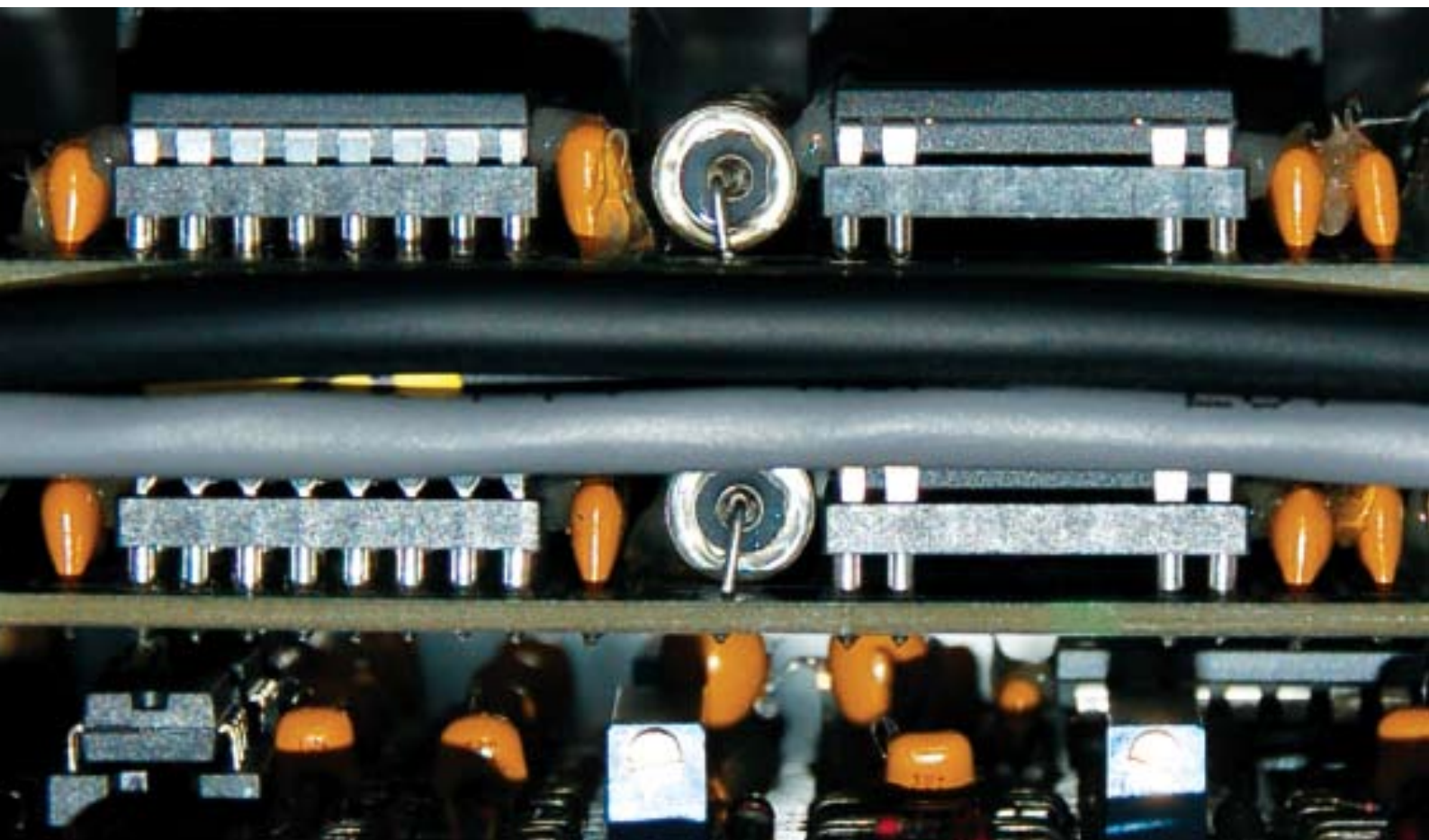




**BADGER**  
EXPLORER



Quarterly Report 3Q 2009

### SELF-BURIAL TEST-SITE CHOSEN, INTENSIVE TESTING AND TEST-PREPARATION IN PROGRESS

The activities of the third quarter have been focused on the assembly of the Badger Explorer Prototype tool, the Demo50 version2, and the modelling of the Badger Explorer's main processes. In addition full scale testing of the redesigned separation/compaction module has successfully taken place.

Several locations have been explored, and a suitable test site has been chosen. The preparation process around the self-burial test has started.

Throughout the third quarter the Company has signed important strategic vendor agreements as well as having taken organisational steps in order to prepare for the commercial phase. The positive development is expected to materialise further in the fourth quarter of 2009.

### 3Q 2009 - AN OVERVIEW

#### *Completion of the Prototype phase*

During the third quarter of 2009 Badger Explorer has improved the performance of key functions of the tool and tested a number of alternative technologies that will be implemented in the Badger Explorer. Several jig-based system drilling tests have been conducted in different types of rock formation and plugs with the cable imbedded have been formed at the rear end of the tool. The Company continuously gains knowledge through the performance of different technologies in various types of rock formation, which will provide the basis for the development of a commercial version of the tool.

An onshore self-burial test site has been chosen and mobilisation has commenced. Drilling tests in several rock samples from the chosen site have successfully been carried out. First jig-based drilling tests will be conducted after the mobilisation and by the end of 2009 the first onshore self-burial of the Badger Explorer is planned to take place.

#### *Pre-commercial versions - Demo125*

Activities to further develop the next generation of the Badger Explorer tool are proceeding in parallel with the above-mentioned activities. The pre-commercial versions are designed and built using electrical components with higher specifications and other custom designed technologies in order to realise higher requirements regarding maximum operating temperatures and deeper test depths. The Demo125 pre-commercial tool will largely be based on the Demo50 design.



As stated in the 1H 2009 report Badger Explorer ASA has secured access to state-of-the-art sensors and logging tools to be supplied by two highly qualified international vendors. This is expected to secure the overall time-frame and lower development costs. In addition a long term strategic development agreement has been signed regarding high specification electrical motors.

Once the self-burial test has been completed a new phase of the development work, the pre-commercial phase, will commence. This phase will involve the Company's client partners ExxonMobil, Shell and StatoilHydro to a higher degree. The client partners have through an extended client partner agreement secured first right of refusal to buy the full manufacturing capacity of Badger Explorer tools at market price for a period of three years from the time of commercialization.

#### **CALIDUS ENGINEERING LTD., CORNWALL, UK, 50 % SUBSIDIARY**

Calidus Engineering Ltd. (Calidus), UK, is a multi-discipline engineering company specialized in designing down hole equipment for harsh environments. In addition to modelling and engineering design services, Calidus runs a prototype based machine shop. Its revenues mainly come from local and global clients in the oil industry, the geothermal industry as well as within the field of R&D.



Calidus has become a vital supplier to Badger Explorer ASA.

Calidus' turnover as per 3Q 2009 was MNOK 13 389 compared to MNOK 8 863 for 3Q 2008, out of which 48.9 % (52.8 % during 3Q 2008) were deliveries to Badger Explorer ASA. The net result before tax (EBT) was MNOK 3.0 compared to MNOK 1.7 the year before. Calidus' equity ratio is 87.9 % and the cash position remains strong.

Calidus' order backlog is satisfactory and the company expects continuous growth.

#### FINANCIAL STRENGTH AND INVESTOR RELATIONS

Badger Explorer ASA and its development program up to and including the commercial launch of the same are fully financed. In 2005 and 2007 the Company raised equity in total of MNOK 235. The extended partner agreements with the Company's industry partners, the three oil industry majors ExxonMobil, Shell and StatoilHydro, will include financial support in addition to the valuable technical support. In the present financial climate the partnerships and the Company's financial strength provide a strong position, opening for full focus on further technological development and the upcoming commercial phase.

As of 30.09.2009 the Badger Explorer Group had a net equity of MNOK 205.1 (equity ratio of 91.8 %), compared to MNOK 213.1 as of 30.09.2008.

Through 4Q 2009 and during 2010 the Company's activity level will be increased. Net spending so far in 2009 is in accordance with the budget and gross cash position 31.12.2009 is estimated to MNOK 133, compared to MNOK 177 as per year end 2008. The gross cash position includes bank deposits and bank bonds.

#### *Investor Relations Issues*

The number of shareholders lies at present approximately 700 and increased by 150 in the last twelve months. Norwegian entities and individuals hold 66.3 % of the total number of outstanding shares. Compared to 3Q 2008 the 20 largest shareholders have reduced their holdings, and as of the end of the 3Q 2009 they held 76.8 % compared to 83 % at the same time last year.

Quarterly investor presentations have been held in Oslo and Stavanger. The Company was also presented at "Rogaland på Børs" in August 2009 and at the Pareto Oil & Offshore Conference in early September 2009. Orion Securities commenced coverage of BXPL on 21 September 2009.

#### STRENGTHENING THE ORGANISATION

To prepare for the challenges of the pre-commercial phase Mr. Kjell Markman has been recruited as Senior Vice President Business Development and Strategy.

A share option bonus scheme for all employees was introduced in September 2009.

#### BADGER EXPLORER GROUP

The magnitude of the Badger Explorer Group operations comprises more than 50 people, including skilled Calidus engineers and dedicated specialists with sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 20 persons.

The Badger Explorer Group makes use of testing facilities and workshops not only in Stavanger, but also at Calidus Engineering Ltd. in Cornwall, UK, and at the chosen self-burial test site.

#### MAIN FIGURES

Revenues for 3Q 2009 amounted to kNOK 2 433 and to kNOK 6 891 as of 30.09.2009, compared to kNOK 1 315 for 3Q 2008 and kNOK 4 876 as of 30.09.2008.

Operating expenses for 3Q 2009 amounted to kNOK 6 551 and to kNOK 16 534 as of 30.09.2009, compared to kNOK 3 366 for 3Q 2008 and kNOK 12 814 as of 30.09.2008.

EBITDA for 3Q 2009 amounted to kNOK -4 118 and to kNOK -9 642 as of 30.09.2009, compared to kNOK -2 051 for 3Q 2008 and kNOK -7 937 as of 30.09.2008.



Total project development costs for the Badger Explorer Prototype and Plasma Channel Drilling amounted to kNOK 7 679 of which kNOK 6 440 were capitalized for 3Q 2009, and amounted to kNOK 26 098 of which kNOK 22 302 were capitalised as of 30.09.2009.

No applications for public grants have been filed for 3Q 2009. Public grants amounted to kNOK 788 for 3Q 2008. All public grants were capitalised together with the project costs.

Earnings per share amounted to NOK -0.178 per share for 3Q 2009 and amounted to NOK -0.415 per share as of 30.09.2009. Cash reserves as of 30.09.2009 amount to MNOK 78.7. In addition the Company holds MNOK 71.8 in bank bonds.

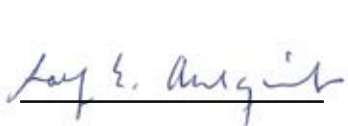
CONSOLIDATED SUMMARY (Unaudited figures in NOK 1000)	3Q 2009	3Q 2008	30.09. 2009	30.09. 2008
Revenues	2 433	1 315	6 891	4 876
Operating expenses	6 551	3 366	16 534	12 814
EBITDA	-4 118	-2 051	-9 642	-7 937
Earnings per share (figures in NOK)	-0,178	-0,003	-0,415	-0,050
Projects development costs	7 679	8 986	26 098	20 442
Public grants for projects dev.	0	788	0	1 472
Cap. of dev. costs and public grants	6 440	7 116	22 302	16 266

## OUTLOOK

The progress made during 2009 has brought Badger Explorer ASA closer to its goal of supplying a commercial service to its partners and the Oil & Gas market in general. A commercial service is expected to be launched 12-18 months after a successful burial test.

It is expected that the assembly and initial testing of the Prototype tool, the Demo50 version2, will take place in 4Q 2009 and the goal of the Company is to perform the onshore self-burial test before the end of 2009. A successful self-burial test will be a proof of the patented concept. It will mark a technological breakthrough and will establish the basis for the next phase of a defined cooperation with the client partners as well as being a stepping-stone towards the launch of commercial services.

The Company reiterates its optimistic view on the remainder of 2009 and the coming year.



Rolf E. Ahlqvist  
Chairman



Bjørge Gretland  
Director



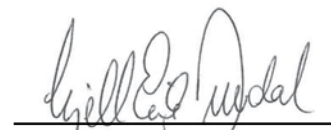
Kristine Holm  
Director



Christian Bull Eriksson  
Director



Tone Kvåle  
Director



Kjell Erik Drevdal  
President & CEO

Stavanger, 26th of October 2009  
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 Axess stock exchange. The company's head office is located at Jåttåvågveien 7, N-4020 Stavanger, Norway.

The consolidated financial statement of Badger Explorer ASA and all its subsidiaries (the Group) have been prepared on an historical cost basis and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.2008 including IAS 34.

The Group's consolidated financial statement comprises Badger Explorer ASA (100 %), Badger Plasma Technology as (100 %) and Calidus Engineering Ltd. (50 %). Intercompany sales and expenses, intercompany receivables and payables are eliminated. Purchase of shares is eliminated towards share capital. Excess value of purchase of shares in Calidus is recognised in the balance sheet as goodwill.

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 31.12.2008. 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 31.12.2008.

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 for fair value included in the consolidation are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recorded against the equity.

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.

Cost relating to development are capitalised following criteria's are met in full

- the product or the process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or the process will be sold or used in the company's operations;
- the asset will generate future financial benefits; and
- sufficient technical, financial and other recourses for completing the project are present

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 from sale of engineering services is recognised on a monthly basis based on completed monthly time sheets completed by the employee at the rate agreed with the customer. Interest income is recognised in the income statement based on the effective interest method as they are earned.

Subsidies from the authorities are not recognised until it is reasonably certain that the company will meet the conditions stipulated in connection with the receipt of the subsidies and that the subsidies will be granted. The recognition of subsidies is postponed and depreciated over the period that the costs relating to that which the subsidies are intended for are incurred. Subsidies are recognised as deductions from the cost that the subsidy is meant to cover.

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.

The options granted in 2006 were during Q3 2009 replaced with new options. 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 replacement of options was treated as a cancellation and repricing under IFRS 2.



## CONSOLIDATED INCOME STATEMENT

Unaudited figures in NOK 1000

	3Q 2009	2Q 2009	3Q 2008	Note	30.09. 2009	30.09. 2008
<b>Revenues</b>						
Other Income	2 433	1 926	1 315	4	6 891	4 876
Public grants	0	0	788	1	0	1 472
Capitalised public grants	0	0	-788	2	0	-1 472
<b>Total Revenues</b>	<b>2 433</b>	<b>1 926</b>	<b>1 315</b>		<b>6 891</b>	<b>4 876</b>
<b>Operating Expenses</b>						
Cost of goods sold	817	1 068	780	12	1 977	1 045
External services for dev. project	4 211	6 941	5 955	4	15 468	12 881
Salary	5 071	2 961	2 812	12	12 765	10 015
Other Operating Expenses	2 892	2 986	1 722	4,10,12	8 626	6 610
Capitalised development cost	-6 440	-9 228	-7 904	3	-22 302	-17 737
<b>Total Operating Expenses</b>	<b>6 551</b>	<b>4 728</b>	<b>3 366</b>		<b>16 534</b>	<b>12 814</b>
<b>EBITDA</b>	<b>-4 118</b>	<b>-2 802</b>	<b>-2 051</b>		<b>-9 642</b>	<b>-7 937</b>
Depreciation	329	296	313		916	831
Project cost:	-13					
<b>EBIT</b>	<b>-4 447</b>	<b>-3 098</b>	<b>-2 364</b>		<b>-10 558</b>	<b>-8 768</b>
Net financial income	1 735	1 080	2 931	11	4 442	8 685
<b>EBT</b>	<b>-2 712</b>	<b>-2 018</b>	<b>566</b>		<b>-6 117</b>	<b>-83</b>
Tax	0	0	0		0	0
<b>Net profit/loss from operations</b>	<b>-2 712</b>	<b>-2 018</b>	<b>566</b>		<b>-6 117</b>	<b>-83</b>
Profit (loss) attributable to minority interests	547	269	629		1 506	828
<b>Profit (loss) attributable to equity holders of the parent</b>	<b>-3 259</b>	<b>-2 287</b>	<b>-63</b>	9	<b>-7 623</b>	<b>-911</b>
Earnings per share	-0,178	-0,125	-0,003		-0,415	-0,050
Earnings per share diluted	-0,177	-0,124	-0,003		-0,414	-0,050

## CONSOLIDATED BALANCE SHEET

ASSETS (Unaudited figures in NOK 1000)	30.09. 2009	30.09. 2008	Notes	31.12. 2008
<b>FIXED ASSETS</b>				
Development costs	57 728	29 620	3	35 426
Patent rights	387	387		387
Goodwill	5 702	6 462	4	6 203
<b>Total intangible assets</b>	<b>63 817</b>	<b>36 468</b>		<b>42 015</b>
Machinery, fixtures, etc.	3 272	3 745		3 426
<b>Total tangible assets</b>	<b>3 272</b>	<b>3 745</b>		<b>3 426</b>
Bank bonds	71 767	0	11	39 373
<b>Sum financial assets</b>	<b>71 767</b>	<b>0</b>		<b>39 373</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>138 856</b>	<b>40 214</b>		<b>84 814</b>
<b>CURRENT ASSETS</b>				
Inventory	1 498	865		355
<b>Sum Inventory</b>	<b>1 498</b>	<b>865</b>		<b>355</b>
Accounts receivable	1 516	341	4	1 802
Other receivables	2 911	4 647	4	6 389
<b>Total receivables</b>	<b>4 426</b>	<b>4 988</b>		<b>8 191</b>
<b>Cash and cash equivalents</b>	<b>78 744</b>	<b>185 119</b>		<b>137 573</b>
<b>TOTAL CURRENT ASSETS</b>	<b>84 669</b>	<b>190 972</b>		<b>146 119</b>
<b>TOTAL ASSETS</b>	<b>223 525</b>	<b>231 186</b>		<b>230 933</b>
<b>EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)</b>	<b>30.09. 2009</b>	<b>30.09. 2008</b>	<b>Notes</b>	<b>31.12. 2008</b>
<b>EQUITY</b>				
Share capital	2 305	2 305	4,5,10	2 305
Share premium reserve	217 100	217 100	5	217 100
Other paid in equity	554	222	4,6	262
<b>Total paid in equity</b>	<b>219 959</b>	<b>219 626</b>		<b>219 667</b>
Other equity	-19 437	-9 293		-10 620
<b>Total retained earnings</b>	<b>-19 437</b>	<b>-9 293</b>		<b>-10 620</b>
<b>Minority Interest</b>	<b>4 619</b>	<b>2 806</b>		<b>3 113</b>
<b>TOTAL EQUITY</b>	<b>205 141</b>	<b>213 139</b>		<b>212 160</b>
<b>LIABILITIES</b>				
Capitalised grants	13 855	12 055	7	13 855
<b>Total long term liabilities</b>	<b>13 855</b>	<b>12 055</b>		<b>13 855</b>
Accounts payable	3 158	4 299	4,10	2 500
Public duties payable	179	-289		388
Taxes payable	42	26		202
Other short term liabilities	1 149	1 955		1 828
<b>Total short term liabilities</b>	<b>4 528</b>	<b>5 991</b>		<b>4 918</b>
<b>TOTAL LIABILITIES</b>	<b>18 383</b>	<b>18 046</b>		<b>18 773</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>223 525</b>	<b>231 186</b>		<b>230 933</b>



**CONSOLIDATED CASH FLOW**

Unaudited figures in NOK 1000	30.09. 2009	30.09. 2008	Note	31.12. 2008
Net cash flow from operating activities	-7 119	-6 203	13	-13 048
Net cash flow from investment activities	-55 459	-19 588		-65 921
Net cash flow from financing activities	4 442	11 815	13	17 708
<b>Total net changes in cash flow</b>	<b>-58 136</b>	<b>-13 976</b>		<b>-61 261</b>
Net foreign differences	-693	-50		-312
Cash balance at beginning of period	137 573	199 145		199 145
<b>Cash and cash equivalents at end of period</b>	<b>78 744</b>	<b>185 119</b>		<b>137 573</b>

**CONSOLIDATED EQUITY RECONCILIATION**

Unaudited figures in NOK 1000	30.09. 2009	30.09. 2008	31.12. 2008
Equity at beginning of period	212 160	213 341	213 341
Total comprehensive income	-7 310	-296	-1 316
Employee options	292	94	135
<b>Equity at end of period</b>	<b>205 141</b>	<b>213 139</b>	<b>212 160</b>

**Total comprehensive income**

Unaudited figures in NOK 1000	30.09. 2009	30.09. 2008	31.12. 2008
Profit (loss) attrib. to equity holders of the parent	-7 623	-911	-1 716
Translation differences	-1 193	-213	-734
Minority interest	1 506	828	1 134
<b>Comprehensive income at end of period</b>	<b>-7 310</b>	<b>-296</b>	<b>-1 316</b>

**Distribution of total comprehensive income**

Unaudited figures in NOK 1000	30.09. 2009	30.09. 2008	31.12. 2008
Majority interest	-8 817	-1 124	-2 450
Minority interest	1 506	828	1 134
	<b>-7 310</b>	<b>-296</b>	<b>-1 316</b>

**NOTES**

1. The Badger Explorer Prototype project and the Plasma Channel Drilling project was supported by the Research Council of Norway and "Skattefunn" with a percentage of the total project cost in 2008. No application for support has yet been filed for 2009.
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 3 796 per 30.09.2009.

4. The 100 % owned subsidiary, Badger Plasma Technology AS and the 50 % owned subsidiary, Calidus Engineering Ltd. have been consolidated with the mother 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 emission of NOK 160 000 000 and listing on Oslo Axess on 12.06.2007. The total number of shares per 30.09.2009 is 18.439.040 at par value of 0,125 per share.
6. The options granted in 2006 were during Q3 2009 replaced with new options. The new option program is accepted and effective from 15.09.2009, includes all employees and grants a total of 406,750 share options at a strike of NOK 10. 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 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 replacement of options was treated as a cancellation and repricing under IFRS 2.
7. The Group has received contribution from the three industrial partners amounting to a total of NOK 13 855 200. This contribution shall be repaid to the partners by paying 5 % of all technology related sales in the future. This royalty is limited to 150 % of received contribution.
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.

<b>30.09.2009 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	13 389	96	-6 595	6 891
Segment profit (loss)	-3 796	0	1 506	-5 333	-0	-7 623
Total assets	52 813	6 559	17 371	155 509	-8 728	223 525

<b>30.09.2008 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	8 863	1 991	-5 977	4 876
Segment profit (loss)	-2 701	0	828	961	-0	-911
Total assets	25 619	6 514	13 339	195 434	-9 719	231 186

<b>3Q 2009 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	5 090	76	-2 733	2 433
Segment profit (loss)	-1 239	0	547	-2 567	-0	-3 259

<b>3Q 2008 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 937	347	-2 969	1 315
Segment profit (loss)	-1 083	0	629	391	-0	-63

## 10. Related party transaction (Unaudited figures in NOK 1000)

Transaction with shareholders	30.09.2009	30.09.2008
Accounts payable*	633	1 380
Purchased services*	6 551	4 699

\* The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 50 % and Nigel Halladay owns 50 % of the shares. Nigel Halladay also owns 33 000 shares in Badger Explorer ASA.

Shares held by members of the board and Management group	30.09.2009	30.09.2008
Convexa Capital IV AS (Bjørge Gretland)*	3 200 780	3 300 780
Ahlqvist Invest AS (Rolf E. Ahlqvist)**	465 407	446 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	291 872
CEO - Kjell Erik Drevdal	222 600	222 600
Convexa AS (Bjørge Gretland)	100 000	-
5K International (CEO - Kjell Erik Drevdal)	10 000	-
Invest OK AS (Kristine Holm)	15 000	-
Chevni AS (Christian Bull Eriksson)	6 000	-
Tone Kvåle	5 000	-
CTO - Erling Woods	1 000	-

\* Bjørge Gretland does not have decisive influence in Convexa Capital IV AS. He entered the Board of Directors on the 24th of April 2009.

\*\* Rolf E. Ahlqvist entered the Board of Director on the 24th of April 2009.

## 11. Bank bonds

The Company owns bonds in 13 Norwegian banks with a total nominal value of MNOK 72,5. The bonds are classified under IAS39 as "loans and receivables" and are carried at amortised cost using the effective interest rate method. All bonds are due in approx. 1 year.

## 12. Intercompany sales and purchases has previously been eliminated towards salary and other operating expences. Elimination is now changed to reflect the material consumption by eliminating these costs towards COGS. The reallocation effect is:

Effect for 2008	Salary	Other Opr. Exp.	COGS
1Q	221	27	-248
2Q	609	75	-684
3Q	152	19	-171
4Q	211	26	-238
<b>Total</b>	<b>1 193</b>	<b>147</b>	<b>-1 341</b>
Effect for 2009	Salary	Other Opr. Exp.	COGS
1Q	395	49	-444
2Q	305	38	-343
<b>Total</b>	<b>700</b>	<b>87</b>	<b>-787</b>

Badger Explorer ASA  
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