



BADGER[®]
EXPLORER



QUARTERLY REPORT

2. QUARTER 2006

GENERAL

The General Assembly was held at the company's premises on the 24th of April 2006 and 56.4% of the share capital was represented. The Annual accounts and the Directors report for 2005 were approved by the General Assembly. All resolutions were made according to the recommendation in the notice. Electronic version of Annual Report 2005 is available in Norwegian on www.bxpl.com.

After nearly 3 years of work, Badger Explorer ASA was informed on May 23rd that the U.S. Patent Office has approved the application for the Badger Explorer drilling device. This consent is utmost positive and important for the future development of the Bader Explorer technology and the value of the company.

INVESTOR RELATIONS

The Company is OTC listed with ticker code BXPL.

DEVELOPMENT PROJECT - BADGER EXPLORER PROTOTYPE

General

A steering committee meeting was held on the 4th of April 2006. The steering committee consists of representatives from the companies ExxonMobil, Shell and Statoil. A positive feedback was given by the committee on the progress and the work performed.

Project Work

Main focus for the Prototype project work during 2nd quarter has been the drilling module, drill cuttings transport, compaction of cuttings and bore hole-sealing.

The drilling module design specifications have been developed based on the experience gained from test drilling, discussions with drilling experts and in depth technical studies. Motor specifications have been submitted to potential suppliers for feedback. In addition the 3D-modelling of the Badger drilling module is in progress.

Various pump technologies for cuttings transport have been identified, one model has been tested and additional tests are being planned.

Full scale compaction tests have been performed and the design of the compaction module is being refined. Methods for measuring the performance of the compaction device have been identified and used.

A study has been executed regarding the expansion process in the bore hole and a conceptual solution has been chosen for the expansion mechanism. The design and draft 3D model is being continuously refined by the design team using results from tests and studies.

A study including laboratory tests is ongoing to verify the properties of the compressed cutting and the permeability of sand- and soil mixtures.

Test site for full scale testing of Drilling- and Expansion/Compaction module has been selected at IRIS (International Research Institute of Stavanger AS). Test plans are under preparation and discussions with the authorities have started to free this area for this purpose.

Conclusion

The project develops according to planned progress and preliminary technical results are edifying and positive in all aspects.

NEW EMPLOYEES



Kim Røed

1.6.2006 - Senior design engineer

Educated engineer at NTNU and holds a M. Sc. degree within Industrial design. Experience from product development, industrial design, project work from National Oilwell Varco and experience from industrial design of hardware, product development of software and productification of services.

FINANCE (NON AUDITED NUMBERS)

P&L Summary (numbers in 1000)	2. quarter 2006
Revenues	
Other Income	129
Public subsidies	1 646
Activated public subsidies	-1 646
Total Revenues	129
Operating Expenses	
External services for development project	-1 775
Salary	-1 982
Depreciation	-175
Other Operating Expenses	-2 675
Activated project costs	4 551
Total Operating Expenses	-2 056
EBIT	-1 927
Net financials	1 052
EBT	-875

Balance sheet	per 30.06.06
ASSETS	
FIXED ASSETS	
Development costs	5 363
Patent rights	387
Deferred tax benefit	2 376
Sum intangible assets	8 126
Machinery, furniture and fixtures	915
Sum other fixed assets	915
TOTAL FIXED ASSETS	9 041
CURRENT ASSETS	
Accounts receivable - customers	89
Other accounts receivable	1 793
Sum accounts receivable	1 882
Cash	65 344
TOTAL CURRENT ASSETS	67 227
TOTAL ASSETS	76 267

EQUITY AND LIABILITIES	
EQUITY	
Share capital	1 680
Share premium account	68 473
Sum paid in equity	70 153
Other equity	-672
Sum Earned equity	-672
TOTAL EQUITY	69 481
LIABILITIES	
Contribution from Partners	6 120
Sum long term liabilities	6 120
Accounts payable	611
Payables to public authorities	-250
Other short term liabilities	305
Sum short term liabilities	666
TOTAL LIABILITIES	6 786
TOTAL EQUITY AND LIABILITIES	76 267



Employees in Badger Explorer ASA
Rear f.l.: Are Sandkleiva, Kjell Erik Drevdal
Middle f.l.: Hege Furland, Dave J. Gardner, Kim Røed
Front f.l.: Silje E. Jacques, Kenneth O. Rosén

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