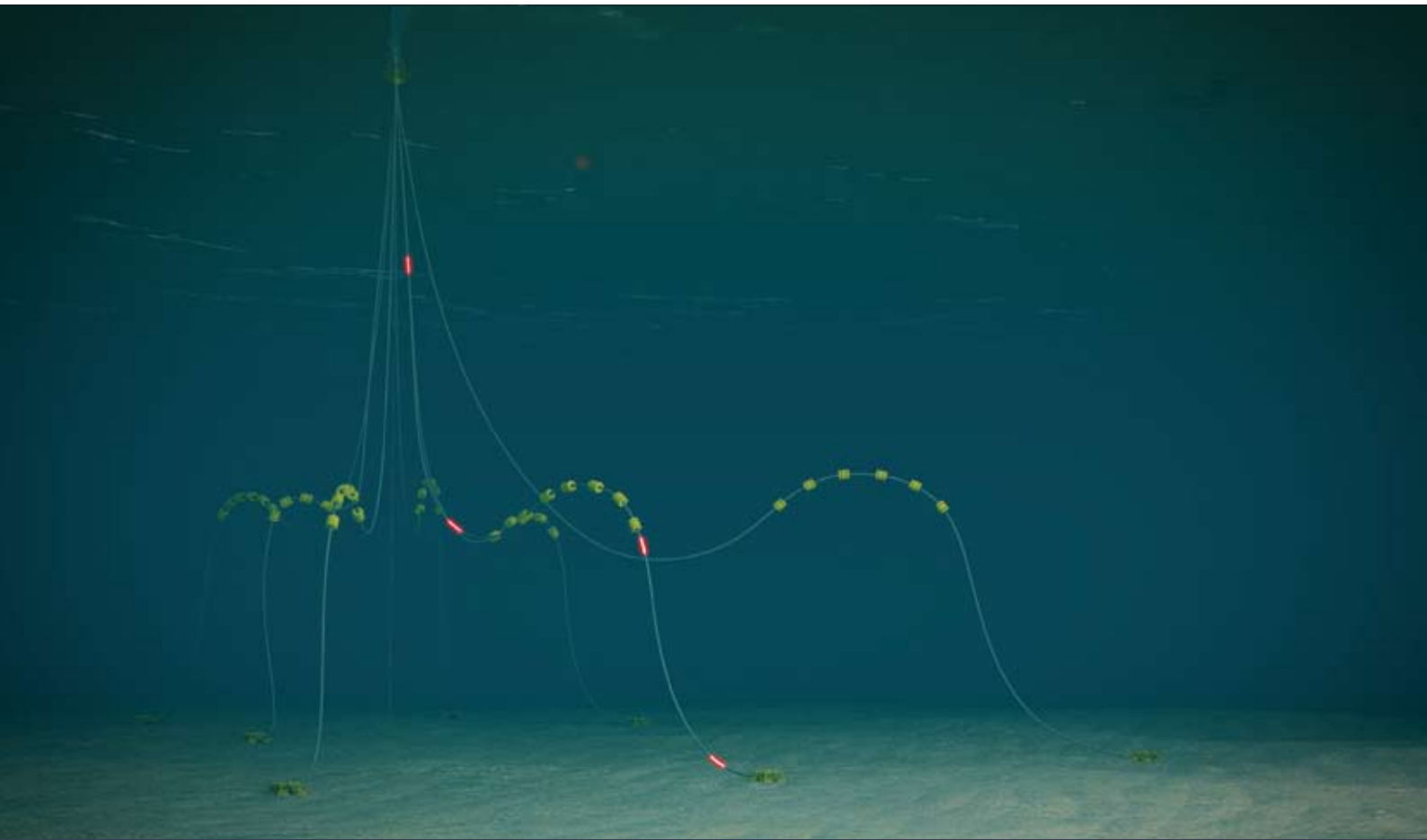




BADGER
EXPLORER



Quarterly Report 4Q 2011

2011 CONCEPT DEMONSTRATION APPROVED, HEADING FOR INTERNATIONAL PRODUCT LAUNCH

The single most important achievement through 2011 was the full scale successful demonstration of the Badger concept, followed by approval from the sponsors and completion of the Prototype Phase. The next phase will be one of commercialization, aiming for an international product launch, and several steps were taken towards the end of 2011 in preparation for this phase. Both the board and the management were restructured to better align with this new focus. David Blacklaw joined as CEO on 5th October 2011, replacing Kjell Erik Drevdal, who resigned in December 2011.

A comprehensive market and applications study was conducted during 2011, outlining potential short-, medium- and long-term commercial applications for the Badger Explorer. While the long term vision of bringing oilfield assets faster to our customers' balance sheet remains, there is a clear need for a shorter-term focus on the steps required along the way. A series of stages, en route to commercialization have been designed to support and accelerate the technical development, starting with a number of semi-commercial field pilots. The Field Pilot program is designed to deliver clear commercial benefits, gain valuable operational experience, and start to establish a track record.

Development activity for 2012-2014 will be centered around two main projects; the Badger Demonstrator Development program and the Badger Field Pilot Program. ExxonMobil has already signed up as sponsor to the program, Innovation Norway has confirmed 20 MNOK in public grants and a number of further sponsors have been expressed interest to join. Badger Explorer ASA (BXPL) continues to negotiate with further potential sponsors who can provide additional operational opportunities, as well as financial sponsorship. The Badger Demonstrator program comprises six concrete technical milestones.

In conjunction with our partners and sponsors, we have targeted oil sands drilling and monitoring as one of the first commercial applications, using the Badger as a carrier for a range of existing and new, unique measurement techniques. Preparations and feasibility studies for delivery of the first Field Pilot is ongoing. To support the development the Research Council of Norway has awarded a grant of 8 MNOK. BXPL targets signing a field pilot contract within a few months.

The development work within the Badger Demonstrator program and the Field Pilot Program will be aligned such that the specification required for the Field Pilot can be delivered by the Demonstrator Program, accelerating progress toward a commercial service.

To maintain the pace of technical progress necessary to deliver the Field Pilot on time, an increased focus is being placed on technical deliverables, along with careful management of the cost base to ensure maximum value for money is derived from the ongoing technical and support spend. The administrative support functions were reduced by 20% in 4Q 2011 to reflect this change in emphasis.

Badger new phase - international product launch

BXPL has identified a number of potential markets for the first commercial applications of the Badger tool, for example oil sands in Canada and elsewhere. Badger applications will include both one-time data logging as the tool drills into the formation and long-term sub-surface monitoring by means of a range of permanently-deployed instrumentation. Some of the earlier applications showing potential as the first commercial markets for the Badger technology feature onshore operations at depths of 100-500 meters.



Further operational and technical development steps have been identified. BXPL will streamline internal technical development work and external partnerships to define, specify and develop the required functionality for the target applications.

Significant progress has been achieved in the form of a Feasibility Study conducted in relation to the proposed Field Pilot project, where actual field conditions in the target area have been analyzed with respect to the economic opportunities and technical challenges involved in the field pilot. Appropriate mitigating actions and solutions have been identified. This exercise allows us to complete the final specification of the field pilot tool, which in turn defines the detailed specification for the Badger Demonstrator.

The test facilities built in the Stavanger workshop have been commissioned, and the extensive in-house Qualification and Characterization program has commenced. Early testing focuses on the separation and compaction capabilities, as well as drill-bit testing in various rock types.



An agreement has been entered with Calidus Engineering Ltd (BXPL's 75%-owned UK subsidiary), involving full integration of Calidus expertise into the Badger development team. Well-defined technical activities, such as testing of the cable storage function are ongoing at Calidus, while individual Calidus engineers form part of the core teams for broader development projects.

As the design of the field pilot nears completion the sensor payload required to deliver the first commercial applications is taking shape, featuring some of the Badger Explorer's unique capabilities, such as True RW (resistivity of formation water) and cable-integrated sensing.

Health, Safety, Security and the Environment

One of the major benefits of the Badger Explorer, whether in initial field deployments or as part of the exploration and de-risking of a major new deepwater project, will be the vastly reduced environmental impact and HSE exposure, as compared to a drilling rig and associated support. From an environmental perspective, much less equipment, traffic and support activity are required for a Badger deployment, and during operation, the tool can be run un-manned, thus eliminating a whole range of safety exposures.

Within Badger Explorer we have always been proud of our safety record. The increased emphasis on operations and deployment will however bring increased exposure of staff to potential risks and more hazardous environments, and embarking on field operations brings an increased number of third parties into contact with the Company's equipment and processes. Recognizing this, a number of pro-active measures and other examples of industry best practice have been reviewed and implemented, to increase hazard awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety, security and the environment will ensure that Badger Explorer ASA's systems and processes grow alongside the technical and commercial developments, and that the company can be equally proud of its HSE performance going forward.

CALIDUS ENGINEERING LTD, CORNWALL, UK, 75% OWNED SUBSIDIARY

Calidus Engineering Ltd. ("Calidus") is a multi-disciplinary engineering company specializing 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 within the oil industry and the geothermal industry, as well as from traditional R&D business. As per 15 April 2011 Badger Explorer ASA acquired an additional 25% of the shares in Calidus Engineering Ltd. at a cost of MNOK 8.3. After the purchase BXPL holds 75% of its subsidiary. In June 2011 Calidus Engineering Ltd. purchased a lease of unit 6&7 on Treleigh Industrial Estate, Cornwall, UK for a total of MNOK 12.2.

Calidus has been a vital supplier to Badger Explorer ASA for a number of years. Due to the intensive focus on pilot testing at BXPL during 2011, the volume of Calidus' engineering and development activities business volume with the parent company has been at a reduced level during 2011 (£308 336 - representing 22.6% of Calidus' gross 2011 turnover, compared to £406 604 - representing 27.2% of Calidus' gross 2010 turnover).

Calidus's turnover as of 31.12.2011 amounted to MNOK 12.0 compared to MNOK 15.8 as per year-end 2010, of which 22.6% (27% in 2010) were deliveries to BXPL. Decrease due to reduced business volume with the parent company and lower volume of terminal business.

The net result before tax (EBT) amounted to MNOK -1.7 compared to MNOK 3.2 the year before. Calidus' equity ratio is 39.2% (compare to 88.6% last year. The decrease of the equity ration is related to the mortgage and loan taken out during 2Q 2011. Primarily as a result of the reduced level of business with BXPL, Calidus financial performance 2011 is disappointing.

In light of ongoing bidding activity, there is good reason to believe that activity levels in 2012 will pick up within all Calidus' business segments, including increased volumes with BXPL.

Calidus has recently entered a frame agreement to deliver downhole cameras for oil industry applications, with deliveries planned from 1Q 2012, and an expected increase in volume over the next two to three years.

FINANCIALS AND INVESTOR RELATIONS

As of 31.12.2011 the Badger Explorer Group had a net equity of MNOK 146.5 (equity ratio of 77.6%) compared to MNOK 182.1 (equity ratio of 87.4%) as of 31.12.2010.

The Company will focus its resources to support the delivery of their first field pilot contract.

Investor Relations Issues

Badger Explorer ASA has 879 shareholders per 31.12.2011. Norwegian entities and individuals hold 69.2% of the total number of outstanding shares and the 20 largest shareholders hold 63.7% of the outstanding shares.

As of January 2012 (including reporting of fiscal year 2011) Oslo Stock Exchange has approved that all markets and financial reporting from BXPL will be done in English only.

BADGER EXPLORER GROUP

The Badger Explorer Group operations comprise more than 40 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 as of 31 December 2011 compared to 16 as of 31 December 2010. As the Group shifts its emphasis to more technical and operational activities, the proportion of this type of employees will increase.

MAIN FIGURES

Revenues for 4Q 2011 amounted to kNOK 1 974 and to kNOK 9 810 as of 31.12.2011, compared to kNOK 5 729 for 4Q 2010 and kNOK 12 056 as of 31.12.2010. Decrease is related to lower revenue in Calidus Engineering in terminal business and non-BXPL business.

Operating expenses for 4Q 2011 amounted to kNOK 10 805 and to kNOK 39 262 as of 31.12.2011, compared to kNOK 10 699 for 4Q 2010 and to kNOK 30 634 as of 31.12.2010. Increase in costs related to change of premises, use of external services and some increase in salary cost. EBITDA for 4Q 2011 amounted to kNOK -8 832 and to kNOK -29 452 as of 31.12.2011, compared to kNOK -4 970 for 4Q 2010 and to kNOK -18 578 as of 31.12.2010.

During 4Q 2011 the total project development costs for the Badger tool amounted to kNOK 7 696 of which kNOK 7 159 were capitalized in 4Q 2011. As of 31.12.2011 the total development costs amounted to kNOK 30 681 of which kNOK 27 986 were capitalized.

Application for "Skattefunn" and RCN funding has been filed and approved for 2011. Public grants for the Badger project amount to kNOK 1 059 for 4Q 2011 and amount to kNOK 3 617 as of 31.12.2011. All public grants are capitalized together with the project costs. Earnings per share amounted to NOK -0.45 per share for 4Q 2011 and amounted to NOK -1.58 per share as of 31.12.2011.

As of 31.12.2011 cash reserves amount to MNOK 39.2 compared to MNOK 45.9 as of 31.12.2010. Cash flow in 4Q 2011 amounted to MNOK -10.9 compared to net cash flow of MNOK -13.0 in 3Q 2011. Net cash flow in 2011 was MNOK -52.6 (including purchase of shares in Calidus Engineering of MNOK 8.3) compared to MNOK -42.6 in 2010.

CONSOLIDATED SUMMARY <small>Unaudited figures in NOK 1000</small>	Quarters		Year to date		
	4Q 2011	3Q 2011	4Q 2011	31.12.2011	31.12.2011
Revenues	1 974	1 850	5 729	9 810	12 056
Operating expenses	10 805	10 867	10 699	39 262	30 634
EBITDA	-8 832	-9 017	-4 970	-29 452	-18 578
Earnings per share (figures in NOK)	-0,45	-0,47	-0,30	-1,58	-1,13
Projects development costs	7 696	7 405	7 403	30 681	32 540
Public grants for projects dev.	1 059	935	1 430	3 617	1 805
Cap. of dev. costs and public grants	6 100	5 941	4 785	24 369	25 145

OUTLOOK

Badger Explorer ASA now benefits from the structural changes that were initiated and executed during 2011. The Company is well positioned to conclude its short term commercial activities, such as signing the sponsorship and field pilot agreements during the first half of 2012.

The Company is at the start of a new phase in its development, and the response of sponsors and partners through 2011 supports the Board's commitment to the future.

Stavanger, 14th February 2012
The Board of Directors

Badger Explorer ASA



ACCOUNTING POLICIES

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at Forusskogen 1, 4033 Stavanger, Norway.

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

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

The Group's consolidated financial statement comprises the financial statement of Badger Explorer ASA (100%), Badger Plasma Technology as (100%) and Calidus Engineering Ltd. (75%).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

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 or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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 31.12.2010.

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 31.12.2010.

The Group's consolidated financial statements are presented in NOK. 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 of fair value of identifiable assets and liabilities arising on the acquisition of subsidiaries 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 of 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 or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial liabilities within the scope of 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 overdrafts, 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 matter.

Development expenditures related to the Badger Explorer development project and the Badger Plasma Technology project are recognized 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 reliable the expenditure during development.
- The availability of resources to complete the assets.

When all the above criteria are met, the cost relating to development start to be recognized 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 reliability 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 deducting the carrying amount of the asset.

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 3Q 2009 an option program for all employees were introduced. 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 cash flow statement is prepared in accordance with the indirect method and based upon IAS 7.

CONSOLIDATED INCOME STATEMENT

Unaudited figures in NOK 1000	Quarters			Note	Year to date	
	4Q 2011	3Q 2011	4Q 2010		31.12.2011	31.12.2010
Revenues						
Other Income	1 916	1 794	5 729	4	9 678	12 056
Public grants	1 116	992	1 430	1,13	3 749	1 805
Capitalised public grants	-1 059	-935	-1 430	2	-3 617	-1 805
Total Revenues	1 974	1 850	5 729		9 810	12 056
Operating Expenses						
Cost of goods sold	454	696	2 068		2 463	3 166
External services for dev. project	5 546	5 288	4 079	4	19 902	16 889
Payroll and related costs	8 992	6 562	7 602		28 393	26 244
Other operating expenses	2 972	5 198	3 165	4,10	16 490	11 286
Capitalised development cost	-7 159	-6 876	-6 216	3	-27 986	-26 950
Total Operating Expenses	10 805	10 867	10 699		39 262	30 634
EBITDA	-8 832	-9 017	-4 970		-29 452	-18 578
Depreciation	376	448	107		1 471	989
Operating profit (loss)	-9 208	-9 465	-5 077		-30 922	-19 567
Net financial income	306	510	574	11	994	487
Profit (loss) before taxes	-8 902	-8 955	-4 503		-29 928	-19 080
Tax on ordinary result	372	0	-418		372	-418
Net profit (loss)	-8 530	-8 955	-4 921		-29 556	-19 497
Profit (loss) attributable to non-controlling interests	-106	-238	571		-321	1 408
Profit (loss) attributable to equity holders of the parent	-8 424	-8 717	-5 492	9	-29 235	-20 905
Earnings per share	-0,45	-0,47	-0,30		-1,58	-1,13
Earnings per share diluted	-0,45	-0,47	-0,30		-1,56	-1,13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	31.12.2011	30.09.2011	Notes	31.12.2010
NON-CURRENT ASSETS				
Capitalised development costs	111 037	107 425	3,7	89 156
Patent rights	387	387		387
Goodwill	5 774	5 661	4	5 640
Total intangible assets	117 198	113 473		95 182
Property, plant & equipment	17 963	17 726	13	3 642
Total tangible assets	17 963	17 726		3 642
Investment in shares in liquidity fund	0	0	11,12	52 616
Sum financial assets	0	0		52 616
TOTAL NON-CURRENT ASSETS	135 161	131 199		151 440
CURRENT ASSETS				
Inventories	2 776	3 024		4 213
Sum Inventories	2 776	3 024		4 213
Accounts receivables	5 251	2 226	4	3 959
Other receivables	6 565	6 618	4,13	2 905
Total receivables	11 816	8 844		6 864
Cash and cash equivalents	39 179	49 926		45 888
TOTAL CURRENT ASSETS	53 771	61 794		56 965
TOTAL ASSETS	188 932	192 992		208 404
EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	31.12.2011	30.09.2011	Notes	31.12.2010
EQUITY				
Share capital	2 317	2 316	4,5,10	2 305
Share premium fund	218 070	217 988	5	217 100
Other paid in capital	-2 014	-2 487	4,6,14	2 286
Total paid in equity	218 373	217 817		221 690
Retained earnings	-74 579	-66 453	14	-45 696
Total retained earnings	-74 579	-66 453		-45 696
Non-controlling interests	2 725	2 831	14	6 093
TOTAL EQUITY	146 519	154 195		182 087
LIABILITIES				
Capitalised grants	18 688	19 375	7	17 935
Interest-bearing loans and borrowings	8 347	8 336	13	80
Total long term liabilities	27 034	27 711		18 015
Accounts payables	3 086	3 762	4,10	3 393
Public duties payables	1 774	871		2 604
Taxes payables	392	118		413
Other short term liabilities	10 127	6 335		1 893
Total short term liabilities	15 379	11 086		8 303
TOTAL LIABILITIES	42 413	38 797		26 318
TOTAL EQUITY AND LIABILITIES	188 932	192 992		208 404

CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	Quarters			Note	Year to date	
	4Q 2011	3Q 2011	4Q 2010		31.12.2011	31.12.2010
Contribution from operations*	-7 988	-8 964	-5 180		-28 147	-17 656
Change in accounts receivables and accounts payables	-3 701	3 035	-897	4,10	-1 599	-2 422
Change in other receivables and payables	5 269	-1 819	1 771		5 160	-499
Net cash flow from operating activities	-6 420	-7 748	-4 306		-24 586	-20 577
Investments in fixed assets	-614	-1 401	-272	13	-15 792	-1 297
Investment/sales bank bonds	0	0	0		0	33 782
Investment/sales in shares in liquidity fund	0	0	-200	12	52 616	-52 616
Additional acquisition of shares in subsidiary	0	0	0	14	-8 279	0
Capitalisation of development cost	-7 159	-6 876	-6 216	3	-27 986	-26 950
Reclassification of contribution from industry partner	2 488	0	0		2 488	0
Net cash flow from investment activities	-5 285	-8 277	-6 688		3 045	-47 081
Public grants	1 059	935	1 430	1	3 617	1 805
Contribution from industry partners	-688	1 440	4 080	7	752	4 080
Proceeds from borrowings	11	161	80	13	8 267	80
Interest received	541	708	694	11	2 880	1 505
Interest paid	-235	-198	-120	11	-1 886	-1 018
Increase share capital	83	0	0		982	0
Net cash flow from financing activities	772	3 047	6 164		14 613	6 452
Total net changes in cash flow	-10 933	-12 978	-4 831		-6 927	-61 206
Net foreign translation differences	186	552	-196		218	-222
Cash and cash equivalents beginning of period	49 926	62 352	50 914		45 888	107 316
Cash and cash equivalents end of period	39 179	49 926	45 888		39 179	45 888
Net result	-8 424	-8 717	-5 492		-29 235	-20 905
Profit (loss) attributable to non-controlling interest	-106	-238	571		-321	1 408
Employee options	472	53	207		933	1 340
Depreciation	376	448	107		1 471	989
Financial income	-541	-708	-694		-2 880	-1 505
Financial expenses	235	198	120		1 886	1 018
*Total contribution from operations	-7 988	-8 964	-5 180		-28 147	-17 656



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 per 31.12.2010		2 305	217 100	2 286	-45 696	6 093	182 087
Share capital increase		12	970				982
Additional acquisition in subsidiary	14			-5 233		-3 046	-8 279
Total comprehensive income					-28 883	-321	-29 204
Option plan payment				933			933
Equity per 31.12.2011		2 317	218 070	-2 014	-74 579	2 725	146 519

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

	Quarters			Year to date	
	4Q 2011	3Q 2011	4Q 2010	31.12.2011	31.12.2010
Total comprehensive income	4Q 2011	3Q 2011	4Q 2010	31.12.2011	31.12.2010
Profit (loss) for the year (period):	-8 530	-8 955	-4 921	-29 556	-19 497
Other comprehensive income					
Translation differences	298	846	-319	352	-292
Comprehensive income at end of period	-8 232	-8 109	-5 240	-29 204	-19 789

	Quarters			Year to date	
	4Q 2011	3Q 2011	4Q 2010	31.12.2011	31.12.2010
Total comprehensive income attributable to:	4Q 2011	3Q 2011	4Q 2010	31.12.2011	31.12.2010
Equity holders of the parent	-8 126	-7 871	-21 224	-28 883	-21 197
Non-controlling interest	-106	-238	571	-321	1 408
Total comprehensive income	-8 232	-8 109	-20 653	-29 204	-19 789

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 supported by "Skattefunn" and RCN in 2011.
 - 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 2695 per 31.12.2011.
 - The 100% owned subsidiary, Badger Plasma Technology AS and the 75% owned subsidiary, Calidus Engineering Ltd. have been consolidated with the parent company Badger Explorer ASA starting from 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. On 18.03.2011 a total number of 73 249 option shares were exercised by employees and 73 249 shares were issued, on 09.06.2011 a total number of 16 666 option shares were exercised by employees and 16 666 shares were issued and on 04.11.2011 a total number of 8 333 option shares were exercised by employees and 8 333 shares were issued. The total number of shares per 31.12.2011 is 18 537 288 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 was approved and effective from 15.09.2009, included all employees at the time and granted 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 payroll and related costs and on the balance sheet under other paid in capital. 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 re-pricing under IFRS 2. The options were "in the money" per 31.12.2011. A total number of 57 833 shares are forfeited. A total number of 73 249 share options were exercised in the 1Q 2011 exercise window, a total number of 16 666 share options were exercised in the 2Q 2011 exercise window and a total number of 8 333 share options were exercised in the 3Q 2011. A total of 98 248 share options have been exercised in total during 2011. Next exercise window will be after the presentation of 4Q 2011 report.
- In 3Q 2011 Mr. David Blacklaw, CEO from 05.10.2011, was granted 370.579 share-options in Badger Explorer ASA at a strike price of NOK 19.00 per share. These options must be exercised three to ten days after the presentation of the 3Q 2011 report and were not "in the money" per 31.12.2011.
- The Group has received contribution from the three industry partners amounting to a total of NOK 21 175 200 since 2005. A total of 18 687 600 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 2 487 600 of this contribution is capitalised as reduction of development cost.
 - Deferred tax asset has not been recognised.
 - Below table shows the segments of which the management is reporting to the Board of Directors. The segments are the main projects; Badger Explorer and Plasma Channel Drilling, engineering; Calidus Engineering Ltd. and other activities (mainly administration).

The column "other" includes all administration support and other costs not allocated directly to any of the other segments. All office equipment and cash in the Norwegian companies are included in this segment.

31.12.2011 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	11 984	540	-2 714	9 810
Segment profit (loss)	-2 695	0	-1 001	-25 539	0	-29 235
Total assets	110 195	3 412	35 186	45 985	-5 846	188 932

31.12.2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	15 777	525	-4 246	12 056
Segment profit (loss)	-5 590	0	1 408	-16 723	0	-20 905
Total assets	85 061	5 899	21 354	104 395	-8 305	208 404

4Q 2011 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	2 359	207	-592	1 974
Segment profit (loss)	-538	0	-355	-7 532	-0	-8 424

4Q 2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	5 441	298	-11	5 729
Segment profit (loss)	-1 187	0	572	-4 877	0	-5 493

10. Related party transaction

Unaudited figures in NOK 1000

Transaction with related party	31.12.2011	31.12.2010
Accounts payable*	0	0
Purchased services*	90	0

* The Company has purchased consultancy services from Norsaco in which Kjell Markman (Sr. VP Bus. Dev. & Strategy) is Chairman of the Board and owns 25% of the shares.

Transaction with shareholders	31.12.2011	31.12.2010
Accounts payable**	165	0
Purchased services**	2 703	4 255

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

Shares held by Board of Directors and Management group	31.12.2011	31.12.2010
SIX SIS AG 25PCT (Board Director - Marcus Hansson)	500 000	500 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
Executive Vice President - Kjell Erik Drevdal	222 600	222 600
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	209 222
SEB Private Bank S.A. Luxembourg (Board Director - Marcus Hansson)	65 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
Invest OK AS (Board Director - Kristine Holm)	15 000	15 000
Board Director - Marcus Hansson	11 668	11 668
5K International (Executive Vice President - Kjell Erik Drevdal)	10 000	10 000
CFO - Gunnar Dolven	8 000	5 000
Board Director - Tone Kvåle	5 000	5 000
CTO - Erling Woods	4 000	1 000
Mng. HR, Economy & Adm. - Hege Furland	2 858	2 858
Product Manager - Wolfgang Mathis	2 100	2 100
Ordinary shares	1 377 520	1 371 520
% of total shares	7,4 %	7,4 %

11. Investment in shares

Unaudited figures in NOK 1000

The Company has sold all of its shares of First Norway Alpha KL IV-IA, a market based liquidity fund. The nominal value of the fund was deposited on overnight NIBOR contracts with Norwegian banks. Interest earnings were invested in share options. The value of the shares was monitored on a daily basis. The shares were classified under IAS39 as "financial assets at fair value through profit and loss" and were carried at market value.

Specification of shares in First Norway Alpha KL IV-IA liquidity fund	Number of shares	Subscription price*	Carrying price per share	Carrying amount
Subscription of shares 08.01.2010	54 045	60 000	1 105	59 701
Sale of shares**	-54 045	-60 000	1 083	-58 555
Shares 31.12.2011	0			0

*Subscription price per share: 1110

**A number of 5 513 shares were sold in 3Q 2010, a number of 9 141 shares were sold in 1Q 2011 and a number of 39 391 shares were sold in 2Q 2011. A total loss of NOK 1 146 805 has been realized as financial cost in P&L in connection with sale of financial assets of which NOK 1 062 731 has been realized as financial cost in P&L in 2011.

12. Fair value hierarchy

As at 31.12.2011 the Group does not hold any financial instruments carried at fair value on the statement of financial positions.

13. Purchase of lease - Calidus Engineering Ltd.

In June 2011 Calidus Engineering Ltd. purchased a lease of units 6&7 Treleigh Industrial Estate of a total of MNOK 12.2 (£1 412 500) of which MNOK 8.1 (£940 000) relates to the building (shell only) and MNOK 4.1 (£472 500) relates to the plant and machinery. The building will be depreciated over 25 years and the plant and machinery will be depreciated over 10 years. The purchase is financed by:

1. A mortgage with HSBC of MNOK 6.9 (£800 000) over 15 years with an interest rate of 2.5% over the bank's steering base rate.

2. A grant from The European Regional Development Fund of total MNOK 3.9 (£450 000) over the next 3 years. The grant is recognised in other receivables and will be written off to the P&L over the life of the assets to which it relates.

3. An additional loan of MNOK 1.7 (£200,000) from HSBC over 15 years with an interest rate of 2.5% over the bank's steering base rate.

Both the mortgage with HSBC of £800 000 and the loan with HSBC of £200 000 are in breach with the agreed covenance in 4Q 2011. A waiver, valid throughout 2012, has been issued by HSBC on the 30th of December 2011 and at year end 2011 the Company is therefore in compliance with the revised covenants.

14. Additional acquisition of Calidus Engineering Ltd.

Unaudited figures in NOK 1000

Calidus Engineering Ltd. is a private limited company registered in UK. The company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK. The parties have agreed upon an acquisition model in which Badger Explorer ASA gradually until 2013 will acquire 100% of Calidus Engineering Ltd. Badger Explorer ASA has now acquired 75% of the shares in the company. The first 50% of the shares were acquired in November 2007 through a combined purchase of outstanding shares and a share issue. Additional 25% of the shares were acquired in April 2011 through purchase of outstanding shares. The remaining 25% of the shares are to be acquired in 2013. The acquisition of this non-controlling interest has been accounted for as an equity transaction in accordance with revised IAS 27.

	Nov. 2007	Apr. 2011	Total
Cash flow on acquisition:	50%	25%	75%
Net cash acquired with the subsidiary	-708	0	-708
Net cash acquired through own share issue	-1 731	0	-1 731
Cash paid	8 910	8 279	17 189
Net cash outflow:	6 471	8 279	14 751

Calidus Engineering Ltd. was from 01.12.2007 consolidated with a 50% minority interest and is consolidated with a 25% minority interest from 01.04.2011.

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