

Income Statement - Badger Explorer ASA

All figures in NOK

| | Note | 2014 | 2013 |
|---|----------|--------------------|--------------------|
| REVENUES | | | |
| Other income | | 0 | 70 268 |
| Public grants | 2 | 14 674 620 | 22 375 451 |
| Capitalized public grants | 8 | -14 674 620 | -22 375 451 |
| Total revenues | | 0 | 70 268 |
| OPERATING EXPENSES | | | |
| External services for development project | 8 | 16 520 280 | 24 990 861 |
| Payroll and related costs | 6 | 17 342 776 | 14 908 711 |
| Depreciation | 7 | 300 883 | 450 753 |
| Other operating expenses | | 11 356 929 | 10 729 145 |
| Capitalized development costs | 8 | -24 106 993 | -31 523 302 |
| Total operating expenses | | 21 413 875 | 19 556 168 |
| Operating profit (loss) | | -21 413 875 | -19 485 899 |
| Financial income | 3 | 677 694 | 735 287 |
| Other financial income | 3 | 375 080 | 0 |
| Financial expenses | 3 | 303 604 | 339 335 |
| Loss on sale of associate and shares | 3,16 | 156 802 | 0 |
| Impairment of remaining shares | 3,16 | 156 802 | 0 |
| Share of profit / (loss) of associates | 3,16,17 | 2 387 020 | 380 443 |
| Net financial income (loss) | | -1 951 455 | 15 509 |
| Profit (loss) before tax from continuing operations | | -23 365 330 | -19 470 390 |
| Tax on ordinary result from continuing operations | 4 | 0 | 0 |
| Net profit / (loss) for the year from continuing operations | | -23 365 330 | -19 470 390 |
| Discontinued operations: | | | |
| Profit / (loss) after tax for the year from discontinued operations | 16,17 | 0 | -4 343 576 |
| Net profit (loss) | | -23 365 330 | -23 813 965 |
| Profit (loss) attributable to non-controlling interest | | 0 | 54 378 |
| Profit (loss) attributable to equity holders of the parent | 5 | -23 365 330 | -23 868 344 |
| Earnings per share from continuing operations | 5 | -1,26 | -1,29 |
| Earnings per share diluted from continuing operations | 5 | -1,23 | -1,28 |
| Earnings per share from discontinued operations | 5 | | -0,23 |
| Earnings per share diluted from discontinued operations | 5 | | -0,23 |

Statement of financial position - Badger Explorer ASA

All figures in NOK

| ASSETS | Note | 2014 | 2013 |
|---------------------------------------|--------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Capitalized development costs | 2,8 | 140 217 614 | 130 785 242 |
| Patent rights | 8 | 386 668 | 386 668 |
| Total intangible assets | | 140 604 282 | 131 171 910 |
| Property, plant & equipment | 7 | 301 304 | 573 069 |
| Total tangible assets | | 301 304 | 573 069 |
| Investments in associate | 17 | 0 | 2 700 624 |
| Total investments in associate | | 0 | 2 700 624 |
| TOTAL NON-CURRENT ASSETS | | 140 905 594 | 134 445 603 |
| CURRENT ASSETS | | | |
| Other receivables | 2,9,14 | 5 390 522 | 6 919 596 |
| Total receivables | | 5 390 522 | 6 919 596 |
| Cash and cash equivalents | 10 | 4 350 500 | 24 943 338 |
| TOTAL CURRENT ASSETS | | 9 741 022 | 31 862 934 |
| TOTAL ASSETS | | 150 646 616 | 166 308 537 |

Statement of financial position - Badger Explorer ASA

All figures in NOK

| EQUITY AND LIABILITIES | Note | 2014 | 2013 |
|--------------------------------------|-------|---------------------|---------------------|
| EQUITY | | | |
| Share capital | 11 | 2 317 161 | 2 317 161 |
| Share premium | 11 | 218 069 985 | 218 069 985 |
| Other paid in capital | 6 | 3 659 643 | 2 965 787 |
| Total paid in equity | | 224 046 789 | 223 352 933 |
| Foreign currency translation reserve | | 0 | 172 373 |
| Retained earnings | | -145 090 529 | -121 897 575 |
| Other equity | | -145 090 529 | -121 725 201 |
| TOTAL EQUITY | | 78 956 260 | 101 627 732 |
| LIABILITIES | | | |
| Capitalized grants | 13 | 66 520 000 | 53 920 000 |
| Total long term liabilities | | 66 520 000 | 53 920 000 |
| Accounts payable | 12,16 | 2 394 292 | 4 401 247 |
| Public duties payables | | 1 650 303 | 3 104 253 |
| Other short term liabilities | 15 | 1 125 761 | 3 255 305 |
| Total short term liabilities | | 5 170 356 | 10 760 805 |
| TOTAL LIABILITIES | | 71 690 356 | 64 680 805 |
| TOTAL EQUITY AND LIABILITIES | | 150 646 616 | 166 308 537 |

Stavanger, 25th March 2015


Marcus Hansson
 (Chairman of the Board)


Birte Noer Borrevik
 (Board member)


Bjørge Gretland
 (Board member)


Tone Kvåle
 (Board member)


David Ottesen
 (Board member)


Steinar Bakke
 (President & CEO)

Statement of comprehensive income - Badger Explorer ASA

All figures in NOK

| Total comprehensive income | 2014 | 2013 |
|--|--------------------|--------------------|
| Profit (loss) for the year | -23 365 330 | -23 813 965 |
| Other comprehensive income - items that will later be reclassified to profit or loss | | |
| Translation differences | 0 | 1 933 211 |
| Total comprehensive income for the year, net of tax | -23 365 330 | -21 880 754 |

| Total comprehensive income attributable to: | 2014 | 2013 |
|--|--------------------|--------------------|
| Equity holders of the parent | -23 365 330 | -21 935 133 |
| Non-controlling interest | 0 | 54 378 |
| Total comprehensive income | -23 365 330 | -21 880 754 |

Statement of Change in Equity - Badger Explorer ASA

All figures in NOK

| Note | Share capital | Share premium | Other paid in capital | Foreign currency translation reserve | Retained earnings | Non- controlling interest | Total equity |
|---|------------------|------------------|-----------------------------|---|----------------------|---------------------------------|-----------------|
| Equity as of 1 January 2013 | 2 317 161 | 218 069 985 | 4 581 523 | -1 760 838 | -98 029 231 | 1 879 958 | 127 058 559 |
| Profit (loss) for the year | | | | | -23 868 344 | 54 378 | -23 813 965 |
| Foreign currency translation | | | | 1 933 211 | | | 1 933 211 |
| Total comprehensive income | | | | 1 933 211 | -23 868 344 | 54 378 | -21 880 754 |
| Changes in non- controlling interest | 16 | | | | | -1 934 336 | -1 934 336 |
| Option plan payment | 6 | | -1 615 736 | | | | -1 615 736 |
| Equity as of 31 December 2013 | 2 317 161 | 218 069 985 | 2 965 787 | 172 373 | -121 897 575 | | 101 627 732 |
| Profit (loss) for the year | | | | | -23 365 330 | | -23 365 330 |
| Total comprehensive income | | | | | -23 365 330 | | -23 365 330 |
| Other changes | 16 | | | -172 373 | 172 373 | | 0 |
| Option plan payment | 6 | | 693 856 | | | | 693 858 |
| Equity as of 31 December 2014 | 2 317 161 | 218 069 985 | 3 659 643 | 0 | -145 090 529 | 0 | 78 956 260 |

Statement of Cash Flow - Badger Explorer ASA

All figures in NOK

| | Note | 2014 | 2013 |
|---|--------------|--------------------|--------------------|
| Cash flow from operational activities | | | |
| Contributions from operations* | | -20 419 137 | -20 596 504 |
| Change in accounts receivable and accounts payables | | -2 006 954 | 2 486 451 |
| Change in other receivables and payables | | -1 286 695 | 1 079 370 |
| Net cash flow from operating activities | A | -23 712 786 | -17 030 683 |
| Cash flow from investment activities | | | |
| Capitalization of development costs | 8 | -24 106 993 | -31 523 302 |
| Sale of shares in associate | 16 | 0 | 5 442 108 |
| Net cash flow from investment activities | B | -24 106 993 | -26 081 194 |
| Cash flow from financing activities | | | |
| Public grants | 2 | 13 907 721 | 20 342 653 |
| Contributions from industry partners | 13 | 12 600 000 | 29 920 000 |
| Interest received | 3 | 648 037 | 386 710 |
| Other financial income | 3 | 375 080 | 0 |
| Interest paid | 3 | -303 604 | -2 658 |
| Net cash flow from financing activities | C | 27 227 234 | 50 646 705 |
| Total net changes in cash flow - continuing operations | A+B+C | -20 592 545 | 7 534 827 |
| Total net changes in cash flow - discontinued operations | | 0 | -198 862 |
| Cash and cash equivalents at beginning of period | 10 | 24 943 338 | 17 607 757 |
| Cash and cash equivalents at end of period | 10 | 4 350 500 | 24 943 338 |
| Net result attributable to equity holders of the Company | | -23 365 330 | -19 470 390 |
| Profit (loss) attributable to non-controlling interest | | 0 | 54 378 |
| Employee options | 6 | 693 856 | -1 615 736 |
| Depreciation | 7 | 300 883 | 450 753 |
| Financial income | 3 | -1 052 774 | -735 287 |
| Financial expenses | 3 | 303 604 | 339 335 |
| Share of (profit) / loss of associate | 3,16 | 2 387 020 | 380 443 |
| Impairment of remaining shares | 3 | 156 802 | 0 |
| Loss on sale of associate and shares | 3,16 | 156 802 | 0 |
| *Total contributions from operations | | -20 419 137 | -20 596 504 |

Note 1 Accounting policies

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

1.1 Basis of presentation of the accounts

The financial statement of BXPL has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

BXPL has not been a group entity in 2014 and accounts, as now presented, are individual separate financial statements of the Company. This means that the principles, previously applied in the consolidated financial statements, continue to be applied for the separate financial statements. Comparative figures are consistent with the consolidated figures for 2013. BXPL has made an assessment to prepare separate financial statements in accordance with IAS 27, as a result of the requirement set by the Norwegian Accounting Act. Separate financial statements are prepared by BXPL applying IFRS and they don't have any significant differences related to financial position, compared to BXPL's individual financial statements. Based on the above mentioned assessment, BXPL's separate financial statements are not required to be presented for 2014. The financial statement has been prepared on an historical cost basis.

1.2 Investment in associates

BXPL's investment in the associate is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at fair value. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The income statement reflects BXPL's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

BXPL's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, BXPL determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as share of loss of an associate in the income statement.

Upon loss of significant influence over the associate, BXPL measures and recognises any retained investment as its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

1.3 Foreign currency translation

The Company presents its financial statements in Norwegian kroner (NOK). This is also BXPL's functional currency. The figures presented in the annual accounts are in Norwegian kroner unless otherwise stated.

Translation differences are taken to profit or loss. Transaction in foreign currencies are initially recorded in the functional currency rate quoted at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the balance sheet date.

Income statement in foreign associate is translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign associate 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.

Note 1 Accounting policies (continues)

1.4 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Discontinued operations are presented separately in the income statement in accordance with IFRS 5 for fiscal years 2013.

1.5 Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, receivables, available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include, in addition to cash and cash equivalents, trade and other receivables classified at fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial income in the income statement. The losses arising from impairment are recognised in the income statement in cost of sales or other operating expenses for receivables. This category includes accounts receivable and other receivables carried at amortised cost or at nominal amount less provision for bad debt were this can be regarded as a reasonable proxy for amortised cost.

1.6 Financial liability

Initial recognition

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and, in the case of loans and borrowings and payables, net of direct attributable transaction costs.

BXPL's financial liabilities include trade and other payables, borrowings (capitalized grants).

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Note 1 Accounting policies (continues)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and subject to an insignificant risk of change in value.

1.8 Fixed assets

Fixed assets are carried at cost less accumulated depreciations and impairment losses. When fixed assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

The gross carrying amount of fixed assets is the purchased price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Subsequent costs, such as repair and maintenance costs, are recognised in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognised in the balance sheet as additional to fixed assets.

Depreciation is calculated using the straight-line method over the following periods:

Plant and machinery: 6 - 10 years

Fixtures, fittings and vehicles: 3 - 5 years

The depreciation period, the depreciation method and the residual value of fixed assets are evaluated annually.

1.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is expensed as incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as change in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets are capitalized 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.

Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Note 1 Accounting policies (continues)

Patents and licenses

Cost relating to patents and licenses are capitalized as incurred. Depreciation is recognised in the balance sheet and depreciated using the straight-line method over the expected useful life, commencing when the technology is ready for its intended use. The expected useful life of patents and licenses varies from 5 to 20 years.

Research and development

Expenses relating to research and development are recognised in the income statement when they are accrued. Expenses relating to development are capitalized if the following criteria are met in full:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company's intention to complete and its 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 asset.

When all the above criteria are met, the costs relating to development are capitalized. All costs related to the Badger Explorer development project is capitalized continuously every month. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up).

Costs that have been charged as expenses in previous accounting periods are not capitalized.

Recognised development costs are depreciated on a straight-line basis over the estimated useful life for the asset, usually not exceeding 10 years. Depreciation starts when the asset is ready for use. No depreciation has been performed for the development projects yet. The fair value of the development costs will be calculated when there is an indication of change in value.

1.10 Provisions

A provision is recognised in the accounts only when the Company is a subject to a liability that is a consequence of an event that has already happened and where it is likely that in order to reduce the liability the Company will have to apply financially measurable resources, and the liability can be reasonably estimated. Provisions are evaluated at the end of each month and adjusted to reflect the available information about the provision. Where the information available is insufficient, a best estimate is used.

1.11 Recognition of revenue

Revenue is recognised to the extent when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of value added tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from consulting is recognised as the services are provided. Sales of services on a fixed fee basis are recognised in line with the degree of completion. The degree of completion is calculated on the basis of the number of hours of work delivered to date divided by the total number of hours estimated for the delivery in total.

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

1.12 Public grants and contribution from partners

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 capitalized, the belonging grants are deducting the carrying amount of the asset.

Public grants received to date are related to (ref. note 8):

- development projects and deducted in the carrying amount of the related project

Note 1 Accounting policies (continues)

Where the grants relate to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related assets.

When the contributions from partners are subject to specific requirements, the contributions are recognised in the balance sheet as long term liabilities. When the contributions from partners are not subject to specific requirements, the contributions are recognised in the balance sheet as a deduction of the carrying amount of the related project. ref. note 13.

1.13 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all taxable temporary differences on assets and liabilities.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The tax payable and deferred tax are recognised directly as other comprehensive income in equity to the extent that they relate to factors that are recognised directly as other comprehensive income in equity.

1.14 Contingent liabilities and assets

Contingent liabilities are defined as

- (i) possible obligations resulting from past events whose existence depends on future events.
- (ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources.
- (iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements. Significant contingent liabilities are stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognised in the annual financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Company.

1.15 Events after the balance sheet date

New information received after the balance sheet date relating to events and transactions incurred before the balance sheet date is reflected in the balance sheet/income statement. Events after the balance sheet date that do not affect the Company's position at the balance sheet date but affect the Company's position in the future are stated if significant.

1.16 Use of estimates when preparing the annual financial statements

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements, is given in the following note:

- Capitalized development cost/R&D cost (note 8)

The preparation of the Company's financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment of the carrying amount of the asset or liability affected in the future.

Note 1 Accounting policies (continues)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgement that technological and economical feasibility is confirmed. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up). Capitalized carrying amount for the development project amounts to NOK 140.218 million as of 31 December 2014, see note 8. The capitalized development of NOK 140.218 million is the main asset of BXPL, equivalent to 99.5% of total assets.

The capitalized development of NOK 140.218 million is the main asset of BXPL, equivalent to 94.1% of total assets. Future sales of Badger operations have a minimum net price indication of USD 12 million. According to the Development Agreement § 19.11, gross margin is defined to 70 % during the first six years of delivery and then 50 % gross margin the next six years. Book value of the technology is limited compared to these earnings estimates. The Company performs an assessment of the uncertainties related to the timing of the technology commercialization and a value of a single Badger technology unit in the future. Via the development agreement the partners have a first right to buy Badger services at agreed terms. The right to buy the first operations secures BXPL prime customers and likely delivery of many units. The year-end valuation of the capitalized technology must be seen in this perspective.

Costs that have been expensed in previous accounting periods are not recognized in the balance sheet.

1.17 Share options

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed further below and in note 6.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Note 1 Accounting policies (continues)

1.18 Impairment of assets

The Company assesses whether there are any indicators of impairment for all assets at each reporting date.

An assessment of impairment losses on assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong.

Impairment losses recognised in the income statements of previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

1.19 Cash flow statement

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

1.20 Costs related to equity transactions

Costs directly related to equity transactions are recognised directly on the equity after deduction of tax.

1.21 Changes in accounting policies and disclosures

The Company has implemented all changes in standards and interpretations for 2014. The implementation of these changes have not resulted in any changes to the group beyond the information given in the notes.

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective, are disclosed below. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

Standards issued but not yet effective or implemented up to the date of issuance of the Company's financial statements This listing of standards and interpretations are those that the Company reasonably expect to have an impact on disclosures, financial position or performance when applied in future periods.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1, issued as part of IASBs Disclosure Initiative, further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements.

The amendments are not yet approved by the EU. For entities outside the EU/EEA with a statutory obligation to keep accounts, the amendments will be effective for accounting periods beginning on or after 1 January 2016.

IAS 27 Separate Financial Statements

The amendments restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The entity must apply the same accounting for each category of investments.

The amendments are not yet approved by the EU. For entities outside the EU/EEA with a statutory obligation to keep accounts, the amendments will be effective for accounting periods beginning on or after 1 January 2016.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9.

Note 1 Accounting policies (continues)

Annual Improvements 2010-2012

IFRS 2 Share-based Payment

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 13 Fair Value Measurement

The IASB clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

- Adjust the gross carrying amount of the asset to market value

Or

- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value

The IASB also clarified that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount - accumulated depreciation/amortisation = carrying amount).

The amendments to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.

IAS 24 Related Party Disclosures

The amendments clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The Company does not anticipate that the implementation of the standards and interpretations detailed above will have any material impact on the accounts when they are implemented other than in terms of the information that will have to be provided in the notes.

Note 2 Public grants and development costs

(All figures in NOK)

Badger Explorer ASA (BXPL) has previously received public grants from the Research Council of Norway (RCN), Innovation Norway and Skattefunn for the Badger Explorer Demonstrator Program (Demonstrator Program). The projects of the Demonstrator Program are funded with a percentage of the total project costs. In 2014, RCN has granted NOK 6.353 million to the development of the Badger autonomous drilling tool. BXPL also received a tax deduction of NOK 1.554 million from Skattefunn. Innovation Norway awarded a public grant of NOK 6 million during July - December 2014. In 2013, BXPL received a public grant from Innovation Norway of NOK 14 million for BXPL's ongoing Demonstrator Program. BXPL also received grants from RCN of NOK 5.071 million and Skattefunn of NOK 1.280 million. Public grants related to the development projects are deducted in the carrying amount of the related asset.

The public grants and all project development costs of BXPL, related to the Demonstrator Program, are capitalized in accordance with the IFRS regulations, except of NOK 3.793 million for 2014 and NOK 3.267 million for 2013. These additional project costs are related to the restriction on capitalisation of own personnel cost in the IFRS standard.

Note 3 Financial items

(All figures in NOK)

| | 2014 | 2013 |
|--|-------------------|---------------|
| Interest income related to cash and cash equivalents | 96 526 | 364 385 |
| Loss on sale of associate and shares | -156 802 | 0 |
| Share of profit / (loss) of associate | -2 387 020 | -380 443 |
| Other financial income | 384 922 | 22 325 |
| Other financial expenses | -99 469 | -2 658 |
| Currency gain | 571 326 | 348 577 |
| Currency loss | -204 136 | -336 676 |
| Impairment of financial assets | -156 802 | 0 |
| Net financial items | -1 951 455 | 15 509 |

Note 4 Tax

(All figures in NOK)

| | 2014 | 2013 |
|---------------------------|----------|----------|
| Income tax expense | | |
| Payable tax | 0 | 0 |
| Other | 0 | 0 |
| Tax from previous years | 0 | 0 |
| Changes in deferred tax | 0 | 0 |
| Total tax expense | 0 | 0 |

Calculation of basis for tax

| | | |
|----------------------------------|-------------|-------------|
| Earnings before tax | -23 365 330 | -19 470 390 |
| Permanent differences | 3 408 018 | -1 586 085 |
| Changes in temporary differences | 19 957 312 | 21 056 475 |
| Total basis for tax | 0 | 0 |

Summary of temporary differences:

| | | |
|----------------------|---------------------|---------------------|
| Fixed assets | -674 859 | -688 131 |
| Loss carried forward | -144 456 674 | -124 486 089 |
| Total | -145 131 533 | -125 174 220 |

Deferred tax asset -39 185 514 -33 797 039

Note 4 Tax (continues)

(All figures in NOK)

Statement of Financial Position

| | 2014 | 2013 |
|---|--------------------|--------------------|
| Deferred tax asset | | |
| Loss carried forward | -39 003 302 | -33 611 244 |
| Fixed assets | -182 212 | -185 795 |
| Total deferred tax asset | -39 185 514 | -33 797 039 |
| Valuation allowance | 39 185 514 | 33 797 039 |
| Total deferred tax asset recognised in the Statement of Financial Position | 0 | 0 |

Deferred tax asset is not recognised in the Statement of Financial Position as BXPL is in a development phase and is currently generating losses.

| Loss carried forward as of 31 December 2014 | 2014 | 2013 |
|---|-------------|-------------|
| Unlimited carrying forward | 144 456 674 | 124 486 089 |
| Effective tax rate | 2014 | 2013 |
| Profit / (loss) before tax from continuing operations | -23 365 330 | -19 470 390 |
| Profit / (loss) before tax from discontinued operations | 0 | -4 343 576 |
| 27% tax of earnings before tax from continuing operations | -6 308 639 | -5 451 709 |
| 27% tax of earnings before tax from discontinued operations | 0 | -1 216 201 |
| Permanent differences | 920 165 | 0 |
| Changes in deferred tax asset not recognised in the Statement of Financial Position | 5 388 474 | 5 385 451 |
| Effect due to changes in tax rate from 28% to 27% on the deferred tax asset* | 0 | 1 251 742 |
| Permanent differences and other effects** | 0 | 30 717 |
| Calculated tax cost | 0 | 0 |
| Effective tax rate from continuing operations | 0 % | 0 % |
| Effective tax rate from discontinued operations | | 0 % |

* It is adopted that the income tax rate in Norway is reduced from 28% to 27% from January 1, 2014. Deferred tax / liability on all temporary differences in the Norwegian Companies are calculated using a tax rate of 27%.

** The tax cost was related to tax on the profit in Severn Subsea Technologies Ltd.

Note 5 Earnings per share

(All figures in NOK)

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

Options, awarded to employees at the end of 2006 and 2007, are waived and not included in the calculation of diluted earnings per share. The effect of options awarded to the employees in September 2009, June 2010, October 2011, September 2013 and February 2014 are all included in the calculation of diluted earnings per share for 2013 and 2014.

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Profit (loss) attributable to equity holders of the Company | -23 365 330 | -23 868 344 |
| Profit (loss) from discontinued operations | 0 | -4 343 576 |
| Weighted average outstanding ordinary shares | 18 537 288 | 18 537 288 |
| Effect of dilution - share options | 523 000 | 50 667 |
| Weighted average outstanding diluted shares | 19 060 288 | 18 587 955 |

| | | |
|--|-------------|-------------|
| Earnings per share from continuing operations | 2014 | 2013 |
| Ordinary | -1,26 | -1,29 |
| Diluted | -1,23 | -1,28 |
| Earnings per share from discontinued operations | | 2013 |
| Ordinary | | -0,23 |
| Diluted | | -0,23 |

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

| | | |
|---|-------------------|-------------------|
| Payroll and related costs | 2014 | 2013 |
| Salaries and vacation pay | 12 733 637 | 12 364 136 |
| Employers' national insurance contributions | 2 021 301 | 1 962 401 |
| Option plan payment (incl. national insurance contributions)* | 667 757 | -1 589 637 |
| Remuneration to the Board of Directors and the Nomination Committee | 815 000 | 1 115 000 |
| Other benefits (incl. pension scheme) | 1 105 081 | 1 056 485 |
| Total salaries and personnel expenses | 17 342 776 | 14 908 711 |

* Total of NOK 2.402 million in 2013 relates to the share options costs due to severance of employment of previous CEO Mr. David Blacklaw. Total of 370,579 share options, granted in 2011, forfeited prior to vesting on 15 September 2013.

| | | |
|--|-------------|-------------|
| Number of employees | 2014 | 2013 |
| The average number of employees in full time equivalent from continuing operations | 12 | 13 |
| The average number of employees in full time equivalent from discontinued operations | | 26 |

Pensions

The pension scheme in BXPL is a defined contribution scheme where agreed contributions are expensed as paid. Contributions range from 4% to 7% of the employee's salary. The scheme fulfils the legal requirements for occupational pension schemes (OTP). BXPL has no further pension commitments when agreed contributions are paid. BXPL's contribution costs are charged to the Income Statement in the year in which the contribution applies.

| | | |
|--|-------------|-------------|
| | 2014 | 2013 |
| Contributions expensed during the year | 468 548 | 477 181 |

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

| | | | |
|--|---------------|-----------------------|---------------------|
| | 2014 | | |
| | Salary | Other Benefits | Pension |
| Remuneration to members of Management | | | scheme costs |
| Chief Executive Officer (CEO) | 1 735 856 | 14 535 | 54 792 |
| Chief Technology Officer (CTO) | 1 066 859 | 26 799 | 54 792 |
| General Manager* | 2 328 116 | 28 036 | 49 268 |

* Compensation includes accrued vacation pay and other payments paid out in respect of employee's death at work.

At the end of 2014, Management of BXPL consists of CEO, CFO, CTO and Sr. Vice President Business Dev. & Strategy. Remuneration for CFO and Sr. Vice President Business Dev. & Strategy is included in the note 12 "Related party transactions".

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

| | 2013 | | |
|---|-----------|----------------|-------------------------|
| | Salary | Other Benefits | Pension scheme costs |
| Remuneration to members of Management | | | |
| Chief Executive Officer (CEO 1)** | 1 356 831 | 291 943 | 36 464 |
| Chief Executive Officer (CEO 2)* | 525 000 | 104 379 | 15 418 |
| Chief Financial Officer (CFO)**** | 989 605 | 18 554 | 27 837 |
| Chief Technology Officer (CTO) | 1 013 084 | 23 187 | 52 803 |
| Sr. Vice President Business Dev. & Strategy**** | 947 336 | 14 132 | 26 256 |
| General Manager*** | 1 195 665 | 28 450 | 52 982 |
| Legal Adviser & HR Manager | 573 681 | 17 238 | 22 810 |

* The Board of Directors granted a bonus of NOK 100,000 to Mr. Steinar Bakke (CEO 2).

** There was a change of Chief Executive Officer during 2013. Mr. David Blacklaw (CEO 1) left the Company on 15 September 2013 and Mr. Steinar Bakke (CEO 2) took office on 16 September 2013.

*** Manager Quality, Risk & Supply Chain took up his new position as General Manager on 1 July 2013. The amount indicated above was paid for the entire year 2013.

**** Remuneration indicated above for CFO and Sr. Vice President Business Dev. & Strategy does not include any payments made in respect of performed consultancy services. For transactions with related parties see note 12.

At the end of 2013, Management of BXPL consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy, General Manager and Legal Adviser & HR Manager.

Shares and options owned directly or indirectly by members of Management as of 31 December 2014

| | Shares | Options |
|---|----------------|----------------|
| Chief Executive Officer (CEO) | 30 000 | 370 000 |
| Chief Financial Officer (CFO) | 309 872 | 0 |
| Chief Technology Officer (CTO) | 0 | 24 000 |
| Sr. Vice President Business Dev. & Strategy | 229 422 | 0 |
| Total | 569 294 | 394 000 |

| Changes in share options owned by members of Management | Options as of 1 January 2014 | Option exercised in the period | Options forfeited in the period | Options granted in the period | Options as of 31 December 2014 |
|---|------------------------------------|--------------------------------------|---------------------------------------|----------------------------------|--------------------------------------|
| Chief Executive Officer (CEO) | 370 000 | 0 | 0 | 0 | 370 000 |
| Chief Technology Officer (CTO) | 0 | 0 | 0 | 24 000 | 24 000 |
| Total | 370 000 | 0 | 0 | 24 000 | 394 000 |

On 17 February 2014, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 213,000 share options at a strike price of NOK 7.51, corresponding to 1.2% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised at the earliest 12 months subsequent to the date of grant and thereafter at up to 2 occasions during each calendar year, between three and ten days after publications of the Company's Q1 and Q3 results in 2016 and 2017. A total number of 67,500 share options forfeited. The remaining 145,500 share options were "out of the money" on 31 December 2014.

BXPL entered into a consultancy agreement with Mr. Blacklaw on 16 September 2013. Mr. Blacklaw was granted 100,000 share options to acquire shares in BXPL at a strike price of NOK 7.50. The share options could be exercised at any time from the date of grant until 31 December 2014. The share options expired on 31 December 2014.

On 16 September 2013, Mr. Steinar Bakke took on the position as President and CEO. Upon commencement of the employment, Mr. Bakke was granted 370,000 share options in BXPL at a strike price of NOK 6.50. 185,000 share options will vest on the day of the publication of the Company's Q4 2015 report. A further 185,000 share options will vest on the day of the publication of the Company's Q2 2017 report. The exercise of fully vested share options is at the sole of discretion of the option holder. All share options were "out of the money" on 31 December 2014.

Remuneration to the Board of Directors and the Nomination Committee

Remuneration to the members of the Board of Directors for 2013, that was approved by the Annual General Meeting in 2014, is divided among the Board members as follows: NOK 300,000 to the Chairman of the Board Mr. Marcus Hansson, NOK 120,000 to Mrs. Hilde Christiansen, NOK 150,000 to Mrs. Tone Kvåle with the addition of NOK 50,000 for her work in the BXPL's Audit Committee and NOK 150,000 to Mr. David Ottesen.

The Remuneration to members of the Nomination Committee is divided as follows: NOK 25,000 to the Chairman of the Nomination Committee and NOK 10,000 to each of the member of Nomination Committee.

The Remuneration to the Board of Directors and the Nomination Committee, that was approved by the General Assembly and paid in 2013 and 2014, is listed in table below:

| Remuneration to the Board of Directors and the Nomination Committee | 2014 | 2013 |
|--|----------------|------------------|
| Marcus Hansson - Chairman of the Board, Audit Committee 2012/2013 | 300 000 | 300 000 |
| Hilde Christiansen - Board member 2013 | 120 000 | 0 |
| Kristine Holm - Board member 2012/2013 | 0 | 150 000 |
| Tone Kvåle - Board member, Audit Committee 2012/2013 | 200 000 | 200 000 |
| Clive Mather - Board member 2011/2012 | 0 | 300 000 |
| John R. Wilson - Board member (27 April 2011 - 8 October 2012) | 0 | 125 000 |
| Rolf E. Ahlqvist - Nomination Committee | 25 000 | 20 000 |
| Bjørge Gretland - Nomination Committee | 10 000 | 10 000 |
| David Ottesen - Board member 2013 | 150 000 | 0 |
| Knut Åm - Nomination Committee | 10 000 | 10 000 |
| Total remuneration | 815 000 | 1 115 000 |

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

Employee options

On 17 February 2014 the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 213,000 share options. The current Management has been allocated 24,000 share options. On 31 December 2014, a total of 67,500 share options held by employees forfeited and 43,167 share options were cancelled. A total number of 100,000 share options held by Mr. D. Blacklaw expired on 31 December 2014. On 31 December 2014, a total of 523,000 share options were outstanding.

| | 2014 | | 2013 | |
|--|---------------|---------------------------------|---------------|---------------------------------|
| | Share options | Weighted average exercise price | Share options | Weighted average exercise price |
| Summary of outstanding options: | | | | |
| Outstanding options 01.01. | 520 667 | 7,27 | 462 913 | 17,46 |
| Granted options | 213 000 | 7,51 | 470 000 | 6,71 |
| Exercised options | 0,00 | 0,00 | 0,00 | 0,00 |
| Cancelled options | -43 167 | 12,90 | 0,00 | 0,00 |
| Forfeited | -67 500 | 7,79 | -412 246 | 18,09 |
| Expired options | -100 000 | 7,50 | 0,00 | 10,00 |
| Outstanding options 31.12. | 523 000 | 6,79 | 520 667 | 7,27 |
| Vested options | 0,00 | 0,00 | 150 667 | 9,17 |
| Weighted Average Fair Value of options granted during the period | 213 000 | 3,45 | 470 000 | 2,88 |
| Charged against the Income statement: | 693 856 | | -1 615 736 | |
| Charged against the Income Statement - Employers' national insurance contribution: | -26 099 | | 26 099 | |

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting on 5 May 2014. This authorisation is valid until the next General Meeting to be held in 2015 with an ultimate expiry date on 30 June 2015. The authorisation is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of Management for 2014

The main principle of the Company's remuneration policy for BXPL's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2014 was based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2014, the assessment criteria will be based on both Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

The Company's Management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

In February 2014, a new share option program for all BXPL employees was implemented. The current Management has been allocated 24,000 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 7.51. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50. The options granted will be vested in tranches and can be exercised at the earliest 12 months subsequent to the date of grant and thereafter at up to 2 occasions during each calendar year, between three and 10 days after publications of the Company's Q1 and Q3 results in 2016 and 2017. CEO Steinar Bakke has been granted 370,000 share options at a strike price of NOK 6.50. 185,000 shares options will vest on the date of the publication of BXPL's Q4 2015 report. A further 185,000 shares options will vest on the date of the publication of BXPL's Q2 2017 report. The exercise of fully vested shares options is at the sole discretion of the option holder.

All members of the Management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G (NOK 1,060,440). The retirement age for all employees, including Management, is 67 years.

Remuneration policy for members of Management - Guidelines for 2015:

The main principle of the Company's remuneration policy for BXPL's Management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2015 will be based on the principles noted below.

The fixed salary for each member of the Management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2015, the assessment criteria will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

The Company's Management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

Note 6 Salaries, other benefits, number of employees (continues)

(All figures in NOK)

In February 2014, a new share option program for all BXPL employees was implemented. The current Management has been allocated 24,000 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 7.51. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50. The options granted will be vested in tranches and can be exercised at the earliest 12 months subsequent to the date of grant and thereafter at up to 2 occasions during each calendar year, between three and 10 days after publications of the Company's Q1 and Q3 results in 2016 and 2017. CEO Steinar Bakke has been granted 370,000 share options at a strike price of NOK 6.50. 185,000 shares options will vest on the date of the publication of BXPL's Q4 2015 report. A further 185,000 shares options will vest on the date of the publication of BXPL's Q2 2017 report. The exercise of fully vested shares options is at the sole discretion of the option holder.

All members of the Management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G (NOK 1,060,440). The retirement age for all employees, including Management, is 67 years.

Fees to auditor

(All figures in NOK)

| | 2014 | 2013 |
|----------------------|----------------|------------------|
| Audit fees* | 130 000 | 330 000 |
| Assurance services** | 42 185 | 40 900 |
| Other assistance*** | 129 867 | 831 850 |
| Total | 302 052 | 1 202 750 |

All fees stated are excluding VAT.

* Audit fees consist of fees for the audit of the Company's annual financial statements and its internal controls.

** Assurance services consist of fees billed for assurance and related services and include consultations concerning financial accounting and reporting standards, review of the Company's quarterly financial statements. These fees also include review of interim report.

*** Other assistance consists of fees billed for other services related to preparation of tax returns, divestiture of shares in Severn Subsea Technologies Ltd. in 2013. Legal advisory and assistance fees amounted to NOK 618,400 for 2013. There were no legal fees incurred during 2014.

All audit services in 2013 and 2014 are recognised as expenses. Audit-related fees incurred in 2013 and 2014 are in accordance with the Company's policy.

Note 7 Tangible fixed assets

(All figures in NOK)

| 2014 | Property, plant & equipment | Total 2014 |
|--|--------------------------------|----------------|
| Cost price 01.01. | 5 764 330 | 5 764 330 |
| Additions | 29 118 | 29 118 |
| Disposals | 0 | 0 |
| Cost price 31.12. | 5 793 447 | 5 793 447 |
| Accumulated depreciations 31.12. | -5 492 143 | -5 492 143 |
| Accumulated depreciation of disposed asset | 0 | 0 |
| Currency translation difference | 0 | 0 |
| Booked value 31.12. | 301 304 | 301 304 |
| Depreciation | -300 883 | -300 883 |
| Depreciation rate %: | 10% - 33% | |
| Economic life (years): | 3 - 10 | |
| Depreciation method: | straight line | |

Note 7 Tangible fixed assets (continues)

(All figures in NOK)

| 2013 | Buildings* | Property, plant & equipment | Total 2013 |
|---|---------------|-----------------------------|----------------|
| Cost price 01.01. | 9 221 453 | 13 786 065 | 23 007 518 |
| Additions | 0 | 32 677 | 32 677 |
| Disposals | -9 221 453 | -8 054 413 | -17 275 866 |
| Cost price 31.12. | 0 | 5 764 330 | 5 764 330 |
| Accumulated depreciations 31.12. | 0 | -5 191 260 | -5 191 260 |
| Accumulated depreciation of disposed assets | 176 357 | 2 804 189 | 2 980 546 |
| Booked value 31.12. | 0 | 573 069 | 573 069 |
| Depreciation | 0 | -450 753 | -450 753 |
| Depreciation from discontinuing operations | -45 157 | -621 843 | -667 000 |
| Depreciation rate %: | 4 % | 10% - 33% | |
| Economic life (years): | 25 | 3 - 10 | |
| Depreciation method: | straight line | straight line | |

The depreciation period and method are assessed each year to ensure that the method and period used harmonize with the financial realities of the non-current asset. The same applies to the scrap value.

BXPL has entered into operating leases for offices and other equipment. The costs are as follows:

| Operating leasing costs | 2014 | 2013 |
|--------------------------------------|------------------|------------------|
| Rent costs on buildings | 1 979 948 | 1 972 040 |
| Other | 33 271 | 105 963 |
| Total operating leasing costs | 2 013 219 | 2 078 003 |

The future minimum rents related to non-cancellable leases fall due as follows for BXPL:

| | Within 1 year | 2-5 years | After 5 years |
|---------------------------|------------------|----------------|---------------|
| Operational leasing costs | 11 400 | 0 | 0 |
| Rent costs on buildings | 2 135 952 | 533 988 | 0 |
| Total | 2 147 352 | 533 988 | 0 |

The lease agreement for the main office (headquarters) has been entered into for a period of 5 years. This agreement expires on 31 March 2016 and includes an option to extend the agreement for 3+3 years at market conditions.

Note 8 Intangible assets

(All figures in NOK)

BXPL has recognised the following intangible assets in the Statement of Financial Position (including internal built up assets such as development costs).

| 2014 | Patents* | Development costs | Total |
|----------------------------------|----------------|--------------------|--------------------|
| Cost price 01.01. | 400 000 | 130 785 242 | 131 185 242 |
| Additions** | 0 | 24 106 993 | 24 106 993 |
| Public grants | 0 | -14 674 620 | -14 674 620 |
| Cost price 31.12. | 400 000 | 140 217 614 | 140 617 614 |
| Accumulated depreciations 31.12. | 13 332 | 0 | 13 332 |
| Book value 31.12. | 386 668 | 140 217 614 | 140 604 282 |

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs apply to the development of the Badger Explorer technology in Badger Explorer ASA. Depreciation will commence when the technology is ready for its intended use.

** The addition in 2014 consists of external services of NOK 9.577 million, purchase of manufactured parts, components and materials of NOK 6.336 million, internal personnel costs of NOK 7.587 million and travel expenses of NOK 0.445 million for the Badger Explorer development projects.

| 2013 | Patents* | Development costs | Goodwill | Total |
|----------------------------------|----------------|--------------------|------------|--------------------|
| Cost price 01.01. | 400 000 | 121 637 391 | 5 595 285 | 127 632 675 |
| Additions** | 0 | 31 523 302 | 0 | 31 523 302 |
| Disposals*** | 0 | 0 | -5 595 285 | -5 595 285 |
| Public grants | 0 | -22 375 451 | 0 | -22 375 451 |
| Cost price 31.12. | 400 000 | 130 785 242 | 0 | 131 185 242 |
| Accumulated depreciations 31.12. | 13 332 | 0 | 0 | 13 332 |
| Book value 31.12. | 386 668 | 130 785 242 | 0 | 131 171 910 |

** The addition in 2013 consists of external services of NOK 18.079 million, purchase of manufactured parts, components and materials of NOK 6.337 million, internal personnel costs of NOK 6.532 million and travel expenses of NOK 0.360 million for the Badger Explorer development projects.

There has not been made any depreciation on intangible asset in 2013 and 2014.

All development costs in 2013 and 2014 are related to the development of the Badger Explorer technology in BXPL. The development work contains inherent technology risk and risk related to the funding contributions from the partners. An amount of management focus will continue to be applied to prudent financial management, improved cost-effectiveness and simplification of non-technical activities.

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs apply to the development of the Badger Explorer technology in Badger Explorer ASA. Depreciation will commence when the technology is ready for its intended use.

Note 9 Total receivables

(All figures in NOK)

| | 2014 | 2013 |
|--|------------------|------------------|
| Skattefunn & Reasearch Council of Norway receivables | 4 595 016 | 3 828 117 |
| Other receivables | 795 506 | 3 091 479 |
| Total receivables | 5 390 522 | 6 919 596 |

Total receivables in BXPL include VAT refund, prepaid expenses and public grants from Skattefunn and RCN.

For age distribution of accounts receivables see note 14.

Note 10 Cash and cash equivalents

(All figures in NOK)

| | 2014 | 2013 |
|--------------------------|-----------|------------|
| Cash at bank | 4 350 500 | 24 943 338 |
| Total cash at bank | 4 350 500 | 24 943 338 |
| Restricted bank deposits | 1 091 589 | 601 061 |

Note 11 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

| Number of shares | 2014 | 2013 |
|------------------|-------------------|-------------------|
| 01.01.2014 | 18 537 288 | 18 537 288 |
| Capital increase | 0 | 0 |
| 31.12.2014 | 18 537 288 | 18 537 288 |

Nominal value per share is NOK 0.125.

As of 31 December 2014, the 20 largest shareholders were:

| | No. of shares | % share |
|------------------------------------|-------------------|--------------|
| CONVEXA CAPITAL IV AS | 3 200 780 | 17,3 % |
| STATE STREET BANK AND TRUST CO. | 2 699 997 | 14,6 % |
| INVESCO PERP EUR SMALL COM | 1 233 338 | 6,7 % |
| THE BANK OF NEW YORK MELLON SA/NV | 922 224 | 5,0 % |
| HOLBERG NORDEN VERDIPAPIRFONDET | 813 455 | 4,4 % |
| ODIN OFFSHORE | 631 794 | 3,4 % |
| SKANDINAVISKA ENSKILDA BANKEN S.A. | 615 000 | 3,3 % |
| IRIS-FORSKNINGSINVEST AS | 497 584 | 2,7 % |
| DALVIN RÅDGIVNING AS | 301 872 | 1,6 % |
| ANØY INVEST DA | 278 800 | 1,5 % |
| TTC INVEST AS | 250 000 | 1,3 % |
| KNUT ÅM | 242 600 | 1,3 % |
| KJELL ERIK DREVDAL | 222 600 | 1,2 % |
| MP PENSJON PK | 213 200 | 1,2 % |
| NILSHOLMEN INVESTERING AS | 209 222 | 1,1 % |
| VENTOR AS | 190 004 | 1,0 % |
| ESPELID KARLSTEIN JOHAN | 170 000 | 0,9 % |
| SIGMUND STOKKA | 168 693 | 0,9 % |
| BAKKEN MADDS | 150 000 | 0,8 % |
| AC ACACIA | 149 900 | 0,8 % |
| 20 largest shareholders | 13 161 063 | 71,0 % |
| 727 other shareholders | 5 376 225 | 29,0 % |
| Total of 747 shareholders | 18 537 288 | 100 % |

All shares have equal voting rights.

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting on 5 May 2014. These authorisations are valid until the next Annual General Meeting to be held in 2015 with an ultimate expiry date on 30 June 2015. The first authorization is provided for increasing the Company's share capital with up to NOK 115,858 by way of issuance of up to 926,864 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution). The second authorization is provided for increasing the Company's share capital with up to NOK 231,716 by way of issuance of up to 1,853,728 shares in conjunction with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 12 Related-party transactions

(All figures in NOK)

Related parties represent shareholders of BXPL. Pricing policies and terms of these transactions are approved by the Board of Directors and BXPL's management. The terms and conditions of the related party transactions were made on an arm's length basis.

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 parties | 2014 | 2013 |
|-----------------------------------|-----------|-----------|
| Purchased services* | 4 411 106 | 1 870 941 |

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders, Dalvin Rådgivning AS and Nilsholmen AS. During 2014, payments totalling NOK 1.764 million were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 27,311 related to travel expenses. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS. In 2014, Nilsholmen AS, a company owned by Mr. Kjell Markman, received payments of NOK 2.268 million in respect of performed consultancy services and NOK 352,285 related to travel expenses. Mr. Markman is Sr. VP Business Development & Strategy of BXPL.

For transactions with Severn Subsea Technologies Ltd. and Mr. Nigel Halliday please refer to note 16.

| Shares held by members of the Board of Directors and members of Management | 2014 | 2013 |
|--|------------------|------------------|
| SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson) | 565 000 | 565 000 |
| Dalvin Rådgivning AS (CFO - Gunnar Dolven) | 301 872 | 301 872 |
| Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 209 222 | 209 222 |
| President & CEO - Steinar Bakke | 30 000 | 0 |
| Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman) | 20 200 | 20 200 |
| Chairman - Marcus Hansson | 11 668 | 11 668 |
| CFO - Gunnar Dolven | 8 000 | 8 000 |
| Board member - Tone Kvåle | 5 000 | 5 000 |
| Ordinary shares | 1 150 962 | 1 120 962 |
| % of total shares | 6,2 % | 6,0 % |

Note 13 Conditional commitments

(All figures in NOK)

Contribution recognised as capitalised grants in the Statement of Financial Position

BXPL has received contributions from the industry partners amounting to NOK 66.520 million whereas NOK 53.920 million were received prior to 2014. These contributions shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to a total of 150% of received contributions.

Note 14 Financial risk management objectives and policies

(All figures in NOK)

BXPL is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company's Management oversees the management of these risks and assures that BXPL's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below.

Exchange rate risk

The Company's cash reserves of NOK 4.351 million are deposited in a Norwegian bank. All the Company's financial instruments are in NOK. When commercial operations in larger scale commence, a currency exchange policy will be introduced.

Note 14 Financial risk management objectives and policies (continues)

(All figures in NOK)

Interest rate risk

BXPL has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates which affect the financial income and the return on cash. The Company has NOK 1.951 million in net financial loss as of 31 December 2014. Drawdowns on the credit facility are subject to interest costs and credit facility fee, gross costs through 2014 have been NOK 136,789.

Credit risk

BXPL trades only with recognised, creditworthy third parties. It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is insignificant. BXPL has not suffered any loss on receivables during 2014.

Liquidity risk

Liquidity risk is the risk that BXPL will not be able to meet its financial obligations as they fall due. BXPL's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to BXPL's reputation.

BXPL monitors its liquidity risk to be able to meet its financial obligations as they fall due. An assessment of such obligations is made and compared against the cash flow projection on a regular basis.

The cash position of BXPL at year end 2014 was NOK 4.351 million, compared to NOK 24.943 million in 2013. BXPL entered into a revolving credit facility with a Norwegian bank on 22 August 2012 that provides for borrowings of up to NOK 7.5 million with an interest rate of 4.95%. In addition, there is a yearly commission of 1.0% on the credit line. The facility has not been used during Q4 2014.

The remaining funding from the BDP, tax deduction from Skattefunn 2014, remaining grants payable from the RCN and Badger Development partner funding, if committed, is considered sufficient cash to carry the business into 2016. Contingencies for 2015 include an overdraft facility with the BXPL's bank, public grants and partner funding. As of 25 March 2015, the signatures from the partners on the Badger Development Program are pending.

BXPL has announced a next phase program - the Badger Development Program. The three-year program is planned to commence in early 2015. The Badger Development Program has a total budget of NOK 180 million. The financing plan includes two partners joining during 2015, the third partner joining in 2016 and the fourth in 2017. Once the partner participation is signed, BXPL will apply to the RCN and other public grants bodies for further industry funding.

Cash spend will be carefully managed during 2015 - 2016. The Badger Development Program will be the main source of operational funding in 2015 - 2017.

At this stage in the various Badger programs, BXPL management is aware of technical and engineering challenges that may be time consuming - although not impossible - to solve. Hence, the main uncertainty will be timing. Delays in the technical development may occur which can give financial implications. The current status of BXPL's projects does not give reason to highlight any such challenges, and should they occur, BXPL's management has several means to try and avoid delays.

Capital management

Capital includes equity.

The primary focus of the Company's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders value.

BXPL manages its capital structure and makes adjustments to it based on changes of the economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives, policies or processes during 2014.

BXPL monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Company does not have any interest bearing loans, the gearing ratio was positive for 2014.

| | 2014 | 2013 |
|-----------------------------------|----------------|--------------------|
| Trade and other payables | 5 170 356 | 10 760 805 |
| Less cash and short-term deposits | -4 350 500 | -24 943 338 |
| Net debt | 819 856 | -14 182 533 |

Note 14 Financial risk management objectives and policies (continues)

(All figures in NOK)

| | | |
|-----------------------------|-------------------|--------------------|
| Equity | 78 956 260 | 101 627 732 |
| Total capital | 78 956 260 | 101 627 732 |
| Capital and net debt | 79 776 116 | 87 445 199 |
| Gearing ratio | 1 % | -16 % |

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments:

| | 2014 | | 2013 | |
|---------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and cash equivalents | 4 350 500 | 4 350 500 | 24 943 338 | 24 943 338 |
| Current receivables | 5 390 522 | 5 390 522 | 6 919 596 | 6 919 596 |
| Trade and other payables | 5 170 356 | 5 170 356 | 10 760 805 | 10 760 805 |
| Investments in associates | 0 | 0 | 2 700 624 | 2 700 624 |

Age distribution of receivables

As at 31 December 2014, the ageing analysis of receivables is as follows:

| | Total | Neither past due nor impaired | Past due but not impaired | | | | |
|------|-----------|-------------------------------------|---------------------------|------------|------------|-------------|-----------|
| | | | <30 days | 30-60 days | 60-90 days | 90-120 days | >120 days |
| 2014 | 5 390 522 | 5 390 522 | 0 | 0 | 0 | 0 | 0 |
| 2013 | 6 919 596 | 6 919 596 | 0 | 0 | 0 | 0 | 0 |

Note 15 Other short term liabilities

(All figures in NOK)

| | | |
|---|------------------|------------------|
| Other short term liabilities | 2 014 | 2 013 |
| Accrued expenses | 36 872 | -2 227 |
| Employee benefits (vacation expenses) | 994 378 | 1 246 931 |
| Accrued interests | 94 511 | 0 |
| Other short term liabilities* | 0 | 2 010 600 |
| Total other short term liabilities | 1 125 761 | 3 255 305 |

* Other short term liabilities were related to a shortfall payable to Severn Subsea Technologies Ltd. in 2013.

Note 16 Subsidiaries and investments in associates

(All figures in NOK)

Severn Subsea Technologies Ltd.

Severn Subsea Technologies 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.

On 28 June 2013, BXPL divested its 70% interest of SST to Severn Glocon for a net amount of NOK 7.189 million with a loss of NOK 1.120 million in the Group. Upon settling the completion accounts, BXPL realised a further loss of NOK 838,350 accounted for in December 2013.

SST was classified as a disposal group held for sale and as discontinued operations. The financial information of the associate was excluded from the respective captions in the financial statements and related notes for the years presented. It was disclosed in the separate financial statements ref. note 17.

Note 16 Subsidiaries and investments in associates (continues)

(All figures in NOK)

From 28 June 2013, 30% of the shares in SST were owned by BXPL. The investment in SST was 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 the shares was recognised according to equity method.

On 15 December 2014, Severn Glocon acquired another 15% of the shares in SST. Loss of NOK 156,802 arising from the partial disposal of investment in the associated company is recognised in the Income Statement.

The remaining 15% shares will be disposed in the end of 2015 on an earn-out model basis. The share purchase price for the future transaction is linked to SST's financial performance during 2015. BXPL's fair value assessment of the investment in the shares was set to zero at year end 2014 and impairment of NOK 156,802 has been booked.

Carrying amount movements in the Statement of Financial Position of BXPL for the period ended 31 December 2014:

| | |
|--|------------|
| Carrying amount of 30% interest retained on 31 December 2013 | 2 700 624 |
| 30% share of net result in the associate for the period 1 January - 15 December 2014 | -2 387 020 |
| Sale of 15% of shares on 15 December 2014 | -156 802 |
| Impairment of the remaining 15% of shares in SST | -156 802 |
| Closing balance for the period ended 31 December 2014 | 0 |

| Transactions with Severn Subsea Technologies Ltd. | 2014 | 2013 |
|---|-----------|------------|
| Accounts payable* | 16 092 | 1 885 573 |
| Purchased services* | 1 871 500 | 13 172 941 |

* The Company purchased engineering- and production services from SST. Mr. Nigel Halladay (previous MD of Calidus Engineering Ltd.) owns 75,500 shares in BXPL. All purchased services from SST in 2013 and 2014 are related to the development project in BXPL.

Note 17 Discontinued operations

(All figures in NOK)

On 28 June 2013, BXPL management publicly announced the decision to dispose SST. Consequently, assets and liabilities allocable to SST were classified as a disposal group held for sale and as a discontinued operation. Revenues and expenses, gains and losses relating to the discontinuation of the associate have been eliminated from profit or loss from BXPL's continuing operations and are shown as a single line item on the income statement.

The P&L figures of SST for the six months ended 28 June 2013 were as follows:

| | 2013 |
|--|---------------------------------------|
| | for the six months ended 28 June 2014 |
| Revenue | 8 863 696 |
| Operating expenses | 10 396 149 |
| Operating profit (loss) | -1 532 453 |
| Depreciation | 667 000 |
| EBIT | -2 199 453 |
| Net financial income (loss) | -185 918 |
| Net loss of 70% of control of the subsidiary* | -1 958 204 |
| EBT | -4 343 576 |
| Tax on ordinary result from discontinued operations | 0 |
| Profit (loss) after tax for the year from discontinued operations | -4 343 576 |

* The detailed calculation of a net loss of 70% of control of Severn Subsea Technologies Ltd. is presented below.

Note 17 Discontinued operations (continues)

(All figures in NOK)

BXPL accounted for the disposal of 70% interest as follows:

Partial disposal of 70 % interest in Severn Subsea Technologies Ltd.

| | |
|--|------------|
| Available-for-sale investment | 3 081 066 |
| Cash proceeds on disposal of 70% interest in the subsidiary as of 28 June 2013 | 7 189 155 |
| Subsequent change of estimated cash proceeds as of 31 December 2013 | -838 350 |
| Net assets of the subsidiary | 9 756 471 |
| OCI effects* | 1 633 605 |
| Net loss of control of the subsidiary | -1 958 204 |

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

Loss on interest disposed of Severn Subsea Technologies Ltd.

| | |
|---|-------------------|
| Cash proceeds on disposal of 70% interest as of 28 June 2013 | 7 189 155 |
| Subsequent change of estimated cash proceeds as of 31 December 2013 | -838 350 |
| Carrying amount of 70% interest in the subsidiary | -6 829 530 |
| 70% of OCI effects* | -1 143 523 |
| Result of the disposal of 70% interest | -1 622 248 |

Loss on interest retained of Severn Subsea Technologies Ltd.

| | |
|--|-----------------|
| Carrying amount of 30% available-for-sale investment | 3 081 066 |
| Carrying amount of 30% interest | -2 926 941 |
| 30% of OCI effects* | -490 081 |
| Result on interest retained | -335 956 |

*Other comprehensive income

Note 18 Subsequent events

(All figures in NOK)

On 5 February 2015, the Steering Committee formally approved the delivery of Milestones 5 and 6 of the Badger Explorer Demonstrator Program. The delivery was executed in two stages: 1) the tool was installed in a custom built test setup to allow horizontal drilling and compaction tests. It drilled through a set of formations and used drilled cuttings to compact a plug into the same hole; 2) a final report of the Demonstrator Program was sent to the partners.

No other events have taken place after the reporting period that would have affected the financial statements or any assessments carried out.

Note 19 Assessment of going concern

(All figures in NOK)

The Board of Director's accepts the going concern assumption to be present but the Board assesses the current liquidity situation as very tight. Payment of sign-on fee for the Development Program is required in a short period of time (June 2015) and the signatures from the partners in the Development Program are pending as of 25 March, 2015. The Board assesses the uncertainties for pending signatures and corresponding liquidity risk causing significant doubt about the Company's ability to continue as a going concern.

Key Figures Badger Explorer ASA

| | 2014 | 2013 |
|---|-----------|-----------|
| Selected items from Income Statement (1000 NOK) | | |
| Total revenues | 0 | 70 |
| Public grants | 14 675 | 22 375 |
| Capitalized development costs | -24 107 | -31 523 |
| Total operating expenses | 21 414 | 19 556 |
| EBIT | -21 414 | -19 486 |
| Net profit (loss) for the year from continuing operations | -23 365 | -19 470 |
| Net profit (loss) for the year from discontinued operations | 0 | -4 344 |
| Profit (loss) attributable to non-controlling interest | 0 | 54 |
| Profit (loss) attributable to equity holders of the parent | -23 365 | -23 868 |
| Earnings per share from continuing operations (NOK) | -1,26 | -1,29 |
| Earnings per share from discontinued operations (NOK) | 0,00 | -0,23 |
| Selected items from Statement of Financial Position (1000 NOK) | | |
| Capitalized development costs | 140 218 | 130 785 |
| Total non-current assets | 140 906 | 134 446 |
| Total current assets | 9 741 | 31 863 |
| Total assets | 150 647 | 166 309 |
| Total equity | 78 956 | 101 628 |
| Equity ratio | 52,4 % | 61,1 % |
| Total liabilities | 71 690 | 64 681 |
| Selected items from Statement of Cash Flow (1000 NOK) | | |
| Net cash flow from operating activities | -23 713 | -17 031 |
| Net cash flow from investment activities | -24 107 | -26 081 |
| Net cash flow from financing activities | 27 227 | 50 647 |
| Total net changes in cash flow - continuing operations | -20 593 | 7 534 |
| Total net changes in cash flow - discontinued operations | 0 | -199 |
| Cash and cash equivalents at end of period | 4 351 | 24 943 |
| Average number of employees from continuing operations | 12 | 13 |