



Quarterly Report Q1 2016

HIGHLIGHTS Q1 2016

Technical progress Q1

On 16 March 2016, Statoil approved the second key deliverable of Milestone 1 of the Badger Explorer Development Program; function testing and verification of a cuttings transport system developed in conjunction with Honeybee Robotics (US). The function test shows that Badger Explorer has found a viable solution for one of the main challenges with the Badger concept, and the final milestone in the Development Program will contain long term tests of the system.

The first part of Milestone 1, qualification of high power High Pressure High Temperature [HPHT] Transducers for the drilling and compaction systems in the Badger Explorer, was completed in Q4 2015. Employing cutting edge technology, the transducers represent a significant step in the development of compaction and drilling systems for Badger Explorer tools. Going forward, the transducers will be used in compaction experiments at the University of Glasgow to characterize the compaction efficiency under HPHT conditions.

Expenses for Q1 2016 have been kept low, however key technical results have been delivered. The company moved into new facilities at IRIS in Stavanger March 2016, giving access to world class research and test facilities.

Cost savings program

The effect of the cost savings program implemented in 2015 allows the company to maintain technical progress while keeping expenses low. Badger Explorer is ready to ramp up activity when the business climate improves.

Sponsoring Partners

BXPL has together with Statoil defined focus areas and milestones for 2016, and while the ambition was to start these activities in Q1 2016 they have now been postponed. Statoil remains a key partner for BXPL, both in terms of funding and technical guidance and support. On April 8th, BXPL received a Letter of Intent from Statoil where they express their intent to support the project going forward.

In January, BXPL and CNPC-DR signed a new MoU underlining CNPC-DR's intention to enter the Development Program before end of Q1-2016. BXPL and CNPC-DR are working to conclude the negotiations and while the contract has yet to be signed, CNPC-DR has confirmed their intention to join the program.

Spin-off applications and international oil service companies

Partnership dialogues with international oilfield service companies are ongoing, and we intend to start up JIP projects as soon as possible. Such partnerships will positively impact Badger Explorer's ability to accelerate the technical advancement of the tool and contribute to a successful market introduction.

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
- Cuttings transport
- Compaction
- Locomotion

Important, positive results for the program were delivered in 2015. This will continue in 2016, with work focusing on the long term testing of a cuttings transport system suitable for deployment in all formations and characterization of compaction efficiency under HPHT conditions. Furthermore, Badger Explorer have started the development of a new drilling system for the Badger Explorer tool, and will continue this work through 2016.



FINANCIAL REVIEW

Investor Relations

Badger Explorer ASA had 787 shareholders on 31 March 2016. Norwegian entities and individuals held 65.6% of the outstanding shares and the 20 largest shareholders held 60.4% of the outstanding shares.

Badger Explorer ASA

The staff of Badger Explorer ASA consisted of 4 full-time employees on 31 March 2016, compared to 9 employees on 31 March 2015.

Severn Subsea Technologies Ltd (former Calidus Engineering Ltd)

Badger Explorer has on 27 April 2016, as per Share Purchase Agreement, sold its remaining 15 % holding in Severn Subsea Technologies Ltd. to Severn Glocon Group Ltd.

Main Figures

No revenue was recognized as the Company is in a product development phase and currently generates losses.

Operating expenses for the first quarter ended March 2016 amounted to NOK 1.698 million, compared to NOK 4.035 million for the first quarter ended March 2015. The cost decrease was driven by the current market challenges and uncertainty with respect to future oil prices. The Company has significantly reduced its cost structure to align with anticipated lower activity level.

BXPL's total comprehensive income shows a net loss of NOK -1.855 million in the first quarter of 2016, compared to NOK -4.196 million in the first quarter of 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 first quarter 2016 amounted to NOK 846,271 (Q1 2015: NOK 4.852 million), of which NOK 601,135 (Q1 2015: NOK 3.924 million) was capitalized for the first quarter of 2016 and 2015 respectively. The decrease in research and development expenses resulted primarily from a decrease in cash collection received from public institutions and industry partners.

Capitalized public grants for the Badger Explorer project decreased from NOK 1.878 million in the first quarter 2015 to NOK 403,143 in the first quarter 2016. The decrease in government funding reflected lower projects activity levels during 2016.

Cash and cash equivalents were NOK 328,801 as of 31 March 2016, compared to NOK 1.082 million as of 31 March 2015.

Shareholder's equity for BXPL was NOK 64.032 million as of 31 March 2016, with an equity ratio of 41.4%, compared to NOK 74.925 million as of 31 March 2015 (equity ratio of 48.9%).

Net cash flow from the operating activities for the first quarter ended March 2016 amounted to NOK -2.321 million, compared to NOK -4.856 million for the first quarter ended March 2015. Net cash outflow includes payments to vendors for goods and services received.

Net cash flow from the investment activities for the first quarter ended March 2016 amounted to NOK -601,135, compared to NOK -3.924 million for the first quarter ended March 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 capitalization.

Net cash flow from the financing activities for the first quarter ended March 2016 amounted to NOK 2.665 million, compared to NOK 5.511 million for the first quarter ended March 2015. Net cash flow from financing activities was a positive in 2016 and 2015 as a result of received public grants, contributions from the industry partners and overdraft facility.

SUMMARY

| | Quarters | | | Year to date | |
|---|----------|---------|---------|--------------|------------|
| | Q1 2016 | Q4 2015 | Q1 2015 | 31.03.2016 | 31.03.2015 |
| Unaudited figures in NOK 1000 | | | | | |
| Revenues | 0 | 0 | 0 | 0 | 0 |
| Operating expenses | 1 698 | 1 409 | 4 035 | 1 698 | 4 035 |
| EBITDA | -1 698 | -1 409 | -4 035 | -1 698 | -4 035 |
| Earnings per share | -0.10 | -0.08 | -0.23 | -0.10 | -0,23 |
| Projects development costs | 1 | 3 624 | 4 852 | 1 | 4 852 |
| Public grants for projects development | 403 | 1 109 | 1 878 | 403 | 1 878 |
| Capitalization of development costs and public grants | 198 | 1 960 | 2 046 | 198 | 2 046 |



OUTLOOK

Successful function testing of the cuttings transport system and qualification of ultrasonic transducers are important steps towards a commercial Badger tool.

In 2016 Badger Explorer will continue to develop and qualify solutions for the main challenges with the Badger concept.

The negotiations with oil company sponsors are on-going and will be completed as soon as possible. Funding of operations in 2016 remains a top priority for the Management and Board of Directors.

Stavanger, 25 May 2016
The Board of Directors
Badger Explorer ASA

ACCOUNTING POLICIES

Badger Explorer ASA (BXPL) is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at 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, except for investment in Severn Subsea Technologies Ltd. (formerly known as Calidus Engineering Ltd.), which is initially recognised at fair value at the effective date of the disposal of the shares.

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. BXPL holds 15% of shares in SST as of 31 March 2016.

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 31 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 31 December 2015.

BXPL's financial statements are presented in NOK. The income statement in foreign subsidiary is translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiary, including goodwill and adjustments of fair value of identifiable assets and liabilities arising on the sale of shares in SST, are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recognised directly as other comprehensive income in equity.

Financial assets within the scope 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 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 745,000 outstanding share options were "out of the money" on 31 March 2016. Previously issued share options were cancelled.

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

INCOME STATEMENT

| | Quarters | | | | Year End |
|---|---------------|---------------|---------------|------|----------------|
| Unaudited figures in NOK 1000 | Q1 2016 | Q4 2015 | Q1 2015 | Note | 31.12.2015 |
| Revenues | | | | | |
| Other Income | 0 | 0 | 0 | | 0 |
| Total Revenues | 0 | 0 | 0 | | 0 |
| Operating Expenses | | | | | |
| External services for development project | 111 | 1 959 | 2 068 | | 8 726 |
| Payroll and related costs | 1 081 | 1 983 | 3 281 | | 9 921 |
| Other operating expenses | 1 108 | 536 | 2 610 | | 8 083 |
| Capitalized development costs | -601 | -3 069 | -3 924 | | -14 124 |
| Total Operating Expenses | 1 698 | 1 409 | 4 035 | | 12 606 |
| EBITDA | -1 698 | -1 409 | -4 035 | | -12 606 |
| Depreciation | 43 | 44 | 60 | | 200 |
| Operating profit (loss) | -1 741 | -1 453 | -4 094 | | -12 807 |
| Net financial income (loss) | -113 | -114 | -101 | 3,10 | -450 |
| Profit (loss) before taxes | -1 855 | -1 566 | -4 196 | | -13 257 |
| Tax on ordinary result | 0 | 0 | 0 | | 0 |
| Net profit (loss) | -1 855 | -1 566 | -4 196 | | -13 257 |
| Profit (loss) attributable to equity holders of the parent | -1 855 | -1 566 | -4 196 | | -13 257 |
| Earnings per share | -0.10 | -0.08 | -0.23 | | -0.72 |
| Earnings per share diluted | -0.10 | -0.08 | -0.23 | | -0.71 |

STATEMENT OF FINANCIAL POSITION

| ASSETS (Unaudited figures in NOK 1000) | 31.03.2016 | 31.03.2015 | Note | 31.12.2015 |
|---|-------------------|-------------------|-------------|-------------------|
| NON-CURRENT ASSETS | | | | |
| Capitalized development costs | 147 966 | 142 263 | 2,6 | 147 768 |
| Patent rights | 387 | 387 | | 387 |
| Total intangible assets | 148 352 | 142 650 | | 148 154 |
| Property, plant & equipment | 58 | 242 | | 101 |
| Total tangible assets | 58 | 242 | | 101 |
| Investments in shares | 0 | 0 | 3,10 | 0 |
| Total investments in shares | 0 | 0 | | 0 |
| TOTAL NON-CURRENT ASSETS | 148 410 | 142 891 | | 148 255 |
| CURRENT ASSETS | | | | |
| Accounts receivables | 0 | 0 | 6 | 0 |
| Other receivables | 5 982 | 9 297 | | 3 630 |
| Total receivables | 5 982 | 9 297 | | 3 630 |
| Cash and cash equivalents | 329 | 1 082 | | 586 |
| TOTAL CURRENT ASSETS | 6 310 | 10 379 | | 4 216 |
| TOTAL ASSETS | 154 721 | 153 271 | | 152 471 |

| EQUITY AND LIABILITIES (Unaudited figures in NOK 1000) | 31.03.2016 | 31.03.2015 | 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 | 3 848 | 3 824 | 3 | 4 167 |
| Total paid in equity | 224 235 | 224 211 | | 224 555 |
| Retained earnings | -160 202 | -149 286 | | -158 347 |
| Total retained earnings | -160 202 | -149 286 | | -158 347 |
| TOTAL EQUITY | 64 032 | 74 925 | | 66 207 |
| LIABILITIES | | | | |
| Capitalized grants | 79 000 | 73 500 | 6 | 75 000 |
| Total non-current liabilities | 79 000 | 73 500 | | 75 000 |
| Accounts payables | 2 793 | 1 799 | 3,8 | 3 078 |
| Public duties payables | 962 | 1 118 | | 474 |
| Debt financial institutions | 6 928 | 0 | 11 | 6 711 |
| Other short term liabilities | 1 005 | 1 928 | | 1 001 |
| Total current liabilities | 11 688 | 4 845 | | 11 264 |
| TOTAL LIABILITIES | 90 688 | 78 345 | | 86 264 |
| TOTAL EQUITY AND LIABILITIES | 154 721 | 153 271 | | 152 471 |

STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000

| | Note | Share capital | Share premium | Other paid in capital | Retained earnings | Non-controlling interest | Total equity |
|----------------------------|------|---------------|---------------|-----------------------|-------------------|--------------------------|--------------|
| Equity as of 31.12.2015 | | 2 317 | 218 070 | 4 167 | -158 347 | 0 | 66 207 |
| Total comprehensive income | | | | | -1 855 | | -1 855 |
| Option plan payment | 5 | | | -320 | | | -320 |
| Equity as of 31.03.2016 | | 2 317 | 218 070 | 3 848 | -160 202 | 0 | 64 032 |

STATEMENT OF COMPREHENSIVE INCOME

Unaudited figures in NOK 1000

| | Quarters | | | Year to date | |
|---|----------|---------|---------|--------------|------------|
| | Q1 2016 | Q4 2015 | Q1 2015 | 31.03.2016 | 31.03.2015 |
| Total comprehensive income | -1 855 | -1 566 | -4 196 | -1 855 | -4 196 |
| Profit (loss) for the year (period) | | | | | |
| Other comprehensive income - items that will later be reclassified to profit and loss | | | | | |
| Translation differences | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income at end of period | -1 855 | -1 566 | -4 196 | -1 855 | -4 196 |

| | Quarters | | | Year to date | |
|---|----------|---------|---------|--------------|------------|
| | Q1 2016 | Q4 2015 | Q1 2015 | 31.03.2016 | 31.03.2015 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | -1 855 | -1 566 | -4 196 | -1 855 | -4 196 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | -1 855 | -1 566 | -4 196 | -1 855 | -4 196 |

NOTES

1. Badger Explorer ASA (BXPL) has previously received public grants from the Research Council of Norway (RCN), Innovation Norway and Skattefunn for the Badger Explorer Development Program. The projects of the Badger Explorer Development Program are funded with a percentage of the total project costs. As of 31 March 2016, RCN has through its PETROMAKS2-program granted NOK 561,965 funding for the development of HPHT ultrasonic system.
2. The public grants and all project development costs of BXPL, related to the Badger Explorer Development Program, are capitalized in accordance with the IFRS regulations, except of NOK 600,288 as per 31 March 2016. These additional project costs are related to the restriction on capitalization of own personnel costs in the IFRS standard.
3. From 28 June 2013, 30% of the shares in Severn Subsea Technologies Ltd. (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. BXPL holds 15% of shares in SST as of 31 March 2016.
4. 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 March 2016 is 18,537,288 at par value of NOK 0.125 per share.
5. The share options granted in 2014 were replaced with new share options. 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 745,000 outstanding share options were "out of the money" on 31 March 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. The remaining 185,000 share options were "out of the money" on

On 15 January 2016, the new CEO Øystein Larsen has been granted 370,000 share options at a strike price of NOK 1.50. 185,000 shares options will vest on the date of the publication of BXPL's Q4 2017 report. A further 185,000 shares options will vest on the date of the publication of BXPL's Q4 2018 report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 1.50 per option share. If on the exercise day the market price of BXPL'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 exercise of fully vested shares options is at the sole discretion of the option holder. All share options were "out of the money" on 31 March 2016.

6. 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 79.000 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.

On 8 June 2015, BXPL signed an agreement with Statoil, whereby the oil company will sponsor the first phase of the Development Program. In consideration of the participation in the Development Program, BXPL received signing-on fee payment of NOK 1.500 million (excl. VAT) in July 2015.

On 4 January 2016, the first key deliverable of Milestone 1, qualification of high power HPHT Transducers for the drilling and compaction systems in the Badger Explorer, was completed and approved by Statoil, which released funding of NOK 2.500 million (incl. VAT).

On 16 March 2016, Statoil approved the second key deliverable of Milestone 1, function testing and verification of a cuttings transport system developed in conjunction with Honeybee Robotics (US). In consideration of the approval of the deliverable, BXPL has invoiced Statoil NOK 2.500 million (incl. VAT) receivable in April 2016.

7. Deferred tax asset has not been recognised in the statement of financial position.

8. 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 | 31.03.2016 | 31.03.2015 |
|---------------------------------|------------|------------|
| Purchases of services* | 385 | 1 144 |

* In June 2013, BXPL entered into a consultancy agreement with two of its largest shareholders - Dalvin Rådgivning AS and Nilsholmen AS. As of 31 March 2016, payments totalling NOK 165,000 were made to Dalvin Rådgivning AS in respect of performed consultancy services and NOK 9,928 related to travel expenses. Mr. Gunnar Dolven, who is a CFO of BXPL, is a director of Dalvin Rådgivning AS. As of 31 March 2016, Nilsholmen AS, a company owned by Mr. Kjell Markman who is a Sr.VP Business Development & Strategy of BXPL, received payments of NOK 165,000 in respect of performed consultancy services.

In January 2016, BXPL entered into a consultancy agreement with the former Company's CEO and its shareholder Mr. Steinar Bakke. As of 31 March 2016, payments totalling NOK 45,000 were made to S. Bakke Consulting AS in respect to performed consultancy services.

| Shares held by members of the Board of Directors and members of the Management Group | 31.03.2016 | 31.03.2015 |
|--|------------------|------------------|
| SEB Private Bank S.A. Luxembourg (Chairman of the Board - Marcus Hansson) | 565 000 | 565 000 |
| Dalvin Rådgivning AS (CFO - Gunnar Dolven) | 426 872 | 301 872 |
| Nilsholmen Investering AS (Sr. VP Business Development & Strategy - Kjell Markman) | 209 222 | 209 222 |
| Senior Advisor - Steinar Bakke** | 200 473 | 30 000 |
| Nilsholmen AS (Sr. VP Business Development & Strategy - Kjell Markman) | 20 200 | 20 200 |
| Chairman of the Board - Marcus Hansson | 11 668 | 11 668 |
| CFO - Gunnar Dolven | 8 000 | 8 000 |
| Board member - Tone Kvåle* | 0 | 5 000 |
| Ordinary shares | 1 441 435 | 1 150 962 |
| % of total shares | 7.8 % | 6.2 % |

*Mrs. T. Kvåle resigned as member of the Board of Directors on 31 March 2015.

**On 11 January 2016, Mr. Steinar Bakke has purchased 45,473 shares in BXPL at a price of NOK 0.95 per share.

9. Fair value hierarchy

As at 31 March 2016, BXPL holds financial assets of the 15% shares in SST at fair value in the statement of financial position.

10. Investments in shares

Unaudited figures in NOK 1000

On 28 June 2013, BXPL entered into the Share Purchase Agreement (Agreement) with Severn Glocon, whereby BXPL sold 84 shares pursuant to the Agreement representing 70% of the issued share capital of its subsidiary SST for the equivalent of NOK 7.189 million with a loss of NOK 1.120 million in the Group. Upon settling the Completion Accounts, BXPL realized a further loss of NOK 838,350 accounted for in December 2013. The partial divestment of shares in 2013 was treated as discontinued operations in accordance with IFRS 5.

Under the Agreement, Severn Glocon acquired another 15% of the shares on 15 December 2014. BXPL holds 15% of shares in SST as of 31 March 2016.

Carrying amount movements in the statement of financial position of BXPL for the period ended 31 March 2016:

| | |
|---|--------|
| Carrying amount of 30% interest retained as of 31 December 2013 | 2 701 |
| 30% shares of net result in the associate for the period 1 January - 15 December 2014 | -2 387 |
| Sale of 15% of shares on 15 December 2014 | -157 |
| Impairment of the remaining 15% shares in SST booked in 2014 | -157 |
| Closing balance for the period ended 31 March 2016 | 0 |

11. 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 7.500 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 March 2016, NOK 6.928 million has been drawn on the overdraft facility. Interest incurred of NOK 111,722 have been repaid during Q1 2016. Financial covenants: equity - not be less than NOK 75.000 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 7.500 million with Sparebanken Vest is in breach with the agreed covenants as of 31 March 2016.

12. Going concern

The quarterly financial statements have been prepared on the basis of the going concern assumption. The Board of Directors confirms the going concern assumption to be present but the Board assess the current liquidity situation as very tight. Additional funding is required within a short period of time to carry on the future development of the Badger tool. As of 25 May 2016, signatures from CNPC DR for the Badger Development Program are pending, and as a result the funding from both sponsors, Statoil and CNPC DR, is uncertain. In addition, the Company is in breach of the financial covenants in the current credit facility, ref. note 11. The Board assessed the uncertainties for pending signatures of sponsors in the Badger Development Program and corresponding liquidity risk, causing significant doubt about the Company's ability to continue as a going concern.

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