inc        | BVI          | 100 %                  | Feb 2006      |
| RXT Kazakhstan LLP | Kazakhstan   | 100 %                  | Dec 2006      |

## Note 11 Accounts Receivable

US\$ 1,000

| Accounts receivable consist of the following: | 2006          | 2005         |
|---|---------------|--------------|
| Accounts receivable, local                    | -             | 10           |
| Accounts receivable, foreign                  | 11 748        | 2 994        |
| Other receivables                             | 2             | 2            |
| Accrued revenue, external                     | 435           | 210          |
| <b>Total</b>                                  | <b>12 185</b> | <b>3 216</b> |

## Note 12 Salaries and Other personnel costs, Number of Employees and Remuneration to the General Manager

US\$ 1,000

| Wage costs  | 2006         | 2005         |
|---|--------------|--------------|
| Salary  | 6 615        | 1 782        |
| Payroll tax   | 445          | 259          |
| Pension cost, defined contribution plans, see note 22 | 237          | 148          |
| Other payments  | 0            | 44           |
| <b>Total</b>  | <b>7 298</b> | <b>2 233</b> |

### Compensation for BOD and Management

USD

| 2006               | Wage      | Bonus   | Pension | Options   | Total     |
|--------------------|-----------|---------|---------|-----------|-----------|
| Board of Directors | 111 656   | 65 500  | -       | -         | 177 156   |
| Management         | 1 090 200 | 51 000  | 35 500  | 99 600    | 1 276 300 |
| 2005               | Wage      | Bonus   | Pension | Options   | Total     |
| Board of Directors | 65 500    | -       | -       | 50 675    | 116 175   |
| Management         | 720 000   | 182 000 | 27 970  | 1 010 654 | 1 940 624 |

The Group's policy for management remuneration is that leading employees shall receive competitive salary in order to maintain continuity in the Group's management. RXT shall offer a level of salary which reflects the level of salary in equivalent companies in Norway and abroad. The executive team receives a yearly bonus on the full discretion of the Board of Directors. RXT has established a stock option plan, where a compensation committee has been given the authority to grant options to employees and consultants.

For information about shares and options held by the Group's executive officers, see note 15.

The Group had 100 employees in 2006. The number of employees was 27 in 2005 and 14 in 2004.

Expensed fees to the auditor is disclosed in the parent Company accounts.

## Note 13 Restricted Cash

US\$ 1,000

| Restricted Cash consist of:   | 2006       | 2005       |
|-------------------------------|------------|------------|
| Payroll and withholding taxes | 150        | 65         |
| Letter of guarantee (note 27) | 164        | 148        |
| Deposit apartments            | 129        | 6          |
| <b>Total</b>                  | <b>443</b> | <b>219</b> |

## Note 14 Share-Based Compensation

RXT established in 2005 an option plan under which a compensation committee is authorized to grant key employees, board members and consultants options to purchase RXT shares.

The options are issued in three series. Serie A comprises 333 334 options with exercise dates from June 2005 till June 2013 and a strike price of NOK 6. Serie B comprises 1000 000 options with exercise dates from July 2005 till July 2013 with a strike price of NOK 24.15. Serie C comprises 965 365 options with exercise dates from November 2005 till November 2009 with a strike price of NOK 35 to NOK 45. The options are vested over a period of two years, with 25 % of total granted amount of options every six months.

A summary of the Group's share-based compensation plans per 31.12.2006 with the changes during the year is given as follows;

|   | December 31, 2006 |                   |                | December 31, 2005 |                   |                |
|---|-------------------|-------------------|----------------|-------------------|-------------------|----------------|
|   | Options           | Exercise date     | Exercise price | Options           | Exercise date     | Exercise price |
| Issued series A                           | 75 000            | 02.06.05-02.06.10 | 6              | 83 335            | 02.06.05-02.06.10 | 6              |
|   | 75 000            | 02.06.06-02.06.11 | 6              | 83 335            | 02.06.06-02.06.11 | 6              |
|   | 83 335            | 02.06.07-02.06.12 | 6              | 83 335            | 02.06.07-02.06.12 | 6              |
|   | 83 335            | 02.06.08-02.06.13 | 6              | 83 335            | 02.06.08-02.06.13 | 6              |
| Issued series B                           | 237 500           | 07.07.05-07.07.10 | 24.15          | 250 000           | 07.07.05-07.07.10 | 24.15          |
|   | 242 500           | 07.07.06-07.07.11 | 24.15          | 250 000           | 07.07.06-07.07.11 | 24.15          |
|   | 242 500           | 07.07.07-07.07.12 | 24.15          | 250 000           | 07.07.07-07.07.12 | 24.15          |
|   | 242 500           | 07.07.08-07.07.13 | 24.15          | 250 000           | 07.07.08-07.07.13 | 24.15          |
| Issued series C                           | 10 000            | 15.11.05-15.11.08 | 35             | 10 000            | 15.11.05-15.11.08 | 35             |
|   | 10 000            | 18.04.06-18.04.09 | 35             | 10 000            | 18.04.06-18.04.09 | 35             |
|   | 176 625           | 22.08.06-22.02.09 | 40             |                   |                   |                |
|   | 20 000            | 15.11.06-15.11.08 | 35             | 20 000            | 15.11.06-15.11.08 | 35             |
|   | 181 250           | 22.02.07-22.02.09 | 40             |                   |                   |                |
|   | 20 000            | 15.05.07-15.11.08 | 35             | 20 000            | 15.05.07-15.11.08 | 35             |
|   | 36 875            | 24.05.07-24.11.09 | 45             |                   |                   |                |
|   | 181 250           | 22.08.07-22.02.09 | 40             |                   |                   |                |
|   | 36 875            | 24.11.07-24.11.09 | 45             |                   |                   |                |
|   | 20 000            | 15.11.07-15.11.08 | 35             | 20 000            | 15.11.07-15.11.08 | 35             |
| 181 250                                   | 22.02.08-22.02.09 | 40                |                |                   |                   |                |
| 36 875                                    | 24.05.08-24.11.09 | 45                |                |                   |                   |                |
| 36 875                                    | 24.11.08-24.11.09 | 45                |                |                   |                   |                |
| <b>Outstanding at the end of the year</b> | <b>2 229 545</b>  |                   |                | <b>1 413 340</b>  |                   |                |

848 500 of the outstanding options at the end of the year are exercisable.

The fair value of the options granted over the period was NOK 6 149 784 (US\$ 983 163). The fair value is being recognised over the vesting period of the options. Total expensed in 2006 was NOK 6 393 205 (US\$ 998 305).

The fair value of the options is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The interest rate used in the calculations ranges from 2.45% to 3.40%.

The volatility is 45% for all options based on a calculation from an external investment banker with data from comparable companies within the industry.

Each option entitles the holder to subscribe for one share at the relevant exercise price. If the option holder leaves the Company before the exercise date, the option will no longer be exercisable and will expire. During 2006, 50,000 granted options did expire due to notice of resignation.

41,295 of the granted options have been exercised in 2006. The average weighted sales price were NOK 38.

Each of the option plans described above contains a provision that all options awarded under the plans become immediately exercisable upon the occurrence of a change of control. A change of control is defined as an acquisition of certain percentage of the outstanding shares, certain changes in the Company's Board of Directors, certain merger transactions and certain dispositions of all of the Company's assets.

### Note 15 Shareholder Information

As of December 31, 2006, Reservoir Exploration Technology ASA had a share capital of US\$ 391 367 divided on a total of 25,552,020 shares. All shares have equal voting rights. During 2006 all shares were converted into one share class.

The Company made a split of the shares in September 2005 in the ratio 1:10.

| Share capital   | Number Shares     | Face value | Book value     |
|-----------------|-------------------|------------|----------------|
| Ordinary shares | 25 552 020        | 0,02       | 391 367        |
| <b>Total</b>    | <b>25 552 020</b> |            | <b>391 367</b> |

Reservoir Exploration Technology ASA had 233 shareholders per 31.12.06.

The 20 largest shareholders in RXT ASA were as follows:

#### December 31, 2006

| Shareholder               | Shares    | Ownership |
|---------------------------|-----------|-----------|
| Credit Suisse Securities  | 3 160 000 | 12.37 %   |
| Bank of New York, BR      | 2 672 580 | 10.46 %   |
| Lime Rock Partners II     | 2 402 380 | 9.40 %    |
| Credit Suisse Securities  | 2 154 370 | 8.43 %    |
| JPMorgan Chase Bank       | 1 767 000 | 6.92 %    |
| Morgan Stanley            | 1 466 805 | 5.74 %    |
| UBS AG, London Branch     | 1 333 433 | 5.22 %    |
| Bank of New York, BR      | 1 049 550 | 4.11 %    |
| Storebrand Livsforsikring | 764 600   | 2.99 %    |
| ODIN Offshore             | 759 000   | 2.97 %    |

#### December 31, 2006

| Shareholder                   |         | Shares            | Ownership       |
|-------------------------------|---------|-------------------|-----------------|
| Bear Stearns Securities       | Nominee | 608 080           | 2.38 %          |
| Waterman Holding INC          |         | 465 000           | 1.82 %          |
| The Northern Trust            | Nominee | 418 000           | 1.64 %          |
| Pactum AS                     |         | 316 000           | 1.24 %          |
| Pershing LLC                  | Nominee | 311 000           | 1.22 %          |
| JPMorgan Chase Bank           |         | 300 000           | 1.17 %          |
| Svenska Handelsbanken         | Nominee | 290 000           | 1.13 %          |
| Goldman Sachs Intern          | Nominee | 267 700           | 1.05 %          |
| Bank of New York, BR          |         | 249 000           | 0.97 %          |
| Verdipapirfondet              |         | 241 768           | 0.95 %          |
| Other                         |         | 4 555 754         | 17.83 %         |
| <b>Total number of shares</b> |         | <b>25 552 020</b> | <b>100.00 %</b> |

Shares owned by Management and Chairman:

#### Board of directors

| Name            | Position              | Total shares | December 31, 2006<br>Ownership % | Options |
|-----------------|-----------------------|--------------|----------------------------------|---------|
| William McCall  | Chairman of the Board | 29 170       | (a)                              | 40 000  |
| Thomas R.Bates  | Board member          | (b)          | (b)                              | -       |
| Thorhild Widvey | Board member          | -            | -                                | 40 000  |

#### Group Executive Officers

|                   |                  |         |     |         |
|-------------------|------------------|---------|-----|---------|
| Michael Scott     | General Manager  | 180 000 | (a) | 490 000 |
| Einar Nielsen     | VP Acquisition   | 146 210 | (a) | 90 000  |
| Chris Walker      | VP Geophysics    | 83 500  | (a) | 90 000  |
| Odd Erik Rudshaug | VP Finance & CFO | 86 340  | (a) | 320 000 |
| Larry Wagner      | VP US            | -       | -   | 140 000 |

(a) Less than 1 percent of the Company's shares per 31.12.06.

(b) Thomas R.Bates is the Managing Director in Lime Rock Partners II, who owns 2 402 380 shares (9.40 %) in the Company.

## Note 16 Commitments

US\$ 1,000

The Group had in 2006 operating lease commitments on vessels with 6 different shipowners expiring at various dates from 2007 to 2014. Some of the agreements contain an option to extend the period of rent.

Future minimum payments related to non-cancellable operating leases, with lease terms in excess of one year existing at December 31, 2006 are as follows:

|  | Year         | Future minimum payments |
|--|--------------|-------------------------|
|  | 2007         | 26 453                  |
|  | 2008         | 22 272                  |
|  | 2009         | 19 347                  |
|  | 2010         | 20 613                  |
|  | 2011         | 15 706                  |
|  | 2012         | 13 325                  |
|  | <b>Total</b> | <b>117 716</b>          |

| Operational lease liabilities - minimum lease payments: | 2006           | 2005          |
|---|----------------|---------------|
| No later than 1 year                                    | 26 453         | 9 069         |
| Later than 1 year and no later than 5 years             | 77 937         | 26 185        |
| Later than 5 years                                      | 22 958         | 1 966         |
| <b>Total</b>  | <b>127 348</b> | <b>37 220</b> |

Lease payments recognised in the Income Statement for 2006 were US\$ (1,000) 14 333

## Note 17 Other long-term liabilities

US\$ 1,000

| Other long-term liabilities consist of: | 2006         | 2005         |
|---|--------------|--------------|
| Long-term debt Input/Output             | 2 734        | 5 239        |
| <b>Other long-term liabilities</b>      | <b>2 734</b> | <b>5 239</b> |

A part of the liabilities to owners were in 2005 converted to share capital, see the Statement of changes in equity. The rest of the liabilities to the owners were paid in 2005.

Long-term debt from Input/Output is paid monthly with the last payment on November 30, 2008. 1st year's principal repayments is reclassified as short term debt, US\$ (1,000) 2 733. The annual rate of interest for the loan is 1%.

## Note 18 Trade and other Payables

US\$ 1,000

| Trade and other Payables consist of: | 2006          | 2005         |
|--------------------------------------|---------------|--------------|
| Short term debt (*)                  | 4 697         | 2 800        |
| Accounts Payable                     | 12 284        | 5 301        |
| Other current liabilities            | 2 970         | 1 592        |
| <b>Total current liabilities</b>     | <b>19 952</b> | <b>9 693</b> |

\* US\$ 2.7 million relate to the portion of long term debt to Input/output which is due within 12 months. The remainder, US\$ 2 million is a short term loan from Input/Output.

## Note 19 Related-party transactions

The Group consists of RXT ASA and the subsidiaries RXT Inc, RXT Management AS, RXT BVI Inc, RXT UK Ltd and RXT Kazakhstan LLP. The subsidiaries RXT Inc, RXT BVI Inc and RXT Management AS are providing personnel to RXT ASA on a cost plus basis. During 2006 there have been transactions of US\$ (1,000) 2.150 between RXT ASA and RXT Inc, US\$ (1,000) 2.570 between RXT ASA and RXT BVI Inc and US\$ (1,000) 520 between RXT ASA and RXT Management AS. RXT UK Ltd has in 2006 rented seismic equipment and personnel from RXT ASA on a cost plus basis. There have been transactions of US\$ (1,000) 7.900 between RXT UK Ltd and RXT ASA during 2006. There have been no material transactions between RXT ASA and RXT Kazakhstan LLP during 2006.

For a listing of shareholders in the Company, see note 15.

For key management personell compensation including share based payment, see notes 12 & 15.

The Group has signed an Alliance agreement with the Bermudan Oil and Gas company Enovation Resources Limited (Enovation). The Agreement calls for RXT to provide multi-component seismic data aquisition services to a total minimum value of US\$ 11 million over a initial period of 27 months. Services rendered in 2006 amounts to US\$ 2 million. The General Manager is board member of Enovation Resources. All transactions between the two companies is based upon arms length principle.

## Note 20 Subsequent Events

The Group was in February 2007 awarded a contract for acquisition of multi-component seismic data for BP in the Caspian sea with a planned start in November 2007. Expected duration is 5 months. The Group signed in February 2007 a letter of intent for acquisition of multi-component seismic data for GXT in the Gulf of Mexico with a planned start in May 2007. Expected duration is 4 months.

## Note 21 Financial risk management

RXT's principal financial instruments comprise convertible bonds, finance lease, trade payables and loans from vendors (Input/Output). The main purpose of these financial instruments is to raise finance for RXT's operations. RXT has financial assets such as trade receivables and cash, which arise from operations and share issues. It is, and has been throughout 2006 and 2005, RXT's policy that no trading in financial assets shall be undertaken.

### Financial Market Risk

RXT is exposed to a certain financial market risk, mainly foreign currency exchange risk.

RXT's revenues are mainly denominated in US\$ while some portion of the expenses is denominated in NOK. About half of the company's debt is denominated in NOK, the remainder in US\$. This makes the Group to a certain extent exposed to exchange rate fluctuations between the USD and the NOK.

As of December 31, 2006 the Company did not have any derivatives to manage the exposure related to those risks.

### Credit Risk

The Company's trade receivables are primarily from multinational companies. We believe that our exposure to credit risk is relatively low due to the nature of the customer base. However, credit evaluations of customers are performed in order to manage the potential risk and all customers that want to trade on credit-terms are subject to credit evaluations.

### Liquidity Risk

Cash base per December 31, 2006 was US\$ (1,000) 35 523. Based on the year end balance and the current structure and terms of the Company's debt, the Company believes that RXT's liquidity is at an acceptable level.

## Note 22 Pensions

The parent company is obliged to offer its employees an occupational pension scheme according to Norwegian law. The parent company has a defined contribution plan for all of its fulltime employees which fulfil all governmental requirements. The amount per employee is 12% of ordinary salary.

The total expense of the plan during the year was US\$ 131,000.

## Note 23 Environmental Conditions

Some of the Company's operations can pollute the external environment. Regularly, monitoring and controls are carried out in order to limit the risk of such pollutions.

## Note 24 Convertible bonds

At 31 December 2006, there were 139.979.000 convertible bonds in issue. Each bond has a nominal value of NOK 1 and is convertible at the option of the bond holder into ordinary shares up to maturity, at 22 February 2011 on the basis of one ordinary share for every forty bonds held, a total of 3.499.475 shares. Any bonds not converted will be redeemed on 22 February 2011 at a price of NOK 1 per bond. The bonds carry a interest rate of 5% per annum, payable annually. As USD is the functional currency of the Group, the loan and derivative are accounted for as a financial liability. IAS 32 requires that the net proceeds from the issue of the convertible loan is split between the liability element (the base loan) and an embedded derivative (the option to convert into shares). The embedded derivative represents the fair value of the embedded option to convert the liability into equity of the Group. Normally this split is made at inception with the value of the embedded derivative being recorded to equity, and this value in equity is not remeasured at future dates.

However, because this conversion right is denominated in NOK, the embedded derivative must be recorded as a liability. This also means that the fair value of the embedded derivative must be estimated at each reporting date, with the changes in fair value being recorded in the income statement. These entries do not affect the level of liability that must be paid to loan holders at maturity date, and therefore do not represent the amount of cash that the group may need to fund in the future.

The derivative is computed by applying the Black-Scholes model, using a volatility of 45%.

In relation to the issue of the convertible bond, NOK 9.800.000 were incurred in expenses. This amount is amortized over the duration of the convertible bond.

## Note 25 Financial Leases

US\$ 1,000

The Group's assets under finance leases are seismic cables. In addition to the rental payments, the Group has obligations relating to the maintenance of the assets and insurance. The lease periods is 3 years and lease payments are paid in advance of every term.

| The assets under finance leases are as follows: | 2006         | 2005     |
|---|--------------|----------|
| Office machines & Software                      | 0            | 0        |
| Seismic equipment                               | 1 322        | 0        |
| <b>Acquisition cost</b>                         | <b>1 322</b> | <b>0</b> |
| Accumulated depreciation                        | 0            | 0        |
| <b>Net carrying amount</b>                      | <b>1 322</b> | <b>0</b> |

### Overview of future minimum lease payments:

|                                      |              |
|--------------------------------------|--------------|
| Next 1 year                          | 487          |
| 1 to 5 years                         | 973          |
| After 5 years                        | 0            |
| <b>Future minimum lease payments</b> | <b>1 460</b> |

|   |              |
|---|--------------|
| Average interest                                      | 6.95 %       |
| <b>Present value of future minimum lease payments</b> | <b>1 373</b> |
| Of which:   |              |
| - current liabilities                                 | 487          |
| - long-term liabilities                               | 886          |

The leases do not contain any restrictions on the Group's dividend policy or financing opportunities.

## Note 26 Long term debt

| US\$ 1,000  | Effective rate of interest | Maturity date | Carrying amount 31 Dec. 2006 | Carrying amount 31 Dec. 2005 |
|---|----------------------------|---------------|------------------------------|------------------------------|
| Loan from vendor  | 1.00 %                     | 2008          | 5 467                        | 7 972                        |
| Convertible bonds (CB)  | 5.00 %                     | 2011          | 15 686                       | 0                            |
| Fair value of conversion right CB   |                            | 2011          | 15 285                       | 0                            |
| Capital lease obligations   | 6.95 %                     | 2010          | 1 322                        | 0                            |
| <b>Total unsecured long-term debt</b>                                     |                            |               | <b>37 760</b>                | <b>7 972</b>                 |
| Total long-term debt  |                            |               | 37 760                       | 7 972                        |
| 1st year's principal repayments on long-term debt                         |                            |               | -2 733                       | -2 733                       |
| <b>Total long-term debt excluding the 1st year's principal repayments</b> |                            |               | <b>35 027</b>                | <b>5 239</b>                 |

### **Note 27 Guaranties**

Fokus Bank ASA has issued a letter of guaranty to Diners on behalf of RXT for travel expenses paid with company credit cards. For this, RXT has paid US\$ 148,000 to Fokus Bank into a restricted account, see Note 13.

### **Note 28 Other Contingencies**

There are no material contingencies as of December 31, 2006.

## RESERVOIR EXPLORATION TECHNOLOGY ASA

### Income Statements

| In NOK 1,000                             |           | 2006           | 2005           |
|--|-----------|----------------|----------------|
| <b>REVENUE:</b>                          |           |                |                |
| Sales revenue                            | 1         | 305 636        | 123 496        |
| <b>Total revenue</b>                     |           | <b>305 636</b> | <b>123 496</b> |
| <b>OPERATING EXPENSES:</b>               |           |                |                |
| Cost of sales                            | 11        | 234 460        | 104 952        |
| Selling, general and administrative cost | 8,9,10,11 | 42 699         | 25 465         |
| Other expenses                           | 2         | 66 746         | 30 957         |
| <b>Total operating expenses</b>          |           | <b>343 905</b> | <b>161 375</b> |
| <b>OPERATING PROFIT (LOSS)</b>           |           | <b>-38 269</b> | <b>-37 878</b> |
| <b>FINANCIAL INCOME AND EXPENSES:</b>    |           |                |                |
| Financial income                         | 3         | 2 599          | 2 525          |
| Financial expenses                       | 3         | -16 977        | -63 768        |
| <b>Net financial items</b>               |           | <b>-14 378</b> | <b>-61 243</b> |
| <b>NET RESULT BEFORE INCOME TAX</b>      |           | <b>-52 647</b> | <b>-99 121</b> |
| Income tax expense                       | 12        | -31 276        | 0              |
| <b>NET PROFIT (LOSS)</b>                 |           | <b>-21 371</b> | <b>-99 121</b> |

## RESERVOIR EXPLORATION TECHNOLOGY ASA

### Balance Sheets

| In NOK 1,000                    |    | Dec 31,<br>2006 | Dec 31,<br>2005 |
|---------------------------------|----|-----------------|-----------------|
| <b>ASSETS</b>                   |    |                 |                 |
| <b>Non-current assets:</b>      |    |                 |                 |
| Seismic equipment               | 2  | 453 912         | 145 873         |
| Prepaid other fixed assets      |    | 7 128           | 12 688          |
| Shares in subsidiaries          | 14 | 149             | 0               |
| Deferred tax asset              | 12 | 31 276          | 0               |
| <b>Total non-current assets</b> |    | <b>492 465</b>  | <b>158 561</b>  |
| <b>Current assets:</b>          |    |                 |                 |
| Accounts receivable             |    | 77 128          | 22 392          |
| Other current assets            |    | 14 229          | 6 343           |
| <b>Total receivables</b>        |    | <b>91 357</b>   | <b>28 735</b>   |
| Cash and cash equivalents       | 6  | 220 442         | 210 623         |
| <b>Total current assets</b>     |    | <b>311 799</b>  | <b>239 357</b>  |
| <b>TOTAL ASSETS</b>             |    | <b>804 264</b>  | <b>397 918</b>  |

## EQUITY AND LIABILITIES

| In NOK 1,000                        | Dec 31,<br>2006 | Dec 31,<br>2005 |
|-------------------------------------|-----------------|-----------------|
| <b>Shareholders' equity:</b>        |                 |                 |
| <b>Paid in capital:</b>             |                 |                 |
| Share captial                       | 7,13            | 2 555           |
| Share premium reserve               | 13              | 664 014         |
| Other paid in equity                | 13              | 10 052          |
| <b>Accumulated profits</b>          |                 |                 |
| Retained earnings/(loss)            | 13              | -154 235        |
| <b>Total equity</b>                 | <b>13</b>       | <b>522 386</b>  |
| <b>Long-term liabilities:</b>       |                 |                 |
| Convertible bond                    | 4               | 131 841         |
| Capital lease obligations           | 4,21,22         | 8 271           |
| Other long-term liabilities         | 4,22            | 17 098          |
| <b>Total long-term liabilities</b>  | <b>157 210</b>  | <b>36 865</b>   |
| <b>Current liabilities:</b>         |                 |                 |
| Short term interest bearing debt    |                 | 29 714          |
| Accounts payable                    |                 | 76 809          |
| Other current liabilities           | 16              | 18 145          |
| <b>Total current liabilities</b>    | <b>124 668</b>  | <b>82 471</b>   |
| <b>Total liabilities</b>            | <b>281 878</b>  | <b>119 336</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>804 264</b>  | <b>397 918</b>  |

New York, 14 March 2007



Thorhild Widvey  
Board Member



William McCall  
Board Member/Chairman of the Board



Thomas R. Bates  
Board Member



Michael Scott  
Chief Executive Officer

## RESERVOIR EXPLORATION TECHNOLOGY ASA

### Cash flow statements

| In NOK 1,000                                   | 2006            | 2005           |
|--|-----------------|----------------|
| <b>Cash flow from operating activities:</b>    |                 |                |
| Net result before income taxes                 | -52 647         | -99 121        |
| Depreciation                                   | 67 258          | 30 957         |
| Changes in current assets/ liabilities         | 8 876           | -5 963         |
| <b>Net cash flow from operating activities</b> | <b>23 487</b>   | <b>-74 127</b> |
| <b>Cash flow from Investing activities:</b>    |                 |                |
| Purchase of seismic equipment                  | -375 298        | -19 375        |
| Prepaid fixed assets                           | -7 128          | -12 688        |
| <b>Net cash flow from investing activities</b> | <b>-382 426</b> | <b>-32 063</b> |
| <b>Cash flow from financing activities:</b>    |                 |                |
| Proceeds from new equity raised                | 256 684         | 324 509        |
| Proceeds from debt raised                      | 131 841         | 51 735         |
| Payment of liabilities                         | -19 767         | -59 804        |
| <b>Net cash flow from financing activities</b> | <b>368 759</b>  | <b>316 440</b> |
| <b>Cash balance:</b>                           |                 |                |
| Net change in cash and cash equivalents        | 9 820           | 210 250        |
| Cash and cash equivalents beginning of period  | 210 623         | 373            |
| <b>Cash and cash equivalents end of period</b> | <b>220 442</b>  | <b>210 623</b> |

## ACCOUNTING PRINCIPLES

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act 1998 and generally accepted accounting principles. The Company was established 10 April 2002.

### Subsidiaries and investment in associate

Subsidiaries and investments in associate are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Dividends and other distributions are recognised in the same year as appropriated in the subsidiary accounts. If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet.

### Sales revenue

The Company's revenues come from the selling of multi component seismic data mainly to multinational oil-companies.

Sales revenues are recognised at the time of delivery. Revenue from services are recognised at execution. The share of sales revenue associated with future services are recorded in the balance sheet as deferred sales revenue, and are recognised at the time of execution.

The revenue and the related steaming and mobilization costs when moving the seismic vessels to the location specified by the contract are deferred until the contracted services commence and are recognised over the duration of the contract by reference to the stage of completion.

### Balance sheet classification

Net current assets comprise debtors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term debtors.

Current assets are valued at the lower of acquisition cost and fair value. Short term debtors are recognised at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non incidental reduction in value the asset will be written down to the fair value amount. Long term debtors are recognised at nominal value.

### Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

### Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

### Current assets/liabilities

Current assets and liabilities comprise items receivable/due within one year and items related to the inventory cycle. Current assets are valued at the lower of cost and market. The fuel inventory on every vessel in operation is measured at year end and capitalised using FIFO pricing.

### Fixed assets/Long term liabilities

Fixed assets are comprised of assets intended for long term ownership and use. Fixed assets are value at cost. Fixed assets are recorded in the balance sheet and depreciated over the estimated useful economic life. Fixed assets are written down to recoverable amount when decreases in value are expected to be permanent. Write-downs are reversed when the basis for the write-down is no longer evident.

### Property, plant and equipment

Property, plant and equipment is capitalised and depreciated over the estimated useful economic life. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of net selling price and value in use

In assessing value in use, the estimated future cash flows are discounted to their present value.

### Research and development

Expenses relating to research are expensed as accrued. Expenses relating to development are recognised in the income statement when they are incurred unless the following criteria are met in full:

- the product or process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or process will be sold or used in the Company's operations;
- the asset will generate future economic benefits; and
- sufficient technical, financial and other resources for completing the project are present.

When all the above criteria are met, the costs relating to development are capitalised. Costs that have been charged as expenses in previous accounting periods are not capitalised.

Capitalised development costs are depreciated on a straight-line basis over the estimated useful life of the asset.

The depreciation period will normally not exceed five years.

The fair value of the development costs will be estimated when there is an indication of a fall in value or that the need for previous periods' impairment losses no longer exists.

### Pensions

#### Defined contribution plan

The Group has made contributions to local pension plans. These contributions have been made to the pension plan for all fulltime employees. The Company has no part-time employees. The Company's payments are expensed in the income statements for the period to which the contribution applies.

### Share options

The employees, management and certain Board members of the Group have been given options to buy shares in the parent Company. The fair value of the options is calculated on the allocation date, and expensed over the vesting period.

### Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 28 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balanced out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized. To the extent group contribution is not registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance sheet.

### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

## Foreign Currency

Currency transactions are translated at the rate applicable on the transaction date. Foreign exchange gain/losses that arise as a result of changes in the exchange rate between the transaction date and the payment date are recognised in the income statement. At the balance sheet date balances not being reflected in NOK are translated to NOK at the rate of exchange applicable at the balance sheet date.

## Operating and Capital leases

Capital leases are lease arrangements where the substantial financial risk and control, but not ownership, of the assets are transferred from the lessor to the company. The company accounts for capital lease arrangements as if the company had acquired the assets.

Operating leases are expensed as incurred.

## Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date. Actual results can differ from these estimates. Contingent losses that are probable and quantifiable is expensed as occurred.

## Note 1 Segment and Geographic information

NOK 1,000

In 2006 the business was managed in one segment, acquisition of seafloor seismic data. The product is identical across geographical markets.

The company had by the end of 2006 activity in two geographical areas, the Gulf of Mexico (Americas) and the North Sea (EAME). Because the company has only one business segment, the primary reporting format is the geographical segment. The EAME segment includes the rigging of the Caspian operation, which will be in operation during 2007 and the office at Lysaker.

| 2006                          | Americas | EAME    | Total   |
|-------------------------------|----------|---------|---------|
| Revenue                       | 160 195  | 145 441 | 305 636 |
| Operating profit/ loss        | -22 281  | -15 987 | -38 269 |
| <b>Assets and liabilities</b> |          |         |         |
| Segment assets                | 139 330  | 664 934 | 804 264 |
| Segment liabilities           | 53 741   | 228 136 | 281 878 |
| <b>Capital expenditure</b>    |          |         |         |
| Intangible assets             | 0        | 0       | 0       |
| Tangible assets               | 19 620   | 355 679 | 375 298 |
| Depreciation                  | 31 615   | 35 643  | 67 258  |

| 2005                          | Americas | EAME    | Total   |
|-------------------------------|----------|---------|---------|
| Revenue                       | 123 496  | 0       | 123 496 |
| Operating profit/ loss        | -11 392  | -26 486 | -37 878 |
| <b>Assets and liabilities</b> |          |         |         |
| Segment assets                | 152 283  | 245 635 | 397 918 |
| Segment liabilities           | 110 580  | 8 755   | 119 336 |
| <b>Capital expenditure</b>    |          |         |         |
| Intangible assets             | 0        | 0       | 0       |
| Tangible assets               | -1 822   | -30 241 | -32 063 |
| Depreciation                  | -30 846  | -111    | -30 957 |

| 2006                                | Americas       | EAME          | Total        |
|-------------------------------------|----------------|---------------|--------------|
| Cashflow from operating activities  | -28 762        | 52 250        | 23 487       |
| Cashflow from investment activities | -19 992        | -362 434      | -382 426     |
| Cashflow from financing activities  | -3 385         | 372 144       | 368 759      |
| <b>Net Cashflow</b>                 | <b>-52 140</b> | <b>61 960</b> | <b>9 820</b> |

| 2005                                | Americas      | EAME           | Total          |
|-------------------------------------|---------------|----------------|----------------|
| Cashflow from operating activities  | 4 102         | -78 230        | -74 127        |
| Cashflow from investment activities | -1 822        | -30 241        | -32 063        |
| Cashflow from financing activities  | -10 223       | 326 663        | 316 440        |
| <b>Net Cashflow</b>                 | <b>-7 943</b> | <b>218 193</b> | <b>210 250</b> |

## Note 2 Tangible fixed assets

NOK 1,000

|                                     | Office machines<br>& Software | Seismic equipment | Total fixed assets |
|-------------------------------------|-------------------------------|-------------------|--------------------|
| Acquisition cost at 01.01.05        | 471                           | 165 481           | 165 952            |
| Additions                           | 293                           | 19 082            | 19 375             |
| <b>Acquisition cost at 31.12.05</b> | <b>764</b>                    | <b>184 563</b>    | <b>185 327</b>     |
| Accumulated depreciation 31.12.05   | (430)                         | (39 023)          | (39 453)           |
| <b>Net carrying amount 31.12.05</b> | <b>334</b>                    | <b>145 540</b>    | <b>145 873</b>     |
| Acquisition cost at 01.01.06        | 764                           | 184 563           | 185 327            |
| Additions                           | 2 474                         | 372 825           | 375 298            |
| <b>Acquisition cost at 31.12.06</b> | <b>3 237</b>                  | <b>557 388</b>    | <b>560 625</b>     |
| Accumulated depreciation 31.12.06   | (943)                         | (105 771)         | (106 714)          |
| <b>Net carrying amount 31.12.06</b> | <b>2 295</b>                  | <b>451 617</b>    | <b>453 912</b>     |
| Depreciation for the year           | (512)                         | (66 746)          | (67 258)           |

The following depreciation rates have been applied:

|                   | %     |
|-------------------|-------|
| Office machines   | 30    |
| Software          | 30    |
| Seismic equipment | 14-20 |

## Note 3 Financial Items

NOK 1,000

|                                    | 2006          | 2005          |
|------------------------------------|---------------|---------------|
| Interest income                    | -2 599        | 0             |
| Interest expenses mortgage         | 0             | 52 719        |
| Interest expenses convertible bond | 7 650         | 0             |
| Other interest expense             | 463           | 36            |
| Foreign exchange losses            | 5 966         | 10 688        |
| Other expenses                     | 2 899         | 325           |
| <b>Total</b>                       | <b>14 378</b> | <b>63 768</b> |

## Note 4 Receivables and liabilities

NOK 1,000

|  | 2006           | 2005          |
|--|----------------|---------------|
| Long term receivables due in more than 5 years | 0              | 0             |
| Long term debt due in more than 5 years        | 0              | 0             |
| Long term debt:                                | 2006           | 2005          |
| Convertible bond                               | 131 841        | 0             |
| Capital lease obligations                      | 8 271          | 0             |
| Sellers credit                                 | 17 098         | 53 962        |
| <b>Total</b>                                   | <b>157 210</b> | <b>53 962</b> |

Sellers credit is secured, in addition a "negativ pledge" arrangement is agreed. Both loans are subject to interest.

## Note 5 Financial risk description

RXT's principal financial instruments comprise convertible bonds, finance lease, trade payables and loans from vendors (Input/ Output). The main purpose of these financial instruments is to raise finance for RXT's operations. RXT has financial assets such as trade receivables and cash, which arise from operations and share issues. It is, and has been throughout 2006 and 2005, RXT's policy that no trading in financial assets shall be undertaken.

### Financial Market Risk

RXT is exposed to a certain financial market risk, mainly foreign currency exchange risk and interest risk.

RXT's revenues are mainly denominated in USD while some portion of the expenses is denominated in NOK.

The main part of the Company's debt is denominated in USD.

As of December 31, 2006 the Company did not have any derivatives to manage the exposure related to those risks.

### Credit Risk

The Company's trade receivables are primarily from multinational oil companies. We believe that our exposure to credit risk is relatively low due to the nature of the customer base. However, credit evaluations of customers are performed in order to manage the potential risk.

### Liquidity Risk

The Company's cash base per December 31, 2006 was NOK 220 442 127. Based on the year end cash balance and the current structure and terms of the Company's debt, we believe that RXT's liquidity is at an acceptable level.

## Note 6 Restricted Cash

NOK 1,000

| Restricted Cash consist of:   | 2006         | 2005         |
|-------------------------------|--------------|--------------|
| Payroll and withholding taxes | 745          | 443          |
| Letter of guarantee           | 1 025        | 1 002        |
| Deposit apartments            | 838          | 41           |
| <b>Total</b>                  | <b>2 607</b> | <b>1 486</b> |

## Note 7 Share capital and shareholders information

As of December 31, 2006, Reservoir Exploration Technology ASA had a share capital of NOK 2 555 202 divided on a total of 25,552,020 shares. All shares have equal voting rights.

During 2006 all shares were converted into one share class.

| Share capital   | Number of shares  | Face value | Book value (1000) |
|-----------------|-------------------|------------|-------------------|
| Ordinary shares | 25 552 020        | 0.1        | 2 555             |
| <b>Total</b>    | <b>25 552 020</b> |            | <b>2 555</b>      |

Reservoir Exploration Technology ASA had 233 shareholders per 31.12.06.

The 20 largest shareholders in RXT ASA were as follows:

| Shareholder               | December 31, 2006 |           |
|---------------------------|-------------------|-----------|
|                           | Shares            | Ownership |
| Credit Suisse Securities  | 3 160 000         | 12.37 %   |
| Bank of New York, BR      | 2 672 580         | 10.46 %   |
| Lime Rock Partners II     | 2 402 380         | 9.40 %    |
| Credit Suisse Securities  | 2 154 370         | 8.43 %    |
| JPMorgan Chase Bank       | 1 767 000         | 6.92 %    |
| Morgan Stanley            | 1 466 805         | 5.74 %    |
| UBS AG, London Branch     | 1 333 433         | 5.22 %    |
| Bank of New York, BR      | 1 049 550         | 4.11 %    |
| Storebrand Livsforsikring | 764 600           | 2.99 %    |
| ODIN Offshore             | 759 000           | 2.97 %    |

## December 31, 2006

| Shareholder                   |         | Shares            | Ownership       |
|-------------------------------|---------|-------------------|-----------------|
| Bear Stearns Securities       | Nominee | 608 080           | 2.38 %          |
| Waterman Holding INC          |         | 465 000           | 1.82 %          |
| The Northern Trust            | Nominee | 418 000           | 1.64 %          |
| Pactum AS                     |         | 316 000           | 1.24 %          |
| Pershing LLC                  | Nominee | 311 000           | 1.22 %          |
| JPMorgan Chase Bank           |         | 300 000           | 1.17 %          |
| Svenska Handelsbanken         | Nominee | 290 000           | 1.13 %          |
| Goldman Sachs Intern          | Nominee | 267 700           | 1.05 %          |
| Bank of New York, BR          |         | 249 000           | 0.97 %          |
| Verdipapirfondet              |         | 241 768           | 0.95 %          |
| Other                         |         | 4 555 754         | 17.83 %         |
| <b>Total number of shares</b> |         | <b>25 552 020</b> | <b>100.00 %</b> |

### Shares owned by BOD and management:

| Board of directors | Name            | Position              | Total shares | December 31, 2006 |         |
|--------------------|-----------------|-----------------------|--------------|-------------------|---------|
|                    |                 |                       |              | Ownership %       | Options |
|                    | William McCall  | Chairman of the Board | 29 170       | (a)               | 40 000  |
|                    | Thomas R.Bates  | Board member          | (b)          | (b)               | -       |
|                    | Thorhild Widvey | Board member          | -            | -                 | 40 000  |

### Group Executive Officers

|                   |                  |         |     |         |
|-------------------|------------------|---------|-----|---------|
| Michael Scott     | General Manager  | 180 000 | (a) | 490 000 |
| Einar Nielsen     | VP Acquisition   | 146 210 | (a) | 90 000  |
| Chris Walker      | VP Geophysics    | 83 500  | (a) | 90 000  |
| Odd Erik Rudshaug | VP Finance & CFO | 86 340  | (a) | 320 000 |
| Larry Wagner      | VP US            | -       | -   | 140 000 |

(a) Less than 1 percent of the Company's shares per 31.12.06.

(b) Thomas R.Bates is the Managing Director in Lime Rock Partners II, L.P., who owns 2 402 380 shares (9.40 %) in the Company.

## Note 8 Wage costs

NOK 1,000

| Wage costs             | 2006          | 2005          |
|------------------------|---------------|---------------|
| Salary                 | 15 307        | 11 529        |
| Payroll tax            | 1 924         | 1 700         |
| Pension cost (note 10) | 1 490         | 953           |
| Other payments         | 0             | 283           |
| <b>Total</b>           | <b>18 721</b> | <b>14 465</b> |

The average number of employees during the year was 16. The average number of employees in 2005 was 14.

Audit work is charged as an expense of NOK 385 000 excl VAT in 2006. Other related audit services are charged as an expense of NOK 355 000.

## Compensation for BOD and Management

NOK

2006

| Name         | Position        | Remuneration | Bonus   | Pension | Options | Total     |
|--------------|-----------------|--------------|---------|---------|---------|-----------|
| W McCall     | Chairman        | 567 000      | 420 000 | 0       | 0       | 987 000   |
| T R Bates    | Board member    | 0            | 0       | 0       | 0       | 0         |
| T Widvey     | Board member    | 150 000      | 0       | 0       | 0       | 150 000   |
| M Scott      | General Manager | 1 795 000    | 0       | 43 720  | 0       | 1 838 720 |
| E Nielsen    | VP Acquisition  | 1 265 000    | 0       | 43 720  | 232 500 | 1 541 220 |
| C Walker     | VP Geophysics   | 1 260 000    | 165 000 | 75 600  | 232 500 | 1 733 100 |
| O E Rudshaug | VP Finance/CFO  | 1 490 000    | 0       | 43 720  | 0       | 1 533 720 |
| L Wagner     | VP US           | 1 180 000    | 160 000 | 21 391  | 174 375 | 1 535 766 |

Should the Company require the General Manager to resign from his position, he will be entitled to a six months severance pay of his yearly fixed salary of NOK 1 800 000.

The Company has no pension liabilities to members of the Board.

The Company's policy for management remuneration is that leading employees shall receive competitive salary in order to maintain continuity in the Company's management. RXT shall offer a level of salary which reflects the level of salary in equivalent companies in Norway and abroad. The executive team receives a yearly bonus on the full discretion of the Board of Directors. RXT has established a stock option plan, where a compensation committee has been given the authority to grant options to employees and consultants.

## Note 9 Remuneration to general manager

NOK 1,000

| Persons         | 2006         | 2005         |
|-----------------|--------------|--------------|
| General manager | 1 795        | 1 785        |
| <b>Total</b>    | <b>1 795</b> | <b>1 785</b> |

## Note 10 Pensions

The company is obliged to offer its employees an occupational pension scheme according to Norwegian law. The company has a defined contribution plan for all of its 18 employees which fulfil all governmental requirements. The amount per employee is defined as 12% of the annual salary.

The total expense of the plan during the year was 841 412.

## Note 11 Costs

NOK 1,000

| Costs of Sales               | 2006           | 2005           |
|------------------------------|----------------|----------------|
| Charterhire                  | 102 754        | 48 578         |
| Fuel cost                    | 31 956         | 16 946         |
| Salaries maritime personnell | 3 678          | 6 076          |
| Maritime consultants         | 42 807         | 18 348         |
| Travel expenses crew         | 9 157          | 2 964          |
| Insurance                    | 4 947          | 3 279          |
| Other maritime cost          | 39 162         | 8 760          |
| <b>Total</b>                 | <b>234 460</b> | <b>104 952</b> |

| Selling, General and Administrative | 2006          | 2005          |
|-------------------------------------|---------------|---------------|
| Salaries and personnell expenses    | 15 043        | 8 389         |
| Travel and Entertainment            | 5 056         | 3 365         |
| Office Operations                   | 3 713         | 2 650         |
| Other                               | 18 886        | 11 061        |
| <b>Total</b>                        | <b>42 699</b> | <b>25 465</b> |

The company is renting offices in Lysaker, Norway. The rental agreement run until 2011.

## Note 12 Income Tax

NOK 1,000

| Tax expense:                       | 2006            | 2005            |
|------------------------------------|-----------------|-----------------|
| Current taxes payable              | 0               | 0               |
| Changes to deferred tax assets     | -31 276         | 0               |
| Recorded in the Balance Sheet      | -31 276         | 0               |
| <b>Result before tax</b>           | <b>-52 647</b>  | <b>-99 121</b>  |
| Temporary differences              | 61 416          | 36 995          |
| Permanent differences              | -11 144         | -25 756         |
| Losses to be carried forward       | -2 374          | -87 882         |
| <b>Tax Payable</b>                 | <b>0</b>        | <b>0</b>        |
| Temporary differences:             |                 |                 |
| Fixed assets                       | -106 714        | -39 260         |
| Accruals                           | 0               | -6 038          |
| Losses to be carried forward       | -131 854        | -129 480        |
| <b>Total temporary differences</b> | <b>-238 568</b> | <b>-174 778</b> |

RXT ASA has capitalised a deferred tax asset, amounting to MUSD 5 (47%), of a total deferred tax asset MUSD 10,6 (100%). The background for the recorded losses are losses in a start up phase of the Company, including introduction of new technology. The tax losses are in Norway and US (branch). The basis for capitalizing are the budgeted taxable result for 2007, taking into account signed contracts, letter of intents and awards for work for RXT 1 and RXT 2, and the significant improved relevant market conditions. The budget is approved by the Board of Directors and the assessment includes analysis of several scenarios. The analysis indicates that the deferred tax asset that may be capitalised, according to the management and the Board of Directors, varies from MUSD 4,2 to MUSD 6,2.

## Note 13 Equity

NOK 1,000

|                            | Issued capital | Share premium  | Other equity  | Accum losses    | Total Equity   |
|----------------------------|----------------|----------------|---------------|-----------------|----------------|
| Equity 1.1                 | 2 000          | 407 884        | 3 659         | -134 961        | 278 582        |
| Share option cost          |                |                | 6 393         |                 | 6 393          |
| Share issue                | 555            | 270 203        |               |                 | 270 758        |
| Debt conversion            |                | 21             |               |                 | 21             |
| Share issue cost           |                | -14 095        |               |                 | -14 095        |
| Other                      |                |                |               | 2 098           | 2 098          |
| Profit (loss) for the year |                |                |               | -21 371         | -21 371        |
| <b>Equity 31.12</b>        | <b>2 555</b>   | <b>664 014</b> | <b>10 052</b> | <b>-154 235</b> | <b>522 386</b> |

## Note 14 Subsidiaries and affiliated companies

| Company                             | Jurisdiction | Shares/<br>Voting rights | Net result | Equity   | Book Value     |
|-------------------------------------|--------------|--------------------------|------------|----------|----------------|
| RXT Inc.                            | USA          | 100 %                    | -117 346   | -65 292  | 0              |
| RXT Management AS                   | Norway       | 100 %                    | 8 184      | 108 184  | 100 000        |
| RXT UK                              | UK           | 100 %                    | -404 788   | -404 788 | 0              |
| RXT BVI INC                         | BVI          | 100 %                    | 777 120    | 777 120  | 0              |
| RXT Kazakhstan                      | Kazakhstan   | 100 %                    | 0          | 49 491   | 49 491         |
| <b>Shares in subsidiaries 31.12</b> |              |                          |            |          | <b>149 491</b> |

The Group consists of RXT ASA and the subsidiaries RXT Inc, RXT Management AS, RXT BVI (INC), RXT UK Ltd and RXT Kazakhstan LLP.

The subsidiaries RXT Inc, RXT BVI Inc and RXT Management AS are hiring personnel to RXT ASA on a cost plus basis. During 2006 there have been transactions of NOK (1,000) 13.800 between RXT ASA and RXT Inc, NOK (1,000) 16.500 between RXT ASA and RXT BVI (Inc) and NOK (1,000) 3.300 between RXT ASA and RXT Management AS.

RXT UK Ltd has in 2006 rented seismic equipment and personnel from RXT ASA on a cost plus basis. There have been transactions of NOK (1,000) 50.700 between RXT UK Ltd and RXT ASA during 2006.

There have been no material transactions between RXT ASA and RXT Kazakhstan LLP during 2006.

### Intercompany receivables and payables per December 31, 2006

|                                    |            |
|------------------------------------|------------|
| RXT BVI Inc                        | -728       |
| RXT Inc                            | 1359       |
| RXT Management                     | -96        |
| RXT UK Ltd                         | 405        |
| RXT Kazakhstan LLP                 | 0          |
| <b>Net intercompany receivable</b> | <b>940</b> |

For a listing of shareholders in the Company, see note 7.

For General Manager and BOD compensation, see note 8.

For shares owned by key management personell and BOD, and share based payment, see note 7.

## Note 15 Guaranties

Fokus Bank has issued a letter of guaranty to Diners on behalf of the Company for travel expenses paid with Company credit cards.

For this, RXT has paid NOK 1 000 000 to Fokus Bank into a restricted account, see Note 6.

## Note 16 Other current liabilities

NOK 1,000

| Other current liabilities consist of the following: | 2006          | 2005          |
|---|---------------|---------------|
| Bank overdraft                                      | 0             | 18 952        |
| Accrued interest expense                            | 5 937         | 0             |
| Accrued expenses                                    | 11 235        | 3 615         |
| Accrued commissions                                 | 0             | 6 038         |
| Other accrued                                       | 973           | 1 064         |
| <b>Total</b>  | <b>18 145</b> | <b>29 669</b> |

## Note 17 Operational Leasing

NOK 1,000

The Company had in 2006 operating lease commitments on vessels with 6 different shipowners expiring at various dates from 2007 to 2014. Some of the agreements contain an option to extend the period of rent.

Future minimum payments related to non-cancellable operating leases, with lease terms in excess of one year existing at December 31, 2006 are as follows:

| Year         | Future minimum payments |
|--------------|-------------------------|
| 2007         | 119 863                 |
| 2008         | 139 315                 |
| 2009         | 121 016                 |
| 2010         | 128 934                 |
| 2011         | 98 240                  |
| 2012         | 83 352                  |
| <b>Total</b> | <b>690 720</b>          |

| Operational lease liabilities - minimum lease payments: | 2006           | 2005           |
|---|----------------|----------------|
| No later than 1 year                                    | 119 863        | 61 385         |
| Later than 1 year and no later than 5 years             | 487 505        | 177 238        |
| Later than 5 years                                      | 143 604        | 13 307         |
| <b>Total</b>  | <b>750 973</b> | <b>251 930</b> |

Lease payments recognised in the Income Statement for 2006 were NOK (1,000) 91 461.

## Note 18 Environmental Conditions

Some of the Company's operations can pollute the external environment. Regularly, monitoring and controls are carried out in order to limit the risk of such pollutions.

## Note 19 Other Contingencies

There are no material contingencies as of December 31, 2006.

## Note 20 Subsequent Events

The Company was in February 2007 awarded a contract for acquisition of multi-component seismic data for BP in the Caspian sea with a planned start in November 2007. Expected duration is 5 months.

The Company signed in February 2007 a letter of intent for acquisition of multi-component seismic data for GXT in the Gulf of Mexico with a planned start in May 2007. Expected duration is 4 months.

## Note 21 Financial leases

NOK 1,000

The Company's assets under finance leases are seismic cables. In addition to the rental payments, the Company has obligations relating to the maintenance of the assets and insurance. The lease periods is 3 years and lease payments are paid in advance of every term. The leasing agreement was established in December 2006.

| The assets under finance leases are as follows: | 2006         | 2005     |
|---|--------------|----------|
| Office machines & Software                      | 0            | 0        |
| Seismic equipment                               | 8 271        | 0        |
| <b>Acquisition cost</b>                         | <b>8 271</b> | <b>0</b> |
| Accumulated depreciation                        | 0            | 0        |
| <b>Net carrying amount</b>                      | <b>8 271</b> | <b>0</b> |

## Overview of future minimum lease payments:

|               |       |
|---------------|-------|
| Next 1 year   | 3 045 |
| 1 to 5 years  | 6 089 |
| After 5 years | 0     |

Average interest 6.95 %

### Of which:

|                         |       |
|-------------------------|-------|
| - current liabilities   | 3 045 |
| - long-term liabilities | 5 543 |

The leases do not contain any restrictions on the Company's dividend policy or financing opportunities.

## Note 22 Long-term debt

NOK 1,000

At 31 December 2006, there were 139,979,000 convertible bonds in issue. Each bond has a nominal value of NOK 1 and is convertible at the option of the bond holder into ordinary shares up to maturity, at 22 February 2011 on the basis of one ordinary share for every fourty bonds held, a total of 3,499,475 shares. Any bonds not converted will be redeemed on 22 February 2011 at a price of NOK 1 per bond. The bonds carry a interest rate of 5% per annum, payable annually.

In relation to the issue of the convertible bond, NOK 9,800,000 were incurred in expenses. This amount is amortized over the duration of the convertible bond.

|                           | Effective rate<br>of interest | Maturity<br>date | Carrying amount<br>31 Dec, 2006 | Carrying amount<br>31 Dec, 2005 |
|---------------------------|-------------------------------|------------------|---------------------------------|---------------------------------|
| Loan from vendor          | 1.00 %                        | 2008             | 34 195                          | 53 962                          |
| Convertible bond          | 5.00 %                        | 2011             | 131 841                         | 0                               |
| Capital lease obligations | 6.95 %                        | 2010             | 8 271                           | 0                               |



■ Statsautoriserte revisorer

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To the General Meeting of  
Reservoir Exploration Technology ASA

Medlemmer av Den norske Revisorforening

### Auditor's report for 2006

We have audited the annual financial statements of Reservoir Exploration Technology ASA as of 31 December 2006, showing a loss of TNOK 21 371 for the Parent Company and a loss of TUSD 12 528 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, March 14, 2007  
Ernst & Young AS

Asbjørn Redal  
State Authorised Public Accountant (Norway)  
(sign)

Note: The translation to English has been prepared for information purposes only.

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Lillehammer, Moss, Måløy, Nærdalen, Oslo, Otta, Porsgrunn/Skien,  
Sandefjord, Sørland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg,  
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Reservoir Exploration Technology ASA (RXT) is a marine geophysical company specializing in multi component seismic sea-floor acquisition. Multi component seismic solves several imaging challenges that cannot be resolved with towed streamer seismic, and targets improved oil recovery from existing fields. The technology also gives better data quality for exploration, and is also the solution where towed streamers are impractical due to high density of platforms and/ or shallow waters. The Company has offices in Oslo, London and Houston. RXT is listed on the stock exchange in Norway (OSE ticker: RXT).

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