Income Statement - Badger Explorer Group

All figures in NOK

	Note	2010	2009
REVENUES			
Other Income		12 056 296	8 977 649
Public grants	2	1 805 110	1 977 003
Capitalised public grants	9	-1 805 110	-1 977 003
Total revenues		**12 056 296**	**8 977 649**
OPERATING EXPENSES			
Cost of goods sold		3 166 091	2 639 408
External services for dev. project		16 888 875	20 766 818
Payroll and related costs	6	26 582 838	19 915 191
Depreciation	7	988 748	1 147 596
Other operating expenses		10 946 717	11 902 275
Capitalised development cost	9	-26 950 197	-30 561 242
Total operating expenses		**31 623 072**	**25 810 046**
Operating profit (loss)		**-19 566 776**	**-16 832 397**
Financial income	3	1 504 740	6 186 850
Financial expenses	3	1 017 650	277 886
Net financial items		**487 090**	**5 908 964**
Profit (loss) before taxes		**-19 079 686**	**-10 923 433**
Tax on ordinary result	4	-417 669	-235 007
Net profit (loss)		**-19 497 354**	**-11 158 439**
Profit (loss) attributable to non-controlling interest		1 407 660	1 572 054
Profit (loss) attributable to equity holders of the parent	**5**	**-20 905 015**	**-12 730 493**
Earnings per share	5	-1,13	-0,69
Earnings per share diluted	5	-1,13	-0,69

Statement of financial position - Badger Explorer Group

All figures in NOK

ASSETS	Note	2010	2009
NON-CURRENT ASSETS			
Capitalised development costs	9	89 155 567	64 010 480
Patent rights	9	386 668	386 668
Goodwill	9	5 640 192	5 709 840
Total intangible assets		**95 182 428**	**70 106 987**
Property, plant & equipment	7	3 641 798	3 333 191
Total tangible assets		**3 641 798**	**3 333 191**
Investment in shares in liquidity fund	15	52 615 534	0
Total financial assets		**52 615 534**	**0**
TOTAL NON-CURRENT ASSETS		151 439 759	73 440 178
CURRENT ASSETS			
Inventories	8	**4 213 277**	**854 407**
Accounts receivables	10,15	3 958 992	1 520 288
Other receivables	10,15	2 904 671	3 114 620
Total receivables		**6 863 663**	**4 634 908**
Bank bonds	15	0	33 781 615
Total current financial assets		**0**	**33 781 615**
Cash and cash equivalents	11	**45 887 783**	**107 315 911**
TOTAL CURRENT ASSETS		56 964 722	146 586 841
TOTAL ASSETS		208 404 482	220 027 019

Statement of financial position - Badger Explorer Group

All figures in NOK

EQUITY AND LIABILITIES	Note	2010	2009
EQUITY			
Share capital	12	2 304 880	2 304 880
Share premium fund		217 099 786	217 099 786
Other paid in capital		2 285 528	945 870
Total paid in equity		**221 690 194**	**220 350 536**
Foreign currency translation reserve		-2 598 005	-2 306 218
Retained earnings		-43 097 875	-22 192 860
Total equity attributable to equity holders of parent		**-45 695 880**	**-24 499 078**
Non-controlling interests	17	**6 092 609**	**4 684 949**
TOTAL EQUITY		**182 086 924**	**200 536 407**
LIABILITIES			
Capitalised grants	14	17 935 200	13 855 200
Other long term liabilities		79 832	0
Total long term liabilities		**18 015 032**	**13 855 200**
Accounts payable	13	3 392 785	3 375 906
Public duties payables		2 603 939	222 432
Taxes payable	4	412 594	202 181
Other short term liabilities		1 893 208	1 834 893
Total short term liabilities		**8 302 526**	**5 635 412**
TOTAL LIABILITIES		**26 317 558**	**19 490 612**
TOTAL EQUITY AND LIABILITIES		**208 404 482**	**220 027 019**

Stavanger, 30. March 2011

Rolf E. Ahlqvist
Chairman

Christian Bull Eriksson
Director

Marcus Hansson
Director

Kristine Holm
Director

Tone Kvåle
Director

Kjell Erik Drevdal
President & CEO

Statement of comprehensive income - Badger Explorer Group

All figures in NOK

Total comprehensive income	**2010**	**2009**
Profit (loss) for the year	-19 497 354	-11 158 439
Other comprehensive income		
Translation differences	-291 787	-1 148 649
Total comprehensive income for the year, net of tax	**-19 789 141**	**-12 307 088**

Total comprehensive income attributable to:	**2010**	**2009**
Equity holders of the parent	-21 196 802	-13 879 142
Non-controlling interest	1 407 660	1 572 054
	-19 789 141	**-12 307 089**

Statement of Change in Equity - Badger Explorer Group

All figures in NOK

	Note	Share capital	Share premium fund	Other paid in capital	Foreign currency translation	Retained earnings	Non-controlling interest	Total equity
Equity per 01.01.2009		2 304 880	217 099 786	262 112	-1 157 569	-9 462 367	3 112 897	212 159 739
Profit (loss) for the year						-12 730 493	1 572 054	-11 158 439
Foreign currency translation					-1 148 649			-1 148 649
Total comprehensive income					-1 148 649	-12 730 493	1 572 054	-12 307 088
Option plan payment	6			683 758				683 758
Equity per 31.12.2009		2 304 880	217 099 786	945 870	-2 306 218	-22 192 860	4 684 950	200 536 408
Profit (loss) for the year						-20 905 015	1 407 660	-19 497 355
Foreign currency translation					-291 787			-291 787
Total comprehensive income					-291 787	-20 905 015	1 407 660	-19 789 142
Option plan payment	6			1 339 658				1 339 658
Equity per 31.12.2010		**2 304 880**	**217 099 786**	**2 285 528**	**-2 598 005**	**-43 097 875**	**6 092 609**	**182 086 924**

Statement of Cash Flow - Badger Explorer Group

All figures in NOK

	Note	2010	2009
Cash flow from operational activities			
Contributions from operations*		-17 656 038	-15 236 050
Change in accounts receivable and accounts payables		-2 421 826	1 157 741
Change in other receivables and payables		-498 685	2 616 548
Net cash flow from operating activities	**A**	**-20 576 549**	**-11 461 762**
Cash flow from investment activities			
Investment in fixed asset	7	-1 297 356	-1 055 232
Investment/sales bank bonds	15	33 781 615	5 591 280
Investment in shares in liquidity fund	15	-52 615 534	
Capitalisation of development cost	9	-26 950 197	-30 561 242
Net cash flow from investment activities	**B**	**-47 081 472**	**-26 025 195**
Cash flow from financing activities			
Public grants		1 805 110	1 977 003
Contribution from industry partners	14	4 080 000	
Other changes in long term receivables and payables		79 832	0
Interest paid		-1 017 650	-277 886
Interest received		1 504 740	6 186 850
Net cash flow from financing activities	**C**	**6 452 033**	**7 885 967**
Total net changes in cash flow	**A+B+C**	-61 205 990	-29 600 990
Net foreign translation differences		-222 140	-655 925
Cash and cash equivalents 1.1		107 315 912	137 572 827
Cash and cash equivalents 31.12		**45 887 783**	**107 315 912**

Net result		-20 905 015	-12 730 493
Profit (loss) attributable to non-controlling interest		1 407 660	1 572 054
Employee options	6	1 339 658	683 758
Depreciation	7	988 748	1 147 596
Financial income		-1 504 740	-6 186 850
Financial expences		1 017 650	277 886
***Total contributions from operations**		**-17 656 038**	**-15 236 050**

Note 1 Accounting policies

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at Jåttåvågveien 7 - Building C, 4020 Stavanger, Norway.
The consolidated financial statement of Badger Explorer ASA and all its subsidiaries (the Group) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.2010.
The financial statement has been prepared on an historical cost basis, except for investment in shares in liquidity fund which is held to fair value over profit and loss.

1.1 Consolidation

The consolidated financial statement comprises the financial statement of Badger Explorer ASA and its subsidiaries as at 31.12 each year.
Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, see note 17.
The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.
All Intra-group balances, transactions, unrealised gains and losses resulting from intra-group transaction and dividend are eliminated in full.
Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group looses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Basis of consolidation prior to January 2010

Certain of the above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:
- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired where recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholder.

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportional share of the acquirer's identifiable net assets.

Note 1 Accounting policies (continues)

1.2 Currency

Translation differences are taken to profit or loss. Transaction in foreign currencies are initially recorded in the functional currency rate quoted at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the balance sheet date.

The Group's consolidated financial statements are presented in NOK. Income statement in foreign subsidiaries are translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiaries, including goodwill and adjustments of fair value of identifiable assets and liabilities arising on the acquisition of subsidiaries are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recognised directly as other comprehensive income in equity.

1.3 Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year. No such adjustment has been made in 2009 and 2010.

1.4 Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group's financial assets include, in addition to cash and cash equivalents, trade and other receivables and other liabilities, bank bonds classified as loans and receivables and investment in shares in liquidity fund classified at fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Group's share in marked based liquidity fund are classified as "financial assets at fair value through profit and loss" under IAS 39.9 b), as the fund is managed and its performance is evaluated on a fair value basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

The Group's bank bonds are classified as "loans and receivables" under IAS 39.

Note 1 Accounting policies (continues)

1.5 Inventory

Inventory is valued at the lower of cost and net realisable value.

Cost incurred in bringing raw materials to its present location and condition are accounted for by purchase cost on a first in, first out basis.

Cost incurred in bringing finished goods and work in progress to its present location and condition are accounted for by cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

1.6 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 subject to an insignificant risk of change in value.

1.7 Accounts receivable

Accounts receivable are recognised in the balance sheet at nominal value less provisions for doubtful debts.

1.8 Fixed assets

Fixed assets are carried at cost less accumulated depreciations and impairment losses. When fixed 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 fixed assets is the purchased price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Subsequent costs, such as repair and maintenance costs, are recognised 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 recognised in the balance sheet as additional to fixed assets.

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

Plant and machinery: 6 - 10 years

Fixtures, fittings and vehicles: 3 - 5 years

Both the depreciation period and depreciation method and the residual value of fixed assets are evaluated annually.

1.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed as incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as change in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets are capitalised if it is probable that the expected future financial benefits referred to the asset will accrue to the Group, and that the cost can be calculated in a reliable matter.

Note 1 Accounting policies (continues)

Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Patents and licenses

Cost relating to patents and licenses are capitalised as incurred. Depreciation is recognised in the balance sheet and depreciated using the straight-line method over the expected useful life, commencing when the technology is ready for its intended use. The expected useful life of patents and licenses varies from 5 to 20 years.

Research and development

Costs relating to research are expensed as incurred. Development expenditures related to the Badger Explorer development project and the Badger Plasma Technology project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Groups intention to complete and the Groups ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The ability to measure reliable the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. All costs related to the Badger Explorer development project is capitalised continuously every month. Project Costs that have been expensed 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 for the asset, usually not exceeding 10 years. Depreciation starts when the asset is ready for use. No depreciation has yet been performed for the development projects. The fair value of the development costs will be calculated when there is an indicator of change in value.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Note 1 Accounting policies (continues)

1.10 Provisions

An provision is recognised in the balance sheet when the Group has a liability (legal or constructive) as a consequence of a past event, it is likely (more likely than not) that a financial settlement will follow this liability and the amount can be calculated reliable. If the effect is substantial, the provision is calculated by discounting expected future cash flow at a discount rate before tax which reflects the markets pricing of time value of money and, if relevant, risks specifically related to the liability. Provisions are reviewed at each balance sheet date and their level reflects the Managements best estimate of liability. Any increase in the provision due to time is presented as interest costs.

1.11 Principles for revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of value added tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from sale of engineering services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue from dividends is recognized when the Group's right to receive the payment is established.

Revenue from rental income arising from operational leases on instruments is accounted for on a straight line basis over the lease terms.

Interest income is recognised in the income statement based on the effective interest method as they are earned.

1.12 Public grants and contribution from partners

Public grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost it intends to compensate. Where the costs are related to a development project and capitalised, the belonging grants are deducting the carrying amount of the asset.

All public grants received to date are related to development projects and deducted in the carrying amount of the related asset. Ref. note 9.
Where the grants relate to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related assets.

Contribution from partners are recognised in the balance sheet as long term liabilities as the contributions are subject to specific requirements. Ref. note 14.

Where the Group receives non-monetary grants, the assets and the grants are recorded at nominal amounts and released to profit and loss over the expected useful life of the relevant assets by equal annual instalments.

1.13 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 on assets and liabilities.

Note 1 Accounting policies (continues)

Deferred income tax liabilities are recognised for all taxable temporary differences except
(i) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

(ii) in respect of taxable temporary differences are associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset (long term liabilities) in the balance sheet.

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 utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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

1.14 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. 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 recognised in the annual financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

1.15 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 affect the Group's position in the future are stated if significant.

1.16 Use of estimates when preparing the annual financial statements.

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements, is given in the following

- Impairment test for intangible assets (note 18)
- Depreciation periods for fixed assets and intangible assets (notes 7,9)
- Capitalized development cost/R&D cost (note 9)
- Taxes (note 4)

Note 1 Accounting policies (continues)

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment of the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and capitalised development cost are tested for impairment annually and at other times when such indicators exist. The Group's impairment test for goodwill and capitalised development cost is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash generating unit, including a sensitivity analysis, are further explained in note 18. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. This is especially relevant to capitalised development costs.

Development expenditures related to the Badger Explorer development project and the Badger Plasma Technology project are recognized as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Groups intention to complete and the Groups ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The ability to measure reliable the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. All costs related to the Badger Explorer development project is capitalised continuously every month. Project manager performs an continues assessment whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up). Capitalised carrying amount for the development project amounts to MNOK 89 per 31.12.2010, see note 9

Costs that have been expensed 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 for the asset, usually not exceeding 10 years. Depreciation starts when the asset is ready for use. No depreciation has yet been performed for the development projects. The fair value of the development costs will be calculated when there is an indicator of change in value.

1.17 Leasing

Operating leases

Leases for which most of the risk rests with the other contracting party are classified as operating leases. Operating lease payment are classified as operating costs in the income statement on a straight-line basis over the lease term.

Note 1 Accounting policies (continues)

1.18 Share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed further below and in note 6.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

1.19 Impairment of assets

The Group assesses whether there are any indicators of impairment for all assets at each reporting date.

An assessment of impairment losses on 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 of 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. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

1.20 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method and based upon IAS 7.

1.21 Costs related to equity transactions

Costs directly related to equity transactions are recognised directly on the equity after deduction of tax.

Note 1 Accounting policies (continues)

1.22 Future changes in accounting policies

The Group has implemented all changes in standards and interpretations for 2010. The implementation of these changes have not resulted in any changes to the group beyond the information given in the notes.

The IASB issued amendments to its standards and the related Basis for Conclusions in its annual "improvements to IFRSs". The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements are effective for annual periods beginning on 1 July 2010 or later, but the improvements are not yet approved by the EU. The Group plans to implement the amendments from 1 January 2011.

IFRS 7 Financial Instruments - Disclosures: Emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. In addition changes are made to disclosure requirements relating to quantitative information and to credit risk. The Group plans to implement the change as of 1 January 2011. The Group does not anticipate that the implementation of this change will have any significant effect on the financial statements on the date of implementation.

IAS 34 Interim Financial Reporting: Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements concerning circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The group has already implemented this change in the annual report, ref. note 15 and will implement this change in future quarterly reports - first time 1Q 2011.

Note 2 Public grants and development costs

All figures in NOK

The Group has previously received public grants from the Research Council of Norway and Skattefunn for the Badger Explorer development project in Badger Explorer ASA and the Plasma Channel Drilling project in Badger Plasma Technology AS. The Badger Explorer development project has been pledged grants from Skattefunn and Research Council of Norway for both 2009 and 2010. All development costs in the Badger Explorer Group related to these projects are capitalised except of NOK 5 589 623 for 2010 and 5 441 347 for 2009 related to a IFRS restriction on capitalisation of own personnel cost. Public grants related to the development projects are deducted in the carrying amount of the related asset.

Note 3 Financial items

(All figures in NOK)

	2010	2009
Interest income bank bonds held to maturity	16 363	2 280 783
Interest income related to cash and cash equivalents	1 666 757	3 152 119
Return on sales of bank bonds held to maturity	285 685	687 020
Loss on sale of market based shares in liquidity fund	-120 531	-
Net loss on market based shares in liquidity fund at fair value through profit and loss	-965 428	-
Management cost of market based shares in liquidity fund	-534 137	-
Other financial income	44 083	-
Other financial expenses	-1 431	-220 202
Currency gain	457 279	66 928
Currency loss	-361 551	-57 685
Net financial items	487 090	5 908 964

Note 4 Tax

(All figures in NOK)

Income tax expense	**2010**	**2009**
Payable tax	417 669	235 007
Changes in deferred tax	-	-
Total tax expense	**417 669**	**235 007**
Calculation of basis for tax		
Earnings before tax	-19 079 686	-10 923 433
Permanent differences *)	495 080	973 511
Changes in temporary differences	20 076 279	10 789 232
Total basis for tax	**1 491 673**	**839 311**
Summary of temporary differences:		
Fixed assets	776 862	557 428
Loss carried forward	-56 464 142	-36 168 428
Total	**-55 687 279**	**-35 611 000**
Deferred tax asset	**-15 592 438**	**-9 971 080**

Note 4 Tax (continues)

(All figures in NOK)

	Balance sheet	
Deferred tax asset	**2010**	**2009**
Loss carried forward	15 809 960	10 127 160
Fixed assets	-217 521	-156 080
Total deferred tax asset	**15 592 438**	**9 971 080**
Valuation allowance	-15 592 438	-9 971 080
Total deferred tax asset recognised in the balance sheet statement	-	-

Deferred tax asset is not recognised in the balance sheet as the Group is in a development phase and is currently generating losses.

Loss carried forward per 31.12.10 is due as follows	**2010**	**2009**
Unlimited carrying forward	56 464 142	36 168 428

Explanation of why tax cost does not amount to 28% of earnings before tax:	**2010**	**2009**
28 % tax of earnings before tax	-5 342 312	-3 058 561
Permanent differences *)	138 622	272 583
Changes in deferred tax asset not recognised in the balance sheet.	5 621 358	3 020 985
Calculated tax cost	**417 669**	**235 007**
Effective tax rate **)	-2,2 %	-2,2 %

*) Includes emission costs and non-deductible costs such as entertainment and non-taxable share dividends.

**) Tax cost compared to earnings before tax.

The tax cost is related to tax on the profit in Calidus Engineering Ltd..

Note 5 Earnings per share

(All figures in NOK)

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Options awarded to employees at the end of 2006 and mid 2007 are waived and not included in the calculation of diluted earnings per share. The effect of the new awarded options to employees at mid September 2009 are included in the calculation of diluted earnings per share.

	2010	**2009**
Profit (loss) attributable to equity holders of the Company	-20 905 015	-12 730 493
Weighted average outstanding ordinary shares	18 439 040	18 439 040
Effect of dilution - share options	113 280	25 079
Weighted average outstanding diluted shares	18 552 320	18 464 119

Earnings per share	**2010**	**2009**
Ordinary	-1,13	-0,69
Diluted	-1,13	-0,69

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

Payroll and related costs	2010	2009
Salaries and vacation pay	19 643 538	14 867 387
Employers' national insurance contributions	3 119 374	2 252 603
Option plan payment (incl. national insurance contribution)	1 934 560	787 484
Remuneration to board	1 005 000	585 000
Other benefits (incl. pension scheme)	880 366	1 422 718
Total	**26 582 838**	**19 915 191**

The average number of employees in full time equivalent	43	40

Pensions

The pension scheme in Badger Explorer ASA and Badger Plasma Technology are defined contribution plans where agreed contributions are expensed as paid. Contribution comprising between 4% and 7% of an employee's salary is added to the pension plan. The Group has no further commitments towards pensions when the agreed contributions are paid. The Group's contribution costs are charged to the income statement in the year in which the contribution applies. The scheme fulfils the requirements in the law for obliged pension (OTP).

	2010	2009
Contribution expensed during the year	613 024	549 608

	2010		
Remuneration to members of Management	**Salary**	**Other Benefits**	**Pension scheme costs**
Chief Executive Officer (CEO)	1 614 231	18 599	47 478
Chief Financial Officer (CFO)	1 590 052	17 853	48 912
Chief Technology Officer (CTO)	1 339 421	16 098	46 985
Chief Project Manager (CPM)	1 180 911	12 487	47 478
Sr. Vice President Business Dev. & Strategy	1 337 775	16 488	46 282
Manager HR, Economy and Adm.	658 985	6 685	30 099
Manager Quality, Risk and Supply Chain*	548 923	7 880	27 403
Product Manager	896 318	13 797	39 353

	2009		
Remuneration to members of Management	**Salary**	**Other Benefits**	**Pension scheme costs**
Chief Executive Officer (CEO)	1 455 906	14 596	44 373
Chief Financial Officer (CFO)	1 503 499	14 658	44 373
Chief Technology Officer (CTO)	1 275 122	14 583	44 373
Chief Project Manager (CPM)	1 172 491	12 574	44 373
Sr. Vice President Business Dev. & Strategy**	469 067	3 761	11 673
Manager HR, Economy and Adm.	614 225	6 321	34 779

* Manager Quality, Risk and Supply Chain was employed 1.6.2010

** Sr. Vice President Business Dev. & Strategy was employed 1.10.2009

The CEO is entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.

At the end of 2010 Management of Badger Explorer ASA consists of CEO, CFO, CTO, CPM, Sr. Vice President Business Dev. & Strategy, Manager HR, Economy and Adm., Manager Quality, Risk and Supply Chain and Manager Development Project. Product Manager entered the Management when CPM went on leave.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

The 20 000 options granted to CPM in 2006 were replaced with new options during 2009. The new option program is effective as of 15.09.2009 and 75 000 share options have been granted to CEO, 25 000 share options to CFO, 25 000 share options to CTO, 60 000 share options to CPM, 25 000 share options to Sr. Vice President Business Dev. & Strategy, 25 000 share options to Manager HR, Economy and Adm and 15 000 share options to Product Manager at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25 000 share options on employment in 2010 at strike of NOK 15. The options entitle purchase of shares during a 3.2 year period until 15.11.2012. The options were "in the money" per 31.12.2010. No share options were exercised as of 31.12.2010.

Remuneration to Board of Directors for 2009 was approved by the Annual General Meeting in 2010 and is divided by NOK 300.000 to the Chairman of the Board, by NOK 150.000 to each Board Director with the addition of NOK 50,000 to board member of the Audit Committee, by NOK 25.000 to the chairman of the Nomination Committee and by NOK 15.000 to each the member of Nomination Committee. The below table reflects the expensed cost to the Board of Directors.

Remuneration to the Board of Directors	**2010**	**2009**
Knut Åm - Nomination Committee (2010), Chairman & Nomination Committee (2009)	15 000	160 000
Rolf E. Ahlqvist - Chairman, Nom. Committee, Audit Committee (2010), Nom. Committee (2009)	315 000	15 000
Bjørge Gretland - Director*	150 000	-
Kristine Holm - Director	150 000	100 000
Christian Bull Eriksson - Director	150 000	100 000
Kristijane Cook Bulukin - Director	-	100 000
Tone Kvåle - Director, Audit Committee	200 000	-
Geir Worum - Director	-	100 000
Rolf Norås Pettersen - Nomination Committee	-	10 000
Marcus Hansson - Nomination Committee**	25 000	-
Total remuneration	1 005 000	585 000

* As of 4 October 2010 Board member Bjørge Gretland resigned.

** At an Extraordinary General Meeting on 1 December 2010 Marcus Hansson was elected as a new Board member

Auditors fee	**2010**	**2009**
Audit fees	342 630	280 960
Assurance services	38 100	32 805
Other assistance	19 400	44 600
Total*	400 130	358 365

All fees excluding VAT.

*All services in 2009 and 2010 are recognised as expenses.

Employee options

In 3Q 2009 a new option program was established replacing options granted in 2006 and 2007. All employees in Badger Explorer ASA have been allocated options. Manager Quality, Risk and Supply Chain was allocated 25 000 shares on employment 1.06.2010. Outstanding options of 31.12.2010 were 407 250. Fair value of the options is calculated at the time of grant and will be recognized over the corresponding vesting period of the options. One third of the option can be exercised after one year, a third of the option can be exercised after two years and a third can be exercised after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. No options were exercised during 2010.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Summary of outstanding options:	2010 Share options	2010 Weighted average exercise price	2009 Share options	2009 Weighted average exercise price
Outstanding options 01.01	406 750	10,00	76 000	23,68
Granted options	25 000	15,00	406 750	10,00
Exercised options	-	-	-	-
Forfeited	-24 500	10,00	-76 000	23,68
Expired options	-	-	-	-
Outstanding options 31.12	407 250	10,31	406 750	10,00
Vested options	135 747	10,31	-	-
Weighted Average Fair Value of options granted during the period	25 000	9,81	406 750	6,48
Charged against the Income statement:	1 339 658		683 758	
Charged against the Income Statement - Employers' national insurance contribution:	594 902		103 726	

Fair value of the options is estimated based on the Black and Scholes option pricing model.

The calculation are based on the following assumptions:

The weighted average fair value of the options granted during the period is set to NOK 12,20 for options with strike price of 10 and to NOK 19,00 for options with strike price of 15. The weighted average expected volatility is set to 93,52% (83,67 - 100,63%). Expected share dividend is set to 0. The weighted average risk free interest rate is set to 2,97% (1,95% - 3,18%). The options' weighted average expected lifetime is 2,49 years (0,8 - 3,2 years). Employers' national insurance contribution is deposited. The options were "in the money" per 31.12.2010.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting of the Company held on 21.4.2010. The authorisation is provided until 30.6.2011 in respect of increase in the Company's share capital with up to NOK 116.429 by way of issuance of up to 931 432 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of Management for 2010

The statement's main principle regarding the remuneration policy of members of the Group's Management was to offer competitive terms in an overall perspective, taking into account the base salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in the Management. The Group should offer salary levels that reflected the average salary levels in comparable Norwegian companies.

The determination of salaries and additional benefits of the Group's Management for 2010 was based on the above noted main principle and is further detailed as follows:

On 15 September 2009 a new share option program for all Company employees was established. Out of a total of 407 250 allocated share options the Company's Management has been allocated 275 000 share options, equaling 67.5% of all allocated share options, which may be exercised within 15.11.2012.

The base salaries for each member of the Management have been competitive and based on the individual's experience, responsibilities and the achieved results. Salaries as well as other benefits underwent an annual adjustment.

Members of Management were included in the general pension scheme established by the Company for all employees. The scheme is deposit based maximized to a percentage of 12G. The retirement age in the Group is 67 years. Upon termination of employment by the Company the CEO is entitled to three months severance pay.

The Group has not implemented any form of variable compensation or special benefits other than the above mentioned arrangement.

The compensation of the Management for 2010 was in line with the rules for the fiscal year 2010 as approved by the Annual General Meeting on 21 April 2010.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Remuneration policy for members of Management - Guidelines for 2011:

The main principle of the Group's remuneration policy of the Group's Management is to offer competitive terms in an overall perspective, taking into account salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in Management. The Group shall offer salary levels that reflect the average salary levels in comparable Norwegian companies.
The determination of salaries and additional benefits of the Group's Management for the fiscal year 2011 shall be based on the above noted main principle.
As a guideline the fixed salary for each member of the Group's Management shall be competitive and based on the individual's experience, responsibilities as well as the achieved results. Salaries as well as other benefits shall be annual adjusted.
In addition to their base salary the Group's Management may be granted additional remuneration (bonus). If a bonus scheme is implemented the assessment criteria will be divided into parts where one part will be based on the Group's performance and the other part will be based on the individual performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO decides on the relevant targets for the other members of Management based on principles defined by BXPL's Board of Directors.
The Group's Management will receive payment in kind such as paid newspaper subscriptions, cell phone expenses and payment of IT and telecommunication expenses.
On 15 September 2009 a new share option program for all Company employees was established. Out of a total of 407 250 allocated share options the Company's Management has been allocated 275 000 share options equaling 67.5% of all allocated share options. The options can be exercised within 36 months as of September 2009 (29 months for the Manager Quality, Risk and Supply Chain) and can be exercised only in tranches, at the earliest 12 months subsequent to the time of issue and thereafter at up to 4 occasions during each year, between 3 and 10 days after presentation of the Company's quarterly results. Each option entitles the holder the right to purchase one share at a strike price of NOK 10.00 respectively NOK 15.00 (applicable for the 25,000 share options granted the Manager Quality, Risk and Supply Chain). Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10.00 per option share. If on the exercise day the market price of the BXPL shares is exceeding NOK 50 the exercise price shall be increased by an amount equivalent to 8% of the marked price deducting NOK 50.
All members of the Company's Management are included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and maximized to a percentage of 12G. The retirement age for all employees including the Group's Management is 67 years.
The CEO is entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.
The Board of Directors of Badger Explorer ASA has prepared this statement in accordance with the Public Limited Liability Companies Act §6-16a and it will present it to the Annual General Meeting on 27 April 2011 for approval.

Note 7 Tangible fixed assets

(All figures in NOK)

Badger Explorer Group	**Property, plant & equipment**	**Total 2010**	**Total 2009**
Cost price 1.1	6 504 070	**6 504 070**	**5 448 837**
Additions	1 297 356	**1 297 356**	**1 055 232**
Cost price 31.12	7 801 426	**7 801 426**	**6 504 070**
Accumulated depreciations 31.12	-4 159 628	**-4 159 628**	**-3 170 879**
Booked value 31.12.	3 641 798	**3 641 798**	**3 333 191**

Depreciations		-988 748	-1 147 596
Depreciation rate %:		10% - 33%	10% - 33%
Economic life (years):		3 - 10	3 - 10
Depreciation method:		straight line	straight line

Note 7 Tangible fixed assets (continues)

(All figures in NOK)

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

The Group has entered into operating leases for offices and other equipment. The cost is as follows:

Operating leasing cost	Total 2010	Total 2009
Operational leasing cost	83 703	95 571
Car leasing cost	83 859	105 472
Rent cost on buildings	2 257 219	2 140 020
Total	**2 424 781**	**2 341 063**

The future minimum rents related to non-cancellable leases fall due as follows for the Group:

	Within 1 year	2-5 years	After 5 years
Operational leasing cost	40 844	-	-
Car leasing cost	7 220	-	-
Rent cost on buildings	2 186 137	2 845 001	-
Land and buildings	196 676	327 223	-
Other	-	55 375	-
Total	2 430 878	3 227 600	-

The lease agreement for the main office (headquarter) has been entered into for a period of 5 years. This agreement expires on 31.05.2013 and includes an option to extend the agreement for 5 years with the same conditions. A lease agreement for additional office and workshop for Badger Explorer ASA has been entered into for a period of 1/2 year and expires on 30.06.2011. A lease agreement for 2 copy machines has been entered into for a period of 3 years and expires on 30.06.2011.

Note 8 Inventories

(All figures in NOK)

	2010	2009
Work in progress	4 196 067	805 816
Finished goods	17 210	48 591
Total	4 213 277	854 407

All inventories are valued at cost. No write-down for obsoleteness.

Note 9 Intangible assets

(All figures in NOK)

Badger Explorer Group has recognised the following intangible assets in the balance sheet (including internal built up assets such as development costs).

2010	Patents*	Development costs	Goodwill	Total
Cost price 1.1	400 000	64 010 480	5 709 840	**70 120 319**
Additions	-	26 950 197	-	**26 950 197**
Currency translation difference	-	-	-69 647	**-69 647**
Public grants	-	-1 805 110	-	**-1 805 110**
Cost price 31.12	400 000	89 155 567	5 640 192	**95 195 760**
Accumulated depreciations 31.12	13 332			**13 332**
Booked value 31.12.	**386 668**	**89 155 567**	**5 640 192**	**95 182 427**

Note 9 Intangible assets (continues)

(All figures in NOK)

2009				
Cost price 1.1	400 000	35 426 241	6 202 563	**42 028 804**
Additions	-	30 561 242	-	**30 561 242**
Currency translation difference	-	-	-492 724	**-492 724**
Public grants	-	-1 977 003	-	**-1 977 003**
Cost price 31.12	400 000	64 010 480	5 709 840	**70 120 319**
Accumulated depreciations 31.12	13 332	-	-	**13 332**
Booked value 31.12.	**386 668**	**64 010 480**	**5 709 840**	**70 106 987**

	2010	2009
Depreciation	-	-

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs applies to the development of the Badger Explorer technology in Badger Explorer ASA and the Plasma Channel Drilling technology in Badger Plasma Technology AS. Goodwill applies to the 50% acquisition of Calidus Engineering Ltd. Depreciation will commence when the technology is ready for its intended use.

Note 10 Accounts receivables

(All figures in NOK)

	2010	2009
Accounts receivables	3 958 992	1 520 288
Skattefunn & RCN receivables	1 805 108	1 977 001
Other receivables	1 099 563	1 137 619
Total	**6 863 663**	**4 634 908**

There is no provision for losses on receivables. Other receivables are mainly related to government grants and prepaid expenses. For age distribution of accounts receivables see note 15.

Note 11 Cash and cash equivalents

(All figures in NOK)

	2010	2009
Cash at bank	45 887 783	107 315 911
Restricted bank deposits	894 985	983 692

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

Number of shares	2010	2009
01.01.	18 439 040	18 439 040
Split of share	-	-
Capital increase	-	-
31.12.	**18 439 040**	**18 439 040**

Nominal value per share is NOK 0,125.

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

As of 31.12.2010, the 20 largest shareholders were:	No. of shares	% share
CONVEXA CAPITAL IV AS	3 200 780	17,4 %
STATE STREET BANK AND TRUST CO.	2 699 997	14,6 %
BANK OF NEW YORK MELLON SA/NV	922 224	5,0 %
ODIN OFFSHORE	800 000	4,3 %
BANK OF NEW YORK MELLON SA/NV	738 021	4,0 %
HOLBERG NORDEN	603 234	3,3 %
IRIS-FORSKNINGSINVEST AS	589 122	3,2 %
SIX SIS AG 25PCT	532 367	2,9 %
AHLQVIST INVEST AS	465 407	2,5 %
BANK OF NEW YORK MELLON (LUX) S.A.	342 373	1,9 %
DALVIN RÅDGIVNING AS	301 872	1,6 %
ANØY INVEST DA	248 800	1,3 %
KNUT ÅM	242 600	1,3 %
HOLBERG NORGE	236 866	1,3 %
KJELL ERIK DREVDAL	222 600	1,2 %
CSV II AS	214 000	1,2 %
MP PENSJON PK	213 200	1,2 %
NILSHOLMEN INVESTERING AS	209 222	1,1 %
SIGMUND STOKKA	204 440	1,1 %
THE NORTHERN TRUST CO.	200 000	1,1 %
20 largest shareholders	13 187 125	71,5 %
841 other shareholders	5 251 915	28,5 %
Total of 861 shareholders	**18 439 040**	**100 %**

All shares have equal voting rights.

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting of 21.4.2010. These authorisations are valid for the period until the next annual general meeting to be held in 2011, with expiry date 30 June 2011. The first authorization is provided for increasing the Company's share capital with up to NOK 225 488 by way of issuance of up to 1 803 904 shares in connection with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers. The second authorization is provided for increasing the Company's share capital with up to NOK 116 429 by way of issuance of up to 931 432 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution).

Note 13 Related-party transactions

(All figures in NOK)

Transactions with shareholders	2010	2009
Accounts payable*	-	310 530
Purchased services*	4 255 343	7 984 565

*The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 50% and Nigel Halladay owns 50% of the shares. Nigel Halladay also owns 43 000 shares in Badger Explorer ASA.

All purchased services from Calidus Engineering Ltd. in 2010 are related to the development project in Badger Explorer ASA.

All transactions between Calidus Engineering Ltd. and Badger Explorer ASA are eliminated in Badger Explorer Group.

Note 13 Related-party transactions (continues)

(All figures in NOK)

At the Extraordinary General Meeting on 1 December 2010 the General Meeting provided the Board of Directors with a proxy to enter into agreements with close associates for the period as of 1 December 2010 until 31 December 2011. The remuneration shall be limited to NOK 1,500 per hour and time schedule and detailed specifications of duties shall be approved by the Company's Board of Directors prior to entering of such agreements. Badger Explorer ASA has not entered into such agreements with close associates as of 31.12.2010.

Shares held by members of the Board of Directors and members of Management	2010	2009
Convexa Capital IV AS (Director - Bjørge Gretland)*	3 200 780	3 200 780
SIX SIS AG 25PCT (Director - Marcus Hansson)	500 000	500 000
Ahlqvist Invest AS (Chairman - Rolf E. Ahlqvist)	465 407	465 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO - Kjell Erik Drevdal	222 600	222 600
Convexa AS (Director - Bjørge Gretland)	-	100 000
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	-
J.P. Morgan Bank Luxembourg S.A (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	-	149 222
SEB Private Bank S.A. Luxembourg (Director - Marcus Hansson)	65 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	80 200
Invest OK AS (Director - Kristine Holm)	15 000	15 000
Director - Marcus Hansson	11 668	-
5K International (CEO - Kjell Erik Drevdal)	10 000	10 000
Chevni AS (Director - Christian Bull Eriksson)	6 000	6 000
CFO - Gunnar Dolven	5 000	-
Director - Tone Kvåle	5 000	5 000
Mng. HR, Economy & Adm. - Hege Furland	2 858	2 858
Product Manager - Wolfgang Mathis	2 100	2 100
CTO - Erling Woods	1 000	1 000
Ordinary shares	**5 043 707**	**5 127 039**
% of total shares	27,4 %	27,8 %

* As of 4 October 2010 Bjørge Gretland resigned as Board Director

Note 14 Conditional commitments

(All figures in NOK)

Contribution recognised in the balance sheet

The Group has received contributions from the partners amounting to NOK 17 935 200 whereas NOK 13 855 200 were received prior to 2010. These contributions shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to a total of 150% of received contribution. The contributions have not been recognised as income.

Note 15 Financial risk management objectives and policies

(All figures in NOK)

Foreign currency risk

As a result of the acquisition of 50% of the shares in Calidus Engineering Ltd. in UK, the Group's balance sheet can be affected up to a certain extent by the fluctuations in the GBP/NOK exchange rates. The Group has a very limited number of other transactions in foreign currency which consequently gives a very low currency risk. The Group's cash reserve of MNOK 45.9 is divided by MNOK 44 deposited in Norwegian banks at NIBOR plus contracts and MNOK 1.9 (MGBP 0.2) in British banks whereas kGBP 22.2 are in JPY (2,803,994) and kGBP 0,1 are in EUR (131) which gives a very low percentage of cash deposited in other currency than the operating currency which give a low currency risk. All of the Group's financial instruments are in NOK and thus no foreign currency risk incurs.

Interest rate risk

The Group does not have any interest-bearing debt. The Group has MNOK 1.5 in net financial income as of 31.12.2010. The bank deposits are exposed to changes in market interest rate and this change will affect the financial income and the return on cash. However this interest risk is considered to be low.

Market risk

The Group has invested 53.9 million in First Norway Alpha KL IV-IA, a Norwegian market based liquidity fund where the nominal value of the fund is deposited on overnight NIBOR contracts with Norwegian banks. Interest earnings of the fund are invested in share options. The market risk is related to the at all time distribution of share options and the market value and return of these. The value of the shares are monitored on a daily basis. The shares are not under any contractual obligation unless for a 3 days notice for settlement when selling the shares. The Group aims to earn interests equivalent to the market rate at any time.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group has experienced a loss of NOK 8 323 on receivables during the last 2 years. The maximum exposure as of 31.12.2010 is MNOK 4, the carrying amount of accounts receivables . All cash in the Group's Norwegian companies are deposited and distributed between two Norwegian banks which are considered to be a risk reducing initiative. All cash in Calidus Engineering Ltd. are deposited in British banks.

Liquidity risk

The Group has a very solid liquidity situation and consider the liquidity risk for the next couple of years to be non-existing at current cash burning rate.

Capital management

Capital includes equity attributable to the equity holders of the parent.

The primary focus of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. To maintain or adjust the capital structure the Group may issue new shares. No changes were made in the objectives, policies or processes during 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Group does not have any interest bearing loans; the gearing ratio is negative for both 2009 and 2010.

The Group includes within net debt, trade and other payables, less cash and cash equivalents.

Note 15 Financial risk management objectives and policies (continues)

(All figures in NOK)

	2010	2009
Interest bearing loans and borrowings	79 832	0
Trade and other payables	8 302 526	5 635 412
Less cash and short-term deposits	-98 503 316	-107 315 911
Net debt	**-90 120 958**	**-101 680 499**
Equity	175 994 314	195 851 458
Total capital	**175 994 314**	**195 851 458**
Capital and net debt	**85 873 356**	**94 170 959**
Gearing ratio	-105 %	-108 %

Fair value

The fair value of financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- Fair value of bank bonds is based on price quotations as of 31.12
- Fair value of investment in shares in market based liquidity fund is based on price quotations as of 31.12
- Fair value of cash and cash equivalent are assessed to carrying amount

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	2010		2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bank bonds held to maturity	0	0	33 781 615	34 091 000
Shares in liquidity fund at fair value through profit and loss	52 615 534	52 615 534	0	0
Cash and cash equivalents	45 887 783	45 887 783	107 315 911	107 315 911
Current receivables	6 863 663	6 863 663	4 634 908	4 634 908
Trade and other payables	8 302 526	8 302 526	5 635 412	5 635 412

Fair value hierarchy

As at 31.12.2010, the Group held the following financial instruments carried at fair value on the statement of financial positions. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets of liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Financial assets measured at fair value	2010	Level 1	Level 2	Level 3
Shares in liquidity fund at fair value through profit and loss	52 615 534	52 615 534		

Note 15 Financial risk management objectives and policies (continues)

(All figures in NOK)

Age distribution of receivable

AS at 31 December, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2010	6 863 663	5 700 021	170 521	725 150	2 597	0	265 374
2009	4 634 908	4 570 343	13 236	663	34 646	-299	16 319

The Group has experienced a loss of NOK 8 323 on receivables during the last 2 years.

Financial assets

Specification of shares in First Norway Alpha KL IV-IA liquidity fund	Number of shares	Subscription price per share	Subscription price	Carrying amount per share	Carrying amount
Subscription of shares 08.01.10	54 045	1 110	60 000 000	1 105	59 701 493
Sale of shares*	-5 513	1 110	-6 120 531	1 088	-6 000 000
Shares 31.12.10	48 532	1 110	53 879 469	1 084	52 615 534

* A loss of NOK 120 531 was realized in connection with sale of financial assets (see note 3).

	2010	**2009**
Interest income from bank bonds. All Bank bonds were sold in 2010.	16 363	2 280 783

Note 16 Segment reporting

(All figures in NOK)

The table below shows the segments of which the Management is reporting to the Board of Directors. The segments are the main projects, engineering and other activities (mainly administration).

Badger Explorer ASA. The column "Badger Plasma" includes all transaction related to the development of the Plasma Channel Drilling technology in the company Badger Plasma Technology AS. The column "Engineering" includes all transactions in Calidus Engineering Ltd. and the column "other" includes all administration support and other costs not allocated directly to any of the other segments. All office equipment and cash in the companies Badger Explorer ASA and Badger Plasma Technology AS are included in this column.

Inter-segment transactions are eliminated upon consolidation and reflected in the elimination column. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Capital expenditure are net after public grants.

Business segments - 2010	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Revenue						
Third party	1 805 110	0	11 530 993	525 303	0	13 861 406
Inter-segment	0	0	4 245 974	0	-4 245 974	0
Capitalisation	-1 805 110	0	0	0	0	-1 805 110
Total revenue	**0**	**0**	**15 776 967**	**525 303**	**-4 245 974**	**12 056 296**
Results						
Depreciation	0	0	156 784	831 964	0	988 748
Segment expenses	32 539 821	0	12 147 669	16 750 921	-3 853 890	57 584 521
Capitalisation of expenses	-26 950 197	0	0	0	0	-26 950 197
EBIT	**-5 589 623**	**0**	**3 472 514**	**-17 057 583**	**-392 084**	**-19 566 776**
Net financial items	**0**	0	-239 525	334 532	**392 084**	487 090
EBT	**-5 589 623**	**0**	**3 232 989**	**-16 723 051**	**0**	**-19 079 686**
Tax	0	0	-417 669	0	0	-417 669
Net profit (loss)	**-5 589 623**	**0**	**2 815 320**	**-16 723 051**	**0**	**-19 497 354**
Profit (loss) attributable to non-controlling interest	0	0	1 407 660	0	0	1 407 660
Segment profit (loss)	**-5 589 623**	**0**	**1 407 660**	**-16 723 051**	**0**	**-20 905 015**
Total assets	**85 061 234**	**5 899 441**	**21 249 710**	**102 463 425**	**-6 269 329**	**208 404 482**
Total liabilities	**14 612 790**	**4 975 200**	**1 408 547**	**5 321 021**	**0**	**26 317 558**
Capital expenditure	**25 145 087**	**0**	**654 600**	**642 756**	**0**	**26 442 444**

Geographical segments - 2010	Norway	UK	Elimination	Total
Total revenue	**525 303**	**15 776 967**	**-4 245 974**	**12 056 296**
Total assets	**193 424 100**	**21 249 710**	**-6 269 329**	**208 404 482**
Total liabilities	**24 909 012**	**1 408 547**	**0**	**26 317 558**
Capital expenditure	**25 787 844**	**654 600**	**0**	**26 442 444**

Note 16 Segment reporting (continues)

(All figures in NOK)

Business segments - 2009	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Revenue						
Third party	1 977 003	0	8 888 829	88 821	0	10 954 652
Inter-segment	0	0	8 005 419	7 644	-8 013 063	0
Capitalisation	-1 977 003	0	0	0	0	-1 977 003
Total revenue	**0**	**0**	**16 894 247**	**96 465**	**-8 013 063**	**8 977 649**
Results						
Depreciation	0	0	336 925	810 671	0	1 147 596
Segment expenses	35 834 874	167 716	12 781 313	14 250 119	-7 810 328	55 223 693
Capitalisation of expenses	-30 393 527	-167 716	0	0	0	-30 561 242
EBIT	**-5 441 347**	**0**	**3 776 009**	**-14 964 325**	**-202 735**	**-16 832 397**
Net financial items	0	0	-396 896	6 103 126	202 735	5 908 964
EBT	**-5 441 347**	**0**	**3 379 114**	**-8 861 199**	**0**	**-10 923 433**
Tax	0	0	-235 007	0	0	-235 007
Net profit (loss)	**-5 441 347**	**0**	**3 144 107**	**-8 861 199**	**0**	**-11 158 439**
Profit (loss) attributable to non-controlling interest	0	0	1 572 054	0	0	1 572 054
Segment profit (loss)	**-5 441 347**	**0**	**1 572 053**	**-8 861 199**	**0**	**-12 730 493**
Total assets	**60 088 039**	**5 899 441**	**18 093 747**	**142 456 002**	**-6 510 211**	**220 027 019**
Total liabilities	**11 116 264**	**4 975 200**	**781 171**	**2 928 507**	**-310 530**	**19 490 612**
Capital expenditure	**28 416 524**	**167 716**	**491 391**	**563 842**	**0**	**29 639 472**

Geographical segments - 2009	Norway	UK	Elimination	Total
Total revenue	**96 465**	**16 894 247**	**-8 013 063**	**8 977 649**
Total assets	**208 443 483**	**18 093 747**	**-6 510 211**	**220 027 019**
Total liabilities	**19 019 971**	**781 171**	**-310 530**	**19 490 612**
Capital expenditure	**29 148 081**	**491 391**	**0**	**29 639 472**

Note 17 Subsidiaries

(All figures in NOK)

Badger Plasma Technology AS

Badger Plasma Technology AS is a private limited company registered in Norway and has its head office located at Jåttåvågveien 7 - Building C, 4020 Stavanger, Norway. Badger Plasma Technology AS was established on the 5.3.2007 in order to increase focus and activity level of the development and commercialisation of the Plasma Channel Drilling technology. All historic investments, public grants and capitalised grants related to the Plasma Channel Drilling (PCD) project and related administration costs have been transferred from Badger Explorer ASA to Badger Plasma Technology AS and are recognized on the accounts receivables in Badger Explorer ASA's Statement of Financial Position and on the accounts payable in Badger Plasma Technology AS's Statement of Financial Position. The activity level in Badger Plasma Technology AS has been low during 2009 due to high focus on the Badger Explorer project.

Transfer of investments, public grants and capitalised grants to Badger Plasma Technology AS	
Transfers as of 1.1.2009	2 180 165
Payment of historic development costs, PCD	-144 606
Transfer of development costs, PCD	324
Transfers as of 31.12.2009	2 035 882
Payment of historic development costs, PCD	-324
Transfers as of 31.12.2010	2 035 558

Transactions with Badger Plasma Technology AS	**2010**	**2009**
Accounts receivable (including transfers)	-2 035 558	-2 035 882
Purchased services	1 630	916
Sold Services	259	434 750

Badger Explorer ASA owns 100% of the shares in Badger Plasma Technology AS.

All shares have equal voting rights.

Calidus Engineering Ltd.

At the end of November 2007, Badger Explorer ASA acquired 50% of the shares in Calidus Engineering Ltd., a UK based engineering company. Calidus Engineering Ltd. is a private limited company registered in UK and has its office located at Unit 7A, Tregoniggie Industrial Estate, Falmouth, Cornwall TR11 4SN, UK. The parties have agreed upon an acquisition model in which Badger Explorer ASA gradually will acquire 100% of Calidus Engineering Ltd. until 2013. Badger Explorer ASA has initially acquire 50% of Calidus Engineering Ltd. through a combined purchase of outstanding shares and a share issue. In 2011 Calidus Engineering will sell additional 25% of its shares to Badger Explorer ASA. The concept for the price per share is pre-defined in the shareholder agreement. In 2013 Calidus Engineering Ltd. has the right to sell the remaining 25% of its shares to Badger Explorer ASA.

All shares in Calidus Engineering Ltd. have equal voting rights.

Since 1.12.2007 Calidus Engineering Ltd. is consolidated with a 50% non-controlling interest.

Transactions with Calidus Engineering Ltd.	**2010**	**2009**
Accounts payable	-	310 530
Purchased services	4 255 343	7 984 565

Note 18 Impairment testing of Goodwill

(All figures in NOK)

Goodwill acquired through business combinations have been allocated to one cash-generating unit for impairment testing, which is equal to the acquired entity Calidus Engineering Ltd. (Calidus).

	2010	**2009**
Carrying amount of goodwill allocated to the cash-generating unit	5 640 192	5 709 840

See also note 9.

Note 18 Impairment testing of Goodwill (continues)

(All figures in NOK)

Calidus Engineering Ltd.

The recoverable amount of Calidus has been determined based on a value-in-use calculation using cash flow projections based on reasonable and supportable assumptions from financial budgets approved by the management of Calidus covering a five-year period. None of the projected cash flows includes cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. The carrying amount in GBP has been revaluated to the NOK exchange rate at 31.12.2010.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for Calidus is most sensitive to the following assumptions:

- Operating margin
- Growth rate used to extrapolate cash flows beyond the budget period.
- Discount rates after tax

Operating margin is set to 22% for the whole 5 year period, which equals the actual operating margin of Calidus in 2010 of approx. 22%.

Growth rate estimates - The growth rate in the extrapolation period is set to 2.5%. The growth rate is based on average expected growth in the Engineering business and does not exceed the growth rates for the products, industry or country in which Calidus Engineering Ltd operates.

Discount rate - The discount rate applied to cash flow projections is 9.3%. Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to Calidus Engineering Ltd. for which future estimates of cash-flows have not been adjusted.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of Calidus Engineering Ltd., the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Income Statement - Badger Explorer ASA

All figures in NOK

	Note	2010	2009
REVENUES			
Other Income		525 303	96 465
Public grants	2	1 805 110	1 977 003
Capitalised public grants	2,9	-1 805 110	-1 977 003
Total revenues		**525 303**	**96 465**
OPERATING EXPENSES			
External services for dev. project		16 888 875	20 599 102
Payroll and related cost	6	22 784 267	19 483 457
Depreciation	7,9	822 900	802 362
Other operating expenses		9 606 090	9 829 588
Capitalised development cost	2,9	-26 950 197	-30 393 527
Total operating expenses		**23 151 934**	**20 320 983**
Operating profit (loss)		**-22 626 632**	**-20 224 518**
Financial income	3	1 303 861	6 118 940
Financial expenses	3	1 017 481	68 772
Net financial items		**286 380**	**6 050 168**
Profit (loss) before taxes		**-22 340 252**	**-14 174 350**
Tax on ordinary result	4	0	0
Net profit (loss)	**5**	**-22 340 252**	**-14 174 350**
Allocation			
Retained earnings		-22 340 252	-14 174 350
Total allocation		**-22 340 252**	**-14 174 350**
Earnings per share	5	-1,21	-0,77
Earnings per share diluted	5	-1,20	-0,77

Statement of Financial Position - Badger Explorer ASA

All figures in NOK

ASSETS	Note	2010	2009
NON-CURRENT ASSETS			
Development costs	2,9	83 256 126	58 111 038
Patent rights	9	386 668	386 668
Total intangible assets		**83 642 794**	**58 497 706**
Property, plant & equipment	7	1 219 330	1 556 258
Total tangible assets		**1 219 330**	**1 556 258**
Investment in subsidiaries	16	11 909 521	11 909 521
Investment in shares in liquidity fund	15	52 615 534	0
Total financial assets		**64 525 055**	**11 909 521**
TOTAL NON-CURRENT ASSETS		**149 387 179**	**71 963 485**
CURRENT ASSETS			
Inventories	8	**17 210**	**48 591**
Accounts receivables	10,15,16	2 180 484	2 052 201
Other receivables	10,15	2 904 671	3 114 621
Total receivables		**5 085 155**	**5 166 822**
Bank bonds	15	0	33 781 615
Total current financial assets		**0**	**33 781 615**
Cash and cash equivalents	11	**40 782 968**	**99 360 907**
TOTAL CURRENT ASSETS		**45 885 333**	**138 357 935**
TOTAL ASSETS		**195 272 511**	**210 321 421**

Statement of Financial Position - Badger Explorer ASA

All figures in NOK

EQUITY AND LIABILITIES	Note	2010	2009
EQUITY			
Share capital	12	2 304 880	2 304 880
Share premium fund		217 099 786	217 099 786
Other paid in capital	6	2 285 528	945 870
Total paid in equity		**221 690 194**	**220 350 536**
Retained earnings		-46 414 133	-24 073 881
Total retained earnings		**-46 414 133**	**-24 073 881**
TOTAL EQUITY		**175 276 061**	**196 276 655**
LIABILITIES			
Capitalised grants	14	12 960 000	8 880 000
Total long term liabilities		**12 960 000**	**8 880 000**
Accounts payable	13,16	3 093 100	3 522 113
Public duties payables		2 214 016	17 453
Other short term liabilities		1 729 333	1 625 200
Total short term liabilities		**7 036 449**	**5 164 766**
TOTAL LIABILITIES		**19 996 449**	**14 044 766**
TOTAL EQUITY AND LIABILITIES		**195 272 511**	**210 321 421**

Stavanger, 30. March 2011

Rolf E. Ahlqvist
Chairman

Christian Bull Eriksson
Director

Marcus Hansson
Director

Kristine Holm
Director

Tone Kvåle
Director

Kjell Erik Drevdal
CEO

Statement of Change in Equity - Badger Explorer ASA

All figures in NOK

	Share capital	Share premium fund	Other paid in capital	Retained earnings	Total equity
Equity per 01.01.2009	2 304 880	217 099 786	262 112	-9 899 531	209 767 247
Profit (loss) for the year				-14 174 350	-14 174 350
Option plan payment			683 758		683 758
Equity per 31.12.2009	2 304 880	217 099 786	945 870	-24 073 881	196 276 655
Profit (loss) for the year				-22 340 252	-22 340 252
Option plan payment			1 339 658		1 339 658
Equity per 31.12.2010	2 304 880	217 099 786	2 285 528	-46 414 133	175 276 061

Statement of Cash Flow - Badger Explorer ASA

Alle tall i NOK

	Note	2010	2009
Cash flow from operational activities			
Contributions from operations*		-20 464 074	-18 738 398
Change in accounts receivable and accounts payable		-557 297	1 433 488
Change in other receivables and payables		2 542 028	2 603 843
Net cash flow from operating activities	A	**-18 479 342**	**-14 701 067**
Cash flow from investment activities			
Investment in fixed asset	7	-485 971	-563 843
Investment in bank bonds	15	33 781 615	5 591 280
Investment in shares in liquidity fund	15	-52 615 534	
Capitalisation of development cost	9	-26 950 197	-30 393 527
Net cash flow from investment activities	B	**-46 270 087**	**-25 366 090**
Cash flow from financing activities			
Public grants		1 805 110	1 977 003
Other changes in long term receivables and payables	14	4 080 000	0
Interest paid		-1 017 481	-68 772
Interest received		1 303 861	6 118 940
Net cash flow from financing activities	C	**6 171 490**	**8 027 171**
Total net changes in cash flow	A+B+C	-58 577 939	-32 039 986
Cash and cash equivalents 1.1		99 360 907	131 400 892
Cash and cash equivalents 31.12.		**40 782 967**	**99 360 907**

Net result		-22 340 252	-14 174 350
Employee options	6	1 339 658	683 758
Depreciation	7	822 900	802 362
Financial income		-1 303 861	-6 118 940
Financial expences		1 017 481	68 772
***Total contributions from operations**		**-20 464 074**	**-18 738 398**

Note 1 Accounting policies

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at Jåttåvågveien 7 - Building C, 4020 Stavanger, Norway.
The financial statement of Badger Explorer ASA has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.10.

The financial statement has been prepared on an historical cost basis, except for investment in shares in liquidity fund which is held to fair value over profit and loss.

1.1 Investment in subsidiaries

Investments in subsidiaries are accounted in accordance with the cost method.

1.2 Other accounting policies

The financial statement for the Company has been prepared in accordance with the principles used for the Badger Explorer Group (the Group). Reference is thus made to the accounting policies 1.1 - 1.22 of the Group.

Note 2 Public grants and development costs

The Company has previously received public grants from the Research Council of Norway and Skattefunn for the Badger Explorer development project. The Badger Explorer development project has been pledged grants from Skattefunn and Research Council of Norway for both 2009 and 2010. All development costs in the Company are related to this project are capitalised except of NOK 5 589 623 for 2010 and 5 441 347 for 2009 related to a IFRS restriction on capitalisation of own personnel cost. Public grants related to the development project are deducted in the carrying amount of the related asset.

Note 3 Financial items

(All figures in NOK)

	2010	2009
Interest income bank bonds held to maturity	16 363	2 280 783
Interest income related to cash and cash equivalents	1 465 878	3 066 488
Return on sales of bank bonds held to maturity	285 685	687 020
Loss on sale of market based shares in liquidity fund	-120 531	-
Net loss on market based shares in liquidity fund at fair value through profit and loss	-965 428	-
Management cost of market based shares in liquidity fund	-534 137	-
Other financial income	44 083	17 721
Other financial expenses	-1 263	-11 088
Currency gain	457 279	66 928
Currency loss	-361 551	-57 685
Net financial items	286 380	6 050 168

Note 4 Tax

(All figures in NOK)

Income tax expense	**2010**	**2009**
Payable tax	0	0
Changes in deferred tax	0	0
Total tax expense	**0**	**0**
Calculation of basis for tax		
Earnings before tax	-22 340 252	-14 174 350
Permanent differences *)	2 425 936	150 363
Changes in temporary differences	203 048	106 341
Total basis for tax	**-19 711 268**	**-13 917 645**
Summary of temporary differences:		
Fixed assets	-337 838	-134 790
Loss carried forward	-60 369 206	-40 657 938
Total	**-60 707 044**	**-40 792 728**
Deferred tax asset	**-16 997 972**	**-11 421 964**

Deferred tax asset - Balance sheet	**2010**	**2009**
Fixed assets	94 595	37 741
Loss carried forward	16 903 378	11 384 223
Total deferred tax asset	**16 997 972**	**11 421 964**
Valuation allowance	-16 997 972	-11 421 964
Total deferred tax asset recognised in the balance sheet statement	**0**	**0**

Note 4 Tax (continues)

(All figures in NOK)

Deferred tax asset is not recognised in the balance sheet as the Company is in a development phase and is currently generating losses.

Losses carried forward per 31.12.10 is due as follows:	**2010**	**2009**
Unlimited carrying forward	60 369 206	40 657 938

Explanation of why tax cost does not amount to 28% of earnings before tax:	**2010**	**2009**
28 % tax of earnings before tax	-6 255 271	-3 968 818
Permanent differences *)	679 262	42 102
Changes in deferred tax asset not recognised in the balance sheet.	5 576 008	3 926 716
Calculated tax cost	**0**	**0**
Effective tax rate **)	0 %	0 %

*) Includes emission costs, value adjustment of financial instruments and non-deductible costs such as entertainment and non-taxable share dividends.

**) Tax cost compared to earnings before tax.

Note 5 Earnings per share

(All figures in NOK)

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Options awarded to employees at the end of 2006 and mid 2007 are waived and not included in the calculation of diluted earnings per share. The effect of the new awarded options to employees at mid September 2009 are included in the calculation of diluted earnings per share both for 2009 and 2010.

	2010	**2009**
Profit (loss)	-22 340 252	-14 174 350
Weighted average outstanding ordinary shares	18 439 040	18 439 040
Effect of dilution - share options	113 280	25 079
Weighted average outstanding diluted shares	18 552 320	18 464 119

Earnings per share	**2010**	**2009**
Ordinary	-1,21	-0,77
Diluted	-1,20	-0,77

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

Payroll and related costs	**2010**	**2009**
Salaries and vacation pay	15 821 386	14 435 653
Employers' national insurance contributions	3 122 519	2 252 603
Option plan payment (incl. national insurance contribution)	1 934 560	787 484
Remuneration to board	1 005 000	585 000
Other benefits (incl. pension scheme)	900 802	1 422 718
Total	**22 784 267**	**19 483 457**

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

	2 010	2 009
The average number of employees in full time equivalent	18	18

Pensions

The pension scheme in Badger Explorer ASA is defined contribution plans where agreed contributions are expensed as paid. Contribution comprising between 4% and 7% of an employee's salary is added to the pension plan. The Company has no further commitments towards pensions when the agreed contributions are paid. The Company's contribution costs are charged to the income statement in the year in which the contribution applies. The scheme fulfils the requirements of the law for obliged pension (OTP).

	2010	2009
Contribution expensed during the year	613 024	549 608

	2010		
Remuneration to members of Management	**Salary**	**Other Benefits**	**Pension scheme costs**
Chief Executive Officer (CEO)	1 614 231	18 599	47 478
Chief Financial Officer (CFO)	1 590 052	17 853	48 912
Chief Technology Officer (CTO)	1 339 421	16 098	46 985
Chief Project Manager (CPM)	1 180 911	12 487	47 478
Sr. Vice President Business Dev. & Strategy	1 337 775	16 488	46 282
Manager HR, Economy and Adm.	658 985	6 685	30 099
Manager Quality, Risk and Supply Chain*	548 923	7 880	27 403
Product Manager	896 318	13 797	39 353

	2009		
Remuneration to members of Management	**Salary**	**Other Benefits**	**Pension scheme costs**
Chief Executive Officer (CEO)	1 455 906	14 596	44 373
Chief Financial Officer (CFO)	1 503 499	14 658	44 373
Chief Technology Officer (CTO)	1 275 122	14 583	44 373
Chief Project Manager (CPM)	1 172 491	12 574	44 373
Sr. Vice President Business Dev. & Strategy**	469 067	3 761	11 673
Manager HR, Economy and Adm.	614 225	6 321	34 779

* Manager Quality, Risk and Supply Chain was employed 1.6.2010

** Sr. Vice President Business Dev. & Strategy was employed 1.10.2009

The CEO is entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.

At the end of 2010 Management of Badger Explorer ASA consists of CEO, CFO, CTO, CPM, Sr. Vice President Business Dev. & Strategy, Manager HR, Economy and Adm., Manager Quality, Risk and Supply Chain and Product Manager. Product Manager entered the Management when CPM went on leave.

The 20 000 options granted to CPM in 2006 were replaced with new options during 2009. The new option program is effective as of 15.09.2009 and 75 000 share options have been granted to CEO, 25 000 share options to CFO, 25 000 share options to CTO, 60 000 share options to CPM, 25 000 share options to Sr. Vice President Business Dev. & Strategy, 25 000 share options to Manager HR, Economy and Adm and 15 000 share options to Product Manager at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25 000 share options on employment in 2010 at strike of NOK 15. The options entitle purchase of shares during a 3.2 year period until 15.11.2012. The options were "in the money" per 31.12.2010. No share options were exercised as of 31.12.2010.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Remuneration to Board of Directors for 2009 was approved by the Annual General Meeting in 2010 and is divided by NOK 300.000 to the Chairman of the Board, by NOK 150.000 to each Board Director with the addition of NOK 50,000 to board member of the Audit Committee, by NOK 25.000 to the chairman of the Nomination Committee and by NOK 15.000 to each the member of Nomination Committee. The below table reflects the expensed cost to the Board of Directors.

Remuneration to the Board of Directors	**2010**	**2009**
Knut Åm - Nomination Committee (2010), Chairman & Nomination Committee (2009)	15 000	160 000
Committee (2009)	315 000	15 000
Bjørge Gretland - Director*	150 000	-
Kristine Holm - Director	150 000	100 000
Christian Bull Eriksson - Director	150 000	100 000
Kristijane Cook Bulukin - Director	-	100 000
Tone Kvåle - Director, Audit Committee	200 000	-
Geir Worum - Director	-	100 000
Rolf Norås Pettersen - Nomination Committee	-	10 000
Marcus Hansson - Nomination Committee**	25 000	-
Total remuneration	1 005 000	585 000

* As of 4 October 2010 Board member Bjørge Gretland resigned.

** At an Extraordinary General Meeting on 1 December 2010 Marcus Hansson was elected as a new Board member

Auditors fee	**2010**	**2009**
Audit fees	322 300	260 960
Assurance services	25 600	32 805
Other assistance	19 070	26 100
Total*	366 970	319 865

All fees excluding VAT.

*All services in 2009 and 2010 are recognised as expenses.

Employee options

Explorer ASA have been allocated options. Manager Quality, Risk and Supply Chain was allocated 25 000 shares on employment 1.06.2010. Outstanding options of 31.12.2010 were 407 250. Fair value of the options is calculated at the time of grant and will be recognized over the corresponding vesting period of the options. One third of the option can be exercised after one year, a third of the option can be exercised after two years and a third can be exercised after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. No options were exercised during 2010.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Summary of outstanding options:	2010 Share options	2010 Weighted average exercise price	2009 Share options	2009 Weighted average exercise price
Outstanding options 01.01	406 750	10,00	76 000	23,68
Granted options	25 000	15,00	406 750	10,00
Exercised options	-	-	-	-
Forfeited	-24 500	10,00	-76 000	23,68
Expired options	-	-	-	-
Outstanding options 31.12	407 250	10,31	406 750	10,00
Vested options	135 747	10,31	-	-
Weighted Average Fair Value of options granted during the period	25 000	9,81	406 750	6,48
Charged against the Income statement:	1 339 658		683 758	
Charged against the Income Statement, Employers' national insurance contribution:	594 902		103 726	

Fair value of the options is estimated based on the Black and Scholes option pricing model.

The calculation are based on the following assumptions:

The weighted average fair value of the options granted during the period is set to NOK 12,20 for options with strike price of 10 and to NOK 19,00 for options with strike price of 15. The weighted average expected volatility is set to 93,52% (83,67 - 100,63%). Expected share dividend is set to 0. The weighted average risk free interest rate is set to 2,97% (1,95% - 3,18%). The options' weighted average expected lifetime is 2,49 years (0,8 - 3,2 years). Employers' national insurance contribution is deposited. The options were "in the money" per 31.12.2010.

Company held on 21.4.2010. The authorisation is provided until 30.6.2011 in respect of increase in the Company's share capital with up to NOK 116.429 by way of issuance of up to 931 432 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of Management for 2010

The statement's main principle regarding the remuneration policy of members of the Company's Management was to offer competitive terms in an overall perspective, taking into account the base salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in the Management. The Company should offer salary levels that reflected the average salary levels in comparable Norwegian companies.

The determination of salaries and additional benefits of the Company's Management for 2010 was based on the above noted main principle and is further detailed as follows:

On 15 September 2009 a new share option program for all employees was established. Out of a total of 407 250 allocated share options the Company's Management has been allocated 275 000 share options, equaling 67.5% of all allocated share options, which may be exercised within 15.11.2012.

The base salaries for each member of the Company's Management have been competitive and based on the individual's experience, responsibilities and the achieved results. Salaries as well as other benefits underwent an annual adjustment.

Members of Management were included in the general pension scheme established by the Company for all employees. The scheme is deposit based maximized to a percentage of 12G. The retirement age in the Company is 67 years. Upon termination of employment by the Company the CEO is entitled to three months severance pay.

The Company has not implemented any form of variable compensation or special benefits other than the above mentioned arrangement.

The compensation of the Company's Management for 2010 was in line with the rules for the fiscal year 2010 as approved by the Annual General Meeting on 21 April 2010.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Guidelines for 2011

The main principle of the Company's remuneration policy of the Company's Management is to offer competitive terms in an overall perspective, taking into account salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in Management. The Company shall offer salary levels that reflect the average salary levels in comparable Norwegian companies.

The determination of salaries and additional benefits of the Company's Management for the fiscal year 2011 shall be based on the above noted main principle.

As a guideline the fixed salary for each member of the Company's Management shall be competitive and based on the individual's experience, responsibilities as well as the achieved results. Salaries as well as other benefits shall be annual adjusted.

In addition to their base salary the Company's Management may be granted additional remuneration (bonus). If a bonus scheme is implemented the assessment criteria will be divided into parts where one part will be based on the Company's performance and the other part will be based on the individual performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO decides on the relevant targets for the other members of Management based on principles defined by BXPL's Board of Directors.

The Company's Management will receive payment in kind such as paid newspaper subscriptions, cell phone expenses and payment of IT and telecommunication expenses.

On 15 September 2009 a new share option program for all employees was established. Out of a total of 407 250 allocated share options the Company's Management has been allocated 275 000 share options equaling 67.5% of all allocated share options. The options can be exercised within 36 months as of September 2009 (29 months for the Manager Quality, Risk and Supply Chain) and can be exercised only in tranches, at the earliest 12 months subsequent to the time of issue and thereafter at up to 4 occasions during each year, between 3 and 10 days after presentation of the Company's quarterly results. Each option entitles the holder the right to purchase one share at a strike price of NOK 10.00 respectively NOK 15.00 (applicable for the 25,000 share options granted the Manager Quality, Risk and Supply Chain). Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10.00 per option share. If on the exercise day the market price of the BXPL shares is exceeding NOK 50 the exercise price shall be increased by an amount equivalent to 8% of the marked price deducting NOK 50.

All members of the Company's Management are included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and maximized to a percentage of 12G. The retirement age for all employees including the Company's Management is 67 years.

The CEO is entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.

The Board of Directors of Badger Explorer ASA has prepared this statement in accordance with the Public Limited Liability Companies Act §6-16a and it will present it to the Annual General Meeting on 27 April 2011 for approval.

Note 7 Tangible fixed assets

(All figures in NOK)

Badger Explorer ASA	**Property, plant & equipment**	**Total 2010**	**Total 2009**
Cost price 1.1	4 010 804	**4 010 804**	**3 446 962**
Additions	485 972	**485 972**	**563 842**
Cost price 31.12	4 496 776	**4 496 776**	**4 010 804**
Accumulated depreciations 31.12	-3 277 445	**-3 277 445**	**-2 454 546**
Booked value 31.12.	1 219 330	**1 219 330**	**1 556 258**

Depreciations	-822 900	-802 362
Depreciation rate %:	20% - 33%	20% - 33%
Economic life (years):	3 - 5	3 - 5
Depreciation method:	straight line	straight line

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

Note 7 Tangible fixed assets (continues)

(All figures in NOK)

The Company has entered into operating leases for offices and other equipment. The cost is as follows:

Operating leasing cost	Total 2010	Total 2009
Operational leasing cost	83 703	95 571
Car leasing cost	83 859	105 472
Rent cost on buildings	2 257 219	2 140 020
Total	**2 424 781**	**2 341 063**

The future minimum rents related to non-cancellable leases fall due as follows for the Company:	Within 1 year	2-5 years	After 5 years
Operational leasing cost	40 844	-	-
Car leasing cost	7 220	-	-
Rent cost on buildings	2 186 137	2 845 001	-
Total	2 234 201	2 845 001	-

The lease agreement for the main office (headquarter) has been entered into for a period of 5 years. This agreement expires on 31.05.2013 and includes an option to extend the agreement for 5 years with the same conditions. A lease agreement for additional office and workshop has been entered into for a period of 1/2 year and expires on 30.06.2011. A lease agreement for 2 copy machines has been entered into for a period of 3 years and expires on 30.06.2011.

Note 8 Inventories

(All figures in NOK)

	2010	2009
Finished goods	17 210	48 591
Total	17 210	48 591

All inventories are valued at cost. No write-down for obsoleteness.

Note 9 Intangible assets

(All figures in NOK)

The Company has recognised the following intangible assets in the balance sheet (including internal built up assets such as development costs).

2010	Patents*	Development costs	Total
Cost price 1.1	400 000	58 111 038	**58 511 038**
Additions		26 950 197	**26 950 197**
Public grants		-1 805 110	**-1 805 110**
Cost price 31.12	400 000	83 256 126	**83 656 126**
Accumulated depreciations 31.12	13 332		**13 332**
Booked value 31.12.	**386 668**	**83 256 126**	**83 642 794**

2009			
Cost price 1.1	400 000	29 694 515	**30 094 515**
Additions		30 393 527	**30 393 527**
Public grants		-1 977 003	**-1 977 003**
Cost price 31.12	400 000	58 111 038	**58 511 038**
Accumulated depreciations 31.12	13 332		**13 332**
Booked value 31.12.	**386 668**	**58 111 038**	**58 497 706**

Note 9 Intangible assets (continues)

(All figures in NOK)

	2010	2009
Depreciation	-	-

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs applies to the development of the Badger Explorer technology in Badger Explorer ASA and the Plasma Channel Drilling technology in Badger Plasma Technology AS. Goodwill applies to the 50% acquisition of Calidus Engineering Ltd. Depreciation will commence when the technology is ready for its intended use.

Note 10 Accounts receivables

(All figures in NOK)

	2010	2009
Accounts receivables	2 180 484	2 052 201
Skattefunn & RCN receivables	1 805 108	1 977 001
Other receivables	1 099 563	1 137 620
Total	**5 085 155**	**5 166 822**

There is no provision for losses on receivables. Other receivables are mainly related to government grants and prepaid expenses.

For age distribution of accounts receivables see note 15.

Note 11 Cash and cash equivalents

(All figures in NOK)

	2010	2009
Cash at bank	40 782 968	99 360 907
Restricted bank deposits	894 985	983 692

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

Number of shares	**2010**	**2009**
01.01.	18 439 040	18 439 040
Split of share	-	-
Capital increase	-	-
31.12.	18 439 040	18 439 040

Nominal value per share is NOK 0,125.

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

As of 31.12.2010, the 20 largest shareholders were:	No. of shares	% share
CONVEXA CAPITAL IV AS	3 200 780	17,4 %
STATE STREET BANK AND TRUST CO.	2 699 997	14,6 %
BANK OF NEW YORK MELLON SA/NV	922 224	5,0 %
ODIN OFFSHORE	800 000	4,3 %
BANK OF NEW YORK MELLON SA/NV	738 021	4,0 %
HOLBERG NORDEN	603 234	3,3 %
IRIS-FORSKNINGSINVEST AS	589 122	3,2 %
SIX SIS AG 25PCT	532 367	2,9 %
AHLQVIST INVEST AS	465 407	2,5 %
BANK OF NEW YORK MELLON (LUX) S.A.	342 373	1,9 %
DALVIN RÅDGIVNING AS	301 872	1,6 %
ANØY INVEST DA	248 800	1,3 %
KNUT ÅM	242 600	1,3 %
HOLBERG NORGE	236 866	1,3 %
KJELL ERIK DREVDAL	222 600	1,2 %
CSV II AS	214 000	1,2 %
MP PENSJON PK	213 200	1,2 %
NILSHOLMEN INVESTERING AS	209 222	1,1 %
SIGMUND STOKKA	204 440	1,1 %
THE NORTHERN TRUST CO.	200 000	1,1 %
20 largest shareholders	13 187 125	71,5 %
841 other shareholders	5 251 915	28,5 %
Total of 861 shareholders	**18 439 040**	**100,0 %**

All shares have equal voting rights.

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting of 21.4.2010. These authorisations are valid for the period until the next annual general meeting to be held in 2011, with expiry date 30 June 2011. The first authorization is provided for increasing the Company's share capital with up to NOK 225 488 by way of issuance of up to 1 803 904 shares in connection with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers. The second authorization is provided for increasing the Company's share capital with up to NOK 116 429 by way of issuance of up to 931 432 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution).

Note 13 Related-party transactions

(All figures in NOK)

Transactions with shareholders	2010	2009
Accounts payable*	0	310 530
Purchased services*	4 255 343	7 984 565

*The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 50% and Nigel Halladay owns 50% of the shares. Nigel Halladay also owns 43 000 shares in Badger Explorer ASA.

All purchased services from Calidus Engineering Ltd. in 2010 are related to the development project.

Note 13 Related-party transactions (continues)

(All figures in NOK)

At the Extraordinary General Meeting on 1 December 2010 the General Meeting provided the Board of Directors with a proxy to enter into agreements with close associates for the period as of 1 December 2010 until 31 December 2011. The remuneration shall be limited to NOK 1,500 per hour and time schedule and detailed specifications of duties shall be approved by the Company's Board of Directors prior to entering of such agreements. Badger Explorer ASA has not entered into such agreements with close associates as of 31.12.2010.

Shares held by members of the Board of Directors and members of Management	2010	2009
Convexa Capital IV AS (Director - Bjørge Gretland)*	3 200 780	3 200 780
SIX SIS AG 25PCT (Director - Marcus Hansson)	500 000	500 000
Ahlqvist Invest AS (Chairman - Rolf E. Ahlqvist)	465 407	465 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO - Kjell Erik Drevdal	222 600	222 600
Convexa AS (Director - Bjørge Gretland)	-	100 000
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	-
J.P. Morgan Bank Luxembourg S.A (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	-	149 222
SEB Private Bank S.A. Luxembourg (Director - Marcus Hansson)	65 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	80 200
Invest OK AS (Director - Kristine Holm)	15 000	15 000
Director - Marcus Hansson	11 668	-
5K International (CEO - Kjell Erik Drevdal)	10 000	10 000
Chevni AS (Director - Christian Bull Eriksson)	6 000	6 000
CFO - Gunnar Dolven	5 000	-
Director - Tone Kvåle	5 000	5 000
Mng. HR, Economy & Adm. - Hege Furland	2 858	2 858
Product Manager - Wolfgang Mathis	2 100	2 100
CTO - Erling Woods	1 000	1 000
Ordinary shares	**5 043 707**	**5 127 039**
% of total shares	27,4 %	27,8 %

* As of 4 October 2010 Bjørge Gretland resigned as Board Director

Note 14 Conditional commitments

(All figures in NOK)

Contribution recognised in the balance sheet

The Company has received contributions from the partners amounting to NOK 12 960 000 whereas NOK 8 800 000 were received prior to 2010. These contributions shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to a total of 150% of received contribution. The contributions have not been recognised as income.

Note 15 Financial risk and Financial assets

(All figures in NOK)

Foreign currency risk

The Company has a very limited number of transactions in foreign currency which consequently gives a very low currency risk. All of the Company's cash and financial instruments are in NOK and thus no foreign exchange risk inures.

Note 15 Financial risk and Financial assets

(All figures in NOK)

Interest rate risk

The Company does not have any interest-bearing debt. The Company has MNOK 1.3 in net financial income as of 31.12.2010. The bank deposits are exposed to changes in market interest rate and this change will affect the financial income and the return on cash. However this interest risk is considered to be low.

Market risk

The Company has invested 53.9 million in First Norway Alpha KL IV-IA, a Norwegian market based liquidity fund where the nominal value of the fund is deposited on overnight NIBOR contracts with Norwegian banks. Interest earnings of the fund are invested in share options. The market risk is related to the at all time distribution of share options and the market value and return of these. The value of the shares are monitored on a daily basis. The shares are not under any contractual obligation unless for a 3 days notice for settlement when selling the shares. The Company aims to earn interests equivalent to the market rate at any time.

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company has experienced a loss of NOK 8 323 on receivables during the last 2 years. The maximum exposure as of 31.12.2010 is MNOK 2.2, the carrying amount of accounts receivables. All cash in the Company is deposited in Norwegian banks which are considered to be a risk reducing initiative.

Liquidity risk

The Company has a very solid liquidity situation and consider the liquidity risk for the next couple of years to be non-existing at current cash burning rate.

Capital management

Capital includes equity.

The primary focus of the Company's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders value.

The Company manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. To maintain or adjust the capital structure the Company may issue new shares. No changes were made in the objectives, policies or processes during 2010.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Company does not have any interest bearing loans; the gearing ratio is negative for both 2009 and 2010.

The Company includes within net debt, trade and other payables, less cash and cash equivalents.

	2010	**2009**
Interest bearing loans and borrowings	0	0
Trade and other payables	7 036 449	5 164 766
Less cash and short-term deposits	-93 398 501	-99 360 907
Net debt	**-86 362 052**	**-94 196 141**
Equity	175 276 061	196 276 655
Total capital	**175 276 061**	**196 276 655**
Capital and net debt	**88 914 009**	**102 080 514**
Gearing ratio	-97 %	-92 %

Note 15 Financial risk and Financial assets (continues)

(All figures in NOK)

Fair value

The fair value of financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- Fair value of bank bonds is based on price quotations as of 31.12
- Fair value of investment in shares in market based liquidity fund is based on price quotations as of 31.12
- Fair value of cash and cash equivalent are assessed to carrying amount

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments.

	2010		2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bank bonds held to maturity	0	0	33 781 615	34 091 000
Investment in shares in liquidity fund at fair value through profit and loss	52 615 534	52 615 534	0	0
Cash and cash equivalents	40 782 968	40 782 968	99 360 907	99 360 907
Current receivables	5 085 155	5 085 155	5 166 822	5 166 822
Trade and other payables	7 036 449	7 036 449	5 164 766	5 164 766

Fair value hierarchy

As at 31.12.2010, the Group held the following financial instruments carried at fair value on the statement of financial positions. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets of liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
- Investment in shares in liquidity fund	52 615 534	52 615 534		

Age distribution of receivable

AS at 31 December, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Loss receivables
2010	5 085 155	5 085 155	8 323
2009	5 166 822	5 166 822	0

	Past due but not impaired			
	<30 days	30-60 days	60-90 days	>90 days
2010	0	0	0	0
2009	0	0	0	0

Note 15 Financial risk and Financial assets (continues)

(All figures in NOK)

Financial assets

Specification of shares in First Norway Alpha KL IV-IA liquidity fund	Number of shares	Subscription price*	Carrying price per share	Carrying amount
Subscription of shares 08.01.10	54 045	60 000 000	1 105	59 701 493
Sale of shares**	-5 513	-6 120 531	1 088	-6 000 000
Shares 31.12.10	48 532	53 879 469	1 084	52 615 534

*Subscription price per share: 1110

**A loss of NOK 120 531 was realized in connection with sale of financial assets (see note 3).

	2010	2009
Interest income from bank bonds. All bank bonds were sold in 2010.	16 363	2 280 783

Note 16 Subsidiaries

(All figures in NOK)

Badger Plasma Technology AS

Badger Plasma Technology AS is a private limited company registered in Norway and has its head office located at Jåttåvågveien 7 - Building C, 4020 Stavanger, Norway. Badger Plasma Technology AS was established on the 5.3.2007 in order to increase focus and activity level of the development and commercialisation of the Plasma Channel Drilling technology. All historic investments, public grants and capitalised grants related to the Plasma Channel Drilling (PCD) project and related administration costs have been transferred from Badger Explorer ASA to Badger Plasma Technology AS and are recognized on the accounts receivables in Badger Explorer ASA's Statement of Financial Position and on the accounts payable in Badger Plasma Technology AS's Statement of Financial Position. The activity level in Badger Plasma Technology AS has been low during 2009 due to high focus on the Badger Explorer project.

Transfer of investments, public grants and capitalised grants to Badger Plasma Technology AS	
Transfers as of 1.1.2009	2 180 165
Payment of historic development costs, PCD	-144 606
Transfer of development costs, PCD	324
Transfers as of 31.12.2009	2 035 882
Payment of historic development costs, PCD	-324
Transfers as of 31.12.2010	2 035 558

Transactions with Badger Plasma Technology AS	2010	2009
Accounts receivable (including transfers)	-2 035 558	-2 035 882
Purchased services	1 630	916
Sold Services	259	434 750

Equity and Net profit (loss) Badger Plasma Technology AS	2010	2009
Equity 31.12	2 085 907	2 058 332
Net profit (loss)	27 576	-128 195
Carrying among of shares as of 31.12	3 000 000	3 000 000

Badger Explorer ASA owns 100% of the shares in Badger Plasma Technology AS. All shares have equal voting rights.

Note 16 Subsidiaries (continues)

(All figures in NOK)

Calidus Engineering Ltd.

At the end of November 2007, Badger Explorer ASA acquired 50% of the shares in Calidus Engineering Ltd., a UK based engineering company. Calidus Engineering Ltd. is a private limited company registered in UK and has its office located at Unit 7A, Tregoniggie Industrial Estate, Falmouth, Cornwall TR11 4SN, UK. The parties have agreed upon an acquisition model in which Badger Explorer ASA gradually will acquire 100% of Calidus Engineering Ltd. until 2013. Badger Explorer ASA has initially acquire 50% of Calidus Engineering Ltd. through a combined purchase of outstanding shares and a share issue. In 2011 Calidus Engineering will sell additional 25% of its shares to Badger Explorer ASA. The concept for the price per share is pre-defined in the shareholder agreement. In 2013 Calidus Engineering Ltd. has the right to sell the remaining 25% of its shares to Badger Explorer ASA.

All shares in Calidus Engineering Ltd. have equal voting rights.

Transactions with Calidus Engineering Ltd.	**2010**	**2009**
Accounts payable	-	310 530
Purchased services	4 255 343	7 984 565

Equity and Net profit (loss) Calidus Engineering Ltd.	**2010**	**2009**
Equity 31.12	10 931 643	8 403 056
Currency translation	286 732	648 970
Net profit (loss)	2 815 320	3 144 107
Carrying among of shares as of 31.12	8 909 521	8 909 521