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BOARD OF DIRECTORS' REPORT FOR 2013

Badger Explorer ASA continues to develop the "Badger Explorer", a revolutionary technology for exploration and verification of hydrocarbon prospects, without the risks, cost and complexity of conventional drilling operations. The Badger Explorer tool acquires exploration data as it drills, and once installed at its target depth, the tool can continue to monitor subsurface parameters to enhance development and production activities.

The Badger Explorer idea originated at IRIS in 1999. The Company was established in 2003 and listed on the Oslo Stock Exchange (Oslo Axess list) in 2007.

Badger Explorer ASA's head office is located at Forusskogen 1, 4033 Stavanger, Norway and is organized under the laws of Norway.

Significant events during 2013

During 2013, BXPL focused on technical deliveries of Milestones 2 and 3 according to the milestone based progression plan of the Badger Explorer Demonstrator Program (BDP) and securing funding for the research and development activities of the High Pressure, High Temperature (HPHT) ultrasonic project. Non-core assets were sold (partial divestment of shares in Calidus Engineering Ltd.) and discussions with current and potential new partners regarding participation, scope of work and funding of the next development phase of the Badger technology, the Badger Explorer Development Program were initiated.

Steinar Bakke took office as the Company's Chief Executive Officer in September 2013. Bakke has broad experience from both large and small organizations, including drilling-related start-ups, and has extensive knowledge of subsurface engineering. His career spans over 40 years both internationally and in Norway, predominantly within Schlumberger.

Technical progress

In February 2013, Wintershall Norge AS joined ExxonMobil, Statoil and Chevron as partners of the Badger Explorer Demonstrator Program (BDP).

The BDP is milestone based and designed to develop and build the first pre-commercial Badger Explorer tool. In April 2013, Milestone 2 of the BDP was completed and formally approved by the Steering Committee. Approval of Milestones releases the associated partner funding.

The Company's main technical achievement during 2013 was the delivery of Milestone 3 which was formally approved by the Steering Committee on 29th October 2013. The delivery of Milestone 3 consisted of the Beta version of the Badger tool ready for comprehensive testing. The delivery included Beta version modules for drilling, transport, compaction and anchor.

In parallel, progress has been achieved on the longer-term Badger Process Systems designs that are required for Field Pilots/Field Tests and commercial Badger tools. In connection with these research and development activities, the Research Council of Norway (RCN) awarded BXPL a grant of NOK 13.2 million over three years for the HPHT ultrasonic project, which aims at developing a HPHT ultrasonic transducer for various Badger applications. In addition, BXPL applied for a patent for the purpose built, self-cleaning drill bit for the Badger Explorer.

Alongside the technical development activities, BXPL already initiated discussions with current and potential new partners concerning further development work for the next generation tool. The Badger Explorer Development Program aims to design and manufacture a third generation Badger tool, incorporating all lessons learned from the current program and ongoing R&D activities.

Financial management

To strengthen the BDP and improve the Company's projected cash requirements, it was decided to pursue sale of non-core assets. 70% of the shares of the Group's wholly-owned subsidiary Calidus Engineering Ltd. (CEL) were sold in June 2013 to Severn Glocon Group PLC (Severn Glocon). Under the agreement Severn Glocon will acquire another 15% of the shares in CEL in 2015 and the remaining 15% in 2016 based on an earn-out model. CEL is now

under the controlling ownership of Severn Glocon and the company was renamed Severn Subsea Technologies Ltd (SST).

The new partners in the BDP, and the progress achieved during 2013, have allowed BXPL to meet criteria set for the release of funding awarded by Innovation Norway, Skattefunn and the Research Council of Norway amounting to NOK 20.821 million.

The bank overdraft facility was established with the Company's bank, to provide BXPL flexibility to handle short-term fluctuations in cash flow. As per 31st December 2013 the overdraft facility has not been used. Stringent cash management has been a priority throughout the previous financial year.

Research and development

During 2013, the Company spent NOK 34.791 million compared to NOK 19.976 million in 2012 on Research and Development relating to ongoing work in the Badger Explorer Demonstrator Program and longer-term work on Badger Process Systems. The Company's R&D work in 2013 included:

Design improvements implemented in the Beta version of the tool: The structured evaluation exercise on the tool design, initiated at the end of 2012, addressed elements of the design that may limit the long-term capabilities of the Badger. Work on risk mitigation was initiated, including engineering of particle size distribution, transport mechanism for drilled cutting through the tool and anchoring of the tool to the formation. A number of design improvements were already implemented in the Beta version of the tool.

Ultrasonic technology: Encouraging results have been achieved in small-scale tests using ultrasonic technology. BXPL initiated the ultrasonic project, aiming at developing a HPHT ultrasonic transducer for various applications in the Badger tool. Such transducers will improve the drilling performance, cuttings transport through the tool and the compaction process. In addition, the transducers will reduce the friction between the tool and the formation.

Drill Bit Optimization: BXPL designed and manufactured a purpose built drill bit for the Badger. A twin screw arrangement inside the bit is used to clean cuttings from the bit and actively feeding them to the transport system. The preliminary test results of the first generation drill bit were promising leading to further tests with the improved second generation drill bit in early 2014. The Company has applied for a patent for the novel bit design.

Presentation of 2013 accounts

Accounting policies

The consolidated financial statements of Badger Explorer ASA and its subsidiary (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31st December 2013.

Discontinued operations

In June 2013, BXPL divested 70% of its interest in Severn Subsea Technologies Ltd. Consequently, revenues and operating expenses from continuing operations exclude the disposed business, which have been reclassified to discontinued operations for all periods presented. Any gain or loss from disposal of the business, together with the results of these operations until the date of disposal is reported separately as discontinued operations.

Operating revenues

Total revenues from continuing operations for the Badger Explorer Group were NOK 70,268 in 2013 compared to NOK 364,515 in 2012, which is a reduction in revenue of 80.7% from 2012 to 2013. The reduction is the result of the termination of the consultancy agreement for provided services for quality assurance and quality control. Total revenues for Badger Explorer ASA equal total revenues for the Badger Explorer Group both for 2013 and 2012.

Operating expenses

Total operating expenses from continuing operations for the Badger Explorer Group were NOK 19.556 million in 2013 compared to NOK 18.907 million the previous year, which is an increase of 3.4%. The total operating expenses for Badger Explorer ASA were NOK 19.605 million for 2013 compared to NOK 18.048 million for 2012. Operating expenses increased as a result of increased external services provided and higher other operating costs for the Badger Explorer development project.

Development cost

All development costs incurred in 2013 and 2012 are related to the development of the Badger Explorer technology in Badger Explorer ASA. In 2013 the Badger Explorer Group has spent NOK 34.791 million on development projects of which NOK 31.523 million were capitalized, compared to NOK 19.976 million of which NOK 17.149 million were capitalized in 2012. The public grant from the Research Council of Norway and pledged tax reduction from Skattefunn amounted to NOK 22.375 million for 2013 and NOK 2.843 million for 2012 and were deducted from the carrying amount of the capitalized development costs.

Net financial items

Net financial items for the Badger Explorer Group amounted to NOK 15,509 for 2013 compared to NOK 613,817 for 2012. Net financial items for Badger Explorer ASA amounted to NOK -8.927 million for 2013 compared to NOK -281,219 for 2012. The decrease in financial items for Badger Explorer ASA is related to the loss of NOK 6.977 million in relation to the divestiture of shares in SST and a write down of the value of the shareholding in the associate amounting to NOK 2.346 million.

Performance

Net loss attributable to equity holders of the parent company was NOK -23.868 million for 2013 compared to NOK -20.463 million for 2012. Loss before tax from continuing operations for the Badger Explorer Group for 2013 amounted NOK -19.470 million compared to NOK -17.928 million for 2012. Ordinary earnings per share from continuing operations of the Badger Explorer Group amounted to NOK -1.29 in 2013 (NOK -1.10 in 2012). Ordinary earnings per share from discontinued operations of the Badger Explorer Group amounted to NOK -0.23 in 2013 (NOK -0.18 in 2012).

Net loss for 2013 for Badger Explorer ASA amounted to NOK -28.462 million compared to net loss of NOK -17.965 million in 2012. Badger Explorer ASA is not yet generating profit and, therefore, loss before tax equals net loss both for 2013 and 2012. Ordinary earnings per share for Badger Explorer ASA amounted to NOK -1.54 in 2013 and to NOK -0.97 in 2012.

Statement of financial position and cash flow

All figures in NOK million at Year End	BXPL Group		BXPL ASA	
	2013	2012	2013	2012
Total Assets ¹	166.3	168.2	167.0	162.1
Total Equity	101.6	127.1	102.3	132.4
Equity Ratio	61.1%	75.5%	61.3%	81.7%
Total Intangible Assets ²	131.2	127.6	131.2	122.0
Intangible assets ²	2.8%	8.9%	7.5%	13%
Total investments in associates ³	2.7	0	3.4	17.2
Share Capital ⁴	2.3	2.3	2.,3	2.,3
Total Liabilities ⁵	64.7	41.1	64.7	29.7
Net Cash Flow from continuing operations ⁶	7.5	-22.6	8.4	-18.9
Net Cash Flow from discontinued operations	-0.2	1	n/a	n/a
Net Cash Position ⁷	24.9	17.6	24.9	16.6

1. Total assets in the Badger Explorer ASA increased due to the divestiture of shares in SST.
2. The increase in total intangible assets is mainly related to capitalized costs for the Badger Explorer development project.
3. Total investment of 30% in SST is accounted for by the equity method as of 28th June 2013. In Badger Explorer ASA the estimated value of the remaining 30% shareholding in SST has been written down by NOK 2.346 million.
4. Total of 18,537,288 outstanding shares at a nominal value of NOK 0.125 per share.
5. Capitalized partner capital contributions (total of NOK 53.920 million) are recognized as long-term liabilities, which will be repaid by paying 5% royalty of all technology related sales in the future.
6. The net cash flow attributable to the operating, investing and financing activities from continuing operations was positive compared to 2012 primarily due to the increased contributions from partners, public grants received from RCN and Innovation Norway. Additionally, a positive net cash flow relates to the divestiture of shares in SST.
7. Total funding from industry partners in 2013 was NOK 29.920 million compared to NOK 7.8 million in 2012.

Deferred tax assets are not recognized in the statement of financial position as Badger Explorer ASA is in a development phase and is currently generating losses.

The Board states that the annual accounts represent a true and fair view on the Company's financial position at the turn of the year. According to the Norwegian Accounting Act §3-3 (a), the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. The Badger Demonstrator Program 2012-2014 will be completed by the end of 2014. The next phase program, the Badger Development Program, is expected to be launched in H2 2014, thus there is an operational and financial overlap between the

Demonstrator phase and the Development phase. Existing partners and a potential new partner will most likely contribute to the next phase. The Company's long term business plan in addition to 2014 related funding from the Badger Demonstrator Program, and funding from Skattefunn, Research Council of Norway and Innovation Norway grants, is considered sufficient cash to carry the business into 2015 and justifying the going concern assumption. Completing the existing program and introducing a new program might be influenced by delays in both technical progress and in the negotiations. There is some uncertainty related to such delays, and the Company has contingencies in place for such an event.

Allocation of the 2013 result

Badger Explorer ASA's annual result amounted to a loss of NOK -28.462 million and the Company has no distributable equity. The Board of Directors proposes that the loss is transferred to retained earnings.

Risk management

Risk management is a critical success factor for BXPL. The Board focuses on risk management and deems it important that the Company maintains the necessary measures to manage controllable risk factors in order to keep these within acceptable limits.

BXPL is exposed to a number of financial and non-financial risks. Financially, the main risk factors are fluctuations in interest rates and exchange rates, credit risk and liquidity risk. Non-financial risks include technology risk, competing technologies, market risks, regulatory permits and environmental exposure.

BXPL has implemented internal control and risk management systems appropriate to the size and nature of the Company's activities. The Company's core values, ethical guidelines and the corporate social responsibility policy are incorporated in the internal control and risk management systems.

The Board of Directors carries out an annual review of the control and risk management systems and the Company's most significant exposures.

Financial risks

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.

Badger Explorer ASA and the Group both had NOK 735,287 in financial income as of 31st December 2013.

Exchange rate risk

Through the ownership of Calidus Engineering Ltd. (UK) up to 28th 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.

Badger Explorer ASA's cash reserves are deposited in the Norwegian bank Sparebanken Vest. All the Group's financial instruments are in NOK.

Credit risk

The Company trades only with recognized, 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.

Badger Explorer ASA has not suffered any loss on receivables during 2013.

Liquidity risk

The Company 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 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 in H2 2014; that means there will be an overlap between the two programs in the 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 program, 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 we see technical/engineering challenges, not unsolvable, but they might take time. Thus delays represent the main uncertainty. Delays might come on technical progress or in the on-going negotiations for the next phase; such delays will have financial implications. The present status thus does not give reason to highlight these challenges, and we see several means to bridge delays if they occur.

Non-financial risks

Technology risk

The development work contains inherent technology risks. During the latest part of the BDP, a few technical challenges have been identified. They are addressed in specific R&D projects which will be integrated in the Badger Explorer Development Program at a later stage.

There is risk tied to the fact that the development of a commercial version of the Badger Explorer could be more extensive than planned for and could result in a longer development time of the services to be provided by Badger Explorer ASA.

Parallel with, the Badger Demonstrator Program, a number of activities have been conducted to identify and reduce technology risk. After the launch of the Development Program, the Beta version of the Badger will be used to further identify and mitigate technology risks, by better understanding the overall system and gaining valuable hands-on experience.

Competitive technology

No competitors to the Badger Explorer and its future closed cavity operations have been identified. However, competition could be motivated by successes achieved by BXPL, and the timing of the market introduction of the tool will be vital for the market positioning and the profit potential of the technology. The Company's IP position is deemed adequate and the defined IP strategy includes a strengthened process to protect IP related to specific technical solutions.

Once commercial, emphasis on developing robust and reliable services and equipment, to minimize the risk of lost market share as a result of poor performance, must be maintained.

Market risks

The Company considers the potential market for Badger Explorer services to be large and increasing. Third party market studies commissioned by BXPL identify specific markets by customer, geography, underground structures and Badger Explorer applications, highlighting potential customer savings in time and cost, as well as other benefits. The sponsors have preferential access to the technology, which will encourage early uptake.

Permission to operate from relevant regulatory bodies

When radically new concepts are introduced, regulatory bodies are likely to require stringent qualifications to assure operational safety. Such requirements may be functional (which can be addressed through demonstrating performance of the tool) or literal, which can be a more time-consuming challenge.

Environmental risks

The Badger Explorer has a dramatically lower environmental impact compared to a conventional exploration operation. The technology is inherently non-polluting and the general public as well as regulators and customers can readily understand the substantial environmental benefits the technology may bring. Rather than a risk, the tool's environmental performance should be seen as a selling point.

Health, safety and the environment (HSE)

Good HSE systems and procedures are a precondition for an effective and safe working environment. The Board of Directors works continuously with the Company management to ensure that business is conducted in a responsible manner and with respect for the employees and the environment.

BXPL has adopted the Norwegian "inkluderende arbeidsliv" (equal opportunity rights) scheme, incorporating procedures for an active follow-up on employees' sick leave and cooperating with the Company's health service. During 2013 absence due to sickness in BXPL was at 1.5% (53 days) compared to 2.2% (68 days) in 2012.

No injuries or accidents have been reported in 2013. Increased test operations will expose staff to potential risks and more hazardous environments. Recognizing this, pro-active measures and other industry best practice have been implemented, to increase awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety and the environment will ensure that Badger Explorer ASA's systems and processes grow alongside the technical and commercial development.

Personnel and organization

In September 2013, Steinar Bakke replaced David Blacklaw as the Chief Executive Officer of Badger Explorer ASA.

BXPL is committed to equal opportunity and non-discrimination. At year end 2013, Badger Explorer ASA had 13 permanent employees, compared to 14 permanent employees in 2012. Some of the functions previously conducted by permanent staff have been fulfilled during 2013 by contract staff.

Male employees continue to be in majority in the Company. BXPL had four female employees both in 2012 and 2013. In 2013, salaries for male employees averaged NOK 853,861 (compared to NOK 1.071 million in 2012) and for female employees NOK 604,190 (compared to NOK 559,750 in 2012). The average salary of male employees decreased during 2013, due to the facts that some of the functions are now conducted by consultants rather than full-time employees and recruitment of new staff joining the Company late in H2 2013.

In 2013 31% of all BXPL employees were foreign nationals (compared to 36% in 2012). 17% of the Company's Management were foreign nationals (20% in 2012).

The Company is dependent upon engaging the best competence available. Competence is sourced without preference for gender, race, religion, political and/or sexual inclination.

External environment

The Board takes on the responsibility for the Group's impact on the environment. It is the responsibility of the Company's Management to meet the set environmental goals and to comply with legislation and regulations.

One of the major benefits of the Badger Explorer, whether in initial field deployments or as part of the exploration and de-risking of a major new deep-water project, will be the reduced environmental impact and HSE exposure, compared to a drilling rig and associated support. From an environmental perspective, significant less equipment, traffic and support activity will be required for a Badger deployment. During operation, the tool can be run unmanned, thus eliminating a whole range of safety exposures.

Corporate Social Responsibility (CSR)

BXPL is committed to enhancing shareholder value in an ethical and socially responsible manner. By implementing the CSR Policy and Ethical Guidelines, the Company aims to be responsible and an exemplar of good practice. The Board of Directors reviews the policy and guidelines yearly and adopted the latest versions of the CSR Policy and the Ethical Guidelines on 12th February 2014, which can also be found on the Company's website (www.bxpl.com). These documents apply to staff, Board members, temporary employees, consultants and any person or entity acting on behalf of BXPL.

Corruption diminishes legitimate business activities, destroys reputations and distorts competition. BXPL opposes all forms of corruption and will act to prevent corruption within the Company. The set of ethical guidelines adopted by the Board clearly states the standards of behavior expected by all BXPL employees. Bribery, trading in influence, facilitation payments and all forms of corruption are prohibited. BXPL promotes its policy on corruption amongst its business partners, contractors and suppliers.

- Bribery is defined as an attempt to influence individuals when performing their duties through offering improper advantages.
- Trading in influence exists when an improper advantage (cash, loans, travel, services or similar) is offered to an individual to influence the performance a third party's duties.
- A facilitation payment is small payment to a public official to enable or speed up a process, which is the official's job to arrange.

BXPL complies with all applicable national and international laws and regulations (for example the OECD Guidelines for Multinational Enterprises and the International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery) with respect to improper payments to foreign officials.

BXPL is also committed to providing a safe, secure and healthy working environment. BXPL's overriding goal is to operate safely, in environmentally and socially responsible ways, and thereby:

- Do no harm to people
- Protect the environment

- Comply with all applicable HSE laws and regulations.

The Company believes that accidents and occupational illnesses and injuries are preventable, and hence applies efforts and resources to achieving the goals listed above. BXPL is proud of its positive HSE statistics; during 2013, a year with a large amount of testing and hands-on development work, no injuries and accidents have occurred.

Responsibility for outstanding HSE performance is shared by the Company management and its employees. Supervisors are responsible for ensuring appropriate preventive and mitigating measures are practical, available and used in practice. Employees are on the other hand responsible for using such measures and equipment, and identifying areas for improvement. BXPL owned and operated facilities and equipment must operate with the necessary permits, approvals and controls to protect health, safety, security and the environment.

The Company provides ongoing training to ensure that BXPL's commitment to excellence in HSE management is reflected throughout the Company. Health, safety and environmental performance are key factors in evaluating and rewarding our employees and in selecting contractors.

BXPL does not tolerate any kind of discrimination of employees, customers and partners on account of religion, gender, sexual orientation, age, nationality, political views, disability or other circumstances. We will not tolerate unlawful employment discrimination of any kind. The Company expects all of its employees to treat others they come in contact with through work with respect and courtesy, and to refrain from harassment, discrimination and any other behavior that may be regarded threatening or degrading. Honesty, integrity and respect for people underpin everything BXPL staff does, and are the foundation of the Company's business practice.

BXPL aims to reduce the Company's carbon footprint and its impact on the environment through the commitment to continual improvement. The Company strives to keep the pollution of the external environment as low as possible by its current activities. A number of specific policies and practices have been established to minimize the Company's environment impact through routine business activities

- An oil separator has been installed in the workshop to eliminate contamination of the environment through spillage. No spillage has occurred during 2013.
- Environmentally friendly workshop chemicals are chosen by preference.
- Waste is separated at source and disposed of appropriately.
- Active recycling is practiced in use of test equipment and fixtures, to avoid the unnecessary re-purchase of items that have been discarded.
- Active energy-saving is practiced in terms of heat and lighting in the workshop.

Corporate Governance

Corporate Governance is performed within the framework of the Norwegian Code of Practice for Corporate Governance dated 23rd October 2012 (www.nues.no). The Board reviews the Corporate Governance Policy annually and approved the latest version on 12th February 2014 which can also be found on the Company's website (www.bxpl.com) and is included in this Annual Report.

As required for a public limited company listed on the Oslo Stock Exchange (Oslo Axess List) BXPL provides its shareholders, the Oslo Stock Exchange and the financial markets generally with timely and accurate information. Such information takes the form of annual reports, quarterly interim reports, stock exchange notifications and investor presentations as applicable.

BXPL communicates its long-term potential, strategy, value drivers and risk factors. The Company maintains an open and proactive investor relations policy and a best-practice website and presents regularly in connection with annual and interim results both in Norway and in the UK. Sound corporate governance underpins growth to benefit shareholders, employees and other stakeholders. The Board therefore strives continuously to build confidence in the Company through the implementation of corporate governance-, accounting- and Oslo Stock Exchange standards. The Board of Directors emphasizes transparency and openness, equal treatment of all shareholders, competence in the Company's governing bodies, independence of auditors and accuracy of information distributed by the Company reflecting its status and operations.

Board of Directors of Badger Explorer ASA

The composition of the Board of Directors and the Board members' competence and expertise are chosen to support the Company's goals. BXPL's Board consists of four members, two male and two female. At the AGM on 17th April 2013, Hilde Christiansen and David Ottesen were elected and Tone Kvåle was reelected as members of the Board.

The Board of Directors held 7 ordinary Board meetings and 5 extraordinary Board meeting during the fiscal year 2013.

The Board's Audit Committee consists of Chairman Marcus Hansson and Board member Tone Kvåle. The Board conducts an annual evaluation of its work.

Changes after 31st December 2013

On 29th January 2014, the Steering Committee formally approved the delivery of Milestone 4 of the BDP. 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.

Outlook

During 2013, good progress on the Badger tool development has been achieved. The development tasks of the BDP are challenging and sound progress on the tool development has been achieved during 2013 and work on the Badger Explorer Demonstrator Program will continue in 2014.

As described in the report, the main risk factors, related to technology development and future funding are considered manageable.

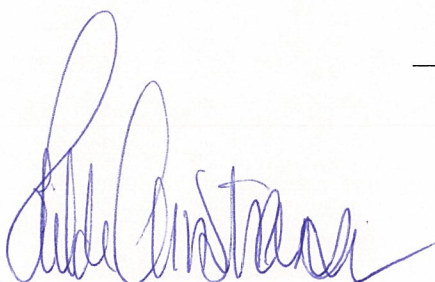
The solid technical progress in combination with the approval of Milestones 2, 3 and 4, has made the Board optimistic that our partners will continue to support the development of the Badger tool in the new Badger Development Program which will commence in late 2014.

The vision of commercializing the Badger tool, whereby the environmental impact of drilling is reduced, remains stronger than ever.

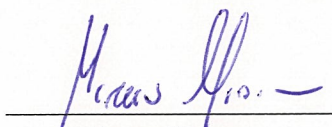
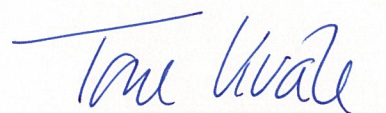
The Board of Directors wish to extend their gratitude to the entire BXPL staff for the considerable technical progress and achievements made in advancing the Badger tool throughout 2013.

Stavanger, 31st March 2014

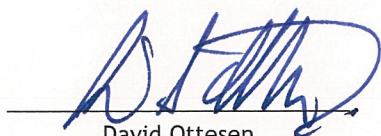
The Board of Directors and the Chief Executive Officer of Badger Explorer ASA



Hilde Christiansen
(Board member)


Marcus Hansson
(Chairman of the Board)

Tone Kvåle
(Board member)



David Ottesen
(Board member)



Steinar Bakke
(President & CEO)

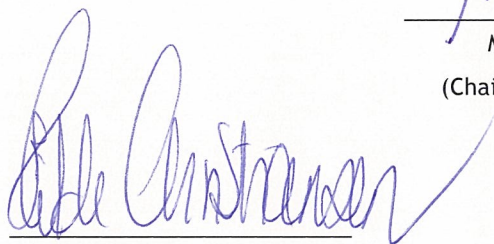
Responsibility statement

We confirm, to the best of our knowledge that the financial statements for the period 1st January to 31st December 2013 have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities and financial position and result of Badger Explorer ASA and the BXPL Group.

We also confirm, to the best of our knowledge that the Board of Directors' report includes a true and fair overview of the development, performance and financial position of Badger Explorer ASA and the BXPL Group, together with a description of the principal risks and uncertainties they face.

Stavanger, 31st March 2014

The Board of Directors and the Chief Executive Officer of Badger Explorer ASA



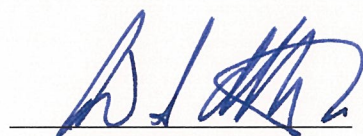
Hilde Christiansen
(Board member)



Marcus Hapsson
(Chairman of the Board)



Tone Kvåle
(Board member)



David Ottesen
(Board member)



Steinar Bakke
(President & CEO)