



BADGER
EXPLORER



Quarterly Report Q4 2015

HIGHLIGHTS Q4 2015

Technical progress Q4

BXPL and Statoil, the current partners in the Development Program, have continued close and frequent contact to advance the Development Program. Agreed focus areas for 2015 were:

- Locomotion system
- High Power HPHT transducers for compaction and drilling
- Cuttings transport system

A study of solid-state locomotion with positive conclusions was delivered by a European company specializing in mechatronic systems for challenging environments.

In Q4 2015, High Power HPHT transducers, developed under a Petromaks2 supported program, were successfully qualified for operation at 150 °C and 700 bars. Employing cutting edge technology, the transducers represent a significant step in the development of compaction and drilling systems for Badger Explorer tools.

BXPL have also, together with Honeybee Robotics, developed and built a full scale cuttings transport system. Testing of the system started in Q4 2015 and is expected to be completed in Q1 2016.

Expenses for Q4 2015 have been reduced while maintaining delivery of key technical results and development.

Cost saving program

A significant cost saving program has been implemented. The program includes salary reductions, minimizing the use of consultants, relocating to new facilities and general cost saving measures. The program places BXPL in a position to continue operations and to deliver technical progress within the current business climate.

Sponsoring partners

BXPL have, together with Statoil, defined focus areas and milestones for 2016 and aim to formally start the next phase of the Development Program in Q1 2016. Statoil remains a key partner for BXPL in terms of funding and technical guidance.

In January 2016, BXPL and CNPC-DR signed a new Memorandum of Understanding highlighting CNPC-DR's intention to enter the Development Program. BXPL and CNPC-DR expect negotiations to be finalized in the near term.

Due to the current business climate, BXPL anticipates longer lead times when negotiating with sponsoring partners in the oil industry.

Spin-off applications and international oil service companies

BXPL has entered partnership dialogue with several international oilfield service companies. Such partnerships will positively impact Badger Explorer by accelerating technical advancement of the tool and contributing to a successful market introduction.

Partnerships will allow technologies originating from the development of the Badger Explorer tool to be spun-off for alternative applications. While the Development Program will remain focused on the Badger tool, BXPL will through these partnerships, make an effort to unlock the potential in currently held technologies, and those pipelined for development.

THE BADGER EXPLORER DEVELOPMENT PROGRAM

The Badger Explorer Development Program has been formulated to mature and qualify robust solutions for the following components of the Badger Explorer concept:

- Drilling
- Cuttings transport
- Compaction
- Locomotion

Important, positive results for the program were delivered in 2015. This will continue in 2016, with work focusing on the qualification of a cuttings transport system suitable for deployment in all formations, the continued development of High Power HPHT transducers, and the characterization and early-stage engineering of vibration-assisted compaction and drilling systems.

FINANCIAL REVIEW

INVESTOR RELATIONS

Badger Explorer ASA had 793 shareholders on 31 December 2015. Norwegian entities and individuals held 64.4% of the outstanding shares and the 20 largest shareholders held 60.5% of the outstanding shares.

BADGER EXPLORER ASA

The staff of Badger Explorer ASA consisted of 6 full-time employees on 31 December 2015, compared to 9 employees on 31 December 2014.

MAIN FIGURES

No revenue was recognized as the Company is in a product development phase and currently generates losses.

Operating expenses for the fourth quarter ended December 2015 amounted to NOK 1.409 million compared to NOK 5.378 million for the fourth quarter ended December 2014. Operating expenses for the twelve months ended December 2015 amounted to NOK 12.606 million compared to NOK 21.113 million for the twelve months ended December 2014. The cost decrease was driven by the current market challenges and uncertainty with respect to future oil prices. The Company has significantly reduced its cost structure to align with anticipated lower activity level. Effective from 30 June 2015, three employees were laid off from their positions.

BXPL's total comprehensive income shows a net loss of NOK -1.566 million in the fourth quarter of 2015 compared to NOK -6.087 million in the fourth quarter of 2014 and a net loss of NOK -13.257 million for the twelve months ended December 2015 and NOK -23.365 million for the twelve months ended December 2014. The decrease along with cost saving efforts contributed to a significantly reduced net loss attributable to shareholders of the Company.

Total development costs of the Badger Explorer project for the fourth quarter 2015 amounted to NOK 3.624 million (Q4 2014: NOK 6.052 million), of which NOK 3.069 million (Q4 2014: NOK 5.068 million) was capitalized for the fourth quarter of 2015 and 2014 respectively. For the twelve months ended December 2015, total development costs amounted to NOK 16.823 million (2014: NOK 27.900 million), of which NOK 14.124 million (2014: NOK 24.107 million) was capitalized. The decrease in research and development expenses resulted primarily from a decrease in cash collection received from public institutions and industry partners.



SUMMARY

| Unaudited figures in NOK 1000 | Quarters | | | Year End | |
|---|----------|---------|---------|------------|------------|
| | Q4 2015 | Q3 2015 | Q4 2014 | 31.12.2015 | 31.12.2014 |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Operating expenses | 1 409 | 3 647 | 5 378 | 12 606 | 21 113 |
| EBITDA | -1 409 | -3 647 | -5 378 | -12 606 | -21 113 |
| Earnings per share | -0.08 | -0.21 | -0.33 | -0.72 | -1.26 |
| Projects development costs | 3 624 | 5 121 | 6 052 | 16 823 | 27 900 |
| Public grants for projects development | 1 109 | 2 063 | 2 558 | 6 574 | 14 675 |
| Capitalization of development costs and public grants | 1 960 | 2 362 | 2 511 | 7 550 | 9 432 |

Capitalized public grants for the Badger Explorer project decreased from NOK 2.558 million in the fourth quarter 2014 to NOK 1.109 million in the fourth quarter 2015. Capitalized public grants decreased from NOK 14.675 million for the twelve months ended December 2014 to NOK 6.574 million for the twelve months ended December 2015. The decrease in government funding reflected lower projects activity levels during 2015.

Cash and cash equivalents were NOK 585,953 end of 2015 compared to NOK 4.351 million end of 2014.

Shareholder's equity for BXPL was NOK 66.207 million end of 2015, with an equity ratio of 43.4%, compared to NOK 78.956 million in 2014 (equity ratio of 52.4%).

Net cash flow from the operating activities for the fourth quarter ended December 2015 amounted to NOK -1.911 million compared to NOK -4.803 million for the fourth quarter ended December 2014. Net cash flow from the operating activities for the twelve months ended December 2015 amounted to NOK -12.351 million compared to NOK -23.714 million for the twelve months ended December 2014. Net cash outflow includes payments to vendors for goods and services received.

Net cash flow from the investment activities for the fourth quarter ended December 2015 amounted to NOK -3.069 million compared to NOK -5.068 million for the fourth quarter ended December 2014. Net cash flow from the investment activities for the twelve months ended December 2015 amounted to NOK -14.124 million compared to NOK -24.107 million for the twelve months ended December 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 from the financing activities for the fourth quarter ended December 2015 amounted to NOK 4.474 million compared to NOK 13.810 million for the fourth quarter ended December 2014. Net cash flow from the financing activities for the twelve months ended December 2015 amounted to NOK 22.711 million compared to NOK 27.227 million for the twelve months ended December 2014. Net cash flow from financing activities was a positive in 2015 and 2014 as a result of received public grants, Skattefunn tax deduction, contributions from the industry partners and overdraft facility.

OUTLOOK

Important deliverables were successfully completed in Q4 2015, and based on these results further work is planned in 2016 to qualify key parts of the Badger Explorer concept.

Negotiations with oil company sponsors are on-going and will be completed as soon as possible.

In 2016 BXPL will put more emphasis on developing spin-off applications in parallel with the Development Program. The development of spin-off applications together with industrial partners will strengthen the team working on solutions for the Badger Explorer tool.

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 Forusskogen 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 31 December 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 matter.

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. The remaining 99,000 share options were "out of the money" on 31 December 2015.

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

INCOME STATEMENT

| | Quarters | | | | Year End | |
|---|---------------|---------------|---------------|------|----------------|----------------|
| Unaudited figures in NOK 1000 | Q4 2015 | Q3 2015 | Q4 2014 | Note | 31.12.2015 | 31.12.2014 |
| Revenues | | | | | | |
| Other Income | 0 | 0 | 0 | | 0 | 0 |
| Public grants | 1 109 | 2 063 | 2 558 | 1,2 | 6 574 | 14 675 |
| Capitalized public grants | -1 109 | -2 063 | -2 558 | 1,2 | -6 574 | -14 675 |
| Total Revenues | 0 | 0 | 0 | | 0 | 0 |
| Operating Expenses | | | | | | |
| External services for development project | 1 959 | 3 033 | 3 102 | | 8 726 | 16 520 |
| Payroll and related costs | 1 983 | 2 883 | 5 117 | | 9 921 | 17 343 |
| Other operating expenses | 536 | 2 155 | 2 227 | | 8 083 | 11 357 |
| Capitalized development costs | -3 069 | -4 425 | -5 068 | | -14 124 | -24 107 |
| Total Operating Expenses | 1 409 | 3 647 | 5 378 | | 12 606 | 21 113 |
| EBITDA | -1 409 | -3 647 | -5 378 | | -12 606 | -21 113 |
| Depreciation | 44 | 48 | 67 | | 200 | 301 |
| Operating profit (loss) | -1 453 | -3 694 | -5 445 | | -12 807 | -21 414 |
| Net financial income (loss) | -114 | -109 | -642 | 3,10 | -450 | -1 951 |
| Profit (loss) before taxes | -1 566 | -3 804 | -6 087 | | -13 257 | -23 365 |
| Tax on ordinary result | 0 | 0 | 0 | | 0 | 0 |
| Net profit (loss) | -1 566 | -3 804 | -6 087 | | -13 257 | -23 365 |
| Profit (loss) attributable to equity holders of the parent | -1 566 | -3 804 | -6 087 | | -13 257 | -23 365 |
| Earnings per share | -0.08 | -0.21 | -0.33 | | -0.72 | -1.26 |
| Earnings per share diluted | -0.08 | -0.20 | -0.33 | | -0.71 | -1.23 |

STATEMENT OF FINANCIAL POSITION

Unaudited figures in NOK 1000

| ASSETS | 31.12.2015 | 30.09.2015 | Note | 31.12.2014 |
|----------------------------------|----------------|----------------|------|----------------|
| NON-CURRENT ASSETS | | | | |
| Capitalized development costs | 147 768 | 145 808 | 2,6 | 140 218 |
| Patent rights | 387 | 387 | | 387 |
| Total intangible assets | 148 154 | 146 195 | | 140 604 |
| Property, plant & equipment | 101 | 144 | | 301 |
| Total tangible assets | 101 | 144 | | 301 |
| TOTAL NON-CURRENT ASSETS | 148 255 | 146 339 | | 140 906 |
| CURRENT ASSETS | | | | |
| Other receivables | 3 630 | 5 676 | | 5 391 |
| Total receivables | 3 630 | 5 676 | | 5 391 |
| Cash and cash equivalents | 586 | 1 091 | | 4 351 |
| TOTAL CURRENT ASSETS | 4 216 | 6 767 | | 9 741 |
| TOTAL ASSETS | 152 471 | 153 106 | | 150 647 |

Unaudited figures in NOK 1000

| EQUITY AND LIABILITIES | 31.12.2015 | 30.09.2015 | Note | 31.12.2014 |
|--------------------------------------|-----------------|-----------------|------|-----------------|
| EQUITY | | | | |
| Share capital | 2 317 | 2 317 | 3 | 2 317 |
| Share premium | 218 070 | 218 070 | 4 | 218 070 |
| Other paid in capital | 4 167 | 4 031 | 3 | 3 660 |
| Total paid in equity | 224 555 | 224 419 | | 224 047 |
| Retained earnings | -158 347 | -156 781 | | -145 091 |
| Total retained earnings | -158 347 | -156 781 | | -145 091 |
| TOTAL EQUITY | 66 207 | 67 638 | | 78 956 |
| LIABILITIES | | | | |
| Capitalized grants | 75 000 | 75 000 | 6 | 66 520 |
| Total non-current liabilities | 75 000 | 75 000 | | 66 520 |
| Accounts payables | 3 078 | 3 510 | 3,8 | 2 394 |
| Public duties payables | 474 | 614 | | 1 650 |
| Debt financial institutions | 6 711 | 5 046 | 11 | 0 |
| Other short term liabilities | 1 001 | 1 299 | | 1 126 |
| Total current liabilities | 11 264 | 10 469 | | 5 170 |
| TOTAL LIABILITIES | 86 264 | 85 469 | | 71 690 |
| TOTAL EQUITY AND LIABILITIES | 152 471 | 153 106 | | 150 647 |

STATEMENT OF CASH FLOW

| Unaudited figures in NOK 1000 | Quarters | | | | Year end | |
|--|---------------|---------------|---------------|------|----------------|----------------|
| | Q4 2015 | Q3 2015 | Q4 2014 | Note | 31.12.2015 | 31.12.2014 |
| Contribution from operations* | -1 273 | -3 510 | -5 223 | | -12 098 | -20 419 |
| Change in accounts receivables and accounts payables | -433 | 742 | -784 | 3,8 | 683 | -2 007 |
| Change in other receivables and payables | -205 | 1 227 | 1 203 | | -936 | -1 287 |
| Net cash flow from operating activities | -1 911 | -1 542 | -4 803 | | -12 351 | -23 714 |
| Capitalization of development cost | -3 069 | -4 425 | -5 068 | 2 | -14 124 | -24 107 |
| Net cash flow from investment activities | -3 069 | -4 425 | -5 068 | | -14 124 | -24 107 |
| Public grants | 2 922 | 1 733 | 3 554 | 1 | 8 060 | 13 908 |
| Contribution from industry partners | 0 | 1 500 | 12 600 | 6 | 8 390 | 12 600 |
| Interest received | 16 | 2 | 515 | | 54 | 648 |
| Interest paid | -130 | -111 | -140 | | -505 | -303 |
| Other financial income | 0 | 0 | 108 | | 0 | 375 |
| Proceeds from borrowings financial institution | 1 666 | 3 078 | -2 827 | 11 | 6 711 | 0 |
| Net cash flow from financing activities | 4 474 | 6 201 | 13 810 | | 22 711 | 27 227 |
| Total net changes in cash flow | -505 | 234 | 3 939 | | -3 764 | -20 594 |
| Cash and cash equivalents beginning of period | 1 091 | 857 | 412 | | 4 351 | 24 943 |
| Cash and cash equivalents end of period | 586 | 1 091 | 4 351 | | 586 | 4 351 |
| Profit (loss) attributable to equity holders of the parent | -1 566 | -3 804 | -6 087 | | -13 256 | -23 366 |
| Employee options | 136 | 136 | 156 | 5 | 508 | 694 |
| Depreciation | 44 | 48 | 67 | | 200 | 301 |
| Financial income | -16 | -2 | -623 | | -54 | -1 053 |
| Financial expenses | 130 | 111 | 140 | | 505 | 304 |
| Share of (profit) / loss of associates | 0 | 0 | 810 | 3,10 | 0 | 2 387 |
| Impairment of financial assets | 0 | 0 | 157 | 10 | 0 | 157 |
| Loss on sale of associate and shares | 0 | 0 | 157 | 3,10 | 0 | 157 |
| *Contribution from operations before tax | -1 273 | -3 510 | -5 223 | | -12 098 | -20 419 |



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 | | | | | -13 257 | | -13 257 |
| Option plan payment | 5 | | | 508 | | | 508 |
| Equity as of 31.12.2015 | | 2 317 | 218 070 | 4 167 | -158 347 | 0 | 66 207 |

STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

| | Quarters | | Year End | | |
|--|---------------|---------------|---------------|----------------|----------------|
| | Q4 2015 | Q3 2015 | Q4 2014 | 31.12.2015 | 31.12.2014 |
| Total comprehensive income | | | | | |
| Profit (loss) for the year (period) | -1 566 | -3 804 | -6 087 | -13 257 | -23 365 |
| Other comprehensive income | | | | | |
| - items that will later be reclassified to profit and loss | | | | | |
| Translation differences | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income at end of period | -1 566 | -3 804 | -6 087 | -13 257 | -23 365 |

| | Quarters | | Year End | | |
|--|---------------|---------------|---------------|----------------|----------------|
| | Q4 2015 | Q3 2015 | Q4 2014 | 31.12.2015 | 31.12.2014 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | -1 566 | -3 804 | -6 087 | -13 257 | -23 365 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | -1 566 | -3 804 | -6 087 | -13 257 | -23 365 |

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. As of 31 December 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 4.181 million funding for the development of HPHT ultrasonic system. During Q4 2015, BXPL also received NOK 2.922 million from Skattefunn.
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 2.699 million as per 31 December 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 31 December 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 31 December 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. The remaining 99,000 share options were "out of the money" on 31 December 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 31 December 2015.

6. BXPL received contributions from the following industry partners for the Badger Explorer Demonstrator Program: Statoil Petroleum AS, ExxonMobil Exploration and Production Norway AS, Shell Technology Norway AS (the previous Prototype Program partner), Chevron Energy Technology Company, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). 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.

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 as of 31 December 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 |

On 8 June 2015, BXPL signed an agreement with Statoil Petroleum AS, whereby the oil company will sponsor the first phase of the Badger Explorer Development Program. In consideration of the participation in the Development Program, BXPL received signing-on fee payment of NOK 1.5 million (excl. VAT).

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 | 31.12.2015 | 31.12.2014 |
|---------------------------------|------------|------------|
| Purchases of services* | 2 516 | 4 411 |

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. As of 31 December 2015, payments totalling NOK 1.124 million were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 13,188 related to travel expenses. Mr. Gunnar Dolven, who is a CFO of BXPL, is a director of Dalvin Rådgivning AS. As of 31 December 2015, Nilsholmen AS, a company owned by Mr. Kjell Markman who is a Sr.VP Business Development & Strategy of BXPL, received payments of NOK 1.319 million in respect of performed consultancy services and NOK 59,574 related to travel expenses.

| Transactions with Severn Subsea Technologies Ltd. | 31.12.2015 | 31.12.2014 |
|---|------------|------------|
| Accounts payable** | 7 | 16 |
| Purchased services** | 7 | 1 871 |

**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**

| | 31.12.2015 | 31.12.2014 |
|--|------------------|------------------|
| SEB Private Bank S.A. Luxembourg (Chairman of the Board - Marcus Hansson) | 565 000 | 565 000 |
| Dalvin Rådgivning AS (CFO - Gunnar Dolven) | 426 872 | 301 872 |
| Nilsholmen Investering AS (Sr. VP Business Development & Strategy - Kjell Markman) | 209 222 | 209 222 |
| President & CEO - Steinar Bakke | 155 000 | 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 | 5 000 | 5 000 |
| Ordinary shares | 1 400 962 | 1 150 962 |
| % of total shares | 7.6 % | 6.2 % |

On 20 August 2015, Mr. Steinar Bakke purchased 125,000 shares in BXPL at a price of NOK 1.35 per share. CEO of Dalvin Rådgivning AS, Mr. Gunnar Dolven, purchased 125,000 in BXPL at a price of NOK 1.35 per share.

9. Fair value hierarchy

As at 31 December 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 31 December 2015.

Carrying amount movements in the statement of financial position of BXPL for the period ended 31 December 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% shares in SST booked in 2014 | -157 |
| Closing balance for the period ended 31 December 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 31 December 2015, NOK 6.711 million has been drawn on the overdraft facility.

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