Quarterly Report 1Q 2013

TARGETING FIELD PILOT TEST PHASE

Badger Explorer ASA (BXPL) has during 1Q 2013 established a strengthened sponsorship group for the Badger Demonstrator Program, now consisting of ExxonMobil, Statoil, Chevron and Wintershall. This program represents the technical focus of the Company for the rest of the year.

The steering committee for the program has been expanded with the addition of the two new sponsors, Chevron and Wintershall. The focus of the steering committee is to guide the milestone based development tasks defined in the Badger Demonstrator Program Agreement.

Milestone 2 has been completed and approved in 1Q 2013, which releases a further installment of sponsorship funding.

The development work is now concentrated on completion of the Beta Version of the Badger tool, which represents most of the deliverables for Milestone 3 and is due to be ready for testing during the second half of 2013.

In parallel with the development activities, BXPL and the sponsors continue early discussions regarding the Field Pilot test phase, with a view to optimizing the selection of Field Pilot targets and definition of specific objectives. While the target of a first field pilot including formation evaluation and an environmental monitoring application in the Canadian Oil Sands remains technically valid, non-technical risks have been identified regarding the necessary qualification and permits required. To mitigate the risk of such issues delaying the technical program, alternative field pilot test sites have been investigated, including some which are closer to BXPL's facilities in Norway. These, in addition to addressing the issues of qualification and permits, also have the potential for substantial reductions in both the time required for field operations and their costs.

The current Field Pilot Program outline includes a first Field Pilot Project locally in glacial tills, mudstones and relatively unconsolidated formations; conditions that are likely to be encountered in many geographical locations irrespective of the underlying target reservoir. A logical second Field Pilot Project is more representative of the geology of the Barents Sea. Both are envisaged as onshore operations. In parallel with the second field pilot, a quayside test is planned to verify processes and procedures for underwater deployment, which will be required before an offshore Field Pilot can be contemplated.

The Research Council of Norway has earlier awarded a grant of 8 MNOK to support the Field Pilot Program. The above revised test plan is intended to meet the criteria for release of initial installments of these funds.

Similarly, the expanded sponsorship base and Demonstrator Program progress since 1Q 2012 have allowed BXPL to meet criteria set for the release of funding awarded to the Demonstrator Program by Innovation Norway. Achievements so far qualified BXPL for release of the first installments of the grant of the 20 MNOK award announced last year. 6 MNOK was received in March 2013, while another 5 MNOK was transferred to BXPL in April 2013. The remaining payments are tied to further milestone achievements during 2013 and 2014.

Primary funding sources for 2013 will be the expanded sponsorship, possible Calidus sale and release of the public grant awards. Stringent cash management will continue to be applied through the year.

BXPL Group's cash position at year end 2012 was 17.6 MNOK, compared to 39.2 MNOK in 2011. Cash reserves as of 31st March 2013 are 16.1 MNOK (31.4 MNOK as of 31st March 2012). Sponsor contribution of 9.2 MNOK was invoiced in March, paid in April 2013.

Planned funding for 2013 consists of 29.5 MNOK contribution from the Badger Demonstrator Program, public grants and payment from a potential sale of Calidus. Altogether this is considered sufficient cash to carry the business into 2014.

ACCELERATED TECHNICAL PROGRESS AND REDUCTION OF TECHNOLOGY RISK

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:

- Completion of the structured evaluation exercise on the Badger Explorer tool design, initiated at the end of 2012. Improvements to the overall plan were implemented, addressing elements of the design that may limit its longer-term capabilities, such as specific challenges related to subsea operations, deeper drilling, challenging formation types, and drilling through gas zones.
    - Primary process risks identified were (a) borehole stability, (b) volume balance, (c) compaction and plug permeability and (d) drilling
    - Risk mitigation activities initiated include work on the engineering of particle size distribution, the transport mechanism through the tool of drilled cuttings and anchoring.
    - Particle size distribution also has an impact on compaction and plug permeability.
    - Modelling of cavity stability, which has been the subject of ongoing work subcontracted to SINTEF for the past two years, is being consolidated and expanded to better model the overall Badger process, and hence predict tool performance in more challenging subsurface environments.
    - A number of design changes arising from this exercise have already been implemented in the Beta Tool design.

- Milestone 2 has been completed and approved by the steering committee. Milestone 2 included:
    - Adjustments of design criteria
    - Development and testing of an improved transport, compaction and separation system
    - Design of an improved anchor module and a packer module to be adopted in the Beta Version
    - A study on cable store solutions describing development and testing of the cable store including mechanical, logical, electrical and thermal performance

- Preparations for a Beta version of the tool (Milestone 3 delivery), including:
    - further work on the hydraulic power unit, the cable store, electronic hardware, motors and drivers
    - design and initial testing of the power cable communication system
    - a comprehensive test plan scheduled to get a tool that works with the required level of reliability.

Specific achievements in the past quarter:

- Significant improvements to the principle of operation of the compaction system have been demonstrated in laboratory testing, achieving a greater degree of compaction, more quickly. While developed as a means to address volume balance, this improvement also helps reduce the permeability of the plug.

- While earlier developments have eliminated the reliance on the availability of clean water for cuttings transport, further work on the pumping system has demonstrated the ability to pump materials with very low liquid content. Concepts have been developed for a hybrid transport system to traverse completely dry zones (e.g. gas zones), which will be implemented after the Beta Tool has been tested.

- The design improvements to address the critical issue of wellbore stability, including increasing the number of tool segments, and selection of a low-friction coating for the tool body, have been implemented.

- A commercially-available motor controller unit has been adapted for use in the Badger Explorer, reducing the risk, time and cost inherent in custom solutions.

- A simplified cable store design has been prototyped and successfully tested, reducing both the mechanical complexity and the overall length of the device.

- Progress has been made on the design of the hydraulic control system and the common field joint.

The Company is on track to complete design and build of a beta version of the Badger Explorer, ready for testing by the end of 2013.The beta version will be vital in the continued development of the Badger Technology; in particular to further identify and mitigate technology risks, better understand overall system operation in representative environments and gain hands-on operational experience with the tool.

STRATEGIC INDUSTRIAL ALLIANCE

Development time, development cost and market introduction are critical, and a strategic industrial alliance could accelerate time to market and provide additional technical competence and capabilities. Through 1Q 2013, however, focus has been on establishing the extended steering committee and to develop a plan that all four sponsors support. An agreement with an industrial partner has not yet been established.

CALIDUS ENGINEERING LTD, UK (75 % OWNED SUBSIDIARY)

Calidus Engineering Ltd. (CEL) is a multi-discipline engineering company specialized in designing down-hole equipment for harsh environments. In addition to modelling and engineering design services, CEL runs a prototype based machine shop. Revenue comes from clients within the petroleum and geothermal industries, as well as from traditional R&D business.

CEL has been a key supplier to Badger for a number of years. Deliveries to BXPL totalled 2.9 MNOK in 1Q 2013 (representing 62.6% of gross turnover in the quarter), compared to 0.7 MNOK in 1Q 2012 (16.9%).

CEL's turnover as of 31st March 2013 was 4.5 MNOK compared to 4.0 MNOK as of 31st March 2012. The net result before tax (EBT) for the quarter was 0.57 MNOK, compared to 0.36 MNOK (ref. note 9) in 1Q of the prior year. Calidus' equity ratio as of 1Q 2013 is 36.0%, compared to 40.0% as of 1Q 2012.

During the last six months (4Q 2012 and 1Q 2013) CEL has been through a restructuring, as described in earlier quarterly reports.

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.

Should CEL be eventually sold, arrangements will be put into place to ensure that the necessary experience and expertise continue to be accessible. The environment has changed since the original acquisition of a stake in CEL in 2007, and following a review, BXPL believes access to the resources and expertise that reside at CEL can be secured by contractual means, without the necessity of ownership.

A formal sales process was initiated in 1Q 2013. Interest has been shown by a number of potential acquirers, with whom the Company continues to negotiate.

FINANCIALS AND INVESTOR RELATIONS

As of 31st March 2013, the Badger Explorer Group had a net equity of 121.2 MNOK (equity ratio of 70.5%) compared to 142.3 MNOK as of 31st March 2012 (79.4%).

ANNUAL GENERAL MEETING (AGM) CONDUCTED

The 2012 AGM was held on 17th April 2013. Annual accounts for 2012 and other ordinary AGM items were approved. Board members Kristine Holm and Clive Mather resigned at the AGM, and Hilde Christiansen and David Ottesen were elected as new Board members of BXPL.

INVESTOR RELATIONS ISSUES

Badger Explorer ASA had 825 shareholders as of 31st March 2013. Norwegian entities and individuals held 63.7% of the total number of outstanding shares and the 20 largest shareholders held 70.2% of the outstanding shares.

BADGER EXPLORER GROUP

The Badger Explorer Group operations consist of more than 40 people, including skilled Calidus engineers and dedicated specialists with sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 12 full-time employees as of 31st March 2013 compared to 16 employees as of 31st March 2012. Some of the roles previously held by full-time employees are currently fulfilled by consultants and contactors.

MAIN FIGURES

Revenues for 1Q 2013 were 1,736 kNOK, compared to 3,610 kNOK for 1Q 2012. Decrease in revenues was primarily due to reduced non-BXPL income at CEL.

Operating expenses for 1Q 2013 were 6,384 kNOK, compared to 7,569 kNOK for 1Q 2012. EBITDA for 1Q 2013 was -4,648 kNOK, compared to -3,959 kNOK for 1Q 2012.

Total development costs of the Badger Explorer project in 1Q 2013 were 5,977 kNOK, of which 5,230 kNOK was capitalized. During 1Q 2013 total project development costs were 4,246 kNOK of which 3,576 kNOK was capitalized. Capitalized public grants for the Badger Explorer project amounted to -7,588 kNOK for 1Q 2013, compared to -1,551 kNOK for 1Q 2012. All public grants are booked as deductions to the capitalized project costs.

Earnings per share amounted to -0.29 NOK per share for 1Q 2013, compared to -0.23 NOK per share for 1Q 2012. Cash reserves as of 31st March 2013 are 16.1 MNOK compared to 31.4 MNOK as of 31st March 2012.
Cash management continues to be a priority.

	Quarters			Year to date	
CONSOLIDATED SUMMARY (Unaudited figures in NOK 1000)	**1Q 2013**	4Q 2012	1Q 2012	**31.03.2013**	31.03.2012
Revenues	1 736	697	3 610	1 736	3 610
Operating expenses	6 384	5 765	7 569	6 384	7 569
EBITDA	-4 648	-5 068	-3 959	-4 648	-3 959
Earnings per share (figures in NOK)	-0.29	-0.28	-0.23	-0.29	-0.23
Projects development costs	5 977	6 940	4 246	5 977	4 246
Public grants for projects dev.	7 588	-101	1 551	7 588	1 551
Cap. of dev. costs and public grants	-2 357	6 225	2 025	-2 357	2 025

OUTLOOK

The development work through 2013 is focused on completing design, test and build 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, possible sale of CEL and release of public grants secure funding for 2013, and the technical deliveries and focused technical progress are grounds for an optimistic view on achieving the targets set in the Badger Demonstrator Program.

Stavanger, 16th May 2013
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%) and Calidus Engineering Ltd. (75%). Badger Plasma Technology AS was sold for 1.9 MNOK in December 2012 with a loss of 1.1 MNOK and is not consolidated in the Group as of 31st March 2013.

Calidus Engineering Ltd. is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary 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. It the Group losses 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 31st December 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 31st December 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 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 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 15th November 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 15th September 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 2013	4Q 2012	1Q 2012	Note	31.03.2013	31.03.2012	31.12.2012
Revenues							
Other Income	1 698	752	3 553	4	1 698	3 553	7 735
Public grants	7 626	-157	1 608	1,2	7 626	1 608	2 962
Capitalised public grants	-7 588	101	-1 551	1,2	-7 588	-1 551	-2 843
Total Revenues	**1 736**	**697**	**3 610**		**1 736**	**3 610**	**7 855**
Operating Expenses							
Cost of goods sold	324	776	621		324	621	2 757
External services for dev. project	3 738	4 000	1 566	4	3 738	1 566	8 993
Payroll and related costs	4 625	4 844	6 401		4 625	6 401	22 985
Other operating expenses	2 927	2 269	2 557	4,10	2 927	2 557	9 899
Capitalised development cost	-5 230	-6 124	-3 576	3	-5 230	-3 576	-17 149
Total Operating Expenses	**6 384**	**5 765**	**7 569**		**6 384**	**7 569**	**27 484**
EBITDA	**-4 648**	**-5 068**	**-3 959**		**-4 648**	**-3 959**	**-19 629**
Depreciation	470	493	422		470	422	2 330
Operating profit (loss)	**-5 118**	**-5 561**	**-4 381**		**-5 118**	**-4 381**	**-21 959**
Net financial income	20	-89	209		20	209	341
Profit (loss) before taxes	**-5 098**	**-5 651**	**-4 172**		**-5 098**	**-4 172**	**-21 618**
Tax on ordinary result	0	324	0		0	0	310
Net profit (loss)	**-5 098**	**-5 327**	**-4 172**		**-5 098**	**-4 172**	**-21 308**
Profit (loss) attributable to non-controlling interests	197	-198	121		197	121	-845
Profit (loss) attributable to equity holders of the parent	**-5 296**	**-5 129**	**-4 293**	9	**-5 296**	**-4 293**	**-20 463**
Earnings per share	**-0.29**	**-0.28**	**-0.23**		**-0.29**	**-0.23**	**-1.10**
Earnings per share diluted	**-0.29**	**-0.28**	**-0.23**		**-0.29**	**-0.23**	**-1.10**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	**31.03.2013**	31.03.2012	Notes	31.12.2012
NON-CURRENT ASSETS				
Capitalised development costs	119 280	110 575	2,3,7	121 637
Patent rights	387	387		387
Goodwill	5 495	5 672	4	5 595
Total intangible assets	**125 162**	**116 633**		**127 619**
Property, plant & equipment	14 570	17 279	12	15 273
Total tangible assets	**14 570**	**17 279**		**15 273**
TOTAL NON-CURRENT ASSETS	139 732	133 911		142 893
CURRENT ASSETS				
Inventories	409	2 811		1 932
Sum Inventories	**409**	**2 811**		**1 932**
Accounts receivables	12 576	4 091	4	2 124
Other receivables	3 100	6 955	4,12	3 652
Total receivables	**15 676**	**11 045**		**5 776**
Cash and cash equivalents	**16 063**	**31 368**	4,10	**17 608**
TOTAL CURRENT ASSETS	32 148	45 224		25 315
TOTAL ASSETS	**171 880**	**179 135**		**168 208**

EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	**31.03.2013**	31.03.2012	Notes	31.12.2012
EQUITY				
Share capital	2 299	2 317	4,5,10	2 317
Share premium fund	218 070	218 070	5	218 070
Other paid in capital	4 909	3 457	4,6	4 582
Total paid in equity	**225 278**	**223 844**		**224 969**
Retained earnings	-106 172	-84 103		-99 790
Total retained earnings	**-106 172**	**-84 103**		**-99 790**
Non-controlling interests	**2 078**	**2 544**		**1 880**
TOTAL EQUITY	121 184	142 285		127 059
LIABILITIES				
Capitalised grants	36 060	16 200	7	24 000
Interest-bearing loans and borrowings	0	8 046	12	0
Total non-current liabilities	**36 060**	**24 246**		**24 000**
Accounts payables	1 334	1 443	4,10	3 801
Interest-bearing loans and borrowings	7 900	0	12	8 200
Public duties payables	894	1 485		1 271
Taxes payables	0	385		0
Other short term liabilities	4 508	9 292		3 878
Total current liabilities	**14 636**	**12 605**		**17 149**
TOTAL LIABILITIES	50 696	36 850		41 149
TOTAL EQUITY AND LIABILITIES	**171 880**	**179 135**		**168 208**

CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	Quarters 1Q 2013	4Q 2012	1Q 2012	Note	Year to date 31.03.2013	31.03.2012	Year end 31.12.2012
Contribution from operations*	-4 320	-4 010	-3 722		-4 320	-3 722	-17 632
Tax paid	0	0	0		0	0	-102
Change in accounts receivables and accounts payables	-5 559	909	-482	4,10	-5 559	-482	-445
Change in other receivables and payables	3 392	-347	-1 556		3 392	-1 556	-2 720
Net cash flow from operating activities	-6 487	-3 448	-5 760		-6 487	-5 760	-20 900
Investment/sales fixed assets	36	-27	263	12	36	263	2
Investment/sales shares in liquidity fund	0	0	0		0	0	0
Additional acquisition of shares in subsidiary	0	0	0		0	0	0
Capitalisation of development cost	-5 230	-6 124	-3 576	3	-5 230	-3 576	-17 149
Sales of capitalised equipment	0	34	0	3	0	0	294
Reclassification of contribution from industry partner	0	0	2 488		0	2 488	2 488
Sale of Badger Plasma Technology AS	0	752	0	4	0	0	752
Net cash flow from investment activities	-5 195	-5 365	-826		-5 195	-826	-13 613
Public grants	6 524	2 046	1 551	1	6 524	1 551	3 617
Paid in equity	-18	0	0		-18	0	0
Contribution from industry partners	4 700	0	-2 488	7	4 700	-2 488	9 600
Net proceeds from borrowings	-300	-898	-301	12	-300	-301	-888
Interest received	110	166	287		110	287	831
Interest paid	-91	-89	-79		-91	-79	-323
Net cash flow from financing activities	10 925	1 225	-1 028		10 925	-1 028	12 836
Total net changes in cash flow	**-757**	**-7 588**	**-7 614**		**-757**	**-7 614**	**-21 676**
Net foreign translation differences	-788	75	-198		-788	-198	105
Cash and cash equivalents beginning of period	17 608	25 120	39 179		17 608	39 179	39 179
Cash and cash equivalents end of period	**16 063**	**17 608**	**31 368**		**16 063**	**31 368**	**17 608**
Profit (loss) attributable to equity holders of the Company	-5 296	-5 129	-4 293		-5 296	-4 293	-20 463
Profit (loss) attributable to non-controlling interests	197	-198	121		197	121	-845
Tax on ordinary result	0	324	0		0	0	310
Employee options	328	411	238		328	238	1 363
Depreciation	470	493	422		470	422	2 330
Financial income	-110	-166	-287		-110	-287	-831
Financial expenses	91	89	79		91	79	323
Loss on sale of subsidiary and shares	0	166	0		0	0	166
***Contribution from operations before tax**	**-4 320**	**-4 010**	**-3 722**		**-4 320**	**-3 722**	**-17 646**

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 31.12.2012		2 317	218 070	4 582	-99 790	1 880	127 059
Total comprehensive income					-6 382	198	-6 184
Option plan payment				328			328
Equity per 31.03.2013		**2 299**	**218 070**	**4 909**	**-106 172**	**2 078**	**121 184**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000	Quarters			Year to date	
Total comprehensive income	1Q 2013	4Q 2012	1Q 2012	31.03.2013	31.03.2012
Profit (loss) for the year (period):	-5 098	-5 327	-4 172	-5 098	-4 172
Other comprehensive income - items that will later be reclassified to profit and loss					
Translation differences	-1 086	568	-300	-1 086	-300
Comprehensive income at end of period	**-6 184**	**-4 759**	**-4 472**	**-6 184**	**-4 472**

	Quarters			Year to date	
Total comprehensive income attributable to:	1Q 2013	4Q 2012	1Q 2012	31.03.2013	31.03.2012
Equity holders of the parent	-6 382	-4 832	-4 291	-6 382	-4 291
Non-controlling interest	198	73	-181	198	-181
Total comprehensive income	**-6 184**	**-4 759**	**-4 472**	**-6 184**	**-4 472**

NOTES

1. The projects in the Badger Explorer Development Program are funded by grants from the Research Council of Norway (RCN) and Skattefun with a percentage of the total project cost. The grants from RCN and Skattefunn were received for both 2012 and 2013. In March 2013 Innovation Norway has awarded a public grant of 6 MNOK for BXPL's ongoing Badger Demonstrator Development program.

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 on 31st December 2012.

3. All project development costs in the Group are capitalised in accordance with the IFRS regulations except of additional project cost of 746 kNOK in 1Q 2013 related to the restriction on capitalisation of own personnel cost in the IFRS standard for the Badger Explorer Prototype project.

4. The previously 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 1st of December 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated. Badger Plasma Technology AS was sold for 1.9 MNOK in December 2012 with a loss of 1.1 MNOK and is not consolidated in the Group on 31st March 2013.

5. The general assembly decided in meeting on 9th May 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 on 12th June 2007. On 18th March 2011 a total number of 73,249 share options were exercised by employees and 73,249 shares were issued. On 9th June 2011 a total number of 16,666 share options were exercised by employees and 16,666 shares were issued. On 4th November 2011 a total number of 8,333 shares options were exercised by employees and 8,333 shares were issued. The total number of shares on 31st March 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 15th September 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 15th September 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" on 31st March 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 in total. The remaining 92,334 share options are the options that were adjusted before 1Q 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" on 31st March 2013.

7. The Group has received contribution from five industry partners amounting to a total of 41,035,200 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. A total of 36,060,000 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. The contribution of 7,360,000 NOK from Wintershall Norge was received after the closing of 1Q 2013 due to prolonged approval process and therefore is not presented in the cash and cash equivalents in the statement of financial position at the end of the period.

8. Deferred tax asset has not been recognised in the statement of financial position.

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.

31.03.2013 - Business segments	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	ing	Other	ation	Total
Total revenue	0	4 538	63	-2 865	1 736
Segment profit (loss)	-663	566	-5 199	0	-5 296
Total assets	121 075	20 152	31 166	-515	171 880

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

1Q 2013 - Business segments	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	ing	Other	ation	Total
Total revenue	0	4 538	63	-2 865	1 736
Segment profit (loss)	-663	566	-5 199	0	-5 296

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

* Badger Plasma Technology AS was sold in December 2012.

10. Related party transaction

    Unaudited figures in NOK 1000

Transaction with Calidus Engineering Ltd.	**31.03.2013**	**31.03.2012**
Accounts payable**	929	276
Purchased services**	2 842	708

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

Shares held by members of the Board of Directors and members of Management group	**31.03.2013**	**31.03.2012**
SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson)	565 000	65 000
Chairman - Marcus Hansson	11 668	11 668
SIX SIS AG 25PCT (Chairman - 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
Invest OK AS (Board member - Kristine Holm)	15 000	15 000
CFO - Gunnar Dolven	8 000	8 000
Board member- Tone Kvåle	5 000	5 000
Ordinary shares	**1 135 962**	**1 135 962**
% of total shares	6.1 %	6.1 %

11. Fair value hierarchy

    As of 31st March 2013 the Group does not hold any financial instruments carried at fair value in the statement of financial position.

12. 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 12.2 MNOK (£1,412,500) of which 8.1 MNOK (£940,000) relates to the building (shell only) and 4.1 MNOK (£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 6.4 MNOK (£724,101) over 15 years with an interest rate of 5.0% over the bank's steering base rate. The original mortgage of £800,000 was granted in June 2011.

    2. A grant from The European Regional Development Fund of total 3.9 MNOK (£450,000) over the next 4 years (until end 2014). 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. This grant will be brought to an end once the second claim for £90,000 is received during 2Q 2013. The job target will remain at 26.5 during the next 5 years. The revised total for the grant is £270,000. The additional £90,000 is not reflected in the accounts until it has been received.

    3. An additional loan of 1.5 MNOK (£169,515) from HSBC over 15 years with an interest rate of 5.25% over the bank's steering base rate. The original loan of £200,000 was granted in June 2011.

    As of 31st March 2013 there was no breach of any covenant related to the mortgage with HSBC of £800,000 and the loan with HSBC of £200,000.

    As of 31st March 2013 Calidus Engineering Ltd. has a bank overdraft facility of £110,000 but nothing drawn under the facility on 31st March 2013. The bank overdraft of £110,000 is extended to 30th April 2013 due to delay in HSBC setting up the facility.

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