

Income Statement - Badger Explorer Group

All figures in NOK

| | Note | 2013 | 2012 |
|---|-------|--------------------|--------------------|
| REVENUES | | | |
| Other income | | 70 268 | 364 515 |
| Public grants | 2 | 22 375 451 | 2 842 653 |
| Capitalised public grants | 9 | -22 375 451 | -2 842 653 |
| Total revenues | | 70 268 | 364 515 |
| OPERATING EXPENSES | | | |
| External services for development project | 9 | 24 990 861 | 8 992 613 |
| Payroll and related costs | 6 | 14 908 711 | 19 578 362 |
| Depreciation | 7 | 450 753 | 650 676 |
| Other operating expenses | | 10 729 145 | 6 834 047 |
| Capitalised development costs | 9 | -31 523 302 | -17 149 058 |
| Total operating expenses | | 19 556 168 | 18 906 640 |
| Operating profit (loss) | | -19 485 899 | -18 542 124 |
| Financial income | 3 | 735 287 | 830 705 |
| Financial expenses | 3 | 339 335 | 50 842 |
| Loss on sale of subsidiary and shares | 3 | 0 | 166 045 |
| Share of profit / (loss) of associates | 3 | 380 443 | 0 |
| Net financial income (loss) | | 15 509 | 613 817 |
| Profit (loss) before tax from continuing operations | | -19 470 390 | -17 928 307 |
| Tax on ordinary result from continuing operations | 4 | 0 | 0 |
| Net profit / (loss) for the year from continuing operations | | -19 470 390 | -17 928 307 |
| Discontinued operations: | | | |
| Profit / (loss) after tax for the year from discontinued operations | 17,19 | -4 343 576 | -3 380 000 |
| Net profit (loss) | | -23 813 965 | -21 308 307 |
| Profit (loss) attributable to non-controlling interest | | 54 378 | -844 891 |
| Profit (loss) attributable to equity holders of the parent | 5 | -23 868 344 | -20 463 416 |
| Earnings per share from continuing operations | 5 | -1,29 | -1,10 |
| Earnings per share diluted from continuing operations | 5 | -1,28 | -1,10 |
| Earnings per share from discontinued operations | 5 | -0,23 | -0,18 |
| Earnings per share diluted from discontinued operations | 5 | -0,23 | -0,18 |

Statement of financial position - Badger Explorer Group

All figures in NOK

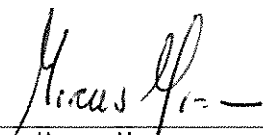
| ASSETS | Note | 2013 | 2012 |
|--|---------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Capitalised development costs | 2,9 | 130 785 242 | 121 637 391 |
| Patent rights | 9 | 386 668 | 386 668 |
| Goodwill | 9,20 | 0 | 5 595 285 |
| Total intangible assets | | 131 171 910 | 127 619 343 |
| Property, plant & equipment | 7 | 573 069 | 15 273 435 |
| Total tangible assets | | 573 069 | 15 273 435 |
| Investments in associates | 18 | 2 700 624 | 0 |
| Total investments in associates | | 2 700 624 | 0 |
| TOTAL NON-CURRENT ASSETS | | 134 445 603 | 142 892 779 |
| CURRENT ASSETS | | | |
| Inventories | 8 | 0 | 1 931 625 |
| Accounts receivables | 10,15 | 0 | 2 123 726 |
| Other receivables | 2,10,15 | 6 919 596 | 3 652 019 |
| Total receivables | | 6 919 596 | 5 775 745 |
| Cash and cash equivalents | 11 | 24 943 338 | 17 607 757 |
| TOTAL CURRENT ASSETS | | 31 862 934 | 25 315 126 |
| TOTAL ASSETS | | 166 308 537 | 168 207 905 |

Statement of financial position - Badger Explorer Group

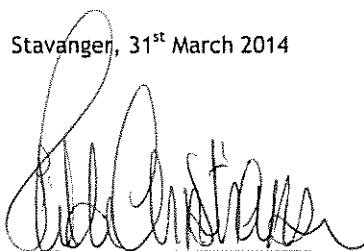
All figures in NOK

| EQUITY AND LIABILITIES | Note | 2013 | 2012 |
|---|-------|--------------------|--------------------|
| EQUITY | | | |
| Share capital | 12 | 2 317 161 | 2 317 161 |
| Share premium | | 218 069 985 | 218 069 985 |
| Other paid in capital | | 2 965 787 | 4 581 523 |
| Total paid in equity | | 223 352 933 | 224 968 669 |
| Foreign currency translation reserve | | 172 373 | -1 761 585 |
| Retained earnings | | -121 897 575 | -98 028 483 |
| Total equity attributable to equity holders of parent | | -121 725 201 | -99 790 068 |
| Non-controlling interests | | 0 | 1 879 958 |
| TOTAL EQUITY | | 101 627 732 | 127 058 559 |
| LIABILITIES | | | |
| Capitalised grants | 14 | 53 920 000 | 24 000 000 |
| Total long term liabilities | | 53 920 000 | 24 000 000 |
| Accounts payable | 13,18 | 4 401 247 | 3 800 856 |
| Public duties payables | | 3 104 253 | 1 270 886 |
| Interest bearing loans and borrowings | 15 | 0 | 8 200 003 |
| Other short term liabilities | 16 | 3 255 305 | 3 877 600 |
| Total short term liabilities | | 10 760 805 | 17 149 346 |
| TOTAL LIABILITIES | | 64 680 805 | 41 149 346 |
| TOTAL EQUITY AND LIABILITIES | | 166 308 537 | 168 207 905 |

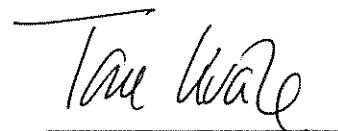
Stavanger, 31st March 2014



Marcus Harisson
(Chairman of the Board)



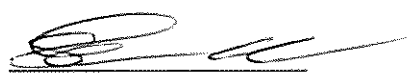
Hilde Christiansen
(Board member)



Tone Kvåle
(Board member)



David Ottesen
(Board member)



Steinar Bakke
(President & CEO)

Statement of comprehensive income - Badger Explorer Group

All figures in NOK

| Total comprehensive income | 2013 | 2012 |
|--|--------------------|--------------------|
| Profit (loss) for the year | -23 813 965 | -21 308 307 |
| Other comprehensive income - items that will later be reclassified to profit or loss | | |
| Translation differences | 1 933 211 | 485 181 |
| Total comprehensive income for the year, net of tax | -21 880 754 | -20 823 126 |

| Total comprehensive income attributable to: | 2013 | 2012 |
|---|--------------------|--------------------|
| Equity holders of the parent | -21 935 133 | -19 978 235 |
| Non-controlling interest | 54 378 | -844 891 |
| Total comprehensive income | -21 880 754 | -20 823 126 |

Statement of Change in Equity - Badger Explorer Group

All figures in NOK

| | Note | Share capital | Share premium | Other paid in capital | Foreign currency translation | Retained earnings | Non-controlling interest | Total equity |
|-------------------------------------|------|---------------|---------------|-----------------------|------------------------------|-------------------|--------------------------|--------------|
| Equity as of 1 January 2012 | | 2 317 161 | 218 069 985 | 3 218 791 | -2 246 019 | -77 565 815 | 2 724 849 | 146 518 953 |
| Profit (loss) for the year | | | | | | -20 463 416 | -844 891 | -21 308 307 |
| Foreign currency translation | | | | | 485 181 | | | 485 181 |
| Total comprehensive income | | | | | 485 181 | -20 463 416 | -844 891 | -20 823 126 |
| Option plan payment | 6 | | | 1 362 732 | | | | 1 362 732 |
| Equity as of 31 December 2012 | | 2 317 161 | 218 069 985 | 4 581 523 | -1 760 838 | -98 029 231 | 1 879 958 | 127 058 559 |
| Profit (loss) for the year | | | | | | -23 868 344 | 54 378 | -23 813 965 |
| Foreign currency translation | | | | | 1 933 211 | | | 1 933 211 |
| Total comprehensive income | | | | | 1 933 211 | -23 868 344 | 54 378 | -21 880 754 |
| Changes in non-controlling interest | 18 | | | | | | -1 934 336 | -1 934 336 |
| Option plan payment | 6 | | | -1 615 736 | | | | -1 615 736 |
| Equity as of 31 December 2013 | | 2 317 161 | 218 069 985 | 2 965 787 | 172 373 | -121 897 575 | 0 | 101 627 732 |

Consolidated Statement of Cash Flow - Badger Explorer Group

All figures in NOK

| | Note | 2013 | 2012 |
|---|--------------|--------------------|--------------------|
| Cash flow from operational activities | | | |
| Contributions from operations* | | -20 596 888 | -16 528 403 |
| Change in accounts receivable and accounts payables | | 2 486 451 | -2 003 182 |
| Change in other receivables and payables | | 1 079 370 | -1 952 689 |
| Net cash flow from operating activities | A | -17 031 067 | -20 484 273 |
| Cash flow from investment activities | | | |
| Investment/sales in fixed asset | 7 | 0 | 75 493 |
| Capitalisation of development costs | 9 | -31 523 302 | -17 149 058 |
| Sales of capitalised equipment | 7 | 0 | 294 297 |
| Reclassification of contributions from industry partners | 14 | 0 | 2 487 600 |
| Sale of shares in subsidiaries | 18 | 5 442 108 | 752 148 |
| Net cash flow from investment activities | B | -26 081 194 | -13 539 520 |
| Cash flow from financing activities | | | |
| Public grants | 2 | 20 342 653 | 2 842 652 |
| Contributions from industry partners | 14 | 29 920 000 | 7 800 000 |
| Interest received | 3 | 386 710 | 820 703 |
| Interest paid | 3 | -2 658 | -51 345 |
| Net cash flow from financing activities | C | 50 646 705 | 11 412 010 |
| Total net changes in cash flow - continuing operations | A+B+C | 7 534 444 | -22 611 783 |
| Total net changes in cash flow - discontinued operations | | -198 862 | 1 040 706 |
| Cash and cash equivalents at beginning of period | 11 | 17 607 757 | 39 178 834 |
| Cash and cash equivalents at end of period | 11 | 24 943 338 | 17 607 757 |
| Net result attributable to equity holders of the parent | | -19 470 774 | -17 083 102 |
| Profit (loss) attributable to non-controlling interest | | 54 378 | -844 891 |
| Employee options | 6 | -1 615 736 | 1 362 732 |
| Depreciation | 7 | 450 753 | 650 676 |
| Financial income | 3 | -735 287 | -830 705 |
| Financial expenses | 3 | 339 335 | 50 842 |
| Share of (profit) / loss of associates | 3,18 | 380 443 | 0 |
| Loss on sale of subsidiary and shares | 3,18 | 0 | 166 045 |
| *Total contributions from operations | | -20 596 888 | -16 528 403 |

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 Forusskogen 1, 4033 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.

The financial statement has been prepared on an historical cost basis.

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 18.

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 transactions and dividends 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 loses 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.

Note 1 Accounting policies (continues)

1.2 Investment in associates

The Group's investment in its associates, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at fair value. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as share of loss of an associate in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment as its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

1.3 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.

1.4 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Discontinued operations are presented separately in the income statement in accordance with IFRS 5 both for fiscal years 2012 and 2013 .

1.5 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 or available-for-sale financial assets 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 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 as described below:

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.

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 EIR (Effective Interest Rate) method, 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 financial income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables. This category includes accounts receivable and other receivables carried at amortised cost or at normal amount less provision for bad debt were this can be regarded as a reasonable proxy for fair value.

Note 1 Accounting policies (continues)

1.6 Financial liability

Financial liabilities within the scope IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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 costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 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.

Note 1 Accounting policies (continues)

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.

1.8 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.

1.9 Accounts receivable

Accounts receivable are part of the category loans and receivables and are recognised in the balance sheet at nominal value less provisions for doubtful debts.

1.10 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:

Buildings: 25 years

Plant and machinery: 6 - 10 years

Fixtures, fittings and vehicles: 3 - 5 years

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

1.11 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.

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.

Note 1 - Accounting policies (continues)

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 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 a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalised at cost (no mark-up).

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 indication 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 indications 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)

1.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

1.13 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.

1.14 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.

Public grants received to date are related to (ref. note 9):

- development projects and deducted in the carrying amount of the related project
- the purchase of a long leasehold building, plan and equipment

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.

When the contributions from partners are subject to specific requirements, the contributions are recognised in the balance sheet as long term liabilities. When the contributions from partners are not subject to specific requirements, the contributions are recognised in the balance sheet as a deduction of the carrying amount of the related project. 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.

Note 1 Accounting policies (continues)

1.15 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.

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.

1.16 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.

1.17 Events after the balance sheet date

New information received after the balance sheet date relating to events and transactions incurred before the balance sheet date is reflected in the balance sheet/income statement. 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.

1.18 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 notes:

Note 1 Accounting policies (continues)

- Impairment test for intangible assets (note 20)
- Capitalised development cost/R&D cost (note 9)

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 20. 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 costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalised at cost (no mark-up). Capitalised carrying amount for the development project amounts to NOK 130.785 million as of 31 December 2013, see note 9.

The capitalised development of NOK 130.785 million is the main asset of the BXPL Group, equivalent to 78.7% of total assets. Future sales of Badger operations has a minimum net price of USD 12 million, thus present capitalised value represents roughly 11 sold operations. Via the development agreement the partners have a first right to buy Badger services at agreed terms. This right to buy the first operations secures the BXPL Group prime customers and likely delivery of many units. The year-end valuation of the capitalised technology must be seen in this perspective. The Group is for the time being negotiating the next phase with the four/five sponsoring partners, their indicative willingness to enter such long term development agreement support the valuation as per year-end 2013.

Costs that have been expensed in previous accounting periods are not recognized in the balance sheet.

Note 1 Accounting policies (continues)

1.19 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases

Leases where the Group takes over the main part of the risk and return related to the ownership of the asset are classified as finance leases. At commencement of the lease period finance leases are calculated to an amount corresponding to real value of lowest lease present value, whichever is the lowest, less accumulated depreciations and devaluations. When calculating the present value of the lease the implicit interest cost of the lease is used when it can be determined. If it cannot be determined, the Group's marginal borrowing rate in market is used. Direct costs relating to the lease are included in the asset's cost price.

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

Operating leases

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

1.20 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.

Note 1 Accounting policies (continues)

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.

1.21 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.

1.22 Cash flow statement

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

1.23 Costs related to equity transactions

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

1.24 Changes in accounting policies and disclosures

The Group has implemented all changes in standards and interpretations for 2013. The implementation of these changes have not resulted in any changes to the group beyond the information given in the notes.

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

Standards issued but not yet effective or implemented up to the date of issuance of the Group's financial statements This listing of standards and interpretations are those that the Group reasonably expect to have an impact on disclosures, financial position or performance when applied in future periods.

IAS 28 Investment in Associates and Joint Ventures

As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

Note 1 Accounting policies (continues)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. Third and last phase of this project will address amortised cost measurement and impairment of financial assets. The mandatory effective date of IFRS 9 has been removed to allow sufficient time for entities to prepare to apply the new Standard. The IASB have decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion.

The Group will evaluate potential effects of IFRS 9 as soon as the final standard, including all phases, is issued.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

Annual Improvements 2010-2012

IFRS 2 Share-based Payment

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The Group does not anticipate that the implementation of the standards and interpretations detailed above will have any material impact on the consolidated accounts when they are implemented other than in terms of the information that will have to be provided in the notes.

Note 2 Public grants and development costs

(All figures in NOK)

The Group has previously received public grants from the Research Council of Norway (RCN) and Skattefunn for the Badger Explorer development project in Badger Explorer ASA (BXPL) and the Plasma Channel Drilling project in Badger Plasma Technology AS. The Badger Explorer development project has been pledged grants from RCN and Skattefunn for both 2012 and 2013. All development costs in the Badger Explorer Group related to these projects are capitalised except of NOK 3.267 million for 2013 and NOK 2.827 million for 2012 related to a IFRS restriction on capitalisation of own personnel cost. In 2013 BXPL received a public grant from Innovation Norway of NOK 14 million for BXPL's ongoing Badger Explorer Development Program. BXPL also received grants from RCN of NOK 5.071 million and Skattefunn of NOK 1.280 million. 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)

| | 2013 | 2012 |
|---|---------------|-----------------|
| Interest income related to cash and cash equivalents | 364 385 | 781 624 |
| Loss on sale of subsidiary and shares | 0 | -166 045 |
| Share of profit / (loss) of associates | -380 443 | 0 |
| Other financial income | 22 325 | 38 344 |
| Other financial expenses | -2 658 | 0 |
| Currency gain | 348 577 | 10 738 |
| Currency loss | -336 676 | -50 842 |
| Net financial items from continuing operations | 15 509 | 613 817 |
| Net financial items from discontinued operations | 0 | -272 454 |
| Net financial items | 15 509 | 341 363 |

Note 4 Tax

(All figures in NOK)

| | 2013 | 2012 |
|---|----------|-----------------|
| Income tax expense | | |
| Payable tax | 0 | 0 |
| Other | 0 | -413 836 |
| Tax from previous years | 0 | 103 523 |
| Changes in deferred tax | 0 | 0 |
| Total tax expense from continuing operations | 0 | 0 |
| Total tax expense from discontinued operations | 0 | -310 313 |

Note 4 Tax (continues)

(All figures in NOK)

Summary of temporary differences:

| | | |
|----------------------|---------------------|---------------------|
| Fixed assets | -688 131 | 138 255 |
| Loss carried forward | -124 486 089 | -101 608 213 |
| Total | -125 174 220 | -101 469 958 |

| | | |
|--------------------|-------------|-------------|
| Deferred tax asset | -33 797 039 | -28 411 588 |
|--------------------|-------------|-------------|

Statement of Financial Position

| | | |
|---|--------------------|--------------------|
| Deferred tax asset | 2013 | 2012 |
| Loss carried forward | -33 611 244 | -28 450 300 |
| Fixed assets | -185 795 | 38 711 |
| Total deferred tax asset | -33 797 039 | -28 411 588 |
| Valuation allowance | 33 797 039 | 28 411 588 |
| Total deferred tax asset recognised in the Statement of Financial Position | 0 | 0 |

Deferred tax asset is not recognised in the Statement of Financial Position as the BXPL Group is in a development phase and is currently generating losses.

| | | |
|--|-------------|-------------|
| Loss carried forward as of 31 December 2013 | 2013 | 2012 |
| Unlimited carrying forward | 124 486 089 | 101 608 213 |

| | | |
|---|-------------|-----------------|
| Effective tax rate | 2013 | 2012 |
| Profit / (loss) before tax from continuing operations | -19 470 390 | -17 928 307 |
| Profit / (loss) before tax from discontinued operations | -4 343 576 | -3 380 000 |
| 28% tax of earnings before tax from continuing operations | -5 451 709 | -5 019 926 |
| 28% tax of earnings before tax from discontinued operations | -1 216 201 | -946 400 |
| Changes in deferred tax asset not recognised in the Statement of Financial Position | 5 385 451 | 5 362 885 |
| Effect due to changes in tax rate from 28% to 27% on the deferred tax asset | 1 251 742 | 0 |
| Permanent differences and other effects* | 30 717 | 293 128 |
| Calculated tax cost from continuing operations | 0 | 0 |
| Calculated tax cost from discontinued operations | 0 | -310 313 |

| | | |
|---|-----|------|
| Effective tax rate from continuing operations | 0 % | 0 % |
| Effective tax rate from discontinued operations | 0 % | 33 % |

* The tax cost is related to tax on the profit in Severn Subsea Technologies 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 Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

Options, awarded to employees at the end of 2006 and 2007, are waived and not included in the calculation of diluted earnings per share. The effect of options awarded options to employees in September 2009, June 2010, October 2011 and September 2013 are all included in the calculation of diluted earnings per share for 2012 and 2013.

| | 2013 | 2012 |
|--|-------------|-------------|
| Profit (loss) attributable to equity holders of the Parent | -23 868 344 | -20 463 416 |
| Profit (loss) from discontinued operations | -4 343 576 | -3 380 000 |
| Weighted average outstanding ordinary shares | 18 537 288 | 18 537 288 |
| Effect of dilution - share options | 50 667 | 92 265 |
| Weighted average outstanding diluted shares | 18 587 955 | 18 629 553 |
| Earnings per share from continuing operations | 2013 | 2012 |
| Ordinary | -1,29 | -1,10 |
| Diluted | -1,28 | -1,10 |
| Earnings per share from discontinued operations | 2013 | 2012 |
| Ordinary | -0,23 | -0,18 |
| Diluted | -0,23 | -0,18 |

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

| Payroll and related costs | 2013 | 2012 |
|---|-------------------|-------------------|
| Salaries and vacation pay | 12 364 136 | 13 614 451 |
| Employers' national insurance contributions | 1 962 401 | 2 381 058 |
| Option plan payment (incl. national insurance contributions)* | -1 589 637 | 1 204 388 |
| Remuneration to the Board of Directors and the Nomination Committee | 1 115 000 | 1 185 000 |
| Other benefits (incl. pension scheme) | 1 056 485 | 1 193 465 |
| Total salaries and personnel expenses from continuing operations | 14 908 711 | 19 578 362 |
| Total salaries and personnel expenses from discontinued operations | 0 | 3 406 311 |
| Total salaries and personnel expenses | 14 908 711 | 22 984 673 |

* Total of NOK 2.402 million relates to the share options costs due to severance of employment of previous CEO Mr. David Blacklaw. Total of 370,579 share options, granted in 2011, forfeited prior to vesting on 15 September 2013.

| Number of employees | 2013 | 2012 |
|--|------|------|
| The average number of employees in full time equivalent from continuing operations | 13 | 14 |
| The average number of employees in full time equivalent from discontinued operations | 26 | 34 |

Pensions

The pension scheme in Badger Explorer ASA is a defined contribution scheme where agreed contributions are expensed as paid. Contributions range from 4% to 7% of the employee's salary. The scheme fulfils the legal requirements for occupational pension schemes (OTP). The Group has no further pension commitments when agreed contributions are paid. The Group's contribution costs are charged to the income statement in the year in which the contribution applies. Managing director of Severn Subsea Technologies Ltd. has accrued benefits under money purchase pension schemes in 2012.

| | 2013 | 2012 |
|---|---------|---------|
| Contributions expensed during the year from continuing operations | 477 181 | 593 447 |
| Contributions expensed during the year from discontinued operations | 0 | 8 995 |
| Contributions expensed during the year | 477 181 | 602 442 |

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

(All figures in NOK)

| | 2013 | | |
|---|-----------|----------------|-------------------------|
| | Salary | Other Benefits | Pension scheme costs |
| Remuneration to members of Management | | | |
| Chief Executive Officer (CEO 1)** | 1 356 831 | 291 943 | 36 464 |
| Chief Executive Officer (CEO 2)* | 525 000 | 104 379 | 15 418 |
| Chief Financial Officer (CFO)**** | 989 605 | 18 554 | 27 837 |
| Chief Technology Officer (CTO) | 1 013 084 | 23 187 | 52 803 |
| Sr. Vice President Business Dev. & Strategy**** | 947 336 | 14 132 | 26 256 |
| General Manager*** | 1 195 665 | 28 450 | 52 982 |
| Legal Adviser & HR Manager | 573 681 | 17 238 | 22 810 |

* The Board of Directors granted a bonus of NOK 100,000 to Mr. Steinar Bakke (CEO 2).

** There was a change of Chief Executive Officer during 2013. Mr. David Blacklaw (CEO 1) left the Company on 15 September 2013 and Mr. Steinar Bakke (CEO 2) took office on 16 September 2013.

*** Manager Quality, Risk & Supply Chain took up his new position as General Manager on 1 July 2013. The amount indicated above was paid for the entire year 2013.

**** Remuneration indicated above for CFO and Sr. Vice President Business Dev. & Strategy does not include any payments made in respect of performed consultancy services. For transactions with related parties see note 13.

At the end of 2013, Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy, General Manager and Legal Adviser & HR Manager.

| | 2012 | | |
|--|-----------|----------------|-------------------------|
| | Salary | Other Benefits | Pension scheme costs |
| Remuneration to members of Management | | | |
| Chief Executive Officer (CEO)* | 1 685 230 | 206 084 | 54 835 |
| Chief Financial Officer (CFO) | 1 648 585 | 29 034 | 58 792 |
| Chief Technology Officer (CTO 1)** | 672 316 | 8 964 | 16 372 |
| Chief Technology Officer (CTO 2)** | 549 963 | 15 289 | 38 522 |
| Sr. Vice President Business Dev. & Strategy | 1 513 702 | 30 953 | 55 523 |
| Manager Quality, Risk and Supply Chain | 1 148 871 | 29 110 | 55 305 |

* The Board of Directors granted a bonus of NOK 100,000 to Mr. David Blacklaw.

** There was a change of Chief Technology Officer during 2012. Mr. Erling Woods (CTO 1) left the Company on 30 April 2012 and Mr. Øystein Larsen (CTO 2) was appointed on 1 July 2012.

At the end of 2012, Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy and Manager Quality, Risk and Supply Chain.

Shares and options owned directly or indirectly by members of Management as of 31 December 2013

| | Shares | Options |
|---|----------------|----------------|
| Chief Executive Officer (CEO 2) | 30 000 | 370 000 |
| Chief Financial Officer (CFO) | 309 872 | 16 667 |
| Chief Technology Officer (CTO) | 0 | 5 000 |
| Sr. Vice President Business Dev. & Strategy | 229 422 | 25 000 |
| General Manager | 0 | 25 000 |
| Legal Adviser & HR Manager | 0 | 7 500 |
| Total | 569 294 | 449 167 |

| Changes in share options owned by members of Management | Options as of 1 January 2013 | Option exercised in the period | Options forfeited in the period | Options granted in the period | Options as of 31 December 2013 |
|---|------------------------------------|--------------------------------------|---------------------------------------|-------------------------------------|--------------------------------------|
| CEO 1 | 370 579 | 0 | 370 579 | 100 000 | 100 000 |
| CEO 2 | 0 | 0 | 0 | 370 000 | 370 000 |
| Total | 370 579 | 0 | 370 579 | 470 000 | 470 000 |

The previous option program came into effect in Q3 2009. According to the employee option program, 25,000 share options were granted to CFO, 15,000 share options to CTO and 25,000 share options to Sr. Vice President Business Dev. & Strategy at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25,000 share options in 2010 at a strike of NOK 15. The options entitle purchasing of shares during the 3.2 years period until 15 November 2012. This period has been extended until three to ten days after the publication of Annual Report 2013. CFO exercised 8,333 share options during 2011. CTO exercised 8,333 share options during 2011. In 2012 a total of 16,667 share options, held by CTO 1, forfeited. CTO 1 left the Company on 30 April 2012 and the new CTO was appointed on 1 July 2012. The new CTO was granted 5,000 share options. The Legal Adviser & HR Manager was granted 7,500 share options. All options were "out of money" as of 31 December 2013.

In Q3 2011 Mr. David Blacklaw (former CEO) was granted 370,579 share options in BXPL at a strike price of NOK 19. These options must be exercised three to ten days after the publication of the Q3 2014 report. Mr. Blacklaw resigned as the Company's President and CEO on 15 September 2013. A total of 370,597 share options forfeited on 15 September 2013.

At the end of September 2013, BXPL entered into a consultancy agreement with Mr. David Blacklaw (former CEO). Mr. Blacklaw was granted 100,000 share options to acquire shares in BXPL at a strike price of NOK 7.50. The share options can be exercised from the effective date of the consultancy agreement until the day of the publication of the Company's Q4 2015 report and were "in the money" as of 31 December 2013.

On 16 September 2013, Mr. Steinar Bakke took on the position as President and CEO. Upon commencement of the employment, Mr. Bakke was granted 370,000 share options in BXPL at a strike price of NOK 6.50. 185,000 share options will vest on the day of the publication of the Company's Q4 2015 report. A further 185,000 share options will vest on the day of the publication of the Company's Q2 2017 report. The exercise of fully vested share options is at the sole of discretion of the option holder. All share options were "in the money" as of 31 December 2013.

Remuneration to the Board of Directors and the Nomination Committee

Remuneration to the members of the Board of Directors for 2012, that was approved by the Annual General Meeting in 2013, is divided among the Board members as follows: NOK 300,000 to the Chairman of the Board, NOK 150,000 to both Mrs. Kristine Holm and Mrs. Tone Kvåle with the addition of NOK 50,000 for her work in the Audit Committee, NOK 300,000 to Mr. Clive Mather, NOK 125,000 to Mr. John R. Wilson. Due to John R. Wilson's resignation from the Board, his remuneration for the period 27 April 2011 - 8 October 2012 was calculated on pro rata basis.

The Remuneration to members of the Nomination Committee is divided as follows: NOK 25,000 to the Chairman of the Nomination Committee and NOK 15,000 to each of the member of Nomination Committee.

The Remuneration to the Board of Directors and the Nomination Committee, that was approved by the General Assembly and paid in 2012 and 2013, is listed in table below:

| Remuneration to the Board of Directors and the Nomination Committee | 2013 | 2012 |
|---|------------------|------------------|
| Marcus Hansson - Chairman of the Board, Audit Committee 2011/2012 | 300 000 | 200 000 |
| Kristine Holm - Board member 2011/2012 | 150 000 | 150 000 |
| Tone Kvåle - Board member, Audit Committee 2011/2012 | 200 000 | 200 000 |
| Clive Mather - Board member 2011/2012 | 300 000 | 300 000 |
| John R. Wilson - Board member (27 April 2011 - 8 October 2012) | 125 000 | 300 000 |
| Rolf E. Ahlqvist - Nomination Committee | 20 000 | 15 000 |
| Bjørge Gretland - Nomination Committee | 10 000 | 10 000 |
| Knut Åm - Nomination Committee | 10 000 | 10 000 |
| Total remuneration | 1 115 000 | 1 185 000 |

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

(All figures in NOK)

Employee options

In Q3 2009 the previous option program was established replacing options granted in 2006 and 2007. All BXPL employees at that time were allocated options. The Manager Quality, Risk and Supply Chain was allocated 25,000 shares upon commencement of his employment on 1 June 2010. One third of the options vests after one year, another third of the options vests after two years and an additional third after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. This period has been extended three to ten days after the publication of the Annual Report 2013. Fair value of the options is calculated at the time of grant and will be recognised over the corresponding vesting period of the options. CEO 1 was granted 370,579 shares on 10 September 2011 which must be exercised three to ten days after the publication of the Q3 2014 report. Total of 370,597 share options forfeited when CEO 1 resigned on 15 September 2013. A total number of 470,000 share options held by Management were granted during 2013. A total number of 412,246 share options held by Management forfeited as of 31 December 2013. Share options were neither exercised nor expired during 2013. A total of 520,667 share options held by BXPL employees were outstanding as of 31 December 2013.

| | 2013 | | 2012 | |
|--|---------------|---------------------------------|---------------|---------------------------------|
| | Share options | Weighted average exercise price | Share options | Weighted average exercise price |
| Summary of outstanding options: | | | | |
| Outstanding options 01.01. | 462 913 | 17,47 | 646 248 | 15,35 |
| Granted options | 470 000 | 6,71 | 0,00 | 0,00 |
| Exercised options | 0,00 | 0,00 | 0,00 | 0,00 |
| Forfeited | -412 246 | 18,09 | -111 668 | 10,00 |
| Expired options | 0,00 | 0,00 | -71 667 | 10,00 |
| Outstanding options 31.12. | 520 667 | 7,27 | 462 913 | 17,46 |
| Vested options | 150 667 | 9,17 | 92 333 | 11,35 |
| Weighted Average Fair Value of options granted during the period | 0,00 | 0,00 | 0,00 | 0,00 |
| Charged against the Income statement: | -1 615 736 | | 1 362 732 | |
| Charged against the Income Statement - Employers' national insurance contribution: | 26 099 | | -158 344 | |

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

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting on 17 April 2013. This authorisation is valid until the next General Meeting to be held in 2014 with an ultimate expiry date on 30 June 2014. The authorisation is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of Management for 2013

The main principle of the Group's remuneration policy for the Group's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2013 will be based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Group's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2013, the assessment criteria will be based on both the Group's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

The Group's Management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

On 15 September 2009, the previous share option program for all BXPL employees at the time was implemented. The current Management has been allocated 442,246 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 10 (applicable to 46,667 shares options granted to CFO Gunnar Dolven, CTO Øystein Larsen and Sr. VP Dev. & Strategy Kjell Markman), NOK 15 (applicable to 25,000 share options granted the Manager Quality, Risk and Supply Chain). On 6 September 2011 the new CEO was granted 370,579 share options at a strike price of NOK 19, which may be exercised after the publication of the Q3 2014 financial report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10 (NOK 15 and NOK 19 respectively) per option share. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50.

All members of the Group's Management are included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Remuneration policy for members of Management - Guidelines for 2014:

The main principle of the Group's remuneration policy for the Group's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2014 will be based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

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

(All figures in NOK)

In addition to their base salary, the Group's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2014, the assessment criteria will be based on both the Group's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

The Group's Management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

In February 2014, a new share option program for all BXPL employees was implemented. The current Management has been allocated 48,000 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 7.51. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50. The options granted will be vested in tranches and can be exercised at the earliest 12 months subsequent to the date of grant and thereafter at up to 2 occasions during each calendar year, between three and 10 days after publications of the Company's Q1 and Q3 quarterly results. CEO Steinar Bakke has been granted 370,000 share options at a strike price of NOK 6.50. 185,000 shares options will vest on the date of the publication of BXPL's Q4 2015 quarterly report. A further 185,000 shares options will vest on the date of the publication of BXPL's Q2 2017 quarterly report. The exercise of fully vested shares options is at the sole discretion of the option holder.

All members of the Group's Management are included in the Group's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Fees to auditor

(All figures in NOK)

| | 2013 | 2012 |
|--|------------------|----------------|
| Audit fees* | 330 000 | 292 500 |
| Assurance services** | 40 900 | 27 140 |
| Other assistance*** | 831 850 | 31 677 |
| Total audit fees from continuing operations | 1 202 750 | 351 317 |
| Total audit fees from discontinued operations | 0 | 22 488 |
| Total | 1 202 750 | 373 805 |

All fees stated are excluding VAT.

* Audit fees consist of fees for the audit of the Company's annual financial statements and its internal controls. These fees also include review of interim report.

** Assurance services consist of fees billed for assurance and related services and include consultations concerning financial accounting and reporting standards, review of the Company's quarterly financial statements.

*** Other assistance consists of fees billed for other services related to the divestiture of shares in Severn Subsea Technologies Ltd. and preparation of tax returns.

All audit services in 2012 and 2013 are recognised as expenses. Audit-related fees incurred in 2012 and 2013 are in accordance with the Company's policy.

Note 7 Tangible fixed assets

(All figures in NOK)

| 2013 | Building* | Property, plant & equipment | Total 2013 |
|--|------------|-----------------------------------|----------------|
| Cost price 01.01. | 9 221 453 | 13 786 065 | 23 007 518 |
| Additions | 0 | 32 677 | 32 677 |
| Disposals | -9 221 453 | -8 054 413 | -17 275 866 |
| Cost price 31.12. | 0 | 5 764 330 | 5 764 330 |
| Accumulated depreciations 31.12. | 0 | -5 191 260 | -5 191 260 |
| Accumulated depreciation of disposed asset | 176 357 | 2 804 189 | 2 980 546 |
| Currency translation difference | 0 | 0 | 0 |
| Booked value 31.12. | 0 | 573 069 | 573 069 |
| Depreciation from continuing operations | 0 | -450 753 | -450 753 |
| Depreciation from discontinued operations | -45 157 | -621 843 | -667 000 |

Badger Explorer Group 2013 - Notes

| | | |
|------------------------|---------------|---------------|
| Depreciation rate %: | 4 % | 10% - 33% |
| Economic life (years): | 25 | 3 - 10 |
| Depreciation method: | straight line | straight line |

| 2012 | Building* | Property, plant & equipment | Total 2012 |
|---|------------------|-----------------------------------|-------------------|
| Cost price 01.01. | 9 515 749 | 14 045 162 | 23 560 911 |
| Additions | 0 | 75 493 | 75 493 |
| Disposals | 0 | -389 356 | -389 356 |
| Currency translation difference | -294 296 | 54 767 | -239 529 |
| Cost price 31.12. | 9 221 453 | 13 786 065 | 23 007 518 |
| Accumulated depreciations 31.12. | -176 357 | -7 544 697 | -7 721 053 |
| Accumulated depreciation of disposed assets | 0 | 217 015 | 217 015 |
| Currency translation difference | 2 361 | -232 406 | -230 045 |
| Booked value 31.12. | 9 047 458 | 6 225 977 | 15 273 435 |

| | | | |
|---|---------------|---------------|------------|
| Depreciation from continuing operations | 0 | -650 676 | -650 676 |
| Depreciation from discontinued operations | -114 137 | -1 565 212 | -1 679 349 |
| Depreciation rate %: | 4 % | 10% - 33% | |
| Economic life (years): | 25 | 3 - 10 | |
| 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.

* Severn Subsea Technologies Ltd. purchased an industrial lease unit in 2011. The building was financed by a mortgage loan. Due to the divestiture of shares in Severn Subsea Technologies Ltd., the following assets relating to disposal group were classified as held for sale.

Purchase of lease - Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.)

In June 2011, Severn Subsea Technologies Ltd. purchased a lease of units 6&7 Treleigh Industrial Estate of a total of NOK 12.2 million (GBP 1.413 million) of which NOK 8.1 million (GBP 940,000) relates to the building (shell only) and NOK 4.1 million (GBP 472,500) relates to the plant and machinery. The lease is classified as financial. The building will be depreciated over 25 years, and the plant and machinery will be depreciated over 10 years. The contractual term is 999 years and the rent is set to one peppercorn per year.

Leasehold land and buildings have been pledged to secure borrowings in Severn Subsea Technologies Ltd.

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

| Operating leasing costs | 2013 | 2012 |
|--------------------------------------|------------------|------------------|
| Rent costs on buildings | 1 972 040 | 2 133 118 |
| Other | 105 963 | 11 920 |
| Total operating leasing costs | 2 078 003 | 2 145 038 |

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 costs | 11 400 | 0 | 0 |
| Rent costs on buildings | 2 089 044 | 4 693 186 | 0 |
| Total | 2 100 444 | 4 693 186 | 0 |

The lease agreement for the main office (headquarters) has been entered into for a period of 5 years. This agreement expires on 31 March 2016 and includes an option to extend the agreement for 3+3 years at market conditions.

Note 8 Inventories

(All figures in NOK)

| | 2013 | 2012 |
|--------------------------|----------|------------------|
| Raw material | 0 | 199 712 |
| Work in progress | 0 | 1 729 308 |
| Finished goods | 0 | 2 605 |
| Total inventories | 0 | 1 931 625 |

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

Note 9 Intangible assets

(All figures in NOK)

BXPL Group has recognised the following intangible assets in the Statement of Financial Position (including internal built up assets such as development costs).

| 2013 | Patents* | Development costs | Goodwill | Total |
|----------------------------------|----------------|--------------------|------------|--------------------|
| Cost price 01.01. | 400 000 | 121 637 391 | 5 595 285 | 127 632 675 |
| Additions** | 0 | 31 523 302 | 0 | 31 523 302 |
| Disposals | 0 | 0 | -5 595 285 | -5 595 285 |
| Public grants | 0 | -22 375 451 | 0 | -22 375 451 |
| Cost price 31.12. | 400 000 | 130 785 242 | 0 | 131 185 242 |
| Accumulated depreciations 31.12. | 13 332 | 0 | 0 | 13 332 |
| Book value 31.12. | 386 668 | 130 785 242 | 0 | 131 171 910 |

** The addition in 2013 consists of external services of NOK 18.079 million, purchase of manufactured parts, components and materials of NOK 6.337 million, internal personnel costs of NOK 6.532 million and travel expenses of NOK 0.360 million for the Badger Explorer development project.

| 2012 | Patents* | Development costs | Goodwill | Total |
|----------------------------------|----------------|--------------------|------------------|--------------------|
| Cost price 01.01. | 400 000 | 111 037 190 | 5 773 858 | 117 211 047 |
| Additions** | 0 | 17 149 058 | 0 | 17 149 058 |
| Disposals*** | 0 | -1 218 604 | 0 | -1 218 604 |
| Currency translation differences | 0 | 0 | -178 573 | -178 573 |
| Contributions from partners | 0 | -2 487 600 | 0 | -2 487 600 |
| Public grants | 0 | -2 842 653 | 0 | -2 842 653 |
| Cost price 31.12. | 400 000 | 121 637 391 | 5 595 285 | 127 632 675 |
| Accumulated depreciations 31.12. | 13 332 | 0 | 0 | 13 332 |
| Book value 31.12. | 386 668 | 121 637 391 | 5 595 285 | 127 619 343 |

** The addition in 2012 consists of external services of NOK 7.173 million and internal personnel costs of NOK 9.946 million for the Badger Explorer development project.

*** The disposal applies to the sale of Badger Plasma Technology AS, which sold for NOK 1.950 million in December 2012, and the belongings of Plasma Channel Drilling technology. It also includes sales of capitalised development equipment in Badger Explorer ASA.

There has not been made any depreciation on intangible asset in 2012 and 2013.

All development costs in 2012 and 2013 are related to the development of the Badger Explorer technology in Badger Explorer ASA. The development work contains inherent technology risk and risk related to the funding contributions from the partners. An amount of Management focus will continue to be applied to prudent financial management, improved cost-effectiveness and simplification of non-technical activities.

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs apply to the development of the Badger Explorer technology in Badger Explorer ASA and the Plasma Channel Drilling technology in Badger Plasma Technology AS. Depreciation will commence when the technology is ready for its intended use. Goodwill, arising from 75% acquisition of Severn Subsea Technologies Ltd. in April 2011, was classified as an intangible asset in the Statement of Financial Position in 2012.

Note 10 Total receivables

(All figures in NOK)

| | 2013 | 2012 |
|---|------------------|------------------|
| Accounts receivables | 0 | 2 123 725 |
| Skattefunn & Research Council of Norway receivables | 3 828 117 | 1 795 316 |
| Other receivables | 3 091 479 | 1 856 704 |
| Total receivables | 6 919 596 | 5 775 745 |

Provision for bad and doubtful debts in the Income Statement of Severn Subsea Technologies amounted to GBP 57,148 in 2012. There is no further provision for losses on receivables in the Group. Other receivables in BXPL are mainly related to prepaid expenses and public grants from Skattefunn and Research Council of Norway. Other receivables in Severn Subsea Technologies Ltd. relate to government grants awarded towards the development of the new building, maintaining staff numbers and creating new jobs.

For age distribution of accounts receivables see note 15.

Note 11 Cash and cash equivalents

(All figures in NOK)

| | 2013 | 2012 |
|---------------------------|-------------------|-------------------|
| Cash at bank | 24 943 338 | 17 607 757 |
| Total cash at bank | 24 943 338 | 17 607 757 |
| Restricted bank deposits | 601 061 | 708 737 |

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

(All figures in NOK)

| Number of shares | 2013 | 2012 |
|------------------|-------------------|-------------------|
| 01.01. | 18 537 288 | 18 439 040 |
| Capital increase | 0 | 98 248 |
| 31.12. | 18 537 288 | 18 537 288 |

Nominal value per share is NOK 0.125.

| As of 31 December 2013, the 20 largest shareholders were: | No. of shares | % share |
|---|-------------------|---------------|
| CONVEXA CAPITAL IV AS | 3 200 780 | 17,3 % |
| STATE STREET BANK AND TRUST CO. | 2 699 997 | 14,6 % |
| BANK OF NEW YORK MELLON SA/NV | 922 224 | 5,0 % |
| INVECO PERP EUR SMALL COM | 874 551 | 4,7 % |
| HOLBERG NORDEN | 830 311 | 4,5 % |
| ODIN OFFSHORE | 673 093 | 3,6 % |
| SKANDINAVISKA ENSKILDA BANKEN S.A. | 655 000 | 3,5 % |
| IRIS-FORSKNINGSINVEST AS | 497 584 | 2,7 % |
| BANK OF NEW YORK MELLON (LUX) S.A. | 358 787 | 1,9 % |
| DALVIN RÅDGIVNING AS | 301 872 | 1,6 % |
| ANØY INVEST DA | 278 800 | 1,5 % |
| TTC INVEST AS | 250 000 | 1,3 % |
| KNUT ÅM | 242 600 | 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 % |
| VENTOR AS | 190 004 | 1,0 % |
| THE NORTHERN TRUST CO. | 188 190 | 1,0 % |
| SIGMUND STOKKA | 178 693 | 1,0 % |
| 20 largest shareholders | 13 201 508 | 71,2 % |
| 765 other shareholders | 5 335 780 | 28,8 % |
| Total of 785 shareholders | 18 537 288 | 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 on 17 April 2013. These authorisations are valid until the next Annual General Meeting to be held in 2014 with an ultimate expiry date on 30 June 2014. The first authorization is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 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). The second authorization is provided for increasing the Company's share capital with up to NOK 231,716 by way of issuance of up to 1,853,728 shares in conjunction with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 13 Related-party transactions

(All figures in NOK)

| Transactions with related parties | 2013 | 2012 |
|-----------------------------------|-----------|------|
| Purchased services* | 1 870 941 | 0 |

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders, Dalvin Rådgivning AS and Nilsholmen AS. Payments totalling NOK 939,117 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 7,709 related to travel expenses. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS. Nilsholmen AS, a company owned by Mr. Kjell Markman, received payments of NOK 785,003 in respect of performed consultancy services and NOK 79,179 related to travel expenses for the period July - December 2013. Mr. Markman is Sr. VP Business Development & Strategy of BXPL.

* In September 2013, BXPL entered into a consultancy agreement with a foreign company Celect LLC where Mr. David Blacklaw is a director. Mr. Blacklaw is the previous President and CEO of BXPL. Payments totalling NOK 59,933 were made to Celect LLC for performed consultancy services.

| Transactions with members of the Board of Directors | 2013 | 2012 |
|---|------|--------|
| Purchased services** | 0 | 70 000 |

** 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 from 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 into such agreements. Badger Explorer ASA entered into an agreement with Board member Tone Kvåle in 2012. The agreement, entered with Tone Kvåle in 2012, is related to the internal audit, potential risk evaluation, compliance and review of due diligence of BXPL's associate Severn Subsea Technologies Ltd. No purchased services under this agreement in 2013.

For transactions with Severn Subsea Technologies Ltd. and Nigel Halliday please refer to note 18.

| Shares held by members of the Board of Directors and members of Management | 2013 | 2012 |
|--|------------------|------------------|
| SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson) | 565 000 | 565 000 |
| Dalvin Rådgivning AS (CFO - Gunnar Dolven) | 301 872 | 301 872 |
| Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 209 222 | 209 222 |
| President & CEO - Steinar Bakke | 30 000 | 0 |
| Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 20 200 | 20 200 |
| Chairman - Marcus Hansson | 11 668 | 11 668 |
| CFO - Gunnar Dolven | 8 000 | 8 000 |
| Board member - Tone Kvåle | 5 000 | 5 000 |
| Ordinary shares | 1 150 962 | 1 120 962 |
| % of total shares | 6,2 % | 6,0 % |

Note 14 Conditional commitments

(All figures in NOK)

Contribution recognised as capitalised grants in the Statement of Financial Position

The Group has received contributions from the industry partners amounting to NOK 53.920 million whereas NOK 24 million were received prior to 2013. 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 contributions. A waiver of repayment of NOK 2.488 million of industry partner contributions was received in 2011 and the amount was thus capitalised as reduction of development costs. In March 2012, an additional confirmation of the waiver of repayment of NOK 2.488 million was received.

Note 15 Financial risk management objectives and policies

(All figures in NOK)

The Group is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's Management oversees the management of these risks and assure that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below.

Exchange rate risk

Throughout the ownership of Calidus Engineering Ltd. (UK) up to 28 June 2013, the Group was exposed to fluctuations in the GBP/NOK exchange rate. Historically, the Group has had limited exposure to other currencies. With the Company's supply chain becoming more global as a result of efforts to reduce costs, the exposure to other currencies - in particular EUR and USD - is increasing. Mitigation includes monitoring cost trends in global markets and retaining the ability to change suppliers should they cease to be cost-effective.

The Group's cash reserves of NOK 24.943 million are deposited in the Norwegian bank Sparebanken Vest. All the Group's financial instruments are in NOK. When commercial operations in larger scale commence, a currency exchange policy will be introduced.

Interest rate risk

The Group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects the financial income and the return on cash. The Group has NOK 0.735 million in net financial income as of 31 December 2013.

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 loss on receivables of NOK 2.457 million (GBP 244,465) in 2013 and NOK 549,965 (GBP 57,148) in 2012. All cash reserves in the Group are deposited in the Norwegian bank Sparebanken Vest. All cash in Severn Subsea Technologies Ltd. is deposited in the Bank of England.

Note 15 Financial risk management objectives and policies (continues)

Liquidity risk

The Group monitors its liquidity risk to be able to meet its financial obligations as they fall due. An assessment of such obligations is made and compared against the cash flow projection on a regular basis.

The cash position of the BXPL Group at year end 2013 was NOK 24.943 million, compared to NOK 17.608 million in 2012. Remaining funding from the Badger Explorer Demonstrator Program plus, Skattefunn 2013, Research Council of Norway and Innovation Norway grants, is considered sufficient cash to carry the business into 2015. Contingencies for 2014 include overdraft facility with the BXPL's bank and accelerated release of public grants and partner funding. The above represents gross funding via the Demonstrator Program. In addition, BXPL has announced in the Q4 2013 report that discussions have been initiated with present partners and one potential new partner to release a next phase program - the Badger Development Program. The next phase is planned to commence H2 2014, that means there will be an overlap between the two programs in second half of 2014 both operationally and financially. Two new partners were introduced in the Demonstrator Program, Wintershall and Chevron. An arrangement is formally accepted whereby newcomers must pay full pick-up when entering our running programs, the same will apply for additional partners joining in 2014. This means additional funds to support running operations.

Cash spend will be carefully managed during 2014 - 2015. The Badger Development Program, planned to commence in late 2014, will contribute to operational funding in 2014. Technical progress on the HPHT ultrasonic project will release funding from awarded grants.

At this stage in the various Badger programs, the Group foresees technical/engineering challenges, not unsolvable, but they might take time. Thus delays represent the main uncertainty. The delays might come on technical progress or in the on-going negotiations for the next phase, such delays will have financial implications. Present status does not give any reason to highlight these challenges, and the Group foresees several ways to prevent delays before they occur.

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 monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Group has a relative low portion of interest bearing loans; the gearing ratio is negative for both 2012 and 2013.

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

Badger Explorer Group 2013 - Notes

| | 2013 | 2012 |
|---------------------------------------|--------------------|--------------------|
| Interest bearing loans and borrowings | 0 | 8 200 003 |
| Trade and other payables | 10 760 805 | 8 949 342 |
| Less cash and short-term deposits | -24 943 338 | -17 607 757 |
| Net debt | -14 182 533 | -458 411 |
| Equity | 101 627 732 | 127 058 559 |
| Total capital | 101 627 732 | 127 058 559 |
| Capital and net debt | 87 445 199 | 126 600 148 |
| Gearing ratio | -16 % | 0 % |

Fair value

between willing parties, other than in a forced or liquidation sale.

- Fair value of investment in associate is based on fair value techniques;
- Fair value of cash and cash equivalent are assessed to carrying amount;
- Fair value of interest-bearing loans and borrowings.

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

| | 2013 | | 2012 | |
|---------------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and cash equivalents | 24 943 338 | 24 943 338 | 17 607 757 | 17 607 757 |
| Current receivables | 6 919 596 | 6 919 596 | 5 775 745 | 5 775 745 |
| Trade and other payables | 10 760 805 | 10 760 805 | 17 149 346 | 17 149 346 |
| Interest-bearing loans and borrowings | 0 | 0 | 8 200 003 | 8 200 003 |
| Investments in associates | 2 700 624 | 2 700 624 | 0 | 0 |

Fair value hierarchy

As of 31 December 2013, the BXPL Group does not hold any financial instruments measured at fair value in the Statement of Financial Position.

Fair value of investment in associate in level 3 of the fair value of hierarchy: techniques for which all inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Note 15 Financial risk management objectives and policies (continues)

Age distribution of receivables

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

| | Total | Neither past due nor impaired | <30 days | Past due but not impaired | | | >120 days |
|--------|-----------|-------------------------------------|-----------|---------------------------|------------|-------------|-----------|
| | | | | 30-60 days | 60-90 days | 90-120 days | |
| 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2012* | 3 686 030 | 3 652 020 | 34 010 | 0 | 0 | 0 | 0 |
| 2012** | 2 089 715 | 858 021 | 1 137 220 | 78 832 | 0 | 15 642 | 0 |

* Amounts presented indicate age distribution of receivables from continuing operations

** Amounts presented indicate age distribution of receivables from discontinued operations

Severn Subsea Technologies Ltd. experienced loss on receivables of NOK 2.457 million (GBP 244,465) in 2013 and NOK 549,965 (GBP 57,148) in 2012.

Financial liability

Borrowings - Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.)

1. A mortgage with HSBC of NOK 6.614 million (GBP 735,265 as of 31 December 2012) over 15 years with an interest rate of 5% over the bank's steering base rate. Original mortgage of GBP 800,000 was granted in June 2011.

2. A loan of NOK 1.565 million (GBP 173,996 as of 31 December 2012) from HSBC over 15 years with an interest rate of 5.25% over the bank's steering base rate. Original loan of GBP 200,000 was granted in June 2011.

The terms of the mortgage with HSBC of GBP 800,000 and the loan with HSBC of GBP 200,000 have been renegotiated.

3. An overdraft facility with HSBC of GBP 50,000 was agreed until 1 January 2013 and GBP 110,000 until 31 March 2013, then continuing at GBP 50,000 with an interest rate at 7.4% over bank's steering base rate. The overdraft facility was due for review 30 May 2013.

Note 16 Other short term liabilities

(All figures in NOK)

| Other short term liabilities | 2 013 | 2 012 |
|---|------------------|------------------|
| Accrued expenses | -2 227 | 21 906 |
| Employee benefits (vacation expenses) | 1 246 931 | 1 487 013 |
| Deferred revenue public grants* | 0 | 1 371 315 |
| Accrued interests | 0 | 78 589 |
| Other term term liabilities | 2 010 600 | 918 777 |
| Total other short term liabilities | 3 255 305 | 3 877 600 |

* Deferred revenue public grants are attributable to the divested interest in Severn Subsea Technologies Ltd.

Note 17 Segment reporting

(All figures in NOK)

The table below shows the segments which are reported by the Management to the Board of Directors. The main segment is the main project - Badger Explorer*. The P&L figures for the Engineering** segment are no longer presented as this segment has been discontinued, ref note 19.

The column "Badger Explorer" includes all transaction related to the development of the Badger Explorer tool in the company Badger Explorer ASA.

Capital expenditure are net after public grants.

| Business segments - 2013 | Badger Explorer (*) | Engineering (**) | Total |
|---|---------------------|-------------------|--------------------|
| Revenue | | | |
| Third party | 22 375 451 | 0 | 22 375 451 |
| Other income | 70 268 | 0 | 70 268 |
| Capitalisation | -22 375 451 | 0 | -22 375 451 |
| Total revenue | 70 268 | 0 | 70 268 |
| Results | | | |
| Depreciation | 450 753 | 0 | 450 753 |
| Segment expenses | 50 628 716 | 0 | 50 628 716 |
| Capitalisation of expenses | -31 523 302 | 0 | -31 523 302 |
| EBIT from continuing operations | -19 485 899 | 0 | -19 485 899 |
| Net financial items | 15 509 | 0 | 15 509 |
| EBT from continuing operations | -19 470 390 | 0 | -19 470 390 |
| Tax on ordinary result from continuing operations | 0 | 0 | 0 |
| Net profit (loss) from continuing operations | -19 470 390 | 0 | -19 470 390 |
| Discontinued operations: | | | |
| Profit (loss) after tax for the period from discontinued operations | 0 | -4 343 576 | -4 343 576 |
| Net profit (loss) | -19 470 390 | -4 343 576 | -23 813 965 |
| Profit (loss) attributable to non-controlling interest | 54 378 | 0 | 54 378 |
| Segment profit (loss) | -19 524 768 | -4 343 576 | -23 868 344 |
| Total assets | 166 308 537 | 0 | 166 308 537 |
| Total liabilities | 64 680 805 | 0 | 64 680 805 |
| Capital expenditure | 9 147 851 | 0 | 9 147 851 |
| Geographical segments - 2013 | Norway | UK | Total |
| Total revenue | 70 268 | 0 | 70 268 |
| Total assets | 166 308 537 | 0 | 166 308 537 |
| Total liabilities | 64 680 805 | 0 | 64 680 805 |
| Capital expenditure | 9 147 851 | 0 | 9 147 851 |
| Segment profit (loss) from discontinued operations | 0 | -4 343 576 | -4 343 576 |

Note 17 Segment reporting (continues)

(All figures in NOK)

| Business segments - 2012 | Badger Explorer (*) | Engineering (**) | Total |
|---|------------------------|---------------------|--------------------|
| Revenue | | | |
| Third party | 2 842 653 | 0 | 2 842 653 |
| Other income | 364 515 | 0 | 364 515 |
| Capitalisation | -2 842 653 | 0 | -2 842 653 |
| Total revenue | 364 515 | 0 | 364 515 |
| Results | | | |
| Depreciation | 650 676 | 0 | 650 676 |
| Segment expenses | 35 405 022 | 0 | 35 405 022 |
| Capitalisation of expenses | -17 149 058 | 0 | -17 149 058 |
| EBIT from continuing operations | -18 542 124 | 0 | -18 542 124 |
| Net financial items | 613 817 | 0 | 613 817 |
| EBT from continuing operations | -17 928 307 | 0 | -17 928 307 |
| Tax on ordinary result from continuing operations | 0 | 0 | 0 |
| Net profit (loss) from continuing operations | -17 928 307 | 0 | -17 928 307 |
| Discontinued operations: | | | |
| Profit (loss) after tax for the period from discontinued operations | 0 | -3 380 000 | -3 380 000 |
| Net profit (loss) | -17 928 307 | -3 380 000 | -21 308 307 |
| Profit (loss) attributable to non-controlling interest | -844 891 | 0 | -844 891 |
| Segment profit (loss) | -17 083 416 | -3 380 000 | -20 463 416 |
| Total assets | 168 207 905 | 0 | 168 207 905 |
| Total liabilities | 41 149 346 | 0 | 41 149 346 |
| Capital expenditure | 10 600 201 | 0 | 10 600 201 |
| Geographical segments - 2012 | Norway | UK | Total |
| Total revenue | 364 515 | 0 | 364 515 |
| Total assets | 168 207 905 | 0 | 168 207 905 |
| Total liabilities | 41 149 346 | 0 | 41 149 346 |
| Capital expenditure | 10 600 201 | 0 | 10 600 201 |
| Segment profit (loss) from discontinued operations | 0 | -3 380 000 | -3 380 000 |

Note 18 Subsidiaries and investments in associates

(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 Forusskogen 1, 4033 Stavanger, Norway. Badger Plasma Technology AS was established on 5 March 2007 in order to increase focus and activity level of the development and commercialisation of the Plasma Channel Drilling technology. Badger Plasma Technology AS was sold for NOK 1.950 million with a loss of NOK 1.050 million in December 2012 and is deconsolidated in the Group from 31 December 2012.

Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.)

Severn Subsea Technologies Ltd. is a private limited company registered in UK. The company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK. The first 50% of the shares were acquired for NOK 8.910 million in November 2007 through a combined purchase of outstanding shares and a share issue. Additional 25% of the shares were acquired for NOK 8.279 million in April 2011 through purchase of outstanding shares. In May 2013, the Group acquired the remaining 25% of the shares of Severn Subsea Technologies Ltd. for NOK 1.841 million, increasing its ownership to 100%. The acquisition of this non-controlling interest has been accounted for as the equity transaction in accordance with revised IAS 27.

In June 2013, BXPL divested its 70% interest of Severn Subsea Technologies Ltd. to Severn Glocon for a net amount of NOK 7.189 million with a loss of NOK 1.120 million in the Group. Upon settling the completion accounts, BXPL will realise a further loss of NOK 838,350 accounted for in December 2013. Divesting Severn Subsea Technologies Ltd. enabled BXPL to focus better on the Badger technology development, strengthened the Company's cash position, whilst via the share purchase agreement still having access to skills and competence.

As of 28 June 2013, Severn Subsea Technologies Ltd. was classified as a disposal group held for sale and as discontinued operations. The financial information of the associate is excluded from the respective captions in the consolidated financial statements and related notes for the years presented. It is disclosed in the separate financial statements ref. note 19. As of 31 December 2013, the BXPL Group consists of Badger Explorer ASA.

From 28 June 2013, BXPL owns 30% of the shares in Severn Subsea Technologies Ltd. The investment in Severn Subsea Technologies Ltd. is initially recognised at fair value at the effective date of the sale from 100% to 30% of the shares. Subsequent measurement of the remaining 30% of shares is accounted for using the equity method.

Under the Share Purchase Agreement, Severn Glocon will acquire another 15% of the shares of Severn Subsea Technologies Ltd. in 2015 and the remaining 15% in 2016 on an earn-out model basis. The share purchase price for the two future transactions is linked to Severn Subsea Technologies' financial performance during 2014 and 2015 respectively. Under the terms of the Agreement, BXPL will continue to place orders with Severn Subsea Technologies Ltd. worth minimum of GBP 1.750 million over the next 2.5 years. The BXPL Group has a significant influence but not a control, accompanying a shareholding of 30% of the voting rights.

Under the equity method, the Statement of Financial Position includes the initial fair value of the investment, plus the share of the profit or loss generated by Severn Subsea Technologies Ltd. in the period the profit or loss occurs. Due to the changes in fair value, the carrying amount of the investment is subsequently increased or decreased. BXPL's share of profit or loss of the associate is recognised in the Income Statement as a single line ("Share of profit / (loss) from associates") and in the Consolidated Statement of Cash Flow as a single line ("Share of (profit) / loss of associates").

Carrying amount movements in the Statement of Financial Position of the BXPL Group during 2013:

| | |
|--|-----------|
| Carrying amount of 30% interest retained as of 28 June 2013 | 3 081 066 |
| Share of net result in the associate for the period 29 June - 31 December 2013 | -380 443 |
| Closing balance for the period ended 31 December 2013 | 2 700 624 |

| Transactions with Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) | 2013 | 2012 |
|---|------------|-----------|
| Accounts payable* | 1 885 573 | 514 574 |
| Purchased services* | 13 172 941 | 5 571 957 |
| Loan to associate** | 2 428 805 | 1 630 350 |
| Shareholder guarantee issued in 2012 (not recognised in the Statement of the Financial Position)*** | 0 | 1 349 370 |

* The Company purchased engineering- and production services from Severn Subsea Technologies Ltd. Nigel Halladay (previous MD of Calidus Engineering Ltd.) owns 75,500 shares in Badger Explorer ASA. All purchased services from Severn Subsea Technologies Ltd. in 2012 and 2013 are related to the development project in Badger Explorer ASA.

** In December 2012, BXPL provided a shareholders' loan to Severn Subsea Technologies Ltd. of GBP 180,000 at an interest rate of 3.2% p.a. with a down payment period of 1.5 years. Nigel Halladay (previous MD of Calidus Engineering Ltd.) has provided a loan of GBP 60,000 at interest rate of 0.875% p.a. with a down payment period of 1.5 years accordingly. These credit agreements for the amounts of GBP 180,000 and GBP 60,000 lent by BXPL and Nigel Halladay respectively were revoked and replaced by the new credit agreement of GBP 240,000 signed in July 2013. This credit agreement is to be repaid to BXPL by 6 monthly instalments of GBP 40,000 commencing as of 31 July 2013 and continuing to the end of the year 2013 with no interest. Shareholder's loan was entirely repaid to Nigel Halladay by BXPL on 22 May 2013.

*** Due to the divestiture of shares in Severn Subsea Technologies Ltd., BXPL was released from its shareholder guarantee on 21 November 2013.

Note 19 Discontinued operations

(All figures in NOK)

On 28 June 2013, BXPL entered into the Share Purchase Agreement (Agreement) with a UK based business focused on the design and manufacture of control valves and related products, Severn Glocon Group PLC (Severn Glocon), whereby BXPL sold 84 shares pursuant to the Agreement representing 70% of the issued share capital of its subsidiary Severn Subsea Technologies Ltd. for the equivalent of NOK 7.189 million. The 36 option shares retained by BXPL represent 30% of the issued share capital of Severn Subsea Technologies Ltd.

The partial divestment have been treated as discontinued operations in accordance with IFRS 5, and comparable figures have been derived respectively. Separate financial statements are presented in addition to the consolidated financial statement of the BXPL Group.

The P&L figures of Severn Subsea Technologies Ltd. for the six months ended 28 June 2013 are as follows:

| | 2013 for the six months ended 28 June 2013 | 2012 for the year ended 2012 |
|---|---|------------------------------------|
| Revenue | 8 863 696 | 13 189 546 |
| Operating expenses | 10 396 149 | 14 540 847 |
| Operating profit (loss) | -1 532 453 | -1 351 301 |
| Depreciation | 667 000 | 1 679 349 |
| EBIT | -2 199 453 | -3 030 650 |
| Net financial income (loss) | -185 918 | -659 663 |
| Net loss of 70% of control of the subsidiary* | -1 958 204 | 0 |
| EBT | -4 343 576 | -3 690 313 |
| Tax on ordinary result from discontinued operations | 0 | 310 313 |
| Profit (loss) after tax for the year from discontinued operations | -4 343 576 | -3 380 000 |

* The detailed calculation of a net loss of 70% of control of Severn Subsea Technologies Ltd. is presented below.

The BXPL Group accounts for the disposal of 70% interest as follows:

Partial disposal of 70 % interest in Severn Subsea Technologies Ltd.

| | |
|--|------------|
| Available-for-sale investment | 3 081 066 |
| Cash proceeds on disposal of 70% interest in the subsidiary as of 28 June 2013 | 7 189 155 |
| Subsequent change of estimated cash proceeds as of 31 December 2013 | -838 350 |
| Net assets of the subsidiary | 9 756 471 |
| OCI effects* | 1 633 605 |
| Net loss of control of the subsidiary | -1 958 204 |

Loss recognised on the loss of control of the Severn Subsea Technologies Ltd. is calculated as follows:

Loss on interest disposed of Severn Subsea Technologies Ltd.

| | |
|---|-------------------|
| Cash proceeds on disposal of 70% interest as of 28 June 2013 | 7 189 155 |
| Subsequent change of estimated cash proceeds as of 31 December 2013 | -838 350 |
| Carrying amount of 70% interest in the subsidiary | -6 829 530 |
| 70% of OCI effects* | -1 143 523 |
| Result of the disposal of 70% interest | -1 622 248 |

Loss on interest retained of Severn Subsea Technologies Ltd.

| | |
|--|-----------------|
| Carrying amount of 30% available-for-sale investment | 3 081 066 |
| Carrying amount of 30% interest | -2 926 941 |
| 30% of OCI effects* | -490 081 |
| Result on interest retained | -335 956 |

*Other comprehensive income

The following table illustrates the summarised financial assets and financial liabilities of Severn Subsea Technologies Ltd. classified as held for sale as of 28 June 2013:

| | 2013 | 2012 |
|------------------------------|-----------------------|---------------------------|
| | as of 28 June 2013 | as of 31 December 2012 |
| Total Assets | | |
| Property, plant & equipment | 13 781 040 | 14 282 291 |
| Inventory | 648 014 | 1 929 020 |
| Debtors | 3 193 528 | 2 604 289 |
| Cash and short-term deposits | 417 330 | 1 029 932 |
| | 18 039 912 | 19 845 532 |
| Total Liabilities | | |
| Creditors | 3 720 599 | 3 733 176 |
| Interest-bearing liabilities | 8 075 835 | 8 200 003 |
| Loan from Parent company | 2 207 520 | 1 619 244 |
| | | |
| Total Equity | 4 035 958 | 6 293 109 |
| | 18 039 912 | 19 845 532 |

Note 20 Impairment testing of Goodwill

(All figures in NOK)

Goodwill acquired through business combinations have been allocated to one cash-generating unit for impairment testing in 2012, which was equal to the acquired entity Severn Subsea Technologies Ltd.

| | 2 013 | 2 012 |
|---|-------|-----------|
| Carrying amount of goodwill allocated to the cash-generating unit | 0 | 5 595 285 |

See also note 9.

Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) - assessment for 2012

The recoverable amount of Severn Subsea Technologies Ltd. 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 Severn Subsea Technologies Ltd. covering a five-year period. None of the projected cash flows included 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 December 2012.

Key assumptions used in value-in-use calculations.

The calculation of value-in-use for Severn Subsea Technologies Ltd. was the 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 varied from 14% to 14.5% for the 5 year period, which was higher than the actual operating margin of Severn Subsea Technologies Ltd. in 2012 of -12.4%.

Growth rate estimates - The growth rate in the extrapolation period was set to 2.5%. The growth rate was based on average expected growth in the Engineering business and did not exceed the growth rates for the products, industry or country, in which Severn Subsea Technologies Ltd. operated.

Discount rate - The discount rate, applied to cash flow projections, was 10.5%. Discount rates reflected 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 Severn Subsea Technologies Ltd. for which future estimates of cash-flows have not been adjusted.

With regard to the assessment of value-in-use of Severn Subsea Technologies Ltd., the Management believed that no reasonably possible change in any of the above key assumptions would have caused the carrying value of the unit to materially exceed its recoverable amount.

Note 21 Subsequent events

(All figures in NOK)

On 29 January 2014, the Steering Committee formally approved the delivery of Milestone 4 of the Badger Explorer Demonstrator Program. The delivery included testing of the drilling and compaction module, the transport system and the Hydraulic Power Unit. The module tests were executed in two stages; 1) testing the modules basic functionality and 2) ability of each module's to meet the specifications.

Key Figures Badger Explorer Group

| | 2013 | 2012 |
|---|---------|---------|
| Selected items from Income Statement (1000 NOK) | | |
| Total revenues | 70 | 365 |
| Public grants | 22 375 | 2 843 |
| Capitalised development costs | -31 523 | -17 149 |
| Total operating expenses | 19 556 | 18 907 |
| EBIT | -19 486 | -18 542 |
| Net profit (loss) for the year from continuing operations | -19 470 | -17 928 |
| Net profit (loss) for the year from discontinued operations | -4 344 | -3 380 |
| Profit (loss) attributable to non-controlling interest | 54 | -845 |
| Profit (loss) attributable to equity holders of the parent | -23 868 | -20 463 |
| Earnings per share from continuing operations (NOK) | -1,29 | -1,10 |
| Earnings per share from discontinued operations (NOK) | -0,23 | -0,18 |
| Selected items from Statement of Financial Position (1000 NOK) | | |
| Capitalised development costs | 130 785 | 121 637 |
| Total non-current assets | 134 446 | 142 893 |
| Total current assets | 31 863 | 25 315 |
| Total assets | 166 309 | 168 208 |
| Total equity | 101 628 | 127 059 |
| Equity ratio | 61,1 % | 75,5 % |
| Total liabilities | 64 681 | 41 149 |
| Selected items from Consolidated Statement of Cash Flow (1000 NOK) | | |
| Net cash flow from operating activities | -17 031 | -20 484 |
| Net cash flow from investment activities | -26 081 | -13 540 |
| Net cash flow from financing activities | 50 647 | 11 412 |
| Total net changes in cash flow - continuing operations | 7 534 | -22 612 |
| Total net changes in cash flow - discontinued operations | -199 | 1 041 |
| Cash and cash equivalents at end of period | 24 943 | 17 608 |
| Average number of employees from continuing operations | 13 | 14 |

Income Statement - Badger Explorer ASA

All figures in NOK

| | Note | 2013 | 2012 |
|---|----------|--------------------|--------------------|
| REVENUES | | | |
| Other income | | 70 268 | 364 515 |
| Public grants | 2 | 22 375 451 | 2 842 653 |
| Capitalised public grants | 2,9 | -22 375 451 | -2 842 653 |
| Total revenues | | 70 268 | 364 515 |
| OPERATING EXPENSES | | | |
| External services for development project | 9 | 24 990 861 | 8 992 613 |
| Payroll and related costs | 6 | 14 908 384 | 19 578 362 |
| Depreciation | 7,9 | 450 753 | 650 676 |
| Other operating expenses | | 10 778 236 | 5 975 325 |
| Capitalised development costs | 2,9 | -31 523 302 | -17 149 058 |
| Total operating expenses | | 19 604 933 | 18 047 917 |
| Operating profit (loss) | | -19 534 664 | -17 683 402 |
| Financial income | 3 | 735 287 | 820 081 |
| Financial expenses | 3,17 | 9 662 179 | 1 101 300 |
| Net financial items | | -8 926 893 | -281 219 |
| Profit (loss) before taxes | | -28 461 557 | -17 964 621 |
| Tax on ordinary result | 4 | 0 | 0 |
| Net profit (loss) | 5 | -28 461 557 | -17 964 621 |
| Allocation | | | |
| Retained earnings | | -28 461 557 | -17 964 621 |
| Total allocation | | -28 461 557 | -17 964 621 |
| Earnings per share | 5 | -1,54 | -0,97 |
| Earnings per share diluted | 5 | -1,53 | -0,96 |

Statement of Financial Position - Badger Explorer ASA

All figures in NOK


| ASSETS | Note | 2013 | 2012 |
|---------------------------------|----------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Development costs | 2,9 | 130 785 242 | 121 637 391 |
| Patent rights | 9 | 386 668 | 386 668 |
| Total intangible assets | | 131 171 910 | 122 024 059 |
| Property, plant & equipment | 7 | 573 069 | 991 145 |
| Total tangible assets | | 573 069 | 991 145 |
| Investments in associates | 17 | 3 365 893 | 17 188 966 |
| Loan to associates | 17 | 0 | 1 086 900 |
| Total financial assets | | 3 365 893 | 18 275 866 |
| TOTAL NON-CURRENT ASSETS | | 135 110 871 | 141 291 069 |
| CURRENT ASSETS | | | |
| Inventories | 8 | 0 | 2 605 |
| Loan to associates | 10,17 | 2 428 805 | 543 450 |
| Accounts receivables | 10,15,17 | 0 | 957 552 |
| Other receivables | 10,15 | 4 490 735 | 2 728 478 |
| Total receivables | | 6 919 540 | 4 229 480 |
| Cash and cash equivalents | 11 | 24 943 338 | 16 577 824 |
| TOTAL CURRENT ASSETS | | 31 862 878 | 20 809 909 |
| TOTAL ASSETS | | 166 973 750 | 162 100 979 |

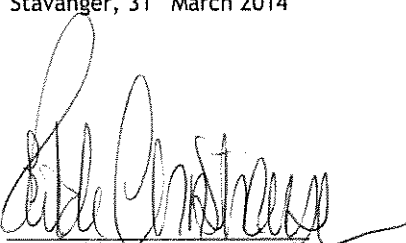
Statement of Financial Position - Badger Explorer ASA

All figures in NOK

| EQUITY AND LIABILITIES | Note | 2013 | 2012 |
|-------------------------------------|-------|---------------------|--------------------|
| EQUITY | | | |
| Share capital | 12 | 2 317 161 | 2 317 161 |
| Share premium | | 218 069 985 | 218 069 985 |
| Other paid in capital | 6 | 2 965 787 | 4 581 523 |
| Total paid in equity | | 223 352 933 | 224 968 669 |
| Retained earnings | | -121 059 987 | -92 598 434 |
| Total retained earnings | | -121 059 987 | -92 598 434 |
| <hr/> | | | |
| TOTAL EQUITY | | 102 292 946 | 132 370 235 |
| <hr/> | | | |
| LIABILITIES | | | |
| Capitalised grants | 14 | 53 920 000 | 24 000 000 |
| Total long term liabilities | | 53 920 000 | 24 000 000 |
| Accounts payable | 13,17 | 4 401 247 | 2 872 348 |
| Public duties payables | | 3 104 253 | 1 270 888 |
| Other short term liabilities | 16 | 3 255 305 | 1 587 508 |
| Total short term liabilities | | 10 760 805 | 5 730 745 |
| <hr/> | | | |
| TOTAL LIABILITIES | | 64 680 804 | 29 730 745 |
| <hr/> | | | |
| TOTAL EQUITY AND LIABILITIES | | 166 973 750 | 162 100 979 |

Stavanger, 31st March 2014


 Marcus Hansson
 (Chairman of the Board)


 Hilde Christiansen
 (Board member)


 Tone Kvåle
 (Board member)


 David Ottesen
 (Board member)


 Steinar Bakke
 (President & CEO)

Statement of Cash Flow - Badger Explorer ASA

All figures in NOK

| | Note | 2013 | 2012 |
|--|--------------|--------------------|--------------------|
| Cash flow from operational activities | | | |
| Contributions from operations* | | -20 699 647 | -14 619 536 |
| Change in accounts receivable and accounts payable | | 2 486 451 | 3 781 368 |
| Change in other receivables and payables | | 2 811 655 | -1 615 099 |
| Net cash flow from operating activities | A | -15 401 541 | -12 453 268 |
| Cash flow from investment activities | | | |
| Investment in fixed asset | 7 | 0 | -75 493 |
| Loan to associates | 15,17 | -798 455 | -1 630 350 |
| Sale of equipment | | 0 | 294 297 |
| Sale of shares in subsidiaries | 3,17 | 5 442 108 | 752 148 |
| Capitalisation of development costs | 9 | -31 523 302 | -17 149 058 |
| Net cash flow from investment activities | B | -26 879 649 | -17 808 456 |
| Cash flow from financing activities | | | |
| Public grants | | 20 342 652 | 2 842 652 |
| Contributions from industry partners | 14 | 29 920 000 | 7 800 000 |
| Interest paid | | -2 658 | -50 842 |
| Interest received | | 386 710 | 820 081 |
| Net cash flow from financing activities | C | 50 646 704 | 11 411 890 |
| Total net changes in cash flow | A+B+C | 8 365 514 | -18 849 833 |
| Cash and cash equivalents 1.1 | 11 | 16 577 824 | 35 427 657 |
| Cash and cash equivalents 31.12. | 11 | 24 943 338 | 16 577 824 |
| Net result | | -28 461 557 | -17 964 621 |
| Employee options | 6 | -1 615 736 | 1 362 732 |
| Depreciation | 7 | 450 753 | 650 676 |
| Financial income | | -735 287 | -820 081 |
| Financial expences | | 339 335 | 1 101 300 |
| Write-down of shares of subsidiary | 3,17 | 2 346 000 | 0 |
| Loss on sale of shares of subsidiary | 3,17 | 6 976 845 | 1 050 458 |
| *Total contributions from operations | | -20 699 647 | -14 619 536 |

Statement of Change in Equity - Badger Explorer ASA

All figures in NOK

| | Share capital | Share premium | Other paid in capital | Retained earnings | Total equity |
|-------------------------------|------------------|------------------|-----------------------------|----------------------|-----------------|
| Equity as of 1 January 2012 | 2 317 161 | 218 069 985 | 3 218 791 | -74 633 813 | 148 972 124 |
| Profit (loss) for the year | | | | -17 964 621 | -17 964 621 |
| Option plan payment | | | 1 362 732 | | 1 362 732 |
| Equity as of 31 December 2012 | 2 317 161 | 218 069 985 | 4 581 523 | -92 598 434 | 132 370 235 |
| Profit (loss) for the year | | | | -28 461 557 | -28 461 557 |
| Option plan payment | | | -1 615 736 | | -1 615 736 |
| Equity as of 31 December 2013 | 2 317 161 | 218 069 985 | 2 965 787 | -121 059 987 | 102 292 946 |

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 Forusskogen 1, 4033 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 December 2013.

The financial statement has been prepared on an historical cost basis.

1.1 Investments in associates

Investments in associates are accounted in accordance with the equity 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 - 1.24 of the Group.

Note 2 Public grants and development costs

(All figures in NOK)

The Company has previously received public grants from the Research Council of Norway (RCN) and Skattefunn for the Badger Explorer development project. The Badger Explorer development project has been pledged grants from RCN and Skattefunn for both 2012 and 2013. All development costs related to this project are capitalised except for NOK 3.267 million for 2013 and NOK 2.826 million for 2012 related to IFRS restriction on capitalisation of own personnel cost. In 2013 BXPL received a public grant from Innovation Norway of NOK 14 million for BXPL's ongoing Badger Explorer Development Program. BXPL also received grants from RCN of NOK 5.071 million and Skattefunn of NOK 1.280 million. Public grants related to the Badger Explorer development project are deducted in the carrying amount of the related asset.

Note 3 Financial items

(All figures in NOK)

| | 2013 | 2012 |
|--|-------------------|-----------------|
| Interest income related to cash and cash equivalents | 364 385 | 771 000 |
| Write-down of shares of subsidiary | -2 346 000 | 0 |
| Loss on sale of shares of subsidiary | -6 976 845 | -1 050 458 |
| Other financial income | 22 325 | 38 344 |
| Other financial expenses | -2 658 | 0 |
| Currency gain | 348 577 | 10 738 |
| Currency loss | -336 676 | -50 842 |
| Net financial items | -8 926 893 | -281 219 |

Note 4 Tax

(All figures in NOK)

| | 2013 | 2012 |
|--------------------------|----------|----------|
| Income tax expense | | |
| Payable tax | 0 | 0 |
| Changes in deferred tax | 0 | 0 |
| Total tax expense | 0 | 0 |

Summary of temporary differences:

| | | |
|----------------------|---------------------|---------------------|
| Fixed assets | -688 131 | -635 991 |
| Loss carried forward | -124 486 089 | -103 808 211 |
| Total | -125 174 220 | -104 444 202 |

| | | |
|--------------------|-------------|-------------|
| Deferred tax asset | -33 797 039 | -29 244 377 |
|--------------------|-------------|-------------|

| Deferred tax asset - Statement of Financial Position | 2013 | 2012 |
|--|-------------------|-------------------|
| Fixed assets | 185 795 | 178 077 |
| Loss carried forward | 33 611 244 | 29 066 299 |
| Total deferred tax asset | 33 797 039 | 29 244 377 |

| | | |
|---|-------------|-------------|
| Valuation allowance | -33 797 039 | -29 244 377 |
| Total deferred tax asset recognised in the Statement of Financial Position | 0 | 0 |

Note 4 Tax (continues)

(All figures in NOK)

Deferred tax asset is not recognised in the Statement of Financial Position as the Company is in a development phase and is currently generating losses.

| Losses carried forward as at 31 December 2013: | 2013 | 2012 |
|---|-------------|-------------|
| Unlimited carrying forward | 124 486 089 | 103 808 211 |
| Effective tax rate: | | |
| Profit / (loss) before tax | -28 461 557 | -17 964 621 |
| Expected income tax applying nominal tax rate of 28% Norwegian Tax Rate | -7 969 236 | -5 030 094 |
| Permanent differences * | 2 164 831 | 673 934 |
| Effect due to change in tax rate from 28% to 27% on deferred tax asset | 1 251 742 | 0 |
| Changes in deferred tax asset not recognised in the Statement of Financial Position | 4 552 663 | 4 356 159 |
| Calculated tax cost | 0 | 0 |
| Effective tax rate** | 0 % | 0 % |

* Includes non-deductible costs such as meals, 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 amounts are calculated by dividing the 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 plus the weighted average number of dilutive potential shares.

Options awarded to employees at the end of 2006 and 2007 are waived and not included in the calculation of diluted earnings per share. The effect of the options awarded to employees in September 2009, June 2010, September 2011 and September 2013 are included in the calculation of diluted earnings per share both for 2012 and 2013.

| | 2013 | 2012 |
|--|-------------|-------------|
| Profit (loss) | -28 461 557 | -17 964 621 |
| Weighted average outstanding ordinary shares | 18 537 288 | 18 537 288 |
| Effect of dilution - share options | 50 667 | 92 265 |
| Weighted average outstanding diluted shares | 18 587 955 | 18 629 553 |
| Earnings per share | 2013 | 2012 |
| Ordinary | -1,54 | -0,97 |
| Diluted | -1,53 | -0,96 |

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

| Payroll and related costs | 2013 | 2012 |
|---|-------------------|-------------------|
| Salaries and vacation pay | 12 364 136 | 13 614 451 |
| Employers' national insurance contributions | 1 962 401 | 2 381 058 |
| Option plan payment (incl. national insurance contribution)* | -1 589 637 | 1 204 388 |
| Remuneration to the Board of Directors and the Nomination Committee | 1 115 000 | 1 185 000 |
| Other benefits (incl. pension scheme) | 1 056 485 | 1 193 465 |
| Total | 14 908 384 | 19 578 362 |

* Total of NOK 2.402 million relates to the share options costs due to severance of employment of previous CEO Mr. David Blacklaw. Total of 370,579 share options, granted in 2011, forfeited prior to vesting on 15 September 2013.

| Number of employees | 2013 | 2012 |
|---|------|------|
| The average number of employees in full time equivalent | 13 | 15 |

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

(All figures in NOK)

Pensions

The pension scheme in Badger Explorer ASA is a defined contribution scheme where agreed contributions are expensed as paid. Contributions range from 4% to 7% of the employee's salary. The Company has no further pension commitments when 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 legal requirements for occupational pension schemes (OTP).

| | 2013 | 2012 |
|--|---------|---------|
| Contributions expensed during the year | 477 181 | 593 447 |

| | 2013 | | |
|---|-----------|----------------|----------------------|
| | Salary | Other Benefits | Pension scheme costs |
| Remuneration to members of Management | | | |
| Chief Executive Officer (CEO 1)** | 1 356 831 | 291 943 | 36 464 |
| Chief Executive Officer (CEO 2)* | 525 000 | 104 379 | 15 418 |
| Chief Financial Officer (CFO)**** | 989 605 | 18 554 | 27 837 |
| Chief Technology Officer (CTO) | 1 013 084 | 23 187 | 52 803 |
| Sr. Vice President Business Dev. & Strategy**** | 947 336 | 14 132 | 26 256 |
| General Manager*** | 1 195 665 | 28 450 | 52 982 |
| Legal Adviser & HR Manager | 573 681 | 17 238 | 22 810 |

* The Board of Directors granted a bonus of NOK 100,000 to Steinar Bakke (CEO 2).

** There was a change of Chief Executive Officer during 2013. Mr. David Blacklaw (CEO 1) left the Company on 15 September 2013 and Mr. Steinar Bakke (CEO 2) took office on 16 September 2013.

*** Manager Quality, Risk & Supply Chain took up his new position as General Manager on 1 July 2013. The amount indicated above was paid for the entire year 2013.

**** Remuneration indicated above for CFO and Sr. Vice President Business Dev. & Strategy does not include any payments made in respect of performed consultancy services. For transactions with related parties see note 13.

At the end of 2013, Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy, General Manager and Legal Adviser & HR Manager

| | 2012 | | |
|--|-----------|----------------|----------------------|
| | Salary | Other Benefits | Pension scheme costs |
| Remuneration to members of Management | | | |
| Chief Executive Officer (CEO)* | 1 685 230 | 206 084 | 54 835 |
| Chief Financial Officer (CFO) | 1 648 585 | 29 034 | 58 792 |
| Chief Technology Officer (CTO 1)** | 672 316 | 8 964 | 16 372 |
| Chief Technology Officer (CTO 2)** | 549 963 | 15 289 | 38 522 |
| Sr. Vice President Business Dev. & Strategy | 1 513 702 | 30 953 | 55 523 |
| Manager Quality, Risk & Supply Chain | 1 148 871 | 29 110 | 55 305 |

* The Board of Directors granted a bonus of NOK 100,000 to Mr. David Blacklaw (CEO).

** There was a change of Chief Technology Officer during 2012. Mr. Erling Woods (CTO 1) left the Company on 30 April 2012 and Mr. Øystein Larsen (CTO 2) was appointed on 1 July 2012.

At the end of 2012, Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy and Manager Quality, Risk & Supply Chain.

Shares and options owned directly or indirectly by members of Management as of 31 December 2013

| | Shares | Options |
|---|----------------|----------------|
| Chief Executive Officer (CEO 2) | 30 000 | 370 000 |
| Chief Financial Officer (CFO) | 309 872 | 16 667 |
| Chief Technology Officer (CTO) | 0 | 5 000 |
| Sr. Vice President Business Dev. & Strategy | 229 422 | 25 000 |
| General Manager | 0 | 25 000 |
| Legal Adviser & HR Manager | 0 | 7 500 |
| Total | 569 294 | 449 167 |

| Changes in share options owned by members of Management | Options as of 1 January 2013 | Options exercised in the period | Options forfeited in the period | Options granted in the period | Options as of 31 December 2013 |
|---|------------------------------|---------------------------------|---------------------------------|-------------------------------|--------------------------------|
| CEO 1 | 370 579 | 0 | 370 579 | 100 000 | 100 000 |
| CEO 2 | 0 | 0 | 0 | 370 000 | 370 000 |
| Total | 370 579 | 0 | 370 579 | 470 000 | 470 000 |

The previous option program came into effect in Q3 2009. According to the employee option program, 25,000 share options were granted to CFO, 15,000 share options to CTO and 25,000 share options to Sr. Vice President Business Dev. & Strategy at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25,000 share options in 2010 at a strike of NOK 15. The options entitle purchasing of shares during the 3.2 years period until 15 November 2012. This period has been extended until three to ten days after the publication of Annual Report 2013. CFO exercised 8,333 share options during 2011. CTO exercised 8,333 share options during 2011. In 2012 a total of 16,667 share options, held by CTO 1, forfeited. CTO 1 left the Company on 30 April 2012 and the new CTO was appointed on 1 July 2012. The new CTO was granted 5,000 share options. The Legal Adviser & HR Manager was granted 7,500 share options. All options were "out of money" as of 31 December 2013.

In Q3 2011 Mr. David Blacklaw (former CEO) was granted 370,579 share options in BXPL at a strike price of NOK 19. These options must be exercised three to ten days after the publication of the Q3 2014 report. Mr. Blacklaw resigned as the Company's President and CEO on 15 September 2013. A total of 370,597 share options forfeited on 15 September 2013.

At the end of September 2013, BXPL entered into a consultancy agreement with Mr. David Blacklaw (former CEO). Mr. Blacklaw was granted 100,000 share options to acquire shares in BXPL at a strike price of NOK 7.50. The share options can be exercised from the effective date of the consultancy agreement until the day of the publication of the Company's Q4 2015 report and were "in the money" as of 31 December 2013.

On 16 September 2013, Mr. Steinar Bakke took on the position as President and CEO. Upon commencement of the employment, Mr. Bakke was granted 370,000 share options in BXPL at a strike price of NOK 6.50. 185,000 share options will vest on the day of the publication of the Company's Q4 2015 report. A further 185,000 share options will vest on the day of the publication of the Company's Q2 2017 report. The exercise of fully vested share options is at the sole of discretion of the option holder. All share options were "in the money" as of 31 December 2013.

Remuneration to the Board of Directors and the Nomination Committee

Remuneration to the members of the Board of Directors for 2012, that was approved by the Annual General Meeting in 2013, is divided among the Board members as follows: NOK 300,000 to the Chairman of the Board, NOK 150,000 to both Mrs. Kristine Holm and Mrs. Tone Kvåle with the addition of NOK 50,000 for her work in the Audit Committee, NOK 300,000 to Mr. Clive Mather, NOK 125,000 to Mr. John R. Wilson. Due to John R. Wilson's resignation from the Board, his remuneration for the period 27 April 2011 - 8 October 2012 was calculated on pro rata basis.

The Remuneration to members of the Nomination Committee is divided as follows: NOK 25,000 to the Chairman of the Nomination Committee and NOK 15,000 to each of the member of Nomination Committee.

The Remuneration to the Board of Directors and the Nomination Committee, that was approved by the General Assembly and paid in 2012 and 2013, is listed in table below:

| Remuneration to the Board of Directors and the Nomination Committee | 2013 | 2012 |
|---|------------------|------------------|
| Marcus Hansson - Chairman of the Board, Audit Committee 2011/2012 | 300 000 | 200 000 |
| Kristine Holm - Board member 2011/2012 | 150 000 | 150 000 |
| Tone Kvåle - Board member, Audit Committee 2011/2012 | 200 000 | 200 000 |
| Clive Mather - Board member 2011/2012 | 300 000 | 300 000 |
| John R. Wilson - Board member (27 April 2011 - 8 October 2012) | 125 000 | 300 000 |
| Rolf E. Ahlqvist - Nomination Committee | 20 000 | 15 000 |
| Bjørge Gretland - Nomination Committee | 10 000 | 10 000 |
| Knut Åm - Nomination Committee | 10 000 | 10 000 |
| Total remuneration | 1 115 000 | 1 185 000 |

Employee options

In Q3 2009 the previous option program was established replacing options granted in 2006 and 2007. All BXPL employees at that time were allocated options. The Manager Quality, Risk and Supply Chain was allocated 25,000 shares upon commencement of his employment on 1 June 2010. One third of the options vests after one year, another third of the options vests after two years and an additional third after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. This period has been extended three to ten days after the publication of the Annual Report 2013. Fair value of the options is calculated at the time of grant and will be recognised over the corresponding vesting period of the options. CEO 1 was granted 370,579 shares on 10 September 2011 which must be exercised three to ten days after the publication of the Q3 2014 report. Total of 370,597 share options forfeited when CEO 1 resigned on 15 September 2013. A total number of 470,000 share options held by Management were granted during 2013. A total number of 412,246 share options held by Management forfeited as of 31 December 2013. Share options were neither exercised nor expired during 2013. A total of 520,667 share options held by BXPL employees were outstanding as of 31 December 2013.

| | 2013 | | 2012 | |
|--|---------------|---------------------------------|---------------|---------------------------------|
| | Share options | Weighted average exercise price | Share options | Weighted average exercise price |
| Summary of outstanding options: | | | | |
| Outstanding options 1.1. | 462 913 | 17,46 | 646 248 | 15,35 |
| Granted options | 470 000 | 6,71 | 0,00 | 0,00 |
| Exercised options | 0,00 | 0,00 | 0,00 | 0,00 |
| Forfeited | -412 246 | 18,09 | -111 668 | 10,00 |
| Expired options | 0,00 | 0,00 | -71 667 | 10,00 |
| Outstanding options 31.12. | 520 667 | 7,27 | 462 913 | 17,46 |
| Vested options | 150 667 | 9,17 | 92 334 | 11,35 |
| Weighted Average Fair Value of options granted during the period | 0,00 | 0,00 | 0,00 | 0,00 |
| Charged against the Income statement: | -1 615 736 | | 1 362 732 | |
| Charged against the Income Statement - Employers' national insurance contribution: | 26 099 | | -158 344 | |

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

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting of the Company in 2013. The authorisation is provided until 30 June 2014 in respect of increase in the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the Company's share incentive scheme.

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

(All figures in NOK)

Implemented remuneration policy for members of Management for 2013

The main principle of the Company's remuneration policy for the BXPL's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2013 will be based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2013, the assessment criteria will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

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

On 15 September 2009, the previous share option program for all BXPL employees at the time was implemented. The current Management has been allocated 442,246 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 10 (applicable to 46,667 shares options granted to CFO Gunnar Dolven, CTO Øystein Larsen and Sr. VP Dev. & Strategy Kjell Markman), NOK 15 (applicable to 25,000 share options granted the Manager Quality, Risk and Supply Chain). On 6 September 2011, the new CEO was granted 370,579 share options at a strike price of NOK 19, which may be exercised after the publication of the Q3 2014 financial report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10 (NOK 15 and NOK 19 respectively) per option share. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less 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 contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Remuneration policy for members of Management - Guidelines for 2014:

The main principle of the Company's remuneration policy for the BXPL's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2014 will be based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2014, the assessment criteria will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

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

In February 2014, a new share option program for all BXPL employees was implemented. The current Management has been allocated 48,000 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 7.51. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50. The options granted will be vested in tranches and can be exercised at the earliest 12 months subsequent to the date of grant and thereafter at up to 2 occasions during each calendar year, between three and 10 days after publications of the Company's Q1 and Q3 quarterly results. CEO Steinar Bakke has been granted 370,000 share options at a strike price of NOK 6.50. 185,000 shares options will vest on the date of the publication of BXPL's Q4 2015 quarterly report. A further 185,000 shares options will vest on the date of the publication of BXPL's Q2 2017 quarterly report. The exercise of fully vested shares options is at the sole discretion of the option holder.

All members of the Company's Management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Fees to auditor

(All figures in NOK)

| | 2013 | 2012 |
|----------------------|------------------|----------------|
| Audit fees* | 330 000 | 292 500 |
| Assurance services** | 40 900 | 27 140 |
| Other assistance*** | 831 850 | 31 677 |
| Total | 1 202 750 | 351 317 |

All fees stated are excluding VAT.

* Audit fees consist of fees for the audit of the Company's annual financial statements and its internal controls. These fees also include review of interim report.

** Assurance services consist of fees billed for assurance and related services and include consultations concerning financial accounting and reporting standards, review of the Company's quarterly financial statements.

*** Other assistance consists of fees billed for other services related to divestiture of shares in Severn Subsea Technologies Ltd. and preparation of tax returns.

All audit services in 2012 and 2013 are recognised as expenses. Audit-related fees incurred in 2012 and 2013 are in accordance with the Company's policy.

Note 7 Tangible fixed assets

(All figures in NOK)

| Badger Explorer ASA | Property, plant & equipment | Total 2013 | Total 2012 |
|----------------------------------|--------------------------------|----------------|----------------|
| Cost price 1.1. | 5 731 653 | 5 731 653 | 5 656 160 |
| Additions | 32 677 | 32 677 | 75 493 |
| Cost price 31.12. | 5 764 330 | 5 764 330 | 5 731 653 |
| Accumulated depreciations 31.12. | -5 191 260 | -5 191 260 | -4 740 508 |
| Booked value 31.12. | 573 069 | 573 069 | 991 145 |
| Depreciations | | -450 753 | -650 676 |
| 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.

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

| Operating leasing cost | Total 2013 | Total 2012 |
|------------------------|------------------|------------------|
| Rent cost on buildings | 1 972 040 | 1 953 200 |
| Other | 105 963 | 11 920 |
| Total | 2 078 003 | 1 965 120 |

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 | 11 400 | 0 | 0 |
| Rent cost on buildings | 2 089 040 | 4 693 186 | 0 |
| Total | 2 100 440 | 4 693 186 | 0 |

The lease agreement for the main office (headquarters) has been entered into for a period of 5 years. This agreement expires on 31 March 2016 and includes an option to extend the agreement for 3+3 years at market conditions.

Note 8 Inventories

(All figures in NOK)

| | 2013 | 2012 |
|----------------|----------|--------------|
| Finished goods | 0 | 2 605 |
| Total | 0 | 2 605 |

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

Note 9 Intangible assets

(All figures in NOK)

The Company has recognised the following intangible assets in the Statement of Financial Position (including internal built up assets such as development costs).

| 2013 | Patents* | Development costs | Total |
|----------------------------------|----------------|--------------------|--------------------|
| Cost price 1.1. | 400 000 | 121 931 689 | 122 331 689 |
| Additions** | | 31 523 302 | 31 523 302 |
| Disposal | | -294 298 | -294 298 |
| Public grants | | -22 375 451 | -22 375 451 |
| Cost price 31.12. | 400 000 | 130 785 242 | 131 185 242 |
| Accumulated depreciations 31.12. | 13 332 | | 13 332 |
| Book value 31.12. | 386 668 | 130 785 242 | 131 171 910 |

** The addition in 2013 consists of external services of NOK 18.079 million, purchase of manufactured parts, components and materials of NOK 6.337 million, internal personnel costs of NOK 6.532 million and travel expenses of NOK 0.360 million for the Badger Explorer development project.

2012

| | | | |
|----------------------------------|----------------|--------------------|--------------------|
| Cost price 1.1. | 400 000 | 107 625 348 | 108 025 348 |
| Additions** | | 17 149 058 | 17 149 058 |
| Disposal | | -294 362 | -294 362 |
| Public grants | | -2 842 653 | -2 842 653 |
| Cost price 31.12. | 400 000 | 121 637 391 | 122 037 391 |
| Accumulated depreciations 31.12. | 13 332 | | 13 332 |
| Book value 31.12. | 386 668 | 121 637 391 | 122 024 059 |

** The addition in 2012 consists of external services of NOK 7.173 million and internal personnel costs of NOK 9.946 million for the Badger Explorer development project.

There has not been made any depreciation on intangible assets in 2012 and 2013.

All development cost in 2013 and 2012 are related to the development of the Badger Explorer technology in Badger Explorer ASA. The development work contains inherent technology risk and risk related to the funding contributions from the sponsors. An amount of Management focus will continue to be applied to prudent financial management, improved cost-effectiveness and simplification of non-technical activities.

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs relate to the development of the Badger Explorer technology in Badger Explorer ASA.

Note 10 Total receivables

(All figures in NOK)

| | 2013 | 2012 |
|---|------------------|------------------|
| Accounts receivables | 0 | 957 553 |
| Skattefunn & Research Council of Norway receivables | 3 828 117 | 1 795 316 |
| Loan to associates | 2 428 805 | 543 450 |
| Other receivables | 662 618 | 933 161 |
| Total receivables | 6 919 540 | 4 229 481 |

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)

| | 2013 | 2012 |
|--------------------------|------------|------------|
| Cash at bank | 24 943 338 | 16 577 824 |
| Restricted bank deposits | 601 061 | 708 737 |

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

(All figures in NOK)

| Number of shares | 2013 | 2012 |
|------------------|------------|------------|
| 01.01. | 18 537 288 | 18 537 288 |
| Capital increase | 0 | 0 |
| 31.12. | 18 537 288 | 18 537 288 |

Nominal value per share is NOK 0.125.

| As of 31 December 2013, the 20 largest shareholders were: | No. of shares | % share |
|---|-------------------|----------------|
| CONVEXA CAPITAL IV AS | 3 200 780 | 17,3 % |
| STATE STREET BANK AND TRUST CO. | 2 699 997 | 14,6 % |
| BANK OF NEW YORK MELLON SA/NV | 922 224 | 5,0 % |
| INVESCO PERP EUR SMALL COM | 874 551 | 4,7 % |
| HOLBERG NORDEN | 830 311 | 4,5 % |
| ODIN OFFSHORE | 673 093 | 3,6 % |
| SKANDINAVISKA ENSKILDA BANKEN S.A. | 655 000 | 3,5 % |
| IRIS-FORSKNINGSINVEST AS | 497 584 | 2,7 % |
| BANK OF NEW YORK MELLON (LUX) S.A. | 358 787 | 1,9 % |
| DALVIN RÅDGIVNING AS | 301 872 | 1,6 % |
| ANØY INVEST DA | 278 800 | 1,5 % |
| TTC INVEST AS | 250 000 | 1,3 % |
| KNUT ÅM | 242 600 | 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 % |
| VENTOR AS | 190 004 | 1,0 % |
| THE NORTHERN TRUST CO. | 188 190 | 1,0 % |
| SIGMUND STOKKA | 178 693 | 1,0 % |
| 20 largest shareholders | 13 201 508 | 71,2 % |
| 765 other shareholders | 5 335 780 | 28,8 % |
| Total of 785 shareholders | 18 537 288 | 100,0 % |

All shares have equal voting rights.

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

(All figures in NOK)

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting on 17 April 2013. These authorisations are valid until the next Annual General Meeting to be held in 2014 with an ultimate expiry date on 30 June 2014. The first authorization is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 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). The second authorization is provided for increasing the Company's share capital with up to NOK 231,716 by way of issuance of up to 1,853,728 shares in conjunction with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 13 Related-party transactions

(All figures in NOK)

| Transactions with related parties | 2013 | 2012 |
|-----------------------------------|-----------|------|
| Purchased services* | 1 870 941 | 0 |

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders, Dalvin Rådgivning AS and Nilsholmen AS. Payments totalling NOK 939,117 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 7,709 related to travel expenses. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS. Nilsholmen AS, a company owned by Mr. Kjell Markman, received payments of NOK 785,003 in respect of performed consultancy services and NOK 79,179 related to travel expenses for the period July - December 2013. Mr. Markman is Sr. VP Business Development & Strategy of BXPL.

* In September 2013, BXPL entered into a consultancy agreement with a foreign company Celect LLC where Mr. David Blacklaw is a director. Mr. Blacklaw is the previous President and CEO of BXPL. Payments totalling NOK 59,933 were made to Celect LLC for performed consultancy services.

| Transactions with members of the Board of Directors | 2013 | 2012 |
|---|------|--------|
| Purchased services** | 0 | 70 000 |

** 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 from 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 into such agreements. Badger Explorer ASA entered into the agreement with a Board member Tone Kvåle in 2012. The agreement, entered with Mrs. Tone Kvåle in 2012, is related to the internal audit, potential risk evaluation, compliance and review of due diligence of BXPL's associate Severn Subsea Technologies Ltd. No purchased services under this agreement in 2013.

| Shares held by members of the Board of Directors and members of Management | 2013 | 2012 |
|--|------------------|------------------|
| SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson) | 565 000 | 565 000 |
| Dalvin Rådgivning AS (CFO - Gunnar Dolven) | 301 872 | 301 872 |
| Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 209 222 | 209 222 |
| President & CEO - Steinar Bakke | 30 000 | 0 |
| Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 20 200 | 20 200 |
| Chairman - Marcus Hansson | 11 668 | 11 668 |
| CFO - Gunnar Dolven | 8 000 | 8 000 |
| Board member - Tone Kvåle | 5 000 | 5 000 |
| Ordinary shares | 1 150 962 | 1 120 962 |
| % of total shares | 6,2 % | 6,0 % |

Note 14 Conditional commitments

(All figures in NOK)

Contributions recognised as capitalised grants in the Statement of Financial Position

Badger Explorer ASA has received contributions from the partners amounting to NOK 53.920 million whereas NOK 24 million were received prior to 2013. 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 contributions. The contributions have not been recognised as income.

Note 15 Financial risk and Financial assets

(All figures in NOK)

Exchange rate risk

Badger Explorer ASA's cash reserves are deposited in Norwegian bank Sparebanken Vest. All BXPL's cash and financial instruments are in NOK and thus no exchange rate risk inures.

In December 2012, BXPL provided a shareholder loan to Severn Subsea Technologies Ltd. of GBP 180,000 at interest rate of 3.20% p.a. with a down payment period of 1.5 years. Nigel Halladay (previous MD of Calidus Engineering Ltd.) has provided a loan of GBP 60,000 at interest rate of 0.875% p.a. with a down payment period of 1.5 years respectively. These credit agreements for the amounts of GBP 180,000 and GBP 60,000 lent by BXPL and Nigel Halladay respectively were revoked and replaced by the new credit agreement of GBP 240,000 signed in July 2013. This credit agreement is to be repaid to BXPL by 6 monthly instalments of GBP 40,000 commencing on 31 July 2013 and continuing to the end of the year 2013 with no interest. Shareholders' loan was entirely repaid to Nigel Halladay by BXPL on 22 May 2013.

Interest rate risk

Badger Explorer ASA has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects the financial income and the return on cash. BXPL has NOK -8.927 million in net financial items as of 31 December 2013: it includes a loss of NOK -6.977 million related to the divestiture of the shares and a write-down of NOK -2.346 million for the remaining 30% of the shares in Severn Subsea Technologies Ltd.

Credit risk

Badger Explorer ASA 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 insignificant.

BXPL has not suffered any loss on receivables during 2013. All cash in the Company is deposited in the Norwegian bank Sparebanken Vest.

Liquidity risk

Badger Explorer ASA monitors its liquidity risk to be able to meet its financial obligations as they fall due. An assessment of such obligations is made and compared against the cash flow projection on a regular basis.

The cash position of the Badger Explorer ASA at year end 2013 was NOK 24.943 million, compared to NOK 17.608 million in 2012. Remaining funding from the Badger Explorer Demonstrator Program plus, Skattefunn 2013, Research Council of Norway and Innovation Norway grants, is considered sufficient cash to carry the business into 2015. Contingencies for 2014 include overdraft facility with the Company's bank and accelerated release of public grants and partner funding. The above represents gross funding via the Demonstrator Program. In addition, the Company has announced in the Q4 2013 report that discussions have been initiated with present partners and one potential new partner to release a next phase program, The Badger Development Program. The next phase is planned to commence H2 2014, that means there will be an overlap between the two programs in second half of 2014 both operationally and financially. Two new partners were introduced in the Demonstrator Program, Wintershall and Chevron. An arrangement is formally accepted whereby newcomers must pay full pick-up when entering our running programs, the same will apply for additional partners joining in 2014. This means additional funds to support running operations.

Cash spend will be carefully managed during 2014 - 2015. The Badger Development Program, planned to commence in late 2014, will contribute to operational funding in 2014. Technical progress on the HPHT ultrasonic project will release funding from awarded grants.

At this stage in the various Badger programs, the Company foresees technical/engineering challenges, not unsolvable, but they might take time. Thus delays represent the main uncertainty. The delays might come on technical progress or in the on-going negotiations for the next phase, such delays will have financial implications. Present status thus does not give any reason to highlight these challenges, and BXPL foresees several ways to prevent delays before they occur.

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.

Badger Explorer ASA 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 2013.

BXPL 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 2012 and 2013.

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

| | 2013 | 2012 |
|---------------------------------------|--------------------|--------------------|
| Interest bearing loans and borrowings | 0 | 0 |
| Trade and other payables | 10 760 805 | 5 730 745 |
| Less cash and short-term deposits | -24 943 338 | -16 577 824 |
| Net debt | -14 182 533 | -10 847 080 |
| Equity | 102 292 946 | 132 370 235 |
| Total capital | 102 292 946 | 132 370 235 |
| Capital and net debt | 88 110 412 | 121 523 156 |
| Gearing ratio | -16 % | -9 % |

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 investment in shares in market based liquidity fund is based on price quotations as of 31 December 2013;
- 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.

| | 2013 | | 2012 | |
|---------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and cash equivalents | 24 943 338 | 24 943 338 | 16 577 824 | 16 577 824 |
| Current receivables | 6 919 540 | 6 919 540 | 4 229 480 | 4 229 480 |
| Trade and other payables | 10 760 805 | 10 760 805 | 5 730 745 | 5 730 745 |

Age distribution of receivable

As at 31 December 2013, the ageing analysis of receivables is as follows:

| | Total | Neither past due nor impaired | Loss receivables | |
|---------------------------|-----------|-------------------------------|------------------|----------|
| 2013 | 6 919 540 | 6 919 540 | 0 | |
| 2012 | 4 229 480 | 4 195 470 | 0 | |
| Past due but not impaired | | | | |
| | <30 days | 30-60 days | 60-90 days | >90 days |
| 2013 | 0 | 0 | 0 | 0 |
| 2012 | 34 010 | 0 | 0 | 0 |

Note 16 Other short term liabilities

(All figures in NOK)

| Other short term liabilities | 2 013 | 2 012 |
|---|------------------|------------------|
| Accrued expenses | 7 000 | 85 589 |
| Employee benefits (vacation expenses) | 1 237 705 | 1 501 919 |
| Other short term liabilities* | 2 010 600 | 0 |
| Total other short term liabilities | 3 255 305 | 1 587 508 |

* Other short term liabilities relates to a shortfall payable to Severn Subsea Technologies Ltd.

Note 17 Associates

(All figures in NOK)

| Investments in associates: | 2013 | 2012 |
|---------------------------------|------------------|-------------------|
| Severn Subsea Technologies Ltd. | 3 365 893 | 17 188 966 |
| Total | 3 365 893 | 17 188 966 |

Severn Subsea Technologies Ltd.

Severn Subsea Technologies Ltd. is a private limited company registered in UK. The company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK. The first 50% of the shares were acquired for NOK 8.910 million in November 2007 through a combined purchase of outstanding shares and a share issue. Additional 25% of the shares were acquired for NOK 8.279 million in April 2011 through purchase of outstanding shares. In May 2013, BXPL acquired the remaining 25% of the shares for NOK 1.841 million, increasing its ownership to 100%. The acquisition of this non-controlling interest has been accounted for as an equity transaction in accordance with revised IAS 27.

BXPL has a significant influence but not a control, accompanying a shareholding of 30% of the voting rights.

| Transactions with Severn Subsea Technologies Ltd. | 2013 | 2012 |
|--|------------|-----------|
| Accounts payable* | 1 885 573 | 514 574 |
| Loan to associates** | 2 428 805 | 1 630 350 |
| Purchased services* | 13 172 941 | 5 571 957 |
| Shareholder's guarantee (not recognised in the Statement of Financial Position)*** | 0 | 1 349 370 |

* The Company purchased engineering- and production services from Severn Subsea Technologies Ltd. Nigel Halladay (previous MD of Calidus Engineering Ltd.) owns 75,500 shares in BXPL. All purchased services from Severn Subsea Technologies Ltd. in 2012 and 2013 are related to the development project.

** In December 2012, BXPL provided a shareholder loan to Severn Subsea Technologies Ltd. of GBP 180,000 at an interest rate of 3.2% p.a. with a down payment period of 1.5 years. Nigel Halladay (previous MD of Calidus Engineering Ltd.) has provided a loan of GBP 60,000 at interest rate of 0.875% p.a. with a down payment period of 1.5 years accordingly. These credit agreements for the amounts of GBP 180,000 and GBP 60,000 lent by BXPL and Nigel Halladay respectively were revoked and replaced by the new credit agreement of GBP 240,000 signed in July 2013. This credit agreement is to be repaid to BXPL by 6 monthly instalments of GBP 40,000 commencing as of 31 July 2013 and continuing to the end of the year 2013 with no interest. Shareholders' loan was entirely repaid to Nigel Halladay by BXPL on 22 May 2013.

*** Due to the divestiture of shares in Severn Subsea Technologies Ltd., BXPL was released from its shareholder's guarantee on 21 November 2013.

| Equity and Net profit (loss) Severn Subsea Technologies Ltd. | 2013 | 2012 |
|--|------------|------------|
| Equity 31.12. | 2 416 679 | 6 293 109 |
| Currency translation | -963 657 | 155 509 |
| Net profit (loss) | -4 840 087 | -3 379 566 |
| Carrying amount of shares 31.12.* | 3 365 893 | 17 188 966 |

* The detailed calculation of the carrying amount movements of the investment in Severn Subsea Technologies Ltd. is presented below.

Movements in the carrying amount of the investment in the Statement of Financial Position of Badger Explorer ASA:

| | |
|--|------------------|
| 75% investment in Severn Subsea Technologies Ltd. as of 31 December 2012 | 17 188 966 |
| 25% additional investment as of 22 May 2013 | 1 850 676 |
| Divestment of 70% of the shares as of 28 June 2013 | -13 327 749 |
| Write-down to estimated fair value of the remaining 30% of the shares | -2 346 000 |
| Closing balance for the period ended 31 December 2013 | 3 365 893 |

Note 18 Subsequent events

On 29 January 2014, the Steering Committee formally approved the delivery of Milestone 4 of the Badger Explorer Demonstrator Program. The delivery included testing of the drilling and compaction module, the transport system and the Hydraulic Power Unit. The module tests were executed in two stages; 1) testing the modules basic functionality and 2) ability of each module's to meet the specifications.