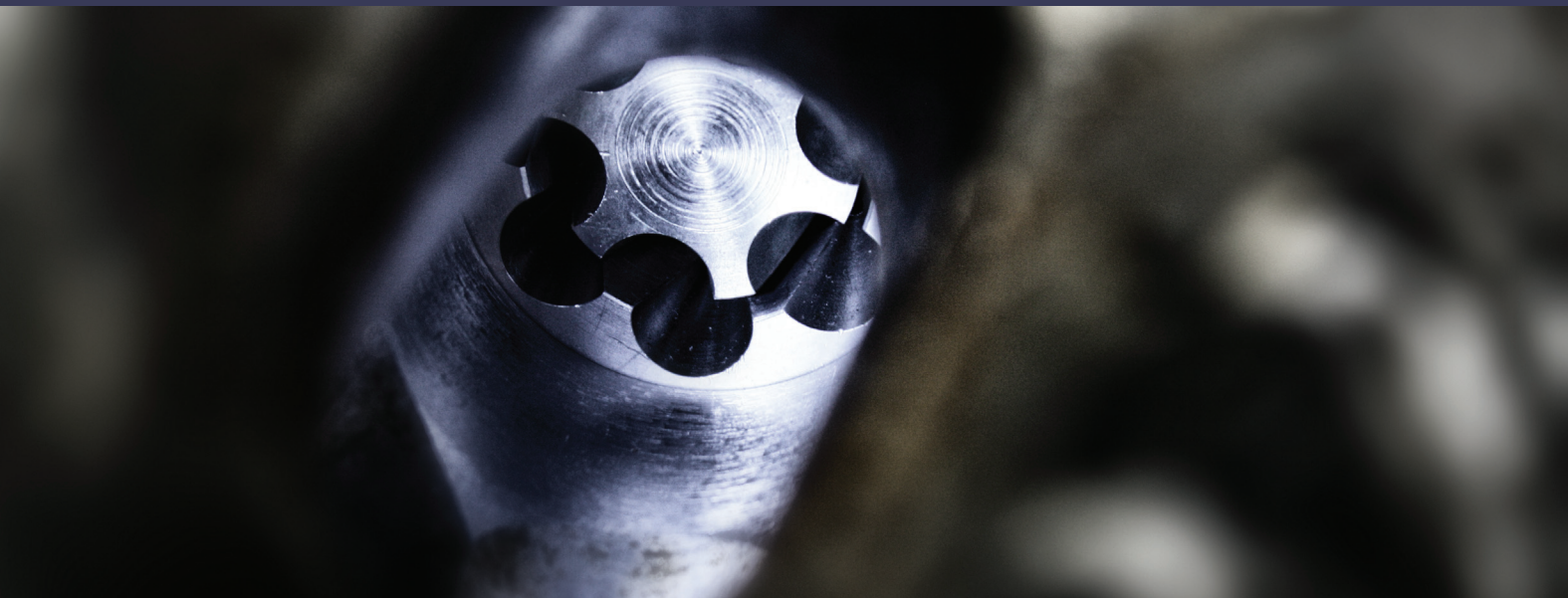




BADGER
EXPLORER



Q1 2014 Quarterly Report



HIGHLIGHTS Q1 2014

Activities done at Badger Explorer ASA (BXPL) through Q1 2014:

- Delivered Milestone 4 of the Badger Explorer Demonstrator Program on the 29th January 2014
- Agreed with the partners on revised content for Milestones 5 and 6 and how to conclude the Demonstrator Program
- Secured funding of the HPHT Ultrasonic project and agreed on final terms with the Research Council of Norway (RCN)
- Continued discussions with the partners regarding scope of work and funding of the Development Program
- Continued discussions regarding participation in the Demonstrator Program and the Development Program with a new potential partner
- Outlined the long term Field testing and the Field Pilot Program.

The main technical activities are discussed in more details below.

The delivery of Milestone 3 (October 2013) and Milestone 4 (January 2014) represents a significant risk reduction for the Badger Explorer technology.

STATUS OF THE BADGER EXPLORER DEMONSTRATOR PROGRAM

The goal for the Badger Explorer Demonstrator Program is to design and manufacture a tool capable of drilling 100 meters by year end 2014. The tool shall demonstrate the ability to build and compact an adequate plug, sealing off the wellbore behind the tool. The tool has to be retrievable.

Milestone 4 included testing of the following individual modules:

- Drilling module
- Transport system
- Compaction module
- Hydraulic Power Unit (HPU) (both the Pressure Generation Sub (PGS) and the Local Hydraulic Unit (LHU))
- Install and test pressure and temperature sensors in tool.

The Milestone 4 module tests were executed in two stages:

Module physical test:

The initial test verified the basic functionality of each module. The test was performed in a workshop environment.

Module process test:

The technical team tested each module's ability to meet the process specifications.

Later in Q1 2014, successful testing of the components and sub-systems have been ongoing:

- Pressure Generating Sub (PGS)
- Local Hydraulic Controller (LHC)
- Electronic Hardware Boards (LCU)
- Cable solutions
- Anchors
- Weight on Bit
- Compactor unit
- Drilling unit

It has been agreed with the partners that the content of Milestone 5 and Milestone 6 will be as follows:

The revised Milestone 5 will include:

- A full system test performed in BXPL's workshop, including drilling and compaction
- The Badger tool will be operated in a horizontal position with the possibility of performing test of the drilling module in a vertical position
- The proposed Milestone will accomplish drilling in multiple lithologies and allow analog and synthetic lithostratigraphies to be tested
- Modules can be tested in differing formations to test interoperability (e.g., anchoring in soft formation while drilling into hard formation)
- Both ends of the tool shall be flooded to saturate the system
- The revised Milestone 5 is to be completed by the end of Q3 2014 after which 75% of the current Milestone 6 payment will be released.

The revised Milestone 6 will include:

- Evaluation of the Badger Explorer (BE) Demonstrator Program
- Full report of BE 125 Demonstrator tool and recommendations for improvements based on the Milestone 5 test
- Scope of work for BE Development Program
- In parallel with this, the BXPL team will continue the R&D related to the main challenges, including drilling, transport, compaction and locomotion
- The R&D efforts, combined with the Milestone 5 and Milestone 6, will provide a solid starting point for the BE Development Program
- The revised Milestone 6 and the Badger Explorer Demonstrator Program will be concluded by the end of Q4 2014 and the remaining 25% of the current Milestone 6 payment will be released.

All the BXPL design, manufacturing and testing procedures are based on DNV Recommended Practice DNV-RP-A203.

THE BADGER EXPLORER DEVELOPMENT PROGRAM

During the latest part of the Demonstrator Program, BXPL has identified a few technical challenges. Along with any further challenges identified during the remaining part of the Demonstrator Program, they will all be addressed in the R&D projects and later integrated with the scope of work of the Badger Explorer Development Program.

The Badger Demonstrator tool will be used further to identify and mitigate technology risks, understand better how the overall system works and gain hands-on operational experience with the tool.

The goal of the Development Program is to design and manufacture a third generation Badger tool, incorporating all lessons learned from the Demonstrator Program and including the outcome from the ongoing R&D activities.

The Development Program will be launched late 2014 and run through 2017. The plan is to manufacture two Badger tools during the Development Program: run the first Field Test in 2015 and the second in 2016. These Field Tests will be burial tests without recovery of the tools. This schedule will depend on a final program to be agreed with our partners.

BXPL has initiated discussions with the current partners and the potential additional partners regarding how the development of the Badger technology can be accelerated further, and how the funding for the Development Program and the Field Pilot Program can be achieved. Definition of scope of work, timeline and budget are essential for these discussions.

R&D ACTIVITIES

The Ultrasonic Project

The Research Council of Norway (RCN), which is responsible for the Petromaks2 R&D grant scheme, awarded BXPL a grant of NOK 13.2 million over three years for the Ultrasonic project (2014-2016). The grant will cover 50% of the total project costs.

The project aims to develop a HPHT Ultrasonic transducer for various Badger applications. The transducers will reduce the friction between the tool and the formation as well as improve the compaction process, the effectiveness of the cuttings transport and the drilling performance.

In a series of small-scale tests utilizing the Ultrasonic technology, BXPL has achieved encouraging results.

The Drill Bit Optimization Project

BXPL has designed and manufactured a purpose built, self-cleaning drill bit for the Badger Explorer. An arrangement inside the bit is used to clean cuttings from the bit, actively feeding the cuttings to the transport system (patent applied for). The second generation of the Self Cleaning Drill Bit was delivered in March and initial tests with drilling in real formation were promising.

The technical results of the R&D activities will be implemented in the Badger tool as soon as possible.

FINANCIALS

Annual General Meeting (AGM) conducted

The AGM of 2013 was held on 5th May 2014. The annual accounts for 2013 and other ordinary AGM issues were approved. Board member Mrs. Hilde Christiansen resigned at the AGM. Mr. Marcus Hansson was re-elected as Chairman of the Board. Mr. Bjørge Gretland and Ms. Birte N. Borrevik were elected as new Board members of BXPL.

Investor Relations

Badger Explorer ASA had 774 shareholders on 31st March 2014. Norwegian entities and individuals held 65.3% of the outstanding shares and the 20 largest shareholders held 71.2% of the outstanding shares.

Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 13 full-time employees as of 31st March 2014, compared to 12 employees as of 31st March 2013. Some of the roles previously held by full-time employees are currently fulfilled by consultants and contractors.

Main Figures

Revenues for Q1 2014 were NOK 0.00, compared to NOK 23,399 for Q1 2013. Operating expenses for Q1 2014 were NOK 4.804 million, compared to NOK 5.874 million for Q1 2013. EBITDA for Q1 2014 was NOK -4.804 million, compared to NOK -5.850 million for Q1 2013.

Total development costs of the Badger Explorer project in Q1 2014 were NOK 8.977 million, of which NOK 7.876 million were capitalized. Total development costs of the Badger Explorer project in Q1 2013 were NOK 5.977 million, of which NOK 5.230 million were capitalized. Capitalized public grants for the Badger Explorer project were NOK 3.003 million for Q1 2014, compared to NOK 7.588 million for Q1 2013. All public grants are booked as deductions to the capitalized project costs.

Earnings per share amounted to NOK -0.29 per share for Q1 2014, compared to NOK -0.29 per share for Q1 2013.

The cash position at BXPL was NOK 10.374 million as of 31st March 2014, compared to NOK 16.063 million as of 31st March 2013.

As of 31st March 2014, Badger Explorer ASA had a net equity of NOK 96.449 million (equity ratio of 61.6%), compared to NOK 121.184 million as of 31st March 2013 (70.5%).

Net cash flow arising from the operating activities in the continuing operations for Q1 2014 was NOK -9.012 million, compared to NOK -5.524 million for Q1 2013. Net cash outflow includes payments to vendors for goods and services.

Net cash flow arising from the investment activities in the continuing operations for Q1 2014 was NOK -7.876 million, compared to NOK -5.230 million for Q1 2013. Net cash outflow includes all the development costs related to the Badger Explorer Development project, which are eligible for capitalization.

Net cash flow arising from the financing activities in the continuing operations for Q1 2014 was NOK 2.319 million, compared to NOK 11.164 million for Q1 2013. Net cash inflow includes contributions from the industry partners and public grants received from funding institutions.

Net changes in cash flow from continuing operations for Q1 2014 were NOK -14.569 million, compared to NOK 410 in Q1 2013.

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.

	Quarters		Year to date		
CONSOLIDATED SUMMARY (Unaudited figures in NOK 1000)	Q1 2014	Q4 2013	Q1 2013	31.03.2014	31.03.2013
Revenues	0	0	23	0	23
Operating expenses	4 804	5 131	5 874	4 804	5 874
EBITDA	-4 804	-5 131	-5 850	-4 804	-5 850
Earnings per share (figures in NOK)	-0.29	-0.33	-0.29	-0.29	-0.29
Projects development costs	8 977	11 414	5 977	8 977	5 977
Public grants for projects development	3 003	4 808	7 588	3 003	7 588
Capitalisation of development costs and public grants	4 874	5 540	-2 357	4 874	-2 357

COMMITTED FUNDING 2014

• Demonstrator partner funding	NOK 5.780 million (NOK 4.335 million for Milestone 5 will be received in November 2014; NOK 1.445 for Milestone 6 in January 2015)
• Skattefunn	NOK 1.554 million (October 2014)
• Research Council of Norway	NOK 9.343 million (NOK 2.274 million were transferred in Q1 2014)
• Innovation Norway	NOK 6.0 million (January 2015)

As a contingency, BXPL has established an overdraft facility with its Norwegian bank Sparebanken Vest. Based on the above, the cash requirement for the planned activities in 2014 is covered.

OUTLOOK

BXPL and the partners have agreed to revise Milestones 5 and 6. The definition of the Scope of Work for the next phase development, the Development Program, will be a vital part of the deliverables in Milestone 6 and will be done in close co-operation with the partners.

In order to accelerate the development of the Badger technology, BXPL and the partners have established several technical task forces to address and solve the main technical challenges. BXPL is also working very closely with the partners to secure the necessary funding for the Development Program.

The Board of Directors is confident that the remaining Milestones of the Badger Explorer Demonstrator Program will be delivered as planned by the end of 2014. Furthermore, the Board is optimistic regarding our partners' continued support for the Badger Explorer Development Program, which will reduce the time to market for the commercial Badger Explorer tool.

Stavanger, 19th May 2014
The Board of Directors
Badger Explorer ASA

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 statements of Badger Explorer ASA (the BXPL Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on an historical cost basis, except for investment in the associate Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) which is initially recognised at fair value at the effective date of the disposal of the shares.

Severn Subsea Technologies Ltd. has been consolidated with the parent company Badger Explorer ASA starting from December 1, 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital were eliminated. BXPL sold 70% of shares of its subsidiary Severn Subsea Technologies Ltd. for a net amount of NOK 7.189 million with a loss of NOK 1.120 million in the BXPL Group on 30 June, 2013. Upon settling the completion accounts, BXPL realized a further loss of NOK 838,350. The results of the subsidiary disposed were included in the consolidated statement of income up to the effective date of the disposal. As of 31 March 2014, the BXPL Group consists of Badger Explorer ASA.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the BXPL 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 and loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Non-controlling interest represent the portions of profit and loss and net assets not held by the BXPL Group are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholder's equity.

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements as of 31 December 2013.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of 31 December 2013.

The BXPL Group's consolidated financial statements are presented in NOK. The consolidated income statement in foreign subsidiary is translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiary, including goodwill and adjustments of fair value of identifiable assets and liabilities arising on the acquisition of subsidiary, 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.

Financial assets within the scope IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.

Financial liabilities within the scope IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs are added.

Financial liabilities include trade and other payables, loans and borrowings.

Inventories are valued at the lower of cost and net realisable value.

Cash includes cash in hand and at bank.

Accounts receivable are recognised in the consolidated statement of financial position at nominal value less provisions for doubtful debts.

Fixed assets are carried at cost less accumulated depreciations and impairment losses.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the asset ready for use.

Depreciation is calculated using the straight-line method.

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

Development expenditures related to the Badger Explorer development project are recognised as an intangible asset when the BXPL Group can demonstrate:

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

When all the above criteria are met, the cost related to the development starts to be recognised in the consolidated statement of financial position.

Costs that have been charged as expenses in previous accounting periods are not recognised in the consolidated statement of financial position.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Revenue is recognised to the extent when it is probable that the economic benefit will flow to the BXPL Group and the revenue can be reliably measured, regardless of when the payment is being made.

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

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 capitalised together with the cost.

Contributions from partners are recognised in the consolidated statement of financial position under long term liabilities as the contributions are subject to repayment ref note 14 in the BXPL Group annual accounts.

The options granted in Q3 2009 were replaced with new options on 17 February 2014. The Board of Directors of BXPL implemented a new option program for BXPL employees offering a total of 213,000 share options at a strike price of NOK 7.51, corresponding to 1.2% of all outstanding BXPL shares. 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 ten days after publications of the Company's Q1 and Q3 quarterly results. All options were "out of the money" as of 31 March 2014.

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

CONSOLIDATED INCOME STATEMENT

	Quarters				Year End
Unaudited figures in NOK 1000	Q1 2014	Q4 2013	1Q 2013	Note	31.12.2013
Revenues					
Other Income	0	0	23		70
Public grants	3 003	4 808	7 588	1,2	22 375
Capitalised public grants	-3 003	-4 808	-7 588	1,2	-22 375
Total Revenues	0	0	23		70
Operating Expenses					
External services for development project	5 676	8 284	3 738		24 991
Payroll and related costs	4 267	4 203	4 714		14 909
Other operating expenses	2 738	2 992	2 652		10 729
Capitalised development costs	-7 876	-10 348	-5 230		-31 523
Total Operating Expenses	4 804	5 131	5 874		19 105
EBITDA	-4 804	-5 131	-5 850		-19 036
Depreciation	90	92	136		451
Operating profit (loss)	-4 894	-5 223	-5 987		-19 486
Net financial income (loss)	-441	-129	99	3,10	15
Profit (loss) before taxes from continuing operations	-5 335	-5 352	-5 888		-19 471
Tax on ordinary result from continuing operations	0	0	0		0
Net profit (loss) from continuing operations	-5 335	-5 352	-5 888		-19 471
Discontinued operations:					
Profit (loss) after tax for the period from discontinued operations	0	-838	790	10	-4 344
Net profit (loss)	-5 335	-6 190	-5 098		-23 815
Profit (loss) attributable to non-controlling interests	0	0	197		54
Profit (loss) attributable to equity holders of the parent	-5 335	-6 190	-5 296		-23 869
Earnings per share	-0.29	-0.33	-0.29		-1.31
Earnings per share diluted	-0.29	-0.33	-0.29		-1.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	31.03.2014	31.03.2013	Note	31.03.2013
NON-CURRENT ASSETS				
Capitalised development costs	135 659	119 280	2,6	130 785
Patent rights	387	387		387
Goodwill	0	5 495	3,10	0
Total intangible assets	136 046	125 162		131 172
Property, plant & equipment	483	14 584	10	573
Total tangible assets	483	14 584		573
Investments in associates	2 214	0	3,10	2 701
Total investments in associates	2 214	0		2 701
TOTAL NON-CURRENT ASSETS	138 742	139 746		134 446
CURRENT ASSETS				
Inventories	0	409		0
Sum Inventories	0	409		0
Accounts receivables	0	12 576	3,8	0
Other receivables	7 350	3 103	3,10	6 920
Total receivables	7 350	15 679		6 920
Cash and cash equivalents	10 374	16 063	3,8,10	24 943
TOTAL CURRENT ASSETS	17 724	32 151		31 863
TOTAL ASSETS	156 466	171 897		166 309

EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	31.03.2014	31.03.2013	Note	31.03.2013
EQUITY				
Share capital	2 317	2 317	3	2 317
Share premium	218 070	218 070	4	218 070
Other paid in capital	3 122	4 909	3	2 966
Total paid in equity	223 509	225 296		223 353
Retained earnings	-127 060	-106 190		-121 725
Total retained earnings	-127 060	-106 190		-121 725
Non-controlling interests	0	2 078	10	0
TOTAL EQUITY	96 449	121 184		101 628
LIABILITIES				
Capitalised grants	53 920	36 060	6	53 920
Total non-current liabilities	53 920	36 060		53 920
Accounts payables	3 891	1 352	3,8	4 401
Interest-bearing loans and borrowings	0	7 900		0
Public duties payables	756	894		3 104
Other short term liabilities	1 451	4 508		3 255
Total current liabilities	6 098	14 653		10 761
TOTAL LIABILITIES	60 018	50 713		64 681
TOTAL EQUITY AND LIABILITIES	156 466	171 897		166 309

CONSOLIDATED STATEMENT OF CASH FLOW

	Quarters				Year end
Unaudited figures in NOK 1000	Q1 2014	Q4 2013	Q1 2013	Note	31.12.2013
Contribution from operations*	-4 648	-5 004	-5 168		-20 597
Change in accounts receivables and accounts payables	-511	913	-3 425	3,8	2 487
Change in other receivables and payables	-3 854	3 820	3 068		1 079
Net cash flow from operating activities	-9 012	-271	-5 524		-17 032
Capitalisation of development cost	-7 876	-10 348	-5 230	2	-31 523
Sale of shares in subsidiaries	0	0	0	3	5 442
Net cash flow from investment activities	-7 876	-10 348	-5 230		-26 081
Public grants	2 274	2 267	6 524	1	20 343
Contribution from industry partners	0	15 200	4 700	6	29 920
Interest received	118	46	31		387
Interest paid	-72	-1	-91		-3
Net cash flow from financing activities	2 319	17 512	11 164		50 647
Total net changes in cash flow - continuing operations	-14 569	6 845	410		7 535
Total net changes in cash flow - discontinued operations	0	838	-969	10	-199
Net foreign translation differences	0	0	-788		0
Cash and cash equivalents beginning of period	24 943	17 259	17 608		17 608
Cash and cash equivalents end of period	10 374	24 943	16 063		24 943
Profit (loss) attributable to equity holders of the Company	-5 335	-5 352	-5 888		-19 471
Profit (loss) attributable to non-controlling interests	0	0	197		54
Employee options	156	110	328	5	-1 616
Depreciation	90	92	136		451
Financial income	-118	-349	-31		-735
Financial expenses	72	238	91		339
Share of (profit) / loss of associates	487	258	0	3,10	380
*Contribution from operations before tax	-4 648	-5 004	-5 168		-20 597



CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000

	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Non-controlling interest	Total equity
Equity as of 31.12.2013		2 317	218 070	2 966	-121 725	0	101 628
Total comprehensive income					-5 335	0	-5 335
Option plan payment	5			156			156
Equity as of 31.03.2014		2 317	218 070	3 122	-127 060	0	96 449

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters			Year to date	
	Q1 2014	Q4 2013	Q1 2013	31.03.2014	31.03.2013
Total comprehensive income					
Profit (loss) for the year (period)	-5 335	-6 190	-5 098	-5 335	-5 098
Other comprehensive income - items that will later be reclassified to profit and loss					
Translation differences	0	-48	-1 086	0	-1 086
Comprehensive income at end of period	-5 335	-6 238	-6 184	-5 335	-6 184

	Quarters			Year to date	
	Q1 2014	Q4 2013	Q1 2013	31.03.2014	31.03.2013
Total comprehensive income attributable to:					
Equity holders of the parent	-5 335	-6 238	-6 382	-5 335	-6 382
Non-controlling interest	0	0	197	0	197
Total comprehensive income	-5 335	-6 238	-6 184	-5 335	-6 184

NOTES

- 1. The projects of the Badger Explorer Development Program are funded by grants from the Research Council of Norway (RCN) and Skattefunn with a percentage of the total project costs. The Badger Explorer development project has been pledged grants from RCN, Innovation Norway and Skattefunn for both 2013 and 2014. In March 2014, Badger Explorer ASA (BXPL) received a public grant of NOK 2.274 million from RCN.
- 2. The public grants and all project development costs of the BXPL Group, related to the Badger Explorer Development Program, are capitalised in accordance with the IFRS regulations except of NOK 1.1 million as at 31 March 2014. These additional project costs are related to the restriction on capitalisation of own personnel costs in the IFRS standard.
- 3. Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) has been consolidated with the parent company Badger Explorer ASA starting from 1 December 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital were eliminated. On 28 June 2013, BXPL sold 70% of its shares in Severn Subsea Technologies Ltd. (SST) for a net amount of NOK 7.189 million, realizing an estimated loss of NOK 1.120 million in the Group. Upon settling the completion accounts, BXPL realized a further loss of NOK 838,350 accounted for in December 2013. The results of the subsidiary disposed were included in the Consolidated Income Statement up to the effective date of the disposal. As of 31 March 2014, the BXPL Group consists of Badger Explorer ASA.

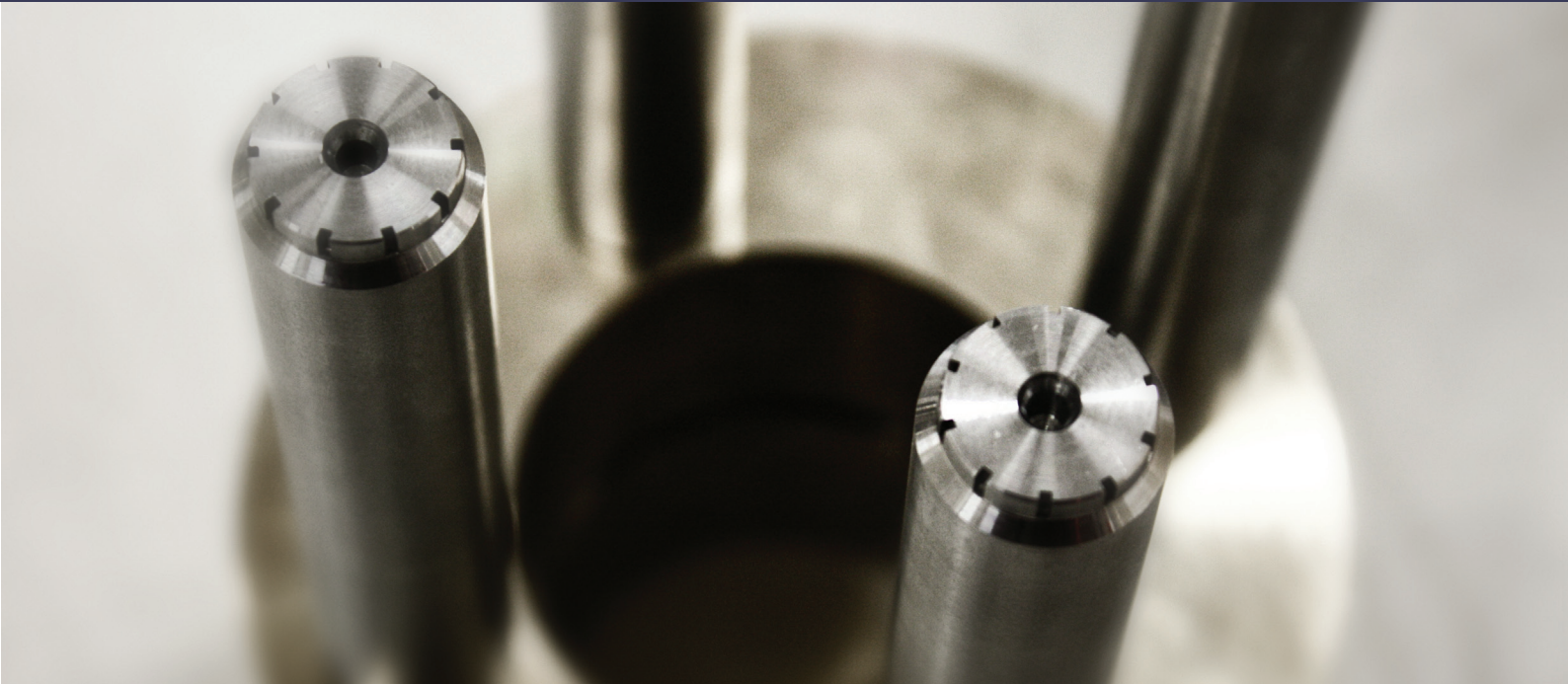
From 28 June 2013, BXPL owns 30% of the shares in SST. The investment in SST is initially recognised at fair value at the effective date of the sale from 100% to 30% of the shares. Subsequent measurement of the remaining 30% of the shares is recognised according to equity method.

- 4. On 9 May 2007, the General Assembly decided to split the existing shares which increased a number of shares from 6,719,520 to 13,439,040. A total of 5,000,000 additional shares were issued in connection with the IPO of NOK 160,000,000 related to the listing of Badger Explorer ASA on the Oslo Stock Exchange on 12 June 2007. The total number of shares as at 31 March 2014 is 18,537,288 at par value of NOK 0.125 per share.
- 5. The previous option program came into effect in Q3 2009, including all employees at the time and granting a total of 406,750 share options at a strike of NOK 10 and 25,000 share options at a strike of NOK 15. There were no outstanding share options for the period ended 31 March 2014. A total number of 218,668 share options forfeited, a total of 71,667 share options expired and a total of 98,248 share options were exercised. The remaining 43,167 share options were cancelled.

The options granted in Q3 2009 were replaced with the new options on 17 February 2014. The Board of Directors of BXPL implemented a new option program for BXPL employees offering a total of 213,000 share options at a strike price of NOK 7.51, corresponding to 1.2% of all outstanding BXPL shares. 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 ten days after publications of the Company’s Q1 and Q3 quarterly results. All options were “out of the money” as of 31 March 2014.

The share option agreements are equity-based incentive compensation. Employee share options are recognised as an expense in the Consolidated Income Statement under “Payroll and related costs” and in the Consolidated Statement of Financial Position under “Other paid in capital”. The options (incl. Employers’ national insurance contributions) are recognised over the vesting period starting from September 2009. The share option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model is used for calculation. The replacement of options is treated as a cancellation and re-pricing under IFRS 2.

Former CEO Mr. David Blacklaw was granted 370,579 share options in BXPL at a strike price of NOK 19 per share in September 2011. 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.



BXPL entered into a consultancy agreement with Mr. Blacklaw on 16 September 2013. 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 at any time from the date of grant until 31 December 2014. The share options were “out of the money” as of 31 March 2014.

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 per share. 185,000 share options will vest on the date of the publication of the Company’s Q4 2015 report. A further 185,000 share options will vest on the date of the publication of the Company’s Q2 2017 report. The exercise of fully vested share options is at the sole discretion of the option holder. All share options were “in the money” as of 31 March 2014.

- 6. The BXPL Group received contributions from five industry partners amounting to NOK 58.895 million since 2005 whereas NOK 24 million were received prior to 2013. Two new oil companies - Chevron Energy Technology Company (Chevron) in December 2012 and Wintershall Norge AS in February 2013 - joined ExxonMobil Exploration and Production Norway AS (ExxonMobil) and Statoil Petroleum ASA as partners of the Badger Explorer Demonstrator Program (BDP). The BDP is a milestone based program. Milestone 2 was completed and approved in Q1 2013 which released partner funding of NOK 7.360 million from Chevron (received in February 2013) and NOK 7.360 million from Wintershall Norge AS (received in April 2013).

Milestone 3 was delivered and approved by the Steering Committee on 29 October 2013. Based on the delivery of Milestone 3, the BXPL Group received the following contributions in December 2013:

Statoil Petroleum ASA	NOK 3 million (excl. VAT)
ExxonMobil	NOK 3 million (excl. VAT)
Wintershall Norge AS	NOK 4.6 million (excl.VAT)
Chevron Energy Technology Company	NOK 4.6 million

No contributions were received during Q1 2014.

A total of NOK 53.920 million of this contribution shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to 150% of received contribution. A total of NOK 4.975 million of the entire contribution of NOK 58.895 million is capitalised as a reduction of the development costs of which NOK 2.488 million was capitalised in Q1 2012. The contributions have not been recognised as income.

7. Deferred tax asset has not been recognised in the Consolidated Statement of Financial Position.

8. Related party transactions

Unaudited figures in NOK 1000

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Transactions with related party	31.03.2014	31.03.2013
Purchases of services*	1 099	0

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. On 31 March 2014, payments totalling NOK 443,604 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 8,118 related to travel expenses. Mr. Gunnar Dolven, who is a CFO of BXPL, is a director of Dalvin Rådgivning AS. On 31 March 2014, Nilsholmen AS, a company owned by Mr. Kjell Markman who is a Sr.VP Business Development & Strategy of BXPL, received payments of NOK 567,392 in respect of performed consultancy services and NOK 80,224 related to travel expenses.

Transactions with Severn Subsea Technologies Ltd.	31.03.2014	31.03.2013
Accounts payable**	552	929
Purchased services**	1 439	2 842

**BXPL purchased engineering- and production services from SST.

Shares held by members of the Board of Directors and members of the Management Group	31.03.2014	31.03.2013
SEB Private Bank S.A. Luxembourg (Chairman of the Board - Marcus Hansson)	565 000	565 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
Nilsholmen Investering AS (Sr. VP Business Development & Strategy - Kjell Markman)	209 222	209 222
President & CEO - Steinar Bakke	30 000	0
Nilsholmen AS (Sr. VP Business Development & Strategy - Kjell Markman)	20 200	20 200
Chairman of the Board - 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 %

9. Fair value hierarchy

As at 31 March 2014, the BXPL Group does not hold any financial instruments carried at fair value in the Consolidated Statement of Financial Position.

10. Discontinued operations - partial divestment of shares in Severn Subsea Technologies Ltd.

Unaudited figures in NOK 1000

On 28 June 2013, BXPL entered into the Share Purchase Agreement (Agreement) with 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. (SST) for the equivalent of NOK 7.189 million with a loss of NOK 1.120 million in the Group. Upon settling the completion accounts, BXPL realized a further loss of NOK 838,350 accounted for in December 2013.

Under the Agreement, Severn Glocon will acquire another 15% of the shares in SST 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 SST's financial performance during 2014 and 2015 respectively. Under the terms of the Agreement, BXPL will continue to place orders with SST worth minimum of £750k over the next 2 years (£500k in 2014 and £250k in 2015).

The 36 shares retained by BXPL represent 30% of the issued share capital of the SST. The investment in SST 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 the shares is accounted for using the equity method.

Under the equity method, the Consolidated Statement of Financial Position includes the initial fair value of the investment, plus the share of the profit or loss generated by SST 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 Consolidated Income Statement under "Net financial income (loss)" and in the Consolidated Statement of Cash Flow as a single line ("Share of (profit) / loss of associates").

Carrying amount movements in the Consolidated Statement of Financial Position of the BXPL Group for the period ended

Carrying amount of 30% interest retained as of 28 June 2013	3 081
Share of net result in the associate for the period 29 June - 31 December 2013	-380
Share of net result in the associate for the period 1 January - 31 March 2014	-487
Closing balance for the period ended 31 March 2014	2 214

The partial divestment of shares have been treated as discontinued operations in accordance with IFRS 5 and comparable figures have been changed accordingly.

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