



## RESERVOIR EXPLORATION TECHNOLOGY ASA (RXT) REPORT PER 4TH QUARTER 2005 (UNAUDITED)

January 25, 2006

### FULL YEAR 2005 HIGHLIGHTS

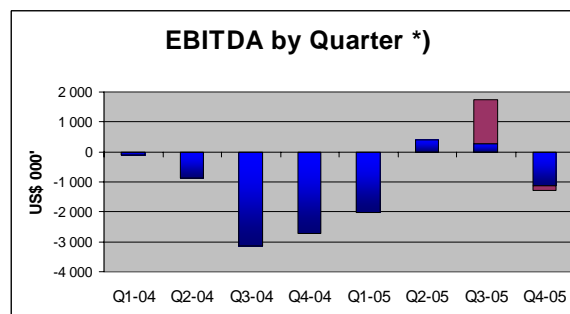
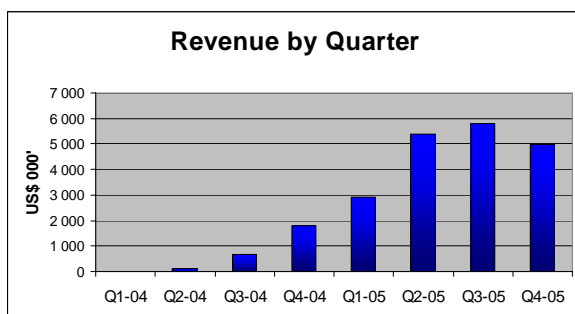
- 2005 Revenue of \$19.1 million compared to \$2.6 million in 2004.
- 2005 EBITDA of minus \$1.2 million compared to minus \$6.9 million in 2004.
- Undiluted earnings per share were minus \$1.24, an improvement of \$2.72 from 2004.

### 4<sup>TH</sup> QUARTER HIGHLIGHTS

- Q4 Revenue of \$5.0 million compared to \$1.8 million in year earlier quarter.
- Q4 EBITDA of minus \$1.3 million, compared to minus 3.3 million in 2004.
- Undiluted earnings per share were minus \$0.10, an improvement of \$1.48 from 2004.

### 2006 OUTLOOK

- Awarded major contract for BP in North Sea.
- Awarded major contract for TGS in Gulf of Mexico.
- High utilization expected for both crews in 2006.
- Gulf of Mexico crew secured work until mid September.
- Ocean Pearl to start operation 1 May, has secured 3-4 months work for BP in North Sea.
- Revenue range: \$54 - \$59 million.
- EBITDA range: \$21 - \$23 million.



\*) includes sale of know-how rights (Q3)  
and share option cost (Q3 & Q4).

### Operations

#### Revenue:

Revenue for the full year 2005 was \$19.1 million, compared to \$2.6 million in 2004. 2005 was negatively affected by the equipment problems in the first half of the year, as earlier communicated. Revenue in Q4 2005 was \$5.0 million, compared to \$1.8 million in Q4 2004. The revenue was slightly less than expected, despite the fact that the crew has been fully utilized in the Gulf of Mexico during the quarter.

There are two main reasons for the revenue shortfall in Q4, which resulted in about 35 days “lost” during the last quarter. Firstly, about 25 days with non-paid standby for weather downtime and transit between acquisition prospects. Secondly, about 10 days were used for mobilization and de-mobilization for the

different programs. This resulted in a delayed startup of the Mission program, and as a result about \$1.5 million in revenue will be recognized in January 2006 instead of December 2005. RXT expects that this will result in an increased utilization in 2006, and our revenue and EBITDA targets for 2006 will be increased accordingly.

It was difficult to pursue contract opportunities until the technical issues were largely resolved by May/June. This gave limited time to establish follow-on work after completion of the Chevron program in July. Consequently, the Company entered into agreements for the remaining part of 2005 at “introductory” pricing levels on a series of programs, which was also sub-optimal from a mobilization – demobilization point of view. Nevertheless, had weather patterns followed statistics for the region in late Q4, the revenue projection stated in July would have been achieved.

This strategy was linked to an overall objective to keep this first crew in the Gulf of Mexico in anticipation of large scale application of multi component technology. The strategy proved to be correct, as evidenced by the substantial TGS project award. At the time of award, the company had tenders outstanding on two other non-competing programs of a similar size.

**EBITDA:**

EBITDA (earnings before interest, tax, depreciation, amortization and write-downs) for the full year 2005 was minus \$1.2 million, compared to minus \$6.9 million in 2004. EBITDA for 2005 is \$5.2 million less than the guidance given in July 2005, which was \$4 million. The reduction is due to the following items:

- \$2.8 million: The Company announced in the Q2 report that it has resolved some outstanding issues with one of its suppliers in July 2005. In the Q3 report it was announced that the accounting treatment of this item has been changed after implementing IFRS. Total amount was \$4.65 million. \$1.85 million has been included in Q3. The remainder, \$2.8 million, will be accounted for as a reduction of fixed assets or taken into income when a purchase obligation is fulfilled, probably in 2006.
- \$0.5 million: Share option cost at option grant.
- \$1.5 million: Revenue shortfall in Q4 2005.
- \$0.4 million: Higher operating expenses in Q4 2005 than estimated.

EBITDA for the quarter was minus \$1.3 million, an improvement of \$2.0 million from Q4 2004. EBITDA in Q4 2005 includes share option costs, which is a non-cash item, amounting to \$0.2 million.

In addition to the revenue shortfall in Q4 2005, EBITDA was also negatively affected by higher operating cost during the quarter. Fuel cost was significantly higher than previous quarters, and there is also a general cost increase for salaries, support vessel and other services, due to a very strong seismic market. The Company has also started the rigging project of the Ocean Pearl. Key personnel have been employed, and this rigging cost has been charged to operating cost ahead of the anticipated operational start up in May 2006.

**Financial items**

Net financial income for Q4 2005 was \$0.4 million, compared to a net financial expense of \$0.9 million for Q4 2004.

Net financial expense for the full year 2005 was \$7.3 million, compared to \$2.2 million in 2004. The increase is related to interest expense to 3i and Lime Rock Partners. This loan was repaid in Q3 2005.

**Tax**

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

**Net Loss**

Net loss for Q4 2005 was minus \$2.0 million compared to minus \$5.3 million from Q4 2004.

Net loss for the full year 2005 was minus \$12.9 million, compared to minus \$10.3 million in 2004. The main contributing factor to the net loss position in 2005 is the interest expenses to 3i and Lime Rock recorded in Q3 2005.

### **Balance Sheet**

Total non-current assets amounted to \$23.0 million at the end of the period. Of this, \$1.9 million is related to prepayments of seismic equipment for Ocean Pearl.

Cash and cash equivalents balance was \$31.2 million at year end 2005, compared to \$0.1 million at year end 2004.

Total liabilities at the end of the quarter were \$17.5 million, of which \$8.0 million is interest bearing.

### **Shares**

Total outstanding number of shares in the Company is 20,000,000. Total diluted average shares outstanding 31 December was 20,415,177.

### **Outlook 2006**

The Gulf of Mexico team will complete the Mission project around 27<sup>th</sup> January. Both vessels will then go to yard, one for classification and the other for a replacement of one of its generators. It is expected that the yard stay will take 2-3 weeks. The TGS contract will commence directly after the yard stay. The yard stay was originally planned for May 2006. Moving it to January 2006 means that the Company will take advantage of breaking off during a period with worse weather condition, and also avoid having a yard stay in the middle of the TGS contract. This should impact positively on operational efficiency.

Pricing has improved significantly in the past several months. The contracts previously announced which start in 2006 are at levels approximately 30% higher than 2005. Current pricing for work estimated to start in the latter part of 2006 is quoted at levels significantly higher again. RXT is confident that earnings in the future will reflect the high current backlog of work, and improved pricing environment and productivity gains in longer contract periods.

The Ocean Pearl, will commence operation in the North Sea in May next year for BP. The contract period is 90 to 120 days. On top of this contract, RXT believes that there will not be enough capacity to meet the market demand for multi-component seismic in the North Sea next year and expects to be retained through the majority of the season.

RXT estimates that the 2006 revenues will be in the range \$54 to \$59 million. This is higher than earlier guidance, and is due to four main factors;

- the Mission program being moved from 2005 to 2006,
- higher utilization than earlier expected,
- higher contract prices,
- operation efficiency given the less stop start nature of contracts signed and anticipated.

The Company has forecast that operating costs will increase in 2006, due to a very strong seismic market, and ancillary costs relating to oil, staff and ongoing operations. However, the Company remains watchful of all aspects of expenditure.

EBITDA for 2006 is estimated to be in the range \$21 to \$23 million.

The company believes that the market demand for multi-component seismic is sufficient for the rigging of a 3<sup>rd</sup> crew. The contract visibility is strong, and RXT is currently exploring alternatives for funding of a 3<sup>rd</sup> crew to begin operations early Q1 2007. This is consistent with the growth plans previously communicated by the company.

**Reservoir Exploration Technology ASA Group**  
**Income Statements**  
**Unaudited**

<b>In US\$ 000'</b>	<b>Quarter ended Dec 31,</b>		<b>Year ended Dec 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>REVENUE:</b>				
Sales revenue	4 984	1 792	19 113	2 568
<b>Total revenue</b>	<b>4 984</b>	<b>1 792</b>	<b>19 113</b>	<b>2 568</b>
<b>OPERATING EXPENSES:</b>				
Cost of sales	5 043	4 381	16 369	7 730
Selling, general and administrative cost	1 220	753	3 915	1 717
Other expenses	1 109	983	4 443	1 175
<b>OPERATING PROFIT / EBIT</b>	<b>(2 389)</b>	<b>(4 326)</b>	<b>(5 614)</b>	<b>(8 054)</b>
<b>FINANCIAL INCOME AND EXPENSES:</b>				
Financial income	478	0	792	0
Financial expenses	(36)	(935)	(8 113)	(2 218)
<b>Net financial items</b>	<b>442</b>	<b>(935)</b>	<b>(7 321)</b>	<b>(2 218)</b>
<b>NET RESULT BEFORE TAX</b>	<b>(1 946)</b>	<b>(5 260)</b>	<b>(12 935)</b>	<b>(10 272)</b>
Income tax expense	0	0	0	0
<b>NET PROFIT (LOSS)</b>	<b>(1 946)</b>	<b>(5 260)</b>	<b>(12 935)</b>	<b>(10 272)</b>
<b>Earnings per share (US\$)</b>	<b>(0,10)</b>	<b>(1,58)</b>	<b>(1,24)</b>	<b>(3,96)</b>
<b>Earnings per share (US\$) - Diluted</b>	<b>(0,10)</b>	<b>na</b>	<b>(1,24)</b>	<b>na</b>
<b>Average shares outstanding</b>	<b>20 000 000</b>	<b>3 333 400</b>	<b>10 456 765</b>	<b>2 591 785</b>
<b>Average shares outstanding - Diluted</b>	<b>20 415 177</b>	<b>3 333 400</b>	<b>10 667 454</b>	<b>2 591 785</b>

**Reservoir Exploration Technology ASA Group**  
**Balance Sheets**  
**Unaudited**

In US\$ 000'	December 31,	
	2005	2004
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Seismic equipment	21 067	22 657
Prepaid fixed assets	1 886	0
<b>Total non-current assets</b>	<b>22 953</b>	<b>22 657</b>
<b>Current assets:</b>		
Accounts receivable	3 216	118
Other current assets	772	168
<b>Total receivables</b>	<b>3 987</b>	<b>286</b>
Cash and cash equivalents	31 207	62
<b>Total current assets</b>	<b>35 195</b>	<b>348</b>
<b>TOTAL ASSETS</b>	<b>58 148</b>	<b>23 004</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity:</b>		
<b>Paid in capital:</b>		
Share capital	302	48
Share premium reserve	42 339	0
<b>Accumulated profits</b>		
Retained earnings/(loss)	-1 947	-9 346
<b>Total equity</b>	<b>40 694</b>	<b>-9 298</b>
<b>Long-term liabilities:</b>		
Other long-term liabilities	7 972	25 355
<b>Total long-term liabilities</b>	<b>7 972</b>	<b>25 355</b>
<b>Current liabilities:</b>		
Accounts payable	5 090	4 085
Other current liabilities	4 392	2 862
<b>Total current liabilities</b>	<b>9 482</b>	<b>6 947</b>
<b>Total liabilities</b>	<b>17 455</b>	<b>32 302</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58 148</b>	<b>23 004</b>

**Reservoir Exploration Technology ASA Group**  
**Cash flow statements**  
**Unaudited**

In US\$ 000'	Quarter ended Dec 31,		Year ended Dec 31,	
	2005	2004	2005	2004
<b>Cash flow from operating activities:</b>				
Net result before income taxes	(1 946)	(5 260)	(12 935)	272
Depreciation	1 109	983	4 443	1 175
Changes in current assets/ liabilities	2 431	4 572	(1 646)	6 882
<b>Net cash flow from operating activities</b>	<b>1 595</b>	<b>295</b>	<b>(10 138)</b>	<b>(2 215)</b>
<b>Cash flow from Investing activities:</b>				
Purchase of seismic equipment	(3 691)	(1 145)	(4 681)	832
<b>Net cash flow from investing activities</b>	<b>(3 691)</b>	<b>(1 145)</b>	<b>(4 681)</b>	<b>832</b>
<b>Cash flow from financing activities:</b>				
Proceeds from new equity raised	(33)	0	49 547	1 231
Proceeds from debt raised	0	700	7 902	25 602
Payment of liabilities	(228)	0	(11 485)	(724)
<b>Net cash flow from financing activities</b>	<b>(261)</b>	<b>700</b>	<b>45 964</b>	<b>26 109</b>
<b>Cash balance:</b>				
Net change in cash	(2 357)	(150)	31 145	62
Cash beginning of period	33 564	212	62	0
<b>Cash end of period</b>	<b>31 207</b>	<b>62</b>	<b>31 207</b>	<b>62</b>

**Reservoir Exploration Technology ASA Group**  
**Changes in Equity**  
**Unaudited**

In US\$ 000'	Dec 31, 2005	Dec 31, 2004
<b>Opening balance 1 January</b>	<b>(9 298)</b>	<b>(687)</b>
Share issue	63 347	1 661
Net result	(12 935)	(10 272)
Accrual for shares issue cost 2004	(943)	0
Accrual for share option cost	524	0
<b>Equity per period end</b>	<b>40 694</b>	<b>(9 298)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 Introduction

RXT formed a subsidiary 5th May 2005. The parent company accounts are presented in USD as the comparables for both Q4 2004 and year end 2004. There are no changes made, except for the presentation currency, when transforming the historical accounts under NGAAP to IFRS.

The Q4 report is in accordance with IAS34.

### Note 2 Summary of significant accounting policies

#### 2.1 Basis for preparation

The consolidated financial statements of Reservoir Exploration Technology AS, ("RXT" or "The Group") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board.

The consolidated financial statements have been prepared on an historical cost basis.

#### 2.2 Changes in accounting policies

No changes in accounting policies have been made after January 1<sup>st</sup>, 2005.

#### 2.3 Presentation currency

The Group presents its financial statements in USD.

#### 2.4 Basis of consolidation

The Group's consolidated financial statements comprise RXT AS 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. Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which RXT exercises considerable influences are accounted for by applying the equity method. 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 recognized impairment losses.

- (a) When the Group's share of the loss exceeds the investment, the investment is carried at zero value. If the Group's share of the loss exceeds the investment, this will be recognized to the extent that the Group has obligations to cover this loss.
- (b) Interests in joint ventures are accounted for by proportionate consolidation, ie, by recognizing the proportionate share of revenues, costs, assets and liabilities with similar items in the financial statements on a line-by-line basis. A review of the carrying values in joint ventures is carried out when there are indications that there is a need to recognize impairment losses or when the need for previously recognized impairment losses is no longer present.

All other investments are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Inter-company 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 on the assumption of uniform accounting policies for identical transactions and other events under equal circumstances.

#### 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 recognized 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.

### (i) Fair value hedges:

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognized in the income statement. Correspondingly, a change in the fair value of the hedged object is recognized in the income statement, as is the net gain or loss.

The hedge accounting is discontinued if:

- (a) The hedging instrument expires or is sold, terminated or exercised, or
- (b) The hedge no longer meets the criteria for hedge accounting stated above

Once the hedge accounting is discontinued, the adjustments made to the carrying amount of the hedged object are amortized over the remaining life using the effective interest rate.

### (ii) Cash-flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are taken directly to equity. The ineffective part of the hedging instrument is recognized directly in the income statement.

If the hedge of a cash flow results in an asset or liability being recognized, all former gains and losses recognized directly in equity are transferred from equity and included in the initial measurement of the asset or liability. For other cash-flow hedges, gains and losses recognized directly in equity are taken to the income statement in the same period as the cash flow which comprises the hedged object is recognized in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recognized directly in equity remains separately recognized in equity until the forecast transaction occurs.

If the hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognized directly in equity will be recognized in profit or loss.

As of December 31, 2005 the Group has no derivatives.

## **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 recognized 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 derecognized, and any gain or loss on the sale or disposal is recognized 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 costs, are normally recognized 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 recognized in the balance sheet as additions to non-current assets.

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 harmonies with the financial realities of the non-current asset. The same applies to the scrap value.

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

#### Software

Expenses linked to the purchase of new computer programs are recognized in the balance sheet as a tangible non-current asset provided these expenses do form part of the hardware acquisition costs. Expenses incurred as a result of maintaining or upholding the future usefulness of software are expenses 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 cash flow to the lease. 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 costs are allocated to different periods, so that the interest cost for the remaining debt is the same in 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 recognized in the income statement during the contract period.

If a sale and leaseback transaction results in an operating lease and it is clearly stated that the transaction has been carried out at its fair value, any gain or loss will be recognized in the income statement when the transaction is carried out.

### **2.10 Research and development**

Expenses relating to research are recognized in the income statement when they are accrued. Expenses relating to development are recognized 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 start to be recognized in the balance sheet. Costs that have been charged as expenses in previous accounting periods are not recognized in the balance sheet.

Recognized 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 recognized when, and only when, the Group has a valid liability (legal or estimated) 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 recognized 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 recognized 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 recognized directly in equity after deducting tax expenses. Only transaction costs directly linked to the equity transaction are recognized directly in equity.

## **2.13 Revenue recognition**

Revenue is recognized when it is probable that transactions will generate future economic benefits that will accrue to the Group and the size of the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenues from acquisition of seismic data is recognized in the income statement once the data has been acquired, and can be invoiced to the customer.

## **2.14 Currency**

Currency transactions are translated at the rate applicable on the transaction date. Foreign exchange gains/losses that arise as a result of changes in the exchange rate between the transaction date and the payment date are recognized in the income statement. At the balance sheet date balances not being reflected in USD are translated to USD 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's payments are recognized in the income statements for 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 Group. The fair value of the options is calculated on the allocation date, and expensed over the vesting period .

## **2.16 Loans**

Borrowing costs are recognized in the income statement when they arise. Borrowing costs are capitalized to the extent that they are directly related to the purchase, construction or production of a non-current asset. Borrowing costs are capitalized when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalized 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 recognized.

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

## **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 recognized when it is probable that the Group will have a sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group carries out a review of its unrecognized deferred tax assets and the value it has recognized. The Group recognize formerly unrecognized deferred tax assets to the extent that it has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce its deferred tax assets to the extent that it can no longer utilize these.

Deferred tax and deferred tax assets are recognized irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

The tax payable and deferred tax are recognized directly in equity to the extent that they relate to factors that are recognized 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 recognized in the income statement. To the extent that the impairment loss relates to buildings that are recognized at revalued amounts, the impairment loss is recognized as a reduction in revaluation surplus to the extent that the impairment loss is not greater than the revaluation surplus for the building. 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 recognized 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 Segments**

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

### **2.20 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 recognized 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 recognized 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 stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

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

### **2.21 Events after the balance sheet date**

New information on the Group's positions 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 stated if significant.

### **2.22 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 has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This particularly applies to the recognition as revenue of long-term manufacturing contracts and assessment of goodwill. Future events may lead to these estimates being changed. Such changes will be recognized when new estimates can be determined with certainty.

CONTACTS:

**Odd Erik Rudshaug**

**Michael Scott**

Phone: +4767828550

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

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 will start in the North Sea in May 2006. RXT has offices in Oslo, London and Houston. Additional information is available at [www.rxt.com](http://www.rxt.com).