

Annual Report 2016

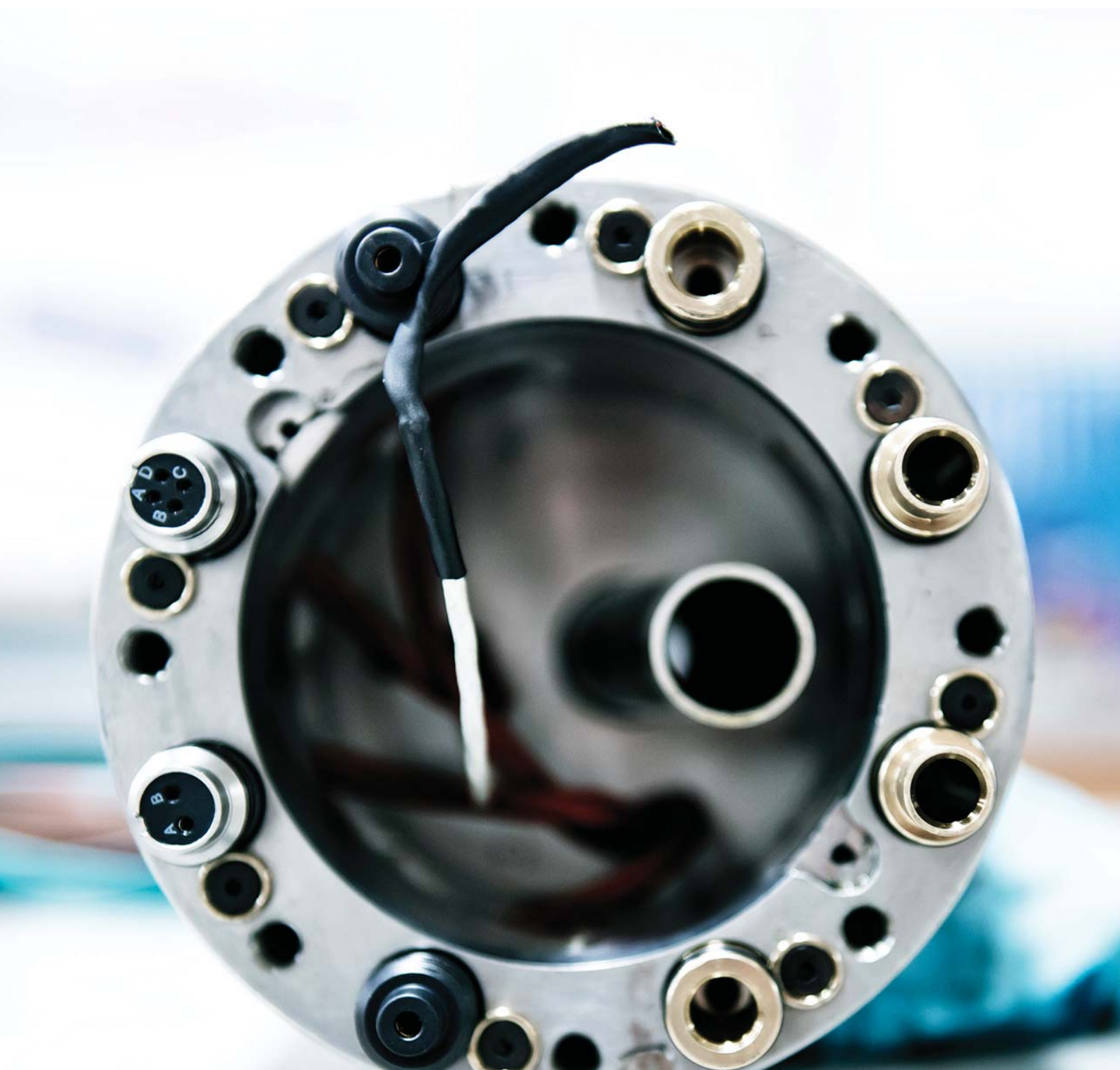


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Message from the CEO

We turned in 2016. We turned from having a major focus on how to survive in this challenging time in the O&G market to focusing on how to create long term value by focusing on technical progress. This change in focus was enabled by our successful equity raising late 2016.

Badger Explorer had one active program in 2016, the Development Program. The Development Program represents a change in strategy for us, where the main difference from previous programs is that now we will aim to solve key challenges with the concept rather than building full scale Badger tools. This change in focus is done in order to reduce time to market and enabling us to introduce a commercial service earlier. The challenges are as follows;

- Drilling: Enhanced ultrasonic drilling in low permeability formations
- Cutting Transport: Transport of dry or wet cuttings from drillbit to compactor inside the tool
- Compaction: Make an impermeable plug and obtain necessary space for the tool by use of ultrasonic compaction and micro-fracking
- Locomotion: Move tool in packed annulus and unstable geology

In Q2 Statoil approved the first Milestone in the Development Program comprising the concept of the cutting transport. The concept was approved by demonstrating successful transport of both dry and wet cuttings for several hundreds of hours.

For the remaining challenges, small steps have been made throughout the year despite the necessary focus on keeping expenses at a minimum. The work on the ultrasonic transducer must be mentioned specifically as this is one of the key enabling technologies to solve several of the Development Program challenges. The ultrasonic transducer was realized in Q1 and has been tested at the University of Glasgow thereafter.

The Badger tool is going to operate in an environment that is somehow known. It is known in the way today's traditional operations interact with it, but somewhat unknown the way the Badger tool is interacting with it in a confined cavity. To de-risk the operational performance, we also started designing necessary test equipment to simulate the subsurface environment.

We will continue having a close cooperation with partners and suppliers whose competence is key in solving the challenges at hand. In April 2016 we received a Letter of Intent from Statoil where they express their intent of supporting the program going forward. The negotiations with CNPC-DR are still ongoing. As earlier reported, CNPC-DR confirmed their intention to join the Development Program already in Q1 2016.

Given a tough 2016, I am proud of what we have achieved and are looking forward to get a good traction in the Development Program where new team members and external partners are a given.

Key figures

	2016	2015
Selected items from income statement (1000 NOK)		
Total revenues	66	0
Government grants	1 651	6 574
Capitalised development costs	-3 516	-14 124
Total operating expenses	6 676	12 807
EBIT	-6 611	-12 807
Net profit (loss) for the year	-7 056	-13 257
Profit (loss) attributable to equity holders of the company	-7 056	-13 257
Earnings per share (NOK)	-0.38	-0.72
Selected items from statement of financial position (1000 NOK)		
Capitalised development costs	149 632	147 768
Total non-current assets	150 043	148 255
Total current assets	940	4 216
Total assets	150 983	152 471
Total equity	58 919	66 207
Equity ratio	39.0 %	43.4 %
Total liabilities	92 064	86 264
Selected items from statement of cash flow (1000 NOK)		
Net cash flow from operating activities	-8 105	-12 351
Net cash flow from investment activities	-3 516	-14 124
Net cash flow from financing activities	11 369	22 711
Total net changes in cash flow	-251	-3 765
Cash and cash equivalents at end of period	335	586
Average number of employees	5	8

No differences between the key figures and the financial statement



Shareholder information

Badger Explorer ASA is a Norwegian public limited company with its headquarters in Stavanger, Norway. The Company's shares are listed on the Oslo Stock Exchange (Oslo Axess list) with the ticker "BXPL".

Shareholder policy

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

The Company has a long-term shareholder policy to maximize the shareholders' return on investments over time through a combination of dividends and increase in the share price/value.

BXPL provides its shareholders, Oslo Børs/Oslo Stock Exchange and the financial markets generally (through Oslo Børs'/Oslo Stock Exchange's Distribution Network) with timely and accurate information. Such information takes the form of annual reports, quarterly interim reports, stock exchange notifications and investor presentations as applicable. BXPL communicates its long-term potential, including its strategy, value drivers and risk factors, maintains an open and proactive investor relations policy and a best-practice website, and gives presentations regularly in connection with annual and interim results in Oslo and Stavanger, Norway. BXPL has one class of shares and is dedicated to apply equal treatment to all shareholders. Each share carries one vote at the Company's General Meetings.

Dividends and earnings per share

BXPL's dividend policy aims to yield a competitive return on invested capital to the shareholders through a combination of dividends and share price development. The Company has been in the development phase and has not yet reached commercial status, therefore no dividend has so far been proposed.

Share price trends during 2016

By year-end, the number of outstanding BXPL shares amounted to 18,537,288, each with a nominal value of NOK 0.125. During 2016, the share price varied between NOK 2.64 (highest) and NOK 0.56 (lowest). The share price was at its highest on 27th April 2016 and at its lowest on 6th December 2016. On the last trading day of 2016 the share price was at NOK 0.78.

Share ownership

Badger Explorer ASA had 890 shareholders on 31st December 2016 (prior to the completion of the private placement announced in Q4 2016), compared to 793 shareholders as of 31st December 2015. Norwegian entities and individuals held 64.0% of the outstanding shares and the 20 largest shareholders held 53.4% of the outstanding shares.

Largest shareholders

The three largest shareholders were Deutsche Bank AG S/A Prime Brokerage (UK), Invesco Perp EURAN SMLER Comps FD BNY Mellon SA/NV (Belgium) and Gayanova Victoria with their holding 15.3%, 6.6% and 4.2% respectively of the number of outstanding shares. As of 31st December 2016, the 20 largest shareholders held 53.4% of the all outstanding shares. See also note 15.

The table below sets out the 20 largest shareholders on 31st December 2016:

Name	Holding	Percentage
DEUTSCHE BANK AG S/A PRIME BROKERAGE	2,829,997	15.27
INVESCO PERP EUR SMA BNY MELLON SA/NV	1,225,389	6.61
GAYANOVA VICTORIA	778,455	4.20
EUROCLEAR BANK S.A.	662,129	3.57
ABN AMRO BANK (LUXEMBOURG) S.A.	592,900	3.20
ARGENTUM FONDSINVEST	523,145	2.82
DALVIN RÅDGIVNING AS	426,872	2.30
MACAMA AS	355,514	1.92
MAX INVEST AS	300,000	1.62
NORDNET BANK AB	284,295	1.53
ÅM KNUT	242,600	1.31
KOVACI RAMADAN	235,112	1.27
DREVDAL KJELL ERIK	222,600	1.20
BNP PARIBAS SECURITIES SERVICES	220,000	1.19
ØSTEBRØD EINAR HÅKON	200,000	1.08
ESPELID KARLSTEIN JOHAN	170,000	0.92
STOKKA SIGMUND	168,693	0.91
THOMAS FEARNLEY, STIFTELSEN	150,983	0.81
ANCHOR SECONDARY 4 AS	150,982	0.81
FAVØR HOLDING AS	150,982	0.81
TOTAL	9,890,648	53.36

Share option programme

On 1st January 2016, there were 469,000 share options outstanding under Employee share option program. 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. Mr. Øystein Larsen was granted 370,000 share options which forfeited due to the resignation from his position as former CEO. Mr. Steinar's Bakke 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 29th February 2016. Upon commencement of the employment, the current BXPL's CEO Mr. Valen was granted 250,000 share options. The previous share options program from 2014 was cancelled. The total number of 440,000 share options held by BXPL employees were outstanding on 31st December 2016. Fully vested and exercisable share options can be exercised between 3 to 10 days after the publication of the Company's Q4 2017 and Q4 2018 reports in 2018 and 2019.

On 22nd 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.

No share options were exercised during 2016.

Shares and share options owned by Board members and the Company's Management

As of 31st December 2016, the following members of the Company's Board of Directors held BXPL shares:

Name	Holding	Percentage
Marcus Hansson through one nominee account and one ordinary account - Skandinaviska Enskilda Banken S.A. Luxembourg and Arctic Securities Oslo	576,668	3.11
Total	576,668	3.11

As of 31st December 2016, the following members of the Company's Management held shares and share options:

Name	Shares	Share options
CEO Roald Valen	0	250,000
CFO Gunnar Dolven through one ordinary account and through Dalvin Rådgivning AS	434,872	0
Total	434,872	250,000

2017 Financial events

BXPL intends to release its quarterly reports for 2017 and aims at holding its quarterly investor presentations on the following dates:

23 rd May 2017:	Q1 2017 Report
6 th September 2017:	H1/Q2 2017 Report
1 st November 2017:	Q3 2017 Report

The Annual General Meeting for the fiscal year 2016 will be held on Wednesday, 31st May, 2017.

Corporate governance policy

Badger Explorer ASA's Board of Directors approved this updated Corporate Governance Policy on 23rd February 2017.

1. Introduction

In general, Corporate Governance regulates the responsibilities of the executive personnel and the Board of Directors of Badger Explorer ASA.

Badger Explorer ASA ("BXPL" or "Company") is a Norwegian public limited company, which shares are listed on the Oslo Børs/ Oslo Stock Exchange (Oslo Axess list) and it is therefore subject to the corporate governance requirements as set out in the Norwegian Code of Practice for Corporate Governance. BXPL works according to the Norwegian Code of Practice for Corporate Governance dated 30th October 2014 (www.nues.no). Where BXPL does not fully comply with the recommendations, an explanation or comment is given.

Furthermore Oslo Børs/Oslo Stock Exchange prescribes that companies listed on the Oslo Børs/Oslo Stock Exchange must publish a report in their annual report on the company's corporate governance.

BXPL aims to have effective systems in place for communication, monitoring, accountability and incentives that also enhance the market value, corporate profit, long-term strength, continuity and overall success of the business of BXPL, and strengthen the confidence amongst its shareholders.

2. Reporting on Corporate Governance

Badger Explorer ASA's Board of Directors approves this Corporate Governance Policy annually, which can also be found on its website (www.bxpl.com) and is included in the annual report.

The Company's basic corporate values are incorporated in the Company's management system. The Board of Directors has implemented ethical guidelines and a corporate social responsibility policy, which are reviewed and re-issued annually.

3. Business

In the Association BXPL's business is described as follows:

BXPL is developing a revolutionary drilling device for collection and analysis of data with regard to mapping and exploration of hydrocarbon deposits within the oil and gas industry, invest in and develop technology used for drilling, well service and maintenance globally within the oil and gas industry, as well as investments in securities, participation in other companies and activities related thereto.

The Company's objectives and principal strategies are described in the annual report.

4. Equity and Dividends

The development of the Company's equity up to 31st December 2016 is described in the "Statement of change in equity" in the financial statements of the annual report.

BXPL's dividend policy aims to yield a competitive return on invested capital to the shareholders through a combination of dividends and share price development. Because the Company has been in the development phase and has not yet reached commercial status, no dividend has therefore been proposed.

On 14th June 2016 the Annual General Meeting ("AGM") passed two Board authorizations.

The first proxy grants the Board of Directors mandate to increase the Company's share capital by up to NOK 115,858 through the issuance of up to 926,864 shares of nominal value NOK 0.125. This mandate may be used to issue shares to employees, Directors and others connected with the Company as a part of the Company's share incentive scheme. The shareholder's preferential rights according to the Public Limited Liability Companies Act section 10-4 may be waived. Share issues may also be made against contributions in kind.

The second proxy authorizes the Board of Directors to increase the Company's share capital by up to NOK 231,716 through the issuance of up to 1,853,728 shares of nominal value NOK 0.125 to existing shareholders and external investors in connection with Company's expansion, development and/or strategic acquisition. The shareholder's preferential rights according to the Public Limited Liability Companies Act section 10-4 may be waived. Share issues may also be made against contributions in kind. The authorization is also valid in the event of a merger in accordance with the Public Limited Liability Companies Act Section 13-5 and may also be used when the Company has agreed payment in shares in connection with an acquisition etc.

Both Board authorizations expire at the latest by 30th June 2017. The authorizations are in accordance with Norwegian Code of Practice for Corporate Governance.

5. Equal Treatment of Shareholders and Transactions with Close Associates

BXPL has one class of shares and is dedicated to apply equal treatment to all shareholders.

The decision to waive the existing shareholders' pre-emption rights in the event of an increase in the share capital must be justified. The Board of Directors will disclose such a justification in the stock exchange notification in connection with the increase in share capital.

If a transaction between the Company and a shareholder of the Company, a shareholder's parent company, a member of the Board of Directors or a member of executive personnel (or related parties to such persons) is considered to be material in accordance with the Norwegian Code of Practice for Corporate Governance, the Board will obtain a valuation from an independent third party. This will not apply if the GM's approval for such transactions is required according to the Norwegian Public Limited Companies Act §3-8.

Board members and the executive personnel shall notify the Board of any material direct or indirect interest in any transaction entered into by BXPL.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The shareholders' pre-emptive rights are exempted because the Company wishes to be able to (i) use share issues for its employees, Directors and others connected with the Company as a part of the Company's share incentive scheme and (ii) issue shares towards certain specifically chosen institutional investors or others if required or desired in conjunction with the Company's expansion, development and/or strategic acquisitions.

6. Freely Negotiable Shares

All BXPL shares carry equal rights and are freely negotiable. Each share represents one vote at the GMs. The nominal value per share amounts to NOK 0.125. There are no restrictions regarding transferability in the Company's Articles of Association.

7. General Meetings ("GM")

The shareholders exercise the highest authority in BXPL through GMs.

In 2017 the Annual General Meeting of BXPL will be held on 31st May. The Company's financial calendar has been published in a notice to the Oslo Stock Exchange and is available on BXPL's website. The AGM shall approve the annual accounts, the annual report, distribution of dividend, and otherwise make such resolutions as required under the Corporate Governance Policy and the applicable law.

The Board shall publish notices of GMs and any supporting material, such as the agenda, recommendations of the Nomination Committee, the information about the shareholder's right to propose resolutions in respect of matters to be dealt with by the General Meeting and other documents as set out in the bye-laws of the Company, no later than 21 days prior to the day of the GM, on the Company's website (www.bxpl.com). The Board will also ensure that the distributed notice and all supporting material are sufficiently detailed. The Board will make reasonable efforts to enable as many shareholders as possible to attend.

The notice shall also include information on the procedure of representation through proxy, as well as a proxy that allows giving separate voting instructions for each matter to be considered by the General Meeting and for each candidate nominated for election. The Company will nominate a person who will be available to vote on the shareholder's behalf if the shareholder has not appointed a proxy.

The Board shall make such notices of General Meetings and the relevant supporting material available through the notification system of Oslo Børs/Oslo Stock Exchange and on the Company's website no later than 21 days prior to the day of the GM. Every shareholder has the right to put matters on the agenda of a General Meeting along with a proposed resolution within the statutory timeframe.

The shareholders may be asked to notify their attendance prior to the GM. The deadline for the notification of attendance for the AGM will be as close to the meeting as possible. Shareholders who are unable to attend may vote by proxy. A proxy form shall be attached to the notice of the GM.

The GM's chairperson shall be independent. The Company's Board and the chairperson of the GM shall ensure that the shareholders vote separately for each candidate nominated for a corporate body.

BXPL will publish the minutes of GMs (alternatively only such resolutions that were not made in accordance with the proposals made in the notice to the GM) through the notification system of Oslo Børs/Oslo Stock Exchange and on its website no later than 15 days after a GM has been held, and will maintain them available for inspection in the Company's offices.

The Annual General Meeting for the fiscal year 2015 was held in Stavanger on 14th June 2016 where 48.42% of all shares were represented.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The Norwegian Code of Practice for Corporate Governance demands that the Board of Directors as a whole, the members of the Nomination Committee and the Auditor are present at the General Meetings. BXPL considers it sufficient that only the chairperson of the Board and the Auditor attend GMs.

8. Nomination Committee

BXPL's Nomination Committee consists of two to three members, elected by the Company's General Meeting. The majority of the members shall be independent of the Board of Directors and the Company's executive personnel. No more than one member of the Board of Directors shall be member of the Nomination Committee, and should not offer himself for re-election to the Board. The members of the Nomination Committee are elected by the shareholders in a GM for a period of no longer than two years.

The Nomination Committee proposes to the GM candidates for election to the Board. The composition of the Board of Directors should reflect the provisions of the Company's Corporate Governance Policy, commitment to shareholder return, independence and experience in relevant sectors (technology and business development, financing and accounting, disclosure and regulatory, etc.). The Nomination Committee also proposes the remuneration to be paid to the members of the Board of Directors.

The Nomination Committee's recommendations shall include justification as to how the recommendations take into account the shareholder interests and the Company's requirements. The following information about the proposed candidates, in particular each person's age, education, business experience, term of appointment to the Board (if applicable), ownership interest in the Company, independence, any assignments (other than the proposed Directorship) for the Company and material appointments with other companies and organizations will be disclosed. In the event that the Nomination Committee recommends re-electing current Directors, the recommendation will include information on when the Directors were appointed to the Board and their attendance records.

The Nomination Committee shall elect its own chairperson according to the Company's Articles of Association. Meetings of the Nomination Committee shall be convened when deemed necessary by any of its members to adequately fulfill its assigned duties. Notice of a meeting shall be issued by the chairperson of the Nomination Committee no later than one week prior to the meeting, unless all members approve a shorter notice period.

The Company will provide information on its website regarding the membership of the Committee and any deadlines for submitting proposals to the Nomination Committee.

The Nomination Committee consists of:

Steinar Bakke (chairperson) - elected until AGM in 2018

Richard Urbanski - elected until AGM in 2018

Frode Vaksvik - elected until AGM in 2018

All members of the Nomination Committee are considered independent of the Board of Directors.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The Company's Articles of Association regulate the election of the chairperson of the Nomination Committee. According to §6 of the Articles of Association of Badger Explorer ASA the Nomination Committee elects its own chairperson.

The Norwegian Code of Practice for Corporate Governance requires guidelines regarding the Nomination Committee's duties to be set out by the General Meeting. At BXPL, the Committee itself sets out its duties in accordance with the duties presented in chapter 8 of the Company's Corporate Governance Policy.

9. Board of Directors: Composition and Independence

BXPL shall be headed by a Board with collective responsibility for the success of the Company.

The Board shall comprise between four and eight Directors according to §5 of BXPL's Articles of Association. Currently the Board consists of four Directors, who have all been elected by the shareholders and are not representatives of BXPL's executive personnel. The members of the Board of Directors are elected for a period of two years.

The members of the Board of Directors are:

Marcus Hansson (Chairman) - elected until AGM in 2018

Belinda T. Ingebrigtsen - elected until AGM in 2017

Birte Noer Borrevik - elected until AGM in 2018

David S. Ottesen - re-elected until AGM in 2017

Mr. Hansson was elected as chairman of the Board of Directors by the AGM held on 27th April 2011.

All members of the Company's Board of Directors are considered independent according to the Norwegian Code of Practice for Corporate Governance. Detailed information on the individual Board member can be found in the Company's website (www.bxpl.com) and in the Annual Report.

Marcus Hansson and close associates own a total of 20,616,668 shares which represents a total of 3.11% as of 23rd February 2017.

According to the Norwegian Public Limited Companies Act § 6-35 and the Norwegian Code of Practice for Corporate Governance a company with more than 200 employees is required to elect a corporate assembly. The Company has less than 200 employees and has therefore not yet elected a corporate assembly.

10. The Work of the Board of Directors

The Board shall ensure that the Company is well organized and that operations are carried out in accordance with applicable laws and regulations, and in accordance with the objects of BXPL as specified in its Articles of Association and guidelines given by the shareholders through resolutions in GMs.

BXPL's Board of Directors has the ultimate responsibility for inter alia the Company's executive personnel, supervision of its activities and the Company's budgets and strategic planning. The Board of Directors produces an annual plan of its work.

To fulfill its duties and responsibilities, the Board has full access to the Company's relevant information. The Board shall also consider for example obtaining such advice, opinions and reports from third party advisors as it deems necessary to fulfill its responsibilities.

The "Rules of Procedure for the Board of Directors of Badger Explorer ASA and the Relation to CEO" were approved by the Board on 27th April 2016 and were implemented.

The Board of Directors has appointed an Audit Committee. Marcus Hansson is a member of said committee.

The Board of Directors evaluates its own performance and expertise once a year.

The Board of Directors held 5 ordinary Board meetings and 4 extraordinary Board meeting during the fiscal year 2016.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The Norwegian Code of Practice for Corporate Governance requires the Board of Directors to consider appointing a remuneration committee. At BXPL, the Board itself prepares all matters relating to compensation paid to the Company's executive management.

11. Risk Management and Internal Control

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

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

In the annual report, the Board of Directors describes the main features of the Company's internal control and risk management systems in relation to the Company's financial reporting.

12. Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors reflects the Board's responsibilities, expertise, the committed time and the complexity of the Company's activities.

The Board Members' remuneration (form and amount) will be reviewed annually by the Nomination Committee and is not linked to the Company's performance. It is the Nomination Committee's responsibility to prepare a proposal for the Annual General Meeting regarding the above mentioned remuneration.

Deviation from the Norwegian Code of Practice for Corporate Governance:

At the Annual General Meeting for the fiscal year 2015, held on 14th June 2016, the GM provided the Board with a proxy to enter into agreements with close associates for the period from 14th June 2016 until the next Annual General Meeting to be held in 2017, but in no event longer than until 30th June 2017. The remuneration is limited to NOK 1,500 per hour. The total remuneration for such agreements shall not exceed the amount of NOK 250,000 for the time period set above. Time schedule and detailed specifications of duties shall be approved by the Board.

13. Remuneration of the Executive Personnel

The Board of Directors establishes, as required by law, guidelines for the remuneration of the members of the executive personnel. The AGM will vote on these guidelines which help ensure convergence of the financial interest of the executive personnel and the shareholders.

The guidelines for remuneration of the executive personnel are published in the Annual Report 2016 in note 6.

Performance related remuneration of the Company's executive personnel shall aim for value creation for BXPL's shareholders or the Company's earnings performance. Such arrangements shall encourage performance and be based on quantifiable factors which can be influenced by the employee. Performance related remuneration shall be subject to an absolute limit.

As of 23rd February 2017, the executive personnel's holdings of shares and share options are the following:

Name	Shares	Share options
Gunnar Dolven through Dalvin Rådgivning AS	2,834,872	0
Roald Valen	2,400,000	250,000
Total	5,234,872	250,000

14. Information and Communications

BXPL provides its shareholders, Oslo Børs/Oslo Stock Exchange and the financial markets generally (through Oslo Børs/Oslo Stock Exchange's Distribution Network) with timely and accurate information. Such information takes the form of annual reports, quarterly interim reports, stock exchange notifications and investor presentations as applicable. BXPL communicates its long-term potential, including its strategy, value drivers and risk factors, maintains an open and proactive investor relations policy and a best-practice website, and gives presentations regularly in connection with annual and interim results in Oslo and Stavanger, Norway.

The Company's current financial calendar with dates of important events including the Annual General Meeting, publishing of quarterly reports and its presentations, etc. are accessible for all shareholders on www.oslobors.no and on the Company's website www.bxpl.com. Subscription to news about BXPL can be made on the Company's website (www.bxpl.com).

Generally, BXPL, as a company listed on Oslo Børs/Oslo Stock Exchange, discloses all required information as defined by law. Certain resolutions and circumstances will in any event be disclosed, including but not limited to Board and GM resolutions regarding dividends, mergers/de-mergers or changes in share capital, issue of warrants, issue of convertible or other loans, any changes in the rights vested in the shares of the Company (or other financial instruments issued by BXPL) and all agreements of material importance that are entered into between the Company and a shareholder, member of the executive personnel, or related parties thereof, or any other company in the Badger Explorer ASA.

An announcement regarding BXPL's share capital and number of votes related thereto shall be made by the end of each month during which changes to any of these have occurred.

BXPL will disclose all material information to all recipients equally in terms of timing and content.

15. Takeovers

The Company has not implemented any specific guidelines on how to act in the event of a takeover bid.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The Company has not yet implemented guidelines in case of a takeover. Any bid will be dealt with by the Board of Directors in accordance with applicable laws and regulations, the Norwegian Code of Practice for Corporate Governance and based on their recommendation the shareholders' approval will be requested.

16. Auditor

Under Norwegian law the auditor of the Company (the "Auditor") is elected by the shareholders in a GM. The current Auditor serves until a new auditor has been elected.

The Auditor participates in meeting(s) of the Board that deal with the annual accounts as well as the General Meetings. At these meetings the Auditor reviews any variations in the accounting principles applied, comments on material accounting estimates and issues of special interest to the Auditor, including possible disagreements between the Auditor and the management.

At least once a year the Auditor and the Board of Directors meet without any members of the Company's executive personnel present.

The Auditor presents annually to the Audit Committee/Board of Directors the main features of its plan for the audit of the Company, as well as a review of the Company's internal control procedures.

The Board of Directors established guidelines in respect to the use of the auditor by the Company's executive personnel for services other than the audit.

The remuneration of the Auditor and all details regarding the fees of the audit work and other specific assignments are presented at the AGM.

The Company's auditor shall annually submit a written confirmation that the Auditor still continues to satisfy with the requirements for independence and a summary of all services in addition to audit work that has been undertaken for the Company.

Corporate social responsibility policy

1. General

The purpose of this policy is to provide information to all our stakeholders about Badger Explorer ASA's ("BXPL" or "Company") approach to ethical and corporate social responsibility and how we as a Company propose to work towards achieving it. BXPL is committed to enhancing shareholder value in an ethical and socially responsible manner.

By implementing this policy the Company aims to be responsible and an exemplar of good practice. Honesty, integrity and respect for people underpin everything we as employees do, and are the foundation of the Company's business practice. We are judged by how we act and the Company's reputation will be upheld if each one of us acts in accordance with the law and the Company's social responsibility and ethical standards set out herein. The Company's reputation and future success are critically dependent on compliance, not just with the law, but also with high ethical and social standards. A reputation for integrity is a priceless asset. This policy is a further commitment to integrity for all of us and will help to safeguard that asset.

This document applies to staff, Board members, temporary employees, consultants and any person or entity acting on behalf of Badger Explorer ASA. We encourage our business partners to strive for similar performance.

We are committed to continuous improvement in our corporate social and ethical responsibility and the Board of Directors and the Company will therefore review this policy regularly.

This policy was approved by the Board of Directors on 23rd February 2017 and shall apply until revised and re-approved.

2. Business practice

2.1 Correct Information, Accounting and Reporting

BXPL's business information is disclosed accurately, timely and entirely. According to the applicable laws and regulations and stock exchange listing standards, BXPL provides complete and precise accounts in all its periodic financial reports, in its public communication and documents submitted to regulatory authorities and agencies.

No information shall be withheld from the external or internal auditor.

All employees who draw up such documents are expected to apply the utmost care, and caution and will use the applicable accounting standards.

2.2 Fair Competition

BXPL performs its business in such a manner that customers, partners and suppliers can trust in the Company and competes in a fair and open way.

2.3 Anti - Corruption

Corruption diminishes legitimate business activities, destroys reputations and distorts competition. The Company opposes all forms of corruption. Through Company procedures, tight internal control and this policy all employees have to comply with, BXPL acts to prevent corruption within the Company.

Bribery, trading in influence, facilitation payments and all forms of corruption are prohibited. BXPL promotes its policy on corruption amongst its business partners, contractors and suppliers.

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

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

2.4 Business Communications

BXPL opposes inappropriate, inaccurate or careless communications as it can create serious liability and compliance risks for the Company. All employees are required to exercise due care when communicating both internally and externally and particularly when the communication is a written document (including email).

2.5 Political Activity

BXPL does not support any political party. An individual employee may become involved politically as a private person without referencing to their relationship with the Company.

3. Personal conduct

3.1 Human Rights

BXPL respects the principles of the UN's Universal Declaration of Human Rights and is guided by its provisions in the conduct of the Company's business. The Board of Directors adopted this policy to express the Company's requirements for business practice and personal conduct and to demonstrate the Company's commitment to maintaining a high standard of social responsibility, ethics and integrity.

Relations with employees are based on respect. BXPL is committed to a working environment with mutual trust and where everyone is accountable for their own actions and share responsibility for the performance and reputation of BXPL.

3.2 Equal Opportunity

BXPL does not tolerate any kind of discrimination of employees, customers and partners on account of religion, gender, sexual orientation, age, nationality, political views, disability or other circumstances. BXPL does not tolerate unlawful employment discrimination of any kind.

The Company expects all of its employees to treat others they come in contact with through work with respect and courtesy, and to refrain from harassment, discrimination and any other behavior that may be regarded threatening or degrading.

It is everyone's responsibility to create and contribute to a positive working environment for all employees.

3.3 Buying Sexual Services

Employees of BXPL must not buy sexual services when it might be perceived that they are representing BXPL. Purchasing sexual services may be illegal, and may support human trafficking. The Company strongly opposes human trafficking.

3.4 Protection of BXPL's Property and Possessions

BXPL assets are of considerable value, whether financial or physical assets or intellectual property, and may therefore only be used to advance BXPL business purposes and goals. These assets must be secured and protected in order to preserve their value.

All employees are entrusted with Company assets in order to do their jobs, and are personally responsible for safeguarding and using these appropriately. Such assets include buildings and sites, equipment, tools and supplies, communication facilities, funds, accounts, computer programs and data, information, technology, documents, and know-how, patents, trademarks, copyrights, time, and any other resources or property of BXPL.

Employees are responsible for protecting Company assets against waste, loss, damage, misuse, theft, misappropriation or infringement and for using those assets in responsible ways. Use of Company assets without direct relation to BXPL requires the prior authorization of the employee's supervisor.

3.5 Confidentiality

To protect the Company's legitimate interests and the individual's privacy and integrity, every employee shall apply the utmost care to prevent disclosure of confidential information. The Company's property or information gained through the employee's position in BXPL may never be used for personal benefit.

The duty of confidentiality continues after the termination of the employment.

3.6 Conflict of Interest

Individuals acting on behalf of BXPL shall behave objectively and without any kind of favoritism. Companies, organizations or individuals the Company does business with shall not be given any improper advantages.

No employee may work on any matter or participate in any decision in which they, their spouse, partner, close relative or any other person with whom they have close relations has a material direct or indirect financial interest or where there are other circumstances that may undermine the trust in the employee's impartiality or the integrity of their work.

Closely related parties shall not have positions within the Company where one is the other's supervisor without the CEO's prior approval.

No employee may participate through employment, directorship or any other assignment in companies in the same line of business as BXPL without the prior written approval of the CEO or the Chairman of the Board. Members of the Company's Board shall inform the chairman of the Board of their involvement in other companies.

3.7 Gifts and Hospitality

No employee may, directly or indirectly, accept gifts from any of the Company's associates. This rule applies also to ongoing negotiations. If an employee is offered or may be offered such a gift, he/she shall immediately contact his/her supervisor, who will decide if the gift will affect the employee's independence should it be accepted.

Token gifts in connection with Christmas, anniversaries and the like may be exempted from this rule.

4. Health, safety and environment (HSE)

The Company is developing the Badger Explorer, a revolutionary technology for exploration and verification of hydrocarbon prospects, without the risks, cost and complexity of drilling an exploration well with a rig. The Badger Explorer tool acquires exploration data as it drills, and once installed at its target depth, can continue to monitor subsurface parameters to enhance development and production activities.

BXPL is committed to achieving excellence in all business activities, including health, safety and environmental performance. BXPL's overriding goal is to operate safely, in environmentally and socially responsible ways, and thereby:

- Do no harm to people
- Protect the environment
- Comply with all applicable HSE laws and regulations.

BXPL aims to provide a safe, secure and healthy working environment for all its employees, contractors and suppliers. We believe that accidents and occupational illnesses and injuries are preventable, and hence apply our efforts and resources to achieving the goals listed above.

BXPL has adopted the Norwegian "inkluderende arbeidsliv" (equal opportunity rights) scheme, incorporating procedures for an active follow-up on employees' sick leave and cooperating with the Company's health service. During 2016 absence due to sickness in BXPL was 46 days compared to 70 days in 2015.

No injuries or accidents have been reported in 2016. Increased test operations will expose staff to potential risks and more hazardous environments. Recognizing this, pro-active measures and other industry best practice have been implemented, to increase awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety and the environment will ensure that BXPL's systems and processes grow alongside the technical and commercial development.

4.1 HSE Management

Responsibility for HSE performance is shared by the Company management and its employees. Supervisors are responsible for ensuring appropriate preventive and mitigating measures are practical, available and used in practice. Employees are also responsible for using such measures and equipment, and identifying areas for improvement.

BXPL owned and operated facilities and equipment operates with the necessary permits, approvals and controls to protect health, safety and the environment. BXPL contractors and other business partners are expected to commit to the same levels of HSE protection as BXPL.

We continually set targets for improvement and agree measures by which we appraise and report performance.

4.2 HSE Training and Competence

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

4.3 Intoxicants

BXPL is committed to providing a safe and productive work environment for its employees and contract staff. This means ensuring, among other things that the workplace is free from substance abuse; i.e. use of illegal drugs, misuse of legal drugs or other substances, and abuse of alcohol. All employees shall recognize the threat posed by substance abuse and the risks involved with it.

5. Environment

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

BXPL aims to reduce the Company's carbon footprint and its impact on the environment through a commitment to continual improvement.

5.1 Field Operations

The Badger Explorer tool in operation will reduce the environmental impact of hydrocarbon exploration and the mapping of hydrocarbon resources from two perspectives.

The first is the environmental impact of an operation using the Badger Explorer as compared to a conventional operation. The Badger Explorer requires much less equipment, occupies a smaller footprint, requires fewer people for deployment, and can even be operated un-manned after it is deployed. The environmental impact is therefore much less than conventional operations, and the HSE exposure to personnel is substantially reduced.

Secondly, the Badger Explorer can play an important role in environmental monitoring. By measuring, for example, both formation resistivity and true formation water resistivity while drilling, the Badger can establish a baseline for formation water resistivity. Once deployed to the target depth, these parameters can be monitored continuously. Any changes may be related to contamination of aquifers. Conversely, lack of change in resistivity can demonstrate that

contamination has not occurred. Further, the ability to monitor distributed strain along the length of the cable enables new environmental measurements and monitoring to be performed, such as monitoring for subsurface heave or subsidence. These types of measurement are very difficult to obtain with existing conventional technology.

5.2 Office and Workshop

A number of specific policies and practices have been established to minimize the Company's environment impact through routine business activities.

- An oil separator has been installed in the workshop to eliminate contamination of the environment through spillage.
 - No oil spillage occurred during 2016.
- Environmentally friendly workshop chemicals are chosen by preference.
- Waste is separated at source and disposed of appropriately.
 - Active recycling is practiced in use of test equipment and fixtures, to avoid the unnecessary re-purchase of items that have been discarded.
- Active energy-saving is practiced in terms of heat and lighting in the workshop and the offices.
- Employees are encouraged to use all resources in the most efficient and effective way, recycle paper, bottles and cans and are asked to reduce the use of copy/printer paper.
 - BXPL uses an electronic database as its primary archiving system, to minimize the use of paper.

6. Follow-up

6.1 Personal Follow-Up

Everyone to whom this policy applies shall make themselves familiar with the same and carry out their duties accordingly.

6.2 Handling Cases of Doubt and Breach

All employees shall without undue delay contact their supervisor, the CEO or the chairman of the Board in the event of ethical doubts, breaches of this policy or when discovering anything illegal or unethical.

6.3 Manager's Responsibility

Managers shall ensure that this Company policy is communicated to their staff, and shall give advice on how they are to be interpreted. Operations within their department shall be conducted according to this policy.

7. Targets and activities related to ethical and corporate social responsibility

7.1 Reporting on 2016

In 2016 BXPL devoted more focus and attention to the Company's ethical and corporate social responsibility.

2016 was characterized by a high level of development activities; through the systems and process that are currently in place and the Company's emphasis and awareness of issues related to health, safety and the environment, BXPL can to report another year without workplace injuries and accidents. BXPL aims to provide a safe and healthy working environment for all its employees.

The Company established specific policies and practices to minimize the environmental impact of the Company's routine business activities:

- Our active energy-saving practice lead to a reduction in heating and lighting related costs.
- Active recycling procedures are implemented; waste is separated at source and disposed appropriately.
- No oil spillage occurred during 2016.

7.2 Outlook

BXPL will work with and assign more priority to corporate social responsibility in 2017. BXPL aims to keep absence due to sick leave low in 2017. With further emphasis on HSE, the Company works towards another accident and injury free year at BXPL.

The systems and procedures currently in place for “Business Practice”, “Personal Conduct”, “HSE” and the “Environment” will be assessed on a regular basis to ensure that they align with the Company’s technical and commercial development.

BXPL Management



Roald Valen CEO

Mr. Valen has broad experience from the oil and gas industry. He previously held positions in ABB Robotics, National Oilwell Varco, Robotic Drilling Systems and Zaptec and has knowledge and hands-on experience of managing and engineering advanced robotic solutions.



Gunnar Dolven CFO

Mr. Dolven holds a MBA in Corporate Finance from the Norwegian School of Economics & Business Administration (NHH), Bergen, Norway and a M.Sc. in applied mathematics from the same institution. He has more than 25 years' managerial experience from the financial sector and the oil & gas industry including positions as COO and CEO of SpareBank1 and Sr. Vice President/Director of group planning in Statoil ASA. He has extensive board experience including positions as chairman from several companies.

Board of Directors



Marcus Hansson Chairman of the Board

Mr. Hansson has extensive experience from the financial services sector as a Portfolio Manager and former Stockbroker within Hedge Fund Sales. Currently, Mr. Hansson works as a business developer and London based investor. Previously, Mr. Hansson held a position as Portfolio Manager within the Proprietary Trading Department at Credit Suisse Europe LTD in London investing money for the Arbitrage Strategies group. For more than 10 years Mr. Hansson has also worked as a Stockbroker and Hedge Fund Sales for Carnegie Investment Bank and SEB Enskilda focusing on Long/Short strategies, Special Situations and Risk Arbitrage. Mr. Hansson holds a M.Sc. in Business Administration and Economics from the University of Stockholm.

Mr. Hansson has been a member of the Company's Board since December 2010. He was elected chairman in April 2011.



Birte N. Borrevik Board Member

Having started her career with Statoil in 1980, Ms. Birte N. Borrevik brings experience from roles in Drilling Project management and operational HSE. She currently holds the position of HSE & Operations Manager in Explora Petroleum AS. She also spent 18 years in various roles in BP both in Norway and internationally in the Drilling- and Major project organizations. Ms. Borrevik has a BSc in Petroleum Engineering from the University of Stavanger.

Ms. Borrevik was elected a member of the Company's Board in May 2014.



Belinda T. Ingebrigtsen Board Member

Mrs. Belinda T. Ingebrigtsen is a senior lawyer in Kluge's real property department. Before joining Kluge, Mrs. Ingebrigtsen worked as an assistant professor at the University of Bergen, and as a deputy judge and an appointed judge at the Stavanger district court. Mrs. Ingebrigtsen works mainly with dispute resolution and litigation within a wide range of areas, and with sale and purchase, leasehold and development of real property.

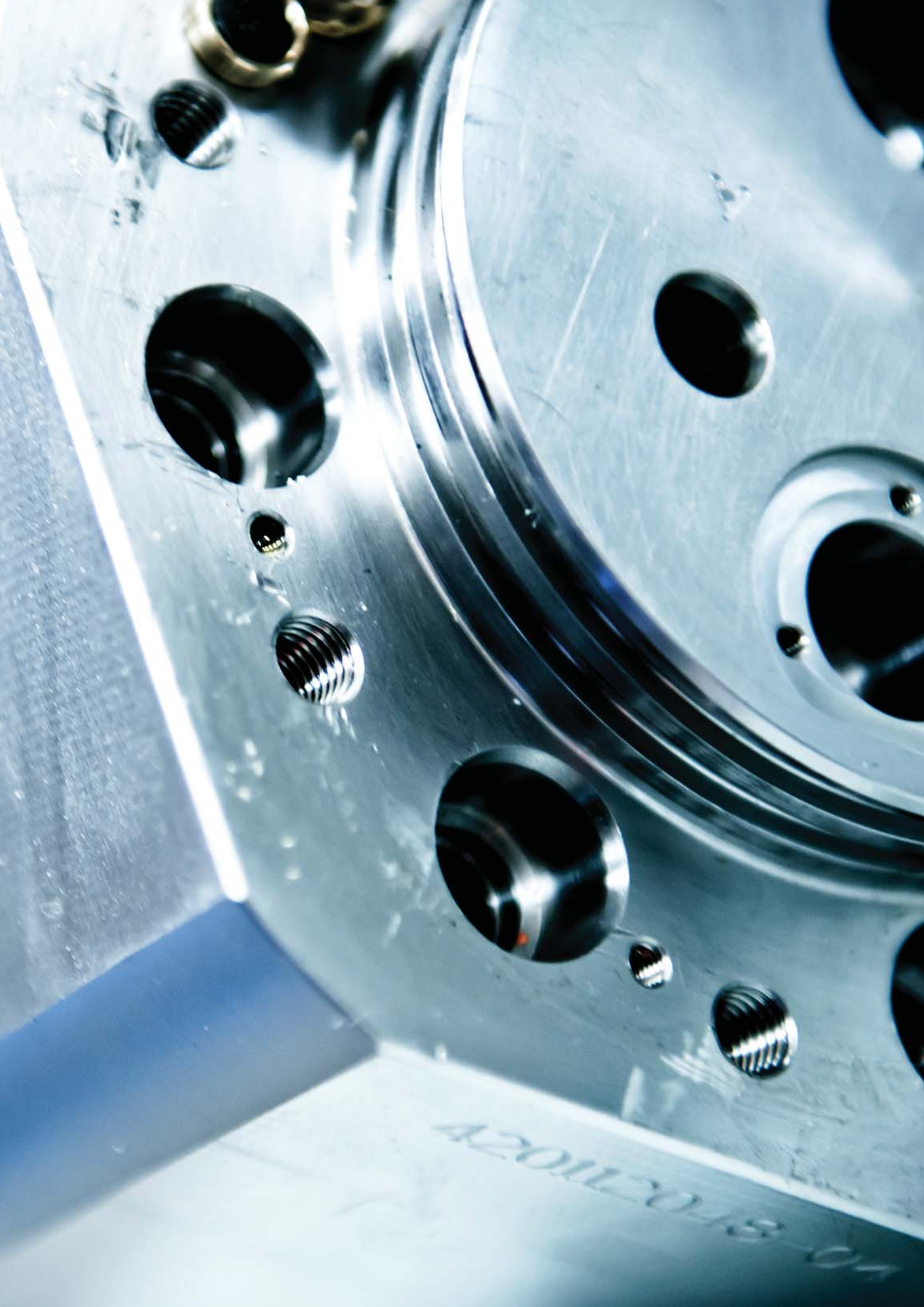
Mrs. Ingebrigtsen was elected a member of the Company's Board in September 2015.



David Ottesen Board member

David S. Ottesen has 34 years of experience from the oil service industry. He was the general manager of Baker Hughes Inteq Scandinavia Region 1993-2000. He also headed Baker Hughes Inteq Eastern and Western Hemisphere 2000-2004. At present he is the CEO of Risavika Havn AS, Stavanger.

Mr. Ottesen has been a member of the Company's Board since May 2013.



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The Board of Directors' report

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

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

Badger Explorer ASA's head office is located at Prof. Olav Hanssens vei 15, 4021 Stavanger, Norway and is organized under the laws of Norway.

Significant events during 2016

The main focus during 2016 has been to secure sufficient funding for the remaining part of the Development Program while keeping a steady progress reducing the technical risk level.

In April 2016 Badger Explorer received a Letter of Intent from Statoil where they express their intent of supporting the program going forward

In July 2016 Statoil approved the final key deliverable of Milestone 1 of the Badger Explorer Development Program.

In December 2016 Badger Explorer secured the first out of two Private Placements enabling a ramp up of the Development Program activities.

Technical progress

Despite the challenging funding situation in 2016, Badger Explorer has had a steady technical progress.

The ongoing Petromaks2 project - high power High Pressure High Temperature [HPHT] Transducers for the drilling and compaction system - passed milestone 1 in Q1 2016. This milestone realized the necessary components and enables the project to start using these components in relevant testing scenarios. Throughout 2016 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 and drilling will continue in Q1 2017.

The work on the drilling solution that will handle drilling in low fluid formations was scaled up in Q4 2016 where drill-bit design, control system and the utilization of the ultrasonic transducer were included. These are all improvements of an already existing and functional drilling solution that will expand the tool's working range significantly.

Further work on the locomotion was also initiated in Q4 2016. The locomotion of the tool has very few analogs to refer to which means that Badger Explorer over the years have used a broad range of external expertise to understand the challenge in advance of deploying the tool. Several solutions have been evaluated and Badger Explorer has continued working on the most promising ones in second half of 2016. Promising test results mean reduced friction and enhanced propulsion for the tool. In addition, a dedicated test equipment was designed that will be used to qualify the effect of the various locomotion solutions.

The Cuttings Transport module was developed in 2016 and the chain based transporting system passed relevant endurance tests including handling dry and wet cuttings in a satisfactory way. Statoil approved the Cuttings Transport test results in Q2 2016.

Sponsoring Partners

While the sponsorship program with Statoil has been active through 2016, the negotiations with CNPC-DR are still ongoing. As earlier reported, CNPC-DR confirmed their intention to join the Badger Explorer Development Program already in Q1 2016. Badger Explorer is expecting to finalize the contract with CNPC during 2017.

Funding

In December 2016, Badger Explorer conducted a successful private placement (PP1) raising NOK 45 million in gross proceeds securing liquidity for the Company. In addition, a subsequent offering (SO1) launched after the reporting period raised another NOK 10 million from eligible shareholders. These exercises secure sufficient funding for the remaining part of the Development Program. The Company has continued to keep expenses for Q4 2016 at a low level.

After the reporting period, Badger Explorer successfully raised further NOK 300 million in gross proceeds in a new private placement (PP2). The subsequent offering (SO2) for eligible shareholders raised another NOK 30.4 million. The total raised gross proceeds is therefore NOK 385.4 million (PP1+SO1+PP2+SO2). See note 17.

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
 - Enhanced ultrasonic drilling in low permeability formations
- Cuttings transport
 - Transport of dry or wet cuttings from drill-bit to compactor inside the tool
- Compaction
 - Make an impermeable plug and obtain necessary space for the tool by use of ultrasonic compaction and micro-fracking
- Locomotion
 - Move tool in packed annulus and unstable geology.

To be able to prove the performance of the selected solutions, Badger Explorer plans to build testing equipment that reflects the expected operating environments. The most important testing equipment is a subsurface test chamber (STC) that can apply high temperature and high pressure (HTHP) conditions to the tested equipment. With the STC, Badger Explorer will be able to verify expected process behaviour as well as qualifying the engineering solutions at an earlier stage than previously expected.

Research and development

During 2016, the Company spent NOK 4.493 million (NOK 16.823 million in 2015) on research and development related to the Badger Development Program.

Presentation of 2016 accounts

Accounting policies

The financial statements of BXPL have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31st December 2016.

Operating revenues

Total revenues from operations for BXPL were NOK 65,600 in 2016, compared to no revenue in 2015.

Operating expenses

Total operating expenses for BXPL were NOK 6.676 million in 2016, compared to NOK 12.807 million the previous year, which is a decrease of 47.8%. The Company significantly reduced its cost structure in 2016 to improve the liquidity position.

Development costs

All development costs incurred during 2016 and 2015 were related to the development of the Badger Explorer technology in BXPL. In 2016, BXPL spent NOK 4.493 million on development projects, of which NOK 3.516 million were capitalized, compared to NOK 16.823 million, of which NOK 14.124 million were capitalized in 2015.

The public grants from the RCN and pledged tax deduction from Skattefunn amounted to NOK 5.155 million for 2016 and NOK 8.060 million for 2015. The public grants were deducted from the carrying amount of the capitalized development costs.

Net financial items

Net financial items for BXPL amounted to NOK -445,072 for 2016, compared to NOK -450,308 for 2015. Net financial loss decrease was primarily attributable to fees and financial expense related to the overdraft facility.

Performance

Net loss attributable to equity holders of the Company was NOK -7.056 million for 2016, compared to NOK -13.257 million for 2015. Ordinary earnings per share from operations of BXPL amounted to NOK -0.38 in 2016 (NOK -0.72 in 2015).

Statement of financial position and cash flow

All figures in NOK million at Year End	Badger Explorer ASA	
	2016	2015
Total Assets ¹	151.0	152.5
Total Equity	58.9	66.2
Equity Ratio	39.0%	43.4%
Total Intangible Assets ²	150.0	148.2
Share Capital ³	2.3	2.3
Total Liabilities ⁴	92.1	86.3
Debt financial institutions ⁵	6.9	6.7
Net Cash Position ⁶	0.3	0.6

1. Total assets in BXPL decreased due to decline in value of fixed assets due to use and depreciation.
2. The increase in total intangible assets is mainly related to capitalized costs for the Badger Explorer development project. There are no indications as of reporting date that impairment is necessary.
3. Total of 18,537,288 outstanding shares at a nominal value of NOK 0.125 per share.
4. Capitalized partner capital contributions (total of NOK 81.5 million) are recognised as long-term liabilities, which will be repaid by paying 5% royalty of all technology related sales in the future.
5. BXPL has entered into a revolving credit facility with its Norwegian bank Sparebanken Vest on 22nd 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 31st December 2016, NOK 6.889 million has been drawn on the overdraft facility. Interest incurred of NOK 431,671 have been repaid during 2016. Financial covenants: equity - not be less than NOK 75 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 7.5 million with Sparebanken Vest is in breach with the agreed covenants during 2016 and at year ended 31st December 2016. The outstanding debt of NOK 6.889 million was repaid due to the private placement of NOK 45 million on 13th January 2017 ref. note 17.
6. Cash and cash equivalents were NOK 334,886 end of 2016 (before completion of the private placement announced in Q4 2016), compared to NOK 585,953 end of 2015.

Deferred tax assets are not recognised in the statement of financial position as BXPL is in a development phase and is currently generating losses.

Allocation of the 2016 result

BXPL's annual result amounted to a loss of NOK -7.056 million. The Company has no distributable equity. The Board of Directors proposes that the loss is transferred to retained earnings.

Risk management

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

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

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

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

Financial risks

Interest rate risk

The Company's financial income and financial costs in the statement of profit or loss are influenced by changes in interest rates as the interest on credit facility with Sparebanken Vest is on a floating basis. The Company had NOK 356,671 in interest expense for the overdraft facility in 2016.

Foreign currency exchange risk

The Company's cash reserves of NOK 334,886 are deposited in the Norwegian bank Sparebanken Vest. The main transactions for the Company are in NOK but the Company has suppliers invoicing in USD and GBP. When commercial operations in larger scale commence, a foreign currency exchange risk policy will be introduced.

Credit risk

BXPL only trades with recognised, creditworthy third parties. It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. All cash in the Company is deposited in the Norwegian bank Sparebanken Vest. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk.

Liquidity risk

BXPL monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for BXPL's management of liquidity risk is to maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of BXPL at year-end 2016 was NOK 334,886, compared to NOK 585,953 in 2015.

Following the successful launch of the private placement at the end of 2016, the Company's financial and liquidity position has significantly improved. The net proceeds from the Private Placement will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. See note 17 for more details.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

Risk related to oil and gas prices

Oil and natural gas prices are volatile and subject to fluctuations and are affected by numerous factors beyond the Company's control, including, but not limited to, worldwide economic and political conditions, levels of supply and demand, the policies of OPEC (the Organization of Petroleum Exporting Countries), advances in exploration and development technology, and the availability and exploitation of alternate fuel sources. The petroleum industry's ability and willingness to invest in new technology and technology companies has historically been closely linked to the price of oil and gas prices. The Company has historically received funding from oil companies in periodic large lump sums. This has changed to smaller milestone based funding in response to the decline in oil and gas prices over the past two years. Should the oil and gas price decline further in the years to come, there might be implications in the Company's expected funding from the oil companies, which may have a significant negative effect on the Company's financial position.

Whilst there may be a recovery in the oil and gas prices, uncertainty related to future price development remains high, and therefore uncertainty with respect to the oil companies' or other industrial sponsorship of the Company remains high.

Non-financial risks

Technology risk

The Company's technologies have evolved through the Company's Prototype Program (2005-2011) and Demonstrator Program (2012-2014). The current Development Program (2015-2019) will focus on four cornerstone technologies for the Badger Explorer Concept, characterized by the following technical risks:

- **Drilling:** The tool must be able to handle drilling with or without fluid. It must be able to handle high temperatures in the environment, generated by the tool itself, and by drilling. The drill bit cannot be replaced during operation. There is a risk that these functional requirements will affect the tool's performance, operational envelope, and market application.
- **Cutting transportation:** The Company has developed, and successfully stand-alone tested, a method to transport both dry and wet cuttings. There is a risk that implementing this method within a complete tool will be more challenging than anticipated, leading to delays in product development.
- **Compaction:** The permeability of the plug and fracture network produced by the tool are required to be within the regulative expectations. There is a risk that this requirement will not be achieved in a sufficient range of subsurface conditions, constraining operational envelope and market application.
- **Locomotion:** The tool will encounter environments in which the friction between the tool and the cavity walls and/or the cuttings between the cavity wall and the tool, may be too high. Several concepts for solving this challenge have been developed, but there is a risk that the developed solution will not be able to secure that the expected function under a sufficient range of conditions.

The Development Program does not include the logging sensors nor the power provision system (cable module) as these are evaluated to be engineering tasks secondary to the core technologies. There is a risk that the needed technology solution is not available in the market to an acceptable cost and within the necessary timeline. In-depth tests may also prove the execution more challenging than expected requiring extension of time and cost which could consequently have a material adverse effect on the Company's business and financial position.

Competitive technology

The Company's technology is competing with traditional exploration drilling using drill rigs where both are verifying the actual presence of hydrocarbons in a Prospect Resource to classify the Reservoir as Contingent Resource (SPE Petroleum Resource Management System). If the Company's technology is commercialized, there is no guarantee that the Company will take market share from such established competitors. Should the Company be unsuccessful in gaining such market share, this will have a material adverse effect on the Company's business and financial results.

The Company has not identified any direct competitors with the same technology and services. There are new technologies for improving seismic and EM operations, which will increase the quality of their services, but these services, are considered complementary to the Company's services. Competitors with similar technology could, however, appear if the Company's technology and services prove successful. There is a risk that competing solutions could consequently have material adverse effect on the Company's business and financial position.

Market risk

The Company is operating in the oil and gas industry making it affected by the general market movements in the industry.

Operational risk

The Company has successfully developed a tool, which, through the Demonstrator Program (2012-2014), exhibited performance which may not be scalable to target commercial conditions. The Development Program (2015-2019) is scheduled to qualify component technologies critical for such scaling. Extended time or extended funding may be necessary to execute subsurface tests for development of these technologies. Exposure to unforeseen operational problems during such testing may lead to service downtime, unexpectedly high operating costs and/or loss of earnings which could have a material adverse effect on the financial position of the Company.

Risk related to environmental, health and safety issues

The Company's operations are subject to numerous national and supra-national, environmental, health and safety laws, treaties and conventions and/or other regulations, including, inter alia, those controlling the discharge of materials into the environment, requiring removal and cleanup of environmental contamination, establishing certification, licensing, health and safety, taxes, labor and training standards or otherwise operations relating to the protection of human health and the environment. The amendment or modification of existing regulations or the adoption of new regulations curtailing or further regulating the Company's business could have a material adverse effect on the Company's operating results and financial condition. The Company cannot predict the extent to which future earnings or capital expenditures may be affected by compliance with such new regulations. In addition, the Company may be subject to significant fines, penalties or liabilities if it does not comply with any such existing or future regulations.

The products and services developed by the Company shall undergo strict qualification and certification by international standardization organizations, and shall be certified in accordance with applicable regulations all areas of operation. The Company shall also procure insurance coverage deemed adequate for the Company's business and operations. Notwithstanding this, there is no guarantee that met qualifications, standards, and insurance will be sufficient in all circumstances.

Going concern

Pursuant to section 3-3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that BXPL is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. The Company has reported significant doubt about the Company's ability to continue as a going concern in the previous periods as a result of a very tight liquidity situation. Additional funding was required to carry on the future development of the Badger tool and pay overdue debt. The overdraft facility of NOK 7.5 million with Sparebanken Vest was in breach with the agreed covenants during 2016 and at year end 31st December 2016. The Board assesses that there is not significant uncertainty related to going concern as of today based on the private placement of NOK 385.4 million carried out in Q1 2017, and the further planned subsequent offering as described in note 17 "Events after the reporting date" in this report.

Health, safety and the environment (HSE)

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

BXPL has adopted the Norwegian "inkluderende arbeidsliv" (equal opportunity rights) scheme, incorporating procedures for an active follow-up on employees' sick leave and cooperating with the Company's health service. During 2016 absence due to sickness in BXPL was 46 days compared to 70 days in 2015.

No injuries or accidents have been reported in 2016. Increased test operations exposed staff to potential risks and more hazardous environments. Recognizing this, pro-active measures and other industry best practice have been implemented, to increase awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety and the environment will ensure that BXPL's systems and processes grow alongside the technical and commercial development.

Personnel and organization

BXPL is committed to equal opportunity and non-discrimination. BXPL had 4 permanent employees, of which 2 were female employees, for the years ended December 31st, 2016 and 2015, respectively.

In 2016, salaries for male employees averaged NOK 875,895 (compared to NOK 925,310 in 2015). Salaries for female employees averaged NOK 604,710 for 2016 (compared NOK 643,178 in 2015).

Both in 2016 and in 2015, 33% of BXPL's employees were of foreign nationality. All members of BXPL's Executive Management were of Norwegian nationality in 2016.

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

External environment

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

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

Corporate Social Responsibility (CSR)

BXPL is committed to enhancing shareholder value in an ethical and socially responsible manner. By implementing the CSR Policy and Ethical Guidelines, the Company aims to take responsibility and set an example of good practice. The Board of Directors reviews the policy and the guidelines yearly and adopted the latest versions of the CSR Policy and the Ethical Guidelines on 23rd February 2017. These guidelines are available on the Company's website (www.bxpl.com). The documents apply to staff, Board members, temporary employees, consultants and any person or entity acting on behalf of BXPL.

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

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

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

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

- Do no harm to people
- Protect the environment
- Comply with all applicable HSE laws and regulations.

The Company believes that accidents and occupational illnesses and injuries are preventable, and hence applies efforts and resources to achieve the goals listed above. BXPL is proud of its good HSE statistics. During 2015, BXPL did a lot of testing and hands-on development work, without recording any injuries or accidents.

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

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

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

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

- An oil separator has been installed in the workshop to eliminate contamination through spillage. No spillage has occurred during 2016.
- Environmentally friendly workshop chemicals are chosen by preference.
- Waste is separated at source and disposed of appropriately.
- Active recycling is practiced in use of test equipment and fixtures, to avoid the unnecessary re-purchase of items that have been discarded.
- Active energy-saving is practiced in terms of heat and lighting in the workshop.

Corporate Governance

Corporate Governance is performed within the framework of the Norwegian Code of Practice for Corporate Governance dated 30th October 2014 (www.nues.no). The Board reviews the Corporate Governance Policy annually and approved the latest version on 23rd February 2017 which can also be found on the Company's website (www.bxpl.com) and is included in this Annual Report.

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

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

Board of Directors of Badger Explorer ASA

The composition of the Board of Directors and the Board members' competences and expertise are chosen to support the Company's goals. BXPL's Board consists of four members, two males and two females.

The Board of Directors held five ordinary Board meetings and four extraordinary Board meeting during the fiscal year 2016.

The Board's Audit Committee consists of Chairman Mr. Marcus Hansson. The Board conducts an annual evaluation of its work.

Events after the reporting date

On 6th December 2016, BXPL has carried out Private Placement I issuing 360,000,000 new ordinary shares for gross proceeds of NOK 45 million with a subscription price of NOK 0.125. The proceeds were received on 13th January 2017. Private Placement I will be used to fund the Company's ongoing Development Program as well as for general corporate purposes.

At the extraordinary general meeting on 9th January 2017, the Company's shareholders resolved to approve Private Placement I and authorized a Subsequent Offering. As a result of the share issue, the Company's new registered share capital was NOK 47,317,161 divided into 378,537,288 shares, each with a nominal value of NOK 0.125 on 16th January 2017. Costs and fees of NOK 3.050 million related to the transaction were recognized as a reduction to equity.

On 2nd February 2017, The Company announced that it had raised NOK 300 million in gross proceeds through a new Private Placement II consisting of 600,000,000 new shares with a subscription price of NOK 0.50 per share. The net proceeds from Private Placement II will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. The Company has already evaluated potential investments and is continuing to see interesting investment opportunities.

The Norwegian Financial Supervisory Authority has on 15th February 2017 approved a prospectus prepared by BXPL. The prospectus comprise (i) listing of 360,000,000 new shares (the "Private Placement I Shares") issued in a Private Placement I conducted on 6th December 2016 (the "Private Placement I"), (ii) listing of 600,000,000 new shares (the "Private Placement II Shares") to be issued in connection with Private Placement II conducted on 2nd February 2017 (the "Private Placement II"), (iii) the offer and listing of 80,000,000 shares (the "Offer I Shares") in connection with the Subsequent Offering I and (iv) the offer and listing of 80,000,000 new shares (the "Offer II Shares") in connection with the Subsequent Offering II.

At the extraordinary general meeting on 23rd February 2017, the Company's shareholders resolved to approve the Private Placement II and authorized a Subsequent Offering II. As a result of the Subsequent Offering I, the Company's new registered share capital is NOK 132,317,161 divided into 1,058,537,288 shares, each with a nominal value of NOK 0.125 on 7th March 2017. The gross proceeds from the Private Placement II and Subsequent Offering I amounted to NOK 310 million. Costs and fees of NOK 13.687 million related to the capital increase transactions were recognized as a reduction to equity.

On 20 March 2017, BXPL agreed to acquire 100% of the outstanding shares of Dwellop AS, the Norwegian-based independent systems and technology provider delivering topside handling equipment for well intervention and plugging & abandonment (P&A) operations. The agreed purchase price is NOK 190 million, whereof NOK 60 million shall be settled in cash at closing and NOK 130 million shall be settled by issuance of new shares in the Badger Explorer ASA at an agreed subscription price of NOK 0.65 per share (the "Remuneration Shares").

On 23 March 2017, the Subsequent Offering II of up to 80,000,000 new shares at a subscription price of NOK 0.50 per share was subscribed for gross proceeds of NOK 30.4 million. As a result of the Subsequent Offering II, the Company's new share capital is NOK 139,909,055 divided into 1,119,272,438 shares, each with a nominal value of NOK 0.125.

No other events have taken place after the reporting period that would have affected the financial statements or any assessments carried out.

Outlook

The recent equity offerings have dramatically improved the position of Badger Explorer in terms of strategic flexibility and ability to accelerate business development. As a result of the recent transactions, the Company will now be able to maximize the value potential of the existing business and related technologies. While ramping up the Development Program, Badger Explorer will continue to have a prudent strategy for developing the Badger tool and aims to maintain costs at a low level. Furthermore, the strong liquidity position enables the Company to pursue other investment opportunities that arise within the oil services industry. Given the current downturn in the industry, the Company is in a unique position compared to many of its peers and will seek to capitalize on that position and expand into other oil services segments. The Company has already evaluated potential investments and is continuing to see interesting investment opportunities. The aim of the Company is to initiate one or more transactions within a relatively short time frame.

The Board of Directors wishes to extend their gratitude to the entire BXPL staff for the considerable technical progress and achievements made in advancing the Badger tool throughout 2016.

Stavanger, 29th March 2017

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

 _____ Marcus Hansson (Chairman of the Board)	 _____ Birte Noer Borrevik (Board member)	 _____ Belinda T. Ingebrigtsen (Board member)
 _____ David Ottesen (Board member)	 _____ Roald Valen (CEO)	



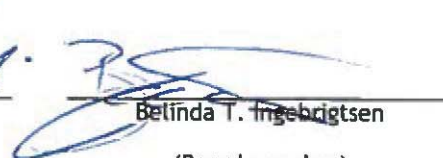


Responsibility statement

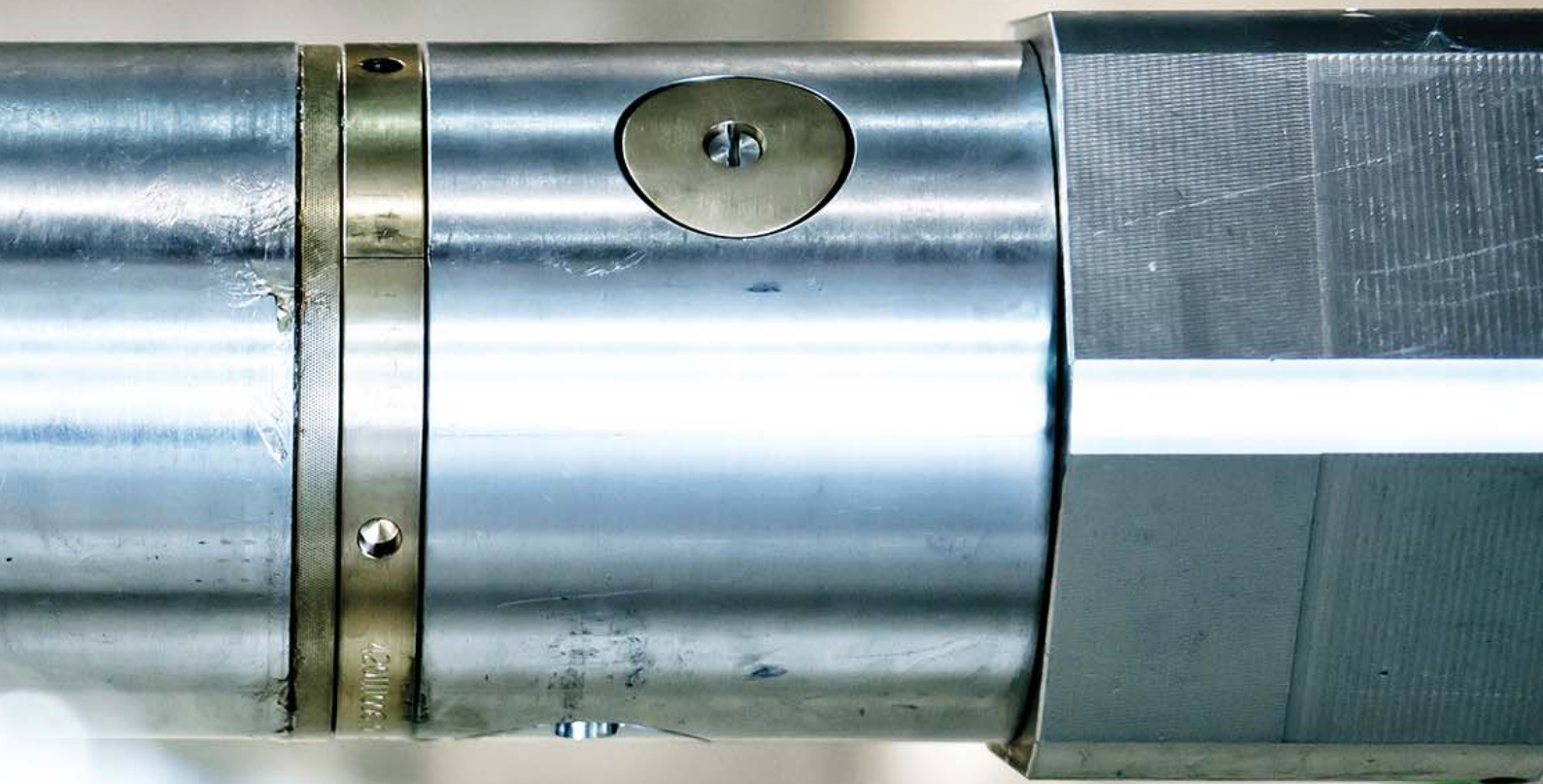
We confirm, to the best of our knowledge that the financial statements for the period 1st January to 31st December 2016 have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities and financial position and result of Badger Explorer ASA.

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

Stavanger, 29th March 2017

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

 _____ Marcus Hansson (Chairman of the Board)	 _____ Birte Noer Borrevik (Board member)	 _____ Belinda T. Ingebrigtsen (Board member)
 _____ David Ottesen (Board member)	 _____ Roald Valen (CEO)	



Badger Explorer ASA

Income statement - Badger Explorer ASA

All figures in NOK

	Note	2016	2015
REVENUES			
Other income		65 600	0
Total revenues		65 600	0
OPERATING EXPENSES			
External services for development project	3	1 561 431	8 725 892
Payroll and related expenses	14	4 140 499	9 921 081
Depreciation	16	99 174	200 371
Other operating expenses		4 390 750	8 083 181
Capitalised development costs	3	-3 515 506	-14 123 964
Total operating expenses		6 676 347	12 806 562
Operating profit (loss)		-6 610 747	-12 806 562
Finance income	11	30 195	38 831
Other finance income	11	8 244	15 518
Finance expenses	11	483 511	504 656
Net finance income (loss)		-445 072	-450 308
Profit (loss) before taxes		-7 055 820	-13 256 869
Tax on ordinary result	12	0	0
Net profit (loss)		-7 055 820	-13 256 869
Profit (loss) attributable to equity holders of the company	13	-7 055 820	-13 256 869
Earnings per share	13	-0.38	-0.72
Earnings per share diluted	13	-0.37	-0.70

Statement of comprehensive income - Badger Explorer ASA

All figures in NOK

	2016	2015
Total comprehensive income		
Profit (loss) for the year	-7 055 820	-13 256 869
Other comprehensive income - items that will later be reclassified to profit or loss	0	0
Total comprehensive income for the year, net of tax	-7 055 820	-13 256 869
Total comprehensive income attributable to:	2016	2015
Equity holders of the company	-7 055 820	-13 256 869
Total comprehensive income	-7 055 820	-13 256 869

Statement of financial position - Badger Explorer ASA

All figures in NOK

ASSETS	Note	2016	2015
NON-CURRENT ASSETS			
Capitalised development costs	2,3	149 631 849	147 767 798
Patent rights	3	386 668	386 668
Total intangible assets		150 018 516	148 154 466
Property, plant & equipment	16	23 995	100 933
Total tangible assets		23 995	100 933
TOTAL NON-CURRENT ASSETS		150 042 512	148 255 399
CURRENT ASSETS			
Other receivables	2,8,10	605 374	3 629 859
Total receivables		605 374	3 629 859
Cash and cash equivalents	3	334 886	585 953
TOTAL CURRENT ASSETS		940 260	4 215 812
TOTAL ASSETS		150 982 772	152 471 211
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	2 317 161	2 317 161
Share premium	15	218 069 985	218 069 985
Other paid in capital	14	3 935 228	4 167 490
Total paid in equity		224 322 374	224 554 636
Retained earnings		-165 403 218	-158 347 399
Total equity attributable to equity holders of company		-165 403 218	-158 347 399
TOTAL EQUITY		58 919 156	66 207 237

LIABILITIES

Capitalised grants	5	81 500 000	75 000 000
Total long term liabilities		81 500 000	75 000 000
Accounts payable	8,9	2 063 022	3 077 545
Public duties payables	8	280 623	474 324
Debt financial institutions	6	6 889 452	6 711 379
Other short term liabilities	7	1 330 519	1 000 727
Total short term liabilities		10 563 616	11 263 975
TOTAL LIABILITIES		92 063 616	86 263 975
TOTAL EQUITY AND LIABILITIES		150 982 772	152 471 211

Stavanger, 29th March 2017

 _____ Marcus Hansson (Chairman of the Board)	 _____ Birte Noer Borrevik (Board member)	 _____ Belinda T. Ingebrigtsen (Board member)
 _____ David Ottesen (Board member)	 _____ Roald Valen (CEO)	

Statement of change in equity - Badger Explorer ASA

All figures in NOK

	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 1 January 2015		2 317 161	218 069 985	3 659 643	-145 090 529	78 956 260
Profit (loss) for the year					-13 256 869	-13 256 869
Other comprehensive income					0	0
Total comprehensive income					-13 256 869	-13 256 869
Option plan payment	14			507 847		507 847
Equity as of 31 December 2015		2 317 161	218 069 985	4 167 490	-158 347 399	66 207 237
Profit (loss) for the year					-7 055 820	-7 055 820
Other comprehensive income					0	0
Total comprehensive income					-7 055 820	-7 055 820
Option plan payment	14			-232 262		-232 262
Equity as of 31 December 2016		2 317 161	218 069 985	3 935 228	-165 403 218	58 919 156

Statement of cash flow - Badger Explorer ASA

All figures in NOK

	Note	2016	2015
Cash flow from operational activities			
Contributions from operations*		-6 714 576	-12 382 980
Change in accounts receivable and accounts payables		-1 014 522	683 066
Change in other receivables and payables		-375 822	-936 207
Net cash flow from operating activities	A	-8 104 920	-12 636 121
Cash flow from investment activities			
Capitalisation of development costs	3	-3 515 506	-14 123 964
Net cash flow from investment activities	B	-3 515 506	-14 123 964
Cash flow from financing activities			
Government grants	2	5 165 620	8 060 043
Contributions from industry partners	5	6 500 000	8 389 786
Proceeds from borrowings financial institutions	6	178 072	6 711 379
Other finance income	11	8 244	15 518
Interest paid	11	-482 576	-181 188
Net cash flow from financing activities	C	11 369 360	22 995 538
Total net changes in cash flow	A+B+C	-251 067	-3 764 547
Cash and cash equivalents at beginning of period	3	585 953	4 350 500
Cash and cash equivalents at end of period	3	334 886	585 953
Net result attributable to equity holders of the company		-7 055 820	-13 256 869
Employee options	14	-232 262	507 847
Depreciation	16	99 174	200 371
Finance income	11	-8 244	-15 518
Finance expenses	11	482 576	181 188
*Total contributions from operations		-6 714 576	-12 382 980

Note 1 Significant accounting policies

Badger Explorer ASA (BXPL) is a public limited company, incorporated in Norway, headquartered in Stavanger and listed on the Oslo Stock Exchange (Oslo Axxess list), address headquarter: Professor Olav Hanssens vei 15, 4021 Stavanger, Norway.

The financial statements of Badger Explorer ASA for the fiscal year 2016 were approved in the board meeting on 29 March 2017.

The Company's activities are described in the Board of Director's report.

1.1 Basis of presentation of the accounts

BXPL's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial year beginning on or after 1 January 2016, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2016.

1.2 Intangible assets

Intangible assets that have been acquired separately are carried at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed as incurred.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised but are expensed as occurred.

Intangible assets not ready to use are tested for impairment annually ref. note 1.4. Such intangibles are not amortised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Research and development costs

Expenses relating to research and development are recognised in the income statement when they are incurred. Expenses relating to development are capitalised if the following criteria are met in full:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company's intention to complete and its ability to use or sell the asset.
- The Company has demonstrated how the asset will generate future economic benefits.
- The ability to measure reliably the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development are capitalised. All costs related to the Badger Explorer development project is capitalised continuously every month. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Expenses that are capitalised include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Internal hours used in the development project are capitalised at cost (no mark-up).

Note 1 Significant accounting policies (continues)

Costs, which have been charged as expenses in the previous accounting periods, are not capitalised.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. No depreciation has been performed for the development project yet.

Patents and licenses

Amounts paid for patents and licences are capitalised and amortised in a straight line over the expected line over the expected useful life from the time the technology it relates to is ready for use. The expected useful life of patents and licences varies from 5 til 20 years.

1.3 Government grants and contributions from partners

Government grants are recognised when it is reasonably certain that the Company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Investment grants are capitalised and recognised systematically over the asset's useful life.

Government grants received to date are related to development project (ref. note 3) and deducted in the carrying amount of the related project.

When the contributions from the partners are subject to specific requirements, the contributions are recognised in the balance sheet as long term liabilities. When the contributions from the partners are not subject to specific requirements, the contributions are recognised in the statement of financial position as a deduction of the carrying amount of the related project. ref. note 5.

1.4 Use of estimates when preparing the annual financial statements

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements, is given in the notes 1.2 and 3.

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year, are described below.

Note 1 Significant accounting policies (continues)

Capitalised development costs

BXPL capitalises development costs for the Badger Explorer technology in accordance with the accounting policy. Development expenditure is capitalised only if development costs can be measured reliably, the technology is technically and commercially feasible, future economic benefits are probable, and BXPL intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the Badger Explorer technology. Such assessments are performed based on a fair oil industry gross margin which is agreed with the industry partners. Moreover, the Company analyses development works in terms of continuously meeting the conditions for capitalising costs and impairment. This valuation is reviewed by the Audit Committee.

Given the complexity of the Badger technology, technical capability of the product to meet expectations to the customers, the future oil markets and the innovative technological nature of the product give rise to some uncertainty as to when the technology will be commercialized. In order to ramp up further development and commercialization of the Badger Explorer tool, it is important to address the current challenges. Effective collaboration with industry partners, continuous funding from governmental institutions, successful completion of equity raising, clear R&D strategy will serve as tools for accelerating commercialization of the cost-saving, unique and novel Badger Explorer technology. Investments in research and development are absolutely essential for Company's future growth and competitive position in the marketplace and are directly related to timely development of Badger Explorer technology that is central to the Company's core business strategy.

1.5 Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired.

An assessment of impairment losses on assets is made when there is an indication of a fall in value. Intangible assets not ready to use are tested for impairment annually. Such intangibles are not amortised. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the statement of profit or loss. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity as there is only one CGU (cash generating unit) in the Company.

Impairment losses recognised in the statements of profit or loss of previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

1.6 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

1.7 Statement of cash flows

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

1.8 Functional currency and presentation currency

The Company's presentation currency is NOK. This is also the Company's functional currency.

Note 1 Significant accounting policies (continues)

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

1.9 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.10 Financial assets**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, receivables, available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and cash equivalents, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in cost of sales or other operating expenses for receivables.

This category includes accounts receivable and other receivables carried at amortised cost or at nominal amount less provision for bad debt where this can be regarded as a reasonable proxy for fair value.

1.11 Financial liability

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, as appropriate.

BXPL's financial liabilities include trade and other payables and debt to financial institutions.

Note 1 Significant accounting policies (continues)**Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

Debt to financial institutions

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. When fixed assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the statement of profit or loss.

The gross carrying amount of fixed assets is the purchased price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Subsequent costs, such as repair and maintenance costs, are recognised in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognised in the statement of financial position as additional to fixed assets.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Plant and machinery: 6 - 10 years

Fixtures, fittings and vehicles: 3 - 5 years

The depreciation period, the depreciation method and the residual value of fixed assets are evaluated annually.

1.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are evaluated at the end of each month and adjusted to reflect the available information about the provision. When the information available is insufficient, the best estimate is used.

Note 1 Significant accounting policies (continues)**1.14 Recognition of revenue**

Revenue is recognised when it is probable that transactions will generate future economic benefits that will flow to the Company and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts. The Company's technology is still in the research and development phase, and there is no revenue from sales of products yet.

Interest income is recognised in the statement of profit or loss based on the effective interest method as they are earned.

1.15 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is probable that the Company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The Company recognise previously unrecognised deferred tax assets to the extent it has become probable that the Company can utilise the deferred tax asset. Similarly, the Company will reduce a deferred tax asset to the extent that the Company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the Company where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

1.16 Contingent liabilities and assets

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Company.

1.17 Share-based payment

Employees of BXPL receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 14. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Note 1 Significant accounting policies (continues)

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

1.18 Equity

Cost of equity transactions

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

1.19 Events after the reporting period

New information on the Company's financial position at the end of the reporting period which becomes known after the reporting period is reflected in the annual accounts. Events after the reporting period that do not affect the company's financial position at the end of the reporting period but which will affect the Company's financial position in the future are disclosed if significant.

1.20 Segments

The operations of the Company are only for the development of the Badger tool and, as a result of that, there is only one operating segment.

1.21 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Company during the current financial year. Below are listed the amendments in IFRS which have been applicable for the Company's 2016 financial statements, as well as the effect of the amendments.

The following new and amended standards and interpretations have been implemented for the first time in 2016:

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 are intended to promote the use of professional judgment to a greater extent in relation to which information to include in the notes and how to structure the accounts, and is part of the IASB's "Disclosure Initiative."

The annual report was revised according to the "Disclosure initiative" and restructured in 2016 compared to the previous years.

Note 1 Significant accounting policies (continues)

Annual Improvements 2010-2012 Cycle

These changes apply to financial years starting 1 February 2015 or later. The Company has applied these amendments for the first time for the annual accounts for 2016. The amendments concern:

IFRS 2 Share-based Payments

The amendment clarifies definitions relating to vesting conditions, including the following:

- An earning condition must contain a service condition.
- An earnings target may be fulfilled whilst the counterparty is performing the service.
- An earnings targets can relate to operations or activities of a company, or those of a company in the same group.
- An earnings condition may be a market condition or a non-market based condition.
- If the counterparty, regardless of why, ceases to provide services in the vesting period, then the earnings condition is not met.

The amendment is implemented prospectively.

IFRS 13 Fair Value Measurement

The amendment is a clarification that trade receivables and payables which are not interest-bearing can be valued at invoice amount when the effect of discounting is immaterial.

IAS 24 Related Party Disclosures

The amendment is implemented retrospectively and clarifies that a business which provides management services and supplies key staff for the management is a related party which is covered by the requirements of disclosure for related parties. In addition, a company that employs such services must disclose the costs incurred for management services.

Annual Improvements 2012-2014 Cycle

These changes apply to financial years starting 1 January 2016 or later. The Company has assessed these amendments and none of them is currently applicable.

Amendments to standards and interpretations with a future effective date

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective are disclosed below. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

IFRS 9 Financial instruments / Finansielle instrumenter (unofficial Norwegian translation)

In July 2014, IASB published the last sub-project for IFRS 9 and the standard has now been completed. IFRS 9 constitutes amendments linked to the classification and valuation, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Valuation. Those parts of IAS 39 which have not been changed as part of this project have been transferred and included in IFRS 9.

The standard will be implemented retrospectively, except for hedge accounting, but preparing comparative figures is not a requirement. The rules for hedge accounting should mainly be implemented prospectively but with some exceptions. The Company has no plans for implementing the standard early. The standard has accounting effect from 1 January 2018. The Company does not expect material changes in the accounts based on a new standard but it might impact disclosure information.

Note 1 Significant accounting policies (continues)*IAS 7 Statement of Cash Flows*

The amendments are part of the IASB “Disclosure Initiative” and requires companies to provide disclosures that enables users of financial statements to understand the changes in liabilities arising from financing activities, including changes with and without cash flow effect. The amendments must be implemented prospectively and the expected effective date is 1 January 2017.

IFRS 2 Share-based Payments

The amendments are designed to eliminate disparate practices in the classification and valuation of specific types of share-based payments, and concerns three areas:

- The effects of vesting conditions the on valuation of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement after tax
- The reporting of changes in the classification of cash-settlements of share-based payments

IFRS 15 Revenues from Contracts with Customers

The core principal of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has accounting effect from 1 January 2018. The Company is not yet in a commercial position and the effects of the new standards have not been assessed yet.

IFRS 16 Lease replaces existing IFRS lease requirements, IAS 17 Leieavtaler

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”). The effective date for IASB is from January 1, 2019 but not yet endorsed by EU. The Company has a lease agreement for the office space with 3 months notice period. As of such, the lease standard is not expected to have a material effect on the financial statements.

The amendments will initially be implemented prospectively, but retrospective adoption is permitted if this is done in all three areas. The expected effective date is 1 January 2018.

Note 2 Government grants and development costs

(All figures in NOK)

Badger Explorer ASA (BXPL) has no sales revenue, but receives grants and tax incentive schemes from different government sources, such as the Research Council of Norway (RCN), Innovation Norway and SkatteFUNN, reported as Government grants. The projects of the Badger Explorer Development Program are funded with a percentage of the total project costs. Received government grants in 2016 and 2015 was NOK 5.166 and NOK 8.060 million respectively.

For the financial year 2016, the funding of NOK 2.057 million was granted and received from RCN through its PETROMAKS2-program to further develop HPHT ultrasonic system, compared to NOK 5.138 million for the same period in 2015. The project period is from January 2014 to June 2017.

R&D projects have been approved for the SkatteFUNN arrangement, a Norwegian tax incentive scheme. BXPL has two approved projects covering all its major R&D activities, supported by SkatteFUNN from 2014 to 2016. For the financial year 2016, the Company received NOK 2.547 million, compared to NOK 2.922 million in 2015. The Company has booked a receivable of NOK 367,027 as at 31 December 2016 to be received in 2017.

The government grants and all project development costs of BXPL, related to the Badger Explorer Development Program, are capitalised in accordance with the IFRS regulations, except of NOK 977,038 as of 31 December 2016, compared to NOK 2.699 million as of 31 December 2015.

Note 3 Intangible assets

(All figures in NOK)

BXPL has recognised the following assets in the statement of financial position (including internal built up assets such as development costs).

Year ended 31 December 2016	Patents*	Development costs	Total
Cost at 1 January 2016	400 000	147 767 798	148 167 798
Additions in the year**	0	3 515 506	3 515 506
Government grants	0	-1 651 455	-1 651 455
Cost at 31 December 2016	400 000	149 631 849	150 031 849
Accumulated depreciations at 31 December 2016	13 332	0	13 332
Book value at 31 December 2016	386 668	149 631 849	150 018 516

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted 18 March 2002. Depreciation will commence when the technology is ready for its intended use.

** The additions in the year 2016 consist of external services of NOK 1.269 million, purchase of manufactured parts, components and materials of NOK 183,857, internal personnel costs of NOK 1.954 million, travel expenses of NOK 109,043 for the Badger Explorer development project.

Note 3 Intangible assets (continues)

(All figures in NOK)

Year ended 31 December 2015	Patents*	Development costs	Total
Cost at 1 January 2015	400 000	140 217 614	140 617 614
Additions in the year**	0	14 123 964	14 123 964
Government grants	0	-6 573 781	-6 573 781
Cost at 31 December 2015	400 000	147 767 798	148 167 798
Accumulated depreciations at 31 December 2015	13 332	0	13 332
Book value at 31 December 2015	386 668	147 767 798	148 154 466

** The additions in the year 2015 consist of external services of NOK 8.162 million, purchase of manufactured parts, components and materials of NOK 451,619, internal personnel costs of NOK 5.398 million and travel expenses of NOK 112,619 for the Badger Explorer development project.

There has not been made any depreciation on intangible asset in 2016 and 2015, respectively.

All development costs in 2016 and 2015 are related to the development of the Badger Explorer technology in BXPL. The development work contains inherent technology risk and risk related to the funding contributions from the partners, see notes 1.2 and 1.4 for more information.

Annual impairment assessment

The capitalized development of NOK 149.632 million is the main asset of BXPL, equivalent to 99.1% of total assets. Future sales of Badger Explorer operations have a minimum net price indication of USD 12 million according to the Badger Explorer Demonstrator Program Agreement. The price can vary and is subject to licence/sector, complexity, anticipated depth of operations and certainly how comprehensive logging and sensors package the customer wants or needs in the specific operation. The industry partners have first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers for a period of up to 6 years from commercialization. BXPL is of the opinion that the industry partners will use their first right to place orders for the Badger Explorer tool as soon as a fully functional tool is ready. The partners having signed the Badger Explorer Development Program Agreement has a right to buy service at a set gross margin, which is set at acceptable oil industry standards. The Company has prepared a stress test for the valuation of the intangible asset in relation to estimated sales price, margin and expected sales volumes for a fully functional tool available for use. The stress-test is assessed as prudent and reasonable, and shows that a limited amount of yearly sales of units over the first years after commercialization support the book value of the technology. As a result of the analysis, the Company has not identified impairment for the capitalised development cost. Sales of four to five units the first year, gives the Company a capacity to repay all partner grants, generate additional orders from the industry partners and secure future sales. The year-end evaluation of the capitalised technology must be seen in this perspective. There are no indications as of reporting date that impairment is necessary.

Note 4 Cash and cash equivalents

(All figures in NOK)

	2016	2015
Cash at bank	334 886	585 953
Total cash at bank	334 886	585 953
Restricted bank deposits for employee withholding taxes	144 121	259 771

Note 5 Conditional commitments

(All figures in NOK)

Contribution recognised as capitalised grants in the statement of financial position

Through strategic industrial cooperation agreements, BXPL has received contributions amounting to NOK 81.5 million whereas NOK 75 million were received prior to 2015. The Badger Demonstrator Program (2012 -2014) Agreement has been supported by Statoil, Chevron Energy Technology Company, ExxonMobil Exploration and Production Norway AS, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). The Badger Explorer Development Program, which commenced in 2015, has been co-sponsored by Statoil. According to the Development Program, funds are awarded to BXPL when the agreed milestone is reached.

When commercial sales to the market has started, all participants and Shell Technology Norway AS (the previous partner of the Badger Explorer Prototype Program Agreement) will share 5% royalty of all BXPL's sales of products and services related to the Badger Explorer on a yearly basis. This royalty is limited to a total of 150% of received contributions.

The industry partners having signed the Badger Explorer Development Program Agreement have a first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers at a pre-negotiated gross margin. This gross margin is considered to be acceptable and fair oil industry standard. The partners do have this right for a period up to 6 years from commercialization. Should a partner not employ its first right of refusal, this right and the corresponding share of manufacturing capacity will fall to the remaining partners. For further details see note 3.

Note 6 Debt financial institutions

(All figures in NOK)

Short term liabilities	2016	2015
Debt financial institutions	6 889 452	6 711 379

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 2016, NOK 6.889 million has been drawn on the overdraft facility. Interest incurred of NOK 431,671 have been repaid during 2016. Financial covenants: equity - not be less than NOK 75 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 7.5 million with Sparebanken Vest is in breach with the agreed covenants during 2016 and at year ended 31 December 2016.

The outstanding debt of NOK 6.889 million was repaid due to the private placement of NOK 45 million on 13 January 2017 ref. note 17.

Note 7 Other short term liabilities

(All figures in NOK)

Other short term liabilities	2016	2015
Unpaid vacation pay	275 141	628 907
Government grants*	772 419	0
Other accrued costs	92 437	181 297
Other**	190 522	190 522
Total other short term liabilities	1 330 519	1 000 727

*The actual costs for the PETROMAKS2 program (HPHT ultrasonic system) for 2016 were lower than the amounts indicated in the cost plan and the amounts disbursed from Research Council of Norway. Unused funds were repaid to the RCN on 9 March 2017.

** Other short term liabilities include outstanding balance payable to CNPC DR for having two Chinese engineers working at Badger Explorer ASA's HQ from May to September in 2015.

Note 8 Financial instruments risk management objectives and policies

(All figures in NOK)

BXPL is subject to market risks (foreign currency exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's management oversees the management of these risks and assures that BXPL's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarised below.

Foreign currency risk

The Company's cash reserves of NOK 334,886 are deposited in the Norwegian bank Sparebanken Vest. The main transactions for the Company are in NOK but the Company has suppliers invoicing in USD and GBP. When commercial operations in larger scale commence, a foreign currency exchange risk policy will be introduced.

Interest rate risk

The Company's financial income and financial costs in the statement of profit or loss are influenced by changes in interest rates as the interest on credit facility with Sparebanken Vest is on a floating basis. The Company had NOK 356,671 in interest expense for the debt to financial institutions in 2016.

Credit risk

BXPL only trades with recognised, creditworthy third parties. It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. All cash in the Company is deposited in the Norwegian bank Sparebanken Vest. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk.

Note 8 Financial instruments risk management objectives and policies (continues)

(All figures in NOK)

Liquidity risk

BXPL monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for BXPL's management of liquidity risk is to maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of BXPL at year end 2016 was NOK 334,886, compared to NOK 585,953 in 2015.

Following the successful launch of the private placement at the end of 2016, the Company's financial and liquidity position has significantly improved. The net proceeds from the Private Placement will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. See note 17 for more details.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

The table below shows a maturity analysis for BXPL's total short term liabilities:

	within 3 months	within 6 months	within 9-12 months
2016			
Accounts payable	2 063 022	0	0
Public duties payables	280 623	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 6)	6 889 452	0	0
Other short term liabilities	1 055 378	275 141	0
	within 3 months	within 6 months	within 9-12 months
2015			
Accounts payable	3 077 545	0	0
Public duties payables	474 324	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 6)	6 711 379	0	0
Other short term liabilities	371 820	628 907	0

Capital management

BXPL's main objective for the management of its capital structure is to maximise value creation for shareholders, while at the same time maintaining a sound financial position and a good credit rating.

BXPL manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives policies or processes during the financial year.

BXPL monitors its capital structure using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, debt financial institutions, trade and other payables, less cash and short-term deposits.

Note 8 Financial instruments risk management objectives and policies (continues)

(All figures in NOK)

	2016	2015
Debt financial institutions	6 889 452	6 711 379
Trade and other payables	3 674 165	4 552 596
Bank deposits	-334 886	-585 953
Net debt	10 228 730	10 678 022
Equity	58 919 156	66 207 237
Total capital	58 919 156	66 207 237
Capital and net debt	69 147 886	76 885 259
Gearing ratio	14.8 %	13.9 %
Equity ratio	39.0 %	43.4 %

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	334 886	334 886	585 953	585 953
Current receivables	605 374	605 374	3 629 859	3 629 859
Financial liabilities				
Debt financial institutions	6 889 452	6 889 452	6 711 379	6 711 379
Trade and other payables	3 674 165	3 674 165	4 552 596	4 552 596

Age distribution of receivables

As at 31 December 2016, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2016	367 028	367 028	0	0	0	0	0
2015	3 442 667	3 442 667	0	0	0	0	0

Note 9 Transactions with related parties

(All figures in NOK)

The following table provides the total amount of transactions that have been entered into with related parties controlled by the members of executive management of BXPL for the relevant financial year. The purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

Transactions with related parties	2016	2015
Purchased services	1 400 526	2 515 589
Other short term liabilities to related parties	0	0
Account payable to related parties	1 250	0

In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. For the year ended 31 December 2016, payments totalling NOK 820,000 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.

For the year ended 31 December 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. The consultancy agreement with Nilsholmen AS was terminated on 30 June 2016.

In March 2016, BXPL entered into a consultancy agreement with the former Company's CEO and its shareholder Mr. Steinar Bakke. As of 31 December 2016, payments totalling NOK 214,359 were made to S.Bakke Consulting AS in respect of performed consultancy services and NOK 7,166 related to travel expenses. The consultancy agreement with S.Bakke Consulting was terminated on 30 November 2016.

Note 10 Total receivables

(All figures in NOK)

	2016	2015
Skattefunn & Research Council of Norway receivables	367 028	3 108 774
Prepaid expenses	238 346	187 192
Refundable VAT	0	333 893
Total receivables	605 374	3 629 859

For age distribution of accounts receivables see note 8.

Note 11 Finance income and finance expenses

(All figures in NOK)

This section provides additional information about individual line items of finance income and finance expense in the statement of profit or loss by type.

Finance income:	2016	2015
Interest income related to cash and cash equivalents	180	5 309
Other financial income	8 244	15 518
Currency gain	30 015	33 521
Total finance income	38 439	54 349
Finance expenses:	2016	2015
Interest expense related to debt to financial institutions	-482 576	-181 188
Currency losses	-935	-323 468
Total finance expenses	-483 511	-504 656
Net finance income (loss)	-445 072	-450 308

Note 12 Income tax

(All figures in NOK)

Income tax expense	2016	2015
Payable tax	0	0
Other	0	0
Tax from previous years	0	0
Changes in deferred tax	0	0
Total tax expense	0	0

Calculation of basis for tax

Earnings before tax	-7 055 820	-13 256 869
Permanent differences	-199 606	499 593
Changes in temporary differences	7 255 426	12 757 276
Total basis for tax	0	0

Summary of temporary differences:

Fixed assets	-148 222	-631 781
Loss carried forward	-164 996 013	-157 257 028
Total	-165 144 235	-157 888 809

Deferred tax asset	-39 634 616	-39 472 202
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Note 12 Income tax (continues)

(All figures in NOK)

Statement of financial position

Deferred tax asset	2016	2015
Loss carried forward	-39 599 043	-39 314 257
Fixed assets	-35 573	-157 945
Total deferred tax asset	-39 634 616	-39 472 202
Valuation allowance	39 634 616	39 472 202
Total deferred tax asset recognised in the statement of financial position	0	0

The Company has not recognised a deferred tax asset in the statement of financial position for 2016 and 2015 as the Company is in a development phase and is currently generating losses.

Loss carried forward as of 31 December 2016	2016	2015
Unlimited carrying forward	164 996 013	157 257 028

Effective tax rate	2016	2015
Profit / (loss) before tax	-7 055 820	-13 256 869
25% tax of earnings before tax	-1 763 955	-3 579 355
Permanent differences	-49 902	134 890
Changes in deferred tax asset not recognised in the statement of financial position	162 414	286 688
Effect due to changes in tax rate from 25% to 24% on the deferred tax asset*	1 651 442	3 157 776
Calculated tax cost	0	0

Effective tax rate	0 %	0 %
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*With effect from the 2017 financial year, the corporate taxable profits (ordinary income) are taxed at a flat rate of 24%. Deferred tax assets and liabilities at 31 December 2016 have been calculated using 24% tax rate (2015: 25% tax rate).

Note 13 Earnings per share

(All figures in NOK)

Earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted average number of shares outstanding over the year.

Diluted earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted average number of shares outstanding over the year plus the weighted average number of dilutive potential shares.

Note 13 Earnings per share (continues)

(All figures in NOK)

Options, awarded to employees at the end of 2006 and 2007, were waived and not included in the calculation of diluted earnings per share. The effect of options awarded to employees in September 2009, June 2010, October 2011, September 2013, February 2014 and March 2016 is included in the calculation of diluted earnings per share for 2016 and 2015.

	2016	2015
Profit (loss) attributable to equity holders of the Company	-7 055 820	-13 256 869
Weighted average number of outstanding ordinary shares during the year	18 537 288	18 537 288
Effect of dilution - share options	440 000	469 000
Weighted average outstanding diluted shares	18 977 288	19 006 288

Earnings (loss) per share	2016	2015
Ordinary	-0.38	-0.72
Diluted	-0.37	-0.70

Note 14 Payroll and related expenses

(All figures in NOK)

Payroll and related expenses	2016	2015
Salaries and vacation pay	3 504 429	7 015 003
Social security tax	534 999	1 145 796
Pension expense ("OTP")	143 801	301 163
Employee share option program expense (incl. national insurance contributions)	-232 262	507 847
Remuneration to the Board of Directors and the Nomination Committee	0	545 000
Other benefits	189 532	406 271
Total payroll and related expenses	4 140 499	9 921 081

Number of employees	2016	2015
The average number of full time equivalent employees	5	8

Pension scheme

The Company has a defined contribution pension scheme that complies with the Norwegian occupational pension legislation (called "OTP"). The pension contributions range from 4% 0 - 7.1 G to 7% 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,111,912). The National Insurance scheme basic amount for 2017 is NOK 92,576. The retirement age for all employees, including the management, is 67 years.

	2016	2015
Contributions expensed during the year	143 801	301 163

Note 14 Payroll and related expenses (continues)

(All figures in NOK)

Remuneration to management

The total remuneration for the members of the management was NOK 1.421 million in 2016, compared to NOK 2.558 million in 2015.

Total remuneration to management during the year ended 31 December is as follows:

	2016			2015		
	Salary	Other Remuneration	Pension cost	Salary	Other Remuneration	Pension cost
Steinar Bakke, (CEO)*	257 027	2 681	1 055	1 305 362	14 535	54 792
Øystein Larsen, (CEO)**	746 309	21 501	31 357	0	0	0
Roald Valen, (CEO)***	335 184	7 955	17 712	0	0	0
Øystein Larsen, (CTO)**	0	0	0	1 099 842	28 326	54 792

*Effective from 20 January 2016, Mr. Steinar Bakke resigned his position as CEO of BXPL. He has stepped down from his position as CEO and took up a new role as Senior Advisor of BXPL until 29 February 2016.

**Mr. Øystein Larsen took on the position as CEO of BXPL, effective from 20 January 2016. On 9 September 2016, Mr. Larsen resigned his position as CEO of BXPL. Mr. Larsen was until 31 December 2015 the Chief Technical Officer of the Company.

***Effective from 22 August 2016, Mr. Roald Valen commenced as CEO of the Company.

At the end of the financial year 2016, executive management of BXPL consists of CEO and CFO. Remuneration for CFO is included in the note 9 "Transactions with related parties".

Shares and options held directly or indirectly by the management group as of 31 December 2016 are as follows:

	Number of shares	% shares	Options	Exercise price (NOK)
Roald Valen, CEO	0	0.0 %	250 000	2,40
Gunnar Dolven, CFO	434 872	2.3 %	0	0
Total	434 872	2.3 %	250 000	

Changes in share options held by the management group are as follows:

	Options as of 1 January 2016	Options granted in the period	Options for- feited in the period	Options vested in the period	Options as of 31 December 2016
Steinar Bakke, CEO	370 000	0	185 000	185 000	0
Øystein Larsen, CEO	0	370 000	370 000	0	0
Roald Valen, CEO	0	250 000	0	0	250 000
Total	370 000	620 000	555 000	185 000	250 000

See the section "Remuneration policy for members of executive management" for further information.

Note 14 Payroll and related expenses (continues)

(All figures in NOK)

Remuneration to the Board of Directors and the Nomination Committee

The annual general meeting held on 14 June 2016 resolved changes to the composition of the Board of Directors and remuneration of the Board members and the Nomination Committee members. The allocation of remuneration to the members of the Board and Nomination Committee is paid as follows in 2015 and 2016:

	2016	2015
Marcus Hansson - Chairman of the Board, Audit Committee*	0	120 000
Birte N. Borrevik - Board member*	0	60 000
Belinda T. Ingebrigtsen - Board member	0	0
Tone Kvåle - Board member, Audit Committee (until 2015)	0	200 000
Rolf E. Ahlqvist - Nomination Committee	0	25 000
Bjørge Gretland - Board member*	0	60 000
David Ottesen - Board member*	0	60 000
Richard Urbanski - Nomination Committee	0	10 000
Knut Åm - Nomination Committee	0	10 000
Total remuneration	0	545 000

*Effective from 28 July 2015, the members of the Board was initially paid out NOK 545,000 of the total remuneration of NOK 995,000 as a result of the Company's tight cash position in 2015. The remaining NOK 450,000 of the total Board remuneration for 2014, and the remuneration for 2015 of NOK 522,500 was paid on 15 February 2017, see the table below.

	2014	2015	Sum paid in 2017
Marcus Hansson - Chairman of the Board, Audit Committee	180 000	200 000	380 000
Birte N. Borrevik - Board member	90 000	100 000	190 000
Belinda T. Ingebrigtsen - Board member		55 000	55 000
Rolf E. Ahlqvist - Nomination Committee		12 500	12 500
Bjørge Gretland - Board member (until 2015)	90 000	45 000	135 000
David Ottesen - Board member	90 000	100 000	190 000
Richard Urbanski - Nomination Committee		5 000	5 000
Knut Åm - Nomination Committee		5 000	5 000
	450 000	522 500	972 500

Employee share option program

On 1 January 2016, there were 469,000 share options outstanding under Employee share option program. 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. Mr. Øystein Larsen was granted 370,000 share options which forfeited due to the resignation from his position as former CEO. Mr. Steinar's Bakke 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. Upon commencement of the employment, the current BXPL's CEO Mr. Valen was granted 250,000 share options. The previous share options program from 2014 was cancelled. The total number of 440,000 share options held by BXPL employees were outstanding on 31 December 2016. Fully vested and exercisable share options can be exercised between 3 to 10 days after the publication of the Company's Q4 2017 and Q4 2018 reports in 2018 and 2019.

Note 14 Payroll and related expenses (continues)

(All figures in NOK)

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.

The number of employees share options and average exercise prices for BXPL and development during the year:

	2016		2015	
	Share options	Weighted average exercise price	Share options	Weighted average exercise price
Summary of outstanding options:				
Balance at 1 January	469 000	6.71	523 000	6.80
Granted during the year	810 000	1.85	0	0.00
Cancelled during the year	-81 000	7.51	0	0.00
Forfeited during the year	-758 000	4.08	-54 000	7.51
Balance at 31 December	440 000	2.14	469 000	6.71
Vested options	0	0.00	33 000	7.51
Weighted Average Fair Value of options granted during the period	810 000	1.15	0	0.00
Charged against the income statement:	-232 262		507 847	
Charged against the income statement - Employers' national insurance contribution:	0		0	

Fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting on 14 June 2016. This authorisation is valid until the next General Meeting to be held in 2017 with an ultimate expiry date on 30 June 2017. The authorisation is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of executive management for 2016:

The main principle of the Company's remuneration policy for BXPL's management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2016 was based on the principles noted below.

The fixed salary for each member of the management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate. The salary for the CEO and executive management has been reduced during 2016.

Note 14 Payroll and related expenses (continues)

(All figures in NOK)

In addition to their base salary, the Company's management may be granted additional remuneration in the form of a bonus. If a bonus scheme would have been implemented in 2016, the assessment criteria would have been based on both Company's performance and the individual's performance. The targets to be reached by the CEO were to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the management team, based on principles defined by BXPL's Board of Directors. No provision for bonus has been recognised for 2016.

The Company's management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

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.

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 members of the management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12 G (NOK 1,080,816). The National Insurance scheme basic amount for 2016 was NOK 90,068. The retirement age for all employees, including management, is 67 years.

Remuneration policy for members of executive management - Guidelines for 2017:

The main principle of the Company's remuneration policy for BXPL's management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2017 will be based on the principles noted below.

The fixed salary for each member of the management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2017, the assessment criteria will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the management team, based on principles defined by BXPL's Board of Directors.

The Company's management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

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.

Note 14 Payroll and related expenses (continues)

(All figures in NOK)

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 members of the management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% 0 - 7.1 G to 7% 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,110,912). The National Insurance scheme basic amount for 2017 is NOK 92,576. The retirement age for all employees, including the management, is 67 years.

Auditor's fee

(All figures in NOK)

The following table shows remuneration related to professional services rendered by the Company's principal auditor, Ernst & Young AS, for fiscal year 2016 and 2015. The amounts shown are exclusive of value added tax.

	2016	2015
Audit fee*	150 000	165 000
Assurance services**	37 355	42 691
Other assistance***	49 121	100 538
Total	236 476	308 229

* Audit fee relate primarily to services provided by Ernst & Young AS for auditing BXPL's financial statements and its internal controls.

** Assurance services include primarily review of the Company's quarterly financial statements and the annual report.

*** Other assistance relates primarily to other attestation services required under regulatory requirements, advisory services, preparation of tax returns, the prospectus, going concern assumption review.

Note 15 Share capital and shareholder information

(All figures in NOK)

Share capital as at 31 December 2016 was NOK 2.317 million, being 18,537,288 ordinary shares at a nominal value of NOK 0.125 each. All shares carry equal voting rights.

New shares have been issued in 2017, ref. note 17.

Number of ordinary shares	2016	2015
Ordinary shares at 1 January	18 537 288	18 537 288
Capital increase	0	0
Ordinary shares at 31 December	18 537 288	18 537 288

Note 15 Share capital and shareholder information (continues)

(All figures in NOK)

Badger Explorer ASA had 890 shareholders on 31 December 2016. Norwegian entities and individuals held 64.0% of the outstanding shares and the 20 largest shareholders held 53.4% of the outstanding shares. As at 31 December 2016, the 20 largest shareholders were as follows:

	Shareholders	Number of shares	% shares
1	DEUTSCHE BANK AG	2 829 997	15.3 %
2	INVESCO PERP EURAN SMLER COMPS FD	1 225 389	6.6 %
3	GAYANOVA VICTORIA	778 455	4.2 %
4	CLEARSTREAM BANKING S.A.	662 129	3.6 %
5	ABN AMRO BANK (LUXEMBOURG) S.A.	592 900	3.2 %
6	ARGENTUM FONDSINVESTERINGER AS	523 145	2.8 %
7	DALVIN RÅDGIVNING AS	426 872	2.3 %
8	MACAMA AS	355 514	1.9 %
9	MAX INVEST AS	300 000	1.6 %
10	NORDNET BANK AB	284 295	1.5 %
11	ÅM KNUT	242 600	1.3 %
12	KOVACI RAMADAN	235 112	1.3 %
13	DREVDAL KJELL ERIK	222 600	1.2 %
14	BNP PARIBAS SECURITIES SERVICES	220 000	1.2 %
15	ØSTEBRØD EINAR HÅKON	200 000	1.1 %
16	ESPELID KARSTEIN JOHAN	170 000	0.9 %
17	STOKKA SIGMUND	168 693	0.9 %
18	THOMAS FEARNLEY, STIFTELSEN	150 983	0.8 %
19	ANCHOR SECONDARY 4 AS	150 982	0.8 %
20	FAVØR HOLDING AS	150 982	0.8 %
	Total shares for top 20 shareholders	9 890 648	53.4 %
	Total shares for other 870 shareholders	8 646 640	46.6 %
	Total shares (890 shareholders)	18 537 288	100 %

The following members of the Board of Directors and member of executive management held shares as of 31 December 2016:

	2016	2015
ABN AMRO Bank (Luxembourg) S.A. (Chairman - Marcus Hansson)	565 000	565 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	426 872	426 872
Nilsholmen Investering AS	64 422	209 222
Senior Advisor - Steinar Bakke	473	155 000
Nilsholmen AS	0	20 200
Chairman - Marcus Hansson	11 668	11 668
CFO - Gunnar Dolven	8 000	8 000
Board member - Tone Kvåle (until 31 March 2015)	0	5 000
Ordinary shares	1 076 435	1 400 962
% of total shares	5.8 %	7.6 %

Note 15 Share capital and shareholder information (continues)

(All figures in NOK)

Board of Director's mandate to increase the share capital

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting on 14 June 2016. These authorisations are valid until the next Annual General Meeting to be held in 2017 with an ultimate expiry date on 30 June 2017. The first authorization is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution). The second authorization is provided for increasing the Company's share capital with up to NOK 231,716 by way of issuance of up to 1,853,728 shares in conjunction with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 16 Property, plant and equipment

(All figures in NOK)

	Property, plant & equipment	Total 2016	Property, plant & equipment	Total 2015
Cost price at 1 January	5 793 447	5 793 447	5 793 447	5 793 447
Additions	22 236	22 236	0	0
Cost price at 31 December	5 815 683	5 815 683	5 793 447	5 793 447
Accumulated depreciations at 31 December	-5 791 688	-5 791 688	-5 692 515	-5 692 515
Booked value at 31 December	23 995	23 995	100 933	100 933
Depreciation	-99 174	-99 174	-200 371	-200 371
Depreciation rate %:	10% - 33%		10% - 33%	
Estimated useful life:	3 - 10 years		3 - 10 years	
Depreciation method:	straight-line		straight-line	

The depreciation period and method are assessed each year to ensure that the method and period used harmonize with the financial realities of the non-current asset. The same applies to the scrap value.

Lease commitment

In March 2016, the Company signed a lease for office and workshop purposes. BXPL moved its administration and workshop to new facilities located at the International Research Institute of Stavanger (IRIS) building. The lease agreement specifies 4 quarterly payments of NOK 100,000 beginning 1 April 2016, the commencement of the lease, and at the first day of each of the next three quarters. The rental agreement of 174 square meters expires on 31 March 2017. After that, the lease of the premises continues automatically. The period of notice is 3 months. The annual rental amount for this space amounted to NOK 300,000 as of 31 December 2016.

The rental agreement also includes a garage rent for storage at NOK 18,000 annually.

The following arrangements are classified as operating leases:

Operating leasing costs	2016	2015
Rent costs on buildings	862 337	2 019 520
Operational leasing costs	14 150	32 551
Total operating leasing costs	876 487	2 052 071

Note 16 Property, plant and equipment (continues)

(All figures in NOK)

The future minimum rents related to non-cancellable leases fall due as follows:

	Within 1 year	2-5 years	After 5 years
Operational leasing costs	4 000	0	0
Rent costs on buildings	104 500	0	0
Total	108 500	0	0

The lease agreement for the previous office (headquarters) at Forussskogen 1 expired on 31 March 2016. The final outstanding lease payment of NOK 1,164,803 was repaid on 18 January, 2017.

Note 17 Events after the reporting date

(All figures in NOK)

On 6 December 2016, BXPL has carried out Private Placement I issuing 360,000,000 new ordinary shares for gross proceeds of NOK 45 million with a subscription price of NOK 0.125. The proceeds were received on 13 January 2017. Private Placement I will be used to fund the Company's ongoing Development Program as well as for general corporate purposes.

At the extraordinary general meeting on 9 January 2017, the Company's shareholders resolved to approve Private Placement I and authorized a Subsequent Offering. As a result of the share issue, the Company's new registered share capital was NOK 47,317,161 divided into 378,537,288 shares, each with a nominal value of NOK 0.125 on 16 January 2017. Costs and fees of NOK 3.050 million related to the transaction were recognized as a reduction to equity.

On 2 February 2017, The Company announced that it had raised NOK 300 million in gross proceeds through a new Private Placement II consisting of 600,000,000 new shares with a subscription price of NOK 0.50 per share. The net proceeds from Private Placement II will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. The Company has already evaluated potential investments and is continuing to see interesting investment opportunities. The aim of the Company is to initiate one or more transactions within a relatively short time frame.

The Norwegian Financial Supervisory Authority has on 15 February 2017 approved a prospectus prepared by BXPL. The prospectus comprise (i) listing of 360,000,000 new shares (the "Private Placement I Shares") issued in a Private Placement I conducted on 6 December 2016 (the "Private Placement I"), (ii) listing of 600,000,000 new shares (the "Private Placement II Shares") to be issued in connection with Private Placement II conducted on 2 February 2017 (the "Private Placement II"), (iii) the offer and listing of 80,000,000 shares (the "Offer I Shares") in connection with the Subsequent Offering I and (iv) the offer and listing of 80,000,000 new shares (the "Offer II Shares") in connection with the Subsequent Offering II.

At the extraordinary general meeting on 23rd February 2017, the Company's shareholders resolved to approve the Private Placement II and authorized a Subsequent Offering II. As a result of the Subsequent Offering I, the Company's new registered share capital is NOK 132,317,161 divided into 1,058,537,288 shares, each with a nominal value of NOK 0.125 on 7th March 2017. The gross proceeds from the Private Placement II and Subsequent Offering I amounted to NOK 310 million. Costs and fees of NOK 13.687 million related to the capital increase transactions were recognized as a reduction to equity.

On 20 March 2017, BXPL agreed to acquire 100% of the outstanding shares of Dwellop AS, the Norwegian-based independent systems and technology provider delivering topside handling equipment for well intervention and plugging & abandonment (P&A) operations. The agreed purchase price is NOK 190 million, whereof NOK 60 million shall be settled in cash at closing and NOK 130 million shall be settled by issuance of new shares in the Badger Explorer ASA at an agreed subscription price of NOK 0.65 per share (the "Remuneration Shares").

Note 17 Investment in shares (continues)

(All figures in NOK)

On 23 March 2017, the Subsequent Offering II of up to 80,000,000 new shares at a subscription price of NOK 0.50 per share was subscribed for gross proceeds of NOK 30.4 million. As a result of the Subsequent Offering II, the Company's new share capital is NOK 139,909,055 divided into 1,119,272,438 shares, each with a nominal value of NOK 0.125.

No other events have taken place after the reporting period that would have affected the financial statements or any assessments carried out.

Note 18 Going concern

(All figures in NOK)

Pursuant to section 3-3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that BXPL is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. The Company has reported significant doubt about the Company's ability to continue as a going concern in the previous periods as a result of a very tight liquidity situation. Additional funding was required to carry on the future development of the Badger tool and pay overdue debt. The overdraft facility of NOK 7.5 million with Sparebanken Vest was in breach with the agreed covenants during 2016 and at year end 31 December 2016. The Board assesses that there is not significant uncertainty related to going concern as of today based on the private placement of NOK 385.4 million carried out in Q1 2017, and the further planned subsequent offering as described in note 17 "Events after the reporting date" in this report.

Auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Badger Explorer ASA

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Badger Explorer ASA, which comprise the statement of financial position as at 31 December 2016, the income statement, the statement of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Badger Explorer ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Capitalization of development costs as intangible assets and subsequent valuation

The capitalized development cost of NOK 149.6 million comprises 99.1% of total assets as of 31 December 2016. Development costs comprise the development of the Badger drilling tool technology, which will continue over the next years until the Company expects the asset to be available for use. The Company capitalizes development costs upon meeting the criteria as described in IAS 38. The capitalization criteria assessment under IAS 38 requires significant judgment and measurement uncertainty at inception and throughout the life of the project for annual impairment test of intangible assets not yet available for use. Judgement is involved to determine the eligibility of the costs for capitalization and the subsequent measurement requires analysis over expected recoverable amount.

Our audit procedures included assessment of the eligibility of the development costs for capitalization as intangible asset under IAS 38 and evaluating the assumptions and methodologies used by the Company to test the impairment of these intangible assets. We have obtained management's assessment surrounding the intangible assets capitalization and subsequent measurement, and performed substantive test of details of the capitalized development costs. We evaluated management's description of the technical feasibility of the Badger drilling tool technology including approval of milestones for technical development from the funding partners in the project. We considered the assessment from the client for the valuation of the intangible asset in relation to estimated sales price, margin and expected sales volumes for a fully functional tool available for use.

We refer to the Board of Director's report and the disclosures included in note 1 Accounting policies and note 3 Intangible assets.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally



accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 29 March 2017
ERNST & YOUNG AS

A handwritten signature in blue ink, appearing to read 'Tor Inge Skjellevik'.

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

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