

# 2nd Quarter 2010

## Reservoir Exploration Technology ASA

18th August 2010

Larry Wagner, CEO

Stein Hedemark, CFO



The future is on the seafloor

RESERVOIR EXPLORATION TECHNOLOGY

# DISCLOSURE

- This presentation includes and is based on, among other things, forward-looking information and statements.
- Such forward-looking information and statements are based on the current expectations, estimates and projections of RXT or assumptions based on information available to the company.
- Such forward-looking information and statements reflect current views with respect to future events and are subject to risks, uncertainties and assumptions.
- RXT cannot give any assurance as to the correctness of such information and statements.

# 2nd Quarter Headlines

- Good production in Brazil
- Financial restructuring completed – financial liabilities reduced by \$170 million
- Cost base reduced significantly
  - Four vessels agreed to be returned to owners
  - Head Count reduced over 35% from Q2 09
- Strategic review progressing
- Production in Q3 has progressed very well and is expected to continue well for the quarter
- High tendering activity continues with USD 710 million in outstanding tenders, several awards are expected to be made during the next three months
- Positive outlook on OBC market looking forward
- Main focus is new contracts

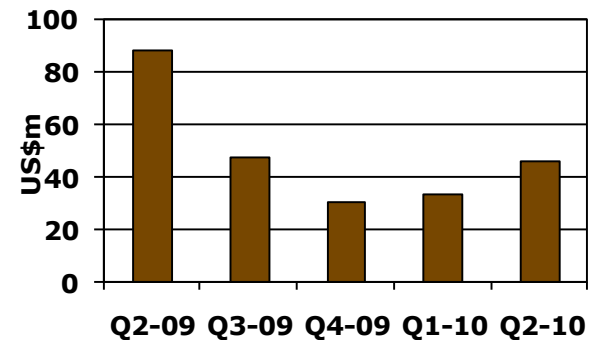
# Operations

- RXT1
  - Ocean Pearl started working for BP in June. Good progress in production. Will complete the two surveys in October.
- RXT2
  - Contract completed in April 2010
  - Crew demobilized and two vessels redelivered to owners. Third vessel will be redelivered in October after completing work in North Sea
- RXT3
  - Seismic equipment in the Caspian region is deployed in North Sea on Vikland.
- RXT4
  - Departed Brazil mid April
  - Started working for a client in June. Will do another survey for Statoil and expected to complete the work in the North Sea in October.
- RXT5
  - Good production in the whole quarter
  - Preparing the equipment for the remaining deep water work
  - Expected to continue to work in good water depths until Q4 when the remaining deep water work will be started.

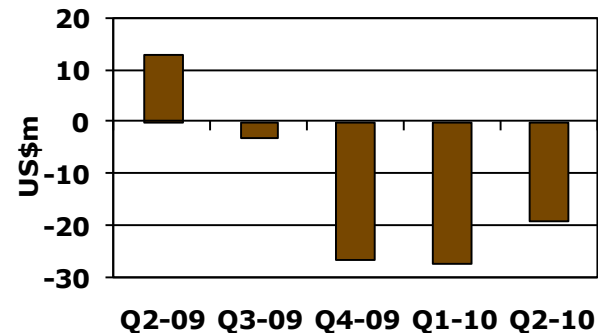
# 2nd Quarter 2010 Financial Headlines

- Revenues of \$46.3m
  - Up from \$33.5m in Q1 2010
    - RXT5 operating whole quarter
    - RXT1 and RXT4 commenced surveys in North Sea in June
    - RXT2 completed work in April
  - Down from \$88.5m in Q2 2009
- EBITDA of minus \$19.3m
  - Up from minus \$27.3m in Q1 2010
    - Amortised capitalized mob cost charged with USD 5 million in the quarter
    - USD 3.1 million in cost related to personnel reductions and redelivery of vessels
  - Down from \$13.0m in Q2 2009

Revenues by Quarter



EBIDTA by Quarter



# Re-delivery of vessels

Name of vessel	Date of re-delivery
Ramco Express	30 June 2010
Beulah Chouest	13 August 2010
Ark Phil	20 August 2010
Sanco Spirit	30 October 2010

Effects	
Annual cost saving	USD 28 million
Reduced off-balance liability	USD 44 million

# Reductions in personnel

	2q09	3q09	4q09	1q10	2q10
HQ	42	42	40	36	28
Other on-shore	32	31	31	31	27
Off-shores	252	206	196	188	149
Total	326	279	267	255	204

## Effects

Est. annual cost saving compared with 2q 09	USD 15 million
---	----------------

# Income Statements

In US\$ 000'	Unaudited Quarter ended June 30		Unaudited Six months ended 30 June		Audited Year ended Dec 31
	2010	2009	2010	2009	2009
<b>REVENUE:</b>					
Sales revenue	46 323	88 460	79 838	147 997	226 842
<b>Total revenue</b>	<b>46 323</b>	<b>88 460</b>	<b>79 838</b>	<b>147 997</b>	<b>226 842</b>
<b>OPERATING EXPENSES:</b>					
Cost of sales	61 969	72 403	118 741	113 979	214 182
Selling, general and administrative cost	3 650	3 027	7 698	6 029	14 455
<b>EBITDA</b>	<b>(19 296)</b>	<b>13 030</b>	<b>(46 601)</b>	<b>27 988</b>	<b>(1 795)</b>
Result from equity accounted investees	-	-	-	-	3 138
Impairment charges	-	-	-	-	61 374
Amortisation intangible assets	-	-	-	-	-
Depreciation	9 351	14 315	16 927	26 034	51 271
<b>OPERATING PROFIT</b>	<b>(28 647)</b>	<b>(1 285)</b>	<b>(63 528)</b>	<b>1 954</b>	<b>(117 578)</b>
<b>FINANCIAL INCOME AND EXPENSES:</b>					
Net foreign exchange gain (loss)	(4 145)	(3 239)	(4 385)	(10 727)	(27 014)
Financial income	6	130	13	205	412
Financial expenses	(1 989)	(5 114)	(5 327)	(8 692)	(20 753)
Other financial income (expense)	-	-	-	-	(17 390)
<b>Net financial items</b>	<b>(6 128)</b>	<b>(8 223)</b>	<b>(9 699)</b>	<b>(19 215)</b>	<b>(64 745)</b>
<b>Net result before variances on financial derivat./restruct.</b>	<b>(34 774)</b>	<b>(9 508)</b>	<b>(73 226)</b>	<b>(17 262)</b>	<b>(182 324)</b>
Gain (loss) on financial derivatives	8 018	(9 898)	(6 234)	(9 898)	10 830
Gain (loss) on restructuring	44 308	-	44 308	-	-
<b>NET RESULT BEFORE TAX</b>	<b>17 552</b>	<b>(19 405)</b>	<b>(35 152)</b>	<b>(27 159)</b>	<b>(171 494)</b>
Income tax expense (benefit)	793	-	1 818	114	5 926
<b>NET PROFIT (LOSS)</b>	<b>16 759</b>	<b>(19 405)</b>	<b>(36 970)</b>	<b>(27 273)</b>	<b>(177 419)</b>

# Balance Sheet

In US\$ 000'	Unaudited June 30 2010	Unaudited June 30 2009	Audited Dec 31 2009
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Multiclient library	12 520	12 520	12 520
Other intangible assets	110	5 529	-
Seismic equipment	2	180 081	114 800
Investment in equity accounted investees	2 667	6 591	3 000
Other fixed assets	-	175	-
<b>Total non-current assets</b>	<b>112 050</b>	<b>204 896</b>	<b>130 320</b>
<b>Current assets:</b>			
Accounts receivable	25 774	45 413	18 516
Other current assets	8 233	16 478	25 585
<b>Total receivables</b>	<b>34 007</b>	<b>61 891</b>	<b>44 101</b>
Cash and cash equivalents	3 268	6 798	6 936
Restricted cash	499	8 524	4 153
<b>Total current assets</b>	<b>37 774</b>	<b>77 213</b>	<b>55 190</b>
<b>TOTAL ASSETS</b>	<b>149 823</b>	<b>282 110</b>	<b>185 510</b>

# Balance Sheet

<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity:</b>			
<b>Paid in capital:</b>			
Share capital	148 660	2 920	6 890
Share premium reserve	82 340	36 773	85 294
Other equity	38 558	31 350	30 635
<b>Translation differences</b>			
Translation differences	(13 210)	(19 779)	(20 727)
<b>Accumulated profits</b>			
Retained earnings/(loss)	(173 140)	3 933	(136 169)
<b>Total equity</b>	<b>83 207</b>	<b>55 197</b>	<b>(34 076)</b>
<b>Long-term liabilities:</b>			
Convertible bonds	-	20 603	-
Financial liability anti-dilution mechanism	4 461	-	1 551
Fair value of conversion right CB	-	20 808	-
Bond loan with warrants	117	28 281	23 185
Bond loans	2 493	87 398	-
Financial lease obligation	285	5 399	3 981
Deferred tax liabilities	35	4 154	7 814
<b>Total long-term liabilities</b>	<b>3 7 391</b>	<b>166 643</b>	<b>36 531</b>
<b>Current liabilities:</b>			
Bank overdraft	-	2 375	-
Financial liability anti-dilution mechanism	7 434	-	5 113
Bond loan with warrants	-	-	-
Bond loans	-	-	96 813
Financial lease obligation	4 860	-	4 999
Short term interest bearing debt	3 -	7 024	-
Accounts payable	25 014	37 179	48 716
Other current liabilities	21 917	13 693	27 414
<b>Total current liabilities</b>	<b>59 225</b>	<b>60 270</b>	<b>183 055</b>
<b>Total liabilities</b>	<b>66 616</b>	<b>226 913</b>	<b>219 586</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>149 823</b>	<b>282 110</b>	<b>185 510</b>

# Cash Flow

In US\$ 000'	Unaudited Quarter ended June 30		Unaudited Six months ended June 30		Audited Year ended 31 Dec
	2010	2009	2010	2009	2009
<b>Cash flow from operating activities:</b>					
Net result before income taxes	17 552	(19 405)	(35 152)	(27 158)	(171 494)
Depreciation and amortisation	9 351	14 315	16 927	26 034	51 271
Impairment and restructuring	-	-	-	-	61 374
Fair value of conversion right CB/Restruct	(52 326)	9 898	(38 074)	9 898	(10 830)
Changes in current assets/ liabilities	(6 675)	(34 723)	15 412	(51 489)	422
Net finance expense	6 128	8 223	9 699	19 215	64 745
Equity-settled share-based payments	135	199	415	392	910
Share of loss (profit) of equity accounted in	-	-	-	-	3 138
Gain on sale of seismic equipment	-	-	-	-	-
Income tax paid	(793)	-	(1 818)	114	(5 926)
<b>Net cash flow from operating activities</b>	<b>(26 629)</b>	<b>(21 493)</b>	<b>(32 592)</b>	<b>(22 994)</b>	<b>(6 389)</b>
<b>Cash flow from Investing activities:</b>					
Investments in multiclient library	-	-	-	-	(768)
Interest received	6	130	13	205	397
Equity investment	-	-	-	-	-
Purchase of seismic equipment	(616)	(2 571)	(1 107)	(3 878)	(13 941)
Sale of seismic equipment	-	-	-	-	-
Investment in EM development	-	(300)	-	(1 877)	(4 858)
<b>Net cash flow from investing activities</b>	<b>(610)</b>	<b>(2 741)</b>	<b>(1 094)</b>	<b>(5 550)</b>	<b>(19 170)</b>
<b>Cash flow from financing activities:</b>					
Proceeds from new equity raised	36 150	28 202	36 150	28 437	38 819
Proceeds from debt raised	-	18 165	5 000	18 641	18 641
Net change in credit facility	-	(13 052)	-	(10 772)	(13 147)
Payment of interest	(1 205)	(3 902)	(2 331)	(5 806)	(8 769)
Payment of debt	(7 222)	(1 413)	(8 801)	(2 234)	(5 819)
<b>Net cash flow from financing activities</b>	<b>27 722</b>	<b>28 001</b>	<b>30 017</b>	<b>28 266</b>	<b>29 725</b>
<b>Cash balance:</b>					
Net change in cash	484	3 767	(3 668)	(279)	4 165
Cash beginning of period	2 784	3 032	6 936	7 077	2 771
<b>Cash end of period</b>	<b>3 268</b>	<b>6 798</b>	<b>3 268</b>	<b>6 798</b>	<b>6 936</b>



# Financial restructuring

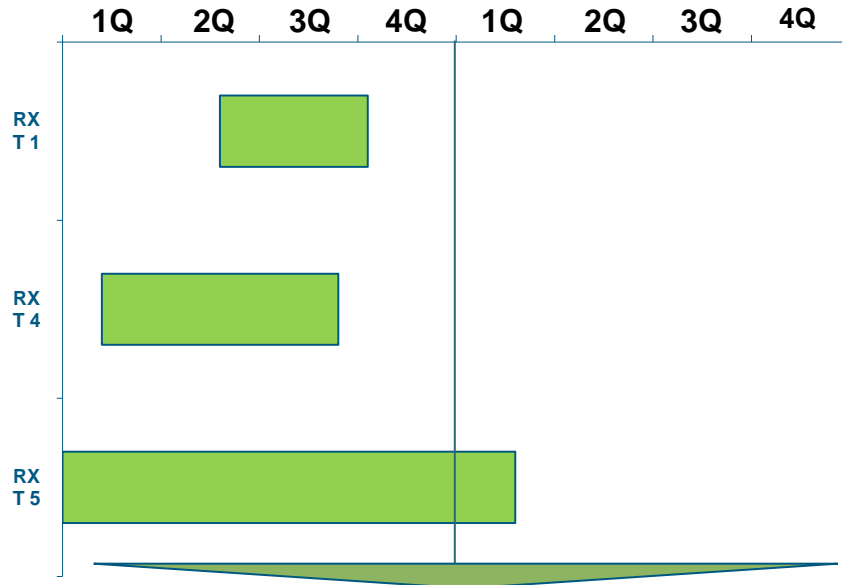
- Approved by the shareholders at the EGM 12 April 2010
- Effect from April 2010 accounts
- Share issue USD 40 million
  - NOK 0.10 per share
- Bond loans reduced by USD 140 million (USD 120m book value) to USD 3 million
  - USD 57 million written off
  - USD 83 million converted to shares
- Supplier debt reduced by USD 30 million
  - USD 13 million in write off
  - USD 17 million in conversion to shares
- Equity improved by USD 186 million

# Financial Outlook

- Securing new contracts
- Keeping the production at good levels.
- The production in Brazil is expected to remain on a stable level going forward except the small portion of deep water left to complete in Q4
- Improve flexibility of cost base
- Cost control to adjust to our current and planned activity
- Focus on cash flow
  - Improved production from end Q2 with three crews in operation

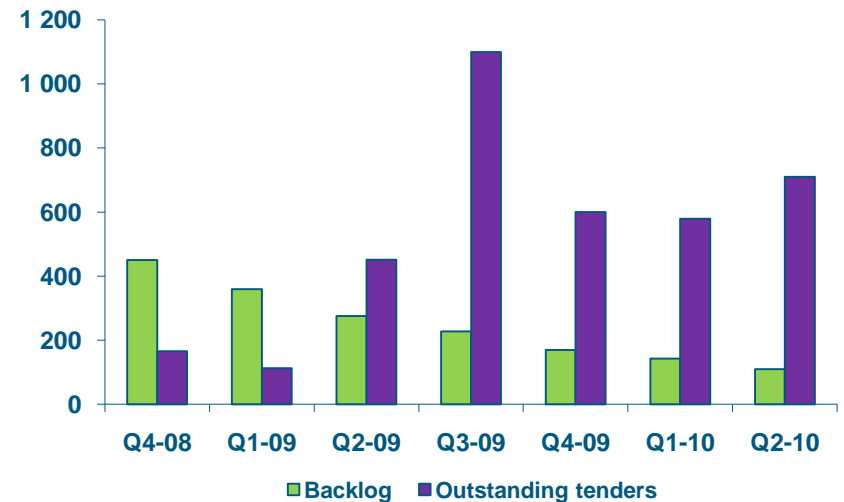
# CONTRACT BACKLOG

## Current contract coverage



- The total backlog is currently approximately USD 110 m

## Quarterly backlog and outstanding tenders (USDm)



- The total tenders outstanding currently amounts to USD 710m
- The outstanding tenders in 2011 with major areas
  - North Sea
  - Brazil
  - Middle East
  - Gulf of Mexico
  - Caspian

# Market Outlook

- \$110m backlog with blue chip clients
- \$710 million tenders outstanding
  - Several awards are expected to be made during the next three months
- Successful VSO patent defense by ION in the USA
- Bidding activity continues at good pace
- The market for OBC continues to improve
- Activity levels are higher compared to last year
- US Gulf of Mexico potential activity could be slowed due to recent events. However this may now be less an issue with the recent success with the oil spill.
- Oil companies recognize the value of OBC acquisition, providing them with better reservoir imaging in obstructed areas