



BADGER
EXPLORER



Semi-annual Report 1H 2008

Badger Explorer ASA (BXPL) has during 1H 2008 taken further important steps to progress the technical product development and to prepare for the commercial stage.

Preparations for the Demo50 at the Denmark test site have been undertaken including jig based drilling tests, geoscience studies and the building of a fully assembled Badger Explorer. Components for the Badger Explorer Demo50 test have undergone critical testing in preparation for the semi-autonomous tests planned in Denmark in 2H 2008.

The extended partner agreement which has been signed by ExxonMobil and StatoilHydro involve extensive support in the ongoing development phase and also covers the period through to and into commercial operations together with the partners, expected 2010.

1H - AN OVERVIEW

During 1H 2008 the main activities in the company can be summarised as follows:

- conducting of jig-assisted Badger Explorer tests at test site in Denmark
- Finalisation of extended partner agreement, signed by ExxonMobil and StatoilHydro
- Conclusive Plasma Channel drilling activities.

Spending is in line with budget and cash position is strong.

A revised development plan has been worked out, including product development time line, pilot testing and commercialisation phase. The company is in line with this revised plan with regards to progress, technical development, time and budget.

Plasma Channel Drilling has been brought to a tentatively conclusive phase, resulting in reduced focus for the coming 3-4 quarters. This will make available additional resources to the Badger development program.

A specific development plan regarding Badger Explorer has been communicated to the market involving:

- 3Q 2008 semi -autonomous drilling and self-burying of the tool at the Denmark site
- development and testing of a Demo125 version through 2009
- introduction of a pilot commercial 125 version estimated to be launched in 2010.

The majority of technical efforts in 1H 2008 have been on the Demo50 preparations.

THE BADGER EXPLORER PROTOTYPE DEVELOPMENT

The Badger Explorer is a revolutionary new method/device for hydrocarbon exploration, providing substantial lower risk, cost and complexity than utilising an expensive drilling rig. The Badger Explorer technology is subject to a lot of attention in the industry. The method will lower the risk for environmental pollution and greatly reduce the disturbances commonly associated with exploration activities.

During the spring 2008 Badger Explorer ASA has successfully completed the first part of its Demo50 full scale prototype test at the test site in Denmark. The tests have been performed onshore in an area with relevant geology, show encouraging results and verify that the test area and the prototype unit are well-suited for the rest of the Demo50 tests to be performed during the second half of this year.

Valuable results and experience has been drawn from the tests, which focused mainly on the following modules/functions; drilling and pump module, cuttings/fluid transportation, borehole expansion and cuttings compaction. In addition, the purpose of the tests was to gain operational experience from the test site and the surrounding area, associate with local suppliers of services and equipment, test alternative techniques in separating cuttings and fluid, and verify the suitability of the geology for further testing. The achievements verify the design and the capabilities of the technology at this stage and represent another step towards a commercial launch of Badger Explorer.

Some components and solutions aimed for the Demo125 pilot version have been tested. This version is planned to be tested throughout 2009.

Among the company's technology development partners are the oil companies ExxonMobil, StatoilHydro and Shell. These partners have previously secured first right of refusal to buy the full manufacturing capacity of Badger Explorer at market price for a period of three years from commercialisation through an extended partner agreement. ExxonMobil and StatoilHydro have signed the extended partner agreement, Shell's signature is still pending.

Calidus Engineering Ltd, UK, the company in which Badger Explorer ASA acquired 50 % ownership in December 2007, is now



contributing to a large extent by delivering sophisticated hydraulic and electronic power systems as well as integrated electronic control systems.

BXPL are now proceeding with prototype assembly in order to initiate and complete testing of the Demo50 semi-autonomous drilling unit within 2008.

Based on the 2Q 2008 Denmark field tests and the various adjustment implemented it is the opinion of Badger Explorer ASA that the development team is well prepared for the Demo50 self-burying test to take place autumn 2008.

BADGER PLASMA TECHNOLOGY AS, 100 % SUBSIDIARY

Badger Plasma Technology AS, the 100 % owned subsidiary of BXPL, has concluded its project for the use of Plasma Channel Drilling (PCD) technology with financial support from Research Council of Norway (RCN), StatoilHydro and Shell. The project delivered promising results, and other applications will be investigated further.

Results achieved in the test programme verify the potential of the PCD technology within the oil industry, in particular scale removal services show promising results. However some operational challenges related to operational conditions remain unsolved, and will have to be further developed in order to introduce commercial services.

Removing different obstructions in production/injection wells are applications which the PCD technology has been tested for with encouraging results. In addition the technology has been tested for various other applications which may be investigated further. The study, however, has concluded that the PCD technology is not a viable alternative to the current drill bit solutions in the Badger Explorer design.

Badger Plasma Technology AS will continue to assess the PCD technology, yet considerable work remains with regards to fully model and control the plasma physics and to design safe and robust down-hole tools. The Company will seek industry partners to elaborate such paths in the future. As a result of the conclusive PCD tests lower attention will be given to PCD in the months to come, enabling BXPL to use all available internal and external resources on the Badger Explorer development program. Until the future strategy for Badger Plasma Technology AS has been fully revised, the Badger Explorer ASA CEO Mr Kjell Erik Drevdal will remain in charge of the subsidiary.

CALIDUS ENGINEERING LTD, 50 % SUBSIDIARY

Calidus Engineering Ltd, UK, (Calidus) is a well reputed specialist firm within high-temperature electronic components and solutions, and is an important supplier to BXPL within these areas. Development work on behalf of BXPL is ongoing within these fields. Calidus has a staff of 18 skilled engineers. In addition to modelling and engineering design services, they run a prototype based machine shop. Their clients mainly come from local and global clients in the oil industry, the thermal industry as well as from the R&D field.

INVESTOR RELATIONS AND FINANCIAL ISSUES

The cash position of the Badger Explorer Group as of 30.06.2008 is MNOK 186, with a net equity of MNOK 212(93%). Deposits are held only with Norwegian rated banks, and split on 3months floating nibar terms and fixed 6 months nibar terms. At present banks offer nibar plus contracts.

The BXPL shares have been traded at stock prices between NOK 20 and NOK 32 during 1H 2008. Approx. 11.4 million shares have been traded 1H through altogether 800 quoted transactions. Related to the stock listing of June 12th 2007 a lock-up agreement was entered into by major founding and inside investors, this agreement terminated March 12th, 2008.

The number of shareholders is stable at approx. 570 investors. The 20 largest shareholders have increased their total stake from 81% ultimo 1Q to 83% ultimo 2Q 2008.

Quarterly investor presentations have been held in Oslo, Stavanger and London.

Carnegie released Initial Coverage of BXPL May 9th, 2008.

The annual general meeting was held 15. May 2008 where new directors were elected. The new Board of Directors consists of:

- Mr. Knut Åm, Chairman, elected 2003
- Mrs Kristine Holm, Director, elected 2007
- Mrs Kristijane Cook Bulukin, Director, elected 2007
- Mr. Geir Worum, Director, elected 15.05.2008
- Mr. Christian Bull Eriksson, Director, elected 15.05.2008

BADGER EXPLORER GROUP

The magnitude of the Badger Explorer Group operations now consists of between 40 and 50 people as skilled Calidus engineers have joined the team. The core staff of Badger Explorer ASA consists of 16 persons and was extended with two new employments in 1Q 2008.

The group is seeking more specialists and technical support staff, and the number of employees will continue to increase during 2008. In order to facilitate for the growth of the company, the group headquarters have been moved to new office premises at Hinna Park in Stavanger Badger Explorer Group makes use of testing facilities and workshops both in Stavanger, the site in Denmark and at Calidus Engineering in Cornwall UK.



EQUAL OPPORTUNITIES AND FEAR TREATMENT OF PERSONNEL

As of 30.06.2008 Badger Explorer ASA has 15 permanent employees of which 3 are female. Badger Plasma Technology AS has no permanent employee. Calidus Engineering Ltd. has 18 employees, 16 male and 2 female. In order to succeed, the Group is dependant upon engaging the best competence available. Hence competence must be sourced where it is available. However the company will emphasize the importance of maintaining a balance and distribution of gender, equal compensation for similar work, and equal opportunities for everyone in the development and running of the company. The staff is multinational representing 5 nationalities. The Board of Directors has five members; three male and two female.



MAIN FIGURES

Revenues for 2Q 2008 amounted to kNOK 1 594 and to kNOK 3 561 for 1H 2008, compared to kNOK 33 for 2Q 2007 and kNOK 183 for 1H 2007.

Operating expenses for 2Q 2008 amounted to kNOK 5 007 and to kNOK 9 447 for 1H 2008, compared to kNOK 2 941 for 2Q 2007 and kNOK 4 766 for 1H 2007.

EBITDA for 2Q 2008 amounted to kNOK -3 413 and to kNOK -5 886 in 1H 2008, compared to kNOK -2 908 for 2Q 2007 and kNOK -4 583 for 1H 2007.

Total project development costs for the Badger Explorer Prototype and Plasma Channel Drilling amounted to kNOK 6 355 of which kNOK 5 442 was capitalised for 2Q and amounted to kNOK 11 456 of which kNOK 9 833 was capitalised for 1H 2008.

Public grants for the Badger Explorer Prototype and Plasma Channel Drilling amounted to kNOK 371 for 2Q 2008 and amounted to kNOK 684 for 1H 2008. All public grants are capitalised together with the project costs.

Earnings per share amounted to NOK -0,041 per share for 2Q 2008 and amounted to NOK -0,046 per share for 1H 2008. Cash reserves per 30.06.2008 are MNOK 186.

SUMMARY unaudited figures in NOK 1000	2Q 2008	2Q 2007	30.06. 2008	30.06. 2007
Revenues	1 594	33	3 561	183
Operating expenses	5 007	2 941	9 447	4 766
EBITDA	-3 413	-2 908	-5 886	-4 583
Earnings per share (figures in NOK)	-0,041	-0,128	-0,046	-0,217
Projects development costs	6 355	4 579	11 456	7 988
Public grants for projects dev.	371	1 334	684	2 302
Cap. of dev. costs and public grants	5 071	2 542	9 149	4 154

RISK CONSIDERATIONS

For a company, which is dependent on groundbreaking technological development, it is of the utmost importance to continuously analyze the risks and manage them in a professional manner. The company works continuously in a focused manner to reduce all risk elements which could influence the company's success, both through continuous progress in the development projects and through securing competence, skills, capacities, financing and robust partnerships.

The extended partner agreement, announced 1Q 2008, must be regarded as the most risk reducing external effort so far. In addition further efforts, strategic acquisitions and partnerships are evaluated on a continuous basis.

The company is focusing on the following risk elements on a continuous basis:

- Technology/Badger Explorer;

The Badger Explorer concept is not yet fully designed and tested, but the tests so far have been very positive. The development work is complex and time consuming. The time schedule in the development plan estimates a commercial service to be launched 2010. However there is risk tied to the fact that the development of the Badger Explorer technology could be more extensive than planned for and that this could result in longer period to fully develop the product. The extended agreement with the partners implies comprehensive product development support, and is to be regarded as risk reducing in its nature.

- Technology/the Plasma Technology;

The Plasma Channel Drilling qualification project is now completed and concluded. The plasma channel methodology seems to have no or little advantages over existing drilling methods, thus further work on plasma channel drilling has been put on hold. Qualification and consideration of alternative applications is ongoing and should be concluded by 1Q 2009.

- Progress;

Today, no competitors have been identified to the Badger Explorer technology. However, these could appear and the time to market introduction will be of vital importance for market positioning and profit potential of the technology. Simultaneously, it is necessary to spend the time needed to develop robust solutions and not compromise on quality and reliability.

The Plasma Technology project has now been completed and the company is now in the process of securing IP and consider the further process with regards to development and commercialization.

- The Market;

There is currently a very strong Oil & Gas market, and indications that the market will remain strong in the years to come. However, unforeseen political, market and macro economic incidents might occur and propel the Oil & Gas market in positive and/or negative directions. During the last year the company has experienced continuous price increases on deliveries and delayed deliveries. The economy in the Badger Explorer concept is considered to be so robust that even a dramatic drop in the rig rates should not dramatically influence the economics of the Badger Explorer. As of today the company is not aware of any competing technologies.

Through the Plasma Technology, Badger Explorer ASA can access other parts of the Oil & Gas markets, which is now under consideration. The most obvious field to explore is the IOR-market (increased oil recovery in mature fields) through oil well maintenance and repair work.

- Competence and resources;

Today the market is very pressed on every level of the supply chain in the petroleum industry. The availability of qualified personnel and manufacturing capacity is limited. This may lead to driving prices even higher and progress delays even longer, factors that to some extent have been experienced through the last year. However, the company has managed to recruit several highly qualified employees during this last year. In addition a strategic acquisition has taken place (Calidus Eng. Ltd.) and a number of important strategic agreements have been formalized. The efforts to secure skilled employees and long-term agreements with various vendors will continue. The company has sufficient solidity and cash available to perform further acquisitions if deemed feasible.

- The Authorities approval for use;

When introducing new concepts, with considerable challenges and new routines, the authorities will require extensive and convincing qualifications that demonstrate operational safety. The company is working actively with this and has already opened a dialog with relevant governmental bodies and authorities. So far, no unsolvable barriers have been identified. This relates to both operation of the Badger Explorer and the Plasma Technology solutions.

- Environmental aspects;

The Badger Explorer technology is a non-polluting alternative to explore for Oil & Gas. Sustainable environmental solutions and efforts to conserve the environment is a major fundament for the company's business concepts. The non-polluting services Badger Explorer offers ought to be a strong incentive for the authorities, professional players within the industry and other stake holder's to have the technology commercialized.

Hence, all these groups will have a common interest in Badger Explorer being realized and introduced to the market as soon as possible. New applications by use of the Plasma Technology may reduce the many heavy environmental issues related to waste treatment from well operations.

- Currency exchange risk;

As a result of acquiring 50% of the shares in Calidus Engineering Ltd. in UK, the Group's balance sheet can be affected to a certain extent by the movements in the GBP/NOK exchange rates. The Group has a very limited numbers of other transactions



in foreign currency which consequently gives a very low currency risk. When commercial operations in larger scale commence a currency policy will be introduced.

- Interest risk;

The Parent Company's cash position of MNOK 186 is deposited with Norwegian banks at NIBOR plus contracts. The company does not use other interest bearing instruments than bank deposits. The company has no interest bearing debt. Thus the interest risk in the company is very limited.

- Credit bearing risk on accounts receivable;

The majority of sales are based on short term credit, whereas the company is exposed to limited credit risk on clients. However, the customers are mainly large international energy corporations having strong solidity and corresponding good credibility. The company has not experienced losses on receivables.

Calidus Engineering Ltd, the 50 % owned entity, invoices in sterling and euro to a limited number of large international customers. The credit risk on receivables in Calidus is regarded limited.

OUTLOOK

The Demo50 testing in Denmark will continue to take place through 2H 2008. The numerous tests will be conducted through a comprehensive test program with high activity level. The company will publish test status at the presentation of the 3Q 2008 report scheduled to be released 22nd of October 2008.

The Demo50 test program is given the highest priority in the company and all efforts are put towards completing the technologically challenging test program whilst maintaining the tight time schedule.

Regarding the Plasma Technology the test results are now being analysed, IP secured and the strategy revised.

The expanded partner agreement is considered to be a major step forward. The partners will contribute with substantial

services and technical support, and hence market introduction and sales can be secured.

From a technical, contractual and commercial point of view important milestones are now being reached. The outlook for the rest of 2008 is positive and challenging. Successful tests of the Demo50 in Denmark will be a major technological milestone, however considerable engineering, systems development, testing and stabilisation will still be needed for the Demo125.

The high activity level within the Oil & Gas industry is expected to continue through 2008.

On one hand Badger Explorer ASA benefits from this promising market outlook. On the other hand the high activity level increases the competition on services, capacity and skilled staff, resulting in cost-increases and postponed deliveries within the industry which also affects the development of Badger Explorer.


The expanded partner agreement will compensate these negative effects to a large extent, and will enable the company to proceed with its ambitious plans.

In addition Badger Explorer ASA benefits from the increasing environmental focus and the advantages of the company's solutions in such respect.

RESPONSIBILITY STATEMENT

The Board of Directors and the CEO confirm that to the best of their knowledge the condensed set of financial statements for the first half year of 2008 which have been prepared in accordance with IAS 34 - Interim Financial Reporting, gives a true and fair view of the Group's consolidated assets, liabilities, financial position and results of the operations for the period, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Stavanger, 20th of August 2008



Knut Åm



Kristine Holm



Kristijane Cook Bulukin



Christian Bull Eriksson



Geir Worum



Kjell Erik Drevdal

ACCOUNTING POLICIES

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Axess stock exchange. The company's head office is located at Jåttåvågeveien 7, N-4020 Stavanger, Norway.

The consolidated financial statement of Badger ASA and all its subsidiaries (the Group) have been prepared on an historical cost basis and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.2007.

The Group's consolidated financial statement comprises Badger Explorer ASA (100%), Badger Plasma Technology as (100%) and Calidus Engineering Ltd. (50%). Intercompany sales and expenses, intercompany receivables and payables are eliminated. Purchase of shares is eliminated towards share capital. Excess value of purchase of shares in Calidus is recognised in the balance sheet as goodwill.

The interim financial statement do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements as at 31.12.2007

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31.12.2007.

Income statements in foreign subsidiaries are translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiaries, including goodwill and adjustments for fair value included in the consolidation are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recorded against the equity.

Inventories are valued at the lower of cost and net realisable value.

Cash includes cash in hand and at bank.

Accounts receivable are recognised in the balance sheet at nominal value less provisions for doubtful debts.

Fixed assets are carried at cost less accumulated depreciations and impairment losses.

The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the asset ready for use.

Depreciation is calculated using the straight-line method.

Intangible assets are capitalised if it is probable that the expected future financial benefits referred to the asset will accrue to the company, and that the cost can be calculated in a reliable matter.

Cost relating to development are capitalised following criteria's are met in full

- the product or the process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or the process will be sold or used in the company's operations;
- the asset will generate future financial benefits; and
- sufficient technical, financial and other recourses for completing the project are present

Costs that have been charged as expenses in previous accounting periods are not recognised in the balance sheet.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.



Revenue from sale of engineering services is recognised on a monthly basis based on completed monthly time sheets completed by the employee at the rate agreed with the customer.

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

Subsidies from the authorities are not recognised until it is reasonably certain that the company will meet the conditions stipulated in connection with the receipt of the subsidies and that the subsidies will be granted. The recognition of subsidies is postponed and depreciated over the period that the costs relating to that which the subsidies are intended for are incurred. Subsidies are recognised as deductions from the cost that the subsidy is meant to cover.

Contributions from partners are recognised in the balance sheet as long term liabilities as the contributions are subject to repayment. Ref. note 13 in the annual accounts.

Options granted in 2006 entitle the employees to receive shares during a 3 year period. This is an equity based option agreement and are recognised on the P&L under personnel costs and on the balance sheet under other paid in equity by 1/36 of the option value per month starting from 01.01.2007. In August 2007 an additional option was granted which entitles the employees to receive shares during a 3 year period. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation.

INCOME STATEMENT

Unaudited figures in NOK 1000

	2Q 2008	2Q 2007	Note	30.06. 2008	30.06. 2007
Revenues					
Other Income	1 594	33	4	3 561	183
Public grants	371	1 334	1	684	2 302
Capitalised public grants	-371	-1 334	2	-684	-2 302
Total Revenues	1 594	33		3 561	183
Operating Expenses					
Cost of goods sold	543	0		1 197	0
External services for dev. project	3 812	2 610	4	6 925	3 698
Salary	3 073	1 356		6 373	3 113
Other Operating Expenses	3 021	2 851	4	4 785	4 410
Capitalised development cost	-5 442	-3 876	3	-9 833	-6 456
Total Operating Expenses	5 007	2 941		9 447	4 766
EBITDA	-3 413	-2 908		-5 886	-4 583
Depreciation	307	106		518	200
EBIT	-3 719	-3 013		-6 403	-4 783
Net financial income	2 925	1 021		5 755	1 635
EBT	-794	-1 992		-649	-3 148
Tax	0	0		0	0
Net profit/loss from operations	-794	-1 992		-649	-3 148
Profit (loss) attributable to minority interests	-35	0		199	0
Profit (loss) attributable to equity holders of the parent	-759	-1 992		-848	-3 148
Earnings per share	-0,041	-0,128		-0,046	-0,217
Earnings per share diluted	-0,041	-0,128		-0,046	-0,217

BALANCE SHEET

Unaudited figures in NOK 1000

ASSETS	30.06. 2008	30.06. 2007	Notes	31.12. 2007
FIXED ASSETS				
Development costs	22 504	10 371	3	13 354
Patent rights	387	387		387
Goodwill	6 195	0	4	6 625
Total intangible assets	29 086	10 758		20 366
Machinery, fixtures, etc.	3 773	1 225		2 726
Total tangible assets	3 773	1 225		2 726
TOTAL FIXED ASSETS	32 859	11 984		23 091
CURRENT ASSETS				
Inventory	1 163	0		645
Sum Inventory	1 163	0		645
Accounts receivable	2 773	12	4	3 086
Other receivables	5 424	4 959	4	3 249
Total receivables	8 197	4 971		6 335
Cash and cash equivalents	185 981	208 259		199 145
TOTAL CURRENT ASSETS	195 341	213 229		206 125
TOTAL ASSETS	228 199	225 213		229 216

EQUITY AND LIABILITIES figures in NOK 1000

	30.06. 2008	30.06. 2007	Notes	31.12. 2007
EQUITY				
Share capital	2 305	2 305	4, 5	2 305
Share premium reserve	217 100	217 282	5	217 100
Other paid in equity	195	46	4, 6	127
Total paid in equity	219 599	219 633		219 532
Currency differences	-1 129	0		-424
Other equity	-8 594	-8 288		-7 746
Total retained earnings	-9 723	-8 288		-8 170
Minority Interest	2 177	0		1 978
TOTAL EQUITY	212 054	211 345		213 341
LIABILITIES				
Capitalised grants	12 055	8 738	7	10 397
Total long term liabilities	12 055	8 738		10 397
Accounts payable	3 045	2 066	4	2 201
Public duties payable	48	351		1 057
Taxes payable	25	0		108
Other short term liabilities	972	2 713		2 112
Total short term liabilities	4 090	5 129		5 479
TOTAL LIABILITIES	16 145	13 868		15 875
TOTAL EQUITY AND LIABILITIES	228 199	225 213		229 216

CASH FLOW

Unaudited figures in NOK 1000	30.06. 2008	30.06. 2007	31.12. 2007
Net cash from operating activities	-9 335	-1 705	-7 548
Net cash from investments	-11 487	-7 043	-22 472
Net cash from financing	7 658	154 246	166 405
Net cash flow	-13 164	145 498	136 384
Cash balance at beginning of period	199 145	62 761	62 761
Cash balance at end of period	185 981	208 259	199 145

EQUITY RECONCILIATION

Unaudited figures in NOK 1000	30.06. 2008	30.06. 2007	31.12. 2007
Equity at beginning of period	213 341	65 013	65 013
Capital increase	0	160 000	160 000
Share issue cost	0	-10 567	-10 749
Net profit (loss)	-848	-3 148	-2 606
Translation differences	-705	0	-424
Employee options	67	46	127
Minority interest	199	0	1 978
Equity at end of period	212 054	211 345	213 341



NOTES

1. The Badger Explorer Prototype project and the Plasma Channel Drilling project is supported by the Research Council of Norway and "Skattefunn" with a percentage of the total project cost. The calculated amount is accrued consecutively.
2. The cost and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised.
3. The project development costs are capitalised in accordance with the IFRS regulations. Additional project cost not capitalised this year due to the restriction in the IFRS standard for the Badger Explorer Prototype project amounts to 1 617 kNOK per 30.06.2008.
4. The 100% owned subsidiary, Badger Plasma Technology AS and the 50% owned subsidiary, Calidus Engineering Ltd. have been consolidated with the mother company Badger Explorer ASA starting from 01.12.2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated.
5. The general assembly decided in meeting on 09.05.2007 to split the existing shares which gave an increase in number of shares from 6.719.520 to 13.439.040. A total of 5.000.000 additional shares were issued in connection with the emission of NOK 160 000 000 and listing on Oslo Axess on 12.06.2007. The total number of shares per 30.06.2008 is 18.439.040 at par value of 0,125 per share.
6. Options granted in 2006 entitle the employees to receive shares during a 3 year period until 15.12.2009. Additional options granted in 2007 entitle the employees to receive shares during a 3 year period until 15.12.2010. These are equity based option agreements and are recognised on the P&L under personnel costs and on the balance sheet under other paid in equity by 1/36 of the option value per month starting from 01.01.2007. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. After the split of the shares the number of options amounts to 76 000.
7. The Group has received contribution from the three industrial partners amounting to a total of NOK 12 055 800. This contribution shall be repaid to the partners by paying 5% of all technology related sales in the future. This royalty is limited to 150% of received contribution.
8. Deferred tax asset has not been recognised.
9. Below table shows the segments of which the management is reporting to the Board of Directors. The segments are the main projects, engineering and other activities (mainly administration).

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

1H 2008 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	4 926	1 644	-3 008	3 561
Segment profit (loss)	-1 618	0	199	571	0	-848
1H 2007 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	0	183	0	183
Segment profit (loss)	-1 225	-307	0	-1 616	0	-3 148
2Q 2008 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	2 226	757	-1 388	1 594
Segment profit (loss)	-908	0	-35	184	0	-759

2Q 2007 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	0	33	0	33
Segment profit (loss)	-526	-177	0	-1 289	0	-1 992

10. The below table states the affect on the Badger Explorer Group's income statement for 2Q 2007 and 1H 2007 as if the acquisition of Calidus Engineering Ltd. had been carried through on January 1st 2007.

Pro forma Income Statement - Badger Explorer Group

Unaudited figures in NOK 1000	2Q 2007	30.06.2007
Other Income	2 359	4 835
Public grants	1 334	2 302
Capitalised public grants	-1 334	-2 302
Total Revenues	2 359	4 835
Operating Expenses		
Cost of goods sold	1 037	2 073
Ext. services for dev. project	2 610	3 698
Salary	2 098	4 598
Other Operating Expenses	3 007	4 722
Capitalised development cost	-3 876	-6 456
Total Operating Expenses	4 876	8 636
EBITDA	-2 517	-3 801
Depreciation	167	321
EBIT	-2 683	-4 123
Net financial items	930	1 452
EBT	-1 753	-2 670
Tax	-18	-35
Net profit/loss from operations	-1 771	-2 706
Profit (loss) attributable to minority interests	111	221
Profit (loss) attributable to equity holders of the parent	-1 882	-2 927
Earnings per share	-0,140	-0,218
Earnings per share diluted	-0,140	-0,218

11. Related party transaction

Unaudited figures in NOK 1000

Transaction with shareholders	30.06.2008	30.06.2007
Accounts payable	0	560
Total	0	560

Purchased services from Procom Venture AS	30.06.2008	30.06.2007
Administration services	45	1 240
Board of director's fee	175	125
Total	220	1 365

The Company has in 2008 hired personnel from Procom Venture AS. The work was executed by the Executive Chairman of the Board until the 28.02.2008.

Purchased services from IRIS - Forskningsinvest AS	30.06.2008	30.06.2007
Administration services	0	18
Project services	0	27
Total	0	45

The Company has not purchased any services or equipment from IRIS in 2008.

Shares held by members of the board and Management group	30.06.2008	30.06.2007
CFO - Gunnar Dolven	291 872	286 872
Knut Åm	222 600	222 600
CEO - Kjell Erik Drevdal	222 600	222 600
Kristijane Cook Bulukin	1 800	-



Badger Explorer ASA
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