



RESERVOIR EXPLORATION TECHNOLOGY ASA (RXT) REPORT PER 2ND QUARTER 2006 (UNAUDITED)

August 2, 2006

2ND QUARTER HIGHLIGHTS

- Q2 Revenue of \$9.7 million compared to \$5.4 million in Q2 2005.
- Q2 EBITDA of minus \$0.5 million, compared to \$0.4 million in Q2 2005.
- Earnings per share were minus \$0.20, versus minus \$0.38 in 2005.
- Second crew, "Ocean Pearl", started operation in the UK sector of the North Sea.
- Awarded major contract on Norwegian Continental Shelf
- Extension to the Gulf of Mexico contract through mid January 2007.
- Chartered new seismic vessel for delivery in April 2008 at favorable rates.
- Equipment ordered to upgrade of Gulf of Mexico crew to significantly increase operational efficiency on large scale Gulf of Mexico 2C programs.
- Ordered third VSO system and other seismic equipment for third crew.

6 MONTHS HIGHLIGHTS

- Revenue of \$12.9 million compared to \$8.3 million in 2005.
- EBITDA of minus \$4.4 million compared to minus \$1.6 million in 2005.
- Earnings per share were minus \$0.47, an improvement of \$1.11 from 2005.

2006 OUTLOOK

- Gulf of Mexico crew secured work until January 2007.
- Ocean Pearl secured work until November, with a possible extension.
- Tenders submitted for large programs at the current buoyant market rates in the Gulf of Mexico, Middle East, West Africa and Caspian.
- Revenue and EBITDA guidance will be lower than previously expected for 2006 due to revenue shortfall Ocean Pearl in Q2.
- Revenue and EBITDA for Q3 expected to be \$16 million and \$4.5 million respectively.
- Q4 revenue and EBITDA expected to be significantly better than Q3.

Operations

Revenue:

Revenue for 2nd quarter 2006 was \$9.7 million, compared to \$5.4 million in 2005.

The production for the GOM crew has been almost on target during Q2, despite considerable disturbance from fishing and diving activity during the period.

Ocean Pearl started production on its first program, West of Shetland, on the 6th of June 2006. This was 3-4 weeks later than planned primarily, due to late delivery of seismic equipment from several vendors, a problem presently being encountered throughout the industry through the huge demand on equipment suppliers to the sector. This, in turn, contributed to start-up problems with the seismic equipment in May and June through insufficient time for testing and systems shakedown prior to mobilization for the first survey. The crew operated at projected operational efficiency in July. Overall, the total Revenue for both crews for July was 58% of the total for Q2.

EBITDA:

EBITDA (earnings before interest, tax, depreciation, amortization and write-downs) for the quarter was minus \$0.5 million, compared to \$0.4 million in 2005.

EBITDA for the quarter was impacted by:

- As previously mentioned, delays and startup problems for Ocean Pearl.
- Operating expenses related to Ocean Pearl rigging.
- Hiring of certain key individuals for crew number 3 ahead of time.
- Expensed share option cost higher than planned.

Financial items

Net financial expense for Q2 2006 was \$1.2 million, compared to a net financial expense of \$0.6 million for Q2 2005. Financial expense in Q2 2006 includes unrealized foreign exchange loss related to the convertible bond amounting to \$1.1 million.

Tax

The Company has significant tax losses to be carried forward, both in US and in Norway. Tax benefit of these losses has not yet been recorded in the financial statements.

Net Loss

Net loss for Q2 2006 was minus \$4.0 million compared to minus \$1.3 million from Q2 2005. The loss in Q2 2006 is primarily due to the startup problems for Ocean Pearl as described above.

Balance Sheet

Total non-current assets amounted to \$58.0 million at the end of the period. Purchase of seismic equipment amounted to \$24.7 million in Q2 2006.

Cash and cash equivalents balance was \$6.6 million at the end of the quarter, compared to \$31.2 million at year end 2005. The reduction is mainly due to acquisition of seismic equipment.

Total liabilities at the end of the quarter were \$40.9 million, of which \$27.6 million is interest bearing.

Shares

Total outstanding number of shares in the Company is 20,017,500. Total diluted average shares outstanding 30 June 2006 was 20,983,485.

RXT Board of Directors has been granted authority to issue 2,333,340 shares in connection with share option programs. A total of 2,143,340 options have now been allocated under these programs.

Outlook 2006

The GOM crew will complete the current project in January 2007. Tenders are already submitted for substantial follow-on work in the GOM at current strong market rates.

Equipment has been ordered to upgrade the Gulf of Mexico crew. This will give a significantly increased operational efficiency on large scale Gulf of Mexico 2C programs from early 2007. The investment is estimated to around \$7.5 million, and will be financed with credit from supplier payable over a 12 months period.

The "Ocean Pearl" will complete the current program in September. The vessel will then work on the Norwegian continental shelf. Estimated completion is mid November, with the possibility of follow-on programs.

The general market demand for both 2C and 4C ocean bottom seismic continues to increase. RXT has tendered for large programs in West Africa, Middle East and Caspian at the current strong market rates.

The company has started to order the equipment for a third crew to start operations in Q1 2007. Cables have been ordered from Input-Output, and compressors and other long lead items have also been secured.

The company has also signed an agreement with Sanco Shipping for a combined shooting vessel/ cable handle vessel for delivery in April 2008 at favorable terms.

Reservoir Exploration Technology ASA Group
Income Statements
Unaudited

In US\$ 000'	Quarter ended Jun 30,		Six months ended Jun 30,		Year ended Dec 31,
	2006	2005	2006	2005	2005
REVENUE:					
Sales revenue	9 671	5 403	12 901	8 326	19 113
Total revenue	9 671	5 403	12 901	8 326	19 113
OPERATING EXPENSES:					
Cost of sales	8 472	4 382	14 023	8 584	16 369
Selling, general and administrative cost	1 787	628	3 236	1 382	3 934
Other expenses	2 163	1 111	3 299	2 222	4 459
OPERATING PROFIT / EBIT	(2 751)	(719)	(7 658)	(3 862)	(5 649)
FINANCIAL INCOME/ EXPENSES:					
Financial income	0	144	0	144	792
Financial expenses	(1 231)	(700)	(1 680)	(1 536)	(8 113)
Net financial items	(1 231)	(556)	(1 680)	(1 392)	(7 321)
NET RESULT BEFORE TAX	(3 983)	(1 275)	(9 338)	(5 254)	(12 970)
Income tax expense	0	0	0	0	0
NET PROFIT (LOSS)	(3 983)	(1 275)	(9 338)	(5 254)	(12 970)
Earnings per share (US\$)	(0,20)	(0,38)	(0,47)	(1,58)	(1,24)
Earnings per share (US\$) - Diluted	(0,20)	na	(0,47)	(1,58)	(1,24)
Average shares outstanding	20 016 731	3 333 400	20 008 412	3 333 400	10 456 765
Average shares outstanding - Diluted	20 983 485	3 333 400	20 677 103	3 333 400	10 667 454

Reservoir Exploration Technology ASA Group
Balance Sheets
Unaudited

In US\$ 000'	June 30, 2006	December 31, 2005
ASSETS		
Non-current assets:		
Seismic equipment	57 088	21 067
Prepaid fixed assets	923	1 886
Total non-current assets	58 011	22 953
Current assets:		
Accounts receivable	7 088	3 216
Other current assets	1 468	983
Total receivables	8 557	4 198
Cash and cash equivalents	6 619	31 207
Total current assets	15 176	35 406
TOTAL ASSETS	73 187	58 359
EQUITY AND LIABILITIES		
Shareholders' equity:		
Paid in capital:		
Share capital	304	302
Share premium reserve	68 148	62 149
Other equity	1 122	559
Accumulated profits		
Retained earnings/(loss)	-37 298	-22 316
Total equity	32 277	40 694
Long-term liabilities:		
Convertible bond	20 967	0
Other long-term liabilities	6 605	7 972
Total long-term liabilities	27 572	7 972
Current liabilities:		
Accounts payable	12 866	5 301
Other current liabilities	471	4 392
Total current liabilities	13 338	9 693
Total liabilities	40 910	17 665
TOTAL EQUITY AND LIABILITIES	73 187	58 359

Reservoir Exploration Technology ASA Group
Cash flow statements
Unaudited

In US\$ 000'	Quarter ended		Six months ended		Year ended
	Jun 30,		Jun 30,		Dec 31,
	2006	2005	2006	2005	2005
Cash flow from operating activities:					
Net result before income taxes	(3 983)	(1 275)	(9 338)	(5 254)	(12 970)
Depreciation	2 163	1 111	3 299	2 222	4 459
Changes in current assets/ liabilities	2 237	(450)	1 862	1 922	(1 643)
Net cash flow from operating activities	418	(614)	(4 177)	(1 110)	(10 155)
Cash flow from Investing activities:					
Purchase of seismic equipment	(24 705)	0	(38 358)	(190)	(4 664)
Net cash flow from investing activities	(24 705)	0	(38 358)	(190)	(4 664)
Cash flow from financing activities:					
Proceeds from new equity raised	44	0	44	0	49 547
Proceeds from debt raised	0	700	19 269	1 400	7 902
Payment of liabilities	(683)	0	(1 367)	0	(11 485)
Net cash flow from financing activities	(639)	700	17 946	1 400	45 964
Cash balance:					
Net change in cash	(24 927)	86	(24 588)	100	31 145
Cash beginning of period	31 546	75	31 207	62	62
Cash end of period	6 619	162	6 619	162	31 207

Reservoir Exploration Technology ASA Group
Changes in Equity
Unaudited

In US\$ 000'	Jun 30	Dec 31,
	2006	2005
Opening balance	40 694	(9 298)
Share issue	44	63 347
Net result	(9 338)	(12 970)
Accrual for shares issue cost 2004	314	(943)
Accrual for share option cost	564	559
Equity per period end	32 277	40 694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1

The 2006 and 2005 financial figures have been prepared and presented based upon International Financial Reporting Standards (IFRS). This quarterly report is in accordance with IAS34.

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Reservoir Exploration Technology (RXT) is a marine geophysical company specializing in multicomponent sea-floor acquisition of seismic data. The Company was formed originally as Terra Seismic Services in April 2002 in Norway. The first operation started in the Gulf of Mexico in June 2004, and the second started in the North Sea in May 2006. RXT has offices in Oslo, London and Houston. Additional information is available at www.rxt.com.