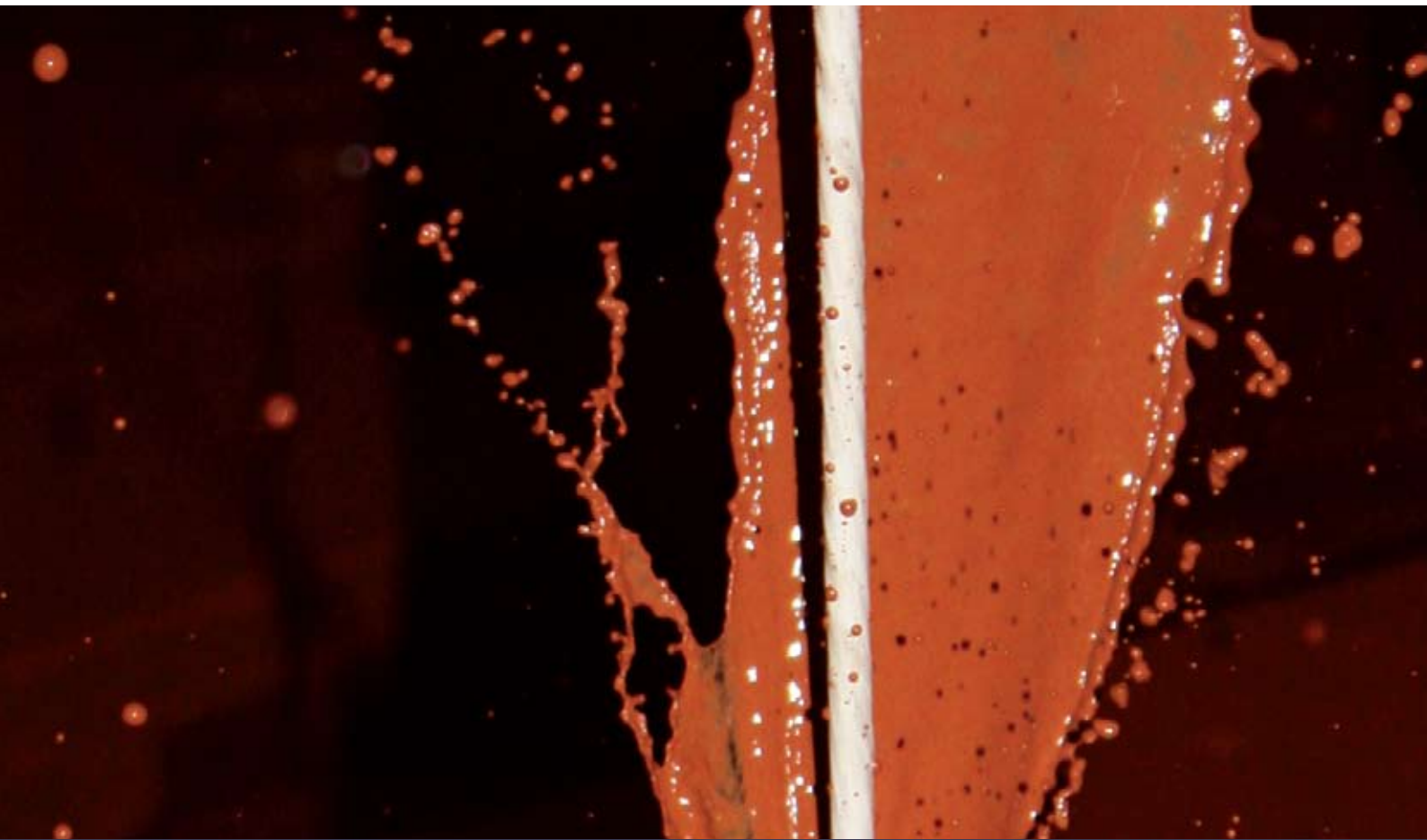




BADGER
EXPLORER



Quarterly Report 3Q 2010

SECOND SUCCESSFUL CONCEPT DEMONSTRATION PERFORMED

Based on the successful closed cavity test in April and the client partners' desire for additional functionality to be demonstrated during the drilling tests, the parties agreed to perform one additional full scale closed cavity drilling test at the Brumunddal test site, demonstrating the drilling and plugging functionality fully submerged under water, called the Brumunddal 2 demonstration.

The development through 3Q 2010 has been positive which led to the announcement on 18 October 2010 that another successful closed cavity demonstration of the Badger Explorer concept had been performed. This last test was executed with the Badger Explorer tool drilling, processing the drill fluid and compacting solids into a plug, with the tool fully submerged under the ground water level for the first time.

It is BXPL's view that the latest successful subsurface burial test under water is the final and concluding step towards completing the prototype phase. The successful underwater operation will now be analyzed thoroughly and a report prepared for a meeting with the client partners. The partner's approval of this test will be essential for the further funding from existing partners and other funding bodies.

The Badger Group's gross cash reserves as of 30 September 2010 are MNOK 103.3 (including shares in a market based liquidity fund).





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

Calidus Engineering Ltd. (Calidus), UK, is a well-reputed 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. Revenue comes from local and global clients from the oil industry, the geothermal industry as well as from the field of R&D. Calidus has become a vital supplier to Badger Explorer ASA.

Calidus's turnover as of 30.09.2010 has been MNOK 10.3 compared to MNOK 13.4 for 30.09.2009, out of which 41% (49% as of 30.09.2009) were deliveries to Badger Explorer ASA.

The net result before tax (EBITDA) amounted to MNOK 2.1 compared to MNOK 3.0 as of 30.09.2009. Calidus' equity ratio is 85.9% and the cash position remains strong.

Calidus' business volume this year has been somewhat weak but the company has been awarded larger contracts during 3Q securing high activity level for the remainder of this year as well as the beginning of 2011.

FINANCIALS AND INVESTOR RELATIONS

Badger Explorer ASA and its development program up to the commercial launch of Badger Explorer services are considered fully financed. In 2005 and 2007 the Company raised equity in total of MNOK 235. The extended partner agreements with the Company's industry client partners ExxonMobil, Shell and Statoil will include financial support in addition to valuable technical support. In addition during the pre-commercial phase the development program will aim to take full benefit of Norwegian public grants. Altogether this provides a unique funding position which allows fully focusing on further technological development and the upcoming pre-commercial phase.

As of 30.09.2010 the Badger Explorer Group had a net equity of MNOK 187.1 (equity ratio of 90.9%) compared to MNOK 205.1 (equity ratio of 91.8%) as of 30.09.2009.

The Company's activity level will be increased in 2011.

Investor Relations Issues

The number of shareholders is stable and currently at 764. Norwegian entities and individuals hold 64.7% of the total number of outstanding shares. As of 30 September 2010 the 20 largest shareholders held 71.06% of the outstanding shares which has been at this level throughout 2010.

Board member Bjørge Gretland resigned as a member of the Board of Directors as of 4 October 2010. The nomination committee is in the progress to find a new board member.

BADGER EXPLORER GROUP

The magnitude of the Badger Explorer Group operations comprises more than 50 people including Calidus engineers and dedicated specialists from the Company's client partners, sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 18 people. The Group is seeking more technical and operational staff and the number of employees will continue to increase.



MAIN FIGURES

Revenues for 3Q 2010 amounted to kNOK 3 315 and to kNOK 6 327 as of 30.09.2010, compared to kNOK 2 433 for 3Q 2009 and kNOK 6 891 as of 30.09.2009.

Operating expenses for 3Q 2010 amounted to kNOK 8 421 and to kNOK 19 935 as of 30.09.2010, compared to kNOK 6 551 for 3Q 2009 and to kNOK 16 534 as of 30.09.2009.

EBITDA for 3Q 2010 amounted to kNOK -5 106 and to kNOK -13 608 as of 30.09.2010, compared to kNOK -4 118 for 3Q 2009 and to kNOK -9 642 as of 30.09.2009.

During 3Q 2010 the total project development costs for the Badger Explorer Prototype amounted to kNOK 5 988 of which kNOK 4 823 were capitalized in 3Q 2010. As of 30.09.2010 the total development costs amounted to kNOK 25 137 of which kNOK 20 735 were capitalised.

The application for "Skattefunn" has been filed and approved for 2010. Public grants amounted to kNOK 375 per 30.09.2010. All public grants were capitalised together with the project costs.

Earnings per share amounted to NOK -0.392 per share for 3Q 2010 and amounted to NOK -0.836 per share as of 30.09.2010. As of 30.09.10 cash reserves amount to MNOK 50.9. In addition the Company holds MNOK 52.4 in shares of a market based liquidity fund, during 3Q the value of these has decreased 2.7% giving net financials for the quarter of kNOK -1.660 and as of 30.09.2010 of kNOK -87.

CONSOLIDATED SUMMARY Unaudited figures in NOK 1000	3Q 2010	3Q 2009	30.09. 2010	30.09. 2009
Revenues	3 315	2 433	6 327	6 891
Operating expenses	8 421	6 551	19 935	16 534
EBITDA	-5 106	-4 118	-13 608	-9 642
Earnings per share (figures in NOK)	-0,392	-0,178	-0,836	-0,415
Projects development costs	5 988	7 679	25 137	26 098
Public grants for projects dev.	50	0	375	0
Cap. of dev. costs and public grants	4 773	6 440	20 360	22 302

OUTLOOK

At present the Company's focus is on the completion of the successful subsurface closed cavity burial test of the prototype version of the Badger Explorer tool and the coming evaluation of the test results. The results of the latest drilling test at Brumunddal, and in particular the underwater operation, will be analyzed thoroughly and will give the technical staff valuable knowledge in the next phase of the development of the tool.

The pre-commercial phase will aim at designing and developing the first customer-paid pilot version of the Badger Explorer tool. The Company's partners and carefully selected sub-vendors will be important contributors in the work ahead.

Now the immediate focus will be on concluding and closing the prototype phase with the client partners and negotiating and agreeing upon the further program to activate the extended agreement already in place.

Based on the successfully demonstrated closed cavity operations in April and October 2010 and the overall technical progress made in the project, BXPL retains its optimistic view on the technology, future operations and the market.

Stavanger 20 October 2010
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 Jättåvågveien 7 - Building C, 4020 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 as of 31.12.2009. The financial statement has been prepared on an historical cost basis.

The Group's consolidated financial statement comprises Badger Explorer ASA (100%), Badger Plasma Technology as (100%) and Calidus Engineering Ltd. (50%). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Acquisitions of non-controlling interests are accounted for by using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in 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 31.12.2009. 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 31.12.2009.

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. 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.

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 re-pricing under IFRS 2.

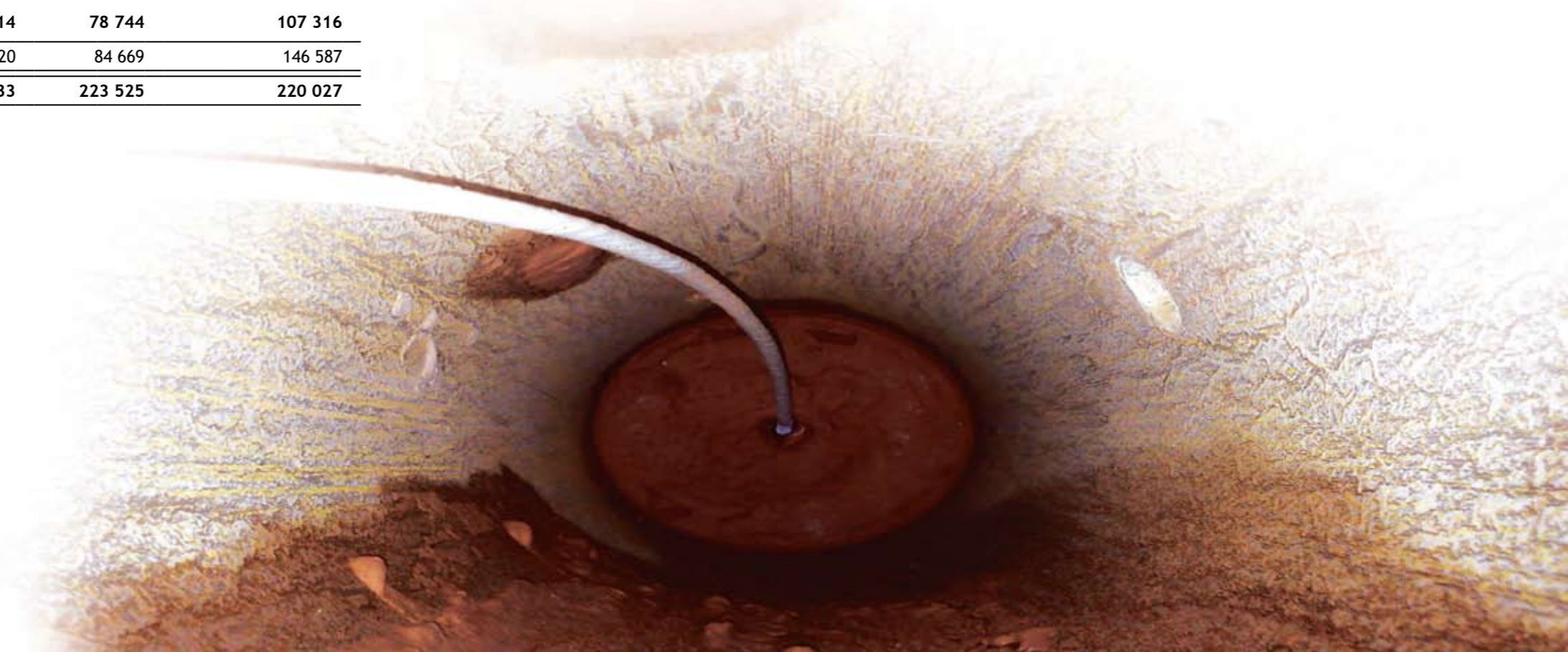
CONSOLIDATED INCOME STATEMENT

Unaudited figures in NOK 1000	3Q 2010	2Q 2010	3Q 2009	Note	30.09. 2010	30.09. 2009
Revenues						
Other Income	3 315	1 723	2 433	4	6 327	6 891
Public grants	50	217	0	1	375	0
Capitalised public grants	-50	-217	0	2	-375	0
Total Revenues	3 315	1 723	2 433		6 327	6 891
Operating Expenses						
Cost of goods sold	758	164	817	13	1 098	1 977
External services for dev. project	2 726	3 941	4 211	4	12 810	15 468
Salary	7 129	5 624	5 071	13	18 641	12 765
Other Operating Expenses	2 631	3 277	2 892	4,10,13	8 121	8 626
Capitalised development cost	-4 823	-5 732	-6 440	3	-20 734	-22 302
Total Operating Expenses	8 421	7 274	6 551		19 935	16 534
EBITDA	-5 106	-5 551	-4 118		-13 608	-9 642
Depreciation	292	306	329		881	916
EBIT	-5 398	-5 857	-4 447		-14 489	-10 558
Net financial	-1 660	1 827	1 735	11,12	-87	4 442
EBT	-7 058	-4 030	-2 712		-14 576	-6 117
Tax	0	0	0		0	0
Net profit/loss from operations	-7 058	-4 030	-2 712		-14 576	-6 117
Profit (loss) attributable to minority interests	178	279	547		836	1 506
Profit (loss) attributable to equity holders of the parent	-7 236	-4 309	-3 259	9	-15 412	-7 623
Earnings per share	-0,392	-0,234	-0,178		-0,836	-0,415
Earnings per share diluted	-0,391	-0,233	-0,177		-0,831	-0,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS Unaudited figures in NOK 1000	30.09. 2010	30.09. 2009	Notes	31.12. 2009
FIXED ASSETS				
Development costs	84 370	57 728	3	64 010
Patent rights	387	387		387
Goodwill	5 763	5 702	4	5 710
Total intangible assets	90 520	63 817		70 107
Machinery, fixtures, etc.	3 477	3 272		3 333
Total tangible assets	3 477	3 272		3 333
Bank bonds	0	71 767	11	0
Investment in shares	52 415	0	12	0
Sum financial assets	52 415	71 767		0
TOTAL NON-CURRENT ASSETS	146 412	138 856		73 440
CURRENT ASSETS				
Inventory	3 904	1 498		854
Sum Inventory	3 904	1 498		854
Accounts receivable	1 926	1 516	4	1 520
Other receivables	2 776	2 911	4	3 115
Total receivables	4 702	4 426		4 635
Bank bonds	0	0	11	33 782
Total current financial assets	0	0		33 782
Cash and cash equivalents	50 914	78 744		107 316
TOTAL CURRENT ASSETS	59 520	84 669		146 587
TOTAL ASSETS	205 933	223 525		220 027

EQUITY AND LIABILITIES Unaudited figures in NOK 1000	30.09. 2010	30.09. 2009	Notes	31.12. 2009
EQUITY				
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	2 078	554	4,6	946
Total paid in equity	221 483	219 959		220 351
Other equity	-39 884	-19 437		-24 499
Total retained earnings	-39 884	-19 437		-24 499
Minority Interest	5 521	4 619		4 685
TOTAL EQUITY	187 120	205 141		200 536
LIABILITIES				
Capitalised grants	13 855	13 855	7	13 855
Total long term liabilities	13 855	13 855		13 855
Accounts payable	2 257	3 158	4,10	3 376
Public duties payable	795	179		222
Taxes payable	201	42		202
Other short term liabilities	1 704	1 149		1 835
Total short term liabilities	4 957	4 528		5 635
TOTAL LIABILITIES	18 812	18 383		19 491
TOTAL EQUITY AND LIABILITIES	205 933	223 525		220 027



CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	30.09. 2010	30.09. 2009	Note	31.12. 2009
Contribution from operations	-13 312	-10 857		-16 808
Change in accounts receivable and accounts payable	-1 524	944		1 158
Change in other receivables and payables	-1 434	2 794		4 189
Net cash flow from operating activities	-16 270	-7 119		-11 462
Investments in fixed assets	-1 025	-762		-1 055
Investment in/sale of bank bonds	33 782	-32 395		5 591
Investment in shares	-52 415	0		0
Capitalisation of development cost	-20 734	-22 302		-30 561
Net cash flow from investment activities	-40 393	-55 459		-26 025
Grants from Skattefunn and RCN	375	0		1 977
Net financials	-87	4 442		5 909
Net cash flow from financing activities	288	4 442		7 886
Total net changes in cash flow	-56 375	-58 136		-29 601
Net foreign differences	-26	-693		-656
Cash balance at beginning of period	107 316	137 573		137 573
Cash and cash equivalents at end of period	50 914	78 744		107 316
Net result	-15 412	-7 623		-12 730
Employee options	1 132	292		684
Depreciation	881	916		1 148
Financial items	87	-4 442		-5 909
Total contribution from operations	-13 312	-10 857		-16 808

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000	30.09.2010	30.09.2009	31.12.2009
Total comprehensive income			
Profit (loss) for the year (period):	-14 576	-6 117	-11 158
Other comprehensive income			
Translation differences	28	-1 193	-1 149
Comprehensive income at end of period	-14 548	-7 310	-12 307

Distribution of total comprehensive income

Unaudited figures in NOK 1000	30.09.2010	30.09.2009	31.12.2009
Equity holders of the parent	-15 385	-8 817	-13 879
Non-controlling interest	836	1 506	1 572
	-14 548	-7 310	-12 307

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000	30.09.2010	30.09.2009	Note	31.12.2009
Equity at beginning of period	200 536	212 160		212 160
Total comprehensive income	-14 548	-7 310		-12 307
Employee options	1 132	292		684
Equity at end of period	187 120	205 141		200 536

NOTES

- Projects in the Badger Explorer Program are supported by the Research Council of Norway and "Skattefunn" with a percentage of the total project cost. The calculated amount is accrued consecutively. Badger Explorer ASA is also supported by "Skattefunn" in 2010.
- The cost and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised.
- 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 4 403 per 30.09.2010.
- The 100% owned subsidiary, Badger Plasma Technology AS and the 50% owned subsidiary, Calidus Engineering Ltd. have been consolidated with the parent company Badger Explorer ASA starting from 01.12.2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated.
- The general assembly decided in meeting on 09.05.2007 to split the existing shares which gave an increase in number of shares from 6 719 520 to 13 439 040. A total of 5 000 000 additional shares were issued in connection with the IPO of NOK 160 000 000 related to the listing on Oslo Axess on 12.06.2007. The total number of shares per 30.09.2010 is 18 439 040 at par value of 0,125 per share.
- The options granted in 2006 were during 3Q 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 382 250 share options at a strike of NOK 10 and 25 000 share options at a strike of NOK 15. The options entitle the employees to purchase shares during a 3.2 year period until 15.11.2012. These are equity based option agreements and are recognised on the P&L under personnel costs and on the balance sheet under other paid in equity. The options (incl. Employers' national insurance contributions) are recognized over the vesting period starting from 15.09.2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. The replacement of options was treated as a cancellation and repricing under IFRS 2. The options were "in the money" per 30.09.2010. As of 3Q 2010 BXPL employees may exercise 1/3 of their options, thus the Board adopted the resolution to increase the number of shares by up to 135 750 at the Board meeting 20.10.2010 according to proxy.
- The Group has received contribution from the three industry 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.
- 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.

30.09.2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	10 336	227	-4 235	6 327
Segment profit (loss)	-4 403	0	836	-11 846	0	-15 412
Total assets	81 147	5 899	20 596	106 754	-8 464	205 933

30.09.2009 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
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	155 510	-8 728	223 525

3Q 2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	3 687	204	-576	3 315
Segment profit (loss)	-1 165	0	178	-6 249	0	-7 236

3Q 2009 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	5 090	76	-2 733	2 433
Segment profit (loss)	-1 239	0	547	-2 567	-0	-3 259

10. Related party transaction

Unaudited figures in NOK 1000

Transaction with shareholders	30.09.2010	30.09.2009
Accounts payable*	294	633
Purchased services*	4 245	6 551

*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 51 000 shares in Badger Explorer ASA.

Shares held by members of the board and Management group	30.09.2010	30.09.2009
Convexa Capital IV AS (Board Director - Bjørge Gretland)*	3 200 780	3 200 780
Ahlqvist Invest AS (Chairman of the Board - Rolf E. Ahlqvist)	465 407	465 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO - Kjell Erik Drevdal	222 600	222 600
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	149 222
Convexa AS (Board Director - Bjørge Gretland)	100 000	100 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	80 200
Invest OK AS (Board Director - Kristine Holm)	15 000	15 000
5K International (CEO - Kjell Erik Drevdal)	10 000	10 000
Chevni AS (Board Director - Christian Bull Eriksson)	6 000	6 000
CFO - Gunnar Dolven	5 000	-
Board Director - Tone Kvåle	5 000	5 000
Mng. Hr, Economy & Adm. - Hege Furland	2 858	2 858
CTO - Erling Woods	1 000	1 000
Ordinary shares	4 564 939	4 559 939
% of total shares	24,8 %	24,7 %

*Bjørge Gretland does not have decisive influence in Convexa Capital IV AS. Bjørge Gretland resigned as a member of Board of Directors as from 04.10.2010.

11. Bank bonds

All of the Company's bank bonds were sold in January 2010.

12. Investment in shares

The Company owns 48 532 shares of First Norway Alpha KL IV-IA, a market based liquidity fund, to a nominal value of MNOK 53.9. The fund have underlying exposure to the Norwegian money market with entire notional amount (overnight NIBOR). The value of the shares are monitored on a daily basis. The shares are not under any contractual obligation unless for a 3 days notice for settlement when selling the shares. The shares are classified under IAS39 as "financial assets at fair value through profit and loss" and are carried at market value.

13. Intercompany sales and purchases has previously been eliminated towards salary and other operating expenses. Elimination is now changed to reflect the material consumption by eliminating these costs towards Cost of Goods sold (COGS). The reallocation effect is:

Effect per 30.09.2009	Salary	Other Opr. Exp.	COGS
Total	700	87	-787

Badger Explorer ASA
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