



BADGER
EXPLORER



Q3 2013 Quarterly Report

HIGHLIGHTS Q3 2013; TARGETING INDUSTRIAL PHASE

Activities at Badger Explorer ASA (BXPL) had four main objectives through Q3 2013:

- Delivery of Milestone 3 (M3) under the Badger Demonstrator Program (BDP)
- Change of CEO; Mr. Steinar Bakke took over as new CEO in Q3 2013.
- Work closely with sponsors to outline future achievable technical and industrial targets.
- Initiate discussions with sponsors about future funding.

The BDP 2012-2014 development program is milestone based. Milestone 3, a beta version of the Badger tool ready for comprehensive testing has been delivered and was approved by the Steering Committee on 29th October. The remaining time of the BDP, until end of 2014, will be a test phase to qualify the tool for field testing and industrial use.

Unexplored fairly shallow geological regions in challenging areas are vast, and ought to be the prioritized areas for early use of Badger services. A first industrial tool enabling oil and gas exploration down to a useful depth in such areas should be the target for the first Badger version.

Sponsor support is an important contributor for a successful development of the Badger tool. Our sponsors give comprehensive technical support, along with funding and it is important to outline a joint industrial scope with the sponsors.

A common and achievable understanding of the future industrial use of the Badger tool is a basis to establish increased funding, to bring additional sponsors onboard, and to reduce the time to commercialization of the Badger project. Discussions on increased support are ongoing with the four existing sponsors as well as potential new sponsors.

The cash position at BXPL is 17.3 MNOK as of 30th September 2013, compared to 25.1 MNOK as of 30th September 2012. The approval of M3 releases 15.2 MNOK of sponsor funds. Furthermore, the M3 delivery represents a significant risk reducing achievement.

THE MILESTONE 3 DELIVERY

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.

Further to completion of the structured evaluation exercise on the Badger Explorer tool design initiated at the end of 2012, design improvements have been implemented to the Beta version of the current tool. Highlights of the M3 delivery include:



- Beta version modules for drilling, transport, compaction and anchor delivered according to Milestone 3.
- Testing of critical technologies within drilling, transport, compaction and external friction according to Milestone 4 are ahead of schedule.
- Pressure and temperature sensors installed in tool.
- Hydraulic Power Unit (HPU) consisting of two parts; Pressure Generation Sub (PGS) and Local Hydraulic Unit (LHU). The PGS, which is a commercially available component, is scheduled for delivery in November, and does not affect the overall M3 delivery.
- BXPL development procedures are based on DNV Recommended Practice - DNV-RP-A203.
- In parallel with the short-term focus on meeting the Milestone 3 criteria, progress has also been made on the longer-term Badger Process System designs that will be required for field pilots and commercial deployment of the Badger.
 - A prototype drill bit has been tested with encouraging results. A twin-screw arrangement inside the bit is used to clean cuttings from the bit, actively feeding them to the transport system.
 - Various friction-reducing coatings have been tested, which increases the length of flow-line through which cuttings with low liquid content can be pumped. The same technology can be used on the outside of the tool, to reduce the overall friction and hence the hydraulic force required to move the tool downward through the subsurface.



- Some further benefits have been identified to the drilling process that may prove applicable more widely than to the Badger Explorer:
 - Ultrasonic devices have been introduced for drilling and compaction. A major development program has been proposed for the development of an ultrasonic based drilling system. Small-scale tests were conducted for ultrasonic compaction.

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

FIELD PILOT PROGRAM

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

It is envisaged that there will be a need to do several shallow vertical tests where the tool can be recovered every time to be able to analyze all internal and external components. In addition to the vertical test, BXPL is considering to conduct longer horizontal tests to enable recovery of the tool.

No firm commitments have been made for further Field Pilots and while initial useful work was completed last year on a possible Field Pilot site in the Canadian oil sands, the interests of our sponsors and of the Norwegian Petroleum Directorate (NPD) seem better served by a target in Norway that is representative of formations encountered in potential deployment area for the tool.

A field trip to a proposed Field Pilot site incorporating geology representatives of the Barents Sea has been done with one of our sponsors. An offshore pilot site has been suggested by other sponsors. Such a test can only be conducted after a quayside test to develop the underwater deployment procedures has been successfully completed.

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

NEXT GENERATION BADGER TOOL

All deliverables from the Badger Demonstrator Program are vital for development of the next generation tool, including the Badger Process System, the Basic Infrastructure and operational experience achieved in the upcoming BDP testing phase.

BXPL has also initiated discussion with our sponsors to accelerate further development work. Any acceleration of the development work will aim at depth and a wide range of formations as agreed with the sponsors.

PETROMAKS ULTRASONIC PROJECT APPLICATION SUBMITTED

The Research Council of Norway (RCN) is responsible for the Petromaks R&D grant scheme. In mid-October a comprehensive application was submitted on a development program using ultrasonic technology both in the drilling and compaction units of the future Badger tool.

FINANCIALS

Investor Relations

Badger Explorer ASA had 804 shareholders as of 30th September 2013. Norwegian entities and individuals held 63.9% of the outstanding shares and the 20 largest shareholders held 71.4% of the outstanding shares.

Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 12 full-time employees as of 30th September 2013 compared to 15 employees as of 30th September 2012. Some of the roles previously held by full-time employees are currently fulfilled by consultants and contractors.



Main Figures

Revenues for Q3 2013 were 0.00 kNOK and 70 kNOK as of 30th September 2013, compared to 0.00 kNOK for Q3 2012 and 321 kNOK as of 30th September 2012.

Operating expenses for Q3 2013 were 2,358 kNOK and 13,926 kNOK as of 30th September 2013, compared to 4,128 kNOK for Q3 2012 and 13,834 kNOK as of 30th September 2012.

EBITDA for Q3 2013 was -2,358 kNOK and -13,856 kNOK as of 30th September 2013, compared to -4,128 kNOK for Q3 2012 and -13,513 as of 30th September 2012.

Total development costs of the Badger Explorer project in Q3 2013 were 9,520 kNOK, of which 8,758 kNOK was capitalized. As of 30th September 2013, development costs were 23,310 kNOK, of which 21,175 kNOK was capitalized. Total development costs of the Badger Explorer project in Q3 2012 were 4,836 kNOK, of which 4,050 kNOK was capitalized and as of 30th September 2012 development costs were 13,036 kNOK, of which 11,025 kNOK was capitalized. Capitalized public grants for the Badger Explorer project were 3,987 kNOK for Q3 2013 and 17,567 kNOK as of 30th September 2013, compared to -2,223 kNOK for Q3 2012 and -2,944 kNOK as of 30th September 2012. All public grants are booked as deductions to the capitalized project costs.

Earnings per share amounted to -0.25 NOK per share for Q3 2013 and -0.98 NOK as of 30th September 2013, compared to -0.29 NOK per share for Q3 2012 and -0.83 NOK per share as of 30th September 2012.

As of 30th September 2013, Badger Explorer ASA had a net equity of 107.8 MNOK (equity ratio of 70.0%) compared to 131.4 MNOK as of 30th September 2012 (76.45%).

Net cash flow arising from the operating activities in the continuing operations for Q3 2013 was -3,483 kNOK and -14,126 kNOK as of 30th September 2013, compared to -1,892 kNOK for Q3 2012 and 14,433 kNOK as of 30th September 2012. Net cash outflow includes payments to vendors for goods and services. Net cash inflow includes shareholder loan repayment.

Consolidated summary

Unaudited figures in NOK 1000	Quarters			Year to date	
	Q3 2013	Q2 2013	Q3 2012	30.09.2013	30.09.2012
Revenues	0	47	0	70	321
Operating expenses	2 358	5 695	4 128	13 926	13 834
EBITDA	-2 358	-5 648	-4 128	-13 856	-13 513
Earnings per share (figures in NOK)	-0.25	-0.45	-0.29	-0.98	-0.83
Projects development costs	9 520	7 879	4 836	23 310	13 036
Public grants for projects dev.	3 987	5 992	2 223	17 567	2 944
Cap. of dev. costs and public grants	4 770	1 195	1 827	3 608	8 081

Net cash flow arising from the investment activities in the continuing operations for Q3 2013 was - 496 kNOK and -12,740 kNOK as of 30th September 2013, compared to - 4,050 kNOK for Q3 2012 and -8,277 kNOK as of 30th September 2012. Net cash outflow includes all the development costs related to the Badger Explorer development project, which are eligible for capitalization. Net cash inflow includes cash proceeds from the disposal of shares.

Net cash flow arising from the financing activities in the continuing operations for Q3 2013 was 2,350 kNOK and 30,716 kNOK as of 30th September 2013, compared to 8,240 kNOK for Q3 2012 and 9,438 kNOK as of 30th September 2012. Net cash inflow includes borrowed funds from the industry partners, public grants received from funding institutions and cash repayments of amounts borrowed.

For the previous reporting periods, the discontinued operations comprise the activities of Severn Subsea Technologies Ltd. (formerly Calidus Engineering Ltd.).

Cash Management

BXPL estimates the following income throughout Q4 2013:

- Sponsor funding in delivery of M3 15.2 MNOK
- Skattefunn 1.3 MNOK
- RCN 4.5 MNOK
- Innovation Norway 2-4 MNOK

BXPL expects to have sufficient cash for the majority of 2014. Cash management continues to be a priority.

The structure of the Field Pilot Program will release funds to support the operation through the whole Field Pilot phase.

OUTLOOK

During Q3 2013, BXPL initiated the process of refining the business scope in order to accelerate the development program to reach the industrial phase. Main technical and operational focus through 2013 has been on the delivery of Milestone 3 of the Badger Explorer Demonstrator Program. The Board of Directors is pleased with the sponsor's approval of M3, and is optimistic the remaining Milestones of the BDP will be delivered by the end of 2014.

Ongoing discussions with present and potential new sponsors are aiming at achieving additional funding, which will be used to support the field-testing program and an acceleration of the development program.

Stavanger, 30th October 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 Forus skogen 1, 4033 Stavanger, Norway.

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

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

The previous subsidiaries, Badger Plasma Technology AS and Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.), have been consolidated with the parent company Badger Explorer ASA starting from December 1, 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated. Badger Plasma Technology AS was sold for NOK 1.9 million in December 2012 with a loss of NOK 1.1 million. BXPL sold 70% of shares of its subsidiary Severn Subsea Technologies Ltd. for a net amount of NOK 7.2 million with a loss of NOK 1.1 million in the Group on June 30, 2013. The results of the subsidiaries disposed are included in the consolidated statement of income up to the effective date of disposal. As of September 30, 2013 the BXPL Group consists of Badger Explorer ASA.

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.

Financial liabilities within the scope IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs are added.

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

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

Cash includes cash in hand and at bank.

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

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

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

Depreciation is calculated using the straight-line method.

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

	Quarters			Note	Year to date		Year End
	Q3 2013	Q2 2013	Q3 2012		30.09.2013	30.09.2012	31.12.2012
Revenues							
Other Income	0	47	0		70	321	365
Public grants	3 987	5 992	2 223	1,2	17 567	2 944	2 843
Capitalised public grants	-3 987	-5 992	-2 223	1,2	-17 567	-2 944	-2 843
Total Revenues	0	47	0		70	321	365
Operating Expenses							
External services for dev. project	7 165	5 804	1 692		16 707	4 993	8 993
Payroll and related costs	1 425	4 567	5 227		10 706	14 799	19 578
Other operating expenses	2 525	2 511	1 259		7 688	5 068	6 834
Capitalised development cost	-8 758	-7 187	-4 050		-21 175	-11 025	-17 149
Total Operating Expenses	2 358	5 695	4 128		13 926	13 834	18 256
EBITDA	-2 358	-5 648	-4 128		-13 856	-13 513	-17 891
Depreciation	92	131	153		359	514	651
Operating profit (loss)	-2 450	-5 779	-4 281		-14 215	-14 027	-18 542
Net financial income (loss)	-47	92	148	4	144	637	614
Profit (loss) before taxes from continuing operations	-2 497	-5 687	-4 134		-14 071	-13 391	-17 928
Tax on ordinary result from continuing operations	0	0	0		0	0	0
Net profit (loss) from continuing operations	-2 497	-5 687	-4 134	9	-14 071	-13 391	-17 928
Discontinued operations:							
Profit (loss) after tax for the period from discontinued operations	0	-4 296	-1 720	12	-3 506	-2 590	-3 380
Net profit (loss)	-2 497	-9 982	-5 854		-17 577	-15 981	-21 308
Profit (loss) attributable to non-controlling interests	0	-143	-431		54	-647	-845
Profit (loss) attributable to equity holders of the parent	-2 497	-9 839	-5 423		-17 631	-15 334	-20 463
Earnings per share	-0.25	-0.45	-0.29		-0.98	-0.83	-1.10
Earnings per share diluted	-0.25	-0.45	-0.29		-0.98	-0.82	-1.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	30.09.2013	30.06.2013	30.09.2012	Note	31.12.2012
NON-CURRENT ASSETS					
Capitalised development costs	125 244	120 475	116 371	2,3,7	121 637
Patent rights	387	387	387		387
Goodwill	0	0	5 744	4,12	5 595
Total intangible assets	125 631	120 862	122 501		127 619
Property, plant & equipment	646	738	16 014	12	15 273
Total tangible assets	646	738	16 014		15 273
Investments in associates	2 959	3 081	0	4,12	0
Total investments in associates	2 959	3 081	0		0
TOTAL NON-CURRENT ASSETS	129 235	124 681	138 515		142 893
CURRENT ASSETS					
Inventories	0	0	2 770		1 932
Sum Inventories	0	0	2 770		1 932
Accounts receivables	0	0	2 019	4,10	2 124
Other receivables	7 467	12 848	3 452	4,12	3 652
Total receivables	7 467	12 848	5 471		5 776
Cash and cash equivalents	17 259	18 887	25 120		17 608
TOTAL CURRENT ASSETS	24 727	31 735	33 362		25 315
TOTAL ASSETS	153 962	156 416	171 877	9	168 208

EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	30.09.2013	30.06.2013	30.09.2012	Note	31.12.2012
EQUITY					
Share capital	2 317	2 317	2 317	4	2 317
Share premium fund	218 070	218 070	218 070	5	218 070
Other paid in capital	2 856	5 240	4 171	4	4 582
Total paid in equity	223 243	225 627	224 558		224 969
Retained earnings	-115 487	-112 991	-94 958		-99 790
Total retained earnings	-115 487	-112 991	-94 958		-99 790
Non-controlling interests	0	0	1 807	12	1 880
TOTAL EQUITY	107 756	112 636	131 407		127 059
LIABILITIES					
Capitalised grants	38 720	38 720	24 000	7	24 000
Total non-current liabilities	38 720	38 720	24 000		24 000
Accounts payables	4 412	4 290	2 787	4,10	3 801
Interest-bearing loans and borrowings	0	0	9 098	10	8 200
Public duties payables	603	89	783		1 271
Other short term liabilities	2 471	681	3 802		3 878
Total current liabilities	7 486	5 060	16 470		17 149
TOTAL LIABILITIES	46 206	43 780	40 470		41 149
TOTAL EQUITY AND LIABILITIES	153 962	156 416	171 877		168 208

CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	Quarters				Year to date		Year end
	Q3 2013	Q2 2013	Q3 2012	Note	30.09.2013	30.09.2012	31.12.2012
Contribution from operations*	-4 742	-5 450	-4 484		-15 558	-13 623	-15 983
Tax paid	0	0	0		0	0	-204
Change in accounts receivables and accounts payables	123	-3 864	1 992	4,10	-7 166	3 779	-2 003
Change in other receivables and payables	1 137	4 393	601		8 599	-4 589	-4 270
Net cash flow from operating activities	-3 483	-4 921	-1 892		-14 126	-14 433	-22 460
Investment/sales fixed assets	0	0	0		0	0	-75
Capitalisation of development cost	-8 758	-7 187	-4 050	3	-21 175	-11 025	-17 149
Sales of capitalised equipment	0	0	0	3	0	260	294
Reclassification of contribution from industry partner	0	0	0		0	2 488	2 488
Sale of shares in subsidiaries	8 262	173	0	4	8 435	0	752
Net cash flow from investment activities	-496	-7 014	-4 050		-12 740	-8 277	-13 690
Public grants	2 274	7 274	2 223	1	16 071	2 944	3 617
Contribution from industry partners	0	10 020	6 000	7	14 720	5 312	9 600
Net proceeds from borrowings	0	0	0		0	751	0
Interest received	116	6	93		153	664	558
Interest paid	-40	-97	-76		-228	-234	-323
Net cash flow from financing activities	2 350	17 203	8 240		30 716	9 438	13 451
Total net changes in cash flow - continued operations	-1 629	5 268	2 298		3 850	-13 272	-22 698
Total net changes in cash flow - discontinued operations	0	-3 239	-2 324	12	-4 208	-814	1 022
Net foreign translation differences	0	795	68		7	28	105
Cash and cash equivalents beginning of period	18 887	16 063	25 078		17 608	39 179	39 179
Cash and cash equivalents end of period	17 259	18 887	25 120		17 259	25 120	17 608
Profit (loss) attributable to equity holders of the Company	-2 497	-5 489	-5 422		-14 072	-15 334	-17 083
Profit (loss) attributable to non-controlling interests	0	-143	-431		54	-647	-845
Employee options	-2 384	331	380		-1 726	952	1 363
Depreciation	92	131	1 006		359	1 837	651
Financial income	-116	-378	-93		-525	-664	-558
Financial expenses	40	97	76		228	234	323
Share of (profit) / loss of associates	123	0	0	4	123	0	0
Loss on sale of subsidiary and shares	0	0	0		0	0	166
*Contribution from operations before tax	-4 742	-5 450	-4 484		-15 558	-13 623	-15 983



CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000	Note	Share capital	Share pre- mium fund	Other paid in capital	Retained earnings	Non-control- ling interest	Total equity
Equity as of 31.12.2012		2 317	218 070	4 582	-99 790	1 880	127 059
Changes in non-controlling interest	12				1 934	-1 934	0
Total comprehensive income					-17 631	54	-17 577
Option plan payment	6			-1 726			-1 726
Equity as of 30.09.2013		2 317	218 070	2 856	-115 487	0	107 756

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

		Quarters			Year to date		Year end
	Q3 2013	Q2 2013	Q3 2012	30.09.2013	30.09.2012	31.12.2012	
Total comprehensive income							
Profit (loss) for the year (period)	-2 497	-9 982	-5 854	-17 577	-15 981	-21 308	
Other comprehensive income - items that will later be reclassified to profit and loss							
Translation differences	0	0	-179	-1 086	-83	484	
Comprehensive income at end of period	-2 497	-9 982	-6 033	-18 663	-16 064	-20 823	

		Quarters			Year to date		Year end
	Q3 2013	Q2 2013	Q3 2012	30.09.2013	30.09.2013	31.12.2012	
Total comprehensive income attributable to:							
Equity holders of the parent	-2 497	-9 839	-5 574	-18 718	-15 146	-19 978	
Non-controlling interest	0	-143	-459	55	-918	-845	
Total comprehensive income	-2 497	-9 982	-6 033	-18 663	-16 064	-20 823	

NOTES

1. The projects in the Badger Explorer Development Program are funded by grants from the Research Council of Norway (RCN) and Skattefunn with a percentage of the total project costs. The grants from RCN and Skattefunn were received both in 2012 and 2013. In 2013 Badger Explorer ASA (BXPL) has received a public grant from Innovation Norway of NOK 11 million for BXPL's ongoing Badger Demonstrator Development Program. BXPL has also received a grant from RCN of NOK 6.4 million during 2013.
2. The costs and the grants for the development of Badger Explorer Prototype Project and Plasma Channel Drilling Project are capitalised. Badger Plasma Technology AS was sold in December 2012 and the capitalised project costs for Plasma Channel Drilling is thus eliminated in the Group as of December 31, 2012.
3. All project development costs in the Group are capitalised in accordance with the IFRS regulations except of additional project costs of 2,134 kNOK in YTD Q3 2013 related to the restriction on capitalisation of own personnel costs in the IFRS standard for the Badger Explorer Prototype Project.
4. The previous subsidiaries, Badger Plasma Technology AS and Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.), have been consolidated with the parent company Badger Explorer ASA starting from December 1, 2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated. Badger Plasma Technology AS was sold for NOK 1.9 million in December 2012 with a loss of NOK 1.1 million. BXPL sold 70% of shares of its subsidiary Severn Subsea Technologies Ltd. for a net amount of NOK 7.2 million with a loss of NOK 1.1 million in the Group on June 30, 2013. The results of the subsidiaries disposed are included in the consolidated statement of income up to the effective date of disposal. As of September 30, 2013 the BXPL Group consists of Badger Explorer ASA.

From July 1, 2013 Badger Explorer ASA owns 30% of the shares in Severn Subsea Technologies Ltd. The investment in SST is initially recognised at fair value at the effective date of the sale from 100% to 30% of the shares. Subsequent measurement of the remaining 30% of shares is recognised according to equity method.

5. The general assembly decided in meeting as of May 9, 2007 to split the existing shares which gave an increase in number of shares from 6,719,520 to 13,439,040. A total of 5,000,000 additional shares were issued in connection with the IPO of 160,000,000 NOK related to the listing of Badger Explorer ASA on the Oslo Stock Exchange as of June 12, 2007. The total number of shares as of September 30, 2013 is 18,537,288 at par value of 0.125 NOK per share.
6. The options granted in 2006 were during Q3 2009 replaced with new options. The new option program was approved and has been effective from September 15, 2009, including all employees at the time and granting a total of 406,750 share options at a strike of 10 NOK and 25,000 share options at a strike of 15 NOK. These option agreements are equity based, recognised in the income statement under payroll and related costs and in the statement of financial position under other paid in capital. The options (incl. Employers' national insurance contributions) are recognized over the vesting period starting from September 15, 2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. The replacement of options was treated as a cancellation and re-pricing under IFRS 2. All options were "out of the money" as of September 30, 2013. A total number of 211,168 share options are forfeited, a total of 71,667 share options have expired and a total of 98,248 share options have been exercised. The remaining 50,667 share options are the options that have vested but are still outstanding since they have not been exercised yet.

In Q3 2011 Mr. David Blacklaw has been granted 370,579 share options in BXPL at a strike price of 19 NOK per share. These options must be exercised three to ten days after the presentation of the Q3 2014 report. Mr. Blacklaw resigned as the Company's President and CEO on September 15, 2013. A total of 370,597 share options are forfeited as of September 15, 2013.

On September 16, 2013 Mr. Steinar Bakke took on the position as President and CEO. Upon commencement of the employment, Mr. Bakke has been granted 370,000 share options in BXPL at a strike price of 6.50 NOK per share. 185,000 share options can be exercised three to ten days after the presentation of the Q4 2015 report and the remaining 185,000 share options can be exercised three to ten days after the presentation of the Q2 2017 report. All share options were "out of the money" as of September 30, 2013.

End of September 2013 BXPL entered into a consultancy agreement with Mr. David Blacklaw. Mr. Blacklaw has been granted 100,000 share options to acquire shares in BXPL at a strike price of 7.50 NOK. The share options can be exercised from the effective date of the consultancy agreement until the day of the presentation of the Company's Q4 2015 report and were "out of money" as of September 30, 2013.

7. The Group has received contribution from five industry partners amounting to a total of 43,695,200 NOK since 2005 whereas 24,000,000 NOK was received prior 2013. Two new oil companies - Chevron Energy Technology Company (Chevron) 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 Prototype Project and the Badger Explorer Demonstrator Program. The Group has received an additional contribution of 2,660,000 NOK from Chevron in June whereas 4,700,000 NOK were received in February. The contribution of 7,360,000 NOK from Wintershall Norge AS was received in April.

A total of 38,720,000 NOK of this contribution shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to 150% of received contribution. A total of 4,975,200 NOK of the entire contribution of 43,695,200 NOK is capitalised as a reduction of the development cost of which 2,487,600 NOK was capitalised in Q1 2012. The contributions have not been recognised as income.

8. Deferred tax asset has not been recognised in the statement of financial position.
9. Table below shows the segments which are reported by the Management to the Board of Directors. The segments are the main projects: Badger Explorer and Plasma Channel Drilling*. The P&L figures for the Engineering segment are no longer presented as this segment has been discontinued, ref note 12.

30.09.2013 - Business segments	Badger Explorer	Engineering(**)	Elimination	Total
Unaudited figures in NOK 1000				
Total revenue	70	0	0	70
Segment profit (loss)	-14 071	0	0	-14 071
Total assets	153 962	0	0	153 962

30.09.2012 - Business segments	Badger Plasma (*)	Badger Explorer	Engineering(**)	Elimination	Total
Unaudited figures in NOK 1000					
Total revenue	0	321	0	0	321
Segment profit (loss)	0	-13 391	0	0	-13 391
Total assets	2 068	164 675	19 619	-14 485	171 877

Q3 2013 - Business segments	Badger Explorer	Engineering(**)	Elimination	Total
Unaudited figures in NOK 1000				
Total revenue	0	0	0	0
Segment profit (loss)	-2 497	0	0	-2 497

Q3 2012 - Business segments	Badger Plasma(*)	Badger Explorer	Engineering(**)	Elimination	Total
Unaudited figures in NOK 1000					
Total revenue	0	0	0	0	0
Segment profit (loss)	0	-4 134	0	0	-4 134

* Badger Plasma Technology AS was sold in December 2012.

** Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) has been divested and is presented as discontinued operations in the P&L, ref note 12.

10. Related party transactions (Unaudited figures in NOK 1000)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Transactions with related party	30.09.2013	30.09.2012
Accounts payable*	0	0
Purchases of services*	1 022	0

* In June 2013 BXPL entered into a consultancy agreement with two of its largest shareholders, Dalvin Rådgivning AS and Nilsholmen AS. As of 30 September 2013 payments totalling kNOK 648 were made to Dalvin Rådgivning AS in respect of performed consultancy services. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS. As of 30 September, 2013 kNOK 331 were paid to Nilsholmen AS, a company owned by Mr. Kjell Markman who is Sr.VP Business Development & Strategy of BXPL.

* In September, 2013 BXPL entered into a consultancy agreement with a foreign company Celekt LLC where Mr. David Blacklaw is a director. Mr. Blacklaw was the previous President and CEO of BXPL. As of September 30, 2013 kNOK 43 were paid to Celekt LLC.

Transactions with Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.)	30.09.2013	30.09.2012
Accounts payable**	2 158	40
Purchased services**	9 867	2 767
Loan to associate***	2 157	0

**Badger Explorer ASA (BXPL) has purchased engineering- and production services from Severn Subsea Technologies Ltd. Nigel Halladay (previous MD of Calidus Engineering Ltd.) owns 77,500 shares in BXPL.

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

Shares held by members of the Board of Directors and members of Management group	30.09.2013	30.09.2012
SEB Private Bank S.A. Luxembourg (Board Director - Marcus Hansson)	565 000	65 000
Board Director - Marcus Hansson	11 668	11 668
SIX SIS AG 25PCT (Board Director - Marcus Hansson)	0	500 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	209 222
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
CFO - Gunnar Dolven	8 000	8 000
Board Director - Tone Kvåle	5 000	5 000
Ordinary shares	1 120 962	1 120 962
% of total shares	6.0 %	6.0 %

11. Fair value hierarchy

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

12. Discontinued operations - partial divestment of shares in Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.)

Unaudited figures in NOK 1000

In June 28, 2013, BXPL has entered into the Share Purchase Agreement (Agreement) with a UK based business focused on the design and manufacture of control valves and related products, Severn Glocon Group PLC (Severn Glocon), whereby BXPL sold 84 shares pursuant to the Agreement representing 70% of the issued share capital of its subsidiary Severn Subsea Technologies Ltd. (SST) for the equivalent of NOK 7,2 million. The 36 option shares retained by BXPL represent 30% of the issued share capital of the SST.

Under the Agreement Severn Glocon will acquire another 15% of the shares in SST in 2015 and the remaining 15% in 2016 on an earn-out model basis. The share purchase price for the two future transactions is linked to SST's financial performance during 2014 and 2015 respectively. Under the terms of the Agreement, BXPL will continue to place orders with SST worth minimum of £1,75 million over the next 2.5 years (£1 million in 2013, £500k in 2014 and £250k in 2015 accordingly).

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

P&L figures for Severn Subsea Technologies Ltd. (former Calidus Engineering Ltd.) for 1H 2013

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

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

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

Loss recognised on the loss of control of the Severn Subsea Technologies Ltd. is calculated as follows:

Loss on interest disposed of Severn Subsea Technologies Ltd.	30.06.2013
Cash proceeds on disposal of 70% interest	7 189
Carrying amount of 70% interest interest in the subsidiary	-6 830
70% of OCI effects*	-1 144
Result of the disposal of 70% interest	-784

Loss on interest retained of Severn Subsea Technologies Ltd.	30.06.2013
Carrying amount of 30% available-for-sale investment	3 081
Carrying amount of 30% interest	-2 927
30% of OCI effects*	-490
Result on interest retained	-336

*Other comprehensive income

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