Income Statement - Badger Explorer Group

All figures in NOK

	Note	2012	2011
REVENUES			
Other Income	17	7 735 382	9 678 133
Public grants	2	2 962 347	3 749 279
Capitalised public grants	9	-2 842 653	-3 617 024
Total revenues		**7 855 075**	**9 810 388**
OPERATING EXPENSES			
Cost of goods sold		2 756 910	2 462 829
External services for dev. project	9	8 992 613	19 902 343
Payroll and related costs	9	22 984 673	28 765 171
Depreciation	7	2 330 026	1 470 561
Other operating expenses		9 899 147	16 117 996
Capitalised development cost	9	-17 149 058	-27 986 247
Total operating expenses		**29 814 310**	**40 732 654**
Operating profit (loss)		**-21 959 235**	**-30 922 266**
Financial income	3	830 703	2 880 068
Financial expenses	3	489 341	1 885 704
Net financial items		**341 363**	**994 364**
Profit (loss) before taxes		**-21 617 872**	**-29 927 901**
Tax on ordinary result	4	310 313	371 642
Net profit (loss)		**-21 307 559**	**-29 556 260**
Profit (loss) attributable to non-controlling interest		-844 891	-321 460
Profit (loss) attributable to equity holders of the parent	**5**	**-20 462 668**	**-29 234 800**
Earnings per share	5	-1,10	-1,58
Earnings per share diluted	5	-1,10	-1,56

Statement of financial position - Badger Explorer Group

All figures in NOK

ASSETS	Note	2012	2011
NON-CURRENT ASSETS			
Capitalised development costs	2,9	121 637 391	111 037 190
Patent rights	9	386 668	386 668
Goodwill	9,18	5 595 285	5 773 858
Total intangible assets		**127 619 343**	**117 197 715**
Property, plant & equipment	7	15 273 435	17 963 301
Total tangible assets		**15 273 435**	**17 963 301**
TOTAL NON-CURRENT ASSETS		142 892 779	135 161 016
CURRENT ASSETS			
Inventories	8	**1 931 625**	**2 776 255**
Accounts receivables	10,15	2 123 726	5 251 001
Other receivables	2,10,15	3 652 019	6 564 897
Total receivables		**5 775 745**	**11 815 898**
Cash and cash equivalents	11	**17 607 757**	**39 178 834**
TOTAL CURRENT ASSETS		25 315 126	53 770 988
TOTAL ASSETS		168 207 905	188 932 004

Statement of financial position - Badger Explorer Group

All figures in NOK

EQUITY AND LIABILITIES	Note	2012	2011
EQUITY			
Share capital	12	2 317 161	2 317 161
Share premium fund		218 069 985	218 069 985
Other paid in capital		4 581 523	3 218 791
Total paid in equity		**224 968 669**	**223 605 937**
Foreign currency translation reserve		-1 761 585	-2 246 019
Retained earnings		-98 028 483	-77 565 814
Total equity attributable to equity holders of parent		**-99 790 068**	**-79 811 833**
Non-controlling interests	17	**1 879 958**	**2 724 849**
TOTAL EQUITY		**127 058 559**	**146 518 953**
LIABILITIES			
Capitalised grants	14	24 000 000	18 687 600
Interest-bearing loans and borrowings	15	0	8 346 809
Total long term liabilities		**24 000 000**	**27 034 409**
Accounts payable	13	3 800 856	3 085 714
Public duties payables		1 270 886	1 773 651
Taxes payable	4	0	391 794
Interest bearing loans and borrowings	15	8 200 003	741 342
Other short term liabilities	2	3 877 600	9 386 141
Total short term liabilities		**17 149 346**	**15 378 642**
TOTAL LIABILITIES		**41 149 346**	**42 413 051**
TOTAL EQUITY AND LIABILITIES		**168 207 905**	**188 932 004**

Stavanger, 20. March 2013

Marcus Hansson
Chairman of the Board

Tone Kvåle
Board member

Kristine Holm
Board member

Clive Mather
Board member

David W. Blacklaw
President & CEO

Statement of comprehensive income - Badger Explorer Group

All figures in NOK

Total comprehensive income	2012	2011
Profit (loss) for the year	-21 307 559	-29 556 260
Other comprehensive income		
Translation differences	484 433	351 986
Total comprehensive income for the year, net of tax	**-20 823 126**	**-29 204 274**

Total comprehensive income attributable to:	2012	2011
Equity holders of the parent	-19 978 234	-28 882 814
Non-controlling interest	-844 891	-321 460
	-20 823 126	-29 204 274

Statement of Change in Equity - Badger Explorer Group

All figures in NOK

	Note	Share capital	Share premium fund	Other paid in capital	Foreign currency translation	Retained earnings	Non-controlling interest	Total equity
Equity per 01.01.2011		2 304 880	217 099 786	2 285 528	-2 598 005	-43 097 876	6 092 609	182 086 924
Profit (loss) for the year						-29 234 800	-321 460	-29 556 260
Foreign currency translation					351 986			351 986
Total comprehensive income					351 986	-29 234 800	-321 460	-29 204 274
Capital increase		12 281	970 199					982 480
Acquisition of non-controlling interest	17					-5 233 140	-3 046 300	-8 279 440
Option plan payment	6			933 263				933 263
Equity per 31.12.2011		2 317 161	218 069 985	3 218 791	-2 246 019	-77 565 814	2 724 849	146 518 953
Profit (loss) for the year						-20 462 668	-844 891	-21 307 559
Foreign currency translation					484 433			484 433
Total comprehensive income					484 433	-20 462 668	-844 891	-20 823 126
Option plan payment	6			1 362 732				1 362 732
Equity per 31.12.2012		**2 317 161**	**218 069 985**	**4 581 523**	**-1 761 585**	**-98 028 483**	**1 879 958**	**127 058 559**

Statement of Cash Flow - Badger Explorer Group

All figures in NOK

	Note	2012	2011
Cash flow from operational activities			
Contributions from operations*		-17 956 164	-28 146 800
Tax paid	4	-102 247	0
Change in accounts receivable and accounts payables		-445 182	-1 599 080
Change in other receivables and payables		-2 396 139	5 159 982
Net cash flow from operating activities	**A**	**-20 899 731**	**-24 585 897**
Cash flow from investment activities			
Investment/sales in fixed asset	7	2 328	-15 792 063
Sale of/Investment in shares in liquidity fund**	15	0	52 496 132
Acquisition of non-controlling interest	17	0	-8 279 440
Capitalisation of development cost	9	-17 149 058	-27 986 247
Sales of capitalised equipment	7	294 298	0
Reclassification of contribution from industry partner	14	2 487 600	2 487 600
Sale of Badger Plasma Technology AS	17	752 149	0
Net cash flow from investment activities	**B**	**-13 612 683**	**2 925 982**
Cash flow from financing activities			
Public grants		3 617 025	3 617 024
Paid in equity		0	982 480
Contribution from industry partners	14	9 600 000	752 400
Net proceedings from borrowing	15	-888 147	8 266 976
Interest received		830 703	-1 766 302
Interest paid		-323 295	2 880 068
Net cash flow from financing activities	**C**	**12 836 286**	**14 732 646**
Total net changes in cash flow	A+B+C	-21 676 128	-6 927 270
Net foreign translation differences		105 051	218 322
Cash and cash equivalents 01.01	11	39 178 834	45 887 783
Cash and cash equivalents 31.12	**11**	**17 607 757**	**39 178 834**
Net result attributable to equity holders of the parent		-20 462 668	-29 234 800
Profit (loss) attributable to non-controlling interest		-844 891	-321 460
Employee options	6	1 362 732	933 263
Depreciation	7	2 330 026	1 470 561
Financial income		-830 703	-2 880 068
Financial expenses		323 295	1 885 704
Loss on sale of subsidiary and shares	3,17	166 045	0
***Total contributions from operations**		**-17 956 164**	**-28 146 800**

** Liquidity fund of MNOK 52.6 was sold during 2011.

Note 1 Accounting policies

Badger Explorer ASA 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 Forusskogen 1, 4033 Stavanger, Norway.

The consolidated financial statement of Badger Explorer ASA and all its subsidiaries (the Group) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statement has been prepared on an historical cost basis, except for investment in shares in liquidity fund which is held to fair value over profit and loss.

1.1 Consolidation

The consolidated financial statement comprises the financial statement of Badger Explorer ASA and its subsidiaries as at 31.12 each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, see note 17.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All Intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group 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 or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

<u>Basis of consolidation prior to January 2010</u>

Certain of the above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired where recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholder.

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportional share of the acquirer's identifiable net assets.

Note 1 Accounting policies (continues)

1.2 Currency

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

The Group's consolidated financial statements are presented in NOK. Income statement 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 of fair value of identifiable assets and liabilities arising on the acquisition of subsidiaries 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.

1.3 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. No such adjustment has been made in 2011 and 2012.

1.4 Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group's financial assets include, in addition to cash and cash equivalents, trade and other receivables and investment in shares in liquidity fund classified at fair value through profit and loss.

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Group's shares in marked based liquidity fund are classified as "financial assets at fair value through profit and loss" under IAS 39.9 b), as the fund is managed and its performance is evaluated on a fair value basis.

Loans and receivables

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

Note 1. Accounting policies (continues)

1.5 Financial liability

Financial liabilities within the scope IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

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

1.6 Inventory

Inventory is valued at the lower of cost and net realisable value.

Cost incurred in bringing raw materials to its present location and condition are accounted for by purchase cost on a first in, first out basis.

Cost incurred in bringing finished goods and work in progress to its present location and condition are accounted for by cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Note 1 Accounting policies (continues)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

1.7 Cash and cash equivalents

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

1.8 Accounts receivable

Accounts receivable are part of the category loans and receivables and are recognised in the balance sheet at nominal value less provisions for doubtful debts.

1.9 Fixed assets

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

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

Depreciation is calculated using the straight-line method over the following periods:
Buildings: 25 years
Plant and machinery: 6 - 10 years
Fixtures, fittings and vehicles: 3 - 5 years

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

1.10 Intangible assets

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

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

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

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

Note 1: Accounting policies (continues)

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

Patents and licenses

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

Research and development

Costs relating to research are expensed as incurred. Development expenditures related to the Badger Explorer development project and the Badger Plasma Technology project are recognized as an intangible asset when the Group can demonstrate:

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

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. All costs related to the Badger Explorer development project is capitalised continuously every month. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up). Capitalised carrying amount for the development project amounts to MNOK 121,6 as per 31.12.2012, see note 9.

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

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The Group assesses whether there are any indications that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Note 1 Accounting policies (continues)

1.11 Provisions

Provisions are recognised when the Group has a present obligation (legal of constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under and insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

1.12 Principles for revenue recognition

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

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from sale of engineering services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue from dividends is recognized when the Group's right to receive the payment is established.

Revenue from rental income arising from operational leases on instruments is accounted for on a straight line basis over the lease terms.

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

1.13 Public grants and contribution from partners

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

Public grants received to date are related to (ref. note 9):
- development projects and deducted in the carrying amount of the related project
- the purchase of a long leasehold building, plan and equipment

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

When the contributions from partners are subject to specific requirements, the contributions are recognised in the balance sheet as long term liabilities. When the contributions from partners are not subject to specific requirements, the contributions are recognised in the balance sheet as a deduction of the carrying amount of the related project. Ref. note 14.

Where the Group receives non-monetary grants, the assets and the grants are recorded at nominal amounts and released to profit and loss over the expected useful life of the relevant assets by equal annual instalments.

Note 1 Accounting policies (continues)

1.14 Income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except

(i) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

(ii) in respect of taxable temporary differences are associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset (long term liabilities) in the balance sheet.

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

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

1.15 Contingent liabilities and assets

Contingent liabilities are defined as

(i) possible obligations resulting from past events whose existence depends on future events.

(ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources.

(iii) obligations that cannot be measured with sufficient reliability.

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

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

1.16 Events after the balance sheet date

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

1.17 Use of estimates when preparing the annual financial statements.

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

Note 1 Accounting policies (continues)

- Impairment test for intangible assets (note 18)
- Depreciation periods for fixed assets and intangible assets (notes 7,9)
- Capitalized development cost/R&D cost (note 9)
- Taxes (note 4)

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

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and capitalised development cost are tested for impairment annually and at other times when such indicators exist. The Group's impairment test for goodwill and capitalised development cost is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash generating unit, including a sensitivity analysis, are further explained in note 18. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. This is especially relevant to capitalised development costs.

Development expenditures related to the Badger Explorer development project and the Badger Plasma Technology project are recognized as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Groups intention to complete and the Groups ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The ability to measure reliable the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. All costs related to the Badger Explorer development project is capitalised continuously every month. Project manager performs a continuous assessment to identify whether the cost relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up). Capitalised carrying amount for the development project amounts to MNOK 121,6 per 31.12.2012, see note 9.

Costs that have been expensed in previous accounting periods are not recognized in the balance sheet.
Recognized development costs are depreciated on a straight-line basis over the estimated useful life for the asset, usually not exceeding 10 years. Depreciation starts when the asset is ready for use. No depreciation has yet been performed for the development projects. The fair value of the development costs will be calculated when there is an indicator of change in value.

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

Note 1 Accounting policies (continues)

The Group has tax loss carry forwards amounting to NOK 101 559 418 (2011: NOK 83 100 711). These losses, relate to the parent company and a subsidiary that are in a technology development phase and consequently not in a regular operational situation generating revenue, do not expire and may not be used to offset taxable income elsewhere in the Group. The parent company and the subsidiary has no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

1.18 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases

Leases where the Group takes over the main part of the risk and return related to the ownership of the asset are classified as finance leases. At commencement of the lease period finance leases are calculated to an amount corresponding to real value of lowest lease present value, whichever is the lowest, less accumulated depreciations and devaluations. When calculating the present value of the lease the implicit interest cost of the lease is used when it can be determined. If it cannot be determined, the Group's marginal borrowing rate in market is used. Direct costs relating to the lease are included in the asset's cost price.

The depreciation period is consistent with equivalent assets that are owned by the Group. If it is not certain that the Group will take over the asset when the lease expires, the asset is depreciated over the lease's term or the depreciation period for equivalent assets owned by the Group, whichever is the shorter.

Operating leases

Leases for which most of the risk rests with the other contracting party are classified as operating leases. Operating lease payment are classified as operating costs in the income statement on a straight-line basis over the lease term.

1.19 Share options

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

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

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

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

Note 1 Accounting policies (continues)

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

1.20 Impairment of assets

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

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

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

1.21 Cash flow statement

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

1.22 Costs related to equity transactions

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

1.23 Changes in accounting policies and disclosures

The Group has implemented all changes in standards and interpretations for 2012. The implementation of these changes have not resulted in any changes to the group beyond the information given in the notes.

The IASB issued amendments to its standards and the related Basis for Conclusions in its annual "improvements to IFRSs". The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements are effective for annual periods beginning on 1 July 2012 or later, but the improvements are not yet approved by the EU. The Group plans to implement the amendments from 1 January 2013.

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

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

Note 1 Accounting policies (continues)

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets. The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27. Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 2014.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

The amendment clarifies that income taxes arising from distributions to equity holders shall be accounted for in accordance with IAS 12 Income Taxes. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

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

Note 2 Public grants and development costs

(All figures in NOK)

The Group has previously received public grants from the Research Council of Norway and Skattefunn for the Badger Explorer development project in Badger Explorer ASA and the Plasma Channel Drilling project in Badger Plasma Technology AS. The Badger Explorer development project has been pledged grants from Skattefunn and Research Council of Norway for both 2011 and 2012. All development costs in the Badger Explorer Group related to these projects are capitalised except of NOK 2 826 531 for 2012 and NOK 2 694 643 for 2011 related to a IFRS restriction on capitalisation of own personnel cost. Public grants related to the development projects are deducted in the carrying amount of the related asset.

Calidus Engineering Ltd. was awarded a grant from The European Regional Development Fund towards the development of the new building, maintaining staff numbers and creating new jobs.

The grant received is recognised to the P&L on a monthly basis over the life time of the assets to which it relates, whereas £131 400 relates to the premises and is written off over 25 years and £48 600 relates to plant and machinery and is written off over 4 years. The balance of grant not yet written down is recognised as deferred income of GBP 152 440 under other short term liability.

Note 3 Financial items

(All figures in NOK)

	2012	2011
Interest income related to cash and cash equivalents	804 299	1 300 519
Loss on sale of shares in liquidity fund and other shares	-166 045	-1 026 275
Market based shares in liquidity fund at fair value through profit and loss	0	965 428
Management cost of market based shares in liquidity fund	41 454	-58 555
Other financial income	15 667	13 945
Other financial expenses	-313 907	-197 194
Currency gain	10 738	600 185
Currency loss	-50 842	-603 690
Net financial items	341 363	994 364

Note 4 Tax

(All figures in NOK)

Income tax expense	**2012**	**2011**
Payable tax	0	0
Other	-413 836	-371 642
Tax from previous years	103 523	0
Changes in deferred tax	0	0
Total tax expense	**-310 313**	**-371 642**

Note 4 Tax (continues)

(All figures in NOK)

Calculation of basis for tax		
Earnings before tax	-21 617 872	-29 927 901
Permanent differences*	1 356 451	40 235
Changes in temporary differences	19 153 161	28 560 374
Total basis for tax	**-1 108 261**	**-1 327 292**

Summary of temporary differences:		
Fixed assets	138 255	783 914
Loss carried forward	-101 608 213	-83 100 711
Total	**-101 469 958**	**-82 316 798**
Deferred tax asset	**-28 411 588**	**-23 048 703**

	Balance sheet	
Deferred tax asset	**2012**	**2011**
Loss carried forward	28 450 300	23 268 199
Fixed assets	-38 711	-219 496
Total deferred tax asset	**28 411 588**	**23 048 703**
Valuation allowance	-28 411 588	-23 048 703
Total deferred tax asset recognised in the balance sheet statement	**0**	**0**

Deferred tax asset is not recognised in the balance sheet as the Group is in a development phase and is currently generating losses.

Loss carried forward per 31.12.12 is due as follows	**2012**	**2011**
Unlimited carrying forward	101 608 213	83 100 711

Explanation of why tax cost does not amount to 28% of earnings before tax:	**2012**	**2011**
28 % tax of earnings before tax	-6 053 004	-8 379 812
Permanent differences*	379 806	11 266
Changes in deferred tax asset not recognised in the balance sheet	5 362 885	7 996 905
Other	310 313	371 642
Calculated tax cost	**-310 313**	**-371 642**
Effective tax rate **	1,4 %	1,2 %

* Includes non-deductible costs such as entertainment and non-taxable share dividends.

** Tax cost compared to earnings before tax.

Note 5 Earnings per share

(All figures in NOK)

The tax cost is related to tax on the profit in Calidus Engineering Ltd.

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

Note 5 Earnings per share (continues)

(All figures in NOK)

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2012	2011
Profit (loss) attributable to equity holders of the Company	-20 462 668	-29 234 800
Weighted average outstanding ordinary shares	18 537 288	18 537 288
Effect of dilution - share options	92 265	150 310
Weighted average outstanding diluted shares	18 629 553	18 687 598

Earnings per share	**2012**	**2011**
Ordinary	-1,10	-1,58
Diluted	-1,10	-1,56

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

Payroll and related costs	**2012**	**2011**
Salaries and vacation pay	17 020 762	21 528 575
Employers' national insurance contributions	2 381 058	2 742 474
Option plan payment (incl. national insurance contribution)	1 204 388	392 979
Remuneration to board	1 185 000	992 500
Other benefits (incl. pension scheme)*	1 193 465	3 108 642
Total	**22 984 673**	**28 765 171**

* MNOK 1.5 related to accrued severance pay for former CEO and former Business Manager was deducted in 2012.

The average number of employees in full time equivalent	48	46

Pensions

The pension scheme in Badger Explorer ASA are defined contribution plans where agreed contributions are expensed as paid. Contribution comprising between 4% and 7% of an employee's salary is added to the pension plan. The scheme fulfils the requirements in the law for obliged pension (OTP). In Calidus Engineering Ltd. one director has accrued benefits under money purchased pension schemes. The Group has no further commitments towards pensions when the agreed contributions are paid. The Group's contribution costs are charged to the income statement in the year in which the contribution applies.

	2012	**2011**
Contribution expensed during the year	602 442	633 411

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

(All figures in NOK)

Remuneration to members of Management	2012 Salary	Other Benefits	Pension scheme costs
Chief Executive Officer (CEO)*	1 685 230	206 084	54 835
Chief Financial Officer (CFO)	1 648 585	29 034	58 792
Chief Technology Officer (CTO 1)**	672 316	8 964	16 372
Chief Technology Officer (CTO 2)**	549 963	15 289	38 522
Sr. Vice President Business Dev. & Strategy	1 513 702	30 953	55 523
Manager Quality, Risk and Supply Chain	1 148 871	29 110	55 305

* The Board of Directors granted the CEO a bonus amounting to NOK 150 000, to be booked and paid in April 2013.
** There was a change of Chief Technology Officer during the year. CTO 1 left the Company on 30.04.2012 and the new CTO was appointed on 01.07.2012.
At the end of 2012 Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy and Manager Quality, Risk and Supply Chain.

Remuneration to members of Management	2011 Salary	Other Benefits	Pension scheme costs
Chief Executive Officer 01.01 - 04.10 (CEO 1)*	1 257 319	10 080	36 423
Chief Executive Officer 05.10 - 31.12 (CEO 2)*	492 028	2 774	11 733
Chief Financial Officer (CFO)	1 647 605	13 481	47 665
Chief Technology Officer (CTO)	1 385 837	13 434	47 662
Sr. Vice President Business Dev. & Strategy	1 498 086	13 453	47 646
Manager HR, Economy and Adm.	684 135	7 604	30 340
Manager Quality, Risk and Supply Chain	1 073 444	11 428	47 641
Product Manager	1 049 923	13 318	46 594

* There was a change of Chief Executive Officer as of 05.10.2011. The CEO 1 was entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.
At the end of 2011 Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy, Manager HR, Economy and Adm., Manager Quality, Risk and Supply Chain and Product Manager.

Shares and options owned directly or indirectly by members of Management as per 31.12.2012

	Shares	Options
Chief Executive Officer (CEO)	0	370 579
Chief Financial Officer (CFO)	309 872	16 667
Chief Technology Officer (CTO 2)	0	5 000
Sr. Vice President Business Dev. & Strategy	229 422	25 000
Manager HR, Economy and Adm.	2 858	0
Manager Quality, Risk and Supply Chain	0	25 000
Total	**542 152**	**442 246**

Changes in share options owned by members of Management	Options as of 01.01.2012	Exercised in the period	Forfeited	Options granted in the period	Options as of 31.12.2012
Manager HR, Economy and Adm.	16 667	0	16 667	0	0
Total	**16 667**	**0**	**16 667**	**0**	**0**

The 20 000 options granted to CPM in 2006 were replaced with new options during 2009. The new option program is effective as of 15.09.2009 and 25 000 share options have been granted to CFO, 15 000 share options to CTO 2, 25 000 share options to Sr. Vice President Business Dev. & Strategy and 25 000 share options to Manager HR, Economy and Adm at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25 000 share options on employment in 2010 at strike of NOK 15. The options entitle purchase of shares during a 3.2 year period until 15.11.2012. This period has been extended until 3-10 days after the presentation of Annual Report 2012. All options were "out of money" per 31.12.2012. A total number of 16 667 of share options held by management were forfeited as of 31.12.2012. No options were exercised during 2012. In 3Q 2011 CEO 2 was granted 370 579 share options at strike of NOK 19 which must be exercised three to ten days after the presentation of the 3Q 2014 report and were "out of the money" per 31.12.2012.

Remuneration to the Board of Directors and Nomination Committee

Remuneration to Board of Directors for 2011 was approved by the Annual General Meeting in 2012 and is divided by NOK 300 000 to the Chairman of the Board, by NOK 150 000 to each Board member with the addition of NOK 50 000 to board member of the Audit Committee, by NOK 25 000 to the chairman of the Nomination Committee and by NOK 15 000 to each of the member of Nomination Committee. Remuneration to the Board of Directors approved by the general assembly and paid in 2011 and 2012 is listed in below table:

Remuneration to the Board of Directors and Nomination Committee	2012	2011
Marcus Hansson - Nomination Committee, Board Member 2011, Chairman 2012	200 000	75 000
Tone Kvåle - Board member, Audit Committee 2011/2012	200 000	200 000
Kristine Holm - Board member 2011/2012	150 000	150 000
Clive Mather - Board member 2012	300 000	0
John R. Wilson - Board member 27.04.2011 - 08.10.2012	300 000	0
Rolf E. Ahlqvist - Nom. Committee, Chairman 2011	15 000	315 000
Knut Åm - Nomination Committee	10 000	15 000
Bjørge Gretland - Nomination Committee, Board member 2011	10 000	87 500
Christian Bull Eriksson - Board member 2011	0	150 000
Total remuneration	1 185 000	992 500

Auditors fee	2012	2011
Audit fees	314 988	241 616
Assurance services	27 140	33 450
Other assistance	31 677	184 301
Total*	373 805	459 367

All fees excluding VAT.

*All services in 2011 and 2012 are recognised as expenses.

Audit-related costs incurred in 2012 are in accordance with the Company's law and policy.

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

(All figures in NOK)

Employee options

In 3Q 2009 a new option program was established replacing options granted in 2006 and 2007. All employees in Badger Explorer ASA at that time was allocated options. Manager Quality, Risk and Supply Chain was allocated 25 000 shares on employment 01.06.2010. One third of the option can be exercised after one year, a third of the option can be exercised after two years and a third can be exercised after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. This period has been extended to 3-10 days after the presentation of the Annual Report 2012. CEO was allocated 370 579 shares on 10.09.2011 which can be exercised three to ten days after the presentation of the 3Q 2014 report. Fair value of the options is calculated at the time of grant and will be recognized over the corresponding vesting period of the options. A total number of 111 668 of share options held by management were forfeited as of 31.12.2012. A total number of 71 667 of share options held by management were expired as of 31.12.2012. No options were exercised during 2012. Outstanding options as of 31.12.2012 were 462 913.

Summary of outstanding options:	2012 Share options	2012 Weighted average exercise price	2011 Share options	2011 Weighted average exercise price
Outstanding options 01.01	646 248	15,35	407 250	10,31
Granted options	0	0	370 579	19,00
Exercised options	0	0	-98 248	10,00
Forfeited	-111 668	10,00	-33 333	10,00
Expired options	-71 667	10,00	0	0
Outstanding options 31.12	462 913	17,46	646 248	15,35
Vested options	92 333	11,35	156 581	10,53
Weighted Average Fair Value of options granted during the period	0	0	370 579	10,76
Charged against the Income statement:	1 362 732		933 263	
Charged against the Income Statement - Employers' national insurance contribution:	-158 344		-343 018	

Fair value of the options is estimated based on the Black and Scholes option pricing model.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting of the Company held on 08.05.2012. The authorisation is provided until 30.06.2013 in respect of increase in the Company's share capital with up to NOK 115 858 by way of issuance of up to 926 864 shares in connection with the Company's share incentive scheme.

Implemented remuneration policy for members of Management for 2012

The main principle of the Group's remuneration policy of the Group's Management was to offer competitive terms in an overall perspective, taking into account salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in Management. The Group should offer salary levels that reflect the average salary levels in comparable Norwegian companies.

The determination of salaries and additional benefits of the Group's Management for the fiscal year 2012 was based on the above noted main principle and is further detailed as follows:

The fixed salary for each member of the Group's Management has been competitive and based on the individual's experience, responsibilities as well as the achieved results. There were no annual adjustments in 2012 due to the Company's drive to reduce overhead costs.

The Group's Management received payment in kind such as paid newspaper subscriptions, cell phone expenses and payment of IT and telecommunication expenses.

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

(All figures in NOK)

On 15 September 2009 a new share option program for all Company employees at the time was established. Out of a total of 406 750 granted share options at a strike price of NOK 10.00, the Company's Management was allocated 250 000 share options equalling 61.5% of all granted share options. On 1 June 2010 the Manager Quality, Risk and Supply Chain was granted 25 000 share options at a strike price of NOK 15.00. All shares at strike price of NOK 10 and NOK 15 should have been exercised within 15.11.2012, however this period has been extended until 3-10 days after presentation of Annual Report 2012. On 6 September 2011 the CEO 2 was granted 370 579 share options at a strike price of NOK 19.00, which may be exercised after presentation of the 3Q 2014 report.

All members of the Company's Management were included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and maximized to a percentage of 12G. The retirement age for all employees including the Group's Management is 67 years.

The compensation of the Management for 2012 was in line with the rules for the fiscal year 2012 as approved by the Annual General Meeting on 8 May 2012.

Remuneration policy for members of Management - Guidelines for 2013:

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

Management salaries and benefits for 2013 will be based on the principles noted below.

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

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

(All figures in NOK)

In addition to their base salary, the Group's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2013, the assessment criteria will be based on both the Group's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

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

On 15th September 2009 a new share option program for all BXPL employees at the time was implemented. The current Management has been allocated 442,246 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 10.00 (applicable to 46,667 shares options granted to CFO Gunnar Dolven, CTO Øystein Larsen and Sr. VP Dev. & Strategy Kjell Markman), NOK 15.00 (applicable to 25,000 share options granted the Manager Quality, Risk and Supply Chain). On 6th September 2011 the new CEO was granted 370 579 share options at a strike price of NOK 19.00, which may be exercised after the presentation of the 3Q 2014 financial report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10.00 (respectively NOK 15 and NOK 19) per option share. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50.

All members of the Group's Management are included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Note 7 Tangible fixed assets

(All figures in NOK)

2012	Building*	Property, plant & equipment	Total 2012
Cost price 01.01	9 515 749	14 045 162	**23 560 911**
Additions	0	75 493	**75 493**
Disposals	0	-389 356	**-389 356**
Currency translation difference	-294 296	54 767	**-239 529**
Cost price 31.12	9 221 453	13 786 065	**23 007 518**
Accumulated depreciations 31.12	-176 357	-7 544 697	**-7 721 053**
Accumulated depreciation of disposed asset		217 015	**217 015**
Currency translation difference	2 361	-232 406	**-230 045**
Booked value 31.12.	9 047 458	6 225 977	**15 273 435**
Depreciations	-114 137	-2 215 888	-2 330 026
Depreciation rate %:	4 %	10% - 33%	
Economic life (years):	25	3 - 10	
Depreciation method:	straight line	straight line	

2011	Building*	Property, plant & equipment	Total 2011
Cost price 01.01	0	7 779 280	**7 779 280**
Additions	9 515 749	6 265 882	**15 781 631**
Cost price 31.12	9 515 749	14 045 162	**23 560 911**
Accumulated depreciations 31.12	-62 220	-5 545 823	**-5 608 043**
Currency translation difference	-2 492	12 924	**10 432**
Booked value 31.12.	9 451 037	8 512 263	**17 963 301**
Depreciations	-62 220	-1 408 341	-1 470 561
Depreciation rate %:	4 %	10% - 33%	
Economic life (years):	25	3 - 10	
Depreciation method:	straight line	straight line	

* The building is financed with a mortgage loan.

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

The Group has entered into operating leases for offices and other equipment. The cost is as follows:

Operating leasing cost	Total 2012	Total 2011
Car leasing cost	0	43 870
Rent cost on buildings	2 133 118	4 128 368
Other	11 920	85 344
Total	**2 145 038**	**4 257 582**

Note 7 Tangible fixed assets (continues)

(All figures in NOK)

The future minimum rents related to non-cancellable leases fall due as follows for the Group:	Within 1 year	2-5 years	After 5 years
Operational leasing cost	31 864	0	0
Rent cost on buildings	2 070 000	4 657 500	0
Total	2 101 864	4 657 500	0

The lease agreement for the main office (headquarters) has been entered into for a period of 5 years. This agreement expires on 31.03.2016, and includes an option to extend the agreement for 3+3 years at market conditions.

Purchase of lease - Calidus Engineering Ltd.

In June 2011 Calidus Engineering Ltd. purchased a lease of units 6&7 Treleigh Industrial Estate of a total of MNOK 12.2 (£1 412 500) of which MNOK 8.1 (£940 000) relates to the building (shell only) and MNOK 4.1 (£472 500) relates to the plant and machinery. The lease is classified as financial. The building will be depreciated over 25 years and the plant and machinery will be depreciated over 10 years. The contractual term is 999 years and rent is set to one peppercorn per year.

Leasehold land and buildings have been pledged to secure borrowings in Calidus Engineering Ltd.

Note 8 Inventories

(All figures in NOK)

	2012	2011
Raw material	199 712	191 859
Work in progress	1 729 308	2 576 326
Finished goods	2 605	8 070
Total	1 931 625	2 776 255

All inventories are valued at cost. No write-down for obsoleteness are needed.

Note 9 Intangible assets

(All figures in NOK)

Badger Explorer Group has recognised the following intangible assets in the balance sheet (including internal built up assets such as development costs).

2012	Patents*	Development costs	Goodwill	Total
Cost price 01.01	400 000	111 037 190	5 773 858	117 211 047
Additions**	0	17 149 058	0	17 149 058
Disposals***		-1 218 604		-1 218 604
Currency translation difference	0	0	-178 573	-178 573
Contribution from partners	0	-2 487 600		-2 487 600
Public grants	0	-2 842 653	0	-2 842 653
Cost price 31.12	400 000	121 637 391	5 595 285	127 632 675
Accumulated depreciations 31.12	13 332			13 332
Book value 31.12.	**386 668**	**121 637 391**	**5 595 285**	**127 619 343**

** The addition in 2012 consists of external services of MNOK 7.2 and internal personal cost of MNOK 9.9 for the Badger Explorer development project.
*** The disposals applies to the sales of Badger Plasma Technology AS which was sold for MNOK 1.9 in December 2012 and the belonging Plasma Channel Drilling technology. It also includes sales of capitalised development equipment in Badger Explorer ASA.

2011	Patents*	Development costs	Goodwill	Total
Cost price 01.01	400 000	89 155 567	5 640 192	95 195 760
Additions	0	27 986 247	0	27 986 247
Currency translation difference	0	0	133 665	133 665
Contribution from partners	0	-2 487 600		-2 487 600
Public grants	0	-3 617 024	0	-3 617 024
Cost price 31.12	400 000	111 037 190	5 773 858	117 211 047
Accumulated depreciations 31.12	13 332	0	0	13 332
Book value 31.12.	**386 668**	**111 037 190**	**5 773 858**	**117 197 715**

There has not been made any depreciation on intangible asset in 2012 and 2011.

All development costs in 2011 and 2012 are related to the development of the Badger Explorer technology in Badger Explorer ASA. The development work contains inherent technology risk and risk related to the funding contributions from the sponsors. An amount of Management focus will continue to be applied to prudent financial management, improved cost-effectiveness and simplification of non-technical activities.

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs applies to the development of the Badger Explorer technology in Badger Explorer ASA and the Plasma Channel Drilling technology in Badger Plasma Technology AS. Depreciation will commence when the technology is ready for its intended use. Goodwill applies to the 50% acquisition of Calidus Engineering Ltd. in April 2009.

Note 10 Accounts receivables

(All figures in NOK)

	2012	2011
Accounts receivables	2 123 726	5 251 001
Skattefunn & Reasearch Council of Norway receivables	1 795 316	2 569 688
Other receivables	1 856 703	3 995 209
Total	**5 775 745**	**11 815 898**

Provision for bad debts in the P&L in Calidus Engineering Ltd. amounted to £57 148 in 2012. There is no further provision for losses on receivables. Other receivables are mainly related to prepaid expenses and government grants in Calidus Engineering Ltd. awarded towards the development of the new building, maintaining staff numbers and creating new jobs. This grant is to be drawn down in three stages. The first grant was received in 2011.

For age distribution of accounts receivables see note 15.

Note 11 Cash and cash equivalents

(All figures in NOK)

	2012	2011
Cash at bank	17 607 757	39 178 834
Restricted bank deposits	708 737	919 992

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

Number of shares	2012	2011
01.01.	18 537 288	18 439 040
Capital increase	0	98 248
31.12.	**18 537 288**	**18 537 288**

Nominal value per share is NOK 0,125.

As of 31.12.2012, the 20 largest shareholders were:	No. of shares	% share
CONVEXA CAPITAL IV AS	3 200 780	17,3 %
STATE STREET BANK AND TRUST CO.	2 699 997	14,6 %
BANK OF NEW YORK MELLON SA/NV	917 223	4,9 %
INVESCO PERP EUR SMALL COM	874 551	4,7 %
ODIN OFFSHORE	673 093	3,6 %
SKANDINAVISKA ENSKILDA BANKEN S.A.	655 000	3,5 %
HOLBERG NORDEN	593 019	3,2 %
IRIS-FORSKNINGSINVEST AS	522 091	2,8 %
BANK OF NEW YORK MELLON (LUX) S.A.	358 787	1,9 %
DALVIN RÅDGIVNING AS	301 872	1,6 %
ANØY INVEST DA	278 800	1,5 %
TTC INVEST AS	250 000	1,3 %
KNUT ÅM	242 600	1,3 %
KJELL ERIK DREVDAL	222 600	1,2 %
HOLBERG NORGE	219 266	1,2 %
CSV II AS	214 000	1,2 %
MP PENSJON PK	213 200	1,2 %
NILSHOLMEN INVESTERING AS	209 222	1,1 %
SIGMUND STOKKA	193 329	1,0 %
THE NORTHERN TRUST CO.	188 190	1,0 %
20 largest shareholders	13 027 620	70,3 %
821 other shareholders	5 509 668	29,7 %
Total of 841 shareholders	**18 537 288**	**100 %**

All shares have equal voting rights.

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting of 08.05.2012. These authorisations are valid until the next annual general meeting to be held in 2013, with an ultimate expiry date of 30 June 2013. The first authorization is provided for increasing the Company's share capital with up to NOK 115 858 by way of issuance of up to 926 864 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution). The second authorization is provided for increasing the Company's share capital with up to NOK 231 716 by way of issuance of up to 1 853 728 shares in connection with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 13 Related-party transactions

(All figures in NOK)

Transactions with related parties	2012	2011
Accounts payable**	0	0
Purchased services**	0	90 000

** The Company has purchased consultancy services from Norsaco in which Kjell Markman (Sr. VP Bus. Dev. & Strategy) is Chairman of the Board and owns 25% of the shares.

Transactions with members of Board of Directors	2012	2011
Accounts payable***	0	0
Purchased services***	70 000	200 000

***At the Extraordinary General Meeting on 1 December 2010 the General Meeting provided the Board of Directors with a proxy to enter into agreements with close associates for the period as of 1 December 2010 until 31 December 2011. The remuneration shall be limited to NOK 1,500 per hour and time schedule and detailed specifications of duties shall be approved by the Company's Board of Directors prior to entering of such agreements. Badger Explorer ASA entered into such agreements with previous Board member John Wilson and Board member Clive Mather in 2011 and with Board member Tone Kvåle in 2012. The agreement entered with Tone Kvåle in 2012 is related to the internal audit, potential risk evaluation, compliance and review of due diligence of 75% owned subsidiary Calidus Engineering Ltd.

For transactions with Calidus Engineering Ltd. and Nigel Halliday please refer to Note 17.

Shares held by members of the Board of Directors and members of Management	2012	2011
SIX SIS AG 25PCT (Chairman - Marcus Hansson)	0	500 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO 1 - Kjell Erik Drevdal *	0	222 600
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	209 222
SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson)	565 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
Invest OK AS (Board member - Kristine Holm)	15 000	15 000
Chairman - Marcus Hansson	11 668	11 668
5K International (CEO 1 - Kjell Erik Drevdal) *	0	10 000
CFO - Gunnar Dolven	8 000	8 000
Board member - Tone Kvåle	5 000	5 000
CTO 1 - Erling Woods	0	4 000
Mng. HR, Economy & Adm. - Hege Furland	0	2 858
Product manager - Wolfgang Mathis	0	2 100
Ordinary shares	**1 135 962**	**1 377 520**
% of total shares	6,1 %	7,4 %

*As of 04.10.2011 Kjell Erik Drevdal resigned as CEO.

Note 14 Conditional commitments

(All figures in NOK)

Contribution recognised in the balance sheet

The Group has received contributions from the industry partners amounting to NOK 28 975 200 since 2005 whereas NOK 21 175 200 were received prior to 2012. A total of NOK 24 000 000 of these contributions shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to a total of 150% of received contribution. A waiver of repayment of total of 2 487 600 of industry partner contributions was received in 2011 and the amount was thus capitalised as reduction of development cost. In March 2012 an additional confirmation of waiver of repayment of 2 487 600 was received.

Note 15 Financial risk management objectives and policies

(All figures in NOK)

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

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

Exchange rate risk

Through the 75% ownership of Calidus Engineering Ltd., the Group is exposed to fluctuations in the GBP/NOK exchange rate. Historically, the Group has had limited exposure to other currencies, but the supply chain is becoming more global as a result of efforts to reduce costs, and the exposure to other currencies - in particular EUR and USD - is increasing. Mitigation includes monitoring cost trends in global markets, and retaining the ability to change suppliers should they cease to be cost-effective.

The Group's cash reserve of MNOK 17.6 is divided by MNOK 16.7 deposited in Norwegian banks at NIBOR plus contracts and MNOK 1.0 (MGBP 0.01) deposited in British banks and gives a very low percentage of cash deposited in other currencies than the operating currency. This results in a low currency risk. All the Group's financial instruments are in NOK. Only a very low percentage of cash is deposited in currencies other than the operating currency, which minimizes the Group's currency risk. When commercial operations in larger scale commence a currency exchange policy will be introduced.

Calidus Engineering Ltd. has a mortgage of MNOK 6.6 (GBP 735 265) and a loan of MNOK 1.6 (GBP 173 996). The following table demonstrates a sensitivity analysis for changes in the GBP exchange rate with all other variables held constant for the loans in Calidus Engineering Ltd.

	2012	2011	2012	2011
Change in GBP rate:	9 %	9 %	-9 %	-9 %
Effect on profit before tax:	2 659	1 562	-2 659	-1 562
Effect on equity:	736 092	751 213	-736 092	-751 213

Interest rate risk

Calidus Engineering Ltd. has a total of MNOK 8.2 (MGBP 0.9) in interest-bearing debt and interest expenses of kNOK 272.5 (kGBP 29.6) in 2012, representing sensitivity to an increase in long term interest rates. Divestiture of the subsidiary will eliminate this risk.

The Group has MNOK 0.8 in net financial income as of 31.12.2012. The bank deposits are exposed to changes in market interest rate and this change will affect the financial income and the return on cash. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	2012	2011	2012	2011
Increase/decrease in basis points	45	45	-45	-45
Effect on profit before tax:	85 263	60 765	-85 263	-60 765

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group has experienced loss on receivables of NOK 549 965 (kGBP 57.1) in 2012. The maximum exposure as of 31.12.2012 is MNOK 2.1 the carrying amount of accounts receivables . All cash in the Group's Norwegian companies are deposited and distributed between two Norwegian banks which are considered to be a risk reducing initiative. All cash in Calidus Engineering Ltd. are deposited in British banks.

Note 15 Financial risk management objectives and policies (continues)

Liquidity risk

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

Cash spend will be carefully managed during 2013-2014. The first Field Pilot Contracts are planned to contribute with operational funding in 2014. Technical progress on the Badger Demonstrator Program and Field Pilot contracts will release funding from previously awarded grants; MNOK 20.0 from Innovation Norway and MNOK 8.0 from the Research Council of Norway.

The overdraft facility has not been withdrawn as of 31.12.2012. The interest rate at present is 4,95%. In addition, there is a yearly commission of 1.0% on the credit line.

Capital management

Capital includes equity attributable to the equity holders of the parent.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Group has a relative low portion of interest bearing loans; the gearing ratio is negative for both 2011 and zero for 2012.

The Group includes within net debt, trade and other payables, less cash and cash equivalents.

	2012	2011
Interest bearing loans and borrowings	8 200 003	8 346 809
Trade and other payables	8 949 342	15 378 642
Less cash and short-term deposits	-17 607 757	-39 178 834
Net debt	**-458 411**	**-15 453 383**
Equity	125 178 601	143 794 104
Total capital	**125 178 601**	**143 794 104**
Capital and net debt	**124 720 190**	**128 340 721**
Gearing ratio	0 %	-12 %

Fair value

between willing parties, other than in a forced or liquidation sale.

- Fair value of investment in shares in market based liquidity fund is based on price quotations as of 31.12
- Fair value of cash and cash equivalent are assessed to carrying amount
- Fair value of interest-bearing loans and borrowings

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

	2012		2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Shares in liquidity fund at fair value through profit and loss	0	0	0	0
Cash and cash equivalents	17 607 757	17 607 757	39 178 834	39 178 834
Current receivables	5 775 745	5 775 745	11 815 898	11 815 898
Trade and other payables	17 149 346	17 149 346	15 378 642	15 378 642
Interest-bearing loans and borrowings	8 200 003	8 200 003	9 088 150	9 088 150

Fair value hierarchy

As at 31.12.2012 the Group does not hold any financial instruments carried at fair value on the statement of financial position.

Note 15 Financial risk management objectives and policies (continues)

Age distribution of receivable

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

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	5 775 745	4 510 041	1 171 230	78 832	0	15 642	0
2011	11 815 898	6 951 841	3 005 900	442 349	0	0	1 415 809

The Group has experienced loss on receivables of NOK 549 965 (kGBP 57.1) in 2012.

Financial liability

Borrowings - Calidus Engineering Ltd.

1. A mortgage with HSBC of MNOK 6.6 (£735 265 as of 31.12.2012) over 15 years with an interest rate of 5.0% over the bank's steering base rate. Original mortgage of £800 000 was granted in June 2011.
Financial Covenants: Profit before Interest and Tax will not fall below a figure equal to 200% of the aggregate of interest charges and interest element of finance leases, in any Accounting Reference Period. Adjusted Tangible Net Worth will not be less than a minimum amount of £200 000 for year ending 31 December 2011. This amount is to increase by £ 100 000 per annum.

2. A loan of MNOK 1.6 (£173 996) from HSBC over 15 years with an interest rate of 5.25% over the bank's steering base rate. Original loan of £200 000 was granted in June 2011.
Financial Covenants: Cash flow from operation after allowing for payment of tax, dividends and capital expenditure will not fall below 2 times interest charge and capital repayment in any Accounting Reference Period. Profit before Interest and Tax will not fall below a figure equal to 200% of the aggregate of interest charges and interest elements of finance leases, in any Accounting Reference Period. Adjusted Tangible Net worth will not be less than a minimum amount of £100 000 for 2011. This amount is to increase by £100 000 per annum.

Both the mortgage with HSBC of £800 000 and the loan with HSBC of £200 000 are in breach with the agreed covenants in 4Q 2012 and the term of the loans have been renegotiated.
As the mortgage and loan are in breach of the covenants per 31.12.2012 they are classified as current liabilities.

3. An overdraft facility with HSBC of £50 000 agreed until 01.01.2013 and £110 000 until 31.03.2013, then continuing at £50 000 with an interest rate at 7,4%. The overdraft facility is due for review 30.05.2013.

	Within 1 year	2-5 years	After 5 years
Age distributed payment of borrowings	680 162	2 720 647	4 799 194

Note 16 Segment reporting

(All figures in NOK)

The table below 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 "Badger Explorer" includes all transaction related to the development of the Badger Explorer tool in the company Badger Explorer ASA. The column "Badger Plasma" in 2011 includes all transactions related to the development of the Plasma Channel Drilling technology in the company Badger Plasma Technology AS. The column "Calidus Engineering" includes all transactions in Calidus Engineering Ltd. and 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 companies Badger Explorer ASA and Badger Plasma Technology AS are included in this column.
Inter-segment transactions are eliminated upon consolidation and reflected in the elimination column. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
Capital expenditure are net after public grants.

Business segments - 2012	Badger Explorer	Calidus Engineering	Other	Elimination	Total
Revenue					
Third party	2 842 653	7 490 560	364 515	0	10 697 728
Inter-segment	0	5 698 986	0	-5 698 986	0
Capitalisation	-2 842 653	0	0	0	-2 842 653
Total revenue	**0**	**13 189 546**	**364 515**	**-5 698 986**	**7 855 075**
Results					
Depreciation	0	1 679 349	650 676	0	2 330 026
Segment expenses	19 867 873	14 540 863	15 536 381	-5 311 774	44 633 343
Capitalisation of expenses	-17 149 058	0	0	0	-17 149 058
EBIT	**-2 718 815**	**-3 030 666**	**-15 822 541**	**-387 212**	**-21 959 235**
Net financial items	0	-659 664	613 815	387 212	341 363
EBT	**-2 718 815**	**-3 690 330**	**-15 208 727**	**0**	**-21 617 872**
Tax	0	310 313	0	0	310 313
Net profit (loss)	**-2 718 815**	**-3 380 017**	**-15 208 727**	**0**	**-21 307 559**
Profit (loss) attributable to non-controlling interest	0	-844 891	0	0	-844 891
Segment profit (loss)	**-2 718 815**	**-2 535 126**	**-15 208 727**	**0**	**-20 462 668**
Total assets	**123 432 707**	**25 440 815**	**19 848 956**	**-514 574**	**168 207 905**
Total liabilities	**25 910 233**	**15 582 169**	**171 518**	**-514 574**	**41 149 345**
Capital expenditure	**13 087 801**	**1 275 770**	**-4 123 210**	**0**	**10 240 361**

Geographical segments - 2012	Norway	UK	Elimination	Total
Total revenue	**364 515**	**13 189 546**	**-5 698 986**	**7 855 075**
Total assets	**143 281 663**	**25 440 815**	**-514 574**	**168 207 905**
Total liabilities	**26 081 750**	**15 582 169**	**-514 574**	**41 149 345**
Capital expenditure	**8 964 591**	**1 275 770**	**0**	**10 240 361**

Note 16 Segment reporting (continues)

(All figures in NOK)

Business segments - 2011	Badger Explorer	Badger Plasma	Calidus Engineering	Other	Elimination	Total
Revenue						
Third party	3 617 024	0	9 270 001	540 387	0	13 427 412
Inter-segment	0	0	2 713 573	0	-2 713 573	0
Capitalisation	-3 617 024	0	0	0	0	-3 617 024
Total revenue	**0**	**0**	**11 983 575**	**540 387**	**-2 713 573**	**9 810 388**
Results						
Depreciation	0	0	658 175	812 386	0	1 470 561
Segment expenses	30 680 881	0	12 487 087	26 416 641	-2 336 270	67 248 339
Capitalisation of expenses	-27 986 247	0	0	0	0	-27 986 247
EBIT	**-2 694 634**	**0**	**-1 161 688**	**-26 688 640**	**-377 304**	**-30 922 265**
Net financial items	0	0	-532 149	1 149 210	377 304	994 364
EBT	**-2 694 634**	**0**	**-1 693 837**	**-25 539 430**	**0**	**-29 927 901**
Tax	0	0	371 642	0	0	371 642
Net profit (loss)	**-2 694 634**	**0**	**-1 322 195**	**-25 539 430**	**0**	**-29 556 260**
Profit (loss) attributable to non-controlling interest	0	0	-321 460	0	0	-321 460
Segment profit (loss)	**-2 694 634**	**0**	**-1 000 735**	**-25 539 430**	**0**	**-29 234 800**
Total assets	**112 445 036**	**3 411 841**	**30 840 202**	**42 364 349**	**-129 426**	**188 932 004**
Total liabilities	**18 585 724**	**2 487 600**	**15 238 161**	**6 230 991**	**-129 426**	**42 413 051**
Capital expenditure	**24 369 223**	**-2 487 600**	**14 632 679**	**1 159 384**	**0**	**37 673 686**

Geographical segments - 2011	Norway	UK	Elimination	Total
Total revenue	**540 387**	**11 983 575**	**-2 713 573**	**9 810 388**
Total assets	**158 221 226**	**30 840 202**	**-129 426**	**188 932 002**
Total liabilities	**27 304 315**	**15 238 161**	**-129 426**	**42 413 050**
Capital expenditure	**23 041 007**	**14 632 679**	**0**	**37 673 686**

Note 17 Subsidiaries

(All figures in NOK)

Badger Plasma Technology AS

Badger Plasma Technology AS is a private limited company registered in Norway and has its head office located at Forusskogen 1, 4033 Stavanger, Norway. Badger Plasma Technology AS was established on the 5.3.2007 in order to increase focus and activity level of the development and commercialisation of the Plasma Channel Drilling technology. All historic investments, public grants and capitalised grants related to the Plasma Channel Drilling (PCD) project and related administration costs have been transferred from Badger Explorer ASA to Badger Plasma Technology AS and are recognized on the accounts receivables in Badger Explorer ASA's Statement of Financial Position and on the accounts payable in Badger Plasma Technology AS's Statement of Financial Position. Badger Plasma Technology AS was sold for MNOK 1.9 in December 2012 and is not consolidated in the Group as per 31.12.2012.

Calidus Engineering Ltd.

Calidus Engineering Ltd. is a private limited company registered in UK. The company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK. The parties have agreed upon an acquisition model in which Badger Explorer ASA gradually until 2013 will acquire 100% of Calidus Engineering Ltd. The first 50% of the shares were acquired in November 2007 through a combined purchase of outstanding shares and a share issue. Additional 25% of the shares were acquired in April 2011 through purchase of outstanding shares. The remaining 25% of the shares are to be acquired in 2013 and Nigel Halladay has notified that he will exercise his put option. The acquisition of this non-controlling interest has been accounted for as an equity transaction in accordance with revised IAS 27.

All shares in Calidus Engineering Ltd. have equal voting rights.

Calidus Engineering Ltd. was from 01.12.2007 consolidated with a 50% minority interest and is consolidated with a 25% minority interest from 01.04.2011.

Cash flow on acquisition:	Nov. 2007 50 %	Apr. 2011 25 %	Total 75 %
Net cash acquired with the subsidiary	-707 944	0	**-1 730 502**
Net cash acquired through own share issue	-1 730 502	0	**8 909 526**
Cash paid	8 909 526	8 279 440	**6 471 080**
Net cash outflow:	6 471 080	8 279 440	**13 650 104**

Transactions with Calidus Engineering Ltd.	**2012**	**2011**
Accounts payable*	514 574	129 016
Purchased services*	5 571 957	2 702 972
Loan to subsidiary**	1 630 350	0
Shareholder guarantee issued in 2013 (Not recognised in the Statement of the Financial Position)	1 349 370	0

*The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 75% and Nigel Halladay owns 25% of the shares. Nigel Halladay also owns 75 500 shares in Badger Explorer ASA. ASA.

All transactions between Calidus Engineering Ltd. and Badger Explorer ASA are eliminated in Badger Explorer Group.
**In December 2012 Badger Explorer ASA provided a loan to Calidus Engineering Ltd. of £180 000 at interest rate of 3,2% p.a. with a down payment period of 2 years.

Note 18 Impairment testing of Goodwill

(All figures in NOK)

Goodwill acquired through business combinations have been allocated to one cash-generating unit for impairment testing, which is equal to the acquired entity Calidus Engineering Ltd. (Calidus).

	2012	2011
Carrying amount of goodwill allocated to the cash-generating unit	5 595 285	5 773 858

See also note 9.

Calidus Engineering Ltd.

The recoverable amount of Calidus has been determined based on a value-in-use calculation using cash flow projections based on reasonable and supportable assumptions from financial budgets approved by the management of Calidus covering a five-year period. None of the projected cash flows includes cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. The carrying amount in GBP has been revaluated to the NOK exchange rate at 31.12.2012.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for Calidus is most sensitive to the following assumptions:

- Operating margin
- Growth rate used to extrapolate cash flows beyond the budget period.
- Discount rates after tax

Operating margin varies from 14.0% to 14.5% for the 5 year period, which is higher than the actual operating margin of Calidus Engineering Ltd. in 2012 of -12.4%.

Growth rate estimates - The growth rate in the extrapolation period is set to 2.5%. The growth rate is based on average expected growth in the Engineering business and does not exceed the growth rates for the products, industry or country in which Calidus Engineering Ltd operates.

Discount rate - The discount rate applied to cash flow projections is 10.5%. Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to Calidus Engineering Ltd. for which future estimates of cash-flows have not been adjusted.

With regard to the assessment of value-in-use of Calidus Engineering Ltd., the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Note 19 Subsequent events

Cash spend will be carefully managed during 2013-2014. The first Field Pilot Contracts are planned to contribute with operational funding in 2014. Technical progress on the Badger Demonstrator Program and Field Pilot contracts will release funding from previously awarded grants: MNOK 20.0 from Innovation Norway and MNOK 8.0 from the Research Council of Norway.

In February 2013 Wintershall Norge AS joined ExxonMobil, Statoil and Chevron as sponsors of the Badger Explorer Demonstrator Program.

Key Figures Badger Explorer Group

	2012	2011
Selected items from Statement of Comprehensive Income (NOK 1000)		
Total revenues	7 855	9 810
Public grants	2 962	3 749
Capitalised development cost	-17 149	-27 986
Total operating expenses	29 814	40 733
EBIT	-21 959	-30 922
Net profit (loss)	-21 308	-29 556
Profit (loss) attributable to non-controlling interest	-845	-321
Profit (loss) attributable to equity holders of the parent	-20 463	-29 235
Earnings per share (NOK)	-1,10	-1,58
Selected items from Statement of financial position (NOK 1000)		
Capitalised development costs	121 637	111 037
Total non-current assets	142 893	135 161
Total current assets	25 315	53 771
Total assets	168 208	188 932
Total equity	127 059	146 519
Equity ratio	75,5 %	77,6 %
Total liabilities	41 149	42 413
Selected items from Statement of cash flow (NOK 1000)		
Net cash flow from operating activities	-20 900	-24 586
Net cash flow from investment activities	-13 613	2 926
Net cash flow from financing activities	12 836	14 733
Total net changes in cash flow	-21 676	-6 927
Cash and cash equivalents at end of period	17 608	39 179
Average number of employees	**48**	**43**

Income Statement - Badger Explorer ASA

All figures in NOK

	Note	2012	2011
REVENUES			
Other Income		364 515	540 387
Public grants	2	2 842 653	3 617 024
Capitalised public grants	2,9	-2 842 653	-3 617 024
Total revenues		**364 515**	**540 387**
OPERATING EXPENSES			
External services for dev. project	9	8 992 613	19 902 343
Payroll and related cost	9	19 578 362	23 246 797
Depreciation	7,9	650 676	812 386
Other operating expenses		5 975 325	13 922 780
Capitalised development cost	2,9	-17 149 058	-27 986 247
Total operating expenses		**18 047 917**	**29 898 060**
Operating profit (loss)		**-17 683 402**	**-29 357 673**
Financial income	3	820 081	2 868 562
Financial expenses	3,16	1 101 300	1 730 570
Net financial items		**-281 219**	**1 137 992**
Profit (loss) before taxes		**-17 964 621**	**-28 219 681**
Tax on ordinary result	4	0	0
Net profit (loss)	**5**	**-17 964 621**	**-28 219 681**
Allocation			
Retained earnings		-17 964 621	-28 219 681
Total allocation		**-17 964 621**	**-28 219 681**
Earnings per share	5	-0,97	-1,52
Earnings per share diluted	5	-0,96	-1,51

Statement of Financial Position - Badger Explorer ASA

All figures in NOK

ASSETS	Note	2012	2011
NON-CURRENT ASSETS			
Development costs	2,9	121 637 391	107 625 348
Patent rights	9	386 668	386 668
Total intangible assets		**122 024 059**	**108 012 016**
Property, plant & equipment	7	991 145	1 566 329
Total tangible assets		**991 145**	**1 566 329**
Investment in subsidiaries	16	17 188 966	20 188 966
Loan to subsidiary	13, 16	1 086 900	0
Total financial assets		**18 275 866**	**20 188 966**
TOTAL NON-CURRENT ASSETS		**141 291 069**	**129 767 310**
CURRENT ASSETS			
Inventories	8	**2 605**	**8 070**
Loan to subsidiary	13	543 450	0
Accounts receivables	10,15,16	957 553	4 520 827
Other receivables	10,15	2 728 478	4 127 204
Total receivables		**4 229 480**	**8 648 031**
Cash and cash equivalents	11	**16 577 824**	**35 427 657**
TOTAL CURRENT ASSETS		**20 809 909**	**44 083 758**
TOTAL ASSETS		**162 100 979**	**173 851 068**

Statement of Financial Position - Badger Explorer ASA

All figures in NOK

EQUITY AND LIABILITIES	Note	2012	2011
EQUITY			
Share capital	12	2 317 161	2 317 161
Share premium fund		218 069 985	218 069 985
Other paid in capital	6	4 581 523	3 218 791
Total paid in equity		**224 968 669**	**223 605 937**
Retained earnings		-92 598 434	-74 633 813
Total retained earnings		**-92 598 434**	**-74 633 813**
TOTAL EQUITY		**132 370 235**	**148 972 124**
LIABILITIES			
Capitalised grants	14	24 000 000	16 200 000
Total long term liabilities		**24 000 000**	**16 200 000**
Accounts payable	13,16	2 872 348	2 654 254
Public duties payables		1 270 888	1 719 812
Other short term liabilities		1 587 508	4 304 878
Total short term liabilities		**5 730 745**	**8 678 945**
TOTAL LIABILITIES		**29 730 745**	**24 878 945**
TOTAL EQUITY AND LIABILITIES		**162 100 979**	**173 851 068**

Stavanger, 20. March 2013

Marcus Hansson
Chairman

Tone Kvåle
Director

Clive Mather
Director

Kristine Holm
Director

David Blacklaw
CEO

Statement of Change in Equity - Badger Explorer ASA

All figures in NOK

	Share capital	Share premium fund	Other paid in capital	Retained earnings	Total equity
Equity per 01.01.2011	2 304 880	217 099 786	2 285 528	-46 414 133	175 276 061
Capital increase	12 281	970 199			982 480
Profit (loss) for the year				-28 219 681	-28 219 681
Option plan payment			933 263		933 263
Equity per 31.12.2011	2 317 161	218 069 985	3 218 791	-74 633 813	148 972 124
Profit (loss) for the year				-17 964 621	-17 964 621
Option plan payment			1 362 732		1 362 732
Equity per 31.12.2012	2 317 161	218 069 985	4 581 523	-92 598 434	132 370 235

Statement of Cash Flow - Badger Explorer ASA

All figures in NOK

	Note	2012	2011
Cash flow from operational activities			
Contributions from operations*		-14 619 536	-27 612 024
Change in accounts receivable and accounts payable		3 781 368	-2 779 188
Change in other receivables and payables		-1 615 167	867 948
Net cash flow from operating activities	A	**-12 453 335**	**-29 523 264**
Cash flow from investment activities			
Investment in fixed asset	7	-75 493	-1 159 385
Loan to subsidiary	15,16	-1 630 350	0
Investment in subsidiaries	15,16	0	-8 279 445
Sale of equipment		294 362	0
Sale of shares in subsidiaries/Investment in shares in liquidity fund**	3,16	752 149	52 496 132
Capitalisation of development cost	9	-17 149 058	-27 986 247
Net cash flow from investment activities	B	**-17 808 389**	**15 071 056**
Cash flow from financing activities			
Public grants		2 842 653	3 617 024
Paid in equity		0	982 480
Contribution from industry partners	14	7 800 000	3 240 000
Interest paid		-50 842	-1 611 169
Interest received		820 081	2 868 562
Net cash flow from financing activities	C	**11 411 892**	**9 096 898**
Total net changes in cash flow	A+B+C	-18 849 833	-5 355 311
Cash and cash equivalents 1.1	11	35 427 657	40 782 967
Cash and cash equivalents 31.12.	11	**16 577 824**	**35 427 657**

Net result		-17 964 621	-28 219 681
Employee options	6	1 362 732	933 263
Depreciation	7	650 676	812 386
Financial income		-820 081	-2 868 562
Financial expences		1 101 300	1 730 570
Loss on sale of subsidiary and shares	3,16	1 050 458	0
***Total contributions from operations**		**-14 619 536**	**-27 612 024**

** Liquidity fund of MNOK 52.6 was sold during 2011.

Note 1 Accounting policies

Badger Explorer ASA 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 Forusskogen 1, 4033 Stavanger, Norway.
The financial statement of Badger Explorer ASA has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.2012.

The financial statement has been prepared on an historical cost basis, except for investment in shares in liquidity fund which is held to fair value over profit and loss.

1.1 Investment in subsidiaries

Investments in subsidiaries are accounted in accordance with the cost method.

1.2 Other accounting policies

The financial statement for the Company has been prepared in accordance with the principles used for the Badger Explorer Group (the Group). Reference is thus made to the accounting policies 1.1 - 1.23 of the Group.

Note 2 Public grants and development costs

(All figures in NOK)

The Company has previously received public grants from the Research Council of Norway and Skattefunn for the Badger Explorer development project. The Badger Explorer development project has been pledged grants from Skattefunn and Research Council of Norway for both 2011 and 2012. All development costs in the Company are related to this project are capitalised except of NOK 2 826 531 for 2012 and NOK 2 694 643 for 2011 related to a IFRS restriction on capitalisation of own personnel cost. Public grants related to the development project are deducted in the carrying amount of the related asset.

Note 3 Financial items

(All figures in NOK)

	2012	2011
Interest income related to cash and cash equivalents	771 000	1 220 323
Loss on sale of shares in liquidity fund and other shares	-1 050 458	-1 026 275
Net loss on market based shares in liquidity fund at fair value through profit and loss	0	965 428
Management cost of market based shares in liquidity fund	0	-58 555
Other financial income	38 344	82 626
Other financial expenses	0	-42 051
Currency gain	10 738	600 185
Currency loss	-50 842	-603 690
Net financial items	-281 219	1 137 992

Note 4 Tax

(All figures in NOK)

Income tax expense	**2012**	**2011**
Payable tax	0	0
Changes in deferred tax	0	0
Total tax expense	0	0
Calculation of basis for tax		
Earnings before tax	-17 964 621	-28 219 681
Permanent differences*	2 406 909	40 235
Changes in temporary differences	137 782	160 371
Total basis for tax	**-15 419 930**	**-28 019 075**
Summary of temporary differences:		
Fixed assets	-635 991	-498 209
Loss carried forward	-103 808 211	-88 388 281
Total	**-104 444 202**	**-88 886 490**
Deferred tax asset	**-29 244 377**	**-24 888 217**

Deferred tax asset - Balance sheet	**2012**	**2011**
Fixed assets	178 077	139 498
Loss carried forward	29 066 299	24 748 719
Total deferred tax asset	**29 244 377**	**24 888 217**
Valuation allowance	-29 244 377	-24 888 217
Total deferred tax asset recognised in the balance sheet statement	**0**	**0**

Note 4 Tax (continues)

(All figures in NOK)

Deferred tax asset is not recognised in the balance sheet as the Company is in a development phase and is currently generating losses.

Losses carried forward per 31.12.2012 is due as follows:	2012	2011
Unlimited carrying forward	103 808 211	88 388 281

Explanation of why tax cost does not amount to 28% of earnings before tax:	2012	2011
28 % tax of earnings before tax	-5 030 094	-7 901 511
Permanent differences *	673 934	11 266
Changes in deferred tax asset not recognised in the balance sheet.	4 356 159	7 890 245
Calculated tax cost	**0**	**0**
Effective tax rate**	0 %	0 %

* Includes non-deductible costs such as entertainment and non-taxable share dividends.

** Tax cost compared to earnings before tax.

Note 5 Earnings per share

(All figures in NOK)

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

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Options awarded to employees at the end of 2006 and mid 2007 are waived and not included in the calculation of diluted earnings per share. The effect of the new awarded options to employees in mid September 2010, June 2010 and September 2011 are included in the calculation of diluted earnings per share both for 2011 and 2012.

	2012	2011
Profit (loss)	-17 964 621	-28 219 681
Weighted average outstanding ordinary shares	18 537 288	18 537 288
Effect of dilution - share options	92 265	150 310
Weighted average outstanding diluted shares	18 629 553	18 687 598

Earnings per share	2012	2011
Ordinary	-0,97	-1,52
Diluted	-0,96	-1,51

Note 6 Salaries, other benefits, number of employees

(All figures in NOK)

Payroll and related costs	2012	2011
Salaries and vacation pay	13 614 451	16 010 202
Employers' national insurance contributions	2 381 058	2 742 474
Option plan payment (incl. national insurance contribution)	1 204 388	392 979
Remuneration to board	1 185 000	992 500
Other benefits (incl. pension scheme)*	1 193 465	3 108 642
Total	**19 578 362**	**23 246 797**

* MNOK 1.5 relates to accrued severance pay for former CEO and former Business Manager for 2012.

	2012	2011
The average number of employees in full time equivalent	15	18

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

(All figures in NOK)

Pensions

The pension scheme in Badger Explorer ASA is defined contribution plans where agreed contributions are expensed as paid. Contribution comprising between 4% and 7% of an employee's salary is added to the pension plan. The Company has no further commitments towards pensions when the agreed contributions are paid. The Company's contribution costs are charged to the income statement in the year in which the contribution applies. The scheme fulfils the requirements of the law for obliged pension (OTP).

	2012	2011
Contribution expensed during the year	593 447	624 416

	2012		
Remuneration to members of Management	Salary	Other Benefits	Pension scheme costs
Chief Executive Officer (CEO)*	1 685 230	206 084	54 835
Chief Financial Officer (CFO)	1 648 585	29 034	58 792
Chief Technology Officer (CTO 1)**	672 316	8 964	16 372
Chief Technology Officer (CTO 2)**	549 963	15 289	38 522
Sr. Vice President Business Dev. & Strategy	1 513 702	30 953	55 523
Manager Quality, Risk and Supply Chain	1 148 871	29 110	55 305

* The Board of Directors granted the CEO a bonus amounting to NOK 150 000, to be booked and paid in April 2013.

** There was a change of Chief Technology Officer during the year. CTO 1 left the Company on 30.04.12 and the new CTO was appointed on 01.07.12.

At the end of 2012 Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy and Manager Quality, Risk and Supply Chain.

	2011		
Remuneration to members of Management	Salary	Other Benefits	Pension scheme costs
Chief Executive Officer 01.01 - 04.10 (CEO 1)*	1 257 319	10 080	36 423
Chief Executive Officer 05.10 - 31.12 (CEO 2)*	492 028	2 774	11 733
Chief Financial Officer (CFO)	1 647 605	13 481	47 665
Chief Technology Officer (CTO)	1 385 837	13 434	47 662
Sr. Vice President Business Dev. & Strategy	1 498 086	13 453	47 646
Manager HR, Economy and Adm.	684 135	7 604	30 340
Manager Quality, Risk and Supply Chain	1 073 444	11 428	47 641
Product Manager	1 049 923	13 318	46 594

* There was a change of Chief Executive Officer as of 05.10.2011. CEO 1 was entitled to three months severance pay in case of termination of employment by the Company after a notice period of three months.

At the end of 2011 Management of Badger Explorer ASA consists of CEO, CFO, CTO, Sr. Vice President Business Dev. & Strategy, Manager HR, Economy and Adm., Manager Quality, Risk and Supply Chain and Product Manager.

Shares and options owned directly or indirectly by members of Management as per 31.12.2012

	Shares	Options
Chief Executive Officer (CEO)	0	370 579
Chief Financial Officer (CFO)	309 872	16 667
Chief Technology Officer (CTO 2)	0	5 000
Sr. Vice President Business Dev. & Strategy	229 422	25 000
Manager HR, Economy and Adm.	2 858	0
Manager Quality, Risk and Supply Chain	0	25 000
Total	**542 152**	**442 246**

Changes in share options owned by members of Management	**Options as of 01.01.2012**	**Options exercised in the period**	**Options forfeited in the period**	**Options granted in the period**	**Options as of 31.12.2012**
Manager HR, Economy and Adm.	16 667	0	16 667	0	0
Total	**16 667**	**0**	**16 667**	**0**	**0**

The 20 000 options granted to CPM in 2006 were replaced with new options during 2009. The new option program is effective as of 15.09.2009 and 25 000 share options have been granted to CFO, 15 000 share options to CTO 2, 25 000 share options to Sr. Vice President Business Dev. & Strategy and 25 000 share options to Manager HR, Economy and Adm at strike of NOK 10. Manager Quality, Risk and Supply Chain was granted 25 000 share options on employment in 2010 at strike of NOK 15. The options entitle purchase of shares during a 3.2 year period until 15.11.2012. This period has been extended until 3-10 days after the presentation of Annual Report 2012. All options were "out of money" per 31.12.2012. A total number of 16 667 of share options held by management were forfeited as of 31.12.2012. No options were exercised during 2012. In 3Q 2011 CEO 2 was granted 370 579 share options at strike of NOK 19 which must be exercised three to ten days after the presentation of the 3Q 2014 report and were "out of the money" per 31.12.2012.

Remuneration to the Board of Directors and Nomination Committee

Remuneration to Board of Directors for 2011 was approved by the Annual General Meeting in 2012 and is divided by NOK 300 000 to the Chairman of the Board, by NOK 150 000 to each Board member with the addition of NOK 50 000 to board member of the Audit Committee, by NOK 25 000 to the Chairman of the Nomination Committee and by NOK 15 000 to each of the member of Nomination Committee. Remuneration to the Board of Directors approved by the general assembly and paid in 2011 and 2012 is listed in below table:

Remuneration to the Board of Directors and Nomination Committee	2012	2011
Marcus Hansson - Nomination Committee, Board Member 2011, Chairman 2012	200 000	75 000
Tone Kvåle - Board member, Audit Committee 2011/2012	200 000	200 000
Kristine Holm - Board member 2011/2012	150 000	150 000
Clive Mather - Board member 2012	300 000	0
John R. Wilson - Board member 27.04.2011 - 08.10.2012	300 000	0
Rolf E. Ahlqvist - Nom. Committee, Chairman 2011	15 000	315 000
Knut Åm - Nomination Committee	10 000	15 000
Bjørge Gretland - Nomination Committee, Board member 2011	10 000	87 500
Christian Bull Eriksson - Board member 2011	0	150 000
Total remuneration	1 185 000	992 500

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

(All figures in NOK)

Auditors fee	2012	2011
Audit fees	292 500	197 700
Assurance services	27 140	33 450
Other assistance	31 677	63 100
Total*	351 317	294 250

All fees excluding VAT.

*All services in 2011 and 2012 are recognised as expenses.

Audit-related costs incurred in 2012 are in accordance with the Company's law and policy.

Employee options

In 3Q 2009 a new option program was established replacing options granted in 2006 and 2007. All employees in Badger Explorer ASA at that time was allocated options. Manager Quality, Risk and Supply Chain was allocated 25 000 shares on employment 01.06.2010. One third of the option can be exercised after one year, a third of the option can be exercised after two years and a third can be exercised after three years. The exercise of options can be postponed but not past the contractual life of 3.2 years. This period has been extended to 3-10 days after the presentation of the Annual Report 2012. CEO was allocated 370 579 shares on 10.09.2011 which can be exercised three to ten days after the presentation of the 3Q 2014 report. Fair value of the options is calculated at the time of grant and will be recognized over the corresponding vesting period of the options. A total number of 111 668 of share options held by management were forfeited as of 31.12.2012. A total number of 71 667 of share options held by management were expired as of 31.12.2012. No options were exercised during 2012. Outstanding options as of 31.12.2012 were 462 913.

Summary of outstanding options:	2012 Share options	2012 Weighted average exercise price	2011 Share options	2011 Weighted average exercise price
Outstanding options 1.1	646 248	15,35	407 250	10,31
Granted options	0	0	370 579	19,00
Exercised options	0	0	-98 248	10,00
Forfeited	-111 668	10,00	-33 333	10,00
Expired options	-71 667	10,00	0	0
Outstanding options 31.12	462 913	17,46	646 248	15,35
Vested options	92 334	11,35	156 581	10,53
Weighted Average Fair Value of options granted during the period	0	0	370 579	10,76
Charged against the Income statement:	1 362 732		933 263	
Charged against the Income Statement, Employers' national insurance contribution:	-158 344		-343 018	

Fair value of the options is estimated based on the Black and Scholes option pricing model.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting of the Company held on 08.05.2012. The authorisation is provided until 30.06.2013 in respect of increase in the Company's share capital with up to NOK 115 858 by way of issuance of up to 926 864 shares in connection with the Company's share incentive scheme.

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

(All figures in NOK)

Implemented remuneration policy for members of Management for 2012

The main principle of the Company's remuneration policy of the Company's Management was to offer competitive terms in an overall perspective, taking into account salary, payments in kind as well as bonuses and pension plans to avoid substantial turnover in Management. The Company should offer salary levels that reflect the average salary levels in comparable Norwegian companies.

The determination of salaries and additional benefits of the Company's Management for the fiscal year 2012 was based on the above noted main principle and is further detailed as follows:

The fixed salary for each member of the Company's Management has been competitive and based on the individual's experience, responsibilities as well as the achieved results. There were no annual adjustments in 2012 due to the Company's drive to reduce overhead costs.

The Company's Management received payment in kind such as paid newspaper subscriptions, cell phone expenses and payment of IT and telecommunication expenses.

On 15 September 2009 a new share option program for all Company's employees at the time was established. Out of a total of 406 750 granted share options at a strike price of NOK 10.00, the Company's Management was allocated 250 000 share options equalling 61.5% of all granted share options. On 1 June 2010 the Manager Quality, Risk and Supply Chain was granted 25 000 share options at a strike price of NOK 15.00. All shares at strike price of NOK 10 and NOK 15 should have been exercised within 15.11.2012, however this period has been extended until 3-10 days after presentation of Annual Report 2012. On 6 September 2011 the CEO 2 was granted 370 579 share options at a strike price of NOK 19.00, which may be exercised after presentation of the 3Q 2014 report.

All members of the Company's Management were included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and maximized to a percentage of 12G. The retirement age for all employees including the Company's Management is 67 years.

The compensation of the Management for 2012 was in line with the rules for the fiscal year 2012 as approved by the Annual General Meeting on 8 May 2012.

Remuneration policy for members of Management - Guidelines for 2013:

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

Management salaries and benefits for 2013 will be based on the principles noted below.

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

In addition to their base salary, the Company's Management may be granted additional remuneration in the form of a bonus. If a bonus scheme is implemented in 2013, the assessment criteria will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the Management team, based on principles defined by BXPL's Board of Directors.

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

On 15th September 2009 a new share option program for all BXPL employees at the time was implemented. The current Management has been allocated 442,246 share options. Each option entitles the option holder to purchase one share at a strike price of NOK 10.00 (applicable to 46,667 shares options granted to CFO Gunnar Dolven, CTO Øystein Larsen and Sr. VP Dev. & Strategy Kjell Markman), NOK 15.00 (applicable to 25,000 share options granted the Manager Quality, Risk and Supply Chain). On 6th September 2011 the new CEO was granted 370 579 share options at a strike price of NOK 19.00, which may be exercised after the presentation of the 3Q 2014 financial report. Upon exercise of the options, the option holder shall pay to the Company a price of NOK 10.00 (respectively NOK 15 and NOK 19) per option share. If, on the exercise day, the market price of the BXPL shares exceeds NOK 50, the exercise price shall be increased by an amount equivalent to 8% of the market price less NOK 50.

All members of the Company's Management are included in the defined contribution pension scheme established by BXPL for all its employees. The scheme is deposit based and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12G. The retirement age for all employees, including Management, is 67 years.

Note 7 Tangible fixed assets

(All figures in NOK)

Badger Explorer ASA	Property, plant & equipment	Total 2012	Total 2011
Cost price 1.1	5 656 160	**5 656 160**	**4 496 776**
Additions	75 493	**75 493**	**1 159 384**
Cost price 31.12	5 731 653	**5 731 653**	**5 656 160**
Accumulated depreciations 31.12	-4 740 508	**-4 740 508**	**-4 089 831**
Booked value 31.12.	991 145	**991 145**	**1 566 329**
Depreciations		-650 676	-812 386
Depreciation rate %:		20% - 33%	20% - 33%
Economic life (years):		3 - 5	3 - 5
Depreciation method:		straight line	straight line

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

The Company has entered into operating leases for offices and other equipment. The cost is as follows:

Operating leasing cost	Total 2012	Total 2011
Car leasing cost	0	43 870
Rent cost on buildings	1 953 200	4 128 368
Other	11 920	34 396
Total	**1 965 120**	**4 206 634**

The future minimum rents related to non-cancellable leases fall due as follows for the Company:	Within 1 year	2-5 years	After 5 years
Operational leasing cost	11 400	0	0
Rent cost on buildings	2 070 000	4 657 500	0
Total	2 081 400	4 657 500	0

The lease agreement for the main office (headquarter) has been entered into for a period of 5 years. This agreement expires on 31.03.2016. and includes an option to extend the agreement for 3+3 years at market conditions.

Note 8 Inventories

(All figures in NOK)

	2012	2011
Finished goods	2 605	8 070
Total	2 605	8 070

All inventories are valued at cost. No write-down for obsoleteness are needed.

Note 9 Intangible assets

(All figures in NOK)

The Company has recognised the following intangible assets in the balance sheet (including internal built up assets such as development costs).

2012	Patents*	Development costs	Total
Cost price 1.1	400 000	107 625 348	**108 025 348**
Additions**		17 149 058	**17 149 058**
Disposal		-294 362	**-294 362**
Public grants		-2 842 653	**-2 842 653**
Cost price 31.12	400 000	121 637 391	**122 037 391**
Accumulated depreciations 31.12	13 332		**13 332**
Book value 31.12.	**386 668**	**121 637 391**	**122 024 059**

** The addition in 2012 consists of external services of MNOK 7.2 and internal personal cost of MNOK 9.9 for the Badger Explorer development project.

2011			
Cost price 1.1	400 000	83 256 126	**83 656 126**
Additions		27 986 247	**27 986 247**
Public grants		-3 617 024	**-3 617 024**
Cost price 31.12	400 000	107 625 348	**108 025 348**
Accumulated depreciations 31.12	13 332		**13 332**
Book value 31.12.	**386 668**	**107 625 348**	**108 012 016**

There has not been made any depreciation on intangible assets in 2012 and 2011.

All development cost in 2011 and 2012 are related to the develoment of the Badger Explorer technology in Badger Explorer ASA. The development work contains inherent technology risk and risk related to the funding contributions from the sponsors. An amount of Management focus will continue to be applied to prudent financial management, improved cost-effectiveness and simplification of non-technical activities.

* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted. The Development costs applies to the development of the Badger Explorer technology in Badger Explorer ASA.

Note 10 Accounts receivables

(All figures in NOK)

	2012	2011
Accounts receivables	957 553	4 520 827
Skattefunn & Research Council of Norway receivables	1 795 316	2 569 688
Loan to subsidiary (due in 2013)	543 450	0
Other receivables	933 161	1 557 516
Total	**4 229 480**	**8 648 031**

There is no provision for losses on receivables. Other receivables are mainly related to government grants and prepaid expenses.

For age distribution of accounts receivables see note 15.

Note 11 Cash and cash equivalents

(All figures in NOK)

	2012	2011
Cash at bank	16 577 824	35 427 657
Restricted bank deposits	708 737	919 992

Note 12 Share capital, share premium account, numbers of shares, shareholders etc.

(All figures in NOK)

Number of shares	2012	2011
01.01.	18 537 288	18 439 040
Capital increase	0	98 248
31.12.	18 537 288	18 537 288

Nominal value per share is NOK 0,125.

As of 31.12.2012, the 20 largest shareholders were:	No. of shares	% share
CONVEXA CAPITAL IV AS	3 200 780	17,3 %
STATE STREET BANK AND TRUST CO.	2 699 997	14,6 %
BANK OF NEW YORK MELLON SA/NV	917 223	4,9 %
INVESCO PERP EUR SMALL COM	874 551	4,7 %
ODIN OFFSHORE	673 093	3,6 %
SKANDINAVISKA ENSKILDA BANKEN S.A.	655 000	3,5 %
HOLBERG NORDEN	593 019	3,2 %
IRIS-FORSKNINGSINVEST AS	522 091	2,8 %
BANK OF NEW YORK MELLON (LUX) S.A.	358 787	1,9 %
DALVIN RÅDGIVNING AS	301 872	1,6 %
ANØY INVEST DA	278 800	1,5 %
TTC INVEST AS	250 000	1,3 %
KNUT ÅM	242 600	1,3 %
KJELL ERIK DREVDAL	222 600	1,2 %
HOLBERG NORGE	219 266	1,2 %
CSV II AS	214 000	1,2 %
MP PENSJON PK	213 200	1,2 %
NILSHOLMEN INVESTERING AS	209 222	1,1 %
SIGMUND STOKKA	193 329	1,0 %
THE NORTHERN TRUST CO.	188 190	1,0 %
20 largest shareholders	13 027 620	70,3 %
821 other shareholders	5 509 668	29,7 %
Total of 841 shareholders	**18 537 288**	**100,0 %**

All shares have equal voting rights.

Note 12 Share capital, share premium account, numbers of shares, shareholders etc. (continues)

(All figures in NOK)

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting of 08.05.2012. These authorisations are valid until the next annual general meeting to be held in 2013, with an ultimate expiry date 30 June 2013. The first authorization is provided for increasing the Company's share capital with up to NOK 115 858 by way of issuance of up to 926 864 shares in connection with the issuance of shares to employees, directors and others connected with the Company as part of the Company's share incentive scheme and the share issue against payment in other cash payment (contribution). The second authorization is provided for increasing the Company's share capital with up to NOK 231 716 by way of issuance of up to 1 853 728 shares in connection with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

Note 13 Related-party transactions

(All figures in NOK)

Transactions with related parties	2012	2011
Accounts payable**	0	0
Purchased services**	0	90 000

**The Company has purchased consultancy services from Norsaco in which Kjell Markman (Sr. VP Bus. Dev. & Strategy) is Chairman of the Board and owns 25% of the shares.

Transactions with members of Board of Directors	2012	2011
Accounts payable***	0	0
Purchased services***	70 000	200 000

***At the Extraordinary General Meeting on 1 December 2010 the General Meeting provided the Board of Directors with a proxy to enter into agreements with close associates for the period as of 1 December 2010 until 31 December 2011. The remuneration shall be limited to NOK 1,500 per hour and time schedule and detailed specifications of duties shall be approved by the Company's Board of Directors prior to entering of such agreements. Badger Explorer ASA entered into such agreements with previous Board member John Wilson and Board member Clive Mather in 2011 and with Board member Tone Kvåle in 2012. The agreement entered with Tone Kvåle in 2012 is related to the internal audit, potential risk evaluation, compliance and review of due diligence of 75% owned subsidiary Calidus Engineering Ltd.

Shares held by members of the Board of Directors and members of Management	2012	2011
SIX SIS AG 25PCT (Chairman - Marcus Hansson)	0	500 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO 1 - Kjell Erik Drevdal *	0	222 600
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	209 222
SEB Private Bank S.A. Luxembourg (Chairman - Marcus Hansson)	565 000	65 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	20 200
Invest OK AS (Board member - Kristine Holm)	15 000	15 000
Chairman - Marcus Hansson	11 668	11 668
5K International (CEO - Kjell Erik Drevdal)*	0	10 000
CFO - Gunnar Dolven	8 000	8 000
Board member - Tone Kvåle	5 000	5 000
Previous CTO 1 - Erling Woods	0	4 000
Manager HR, Economy & Adm. - Hege Furland	0	2 858
Product manager - Wolfgang Mathis	0	2 100
Ordinary shares	**1 135 962**	**1 377 520**
% of total shares	6,1 %	7,4 %

* As of 04.10.2011 Kjell Eirik Drevdal resigned as CEO

Note 14 Conditional commitments

(All figures in NOK)

Contribution recognised in the balance sheet

The Company has received contributions from the partners amounting to NOK 24 000 000 whereas NOK 16 200 000 were received prior to 2012. These contributions shall be repaid to the partners by paying 5% royalty of all technology related sales in the future. This royalty is limited to a total of 150% of received contribution. The contributions have not been recognised as income.

Note 15 Financial risk and Financial assets

(All figures in NOK)

Exchange rate risk

Badger Explorer ASA's cash reserves are deposited in Norwegian banks. All BXPL's cash and financial instruments are in NOK and thus no exchange rate risk inures.

In December 2012 Badger Explorer ASA provided a loan to Calidus Engineering Ltd. of £180 000 at interest rate of 3,2% p.a. with a down payment period of 2 years.

Interest rate risk

Badger Explorer ASA has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects the financial income and the return on cash. BXPL has kNOK -281 in net financial items as of 31.12.2012.

Credit risk

Badger Explorer ASA trades only with recognized, creditworthy third parties. It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is insignificant.

BXPL has not suffered any loss on receivables during 2012. The maximum exposure as of 31.12.2012 is MNOK 2.1, the Company's carrying amount of accounts receivable. All cash in the Company is deposited and distributed between two Norwegian banks which reduces exposure.

Liquidity risk

Badger Explorer ASA monitors its liquidity risk to be able to meet its financial obligations as they fall due. BXPL's cash position at year end 2012 is MNOK 16.6 compared to MNOK 35.4 in 2011. Funding from the Badger Demonstrator Program is projected to be MNOK 29.5 in 2013. Adding assets sale and Innovasjon Norge grant, this is considered sufficient cash to carry the business into 2014.

Badger Explorer ASA has established an overdraft facility of MNOK 7.5 with its Norwegian bank Sparebanken Vest as of 22.08.2012. The overdraft facility has not been withdrawn as of 31.12.2012. The interest rate at present is 4,95%. In addition, there is a yearly commission of 1.0% on the credit line.

Note 15 Financial risk and Financial assets (continues)

(All figures in NOK)

Capital management

Capital includes equity.

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

The Company manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. To maintain or adjust the capital structure the Company may issue new shares. No changes were made in the objectives, policies or processes during 2012.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Since the Company does not have any interest bearing loans, the gearing ratio is negative for both 2011 and 2012.

The Company includes within net debt, trade and other payables, less cash and cash equivalents.

	2012	2011
Interest bearing loans and borrowings	0	0
Trade and other payables	5 730 745	8 678 945
Less cash and short-term deposits	-16 577 824	-35 427 657
Net debt	**-10 847 080**	**-26 748 712**
Equity	132 370 235	148 972 124
Total capital	**132 370 235**	**148 972 124**
Capital and net debt	**121 523 155**	**122 223 411**
Gearing ratio	-9 %	-22 %

Fair value

The fair value of financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- Fair value of investment in shares in market based liquidity fund is based on price quotations as of 31.12.2012
- Fair value of cash and cash equivalent are assessed to carrying amount

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

	2012		2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	16 577 824	16 577 824	35 427 657	35 427 657
Current receivables	4 229 480	4 229 480	8 648 031	8 648 031
Trade and other payables	5 730 745	5 730 745	8 678 945	8 678 945

Age distribution of receivable

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

	Total	Neither past due nor impaired	Loss receivables
2012	4 229 480	4 195 470	0
2011	8 648 031	6 162 762	0

	Past due but not impaired			
	<30 days	30-60 days	60-90 days	>90 days
2012	34 010	0	0	0
2011	2 485 268	0	0	0

Note 16 Subsidiaries

(All figures in NOK)

Investments in subsidiaries:	2012	2011
Badger Plasma Technology AS (100%)	0	3 000 000
Calidus Engineering Ltd. (additional 25%)	17 188 966	17 188 966
Total	**17 188 966**	**20 188 966**

Badger Plasma Technology AS

Badger Plasma Technology AS is a private limited company registered in Norway and has its head office located at Forusskogen 1, 4033 Stavanger, Norway. Badger Plasma Technology AS was established on the 5.3.2007 in order to increase focus and activity level of the development and commercialisation of the Plasma Channel Drilling technology. All historic investments, public grants and capitalised grants related to the Plasma Channel Drilling (PCD) project and related administration costs have been transferred from Badger Explorer ASA to Badger Plasma Technology AS and are recognized on the accounts receivables in Badger Explorer ASA's Statement of Financial Position and on the accounts payable in Badger Plasma Technology AS's Statement of Financial Position. Badger Plasma Technology AS was sold for MNOK 1.9 in December 2012 with a loss of MNOK 1.1.

Calidus Engineering Ltd.

Calidus Engineering Ltd. is a private limited company registered in UK. The company is located at 6 Jon Davey Drive, Treleigh Industrial Estate, Redruth, Cornwall TR16 4AX, UK. The parties have agreed upon an acquisition model in which Badger Explorer ASA gradually until 2013 will acquire 100% of Calidus Engineering Ltd. The first 50% of the shares were acquired in November 2007 through a combined purchase of outstanding shares and a share issue. Additional 25% of the shares were acquired in April 2011 through purchase of outstanding shares. The remaining 25% of the shares are to be acquired in 2013. The acquisition of this non-controlling interest has been accounted for as an equity transaction in accordance with revised IAS 27.

All shares in Calidus Engineering Ltd. have equal voting rights.

Transactions with Calidus Engineering Ltd.	2012	2011
Accounts payable*	514 574	129 016
Loan to subsidiary**	1 630 350	0
Purchased services*	5 571 957	2 702 972
Shareholder guarantee (not recognised in the Statement of Financial Position)	1 349 250	0

*The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 75% and Nigel Halladay owns 25% of the shares. Nigel Halladay also owns 75 500 shares in Badger Explorer ASA.

All purchased services from Calidus Engineering Ltd. in 2011 and 2012 are related to the development project.

** In December 2012 Badger Explorer ASA provided a loan to Calidus Engineering Ltd. of GBP 180 000 at an interest rate of 3,2% p.a. and a down payment period of 2 years.

Equity and Net profit (loss) Calidus Engineering Ltd.	2012	2011
Equity 31.12	6 293 109	9 828 184
Currency translation	155 509	-218 736
Net profit (loss)	-3 379 566	-1 322 195
Carrying amount of shares as of 31.12.2012	17 188 966	17 188 966

Note 17 Subsequent events

Cash spend will be carefully managed during 2013-2014. The first Field Pilot Contracts are planned to contribute with operational funding in 2014. Technical progress on the Badger Demonstrator Program and Field Pilot contracts will release funding from previously awarded grants: MNOK 20.0 from Innovation Norway and MNOK 8.0 from the Research Council of Norway.

In February 2013, Wintershall Norge AS joined ExxonMobil, Statoil and Chevron as sponsors of the Badger Explorer Demonstrator Program.