



**BADGER**  
EXPLORER



Semi-annual Report H1 2015

## HIGHLIGHTS H1 2015

After signing the first phase of the Badger Development Program with Statoil on 8th June 2015, the main focus for Badger Explorer ASA (BXPL) during Q2 2015 has been to finalize scope of work for the Development Program and to identify deliverable Milestones. BXPL management has also continued working to secure further funding for the Development Program.

With input from Statoil, Badger Explorer has rescheduled the Development Program to fit the present financial climate. This means BXPL is planning for reduced spending during 2015, and a ramp up later during the Development program.

The recent fall in the oil price has led to comprehensive restructuring and cost cutting within the oil industry. As a result, BXPL is currently experiencing longer lead times when negotiating further financial support for the development of the Badger technology.

Even though CNPC-DR is still committed to continue sponsoring of the Badger Project, the negotiations with CNPC-DR for their final commitment to the Development Program have subsequently been delayed. The main reasons for the delay are the falling oil price along with the current political climate between China and Norway.

Negotiations between Badger and CNPC-DR are expected to continue in Beijing during Q3 and Q4 2015 with expected financial contribution in 2016.

With only one sponsor currently committed to support the Badger Development Program, Badger Management has in parallel with continued negotiations with previous sponsors decided to try and secure funding from other sources, and as such, is in direct dialog with international oil service companies.

As reported previously, BXPL has also implemented a large cost saving program to adjust to the new business climate.

By the end of June 2015, 38 % of staff were made redundant, salaries for senior management were reduced and further cost cuts were implemented.

2015 turns out to be a challenging year and BXPL has revised its 2015 plan so that the company will survive on limited cash.

## THE BADGER EXPLORER DEVELOPMENT PROGRAM

BXPL has previously finalized the Badger Explorer Development Program Scope of Work and identified the main milestones in the Program. The formal agreement and the Scope of Work have been put together in close cooperation with our partners.

The main tasks for the first phase of the program are Cuttings Transport Systems and Compaction Systems. The Cuttings Transport System will be based on previous work completed together with Honeybee Robotics and experiences gathered during the Demonstrator Program tests.

The main work related to the Compaction system will be executed as part of the Petromaks2 project which started in 2014. The Project will develop HPHT ultrasonic transducers which will be used to further characterize compaction efficiency in realistic conditions.

## FINANCIALS

### Investor Relations

Badger Explorer ASA had 776 shareholders on 30th June 2015. Norwegian entities and individuals held 64.6% of the outstanding shares and the 20 largest shareholders held 70.3% of the outstanding shares.

### Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 9 full-time employees as of 30th June 2015, compared to 12 employees as of 30th June 2014. 3 of these employees were laid off on June 30th.

### Equal opportunities and fair treatment of personnel

As of 1st July 2015, Badger Explorer ASA had 6 permanent employees, of whom 2 are female. In order to succeed, the Company



is dependent upon engaging the best competence available; hence competence must be sourced where it is available. However, the Company emphasizes the importance of maintaining a balance and distribution of gender, equal compensation for similar work and equal opportunities for everyone in the development and running of the Company. The staff is multinational representing three nationalities.

### Main Figures

Revenues for Q2 2015 were NOK 0.00 and NOK 0.00 for H1 2015, compared to NOK 0.00 for Q2 2014 and NOK 0.00 for H1 2014.

Operating expenses for Q2 2015 were NOK 3.515 million and NOK 7.550 million for H1 2015, compared to NOK 5.254 million for Q2 2014 and NOK 10.059 million for H1 2014.

EBITDA for Q2 2015 was NOK -3.515 million and NOK -7.550 million for H1 2015, compared to NOK -5.254 million for Q2 2014 and NOK -10.059 million for H1 2014.

Total development costs of the Badger Explorer project in Q2 2015 were NOK 3.227 million, of which NOK 2.706 million was capitalized. For H1 2015, development costs were NOK 8.078 million, of which NOK 6.630 million was capitalized. Total development costs of the Badger Explorer project in Q2 2014 were NOK 6.271 million, of which NOK 5.337 million was capitalized. For H1 2014, total development costs were NOK 15.248 million, of which NOK 13.213 million was capitalized.

Capitalized public grants for the Badger Explorer project were NOK 1.524 million for Q2 2015 and NOK 3.402 million for H1 2015, compared to NOK 1.254 million for Q2 2014 and NOK 4.256 million for H1 2014.

Earnings per share amounted to NOK -0.20 per share for Q2 2015 and NOK -0.43 for H1 2015, compared to NOK -0.32 per share for Q2 2014 and NOK -0.60 for H1 2014.

The cash position at BXPL was NOK 857,282 as of 30th June 2015, compared to NOK 2.425 million as of 30th June 2014.

As of 30th June 2015, BXPL had a net equity of NOK 71.305 million (equity ratio of 46.8%), compared to NOK 90.800 million as of 30th June 2014 (equity ratio of 60.1%).

**SUMMARY**

Unaudited figures in NOK 1000	Quarters			Year to date	
	Q2 2015	Q1 2015	Q2 2014	30.06.2015	30.06.2014
Revenues	0	0	0	0	0
Operating expenses	3 515	4 035	5 254	7 550	10 059
EBITDA	-3 515	-4 035	-5 254	-7 550	-10 059
Earnings per share	-0.20	-0.23	-0.32	-0.43	-0.60
Projects development costs	3 227	4 852	6 271	8 078	15 248
Public grants for projects development	1 524	1 878	1 254	3 402	4 256
Capitalization of development costs and public grants	1 183	2 046	4 083	3 228	8 957

Net cash flow arising from the operating activities for Q2 2015 was NOK -106,612 and NOK -4.963 million for H1 2015, compared to NOK -3.918 million for Q2 2014 and NOK -12.930 million for H1 2014. Net cash outflow includes payments to vendors for goods and services received.

Net cash flow arising from the investment activities for Q2 2015 was NOK -2.706 million and NOK -6.630 million for H1 2015, compared to NOK -5.337 million for Q2 2014 and NOK -13.213 million for H1 2014. Net cash flow from investment activities was negative, mainly reflecting the development costs related to the Badger Explorer Development project, which are eligible for capitalization.

Net cash flow arising from the financing activities for Q2 2015 was NOK 2.589 million and NOK 8.100 million for H1 2015, compared to NOK 1.305 million for Q2 2014 and NOK 3.625 million for H1 2014. Net cash inflows in the Q2 2015 include payments for Milestones 5 and 6 from Chevron Energy Technology Company and CNPC DR, also public grants from RCN. Due to the contributions from the industry partners and public grants, net cash flow from financing activities was a positive in 2015 and 2014. Cash outflows include repayment of a credit facility to Sparebanken Vest.

Total net changes in cash flow for Q2 2015 were NOK -224,079 and NOK -3.493 million for H1 2015, compared to NOK -7.949 million for Q2 2014 and NOK -22.519 million for H1 2014.

BXPL holds 15% of shares in SST as of 30th June 2015. The remaining shares will be divested in the end of 2015 on an earn-out model basis. The share purchase price for the future transaction is linked to SST's financial performance during 2015.

**Risk considerations**

For a company dependent on ground breaking technological development, it is of the utmost importance to continuously monitor and analyze the risks, and manage them in a professional manner. BXPL continuously works to reduce the risk elements that could influence its success, through steady progress in the development project, securing competence, skills and capacities, securing cost control and cash management, and through funding and robust partnerships.

The risk elements highlighted in the Annual Report for 2014 were:

- Liquidity
- Technology in relation to the Badger Explorer
- Competing technologies
- The oil service market
- Authorities' permission
- Environmental aspects
- Exchange rate
- Interest rate
- Credit



The elements listed above are still regarded as the main risk factors for the Company, although their relative priorities have been revised. To support and secure the ongoing technical development plan, BXPL has implemented processes to monitor cash tightly.

Cost efficient solutions are sought on technical deliveries. Furthermore, concrete steps have been taken during H1 2015 to secure more funding and to release such cash. The most important steps implemented:

- Established a broader sponsor group
- Implemented cost-cutting initiatives to improve both efficiency and effectiveness
- Satisfied the specific requirements to release committed public grants and steps to accelerate the transfer of such funding.

The cash monitoring will remain an important task.

**ANNUAL GENERAL MEETING (AGM) 2014**

On the 5th of May 2015, BXPL held the AGM for 2014.

In H1 2015, there is uncertainty as to whether BXPL has sufficient funding to operate through 2015. Hence, the audit report given for 2014 is un-qualified. However, the Board has the confidence that funding will be secured for 2015 and therefore the 2014 accounts were approved on a going concern basis.

At the AGM Ms. Tone Kvaale resigned as Board member after 8 years of service. An Extraordinary General Meeting will be held to elect a new female board member.

**OUTLOOK**

The oil business is currently undergoing comprehensive changes and cost cuttings which also have a serious effect for BXPL. 2015 has to be completed at minimum cost. BXPL is confident that the agreed technical deliveries for 2015 are achievable.

BXPL is currently experiencing a delay in the commitment for further support from our other sponsors and additional financial support must be secured. The BXPL management is working with several options including discussions with oil service companies.

During 2016 we expect to see an improving business climate that will enable BXPL to ramp up the ongoing development activities.

**RESPONSIBILITY STATEMENT**

The Board of Directors and the CEO confirm that to the best of their knowledge the condensed set of financial statements (unaudited) for the first half year of 2015, which have been prepared in accordance with IAS 34 - Interim Financial Reporting, gives a true and fair view on the Group's consolidated assets, liabilities, financial position and results of the operation for the period, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Stavanger, 19th August 2015

The Board of Directors  
Badger Explorer ASA



Marcus Hansson

(Chairman of the Board)



Birte Noer Borrevik

(Board member)



Bjørge Gretland

(Board member)

Stavanger, 19th August 2015

The Board of Directors  
Badger Explorer ASA



Marcus Hansson

(Chairman of the Board)



Birte Noer Borrevik

(Board member)



Bjørge Gretland

(Board member)



David Ottesen

(Board member)



Steinar Bakke

(President &amp; CEO)



David Ottesen

(Board member)



Steinar Bakke

(President &amp; CEO)

## ACCOUNTING POLICIES

Badger Explorer ASA (BXPL) 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 Foruskkogen 1, 4033 Stavanger, Norway.

The financial statements of BXPL have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

From 28 June 2013, 30% of the shares in SST were owned by BXPL. The investment in SST was 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 was recognised according to equity method. On 15 December 2014, Severn Glocon acquired another 15% of the shares in SST. BXPL holds 15% of shares in SST as of 30 June 2015.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If BXPL 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 BXPL are presented separately in the income statement and within equity in the statement of financial position, separately from parent shareholder's equity.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements as of 31 December 2014.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements as of 31 December 2014.

BXPL's financial statements are presented in NOK. The 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 sale of shares in SST, 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 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 manner.

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- BXPL's intention to complete and BXPL'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 statement of financial position.

Costs that have been charged as expenses in previous accounting periods are not recognised in the 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 BXPL and the revenue can be reliably measured, regardless of when the payment is being made.

Interest income is recognised in the 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 statement of financial position under long term liabilities as the contributions are subject to repayment ref note 14 in BXPL annual accounts.

On 17 February 2014, the Board of Directors of BXPL implemented a new share 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 up to 2 occasions during each calendar year, between three and ten days after publications of the Company's Q1 and Q3 results in 2016 and 2017. A total number of 54,000 share options vested on 30 June 2015. The remaining 469,000 share options were "out of the money" on 30 June 2015.

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

## INCOME STATEMENT

Unaudited figures in NOK 1000	Quarters			Year to date		Year End	
	Q2 2015	Q1 2015	Q2 2014	Note	30.06.2015	30.06.2014	31.12.2014
<b>Revenues</b>							
Other Income	0	0	0		0	0	0
Public grants	1 524	1 878	1 254	1,2	3 402	4 256	14 675
Capitalized public grants	-1 524	-1 878	-1 254	1,2	-3 402	-4 256	-14 675
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Expenses</b>							
External services for development project	1 666	2 068	3 467		3 734	9 143	16 520
Payroll and related costs	1 775	3 281	3 899		5 055	8 166	17 343
Other operating expenses	2 781	2 610	3 225		5 391	5 963	11 357
Capitalized development costs	-2 706	-3 924	-5 337		-6 630	-13 213	-24 107
<b>Total Operating Expenses</b>	<b>3 515</b>	<b>4 035</b>	<b>5 254</b>		<b>7 550</b>	<b>10 059</b>	<b>21 113</b>
<b>EBITDA</b>	<b>-3 515</b>	<b>-4 035</b>	<b>-5 254</b>		<b>-7 550</b>	<b>-10 059</b>	<b>-21 113</b>
Depreciation	49	60	71		109	161	301
<b>Operating profit (loss)</b>	<b>-3 565</b>	<b>-4 094</b>	<b>-5 325</b>		<b>-7 659</b>	<b>-10 220</b>	<b>-21 414</b>
Net financial income (loss)	-126	-101	-535	3,10	-227	-976	-1 951
<b>Profit (loss) before taxes</b>	<b>-3 691</b>	<b>-4 196</b>	<b>-5 860</b>		<b>-7 886</b>	<b>-11 196</b>	<b>-23 365</b>
Tax on ordinary result	0	0	0		0	0	0
<b>Net profit (loss)</b>	<b>-3 691</b>	<b>-4 196</b>	<b>-5 860</b>		<b>-7 886</b>	<b>-11 196</b>	<b>-23 365</b>
Profit (loss) attributable to non-controlling interests	0	0	0		0	0	0
<b>Profit (loss) attributable to equity holders of the parent</b>	<b>-3 691</b>	<b>-4 196</b>	<b>-5 860</b>		<b>-7 886</b>	<b>-11 196</b>	<b>-23 365</b>
Earnings per share	-0.20	-0.23	-0.32		-0.43	-0.60	-1.26
Earnings per share diluted	-0.20	-0.23	-0.32		-0.42	-0.60	-1.23

## STATEMENT OF FINANCIAL POSITION

ASSETS	Unaudited figures in NOK 1000				
	30.06.2015	31.03.2015	30.06.2014	Note	31.12.2014
<b>NON-CURRENT ASSETS</b>					
Capitalized development costs	143 446	142 263	139 742	2,6	140 218
Patent rights	387	387	387		387
<b>Total intangible assets</b>	<b>143 832</b>	<b>142 650</b>	<b>140 129</b>		<b>140 604</b>
Property, plant & equipment	192	242	441		301
<b>Total tangible assets</b>	<b>192</b>	<b>242</b>	<b>441</b>		<b>301</b>
Investments in associates	0	0	1 503	3,10	0
<b>Total investments in associates</b>	<b>0</b>	<b>0</b>	<b>1 503</b>		<b>0</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>144 025</b>	<b>142 891</b>	<b>142 073</b>		<b>140 906</b>
<b>CURRENT ASSETS</b>					
Other receivables	7 320	9 297	6 526		5 391
<b>Total receivables</b>	<b>7 320</b>	<b>9 297</b>	<b>6 526</b>		<b>5 391</b>
Cash and cash equivalents	857	1 082	2 425		4 351
<b>TOTAL CURRENT ASSETS</b>	<b>8 177</b>	<b>10 379</b>	<b>8 951</b>		<b>9 741</b>
<b>TOTAL ASSETS</b>	<b>152 202</b>	<b>153 271</b>	<b>151 024</b>		<b>150 647</b>
Unaudited figures in NOK 1000					
EQUITY AND LIABILITIES		30.06.2015	31.03.2015	30.06.2014	Note
EQUITY					31.12.2014
Share capital	2 317	2 317	2 317	3	2 317
Share premium	218 070	218 070	218 070	4	218 070
Other paid in capital	3 895	3 824	3 333	3	3 660
<b>Total paid in equity</b>	<b>224 282</b>	<b>224 211</b>	<b>223 720</b>		<b>224 047</b>
Retained earnings	-152 977	-149 286	-132 921		-145 091
<b>Total retained earnings</b>	<b>-152 977</b>	<b>-149 286</b>	<b>-132 921</b>		<b>-145 091</b>
<b>TOTAL EQUITY</b>	<b>71 305</b>	<b>74 925</b>	<b>90 800</b>		<b>78 956</b>
LIABILITIES					
Capitalized grants	75 000	73 500	53 920	6	66 520
<b>Total non-current liabilities</b>	<b>75 000</b>	<b>73 500</b>	<b>53 920</b>		<b>66 520</b>
Accounts payables	2 768	1 799	4 541	3,8	2 394
Public duties payables	32	1 118	1 221		1 650
Debt financial institutions	1 967	0	0	11	0
Other short term liabilities	1 129	1 928	542		1 126
<b>Total current liabilities</b>	<b>5 896</b>	<b>4 845</b>	<b>6 304</b>		<b>5 170</b>
<b>TOTAL LIABILITIES</b>	<b>80 896</b>	<b>78 345</b>	<b>60 224</b>		<b>71 690</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>152 202</b>	<b>153 271</b>	<b>151 024</b>		<b>150 647</b>

## 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 31.12.2014		2 317	218 070	3 660	-145 090	0	78 956
Total comprehensive income					-7 886		-7 886
Option plan payment	5			236			236
<b>Equity as of 30.06.2015</b>		<b>2 317</b>	<b>218 070</b>	<b>3 895</b>	<b>-152 977</b>	<b>0</b>	<b>71 305</b>

## STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters				Year to date
	Q2 2015	Q1 2015	Q2 2014	30.06.2015	30.06.2014
<b>Total comprehensive income</b>					
Profit (loss) for the year (period)	-3 691	-4 196	-5 860	-7 886	-11 196
Other comprehensive income - items that will later be reclassified to profit and loss					
Translation differences	0	0	0	0	0
<b>Comprehensive income at end of period</b>	<b>-3 691</b>	<b>-4 196</b>	<b>-5 860</b>	<b>-7 886</b>	<b>-11 196</b>

	Quarters				Year to date
	Q2 2015	Q1 2015	Q2 2014	30.06.2015	30.06.2014
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent	-3 691	-4 196	-5 860	-7 886	-11 196
Non-controlling interest	0	0	0	0	0
<b>Total comprehensive income</b>	<b>-3 691</b>	<b>-4 196</b>	<b>-5 860</b>	<b>-7 886</b>	<b>-11 196</b>

## NOTES

1. Badger Explorer ASA (BXPL) has previously received public grants from the Research Council of Norway (RCN), Innovation Norway and Skattefunn for the Badger Explorer Demonstrator Program. The projects of the Badger Explorer Demonstrator Program are funded with a percentage of the total project costs. During H1 2015, RCN has through its PETROMAKS-program granted NOK 957,165 to the development of the Badger autonomous drilling tool. Through the PETROMAKS2-program, RCN granted NOK 2.448 million funding for the development of HPHT ultrasonic system.
2. The public grants and all project development costs of BXPL, related to the Badger Explorer Demonstrator Program, are capitalized in accordance with the IFRS regulations, except of NOK 1.448 million as per 30 June 2015. These additional project costs are related to the restriction on capitalization of own personnel costs in the IFRS standard.
3. From 28 June 2013, 30% of the shares in Severn Subsea Technologies Ltd. (SST) were owned by BXPL. The investment in SST was 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 was recognised according to equity method. On 15 December 2014, Severn Glocon acquired another 15% of the shares in SST. BXPL holds 15% of shares in SST as of 30 June 2015.
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 30 June 2015 is 18,537,288 at par value of NOK 0.125 per share.
5. On 17 February 2014, the Board of Directors of BXPL implemented a new share options 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 results in 2016 and 2017. A total number of 54,000 share options forfeited on 30 June 2015. The remaining 469,000 share options were "out of the money" on 30 June 2015.

The share options agreements are equity-based incentive compensation. The employee share options are recognised as an expense in the income statement under "Payroll and related costs" and in the 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.

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 "out of the money" on 30 June 2015.

6. BXPL received contributions from the following industry partners: Statoil Petroleum ASA, ExxonMobil Exploration and Production Norway AS, Shell Technology Norway AS (the previous Prototype Program partner), Chevron Energy Technology Company and Wintershall Norge AS. A total of NOK 75.000 million of the 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.

On 5 August 2014, BXPL signed a Co-operation Agreement with China National Petroleum Corporation Drilling Research Institute (CNPC DR), whereby CNPC DR became a new sponsoring partner of the Badger Explorer Demonstrator Program. In consideration of the participation in the Demonstrator Program, BXPL has invoiced CNPC DR for sign-on fee payment of NOK 12.600 million. The contribution of NOK 13.100 million was received in November 2014. BXPL realized NOK 500,066 of exchange gain with respect to the payment received. The contribution is recognised as capitalized grants in the statement of financial position.

Milestones 5 and 6 were delivered and approved by the Steering Committee on 5 February 2015. Based on delivery of Milestones, BXPL received the following contributions during H1 2015:

Statoil Petroleum AS	NOK 1.2 million (excl. VAT)
ExxonMobil	NOK 1.2 million (excl. VAT)
Wintershall Norge AS	NOK 1.540 million (excl. VAT)
Chevron Energy Technology Company	NOK 1.840 million
CNPC DR	NOK 1.110 million

7. Deferred tax asset has not been recognised in the 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	30.06.2015	30.06.2014
Purchases of services*	1 757	2 190

\* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. During H1 2015, payments totalling NOK 748,885 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 4,740 related to travel expenses. Mr. Gunnar Dolven, who is a CFO of BXPL, is a director of Dalvin Rådgivning AS. During H1 2015, Nilsholmen AS, a company owned by Mr. Kjell Markman who is a Sr.VP Business Development & Strategy of BXPL, received payments of NOK 943,943 in respect of performed consultancy services and NOK 59,574 related to travel expenses.

Transactions with Severn Subsea Technologies Ltd.	30.06.2015	30.06.2014
Accounts payable**	7	111
Purchased services**	7	1 558

\*\*BXPL purchased engineering- and production services from SST. All purchased services from SST in 2015 are related to the BXPL's development project.

Shares held by members of the Board of Directors and members of the Management Group	30.06.2015	30.06.2014
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	30 000
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	0	5 000
<b>Ordinary shares</b>	<b>1 145 962</b>	<b>1 150 962</b>
% of total shares	6.2 %	6.2 %

#### 9. Fair value hierarchy

As at 30 June 2015, BXPL holds financial assets of the 15% shares in SST at fair value in the statement of financial position.

#### 10. Investment in associate

Unaudited figures in NOK 1000

On 28 June 2013, BXPL entered into the Share Purchase Agreement (Agreement) with Severn Glocon, whereby BXPL sold 84 shares pursuant to the Agreement representing 70% of the issued share capital of its subsidiary 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. The partial divestment of shares in 2013 was treated as discontinued operations in accordance with IFRS 5.

Under the Agreement, Severn Glocon acquired another 15% of the shares on 15 December 2014. BXPL holds 15% of shares in SST as of 30 June 2015. The remaining shares will be divested in the end of 2015 on an earn-out model basis. The share purchase price for the future transaction is linked to SST's financial performance during 2015.

#### Carrying amount movements in the statement of financial position of BXPL for the period ended 30 June 2015:

Carrying amount of 30% interest retained as of 31 December 2013	2 701
30% shares of net result in the associate for the period 1 January - 15 December 2014	-2 387
Sale of 15% of shares on 15 December 2014	-157
Impairment of the remaining 15 % of shares in SST	-157
Closing balance for the period ended 30 June 2015	0

#### 11. Revolving credit facility

BXPL has entered into a revolving credit facility with its Norwegian bank Sparebanken Vest on 22 August 2012 that provides for borrowings of up to NOK 7.5 million with an interest rate of 4.95%. In addition, there is a yearly commission of 1.0% on the credit line. As of 30 June 2015, NOK 1.967 million has been drawn on the overdraft facility. Interest incurred of NOK 24,559 have been repaid during Q2 2015.

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