Quarterly Report 1Q 2012

FOCUS ON COMMERCIAL LAUNCH

Badger Explorer ASA has three focus areas that have been drivers for all efforts within the Company in the first quarter of 2012, and which will continue to shape the Company's activities during the coming year. These are the Badger Explorer Demonstrator Program, the Field Pilot Program and Funding.

Badger Explorer Demonstrator Program

The Badger Explorer Demonstrator Program, now supported by both ExxonMobil and Statoil, is a three-year sponsor-supported program designed to develop the first commercial version of the tool. It has six defined technical milestones; Milestone 1, scheduled for summer 2012, includes establishing the fundamental design of the next Badger tool, defining interfaces between existing tool and new tool, drill bit testing, testing of transport, operation and compaction functions. Highest priority has been afforded to the choice of the transport mechanism of drill cuttings from the drill bit to the compaction system. The aim is for a simplified and robust solution to achieve a controllable degree of compaction, which generates the flexibility to operate in a wide range of formation types. Further milestones scheduled over a period from summer 2012 until the end of 2014 will trigger the release of the committed funds, and thus drive the organization's determined focus to remain on schedule.

Field Pilot Program

The Field Pilot Program is designed as a series of demonstrations of Badger technology, each successively more technically challenging than the previous, establishing the basis for subsequent commercial activity.

Oil sands drilling and monitoring applications in Canada have been targeted for the first commercial applications, using the Badger Explorer as a carrier for a range of existing and new, unique measurement techniques. Preparations and feasibility studies for delivery of the first Field Pilot are ongoing.

Development work within the Badger Demonstrator program and the first Field Pilot is aligned, such that the specifications required for the Field Pilot are inputs to the Demonstrator Program.

The feasibility study was conducted during the first quarter of 2012, with the active participation of a potential Canadian customer. Other operators in Canada have also expressed interest in the oil sands configuration of the Badger Explorer. This feasibility study is helping achieve significant progress toward the proposed Field Pilot Project. The specific field conditions in the target area will be used to tailor solutions for the economic opportunities and technical challenges. This exercise allows us to complete the final specification of the Field Pilot tool, which in turn will define the detailed specification for the Badger Explorer Demonstrator.

As the design of the field pilot nears completion, the sensor payload required to deliver the first commercial applications is taking shape. As well as standard log data, the Badger Explorer will incorporate some unique capabilities, such as True Rw (resistivity of formation water) and cable-integrated sensing.

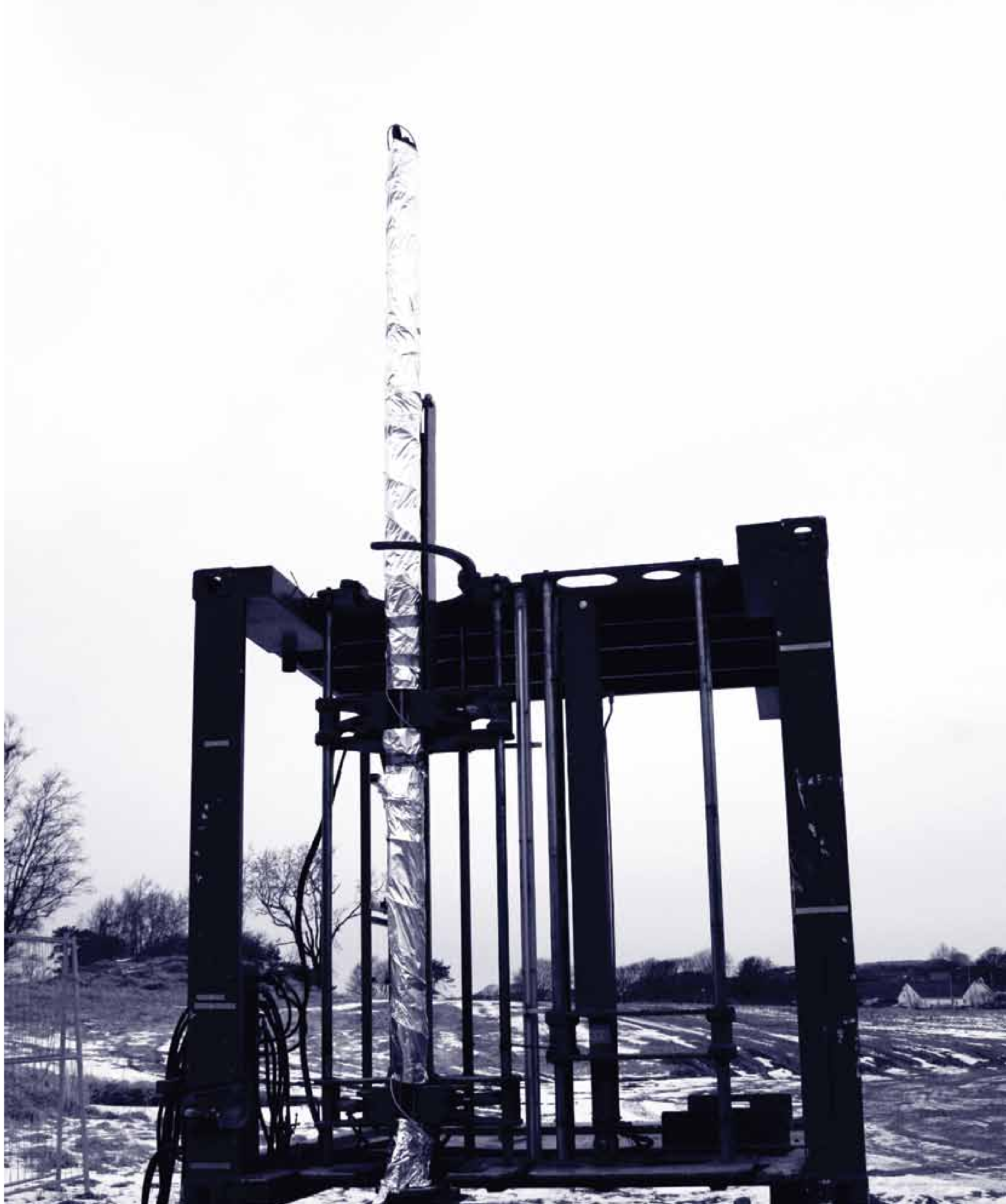
A Badger Explorer configured for the oil sands applications will deliver some unique benefits to the customer and will improve their capabilities in environmental surveillance. Drilling depth will be less than 500 metres, reservoir temperatures are low and the operation is onshore. These conditions enable the core Badger technology to be demonstrated in a benign environment, minimizing the requirement for extensive development in areas unrelated to the Company's core technology. The tool can thus be somewhat simplified, manufacturing cost reduced in line with the economics of oil sands operations, the probability of success can be increased, and the time and resources required can be minimized.

The market and applications study performed during 2011 outlined potential short-, medium- and long-term commercial applications for the Badger Explorer. While the long term vision remains of bringing oilfield assets faster to the customer's balance sheet, there is a clear need for a short-term focus on the steps required along the way. A series of carefully chosen incremental steps toward commercialization have been defined to support and accelerate the technical development, starting with semi-commercial field pilots. The Field Pilot Program is designed to deliver clear commercial benefits, gain valuable operational experience, and start to establish the track record that will bring the company into a cash-flow positive situation.

Financing Plan

External financing is very important to the development, and the total financing plan comprises sponsors, public grants (Norway and Canada), Field Pilot contract and commercial revenues from the Canadian market.

We aim to bring on board two to four further operating company sponsors in addition to ExxonMobil and Statoil, who have



confirmed their participation to the tune of MNOK 18 in total. The participation level for new sponsors will be somewhat higher, to achieve parity with the existing sponsors who have provided support during earlier stages of the development.

Negotiations with potential further sponsors are ongoing, and the continued participation of ExxonMobil and Statoil reduces the threshold for newcomers to join in.

Innovation Norway has awarded a grant of MNOK 20 to the Badger Demonstrator Program. In addition the Research Council of Norway supports two development tasks ongoing with Badger; a grant to the Field Pilot Program of MNOK 8 and a grant of MNOK 4.9 to data programming and monitoring of the Badger operation (called the DCCPP-program – "Drilling in a Closed Cavity at near Pore Pressure).

External financing is linked to milestones and technical progress needs to be achieved, which has a strong bearing on the focused activities within the Company.

HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT

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 deepwater projects, will be the vastly reduced environmental impact and HSSE exposure, as compared to a drilling rig and associated support. From an environmental perspective, much less equipment, traffic and support activity are required for a Badger deployment. During operation, the tool can be run un-manned, thus eliminating a whole range of safety exposures.

The Company is proud of its safety record. The increased emphasis on operations and deployment will however bring increased exposure of staff to potential risks and more hazardous environments. Embarking on field operations brings an increased number of third parties into contact with the Company's equipment and processes. Recognizing this, a number of pro-active measures and other examples of industry best practice initiatives have been implemented to increase hazard awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety, security and the environment will ensure that Badger Explorer's systems and processes grow alongside the technical and commercial developments, and that the company can be equally proud of its HSSE performance going forward.

CALIDUS ENGINEERING LTD, CORNWALL, UK, 75% OWNED SUBSIDIARY

Calidus Engineering Ltd. ("Calidus") is a multi-disciplinary engineering company specializing in designing down-hole equipment for harsh environments. In addition to modeling and engineering design services, Calidus runs a prototype based machine shop. Revenue comes from clients within the petroleum and geothermal industries, as well as from traditional R&D business. In June 2011, Calidus Engineering Ltd. moved into new premises on Treleigh Industrial Estate in Redruth, Cornwall.

Calidus has been a vital supplier to Badger Explorer ASA for a number of years. Deliveries to BXPL comprised MNOK 0.7 in 1Q 2012 (representing 16.9% of gross turnover in the quarter) compared to MNOK 0.3 in 1Q 2011.

Calidus' turnover as of 31.03.2012 amounted to MNOK 4.0 compared to MNOK 3.2 as per 31.03.2011. The net result before tax (EBT) for the quarter was MNOK 0.48 compared to MNOK -0.4 in Q1 of the prior year. Calidus' equity ratio is 40.0% (compared to 83.3% per 1Q 2011). The decrease of the equity ratio is related to the mortgage and loan taken out during 2Q 2011 in order to finance the new premises.

In 1Q 2012, Calidus entered into three long-term contracts; delivery of High Pressure High Temperature (HPHT) down-hole cameras to a Norwegian client, develop and manufacture four downhole cutter tools for an Aberdeen based customer and finally the technical frame agreement with BXPL.

FINANCIALS AND INVESTOR RELATIONS

As of 31.03.2012 the Badger Explorer Group had a net equity of MNOK 142.3 (equity ratio of 79.4 %) compared to MNOK 177.5 (equity ratio of 87.9%) as of 31.03.2011.

Investor Relations Issues

Badger Explorer ASA has 866 shareholders as of 31.03.2012. Norwegian entities and individuals hold 63.7% of the total number of outstanding shares and the 20 largest shareholders hold 69.9% of the outstanding shares. As of January 2012 (including reporting of fiscal year 2011) the Oslo Stock Exchange has approved that all markets and financial reporting from BXPL will be done in English only.

BADGER EXPLORER GROUP

The Badger Explorer Group operations comprise more than 50 people including Calidus engineers and dedicated specialists from the Company's client partners, sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 16 employees as of 31.03.2012, the same as of 31.03.2011. As the Group shifts its emphasis to more technical and operational activities, the proportion of this type of employees will increase.

MAIN FIGURES

Revenues for 1Q 2012 amounted to kNOK 3 610, compared to kNOK 3 058 for 1Q 2011. Operating expenses for 1Q 2012 were kNOK 7 569 (kNOK 8 290 for 1Q 2011). EBITDA for 1Q 2012 was kNOK -3 959 (kNOK -5 232 for 1Q 2011). During 1Q 2012 project development costs for the Badger tool totaled kNOK 4 246 of which kNOK 3 576 was capitalized. In 1Q 2011 the project development costs were kNOK 6 643, of which kNOK 5 853 was capitalized. Application for "Skattefunn" and RCN funding has been filed and approved for 2012. Public grants for the Badger project total kNOK 1 551 for 1Q 2012. All public grants are capitalized together with the project costs. Earnings per share amounted to NOK -0.23 per share for per 31.03.2012 and was NOK -0.25 per share as of 31.03.2011. As of 31.03.2012 cash reserves amount to MNOK 31.4 compared to MNOK 44.2 on 31.03.2011. Cash flow in 1Q 2012 was MNOK -7.6 compared to net change in cash flow of MNOK -1.2 in 1Q 2011.

CONSOLIDATED SUMMARY	Quarters			Year to date	
Unaudited figures in NOK 1000	**1Q 2012**	4Q 2011	1Q 2011	**31.03.2012**	31.03.2011
Revenues	3 610	1 974	3 058	3 610	3 058
Operating expenses	7 569	10 805	8 290	7 569	8 290
EBITDA	-3 959	-8 832	-5 232	-3 959	-5 232
Earnings per share (figures in NOK)	-0,23	-0,45	-0,25	-0,23	-0,25
Projects development costs	4 246	7 696	6 643	4 246	6 643
Public grants for projects dev.	1 551	1 059	748	1 551	748
Cap. of dev. costs and public grants	2 025	6 100	5 105	2 025	5 105

OUTLOOK

All efforts at BXPL are now streamlined and focused. The Company benefits from the structural changes that were initiated and executed during 2011. The technical progress is on track, and further sponsors are being invited to come onboard. Contact with sponsors in Canada confirms that a Field Pilot is feasible and there is a market for the Badger Canada tool.

The Company is at the start of a new phase in its development, and the response from sponsors, customers and partners supports the Board's commitment to the future.

Stavanger, 9th May 2012
The Board of Directors
Badger Explorer ASA

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 Forusskogen 1, 4033 Stavanger, Norway.

The consolidated financial statement of Badger Explorer ASA and all its subsidiaries (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 statement of Badger Explorer ASA (100%), Badger Plasma Technology as (100%) and Calidus Engineering Ltd. (75%).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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 looses 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 or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interest represent the portions of profit or 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 shareholders' equity.

The interim financial statement 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 at 31.12.2011.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31.12.2011.

The Group's consolidated financial statements are presented in NOK. Income statements in foreign subsidiaries are translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiaries, including goodwill and adjustments of fair value of identifiable assets and liabilities arising on the acquisition of subsidiaries 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 of 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 or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivates 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 overdrafts, loans and borrowings, financial guarantee contracts, and derivate 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 and the Badger Plasma Technology project are recognized 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 reliable the expenditure during development.
- The availability of resources to complete the assets.

When all the above criteria are met, the cost relating to development start to be recognized 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 reliability 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 deducting the carrying amount of the asset.

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 were introduced. The options entitle the employees to purchase shares at a predetermined price during a 3.2 year period until 15.11.2012. This is an equity based option program and is recognized on the P&L under personnel costs and on the balance sheet under other paid in equity. The options are recognized over the vesting period starting from 15.09.2009. 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

	Quarters				Year to date		Year end
Unaudited figures in NOK 1000	**1Q 2012**	4Q 2011	1Q 2011	Note	**31.03.2012**	31.03.2011	31.12.2011
Revenues							
Other Income	3 553	1 916	3 058	4	3 553	3 058	9 678
Public grants	1 608	1 116	748	1,13	1 608	748	3 749
Capitalised public grants	-1 551	-1 059	-748	2	-1 551	-748	-3 617
Total Revenues	**3 610**	**1 974**	**3 058**		**3 610**	**3 058**	**9 810**
Operating Expenses							
Cost of goods sold	621	454	964		621	964	2 463
External services for dev. project	1 566	5 546	3 486	4	1 566	3 486	19 902
Payroll and related costs	6 401	9 066	6 660		6 401	6 660	28 765
Other operating expenses	2 557	2 898	3 033	4,10	2 557	3 033	16 118
Capitalised development cost	-3 576	-7 159	-5 853	3	-3 576	-5 853	-27 986
Total Operating Expenses	**7 569**	**10 805**	**8 290**		**7 569**	**8 290**	**39 262**
EBITDA	**-3 959**	**-8 832**	**-5 232**		**-3 959**	**-5 232**	**-29 452**
Depreciation	422	376	275		422	275	1 471
Operating profit (loss)	**-4 381**	**-9 208**	**-5 506**		**-4 381**	**-5 506**	**-30 922**
Net financial income	209	306	629	11	209	629	994
Profit (loss) before taxes	**-4 172**	**-8 902**	**-4 877**		**-4 172**	**-4 877**	**-29 928**
Tax on ordinary result	0	372	0		0	0	372
Net profit (loss)	**-4 172**	**-8 530**	**-4 877**		**-4 172**	**-4 877**	**-29 556**
Profit (loss) attributable to non-controlling interests	121	-106	-195		121	-195	-321
Profit (loss) attributable to equity holders of the parent	**-4 293**	**-8 424**	**-4 682**	9	**-4 293**	**-4 682**	**-29 235**
Earnings per share	**-0,23**	**-0,45**	**-0,25**		**-0,23**	**-0,25**	**-1,58**
Earnings per share diluted	**-0,23**	**-0,45**	**-0,25**		**-0,23**	**-0,25**	**-1,56**

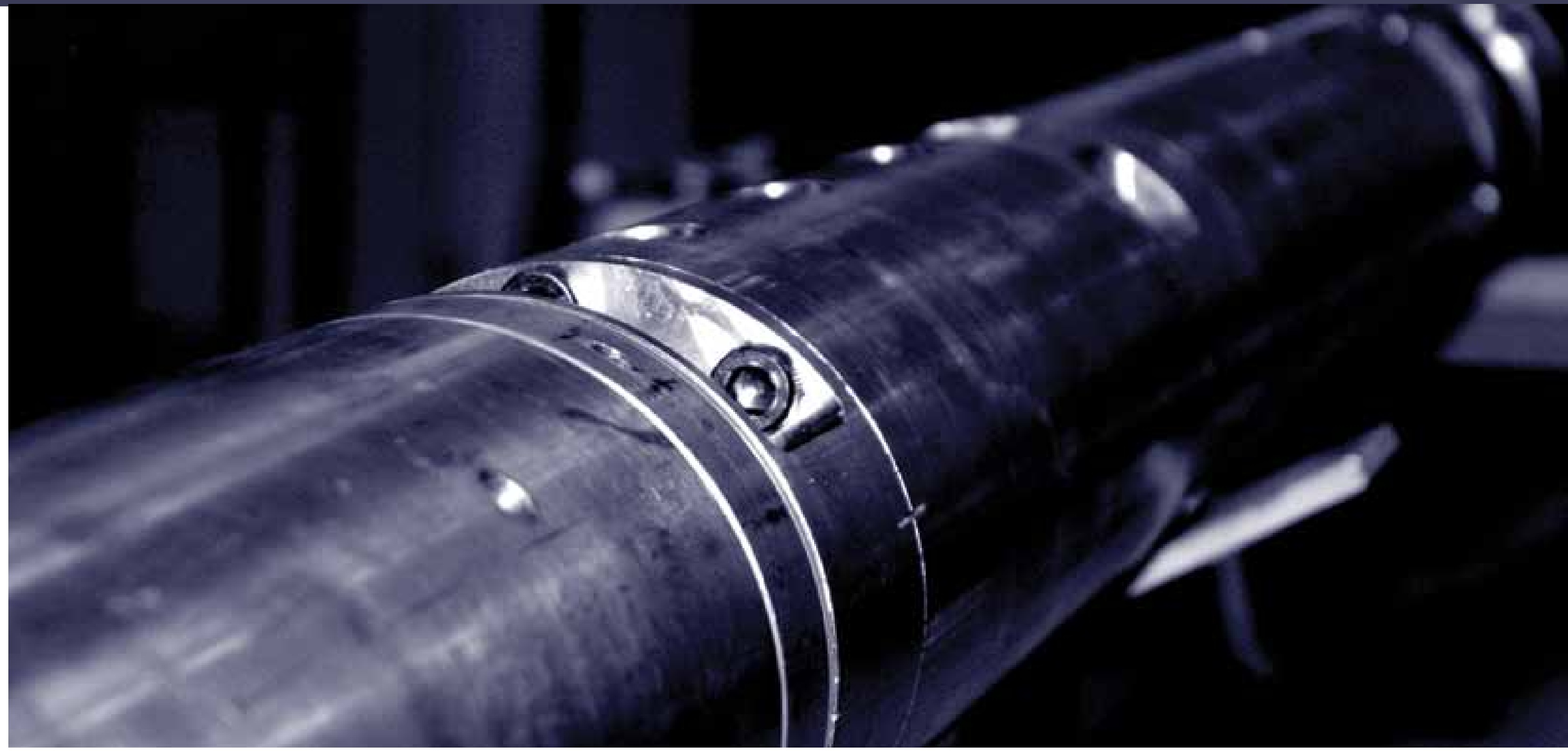
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	**31.03.2012**	31.03.2011	Notes	31.12.2011
NON-CURRENT ASSETS				
Capitalised development costs	110 575	94 261	3,7	111 037
Patent rights	387	387		387
Goodwill	5 672	5 513	4	5 774
Total intangible assets	**116 633**	**100 161**		**117 198**
Property, plant & equipment	17 279	3 530	13	17 963
Total tangible assets	**17 279**	**3 530**		**17 963**
Investment in shares in liquidity fund	0	43 087	11,12	0
Sum financial assets	**0**	**43 087**		**0**
TOTAL NON-CURRENT ASSETS	133 911	146 777		135 161
CURRENT ASSETS				
Inventories	2 811	1 741		2 776
Sum Inventories	**2 811**	**1 741**		**2 776**
Accounts receivables	4 091	6 280	4	5 251
Other receivables	6 955	2 998	4,13	6 565
Total receivables	**11 045**	**9 278**		**11 816**
Cash and cash equivalents	**31 368**	**44 179**		**39 179**
TOTAL CURRENT ASSETS	45 224	55 199		53 771
TOTAL ASSETS	**179 135**	**201 976**		**188 932**

EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	**31.03.2012**	31.03.2011	Notes	31.12.2011
EQUITY				
Share capital	2 317	2 314	4,5,10	2 317
Share premium fund	218 070	217 823	5	218 070
Other paid in capital	3 457	2 488	4,6,14	3 219
Total paid in equity	**223 844**	**222 625**		**223 606**
Retained earnings	-84 103	-51 009	14	-79 812
Total retained earnings	**-84 103**	**-51 009**		**-79 812**
Non-controlling interests	**2 544**	**5 898**	14	**2 725**
TOTAL EQUITY	142 285	177 514		146 519
LIABILITIES				
Capitalised grants	16 200	17 935	7	18 688
Interest-bearing loans and borrowings	8 046	64	13	8 347
Total long term liabilities	**24 246**	**17 999**		**27 034**
Accounts payables	1 443	2 947	4,10	3 086
Public duties payables	1 485	789		1 774
Taxes payables	385	403		392
Other short term liabilities	9 292	2 324		10 127
Total short term liabilities	**12 605**	**6 463**		**15 379**
TOTAL LIABILITIES	36 850	24 462		42 413
TOTAL EQUITY AND LIABILITIES	**179 135**	**201 976**		**188 932**

CONSOLIDATED STATEMENT OF CASH FLOW

	Quarters				Year to date		Year end
Unaudited figures in NOK 1000	**1Q 2012**	4Q 2011	1Q 2011	Note	**31.03.2012**	31.03.2011	31.12.2011
Contribution from operations*	-3 722	-7 988	-5 029		-3 722	-5 029	-28 147
Change in accounts receivables and accounts payables	-482	-3 701	-2 767	4,10	-482	-2 767	-1 599
Change in other receivables and payables	-1 556	5 269	985		-1 556	985	5 160
Net cash flow from operating activities	-5 760	-6 420	-6 811		-5 760	-6 811	-24 586
Investments in fixed assets	263	-614	-163	13	263	-163	-15 792
Investment/sales in shares in liquidity fund	0	-0	9 529	12	0	9 529	52 455
Additional acquisition of shares in subsidiary	0	0	0	14	0	0	-8 279
Capitalisation of development cost	-3 576	-7 159	-5 853	3	-3 576	-5 853	-27 986
Reclassification of contribution from industry partner	2 488	2 488	0		2 488	0	2 488
Net cash flow from investment activities	-826	-5 285	3 513		-826	3 513	2 885
Public grants	1 551	1 059	748	1	1 551	748	3 617
Paid in equity	0	83	732		0	732	982
Contribution from industry partners	-2 488	-688	0	7	-2 488	0	752
Proceeds from borrowings	-301	11	-16	13	-301	-16	8 267
Interest received	287	541	905	11	287	905	-1 725
Interest paid	-79	-235	-276	11	-79	-276	2 880
Net cash flow from financing activities	-1 028	772	2 094		-1 028	2 094	14 774
Total net changes in cash flow	**-7 614**	**-10 933**	**-1 204**		**-7 614**	**-1 204**	**-6 927**
Net foreign translation differences	-198	186	-505		-198	-505	218
Cash and cash equivalents beginning of period	39 179	49 926	45 888		39 179	45 888	45 888
Cash and cash equivalents end of period	**31 368**	**39 179**	**44 179**		**31 368**	**44 179**	**39 179**
Net result	-4 293	-8 424	-4 682		-4 293	-4 682	-29 235
Profit (loss) attributable to non-controlling interest	121	-106	-195		121	-195	-321
Employee options	238	472	203		238	203	933
Depreciation	422	376	275		422	275	1 471
Financial income	-287	-541	-905		-287	-905	-2 880
Financial expenses	79	235	276		79	276	1 886
***Total contribution from operations**	**-3 722**	**-7 988**	**-5 029**		**-3 722**	**-5 029**	**-28 147**



CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000

	Note	Share capital	Share premium fund	Other paid in capital	Retained earnings	Non-controlling interest	Total equity
Equity per 31.12.2011		2 317	218 070	3 219	-79 812	2 725	146 519
Total comprehensive income					-4 291	-181	-4 472
Option plan payment				238			238
Equity per 31.03.2012		**2 317**	**218 070**	**3 457**	**-84 103**	**2 544**	**142 285**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters			Year to date	
Total comprehensive income	1Q 2012	4Q 2011	1Q 2011	31.03.2012	31.03.2011
Profit (loss) for the year (period):	-4 172	-8 530	-4 877	-4 172	-4 877
Other comprehensive income					
Translation differences	-300	298	-631	-300	-631
Comprehensive income at end of period	**-4 472**	**-8 232**	**-5 509**	**-4 472**	**-5 509**

	Quarters			Year to date	
Total comprehensive income attributable to:	1Q 2012	4Q 2011	1Q 2011	31.03.2012	31.03.2011
Equity holders of the parent	-4 291	-8 126	-5 314	-4 291	-5 314
Non-controlling interest	-181	-106	-195	-181	-195
Total comprehensive income	**-4 472**	**-8 232**	**-5 509**	**-4 472**	**-5 509**

NOTES

1. Projects in the Badger Explorer Program are supported by the Research Council of Norway and “Skattefunn” with a percentage of the total project cost. The calculated amount is accrued consecutively. Badger Explorer ASA is supported by “Skattefunn” and RCN in 2012.

2. The cost and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised.

3. The project development costs are capitalised in accordance with the IFRS regulations. Additional project cost not capitalised this year due to the restriction in the IFRS standard for the Badger Explorer Prototype project amounts to kNOK 670 per 31.03.2012.

4. The 100% owned subsidiary, Badger Plasma Technology AS and the 75% owned subsidiary, Calidus Engineering Ltd. have been consolidated with the parent company Badger Explorer ASA starting from 01.12.2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated.

5. The general assembly decided in meeting on 09.05.2007 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 NOK 160 000 000 related to the listing on Oslo Axess on 12.06.2007. On 18.03.2011 a total number of 73 249 option shares were exercised by employees and 73 249 shares were issued, on 09.06.2011 a total number of 16 666 option shares were exercised by employees and 16 666 shares were issued and on 04.11.2011 a total number of 8 333 option shares were exercised by employees and 8 333 shares were issued. The total number of shares per 31.03.2012 is 18 537 288 at par value of 0,125 per share.

6. The options granted in 2006 were during 3Q 2009 replaced with new options. The new option program was approved and effective from 15.09.2009, included all employees at the time and granted a total of 406 750 share options at a strike of NOK 10 and 25 000 share options at a strike of NOK 15. The options entitle the employees to purchase shares during a 3.2 year period until 15.11.2012. These are equity based option agreements and are recognised on the P&L under payroll and related costs and on the balance sheet under other paid in capital. The options (incl. Employers’ national insurance contributions) are recognized over the vesting period starting from 15.09.2009. 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. The options were “in the money” per 31.03.2012. A total number of 131 167 shares are forfeited. A total number of 73 249 share options were exercised in the 1Q 2011 exercise window, a total number of 16 666 share options were exercised in the 2Q 2011 exercise window and a total number of 8 333 share options were exercised in the 3Q 2011 window. A total of 98 248 share options have been exercised in total. Next exercise window will be after the presentation of 1H 2012 report.

   In 3Q 2011 Mr. David Blacklaw, CEO from 05.10.2011, was granted 370.579 share-options in Badger Explorer ASA at a strike price of NOK 19.00 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” per 31.03.2012.

7. The Group has received contribution from the three industry partners amounting to a total of NOK 21 175 200 since 2005. A total of 16 200 000 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 of this contribution is capitalised as reduction of development cost of which 2 487 600 was capitalised in 1Q 2012.

8. Deferred tax asset has not been recognised.

9. Below table shows the segments of which the management is reporting to the Board of Directors. The segments are the main projects; Badger Explorer and Plasma Channel Drilling, engineering; Calidus Engineering Ltd. and other activities (mainly administration).

   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.

31.03.2012 - Business segments Unaudited figures in NOK 1000	Badger Explorer	Badger Plasma	Engineer-ing	Other	Elimin-ation	Total
Total revenue	0	0	3 998	288	-677	3 610
Segment profit (loss)	-670	0	362	-3 984	0	-4 293
Total assets	109 650	924	33 575	43 534	-8 549	179 135

31.03.2011 - Business segments Unaudited figures in NOK 1000	Badger Explorer	Badger Plasma	Engineer-ing	Other	Elimin-ation	Total
Total revenue	0	0	3 233	131	-305	3 058
Segment profit (loss)	-789	0	-195	-3 698	0	-4 682
Total assets	90 730	5 899	21 282	92 780	-8 715	201 976

1Q 2012 - Business segments Unaudited figures in NOK 1000	Badger Explorer	Badger Plasma	Engineer-ing	Other	Elimin-ation	Total
Total revenue	0	0	3 998	288	-677	3 610
Segment profit (loss)	-670	0	362	-3 984	0	-4 293

1Q 2011 - Business segments Unaudited figures in NOK 1000	Badger Explorer	Badger Plasma	Engineer-ing	Other	Elimin-ation	Total
Total revenue	0	0	3 233	131	-305	3 058
Segment profit (loss)	-789	0	-195	-3 698	0	-4 682

10. Related party transaction

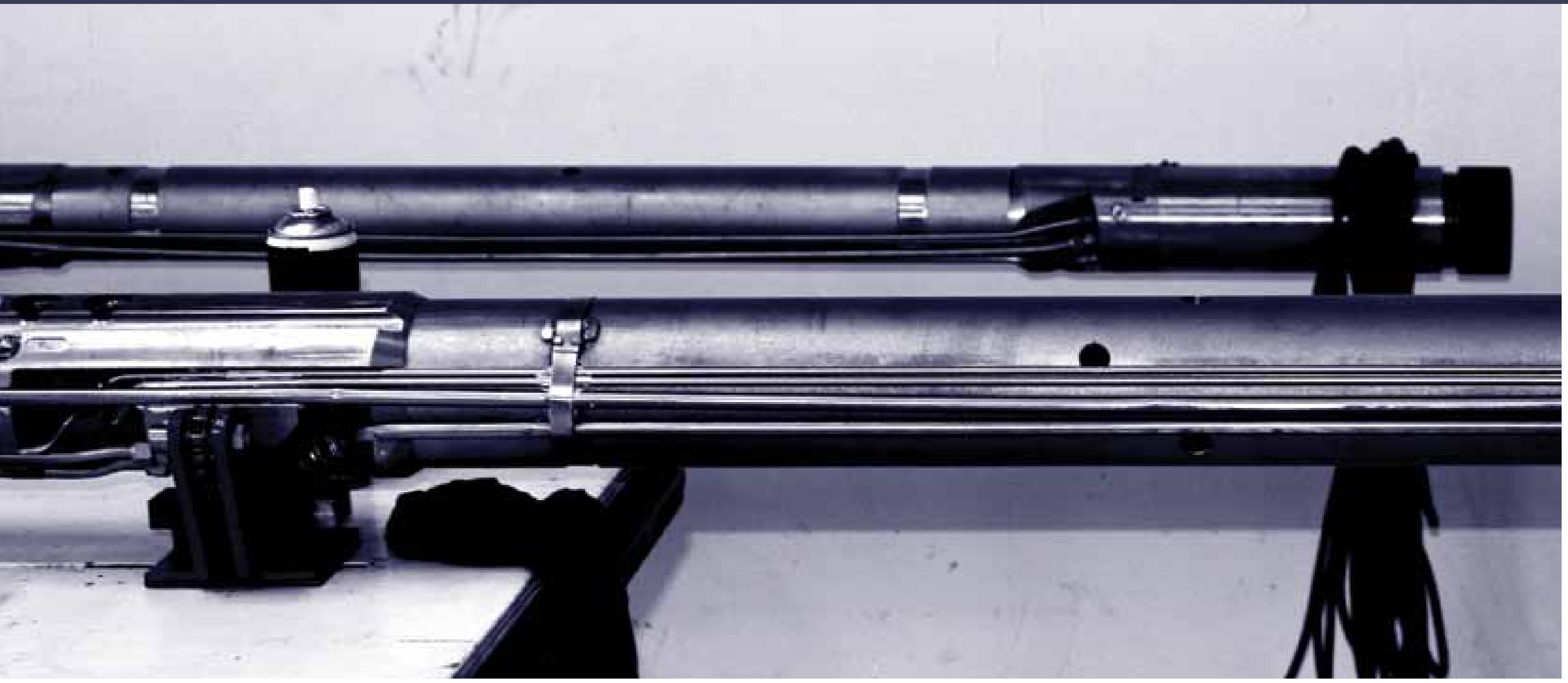
    Unaudited figures in NOK 1000

Transaction with related party	**31.03.2012**	**31.03.2011**
Accounts payable*	0	0
Purchased services*	0	38

* The Company has purchased consultancy services from Norsaco in which Kjell Markman (Sr. VP Bus. Dev. & Strategy) is Chairman of the Board and owns 25% of the shares.

Transaction with shareholders	**31.03.2012**	**31.03.2011**
Accounts payable**	276	0
Purchased services**	708	304

**The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 75% and Nigel Halladay (CEO of Calidus Engineering Ltd.) owns 25% of the shares. Nigel Halladay also owns 77 500 shares in Badger Explorer ASA.



Shares held by Board of Directors and Management group	31.03.2012	31.03.2011
SIX SIS AG 25PCT (Board Director - Marcus Hansson)	500 000	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
SEB Private Bank S.A. Luxembourg (Board Director - Marcus Hansson)	65 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
Invest OK AS (Board Director - Kristine Holm)	15 000	15 000
Board Director - Marcus Hansson	11 668	11 668
CFO - Gunnar Dolven	8 000	8 000
Board Director - Tone Kvåle	5 000	5 000
CTO - Erling Woods	4 000	1 000
Mng. HR, Economy & Adm. - Hege Furland	2 858	2 858
Ordinary shares	**1 142 820**	**1 139 820**
% of total shares	6,2 %	6,2 %

11. Investment in shares

Unaudited figures in NOK 1000

The Company sold all of its shares of First Norway Alpha KL IV-IA, a market based liquidity fund, in 2011.

12. Fair value hierarchy

As at 31.03.2012 the Group does not hold any financial instruments carried at fair value on the statement of financial positions.

13. Purchase of lease - Calidus Engineering Ltd.

In June 2011 Calidus Engineering Ltd. purchased a lease of units 6&7 Treleigh Industrial Estate of a total of MNOK 12.2 (£1 412 500) of which MNOK 8.1 (£940 000) relates to the building (shell only) and MNOK 4.1 (£472 500) relates to the plant and machinery. The building will be depreciated over 25 years and the plant and machinery will be depreciated over 10 years.

The purchase is financed by:

1. A mortgage with HSBC of MNOK 6.9 (£800 000) over 15 years with an interest rate of 2.5% over the bank's steering base rate.

2. A grant from The European Regional Development Fund of total MNOK 3.9 (£450 000) over the next 3 years. The grant is recognised in other receivables and will be written off to the P&L over the life of the assets to which it relates.

3. An additional loan of MNOK 1.7 (£200,000) from HSBC over 15 years with an interest rate of 2.5% over the bank's steering base rate.

The mortgage with HSBC of £800 000 and the loan with HSBC of £200 000 are in compliance with the agreed covernance in 1Q 2012.

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