



BADGER
EXPLORER



Quarterly Report Q3 2016

HIGHLIGHTS Q3 2016

Technical progress

During Q3, Badger Explorer has completed the first phase of a project regarding Ultrasonic-Assisted Compaction and Associated Enabling Technologies at the University of Glasgow. The project is co-funded by BXPL and the Oil and Gas Innovation Centre in the UK. This phase of the project delivered promising results regarding the use of cutting edge piezo-electric materials for transducer design used in the compaction process. The research into a key enabling technology for successful compaction will continue in Q4.

Sponsoring Partners

The negotiations with CNPC-DR are ongoing. Even though the process is taking longer than anticipated, CNPC-DR has - as reported in Q1 - confirmed their intention to join the Badger Explorer Development Program.

Spin-off applications and international oil service companies

Partnership dialogues with international oilfield service companies are still ongoing. The current weak business climate is however impacting their ability to start new projects.

Any such partnership would positively impact BXPL by accelerating technical advancement of the tool and contributing to a successful market introduction. BXPL is confident that such partnerships will be an important part of the future development activities.

Funding

While working closely with existing Oil Company sponsors and providers of research and innovation program funding, Badger continues its work to secure sufficient funding for the remaining part of the Development Program. The company has continued to keep expenses for Q3 2016 at a low level.

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 has been delivered so far in 2016.

FINANCIALS

Investor Relations

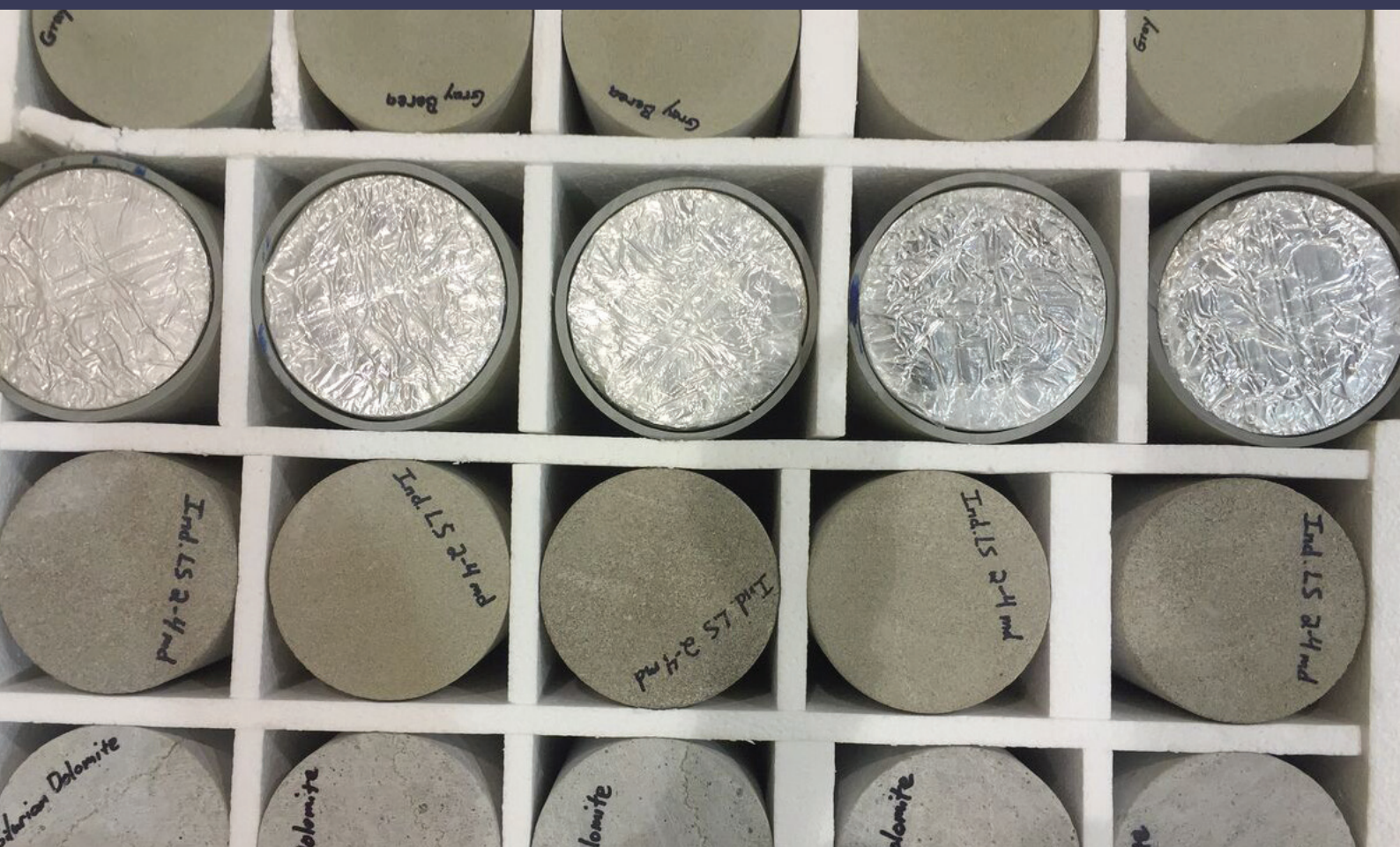
Badger Explorer ASA had 832 shareholders on 30th September 2016. Norwegian entities and individuals held 65.5% of the outstanding shares and the 20 largest shareholders held 53.7% of the outstanding shares.

Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 4 full-time employees as of 30th September 2016, compared to 6 employees as of 30th September 2015.

Main Figures

Revenues for Q3 2016 were NOK 5,000 and NOK 46,600 as of 30th September 2016, compared to NOK 0.00 for Q3 2015 and NOK 0.00 as of 30th September 2015.



Operating expenses for Q3 2016 were NOK 1.466 million and NOK 4.476 million as of 30th September 2016, compared to NOK 3.647 million for Q3 2015 and NOK 11.197 million as of 30th September 2015.

EBITDA for Q3 2016 was NOK -1.461 million and NOK -4.429 million as of 30th September 2016, compared to NOK -3.647 million for Q3 2015 and NOK -11.197 million as of 30th September 2015.

Total development costs of the Badger Explorer project in Q3 2016 were NOK 848,062, of which NOK 632,222 was capitalized. As of 30th September 2016, development costs were NOK 3.910 million, of which NOK 3.105 million was capitalized. Total development costs of the Badger Explorer project in Q3 2015 were NOK 5.121 million, of which NOK 4.425 million was capitalized. As of 30th September 2015, total development costs were NOK 13.199 million, of which NOK 11.055 million was capitalized.

Capitalized public grants for the Badger Explorer project were NOK 448,188 for Q3 2016 and NOK 1.557 million as of 30th September 2016, compared to NOK 2.063 million for Q3 2015 and NOK 5.465 million as of 30th September 2015.

Earnings per share amounted to NOK -0.09 per share for Q3 2016 and NOK -0.26 as of 30th September 2016, compared to NOK -0.21 per share for Q3 2015 and NOK -0.63 as of 30th September 2015.

The cash position at BXPL was NOK 327,222 as of 30th September 2016, compared to NOK 1.091 million as of 30th September 2015.

As of 30th September 2016, BXPL had a net equity of NOK 61.038 million (equity ratio of 40.1%), compared to NOK 67.638 million as of 30th September 2015 (equity ratio of 44.2%).

Net cash flow arising from the operating activities for Q3 2016 was NOK -1.813 million and NOK -6.124 million as of 30th September 2016, compared to NOK -1.542 million for Q3 2015 and NOK -10.440 million as of 30th September 2015. Net cash outflow includes payments to vendors for goods and services received.

Net cash flow arising from the investment activities for Q3 2016 was NOK -632,222 and NOK -3.105 million as of 30th September 2016, compared to NOK -4.425 million for Q3 2015 and NOK -11.055 million as of 30th September 2015. 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 Q3 2016 was NOK 2.485 million and NOK 8.970 million as of 30th September 2016, compared to NOK 6.201 million for Q3 2015 and NOK 18.236 million as of 30th September 2015. Net cash inflows in the Q3 2016 include payment for Milestone 1 from Statoil. Due to the contributions from the industry partners, net cash flow from financing activities was a positive in 2016 and 2015. Cash outflows include repayment of a credit facility to Sparebanken Vest.

Total net changes in cash flow for Q3 2016 were NOK 39,864 and NOK -259,242 as of 30th September 2016, compared to NOK 233,801 for Q3 2015 and NOK -3.258 million as of 30th September 2015.

SUMMARY

	Quarters			Year to date		Year end
Unaudited figures in NOK 1000	Q3 2016	Q2 2016	Q3 2015	30.09.2016	30.09.2015	31.12.2015
Revenues	5	42	0	47	0	0
Operating expenses	1 466	1 312	3 647	4 476	11 197	12 606
EBITDA	-1 461	-1 270	-3 647	-4 429	-11 197	-12 606
Earnings per share	-0.09	-0.08	-0.21	-0.26	-0.63	-0.72
Projects development costs	848	2 215	5 121	3 910	13 199	16 823
Public grants for projects development	448	706	2 063	1 557	5 465	6 574
Capitalization of development costs and public grants	184	1 166	2 362	1 548	5 590	7 550



OUTLOOK

The work to develop and qualify solutions for the Development Program is ongoing with a steady progress reducing the technical risk level.

The Badger team continues its work to secure sufficient funding for the remaining part of the Development Program.

Stavanger, 2nd November 2016
The Board of Directors
Badger Explorer ASA

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 Prof. Olav Hanssensvei 15, 4021 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 28th 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 15th December 2014, Severn Glocon acquired 15% of the shares in SST. On 18th April 2016, Severn Glocon acquired another 15% of the shares in SST for a sale consideration of GBP 1. BXPL holds no shares in SST as of 30th September 2016.

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 31st December 2015.

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 31st December 2015.

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 13 in BXPL annual accounts.

The share options granted in 2014 were replaced with new share options. On 15th March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019. A total of 440,000 were "out of the money" on 30th September 2016. Previously issued share options were cancelled.

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

INCOME STATEMENT

	Quarters				Year to date		Year End
Unaudited figures in NOK 1000	Q3 2016	Q2 2016	Q3 2015	Note	30.09.2016	30.09.2015	31.12.2015
Revenues							
Other Income	5	42	0		47	0	0
Total Revenues	5	42	0		47	0	0
Operating Expenses							
External services for development project	201	1 185	3 033		1 497	6 767	8 726
Payroll and related costs	1 166	750	2 883		2 996	7 938	9 921
Other operating expenses	731	1 249	2 155		3 088	7 547	8 083
Capitalized development costs	-632	-1 872	-4 425		-3 105	-11 055	-14 124
Total Operating Expenses	1 466	1 312	3 647		4 476	11 197	12 606
EBITDA	-1 461	-1 270	-3 647		-4 429	-11 197	-12 606
Depreciation	15	37	48		95	157	200
Operating profit (loss)	-1 476	-1 307	-3 694		-4 525	-11 353	-12 807
Net financial income (loss)	-105	-129	-109	3,10	-347	-337	-450
Profit (loss) before taxes	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257
Tax on ordinary result	0	0	0		0	0	0
Net profit (loss)	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257
Profit (loss) attributable to equity holders of the parent	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257
Earnings per share	-0.09	-0.08	-0.21		-0.26	-0.63	-0.72
Earnings per share diluted	-0.09	-0.08	-0.20		-0.26	-0.63	-0.71

STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters				Year to date		Year end
	Q3 2016	Q2 2016	Q3 2015		30.09.2016	30.09.2015	31.12.2015
Total comprehensive income							
Profit (loss) for the year (period)	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257
Other comprehensive income - items that will later be reclassified to profit and loss							
Translation differences	0	0	0		0	0	0
Comprehensive income at end of period	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257

	Quarters				Year to date		Year end
	Q3 2016	Q2 2016	Q3 2015		30.09.2016	30.09.2015	31.12.2015
Total comprehensive income attributable to:							
Equity holders of the parent	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257
Non-controlling interest	0	0	0		0	0	0
Total comprehensive income	-1 581	-1 436	-3 804		-4 871	-11 690	-13 257

STATEMENT OF FINANCIAL POSITION

ASSETS Unaudited figures in NOK 1000	30.09.2016	30.06.2016	30.09.2015	Note	31.12.2015
NON-CURRENT ASSETS					
Capitalized development costs	149 316	149 132	145 808	2,6	147 768
Patent rights	387	387	387		387
Total intangible assets	149 703	149 519	146 195		148 154
Property, plant & equipment	28	21	144		101
Total tangible assets	28	21	144		101
TOTAL NON-CURRENT ASSETS	149 730	149 539	146 339		148 255
CURRENT ASSETS					
Accounts receivables	0	6	0	6	0
Other receivables	2 227	2 518	5 676		3 630
Total receivables	2 227	2 524	5 676		3 630
Cash and cash equivalents	327	287	1 091		586
TOTAL CURRENT ASSETS	2 554	2 811	6 767		4 216
TOTAL ASSETS	152 284	152 350	153 106		152 471
EQUITY AND LIABILITIES Unaudited figures in NOK 1000	30.09.2016	30.06.2016	30.09.2015	Note	31.12.2015
EQUITY					
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	3 869	3 903	4 031	3	4 167
Total paid in equity	224 256	224 290	224 419		224 555
Retained earnings	-163 219	-161 638	-156 781		-158 347
Total retained earnings	-163 219	-161 638	-156 781		-158 347
TOTAL EQUITY	61 038	62 652	67 638		66 207
LIABILITIES					
Capitalized grants	81 500	79 500	75 000	6	75 000
Total non-current liabilities	81 500	79 500	75 000		75 000
Accounts payables	1 979	2 847	3 510	3,8	3 078
Public duties payables	456	180	614		474
Debt financial institutions	6 910	6 820	5 046	10	6 711
Other short term liabilities	402	351	1 299		1 001
Total current liabilities	9 747	10 198	10 469		11 264
TOTAL LIABILITIES	91 247	89 698	85 469		86 264
TOTAL EQUITY AND LIABILITIES	152 284	152 350	153 106		152 471

STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000

	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 31.12.2015		2 317	218 070	4 167	-158 347	66 207
Total comprehensive income					-4 871	-4 871
Option plan payment	5			-298		-298
Equity as of 30.09.2016		2 317	218 070	3 869	-163 219	61 038

STATEMENT OF CASH FLOW

	Quarters				Year to date		Year end
Unaudited figures in NOK 1000	Q3 2016	Q2 2016	Q3 2015	Note	30.09.2016	30.09.2015	31.12.2015
Contribution from operations*	-1 494	-1 215	-3 510		-4 727	-10 825	-12 098
Change in accounts receivables and accounts payables	-861	47	742	3,8	-1 098	1 116	683
Change in other receivables and payables	543	-822	1 227		-298	-731	-936
Net cash flow from operating activities	-1 813	-1 990	-1 542		-6 124	-10 440	-12 351
Capitalization of development cost	-632	-1 872	-4 425	2	-3 105	-11 055	-14 124
Net cash flow from investment activities	-632	-1 872	-4 425		-3 105	-11 055	-14 124
Public grants	0	2 057	1 733	1	2 619	5 138	8 060
Contribution from industry partners	2 500	2 000	1 500	6	6 500	8 390	8 390
Interest received	4	18	2		22	38	54
Interest paid	-109	-147	-111		-369	-375	-505
Proceeds from borrowings financial institution	90	-108	3 078	10	198	5 046	6 711
Net cash flow from financing activities	2 485	3 820	6 201		8 970	18 236	22 711
Total net changes in cash flow	40	-42	234		-259	-3 258	-3 764
Cash and cash equivalents beginning of period	287	329	857		586	4 351	4 351
Cash and cash equivalents end of period	327	287	1 091		327	1 091	586
Profit (loss) attributable to equity holders of the parent	-1 581	-1 436	-3 804		-4 871	-11 690	-13 256
Employee options	-33	55	136	5	-298	372	508
Depreciation	15	37	48		95	157	200
Financial income	-4	-18	-2		-22	-38	-54
Financial expenses	109	147	111		369	375	505
*Contribution from operations before tax	-1 494	-1 215	-3 510		-4 727	-10 825	-12 098

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 Development Program. The projects of the Badger Explorer Development Program are funded with a percentage of the total project costs. As of 30 September 2016, RCN has through its PETROMAKS2-program granted NOK 2.057 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 Development Program, are capitalized in accordance with the IFRS regulations, except of NOK 246,927 as per 30 September 2016. 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 15% of the shares in SST. On 18 April 2016, Severn Glocon acquired another 15% of the shares in SST for a sale consideration of GBP 1. BXPL holds no shares in SST as of 30 September 2016.
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 September 2016 is 18,537,288 at par value of NOK 0.125 per share.
5. The share options granted in 2014 were replaced with new share options. On 15 March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019. A total of 370,000 share options forfeited. The remaining 190,000 share options were "out of the money" on 30 September 2016. Previously issued share options were cancelled.

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 vested on the date of the publication of the Company's Q4 2015 report. A further 185,000 share options forfeited due to the resignation from his position on 29 February 2016.

On 15 January 2016, CEO Øystein Larsen was granted 370,000 share options at a strike price of NOK 1.50. All share options forfeited due to the resignation from his position as CEO on 9 September 2016.

On 22 August 2016, Mr. Roald Valen took on the position as CEO of BXPL. Upon commencement of the employment, Mr. Valen was granted 250,000 share options in BXPL at a strike price of NOK 2.40 per share. 125,000 options will vest on the date of the publication of the Company's Q4 2017 report. A further 125,000 options will vest on the date of the publication of the Company's Q4 2018 report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 2.40 per option share. If on the exercise day the market price of the Company's shares is exceeding NOK 25, the exercise price shall be increased by an amount equivalent to 8% of the market price deducting NOK 25. The option holder is free to exercise of fully vested options at his sole discretion. All share options were "out of the money" on 30 September 2016.

6. BXPL received contributions from the following industry partners for the Badger Explorer Demonstrator Program: Statoil, 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 81.500 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 4 January 2016, the first key deliverable of Milestone 1, qualification of high power HPHT Transducers for the drilling and compaction systems in the Badger Explorer, was completed and approved by Statoil, which released funding of NOK 2.500 million (incl. VAT).

On 16 March 2016, Statoil approved the second key deliverable of Milestone 1, function testing and verification of a cuttings transport system developed in conjunction with Honeybee Robotics (US). In consideration of the approval of the deliverable, BXPL received NOK 2.500 million (incl. VAT).

On 8 July 2016, Statoil approved the third key deliverable of Milestone 1, long term testing of the cuttings transport system. The approval released NOK 2.500 million (incl. VAT). BXPL also received NOK 625,000 (incl. VAT) for the first of three planned test series related to compaction experiments at University of Glasgow, drilling of formation samples, hardware, training and installation.

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	30.09.2016	30.09.2015
Purchases of services*	1 202	2 211

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. As of 30 September 2016, payments totalling NOK 640,000 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 14,001 related to travel expenses. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS. As of 30 September 2016, Nilsholmen AS (Mr. Kjell Markman was Sr.VP Business Development & Strategy of BXPL) received payments of NOK 345,000 in respect of performed consultancy services.

In January 2016, BXPL entered into a consultancy agreement with the former Company's CEO and its shareholder Mr. Steinar Bakke. As of 30 September 2016, payments totalling NOK 195,359 were made to S. Bakke Consulting AS in respect to performed consultancy services and NOK 7,166 related to travel expenses.

Shares held by members of the Board of Directors and members of the Management Group	30.09.2016	30.09.2015
SEB Private Bank S.A. Luxembourg (Chairman of the Board - Marcus Hansson)	565 000	565 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	426 872	426 872
Nilsholmen Investering AS	209 222	209 222
Senior Advisor - Steinar Bakke	200 473	155 000
Nilsholmen AS	20 200	20 200
Chairman of the Board - Marcus Hansson	11 668	11 668
CFO - Gunnar Dolven	8 000	8 000
Ordinary shares	1 441 435	1 395 962
% of total shares	7.8 %	7.5 %

9. Fair value hierarchy

On 18 April 2016, BXPL has disposed its remaining 15% shareholding in SST.

10. 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 7.500 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 September 2016, NOK 6.910 million has been drawn on the overdraft facility. Interest incurred of NOK 108,280 have been repaid during Q3 2016. Financial covenants: equity - not be less than NOK 75.000 million and should exceed more than 50% of the book equity ratio. The book equity less intangible assets must be positive. Accounts receivable - must exceed 75% of the withdrawn credit facility. Financial review - quarterly financial statement submission to the bank. The overdraft facility of NOK 7.500 million with Sparebanken Vest is in breach with the agreed covenants as of 30 September 2016.

11. Going concern

The quarterly financial statements have been prepared on the basis of the going concern assumption. The Board of Directors confirms the going concern assumption to be present but the Board assess the current liquidity situation as very tight. Additional funding is required within a short period of time to carry on the future development of the Badger tool. As of 2 November 2016, signatures from CNPC DR for the Badger Development Program are pending, and as a result the funding from both sponsors, Statoil and CNPC DR, is uncertain. In addition, the Company is in breach of the financial covenants in the current credit facility, ref. note 10. The Board assessed the uncertainties for pending signatures of sponsors in the Badger Development Program and corresponding liquidity risk, causing significant doubt about the Company's ability to continue as a going concern.

Badger Explorer ASA
Org.nr. 985 955 107 MVA

Visiting address: Prof.Olav Hanssensvei 15, 4021 Stavanger
Postal address: P.O.Box 8046, 4068 Stavanger
E-mail: post@bxpl.com

www.bxpl.com