



**BADGER**  
EXPLORER



Quarterly Report 4Q 2009

### READY FOR THE SELFBURIAL TEST OF THE BADGER EXPLORER

Badger Explorer ASA is ready for the first full-scale selfburial test of the Badger Explorer tool. However, the extreme cold and temperature fluctuations in Eastern Norway have considerably slowed down the progress. A successful test is considered to be proof of the patented Badger Explorer concept, and a concluding step in completing the Company's prototype-phase. The Company has experienced positive development during 2009 and this provides reason for continued optimism regarding the launch of BXPL commercial services. It is expected that the selfburial test will be performed in the near future.

The activities of the fourth quarter of 2009 were focused on the Demo50 version2 full-scale selfburial test. The preparation efforts have been comprehensive and include e.g. qualification and assembly of the tool, numerous installations to operate in extreme temperatures, design and testing of several functions relevant for the pre-commercial versions of the Badger Explorer.

The Company is working with compensatory measures to make it possible to safely work under these weather conditions. The temperatures experienced are way outside the operating specifications of the current Badger Explorer testing tool; the commercial versions however will have specifications to cope with temperature variations. The project is ready to proceed with full speed as soon as the weather permits.

The Badger Explorer Group's cash position as per 31.12.2009 is MNOK 141. The strong cash position and client partner support in the pre-commercial phase is considered to be sufficient funding to reach the commercial phase.

### 4Q 2009 - AN OVERVIEW

#### *Prototype phase*

A proper test site in the Eastern part of Norway was chosen in October 2010. At the site logistics, transport and local support services have proven to satisfy BXPL's needs. An exploration well was drilled to 25 meters by a contracted drilling company. The formation at the chosen site has proved to be of relevant geology (sandstone), though fractured, but positively with very good water saturation. In November and December 2009 test drillings have reached depths of 15 meters with a spare drilling unit, separate compaction chamber and the Badger Explorer drilling jig.

The extreme temperatures at the site have been an extra challenge, as temperatures have been down to the minus 30°- 40°C range. The tool is not designed for such conditions, thus extraordinary means have been taken to insulate and protect the Company's unique and highly valuable equipment. It became necessary to heat the test tent, wells and equipment. Low temperatures are also a challenge regarding the health and safety of the staff at the site. The weather has delayed the selfburial test by 4-5 weeks, however valuable and extensive testing and improvements of the tool were performed at the workshop in Stavanger. The cold has not caused effects that will threaten the overall project progress.



Preparations at the test site have been substantial. In December 2009/January 2010 three additional wells have been drilled to 12 meters depths, equipped with a 1.5 meters steel conductor. These wells will serve as start wells and are equipped with a 6 meters high launch chamber, bolted to the top of the well conductor, as the length of the current Demo50 version2 is 18 meters. This start set-up is needed to assure a controlled start of the drilling process and secure valuable test data. Additional counter weights (several tons of concrete blocks) are also required to withstand the powerful upwards compaction force as soon as the tool's anchor-section is below the conductor shoe.

Furthermore a tool retrieval procedure has been developed and the tool will be recovered for inspection and reuse.

The Demo50 version2 is 18 meters long, 15 cm in diameter, equipped with 50 meters of cable, and is made up of three separate main units (drilling, hydraulic/electronic control and compaction unit). Calidus Engineering Ltd has delivered the advanced electronic control and hydraulic drive unit.

The qualification of the tool has been a comprehensive trial and error process. Successful test runs of 10-12 hours have taken place at the Stavanger workshop.



### *Pre-commercial phase*

The activities that have taken place during the last quarter include work which is also of relevance for the pre-commercial phase. Following a successful burial test the next step will comprise the manufacturing and the testing of a pre-commercial 125 Demonstrator tool (125°C).

Work on sensors and logging packages has started. The design work regarding high-specification electro motors is ongoing. Furthermore the development work on the 125°C hydraulic unit and modelling work continues at BXPL's engineering department.

In December 2009 the Research Council of Norway (RCN) granted MNOK 4.9 to a BXPL development project - "Drilling in a Closed Cavity near Pore Pressure (DCCPP)". This project will be a parallel project to the main project and will focus on modelling the interrelationship of all parameters affecting the down-hole performance of a Badger Explorer operation in a closed cavity. The results of this project are expected to be of great significance to future versions of the Badger Explorer tool. The DCCPP project will be funded independently from the main project. The RCN support is regarded as further evidence of the groundbreaking R&D initiatives undertaken by BXPL.

The successful self-burial test will commence a new phase - the pre-commercial phase which will consist of several different projects which are the following:

- **Badger 125 Downhole laboratory**
- **Badger 125 Test Facilities**
- **Badger 125 Advanced Technology**
- **DCCPP**
- **Badger 125 Demonstrator**

The Company's client partners ExxonMobil, Shell and StatoilHydro will be involved to a higher degree during the pre-commercial phase. 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 commercialisation.

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

Calidus Engineering Ltd. (Calidus), UK, is a well-reputed multi-discipline engineering company specialized in designing downhole equipment for harsh environments. In addition to modelling and engineering design services, Calidus runs a prototype based machine shop. Revenues come 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 2009 was MNOK 16.9 compared to MNOK 12.4 in 2008, out of which 47 % (46 % through 2008) were deliveries to Badger Explorer ASA. The net result before tax (EBT) was MNOK 3.4 compared to MNOK 2.5 the year before. Calidus' equity ratio is 91.5 % and the cash position remains strong.

Calidus' is planning for further expansion in 2010. The company will move into new premises in 4Q 2010, fully financed by the company and by public grants. In December 2009 a marketing campaign was performed in the Norwegian Oil & Gas market and it is expected that Calidus' Norwegian business will grow in 2010.

### FINANCIAL STRENGTH AND INVESTOR RELATIONS

Badger Explorer ASA and its development program up to the commercial launch of the 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. The partnerships and the Company's financial strength provide a unique position, which allows fully focusing on further technological development and the upcoming pre-commercial phase. It is planned for increased public grants during the pre-commercial phase.

As of 31.12.2009 the Badger Explorer Group had a net equity of MNOK 200.5 (equity ratio of 91.0 %), compared to MNOK 212.2 as of 31.12.2008. The Company's activity level will be further increased in 2010.

#### *Investor Relations Issues*

The value of the BXPL shares have seen an increase throughout 4Q 2009. The number of shareholders is 733, increased by 208 in the last twelve months. Norwegian entities and individuals hold 66,6 % of the total number of outstanding shares. 31.12.2008 the 20 largest shareholders held 83 % of the outstanding shares, and as of 31.12.2009 they held 72,8 %.

Quarterly investor presentations have been held in Oslo, London and Stavanger. On 17 December 2009 at the Extraordinary General Meeting a Badger Explorer Project update was given.

### 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 20 people. The group is seeking more technical and operational staff and the number of employees will continue to increase.

### MAIN FIGURES

Revenues for 4Q 2009 amounted to kNOK 2 087 and to kNOK 8 978 as of 31.12.2009, compared to kNOK 2 486 for 4Q 2008 and kNOK 7 363 as of 31.12.2008. Operating expenses for 4Q 2009 amounted to kNOK 8 129 and to kNOK 24 662 as of 31.12.2009, compared to kNOK 5 395 for 4Q 2008 and kNOK 18 210 as of 31.12.2008. EBITDA for 4Q 2009 amounted to kNOK -6 042 and to kNOK -15 685 as of 31.12.2009, compared to kNOK -2 909 for 4Q 2008 and kNOK -10 847 as of 31.12.2008.

Total project development costs for the Badger Explorer Prototype and Plasma Channel Drilling amounted to kNOK 9 904 of which kNOK 8 257 were capitalized for 4Q 2009, and amounted to kNOK 36 003 of which kNOK 30 561 were capitalised as of 31.12.2009.

Application for "Skattefunn" has been filed and approved for 2009. Public grants for 2009 amounts to MNOK 2.0. Public grants amounted to MNOK 2.6 for 2008. All public grants were capitalised together with the project costs.

Earnings per share amounted to NOK -0.278 per share for 4Q 2009 and amounted to NOK -0.694 per share as of 31.12.2009. Cash reserves as of 31.12.2009 amount to MNOK 107.3. In addition the Company holds MNOK 33.8 in short term bank bonds.

<b>CONSOLIDATED SUMMARY</b> Unaudited figures in NOK 1000	4Q 2009	4Q 2008	31.12. 2009	31.12. 2008
Revenues	2 087	2 486	8 978	7 363
Operating expenses	8 129	5 395	24 662	18 210
EBITDA	-6 042	-2 909	-15 685	-10 847
Earnings per share (figures in NOK)	-0,278	-0,044	-0,694	-0,094
Projects development costs	9 904	8 378	36 003	28 830
Public grants for projects dev.	1 977	1 153	1 977	2 624
Cap. of dev. costs and public grants	6 282	5 806	28 584	22 072

## OUTLOOK

The Company has made significant progress during 2009 and has thus come much closer to the goal of supplying a commercial service to its partners and the Oil & Gas market in general. The results of the self burial test will form a good basis for the next steps in the Company's development. The Company anticipates being able to conclude the prototype phase successfully in the near future.

The pre-commercial development program with its defined projects will be launched after the completion of the selfburial test. Client partners and sub-vendors will be important contributors. The Company will seek both public grants and client partner support for the further development work. The development work already undertaken by the Badger Explorer organization remains revolutionary and will form a sound basis for the further product development program.

On the basis of the solid experience gained during the recent year and the overall progress made, Badger Explorer retains its optimistic view both on its operations and on the market, and anticipates further positive development in 2010 and up to the commercial launch of BXPL services.

Stavanger, 16th of February 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 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

	4Q 2009	3Q 2009	4Q 2008	Note	31.12. 2009	31.12. 2008
<b>Revenues</b>						
Other Income	2 087	2 433	2 486	4	8 978	7 363
Public grants	1 977	0	1 153	1	1 977	2 624
Capitalised public grants	-1 977	0	-1 153	2	-1 977	-2 624
<b>Total Revenues</b>	<b>2 087</b>	<b>2 433</b>	<b>2 486</b>		<b>8 978</b>	<b>7 363</b>
<b>Operating Expenses</b>						
Cost of goods sold	663	817	140	12	2 639	1 186
External services for dev. project	5 298	4 211	4 365	4	20 767	17 255
Salary	6 609	5 071	5 097	12	19 373	15 100
Other Operating Expenses	3 818	2 892	2 752	4,10,12	12 444	9 365
Capitalised development cost	-8 259	-6 440	-6 959	3	-30 561	-24 696
<b>Total Operating Expenses</b>	<b>8 129</b>	<b>6 551</b>	<b>5 395</b>		<b>24 662</b>	<b>18 210</b>
<b>EBITDA</b>	<b>-6 042</b>	<b>-4 118</b>	<b>-2 909</b>		<b>-15 685</b>	<b>-10 847</b>
Depreciation	232	329	319		1 148	1 152
<b>EBIT</b>	<b>-6 274</b>	<b>-4 447</b>	<b>-3 228</b>		<b>-16 832</b>	<b>-11 999</b>
Net financial income	1 467	1 735	2 940	11	5 909	11 626
<b>EBT</b>	<b>-4 807</b>	<b>-2 712</b>	<b>-288</b>		<b>-10 923</b>	<b>-374</b>
Tax	-235	0	-208		-235	-208
<b>Net profit/loss from operations</b>	<b>-5 042</b>	<b>-2 712</b>	<b>-496</b>		<b>-11 158</b>	<b>-582</b>
Profit (loss) attributable to minority interests	66	547	306		1 572	1 134
<b>Profit (loss) attributable to equity holders of the parent</b>	<b>-5 107</b>	<b>-3 259</b>	<b>-803</b>	9	<b>-12 730</b>	<b>-1 716</b>
<b>Earnings per share</b>	<b>-0,278</b>	<b>-0,178</b>	<b>-0,044</b>		<b>-0,694</b>	<b>-0,094</b>
<b>Earnings per share diluted</b>	<b>-0,278</b>	<b>-0,177</b>	<b>-0,044</b>		<b>-0,693</b>	<b>-0,093</b>

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> Unaudited figures in NOK 1000	<b>31.12. 2009</b>	Notes	<b>31.12. 2008</b>
<b>FIXED ASSETS</b>			
Development costs	64 010	3	35 426
Patent rights	387		387
Goodwill	5 710	4	6 203
<b>Total intangible assets</b>	<b>70 107</b>		<b>42 015</b>
Machinery, fixtures, etc.	3 333		3 426
<b>Total tangible assets</b>	<b>3 333</b>		<b>3 426</b>
Bank bonds	0	11	39 373
<b>Sum financial assets</b>	<b>0</b>		<b>39 373</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>73 440</b>		<b>84 814</b>
<b>CURRENT ASSETS</b>			
Inventory	854		355
<b>Sum Inventory</b>	<b>854</b>		<b>355</b>
Accounts receivable	1 520	4	1 802
Other receivables	3 115	4	6 389
<b>Total receivables</b>	<b>4 635</b>		<b>8 191</b>
Bank bonds	33 782	11	0
<b>Total current financial assets</b>	<b>33 782</b>		<b>0</b>
<b>Cash and cash equivalents</b>	<b>107 316</b>		<b>137 573</b>
<b>TOTAL CURRENT ASSETS</b>	<b>146 587</b>		<b>146 119</b>
<b>TOTAL ASSETS</b>	<b>220 027</b>		<b>230 933</b>
<b>EQUITY AND LIABILITIES</b> Unaudited figures in NOK 1000	<b>31.12. 2009</b>	Notes	<b>31.12. 2008</b>
<b>EQUITY</b>			
Share capital	2 305	4,5,10	2 305
Share premium reserve	217 100	5	217 100
Other paid in equity	946	4,6	262
<b>Total paid in equity</b>	<b>220 351</b>		<b>219 667</b>
Other equity	-24 499		-10 620
<b>Total retained earnings</b>	<b>-24 499</b>		<b>-10 620</b>
<b>Minority Interest</b>	<b>4 685</b>		<b>3 113</b>
<b>TOTAL EQUITY</b>	<b>200 536</b>		<b>212 160</b>
<b>LIABILITIES</b>			
Capitalised grants	13 855	7	13 855
<b>Total long term liabilities</b>	<b>13 855</b>		<b>13 855</b>
Accounts payable	3 376	4,10	2 500
Public duties payable	222		388
Taxes payable	202		202
Other short term liabilities	1 835		1 828
<b>Total short term liabilities</b>	<b>5 635</b>		<b>4 918</b>
<b>TOTAL LIABILITIES</b>	<b>19 491</b>		<b>18 773</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>220 027</b>		<b>230 933</b>

**CONSOLIDATED CASH FLOW**

Unaudited figures in NOK 1000	31.12.	2009	Note	31.12.	2008
Net cash flow from operating activities		-11 462			-13 048
Net cash flow from investment activities		-26 025			-65 921
Net cash flow from financing activities		7 886			17 708
<b>Total net changes in cash flow</b>		<b>-29 601</b>			<b>-61 261</b>
Net foreign differences		-656			-312
Cash balance at beginning of period		137 573			199 145
<b>Cash and cash equivalents at end of period</b>		<b>107 316</b>			<b>137 573</b>

**CONSOLIDATED EQUITY RECONCILIATION**

Unaudited figures in NOK 1000	31.12.	2009	Note	31.12.	2008
Equity at beginning of period		212 160			213 341
Total comprehensive income		-12 307			-1 316
Employee options		684			135
<b>Equity at end of period</b>		<b>200 536</b>			<b>212 160</b>

**Total comprehensive income**

Unaudited figures in NOK 1000	31.12.	2009		31.12.	2008
Profit (loss) attrib. to equity holders of the parent		-12 730			-1 716
Translation differences		-1 149			-734
Minority interest		1 572			1 134
<b>Comprehensive income at end of period</b>		<b>-12 307</b>			<b>-1 316</b>

**Distribution of total comprehensive income**

Unaudited figures in NOK 1000	31.12.	2009		31.12.	2008
Majority interest		-13 879			-2 450
Minority interest		1 572			1 134
		<b>-12 307</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. Badger Explorer ASA has also been supported by "Skattefunn" in 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 5 441 per 31.12.2009.

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 31.12.2009 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 (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 31.12.2009.
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>31.12.2009 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	16 894	96	-8 013	8 978
Segment profit (loss)	-5 441	0	1 572	-8 861	-0	-12 730
Total assets	59 429	6 559	16 727	146 027	-8 715	220 027

<b>31.12.2008 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	12 435	2 017	-7 090	7 363
Segment profit (loss)	-4 134	0	1 134	1 283	-0	-1 716
Total assets	31 048	6 391	12 829	189 182	-8 517	230 933

<b>4Q 2009 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 505	-0	-1 418	2 087
Segment profit (loss)	-1 645	0	66	-3 528	0	-5 107

<b>4Q 2008 - Business segments</b>	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 572	26	-1 112	2 486
Segment profit (loss)	-1 433	0	306	324	-0	-803

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

Transaction with shareholders	31.12.2009	31.12.2008
Accounts payable*	311	206
Purchased services*	7 985	5 778

\* 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	31.12.2009	31.12.2008
Convexa Capital IV AS (Bjørge Gretland)*	3 200 780	3 300 780
Ahlqvist Invest AS (Rolf E. Ahlqvist)**	465 407	447 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
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	15 000
Chevni AS (Christian Bull Eriksson)	6 000	6 000
Tone Kvåle	5 000	-
CTO - Erling Woods	1 000	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 6 Norwegian banks with a total nominal value of MNOK 34.0. 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 within 2010.

## 12. 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 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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