



BADGER
EXPLORER



Quarterly Report Q4 2016

BADGER EXPLORER ASA, 23 FEBRUARY 2017

- Funding secured in two Private Placements of NOK 345 million in total during Q4 2016 and Q1 2017 with subsequent offerings of up to NOK 50 million
- Badger Explorer Development Project being ramped up together with sponsors and partners to shorten time to commercialisation
- Badger identifying spin off technologies for early commercialization
- Badger pursuing other investment opportunities within the Oil Services industry aiming to capitalise on interesting opportunities as a consequence of the current industry downturn

HIGHLIGHTS Q4 2016

Technical progress

As a result of the successful equity offerings, Badger Explorer has started to ramp up the Development Program.

During Q4, Badger Explorer started the second phase of the project regarding Ultrasonic-Assisted Compaction and Associated Enabling Technologies at the University of Glasgow. The project is co-funded by Badger Explorer and the Oil and Gas Innovation Centre in the UK. This phase of the project is focusing on confirming performance expectations in a broader range regarding the use of cutting edge piezo-electric materials for transducer design used in the compaction process. The research into a key enabling technology for successful compaction will continue in Q1 2017.

The work on the drilling solution that will handle drilling in low fluid formations was scaled up in Q4 where drillbit design, control system and the utilization of the ultrasonic transducer were included. These are all improvements of an already existing and functional drilling solution that will expand the tool's working range significantly.

Further work on the locomotion was also initiated. The locomotion of the tool has very few analogs to refer to which means that Badger Explorer over the years have used a broad range of external expertise to understand the challenge in advance of deploying the tool. Several solutions have been evaluated and Badger Explorer has continued working on the most promising ones during Q4. Promising test results mean reduced friction and enhanced propulsion for the tool. In addition, a dedicated test equipment was designed that will be used to qualify the effect of the various locomotion solutions.



The Cuttings Transport module was developed in 2016 and the chain based transporting system passed relevant endurance testing. It also proved to handle dry and wet cuttings in a satisfactory way.

Sponsoring Partners

While the sponsorship program with Statoil has been active through 2016, the negotiations with CNPC-DR are still ongoing. As earlier reported, CNPC-DR confirmed their intention to join the Badger Explorer Development Program already in Q1 2016. Badger Explorer is expecting to finalize the contract with CNPC during 2017.

After the equity offerings and ramp up of the development program, Badger Explorer has started the process of attracting further sponsoring from previous and potential new industry sponsors and public institutions.

Spin-off applications and partnership dialogues

Badger Explorer's strategy is to accelerate the development of the Badger tool together with prospective partners but also to identify alternative ways to deploy the inherent technologies within the tool. Partnership dialogues with international oilfield service companies are ongoing. BXPL believes such partnerships may play an important role in order to accelerate the future development activities and will continue to consider potential opportunities for co-operation.



Funding

In December, Badger Explorer conducted a successful private placement raising NOK 45 million in gross proceeds securing liquidity for the Company. In addition, a subsequent offering of up to NOK 10 million has been launched for eligible shareholders. These exercises secure sufficient funding for the remaining part of the Development Program. The Company has continued to keep expenses for Q4 2016 at a low level.

After the reporting period, Badger Explorer successfully raised further NOK 300 million in gross proceeds in a new private placement. A subsequent offering of up to NOK 40 million will be launched during March 2017 for eligible shareholders.

THE BADGER EXPLORER DEVELOPMENT PROGRAM

The Badger Explorer Development Program has been formulated to mature and qualify robust solutions for the following components of the Badger Explorer concept:

- Drilling
 - Enhanced ultrasonic drilling in low permeability formations
- Cuttings transport
 - Transport of dry or wet cuttings from drillbit to compactor inside the tool
- Compaction
 - Make an impermeable plug and obtain necessary space for the tool by use of ultrasonic compaction and micro-fracking
- Locomotion
 - Move tool in packed annulus and unstable geology.

To be able to prove the performance of the selected solutions, Badger Explorer will build testing equipment that reflects the expected operating environments. The most important testing equipment is a subsurface test chamber (STC) that can apply high temperature and high pressure (HTHP) conditions to the tested equipment. With the STC, Badger Explorer will be able to verify expected process behavior as well as qualifying the engineering solutions at an earlier stage than previously expected.

FINANCIALS

Investor Relations

Badger Explorer ASA had 890 shareholders on 31st December 2016 (prior to the completion of the private placement announced in Q4 2016). Norwegian entities and individuals held 64.0% of the outstanding shares and the 20 largest shareholders held 53.4% of the outstanding shares.

Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 4 full-time employees as of 31st December 2016, compared to 6 employees as of 31st December 2015.

Main Figures

Revenues for the fourth quarter ended December 2016 amounted to NOK 19,000, compared to no revenues in the fourth quarter ended December 2015. Revenues for the twelve months ended December 2016 amounted to NOK 65,600, compared to no revenues in the twelve months ended December 2015.

Operating expenses for the fourth quarter ended December 2016 amounted to NOK 2.101 million, compared to NOK 1.409 million for the fourth quarter ended December 2015. Operating expenses for the twelve months ended December 2016 amounted to NOK 6.577 million, compared to NOK 12.606 million for the twelve months ended December 2015. The Company significantly reduced its cost structure in 2016 to improve the liquidity position.

BXPL's total comprehensive income shows a net loss of NOK -2.184 million in the fourth quarter of 2016, compared to -1.566 million in the fourth quarter of 2015 and a net loss of NOK -7.056 million for twelve months ended December 2016, compared to NOK -13.257 million for twelve months ended December 2015. The decrease along with cost saving efforts contributed to a significantly reduced net loss attributable to shareholders of the Company.

Total development costs of the Badger Explorer project for the fourth quarter 2016 amounted to NOK 582,870 (Q4 2015: 3.624 million), of which NOK -410,123 (Q4 2015: -3.069 million) was capitalised for the fourth quarter of 2016 and 2015 respectively. For the twelve months ended December 2016, total development costs amounted to NOK 4.493 million (2015: 16.823 million), of which NOK -3.516 million (2015: -14.124 million) was capitalised. The decrease in research and development expenses resulted primarily from a decrease in cash collection received from public institutions and industry partners.

Capitalised public grants for the Badger Explorer project decreased from NOK 1.109 million in the fourth quarter 2015 to NOK 94,182 for the fourth quarter 2016. Capitalised public grants decreased from NOK 6.574 million for the twelve months ended December 2015 to NOK 1.651 million for the twelve months ended December 2016. The decrease in the government grants funding reflected lower projects activity level during 2016.

Cash and cash equivalents were NOK 334,886 end of 2016 (before completion of the private placement announced in Q4 2016), compared to NOK 585,953 million end of 2015.

Shareholder's equity for BXPL was NOK 58.919 million end of 2016, with an equity ratio of 39.0%, compared to NOK 66.207 million in 2015 (equity ratio of 43.4%).

Net cash flow arising from the operating activities for the fourth quarter ended December 2016 amounted to NOK -1.998 million, compared to NOK -1.911 million for the fourth quarter ended December 2015. Net cash flow arising from the operating activities for the twelve months ended December 2016 amounted to NOK -8.122 million, compared to NOK -12.351 million the twelve months ended December 2015. Net cash outflow includes payments to vendors for goods and services received.

Net cash flow arising from the investment activities for the fourth quarter ended December 2016 amounted to NOK -410,123, compared to NOK -3.069 million the fourth quarter ended December 2015. Net cash flow arising from the investment activities for the twelve months ended December 2016 amounted to -3.516 million, compared to NOK -14.124 million for the twelve months ended December 2015. Net cash flow from investment activities was negative, mainly reflecting the development costs related to the Badger Explorer Development project, which are eligible for capitalisation.

Net cash flow arising from the financing activities for the fourth quarter ended December 2016 was NOK 2.436 million, compared to NOK 4.474 million for the fourth quarter ended December 2015. Net cash flow arising from the financing activities for the twelve months ended December 2016 amounted to 11.386 million, compared to NOK 22.711 million for the twelve months ended December 2015. Net cash inflows in the Q4 2016 include a tax incentive for R&D from Skattefunn. Due to the contributions from the industry partners, net cash flow from financing activities was a positive in 2016 and 2015. Cash outflows include repayment of accrued interest expenses on a credit facility to Sparebanken Vest.

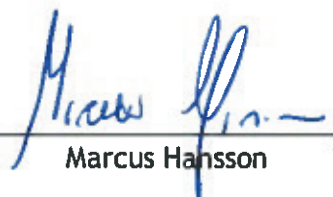
SUMMARY

Unaudited figures in NOK 1000	Quarters			Year end	
	Q4 2016	Q3 2016	Q4 2015	31.12.2016	31.12.2015
Revenues	19	5	0	66	0
Operating expenses	2 101	1 466	1 409	6 577	12 606
EBITDA	-2 082	-1 461	-1 409	-6 512	-12 606
Earnings per share	-0.12	-0.09	-0.08	-0.38	-0.72
Projects development costs	583	848	3 624	4 493	16 823
Public grants for projects development	94	448	1 109	1 651	6 574
Capitalisation of development costs and government grants	316	184	1 960	1864	7 550

OUTLOOK

The recent equity offerings have dramatically improved the position of Badger Explorer in terms of strategic flexibility and ability to accelerate business development. As a result of the recent transactions, the Company will now be able to maximize the value potential of the existing business and related technologies. While ramping up the Development Program, Badger Explorer will continue to have a prudent strategy for developing the Badger tool and aims to maintain costs at a low level. Furthermore, the strong liquidity position enables the Company to pursue other investment opportunities that arise within the oil services industry. Given the current downturn in the industry, the Company is in a unique position compared to many of its peers and will seek to capitalise on that position and expand into other oil services segments. The Company has already evaluated potential investments and is continuing to see interesting investment opportunities. The aim of the Company is to initiate one or more transactions within a relatively short time frame.

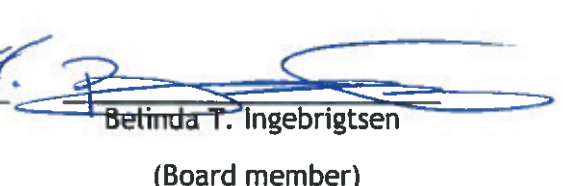
Stavanger, 23rd February 2017
The Board of Directors
Badger Explorer ASA



Marcus Hansson
(Chairman of the Board)



Birte Noer Borrevik
(Board member)



Belinda T. Ingebrigtsen
(Board member)



David Ottesen
(Board member)



Roald Valen
(CEO)

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 Prof. Olav Hanssensvei 15, 4021 Stavanger, Norway.

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

The financial statements have been prepared on an historical cost basis.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If BXPL loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

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

The interim financial statements 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 of 31st December 2015.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements as of 31st December 2015.

BXPL's financial statements are presented in NOK.

Financial assets within the scope IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate.

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss.

Financial liabilities within the scope IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs are added.

Financial liabilities include trade and other payables, loans and borrowings.

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 statement of financial position at nominal value less provisions for doubtful debts.

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

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

Depreciation is calculated using the straight-line method.

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

Development expenditures related to the Badger Explorer development project are recognised as an intangible asset when BXPL can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- BXPL's intention to complete and BXPL's ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The ability to measure reliably the expenditures during development.
- The availability of resources to complete the assets.

When all the above criteria are met, the cost related to the development starts to be recognised in the statement of financial position.

Costs that have been charged as expenses in previous accounting periods are not recognised in the statement of financial position.

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

Revenue is recognised to the extent when it is probable that the economic benefit will flow to BXPL and the revenue can be reliably measured, regardless of when the payment is being made.

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

Public grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost it intends to compensate. Where the costs are related to a development project and capitalised, the belonging grants are capitalised together with the cost.

Contributions from partners are recognised in the statement of financial position under long term liabilities as the contributions are subject to repayment ref. note 13 in BXPL annual accounts.

The share options granted in 2014 were replaced with new share options. On 15th March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019. A total of 440,000 were "out of the money" on 31st December 2016. Previously issued share options were cancelled.

On 22nd August 2016, Mr. Roald Valen took on the position as CEO of BXPL. Upon commencement of the employment, Mr. Valen was granted 250,000 share options in BXPL at a strike price of NOK 2.40 per share. 125,000 options will vest on the date of the publication of the Company's Q4 2017 report. A further 125,000 options will vest on the date of the publication of the Company's Q4 2018 report. All share options were "out of the money" on 31st December 2016.

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

INCOME STATEMENT

Unaudited figures in NOK 1000	Quarters			Note	Year End	
	Q4 2016	Q3 2016	Q4 2015		31.12.2016	31.12.2015
Revenues						
Other Income	19	5	0		66	0
Total Revenues	19	5	0		66	0
Operating Expenses						
External services for development project	65	201	1 959		1 561	8 726
Payroll and related costs	1 144	1 166	1 983		4 140	9 921
Other operating expenses	1 303	731	536		4 391	8 083
Capitalised development costs	-410	-632	-3 069		-3 516	-14 124
Total Operating Expenses	2 101	1 466	1 409		6 577	12 606
EBITDA	-2 082	-1 461	-1 409		-6 512	-12 606
Depreciation	4	15	44		99	200
Operating profit (loss)	-2 086	-1 476	-1 453		-6 611	-12 807
Net finance income (loss)	-98	-105	-114	2, 8	-445	-450
Profit (loss) before taxes	-2 184	-1 581	-1 566		-7 056	-13 257
Tax on ordinary result	0	0	0		0	0
Net profit (loss)	-2 184	-1 581	-1 566		-7 056	-13 257
Profit (loss) attributable to equity holders of the company	-2 184	-1 581	-1 566		-7 056	-13 257
Earnings per share	-0.12	-0.09	-0.08		-0.38	-0.72
Earnings per share diluted	-0.12	-0.09	-0.08		-0.38	-0.71

STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000	Quarters			Year end	
	Q4 2016	Q3 2016	Q4 2015	31.12.2016	31.12.2015
Total comprehensive income	Q4 2016	Q3 2016	Q4 2015	31.12.2016	31.12.2015
Profit (loss) for the year (period)	-2 184	-1 581	-1 566	-7 056	-13 257
Other comprehensive income - items that will later be reclassified to profit and loss	0	0	0	0	0
Comprehensive income at end of period	-2 184	-1 581	-1 566	-7 056	-13 257

	Quarters			Year end	
	Q4 2016	Q3 2016	Q4 2015	31.12.2016	31.12.2015
Total comprehensive income attributable to:	Q4 2016	Q3 2016	Q4 2015	31.12.2016	31.12.2015
Equity holders of the company	-2 184	-1 581	-1 566	-7 056	-13 257
Total comprehensive income	-2 184	-1 581	-1 566	-7 056	-13 257

STATEMENT OF FINANCIAL POSITION

ASSETS Unaudited figures in NOK 1000	31.12.2016	30.09.2016	Note	31.12.2015
NON-CURRENT ASSETS				
Capitalised development costs	149 632	149 316	2, 5	147 768
Patent rights	387	387		387
Total intangible assets	150 019	149 703		148 154
Property, plant & equipment	24	28		101
Total tangible assets	24	28		101
TOTAL NON-CURRENT ASSETS	150 043	149 730		148 255
CURRENT ASSETS				
Other receivables	605	2 227	1	3 630
Total receivables	605	2 227		3 630
Cash and cash equivalents	335	327		586
TOTAL CURRENT ASSETS	940	2 554		4 216
TOTAL ASSETS	150 983	152 284		152 471
EQUITY AND LIABILITIES Unaudited figures in NOK 1000	31.12.2016	30.09.2016	Note	31.12.2015
EQUITY				
Share capital	2 317	2 317	3	2 317
Share premium	218 070	218 070	4	218 070
Other paid in capital	3 935	3 869	4	4 167
Total paid in equity	224 322	224 256		224 555
Retained earnings	-165 403	-163 219		-158 347
Total retained earnings	-165 403	-163 219		-158 347
TOTAL EQUITY	58 919	61 038		66 207
LIABILITIES				
Capitalised grants	81 500	81 500	5	75 000
Total non-current liabilities	81 500	81 500		75 000
Accounts payables	2 063	1 979	7	3 078
Public duties payables	281	456		474
Debt financial institutions	6 889	6 910	8	6 711
Other short term liabilities	1 331	402		1 001
Total current liabilities	10 564	9 747		11 264
TOTAL LIABILITIES	92 064	91 247		86 264
TOTAL EQUITY AND LIABILITIES	150 983	152 284		152 471

STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 31.12.2015		2 317	218 070	4 167	-158 347	66 207
Profit (loss) 01.01.2016 - 31.12.2016					-7 056	-7 056
Other comprehensive income					0	0
Total comprehensive income					-7 056	-7 056
Option plan payment	4			-232		-232
Equity as of 31.12.2016		2 317	218 070	3 935	-165 403	58 919

STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	Quarters			Note	Year end	
	Q4 2016	Q3 2016	Q4 2015		31.12.2016	31.12.2015
Contribution from operations*	-2 004	-1 494	-1 273		-6 731	-12 098
Change in accounts receivables and accounts payables	84	-862	-433	7	-1 015	683
Change in other receivables and payables	-79	544	-205		-376	-936
Net cash flow from operating activities	-1 998	-1 813	-1 911		-8 122	-12 351
Capitalisation of development cost	-410	-632	-3 069	2	-3 516	-14 124
Net cash flow from investment activities	-410	-632	-3 069		-3 516	-14 124
Government grants	2 547	0	2 922	1	5 166	8 060
Contribution from industry partners	0	2 500	0	5	6 500	8 390
Interest received	8	4	16		30	54
Interest paid	-119	-109	-130	8	-488	-505
Proceeds from borrowings financial institution	0	90	1 666	8	178	6 711
Net cash flow from financing activities	2 436	2 485	4 474		11 386	22 711
Total net changes in cash flow	8	40	-505		-252	-3 764
Cash and cash equivalents beginning of period	327	287	1 091		586	4 351
Cash and cash equivalents end of period	335	327	586		335	586
Profit (loss) attributable to equity holders of the company	-2 184	-1 581	-1 566		-7 056	-13 256
Employee options	66	-33	137	4	-232	508
Depreciation	4	15	44		99	200
Finance income	-8	-4	-16		-30	-54
Finance expenses	119	109	130	8	488	505
*Contribution from operations before tax	-2 004	-1 494	-1 273		-6 731	-12 098

NOTES

1. Badger Explorer ASA (BXPL) has no sales revenue, but receives grants and tax incentive schemes from different government sources, such as the Research Council of Norway (RCN), Innovation Norway and SkatteFUNN, reported as Public grants. The projects of the Badger Explorer Development Program are funded with a percentage of the total project costs. Government grants in 2016 and 2015 was NOK 5.166 and NOK 8.060 million respectively.

For the financial year 2016, RCN has through its PETROMAKS2-program granted NOK 2.057 million funding to further develop HPHT ultrasonic system, compared to NOK 5.138 million for the same period in 2015. The project period is from January 2014 to June 2017.

R&D projects have been approved for the SkatteFUNN arrangement, a Norwegian tax incentive scheme. BXPL has two approved projects covering all its major R&D activities, supported by SkatteFUNN from 2014 to 2016. For the financial year 2016, the Company recognised NOK 2.547 million, compared to NOK 2.922 million in 2015.

2. The government grants and all project development costs of BXPL, related to the Badger Explorer Development Program, are capitalised in accordance with the IFRS regulations, except of NOK 172,747 for Q4 2016 and NOK 977,038 as of 31 December 2016, compared to NOK 555,000 for Q4 2015 and NOK 2.699 million as of 31 December 2015. These additional project costs are related to the restriction on capitalisation of own personnel costs in the IFRS standard.
3. On 9 May 2007, the General Assembly decided to split the existing shares which increased a number of shares from 6,719,520 to 13,439,040. A total of 5,000,000 additional shares were issued in connection with the IPO of NOK 160,000,000 related to the listing of Badger Explorer ASA on the Oslo Stock Exchange on 12 June 2007. The total number of shares as at 31 December 2016 is 18,537,288 at par value of NOK 0.125 per share.
4. On 15 March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019. A total of 370,000 share options forfeited. The remaining 190,000 share options were "out of the money" on 31 December 2016. Previously issued share options were cancelled.

The share options agreements are equity-based incentive compensation. The employee share options are recognised as an expense in the income statement under "Payroll and related costs" and in the statement of financial position under "Other paid in capital". The options (incl. Employers' national insurance contributions) are recognised over the vesting period starting from September 2009. The share option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model is used for calculation. The replacement of options is treated as a cancellation and re-pricing under IFRS 2.

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 per share. 185,000 share options vested on the date of the publication of the Company's Q4 2015 report. A further 185,000 share options forfeited due to the resignation from his position on 29 February 2016.

On 15 January 2016, CEO Øystein Larsen was granted 370,000 share options at a strike price of NOK 1.50. All share options forfeited due to the resignation from his position as CEO on 9 September 2016.

On 22 August 2016, Mr. Roald Valen took on the position as CEO of BXPL. Upon commencement of the employment, Mr. Valen was granted 250,000 share options in BXPL at a strike price of NOK 2.40 per share. 125,000 options will vest on the date of the publication of the Company's Q4 2017 report. A further 125,000 options will vest on the date of the publication of the Company's Q4 2018 report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 2.40 per option share. If on the exercise day the market price of the Company's shares is exceeding NOK 25, the exercise price shall be increased by an amount equivalent to 8% of the market price deducting NOK 25. The option holder is free to exercise of fully vested options at his sole discretion. All share options were "out of the money" on 31 December 2016.

5. BXPL received contributions from the following industry partners for the Badger Explorer Demonstrator Program: Statoil, ExxonMobil Exploration and Production Norway AS, Shell Technology Norway AS (the previous Prototype Program partner), Chevron Energy Technology Company, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). A total of NOK 81.500 million of the contribution shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to 150% of received contribution.
6. Deferred tax asset has not been recognised in the statement of financial position.
7. Related party transactions (Unaudited figures in NOK 1000)

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 party	31.12.2016	31.12.2015
Purchases of services	1 401	2 516

In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. For the year ended 31 December 2016, payments totalling NOK 820,000 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 14,001 related to travel expenses. Mr. Gunnar Dolven, who is CFO of BXPL, is a director of Dalvin Rådgivning AS.

For the year ended 31 December 2016, Nilsholmen AS (Mr. Kjell Markman was Sr.VP Business Development & Strategy of BXPL) received payments of NOK 345,000 in respect of performed consultancy services. The consultancy agreement with Nilsholmen AS was terminated on 30 June 2016.

In March 2016, BXPL entered into a consultancy agreement with the former Company's CEO and its shareholder Mr. Steinar Bakke. As of 31 December 2016, payments totalling NOK 214,359 were made to S. Bakke Consulting AS in respect to performed consultancy services and NOK 7,166 related to travel expenses. The consultancy agreement with S. Bakke Consulting was terminated on 30 November 2016.

The following table provides the total amount of shares held by the members of the Board of Directors and the members of the management group for the relevant financial year.

	31.12.2016	31.12.2015
ABN AMRO Bank (Luxembourg) S.A. (Chairman of the Board - Marcus Hansson)	565 000	565 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	426 872	426 872
Nilsholmen Investering AS	64 422	209 222
Senior Advisor - Steinar Bakke	473	155 000
Nilsholmen AS	0	20 200
Chairman of the Board - Marcus Hansson	11 668	11 668
CFO - Gunnar Dolven	8 000	8 000
Ordinary shares	1 076 435	1 395 962
% of total shares	5.8 %	7.5 %

Some of the shares were acquired in connection with the private placement that was carried out on 6 December 2016. The following primary insiders were allocated new shares in January 2017 and the new total amount of the shares is as follows:

	13.01.2017	31.12.2016
Chairman of the Board - Marcus Hansson and close associates	20 616 668	616 668
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	2 834 872	434 872
CEO - Roald Valen	2 400 000	0

8. Revolving credit facility

BXPL has entered into a revolving credit facility with its Norwegian bank Sparebanken Vest 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. As of 31 December 2016, NOK 6.889 million has been drawn on the overdraft facility. Interest incurred of NOK 112,695 have been repaid during Q4 2016. Financial covenants: equity - not be less than NOK 75 million and should exceed more than 50% of the book equity ratio. The book equity less intangible assets must be positive. Accounts receivable - must exceed 75% of the withdrawn credit facility. Financial review - quarterly financial statement submission to the bank. The overdraft facility of NOK 7.5 million with Sparebanken Vest is in breach with the agreed covenants as of 31 December 2016.

The outstanding debt of NOK 6.889 million was repaid due to the private placement of NOK 45 million on 13 January 2017.

9. Going concern

Pursuant to section 3-3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that BXPL is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. The Company has reported significant doubt about the Company's ability to continue as a going concern in the previous periods as a result of a very tight liquidity situation. Additional funding was required to carry on the future development of the Badger tool and pay overdue debt where the Company as of 31 December 2016 was in breach with the covenants. The Board assess that there is not significant uncertainty related to going concern as of today based on the private placement of NOK 45 million carried out in January 2017, and the further planned subsequent offering as described in note 10 "Events after the reporting date" in this report.

10. Events after the reporting date

On 6 December 2016, BXPL has carried out a private placement consisting of 360,000,000 new ordinary shares for gross proceeds of NOK 45 million with a subscription price of NOK 0.125. The proceeds were received on 13 January 2017. The private placement will be used to fund the Company's ongoing Development Program as well as for general corporate purposes.

At the extraordinary general meeting on 9 January 2017, the Company's shareholders resolved to approve the private placement and authorized a subsequent offering. As a result of the issuance, the Company's new registered share capital is NOK 47,317,161 divided into 378,537,288 shares, each with a nominal value of NOK 0.125 on 16 January 2017. Costs and fees related to the capital increase transaction is NOK 3.050 million and will be recognised as a reduction to equity.

On 2 February 2017, The Company announced that it had raised NOK 300 million in gross proceeds through a new private placement consisting of 600,000,000 new shares with a subscription price of NOK 0.50 per share. The net proceeds from the Private Placement will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow.

The Norwegian Financial Supervisory Authority has on 15 February 2017 approved a prospectus prepared by BXPL. The prospectus comprise (i) listing of 360,000,000 new shares (the "Private Placement I Shares") issued in a private placement conducted on 6 December 2016 (the "Private Placement I"), (ii) listing of 600,000,000 new shares (the "Private Placement II Shares") to be issued in connection with a private placement conducted on 2 February 2017 (the "Private Placement II"), (iii) the offer and listing of 80,000,000 shares (the "Offer I Shares") in connection with the Subsequent Offering I and (iv) the offer and listing of 80,000,000 new shares (the "Offer II Shares") in connection with the Subsequent Offering II.

The Private Placement II and Subsequent Offering II is conditional upon approval from the extraordinary general meeting to be held on 23 February 2017.

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

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