



BADGER
EXPLORER



Semi-annual Report 1H 2013

HIGHLIGHTS 1H 2013 - 2013 BUSINESS PLAN ON TRACK

The 2013 Badger Business Plan is built around technical delivery according to the milestone based progression plan of the Badger Demonstrator Program (BDP) during the period 2012-2014.

Several options to support and strengthen the BDP were outlined at the beginning of 2013 and most of these options have been implemented within 1H 2013, such as:

- Establishing a strengthened sponsor group: The sponsor group now consists of Statoil, ExxonMobil, Chevron and Wintershall. Through 1H 2013, sponsor grants amounting to 14.7 MNOK have been transferred to Badger Explorer ASA (BXPL). In addition the sponsors have provided significant technical support to the project.
- Sale of non-core assets to support the funding of the BDP: The sale of both Badger Plasma Technology AS and Calidus Engineering Ltd. has been completed during 1H 2013 and as a result 10.5 MNOK has been released to support the BDP.
- Public Funding: During the first half of 2013 we have been able to satisfy the various terms imposed by the Norwegian Public grant authorities in order to release funding previously awarded. Through 1H 2013 Innovasjon Norge (Innovation Norway) has transferred grant funding of 11.0 MNOK and the Research Council of Norway (RCN) has released funds of 2.8 MNOK. RCN will release a further 4.5 MNOK in 2H 2013.
- Additional release of Innovasjon Norge funding: Dependent on technical progress and the level of BXPL expenditure on the project, additional funding may be released.

Release of external committed funds, sale of assets, combined with tight cash management secures a realistic funding basis to complete the BDP. As of 30th June 2013 the net cash position at BXPL is 18.9 MNOK, compared to 25.1 MNOK on 30th June 2012. The net sale consideration of NOK 7.2 million for 70% of the shares in Calidus Engineering Ltd. was transferred in July.

BXPL's focus is to complete the build of the Beta version of the Badger tool and thereby deliver Milestone 3 (M3) of the BDP during 2H 2013. Following completion of M3, the Beta tool will undergo a comprehensive test phase and any design improvements identified and implemented as a result will be used to build a tool that will be used in a sponsor supported Field Pilot Program.

Over several quarters, BXPL has negotiated with a number of oil service providers with a view to entering a strategic cooperation agreement. When M3 has been completed and a level of technical progress achieved a more focused arrangement can be put in place.

STEINAR BAKKE APPOINTED NEW CEO

CEO David Blacklaw has resigned, and is moving back to his family in Houston. Blacklaw will be replaced as CEO by Steinar Bakke, after a handover, which will take place during September 2013. Bakke has broad experience of both large and small organizations within the oil service industry, including drilling-related start-ups, and has extensive knowledge of subsurface engineering. His career spans over 40 years both internationally and in Norway, predominantly within Schlumberger.

BXPL and David Blacklaw have agreed a structure whereby Blacklaw can continue to contribute to the Badger Explorer development on a consultancy basis.

TECHNICAL PROGRESS AND REDUCTION OF TECHNOLOGY RISK 1H 2013

The Badger Demonstrator Program is designed to develop and build the first commercial grade Badger Explorer tool, ready for deployment in a Field Pilot by early 2015. Highlights of recent progress include:



- Further to completion of the structured evaluation exercise on the Badger Explorer tool design initiated at the end of 2012, design improvements have been implemented to the Beta version of the tool currently in manufacture.
- Assembly and testing of the Beta version of the Badger tool has started. The equipment build is progressing and deliveries of the various sub-assemblies and other components are scheduled to be able to assemble and commence testing of the Beta tool in October, meeting the requirements for delivery of Milestone 3 of the Badger Demonstrator Program.
- In parallel with the short-term focus on meeting the Milestone 3 criteria, progress has also been made on the longer-term Badger Process System designs that will be required for field pilots and commercial deployment of the Badger Explorer.



- A prototype drill bit has been tested, with encouraging results. A twin screw arrangement inside the bit is used to clean cuttings from the bit and actively feed them to the transport system.
- Various friction-reducing coatings have been tested, which increases the length of flow-line through which cuttings with low liquid content can be pumped. The same technology can be used on the outside of the tool, to reduce the overall friction and hence the hydraulic force required to move the tool downward through the subsurface.
- Encouraging progress has been made with the use of ultrasonic devices to improve both the compaction process and the transport of cuttings through the tool.
- Some further benefits have been identified to the drilling process that may prove applicable more widely than to the Badger Explorer. These applications are currently confidential while the possibility to raise new patents is evaluated.

The Beta version of the tool will be used to further identify and mitigate technology risks, better understand overall system operation in representative environments and gain hands-on operational experience with the tool.

FIELD PILOT PROGRAM

In parallel with the development activities, discussions continue with our sponsors regarding the options for initial Field Pilot tests. The first field pilot will be conducted locally at Grødalund, to minimize the time required and costs incurred, while nonetheless addressing conditions that are likely to be encountered in many geographical locations irrespective of the underlying target reservoir.

No firm commitments have been made for further field pilots and while initial useful work was completed last year on a possible field pilot site in the Canadian oil sands, the interests of our sponsors and of the Norwegian Petroleum Directorate seem better served by a target in Norway that is representative of formations encountered in frontier areas such as the Arctic.

A field trip to a proposed field pilot site incorporating geology representative of the Barents Sea has been agreed with one of our sponsors and the NPD, and an offshore pilot site has been suggested by another sponsor. Such a test can be conducted after a quayside test to develop the underwater deployment procedures has been successfully completed.

This Field Pilot plan has been deemed satisfactory to meet the criteria set out by the Research Council of Norway, thus triggering release of grant funding previously awarded.

CALIDUS ENGINEERING LTD., UK, OPERATIONS 1H 2013

BXPL announced in a press release on 2nd July that Calidus Engineering Ltd. (CEL) has been sold to Severn Glocon Limited, UK. The divestment itself is described in the next chapter.

CEL's turnover for 1H 2013 was 8.8 MNOK, compared to 6.9 MNOK for 1H 2012.



Deliveries to BXPL totaled 5.6 MNOK in 1H 2013 (representing 62.9% of gross turnover in 1H 2013), compared to 1.65 MNOK in 1H 2012 (23.8%).

During the last nine months (4Q 2012, 1Q 2013 and 2Q 2013) CEL had been restructured to better focus on the effective management of its projects and to prepare for divestiture.

CEL has been - and will remain - an important supplier to BXPL. This intent is reflected in an overall development plan shared with CEL, specific Purchase Orders raised in accordance with this plan, and ongoing Cooperation and R&D Agreements between BXPL and CEL, signed in 2011.

PARTIAL DIVESTMENT OF SHARES IN CALIDUS ENGINEERING LTD.

Badger Explorer ASA (BXPL) and Severn Glocon Group Limited (Severn Glocon) signed a share purchase agreement (SPA) on 28th June 2013, whereby BXPL sold 70% of its shares in its subsidiary Calidus Engineering Ltd. The net sale consideration of 7.2 MNOK for 70% of the shares in Calidus Engineering Ltd. was transferred in July.

Under the agreement Severn Glocon will acquire another 15% of the shares in CEL in 2015 and the remaining 15% in 2016 on an earn-out model. The purchase price for the two future transactions is linked to CEL's financial performance during 2014 and 2015 respectively. BXPL has committed to place orders with CEL worth a minimum of £1,750,000 over the next 2.5 years.

Severn Glocon is a Gloucester, UK based manufacturer of specialized control and choke valves and a provider of valve aftermarket services for the oil and gas industry, LNG and processing industries.

It is BXPL's view that CEL will benefit significantly from becoming part of the Severn Glocon Group and the ability to further develop in the future will be strengthened. Via this agreement BXPL has achieved several objectives; the Badger project will continue to have access to the skills, competences and capacity at CEL, while at the same time BXPL's cash position is strengthened.

Upon completion of the divestment of shares, the Badger Explorer Group will realize an estimated net loss related to the divestment of approximately 1.1 MNOK.

The return on investment for Badger Explorer ASA related to the sale of CEL shares is an estimated loss of approximately 6.1 MNOK.

CEL has now come under the controlling ownership of the Severn Glocon Group and the company has been renamed to Severn Subsea Technologies Ltd.

INVESTOR RELATIONS ISSUES

Badger Explorer ASA had 810 shareholders as of 30th June 2013. Norwegian entities and individuals hold 63.8% of the total number of outstanding shares and the 20 largest shareholders held 71.6% of the outstanding shares.

BADGER EXPLORER GROUP

The staff of Badger Explorer ASA consisted of 13 full-time employees as of 30th June 2013 compared to 15 employees as of 30th June 2012. Some of the roles previously held by full-time employees are currently fulfilled by consultants and contractors.

EQUAL OPPORTUNITIES AND FAIR TREATMENT OF PERSONNEL

As of 30th June 2013 Badger Explorer ASA had 13 permanent employees, of whom 4 are female. In order to succeed, the Group is dependent upon engaging the

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

The Board of Directors has four members of whom two are male and two are female.

MAIN FIGURES

Revenues for 2Q 2013 were 47 kNOK and 70 kNOK for 1H 2013, compared to 33 kNOK for 2Q 2012 and 321 kNOK for 1H 2012.

Operating expenses for 2Q 2013 were 5,695 kNOK and 11,568 kNOK for 1H 2013, compared to 4,673 kNOK for 2Q 2012 and 9,707 kNOK for 1H 2012.

EBITDA for 2Q 2013 was -5,648 kNOK and -11,498 kNOK for 1H 2013, compared to -4,640 kNOK for 2Q 2012 and -9,386 kNOK in 1H 2012.

Total development costs of the Badger Explorer project in 2Q 2013 were 7,879 kNOK, of which 7,187 kNOK was capitalized. For 1H 2013, development costs were 13,856 kNOK, of which 12,418 kNOK was capitalized. Total development costs of the Badger Explorer project in 2Q 2012 were 3,954 kNOK, of which 3,399 kNOK was capitalized and for 1H 2012 development costs were 8,200 kNOK, of which 6,975 was capitalized.

Capitalized public grants for the Badger Explorer project were -5,992 kNOK for 2Q 2013 and -13,580 kNOK for 1H 2013, compared to 831 kNOK for 2Q 2012 and -720 kNOK for 1H 2012. All public grants are booked as deductions to the capitalized project costs.

Earnings per share amounted to -0.45 NOK per share for 2Q 2013 and -0.73 NOK for 1H 2013, compared to -0.30 NOK per share for 2Q 2012 and -0.53 NOK per share for 1H 2012.

As of 30th June 2013, Badger Explorer ASA had a net equity of 112.6 MNOK (equity ratio of 72.0%) compared to 137.1 MNOK as of 30th June 2012 (78.0%).

Net cash flow arising from the operating activities in the continuing operations for 2Q 2013 was -4,921 kNOK and -10,643 kNOK for 1H 2013, compared to -4,048 kNOK for 2Q 2012 and -9,781 kNOK for 1H 2012. Inflow of cash on the partial divestment of shares in Calidus Engineering Ltd. is reported under other receivables and payables.

Net cash flow arising from the investment activities in the continuing operations for 2Q 2013 was -7,014 kNOK and -12,245 kNOK for 1H 2013, compared to -3,138 kNOK for 2Q 2012 and -4,227 kNOK for 1H 2012. Net cash outflow includes all the development costs related to the Badger Explorer development project which are eligible for capitalization.

Net cash flow arising from the financing activities in the continuing operations for 2Q 2013 was 17,202 kNOK and 28,366 kNOK for 1H 2013, compared to 1,037 kNOK for 2Q 2012 and 240 kNOK for 1H 2012. Net cash inflow includes borrowed funds from the industry partners, public grants received from funding institutions and cash repayments of amounts borrowed. Due to contributions and public grants from continuing operations net cash flow from financing activities of Badger Explorer ASA was positive.

BXPL's cash position as of 30th June 2013 was 18,887 kNOK, compared to 25,078 kNOK as of 30th June 2012. Cash and cash equivalents comprise all liquid funds, i.e. cash in hand and bank balances.

CONSOLIDATED SUMMARY (Unaudited figures in NOK 1000)	Quarters			Year to date	
	2Q 2013	1Q 2013	2Q 2012	30.06.2013	30.06.2012
Revenues	47	23	33	70	321
Operating expenses	5 695	5 874	4 673	11 568	9 707
EBITDA	-5 648	-5 850	-4 640	-11 498	-9 386
Earnings per share (figures in NOK)	-0.45	-0.29	-0.30	-0.73	-0.53
Projects development costs	7 879	5 977	3 954	13 856	8 200
Public grants for projects dev.	5 992	7 588	-831	13 580	720
Cap. of dev. costs and public grants	1 195	-2 357	4 230	-1 162	6 255

CASH MANAGEMENT

Cash reserves as of 30th June 2013 are 18.9 MNOK compared to 25.1 MNOK as of 30th June 2012. BXPL estimates the following cash in through 2H 2013:

-	Net sale consideration for 70% of Calidus	7.2 MNOK
-	Sponsor funding related to delivery of M3	15.2 MNOK
-	Skattefunn	2.0 MNOK
-	RCN	4.5 MNOK
-	Innovasjon Norge	3.0 MNOK

All the BDP development activities through 2013 are fairly costly, but the Beta test phase locally during 1H 2014 is not anticipated to be too expensive, because the major build operations will have been completed.

Based on the above, BXPL is deemed to have sufficient cash for the majority of 2014.

The structure of the Field Pilot Program is planned to release funds to support the operation through the whole Field Pilot phase, 2014-2016.

Cash management continues to be a priority.

RISK CONSIDERATIONS

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

The risk elements highlighted in the Annual Report for 2012 were:

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

The elements listed above are still regarded the main risk factors for the Company, although their relative priorities have been revised. To support and secure the ongoing technical development plan BXPL has implemented processes to monitor cash tightly. Overhead and admin costs have been reduced by more than 40% since 2011, through a combination of cost savings and better cash management.

Cost efficient solutions are sought on technical deliveries. Furthermore concrete steps have been taken during 1H 2013 to secure more funding and to release such cash. The most important steps implemented are:

- Establish a broader sponsor group
- Divest non-core business units
- Satisfy the specific requirements to release committed public grants.

The cash position has improved, but cash monitoring will remain a very important task.



OUTLOOK

The development work through 2013 is focused on build and test of the Badger Explorer Demonstrator tool and on preparing for the upcoming Field Pilot phase. The achievements of the past quarter are in line with this goal. A stronger sponsor group, sale of Calidus and release of public grants secure funding for 2013. The technical deliveries and focused technical progress are grounds for an optimistic view on achieving the targets set in the Badger Demonstrator Program.

Stavanger, 22nd August 2013
The Board of Directors
Badger Explorer ASA

Marcus Hansson
(Chairman of the Board)

Hilde Christiansen
(Board member)

Tone Kvåle
(Board member)

David Ottesen
(Board member)

David Blacklaw
(President & CEO)



RESPONSIBILITY STATEMENT

The Board of Directors and the CEO confirm that to the best of their knowledge the condensed set of financial statements for the first half year of 2013, which have been prepared in accordance with IAS 34 - Interim Financial Reporting, gives a true and fair view on the Group's consolidated assets, liabilities, financial position and results of the operation for the period, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Stavanger, 22nd August 2013
The Board of Directors
Badger Explorer ASA



Marcus Hansson
(Chairman of the Board)



Hilde Christiansen
(Board member)



Tone Kvåle
(Board member)



David Ottesen
(Board member)



David Blacklaw
(President & CEO)

ACCOUNTING POLICIES

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at Forus skogen 1, 4033 Stavanger, Norway.

The consolidated financial statement of Badger Explorer ASA (the Group) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statement has been prepared on an historical cost basis, except for investment in shares in liquidity fund which is held to fair value over profit and loss.

The Group's consolidated financial statement comprises the financial statements of Badger Explorer ASA (100%). In December 2012 Badger Plasma Technology AS was sold for NOK 1.9 million with a loss of NOK 1.1 million. In May 2013 BXPL sold 70% of shares of its subsidiary Calidus Engineering Ltd. for a net amount of NOK 7.2 million with a loss of NOK 1.1 million in the Group. Both companies are therefore no longer consolidated in the Group as of June 30, 2013.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are fully eliminated.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements as of December 31, 2012.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements as of December 31, 2012.

The Group's consolidated financial statements are presented in NOK. Income statement in foreign subsidiary is translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiary, including goodwill and adjustments of fair value of identifiable assets and liabilities arising on the acquisition of subsidiary, are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recognised directly as other comprehensive income in equity.

Financial assets within the scope IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.

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

Financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts and derivative financial instruments.

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

Cash includes cash in hand and at bank.

Accounts receivable are recognised in the balance sheet at nominal value less provisions for doubtful debts.

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

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

Depreciation is calculated using the straight-line method.

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

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

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

When all the above criteria are met, the cost related to the development starts to be recognised in the balance sheet.

Costs that have been charged as expenses in previous accounting periods are not recognised in the balance sheet.

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

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

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

Public grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost it intends to compensate. Where the costs are related to a development project and capitalised, the belonging grants are capitalised together with the cost.

Contributions from partners are recognised in the balance sheet as long term liabilities as the contributions are subject to repayment ref note 14 in the annual accounts.

During Q3 2009 an option program for all employees was introduced. The options entitle the employees to purchase shares at a predetermined price during a 3.2 year period until November 15, 2012. This is an equity based option program and is recognised on the P&L under personnel costs and on the balance sheet under other paid in equity. The options are recognised over the vesting period starting from September 15, 2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation.

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

CONSOLIDATED INCOME STATEMENT

Unaudited figures in NOK 1000	Quarters			Note	Year to date		Year End
	2Q 2013	1Q 2013	2Q 2012		30.06.2013	30.06.2012	31.12.2012
Revenues							
Other Income	47	23	33		70	321	365
Public grants	5 992	7 588	-831	1,2	13 580	720	2 843
Capitalised public grants	-5 992	-7 588	831	1,2	-13 580	-720	-2 843
Total Revenues	47	23	33		70	321	365
Operating Expenses							
External services for dev. project	5 804	3 738	1 734		9 542	3 300	8 993
Payroll and related costs	4 567	4 714	4 515		9 281	9 573	19 578
Other operating expenses	2 511	2 652	1 823		5 163	3 809	6 834
Capitalised development cost	-7 187	-5 230	-3 399		-12 418	-6 975	-17 149
Total Operating Expenses	5 695	5 874	4 673		11 568	9 707	18 256
EBITDA	-5 648	-5 850	-4 640		-11 498	-9 386	-17 891
Depreciation	131	136	175		267	361	651
Operating profit (loss)	-5 779	-5 987	-4 815		-11 765	-9 747	-18 542
Net financial income	92	99	206		191	483	614
Profit (loss) before taxes from continuing operations	-5 687	-5 888	-4 609		-11 575	-9 264	-17 928
Tax on ordinary result from continuing operations	0	0	0		0	0	0
Net profit (loss) from continuing operations	-5 687	-5 888	-4 609	9	-11 575	-9 264	-17 928
Discontinued operations:							
Profit (loss) after tax for the period from discontinued operations	-4 296	790	-1 346	13	-3 506	-863	-3 380
Net profit (loss)	-9 982	-5 098	-5 955		-15 081	-10 127	-21 308
Profit (loss) attributable to non-controlling interests	-143	197	-337		54	-216	-845
Profit (loss) attributable to equity holders of the parent	-9 839	-5 296	-5 618		-15 135	-9 911	-20 463
Earnings per share	-0.45	-0.29	-0.30		-0.73	-0.53	-1.10
Earnings per share diluted	-0.45	-0.29	-0.30		-0.73	-0.53	-1.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	30.06.2013	31.03.2013	30.06.2012	Notes	31.12.2012
NON-CURRENT ASSETS					
Capitalised development costs	120 475	119 280	114 544	2,3,7	121 637
Patent rights	387	387	387		387
Goodwill	0	5 495	5 820	4,13	5 595
Total intangible assets	120 862	125 162	120 751		127 619
Property, plant & equipment	738	14 584	17 120	13	15 273
Total tangible assets	738	14 584	17 120		15 273
Investments in associates	3 081	0	0	4,12,13	0
Total investment in associates	3 081	0	0		0
TOTAL NON-CURRENT ASSETS	124 681	139 746	137 872		142 893
CURRENT ASSETS					
Inventories	0	409	3 540		1 932
Sum Inventories	0	409	3 540		1 932
Accounts receivables	0	12 576	1 971	4,10	2 124
Other receivables	12 848	3 103	6 439	4,13	3 652
Total receivables	12 848	15 679	8 411		5 776
Cash and cash equivalents	18 887	16 063	25 078	4,10,12	17 608
TOTAL CURRENT ASSETS	31 735	32 151	37 029		25 315
TOTAL ASSETS	156 416	171 897	174 901	9	168 208
EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	30.06.2013	31.03.2013	30.06.2012	Notes	31.12.2012
EQUITY					
Share capital	2 317	2 317	2 317	4	2 317
Share premium fund	218 070	218 070	218 070	5	218 070
Other paid in capital	5 240	4 909	3 791	4	4 582
Total paid in equity	225 627	225 296	224 178		224 969
Retained earnings	-112 991	-106 190	-89 384		-99 790
Total retained earnings	-112 991	-106 190	-89 384		-99 790
Non-controlling interests	0	2 078	2 265	12	1 880
TOTAL EQUITY	112 636	121 184	137 059		127 059
LIABILITIES					
Capitalised grants	38 720	36 060	18 000	7	24 000
Total non-current liabilities	38 720	36 060	18 000		24 000
Accounts payables	4 290	1 352	2 816	4,10	3 801
Interest-bearing loans and borrowings	0	7 900	9 285	10	8 200
Public duties payables	89	894	1 439		1 271
Taxes payables	0	0	394		0
Other short term liabilities	681	4 508	5 907		3 878
Total current liabilities	5 060	14 653	19 842		17 149
TOTAL LIABILITIES	43 780	50 713	37 842		41 149
TOTAL EQUITY AND LIABILITIES	156 416	171 897	174 901		168 208

CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	Quarters				Year to date		Year end
	2Q 2013	1Q 2013	2Q 2012	Note	30.06.2013	30.06.2012	31.12.2012
Contribution from operations*	-5 450	-5 365	-4 168		-10 816	-8 815	-15 969
Tax paid	0	0	0		0	0	-204
Change in accounts receivables and accounts payables	-3 864	-3 425	2 757	4,10	-7 289	3 010	-445
Change in other receivables and payables	4 393	3 068	-2 638		7 461	-3 976	-4 270
Net cash flow from operating activities	-4 921	-5 721	-4 048		-10 643	-9 781	-20 888
Investment/sales fixed assets	0	0	0		0	0	-75
Capitalisation of development cost	-7 187	-5 230	-3 399	3	-12 418	-6 975	-17 149
Sales of capitalised equipment	0	0	260	3	0	260	294
Reclassification of contribution from industry partner	0	0	0		0	2 488	2 488
Sale of Badger Plasma Technology AS	173	0	0	4	173	0	752
Net cash flow from investment activities	-7 014	-5 230	-3 138		-12 245	-4 227	-13 690
Public grants	7 274	6 524	-831	1	13 797	720	3 617
Paid in equity	0	0	0		0	0	0
Contribution from industry partners	10 020	4 700	1 800	7	14 720	-688	9 600
Net proceeds from borrowings	0	0	0		0	0	0
Interest received	6	31	147		37	365	558
Interest paid	-97	-91	-79		-188	-157	-323
Net cash flow from financing activities	17 202	11 164	1 037		28 366	240	13 451
Total net changes in cash flow - continued operations	5 268	212	-6 150		5 478	-13 562	-22 698
Total net changes in cash flow - discontinued operations	-3 239	-969	-6	12	-4 208	-498	1 022
Net foreign translation differences	795	-788	-134		9	-40	105
Cash and cash equivalents beginning of period	16 063	17 608	31 368		17 608	39 179	39 179
Cash and cash equivalents end of period	18 887	16 063	25 078		18 887	25 078	17 608
Profit (loss) attributable to equity holders of the Company	-5 489	-6 086	-4 273		-11 575	-9 048	-17 083
Profit (loss) attributable to non-controlling interests	-143	197	-337		54	-216	-845
Tax on ordinary result	0	0	0		0	0	0
Employee options	331	328	334		659	572	1 363
Depreciation	131	136	175		267	361	651
Financial income	-378	-31	-147		-409	-641	-558
Financial expenses	97	91	79		188	157	323
Loss on sale of subsidiary and shares	0	0	0		0	0	166
*Contribution from operations before tax	-5 450	-5 365	-4 168		-10 816	-8 815	-15 983



CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000

	Note	Share capital	Share pre- mium fund	Other paid in capital	Retained earnings	Non-control- ling interest	Total equity
Equity as of 31.12.2012		2 317	218 070	4 582	-99 790	1 880	127 059
Changes in non-controlling interests	13				1 934	-1 934	0
Total comprehensive income					-15 135	54	-15 081
Option plan payment	6			659			659
Equity as of 30.06.2013		2 317	218 070	5 240	-112 991	0	112 636

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters			Year to date		Year end
	2Q 2013	1Q 2013	2Q 2012	30.06.2013	30.06.2012	31.12.2012
Total comprehensive income						
Profit (loss) for the year (period):	-9 982	-5 098	-5 955	-15 081	-10 127	-21 308
Other comprehensive income						
- items that will later be reclassified to profit and loss						
Translation differences	0	-1 086	395	0	95	484
Comprehensive income at end of period	-9 982	-6 184	-5 560	-15 081	-10 032	-20 823

	Quarters			Year to date		Year end
	2Q 2013	1Q 2013	2Q 2012	30.06.2013	30.06.2012	31.12.2012
Total comprehensive income attributable to:						
Equity holders of the parent	-9 839	-6 382	-5 281	-15 135	-9 572	-19 978
Non-controlling interest	-143	198	-279	54	-460	-845
Total comprehensive income	-9 982	-6 184	-5 560	-15 081	-10 032	-20 823

NOTES

1. The projects in the Badger Explorer Development Program are funded by grants from the Research Council of Norway (RCN) and Skattefunn with a percentage of the total project cost. The grants from RCN and Skattefunn were received for both 2012 and 2013. In 2013 Innovation Norway has awarded a public grant total of NOK 11 million for BXPL's ongoing Badger Demonstrator Development program, whereas NOK 6 million were received in March 2013. BXPL has received a grant from RCN total of NOK 2.8 million during 2013.
2. The costs and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised. Badger Plasma Technology AS was sold in December 2012 and the capitalised project costs for Plasma Channel Drilling is thus eliminated in the Group as of December 31, 2012.
3. All project development costs in the Group are capitalised in accordance with the IFRS regulations except of additional project cost of 1,438 kNOK in 1H 2013 related to the restriction on capitalisation of own personnel cost in the IFRS standard for the Badger Explorer Prototype project.
4. The previous subsidiaries, Badger Plasma Technology and Calidus Engineering Ltd., have been consolidated with the parent company Badger Explorer ASA starting from December 1, 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated. Badger Plasma Technology AS was sold for NOK 1.9 million in December 2012 with a loss of NOK 1.1 million. BXPL sold 70% of shares of its subsidiary Calidus for a net amount of NOK 7.2 million with a loss of NOK 1.1 million in the Group. Both companies are therefore no longer consolidated in the Group as of June 30, 2013.
5. The general assembly decided in meeting as of May 9, 2007 to split the existing shares which gave an increase in number of shares from 6,719,520 to 13,439,040. A total of 5,000,000 additional shares were issued in connection with the IPO of 160,000,000 NOK related to the listing of Badger Explorer ASA on the Oslo Stock Exchange as of June 12, 2007. The total number of shares as of June 30, 2013 is 18,537,288 at par value of 0.125 NOK per share.
6. The options granted in 2006 were during 3Q 2009 replaced with new options. The new option program was approved and has been effective from September 15, 2009, including all employees at the time and granting a total of 406,750 share options at a strike of 10 NOK and 25,000 share options at a strike of 15 NOK. These option agreements are equity based, recognised in the income statement under payroll and related costs and in the statement of financial position under other paid in capital. The options (incl. Employers' national insurance contributions) are recognized over the vesting period starting from September 15, 2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. The replacement of options was treated as a cancellation and re-pricing under IFRS 2. All options were "out of the money" as of June 30, 2013. A total number of 169,501 share options are forfeited, a total of 71,667 of share options have expired and a total of 98,248 share options have been exercised. The remaining 92,334 share options are the options that were adjusted before 1H 2013 reporting and they will expire later due to the trading restrictions applied for insiders.

In 3Q 2011 Mr. David Blacklaw has been granted 370,579 share options in Badger Explorer ASA at a strike price of 19 NOK per share. These options must be exercised three to ten days after the presentation of the 3Q 2014 report and were "out of the money" as of June 30, 2013.
7. The Group has received contribution from five industry partners amounting to a total of 43,695,200 NOK since 2005 whereas 24,000,000 NOK was received prior 2013. Two new oil companies - Chevron Energy Technology Company in December 2012 and Wintershall Norge AS in February 2013 - joined ExxonMobil Exploration and Production Norway AS, Statoil and Shell as sponsors of the Badger Explorer Demonstrator Program. The Group has received an additional contribution of 2,660,000 NOK from Chevron in June whereas 4,700,000 NOK were received in February. The contribution of 7,360,000 NOK from Wintershall Norge was received in April.

A total of 38,720,000 NOK of this contribution shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to 150% of received contribution. A total of 4,975,200 NOK of this contribution is capitalised as a reduction of the development cost of which 2,487,600 NOK was capitalised in 1Q 2012. The contributions have not been recognised as income.

8. Deferred tax asset has not been recognised in the statement of financial position.
9. Table below shows the segments which are reported by the Management to the Board of Directors. The segments are the main projects: Badger Explorer, Plasma Channel Drilling * and other activities (mainly administration). The P&L figures for the Engineering segment are no longer presented as this segment has been discontinued, ref note 13.

The column "other" includes all administration support and other costs not allocated directly to any of the other segments. All office equipment and cash in the Norwegian companies are included in this segment.

30.06.2013 - Business segments	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	ing (**)	Other	ation	Total
Total revenue	0	0	70	0	70
Segment profit (loss)	-1 279	0	-10 296	0	-11 575
Total assets	122 270	0	34 146	0	156 416

30.06.2012 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Plasma (*)	Explorer	ing (**)	Other	ation	Total
Total revenue	0	0	0	321	0	321
Segment profit (loss)	0	-1 225	0	-8 039	0	-9 264
Total assets	924	113 620	32 525	34 260	-6 429	174 901

2Q 2013 - Business segments	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	ing (**)	Other	ation	Total
Total revenue	0	0	47	0	47
Segment profit (loss)	-615	0	-5 071	0	-5 687

2Q 2012 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Plasma (*)	Explorer	ing (**)	Other	ation	Total
Total revenue	0	0	0	33	0	33
Segment profit (loss)	0	-555	0	-4 054	0	-4 609

* Badger Plasma Technology AS was sold in December 2012.

** Calidus Engineering Ltd. have been divested and presented as discontinued operations in the P&L, ref note 13.

10. Related party transaction

Unaudited figures in NOK 1000

Transaction with Calidus Engineering Ltd.	30.06.2013	30.06.2012
Accounts payable**	972	276
Purchased services**	5 579	708
Loan to associate***	527	0

**Badger Explorer ASA (BXPL) has purchased engineering- and production services from its wholly-owned subsidiary Calidus Engineering Ltd. Nigel Halladay (previous CEO of Calidus Engineering Ltd.) owns 77,500 shares in BXPL.

***In December 2012 BXPL has provided a shareholder loan to Calidus Engineering Ltd. of £180,000 at interest rate of 3.20% p.a. with a down payment period of 1.5 year. Nigel Halladay (previous CEO of Calidus Engineering Ltd.) has provided a loan of £60,000 at interest rate of 0.875 p.a. with a down payment period of 1.5 year accordingly. These credit agreements for the amounts of £180,000 and £60,000 lent by BXPL and Nigel Halladay respectively were revoked and replaced by the new credit agreement of £240,000 signed in July 2013. This credit agreement is to be repaid to BXPL by 6 monthly installments of £40,000 commencing as of July 31, 2013 and continuing to the end of the year 2013 with no interest. Shareholders' loan was entirely repaid to Nigel Halladay by BXPL in May 22, 2013.

Shares held by members of the Board of Directors and members of Management group

	30.06.2013	30.06.2012
SEB Private Bank S.A. Luxembourg (Board Director - Marcus Hansson)	565 000	65 000
Board Director - Marcus Hansson	11 668	11 668
SIX SIS AG 25PCT (Board Director - Marcus Hansson)	0	500 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	209 222
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
CFO - Gunnar Dolven	8 000	8 000
Board Director - Tone Kvåle	5 000	5 000
Ordinary shares	1 120 962	1 120 962
% of total shares	6.0 %	6.0 %

11. Fair value hierarchy

As of June 30, 2013 the Group does not hold any financial instruments carried at fair value in the statement of financial position.

12. Additional acquisition of Calidus Engineering Ltd.

Unaudited figures in NOK 1000

Calidus Engineering Ltd., private limited company registered in UK, is a multi-discipline engineering company specializing in designing down-hole equipment for harsh environments. The Company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK.

In May 22, 2013 Calidus Engineering Ltd. became wholly-owned subsidiary of BXPL. The first 50% of the shares were acquired in November 2007 at a total price of NOK 8.5 million through a combined purchase of outstanding shares and a share issue. An additional 25% stake was acquired at a price of NOK 8.3 million in April 2011 through purchase of outstanding shares. The remaining 25% stake was purchased in June 2013 for a total amount of NOK 1.8 million. The acquisition of this non-controlling interest has been accounted for as an equity transaction in accordance with revised IAS 27.

	Nov 2007	April 2011	May 2013	Total
Cash flow on acquisition:	50%	25%	25%	100%
Net cash acquired with the subsidiary	-708	0	0	-708
Net cash acquired through own share issue	-1 731	0	0	-1 731
Cash paid	8 910	8 279	1 841	19 030
Net cash outflow:	6 471	8 279	1 841	16 592

13. Discontinued operations - partial divestment of shares in Calidus Engineering Ltd.

Unaudited figures in NOK 1000

In June 28, 2013 BXPL has entered into the share purchase agreement (SPA) with a UK based business focused on the design and manufacture of control valves and related products, Severn Glocon Group PLC (Severn Glocon), whereby BXPL sold 84 shares pursuant to the SPA representing 70% of the issued share capital of its subsidiary Calidus Engineering Ltd. for the equivalent of NOK 7.2 million. The 36 option shares retained by BXPL represent 30% of the issued share capital of the Calidus Engineering Ltd.

Under the Agreement Severn Glocon will acquire another 15% of the shares in Calidus Engineering Ltd. in 2015 and the remaining 15% in 2016 on an earn-out model basis. The share purchase price for the two future transactions is linked to Calidus' financial performance during 2014 and 2015 respectively. Under the terms of the Agreement, BXPL will continue to place orders with Calidus worth minimum of £1.75 million over the next 2.5 years (£1 million in 2013, £500k in 2014 and £250k in 2015 accordingly).

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

P&L figures for Calidus Engineering Ltd. for 1H 2013

Revenues	3 290
Total operating expenses	4 871
EBIT	- 2 248
Net profit	- 2 434

Badger Explorer Group accounts for the disposal of 70% interest as follows:

Partial disposal of 70% interest in Calidus Engineering Ltd.	30.06.2013
Available-for-sale investment	3 081
Cash proceeds on disposal of 70% interest in the subsidiary	7 189
Net assets of the subsidiary	9 756
OCI effects	-1 634
Net loss of control of the subsidiary	-1 120

Loss recognised on the loss of control of the Calidus Engineering Ltd. is calculated as follows:

Loss on interest disposed of Calidus Engineering Ltd.	30.06.2013
Cash proceeds on disposal of 70% interest	7 189
Carrying amount of 70% interest in the subsidiary	-6 830
70% of OCI effects *	-1 144
Result of the disposal of 70% interest	-784
Loss on interest retained	30.06.2013
Carrying amount of 30% available-for-sale investment	3 081
Carrying amount of 30% interest	-2 927
30% of OCI effects *	-490
Result on interest retained	-336
* Other comprehensive income	

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