

BOARD OF DIRECTORS' REPORT FOR 2016

Badger Explorer ASA (BXPL) continues to develop the “Badger Explorer”, a revolutionary technology for exploration and verification of hydrocarbon prospects, without the risks, cost and complexity of conventional drilling operations. The Badger Explorer tool acquires exploration data as it drills, and once installed at its target depth, the tool can continue to monitor subsurface parameters to enhance development and production activities.

The Badger Explorer idea originated at IRIS in 1999. The Company was established in 2003 and listed on the Oslo Stock Exchange (Oslo Axess list) in 2007.

Badger Explorer ASA's head office is located at Prof. Olav Hanssens vei 15, 4021 Stavanger, Norway and is organized under the laws of Norway.

Significant events during 2016

The main focus during 2016 has been to secure sufficient funding for the remaining part of the Development Program while keeping a steady progress reducing the technical risk level.

In April 2016 Badger Explorer received a Letter of Intent from Statoil where they express their intent of supporting the program going forward

In July 2016 Statoil approved the final key deliverable of Milestone 1 of the Badger Explorer Development Program.

In December 2016 Badger Explorer secured the first out of two Private Placements enabling a ramp up of the Development Program activities.

Technical progress

Despite the challenging funding situation in 2016, Badger Explorer has had a steady technical progress.

The ongoing Petromaks2 project - high power High Pressure High Temperature [HPHT] Transducers for the drilling and compaction system - passed milestone 1 in Q1 2016. This milestone realized the necessary components and enables the project to start using these components in relevant testing scenarios. Throughout 2016 the project delivered promising results regarding the use of cutting edge piezo-electric materials for transducer design used in the compaction process. The research into a key enabling technology for successful compaction and drilling will continue in Q1 2017.

The work on the drilling solution that will handle drilling in low fluid formations was scaled up in Q4 2016 where drill-bit design, control system and the utilization of the ultrasonic transducer were included. These are all improvements of an already existing and functional drilling solution that will expand the tool's working range significantly.

Further work on the locomotion was also initiated in Q4 2016. The locomotion of the tool has very few analogs to refer to which means that Badger Explorer over the years have used a broad range of external expertise to understand the challenge in advance of deploying the tool. Several solutions have been evaluated and Badger Explorer has continued working on the most promising ones in second half of 2016. Promising test results mean reduced friction and enhanced propulsion for the tool. In addition, a dedicated test equipment was designed that will be used to qualify the effect of the various locomotion solutions.

The Cuttings Transport module was developed in 2016 and the chain based transporting system passed relevant endurance tests including handling dry and wet cuttings in a satisfactory way. Statoil approved the Cuttings Transport test results in Q2 2016.

Sponsoring Partners

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

Funding

In December 2016, Badger Explorer conducted a successful private placement (PP1) raising NOK 45 million in gross proceeds securing liquidity for the Company. In addition, a subsequent offering (SO1) launched after the reporting period raised another NOK 10 million from eligible shareholders. These exercises secure sufficient funding for the remaining part of the Development Program. The Company has continued to keep expenses for Q4 2016 at a low level.

After the reporting period, Badger Explorer successfully raised further NOK 300 million in gross proceeds in a new private placement (PP2). The subsequent offering (SO2) for eligible shareholders raised another NOK 30.4 million. The total raised gross proceeds is therefore NOK 385.4 million (PP1+SO1+PP2+SO2). See note 17.

The Badger Explorer Development Program

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

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

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

Research and development

During 2016, the Company spent NOK 4.493 million (NOK 16.823 million in 2015) on research and development related to the Badger Development Program.

Presentation of 2016 accounts

Accounting policies

The financial statements of BXPL have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU on 31st December 2016.

Operating revenues

Total revenues from operations for BXPL were NOK 65,600 in 2016, compared to no revenue in 2015.

Operating expenses

Total operating expenses for BXPL were NOK 6.676 million in 2016, compared to NOK 12.807 million the previous year, which is a decrease of 47.8%. The Company significantly reduced its cost structure in 2016 to improve the liquidity position.

Development costs

All development costs incurred during 2016 and 2015 were related to the development of the Badger Explorer technology in BXPL. In 2016, BXPL spent NOK 4.493 million on development projects, of which NOK 3.516 million were capitalized, compared to NOK 16.823 million, of which NOK 14.124 million were capitalized in 2015.

The public grants from the RCN and pledged tax deduction from Skattefunn amounted to NOK 5.155 million for 2016 and NOK 8.060 million for 2015. The public grants were deducted from the carrying amount of the capitalized development costs.

Net financial items

Net financial items for BXPL amounted to NOK -445,072 for 2016, compared to NOK -450,308 for 2015. Net financial loss decrease was primarily attributable to fees and financial expense related to the overdraft facility.

Performance

Net loss attributable to equity holders of the Company was NOK -7.056 million for 2016, compared to NOK -13.257 million for 2015. Ordinary earnings per share from operations of BXPL amounted to NOK -0.38 in 2016 (NOK -0.72 in 2015).

Statement of financial position and cash flow

All figures in NOK million at Year End	Badger Explorer ASA	
	2016	2015
Total Assets ¹	151.0	152.5
Total Equity	58.9	66.2
Equity Ratio	39.0%	43.4%
Total Intangible Assets ²	150.0	148.2
Share Capital ³	2.3	2.3
Total Liabilities ⁴	92.1	86.3
Debt financial institutions ⁵	6.9	6.7
Net Cash Position ⁶	0.3	0.6

- Total assets in BXPL decreased due to decline in value of fixed assets due to use and depreciation.
- The increase in total intangible assets is mainly related to capitalized costs for the Badger Explorer development project. There are no indications as of reporting date that impairment is necessary.
- Total of 18,537,288 outstanding shares at a nominal value of NOK 0.125 per share.
- Capitalized partner capital contributions (total of NOK 81.5 million) are recognised as long-term liabilities, which will be repaid by paying 5% royalty of all technology related sales in the future.
- BXPL has entered into a revolving credit facility with its Norwegian bank Sparebanken Vest on 22nd August 2012 that provides for borrowings of up to NOK 7.5 million with an interest rate of 4.95%. In addition, there is a yearly commission of 1.0% on the credit line. As of 31st December 2016, NOK 6.889 million has been drawn on the overdraft facility. Interest incurred of NOK 431,671 have been repaid during 2016. Financial covenants: equity - not be less than NOK 75 million and should exceed more than 50% of the book equity ratio. The book equity less intangible assets must be positive. Accounts receivable - must exceed 75% of the withdrawn credit facility. Financial review - quarterly financial statement submission to the bank. The overdraft facility of NOK 7.5 million with Sparebanken Vest is in breach with the agreed covenants during 2016 and at year ended 31st December 2016. The outstanding debt of NOK 6.889 million was repaid due to the private placement of NOK 45 million on 13th January 2017 ref. note 17.
- Cash and cash equivalents were NOK 334,886 end of 2016 (before completion of the private placement announced in Q4 2016), compared to NOK 585,953 end of 2015.

Deferred tax assets are not recognised in the statement of financial position as BXPL is in a development phase and is currently generating losses.

Allocation of the 2016 result

BXPL's annual result amounted to a loss of NOK -7.056 million. The Company has no distributable equity. The Board of Directors proposes that the loss is transferred to retained earnings.

Risk management

Risk management is a critical success factor for BXPL. The Board focuses on risk management and deems it important that the Company maintains the necessary measures to manage controllable risk factors in order to keep these within acceptable limits.

BXPL is exposed to a number of financial and non-financial risks. Financially, the main risk factors are fluctuations in interest rates and exchange rates, oil price fluctuations, credit risk and liquidity risk. Non-financial risks include technology risk, competing technologies, market risks, regulatory permits and environmental exposure.

BXPL has implemented internal control and risk management systems appropriate to the size and nature of the Company's activities. The Company's core values, ethical guidelines and the corporate social responsibility policy are incorporated in the internal control and risk management systems.

The Board of Directors carries out an annual review of the control and risk management systems and the Company's most significant exposures.

Financial risks

Interest rate risk

The Company's financial income and financial costs in the statement of profit or loss are influenced by changes in interest rates as the interest on credit facility with Sparebanken Vest is on a floating basis. The Company had NOK 356,671 in interest expense for the overdraft facility in 2016.

Foreign currency exchange risk

The Company's cash reserves of NOK 334,886 are deposited in the Norwegian bank Sparebanken Vest. The main transactions for the Company are in NOK but the Company has suppliers invoicing in USD and GBP. When commercial operations in larger scale commence, a foreign currency exchange risk policy will be introduced.

Credit risk

BXPL only trades with recognised, 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. All cash in the Company is deposited in the Norwegian bank Sparebanken Vest. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk.

Liquidity risk

BXPL monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for BXPL's management of liquidity risk is to maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of BXPL at year-end 2016 was NOK 334,886, compared to NOK 585,953 in 2015.

Following the successful launch of the private placement at the end of 2016, the Company's financial and liquidity position has significantly improved. The net proceeds from the Private Placement will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. See note 17 for more details.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

Risk related to oil and gas prices

Oil and natural gas prices are volatile and subject to fluctuations and are affected by numerous factors beyond the Company's control, including, but not limited to, worldwide economic and political conditions, levels of supply and

demand, the policies of OPEC (the Organization of Petroleum Exporting Countries), advances in exploration and development technology, and the availability and exploitation of alternate fuel sources. The petroleum industry's ability and willingness to invest in new technology and technology companies has historically been closely linked to the price of oil and gas prices. The Company has historically received funding from oil companies in periodic large lump sums. This has changed to smaller milestone based funding in response to the decline in oil and gas prices over the past two years. Should the oil and gas price decline further in the years to come, there might be implications in the Company's expected funding from the oil companies, which may have a significant negative effect on the Company's financial position.

Whilst there may be a recovery in the oil and gas prices, uncertainty related to future price development remains high, and therefore uncertainty with respect to the oil companies' or other industrial sponsorship of the Company remains high.

Non-financial risks

Technology risk

The Company's technologies have evolved through the Company's Prototype Program (2005-2011) and Demonstrator Program (2012-2014). The current Development Program (2015-2019) will focus on four cornerstone technologies for the Badger Explorer Concept, characterized by the following technical risks:

- **Drilling:** The tool must be able to handle drilling with or without fluid. It must be able to handle high temperatures in the environment, generated by the tool itself, and by drilling. The drill bit cannot be replaced during operation. There is a risk that these functional requirements will affect the tool's performance, operational envelope, and market application.
- **Cutting transportation:** The Company has developed, and successfully stand-alone tested, a method to transport both dry and wet cuttings. There is a risk that implementing this method within a complete tool will be more challenging than anticipated, leading to delays in product development.
- **Compaction:** The permeability of the plug and fracture network produced by the tool are required to be within the regulative expectations. There is a risk that this requirement will not be achieved in a sufficient range of subsurface conditions, constraining operational envelope and market application.
- **Locomotion:** The tool will encounter environments in which the friction between the tool and the cavity walls and/or the cuttings between the cavity wall and the tool, may be too high. Several concepts for solving this challenge have been developed, but there is a risk that the developed solution will not be able to secure that the expected function under a sufficient range of conditions.

The Development Program does not include the logging sensors nor the power provision system (cable module) as these are evaluated to be engineering tasks secondary to the core technologies. There is a risk that the needed technology solution is not available in the market to an acceptable cost and within the necessary timeline. In-depth tests may also prove the execution more challenging than expected requiring extension of time and cost which could consequently have a material adverse effect on the Company's business and financial position.

Competitive technology

The Company's technology is competing with traditional exploration drilling using drill rigs where both are verifying the actual presence of hydrocarbons in a Prospect Resource to classify the Reservoir as Contingent Resource (SPE Petroleum Resource Management System). If the Company's technology is commercialized, there is no guarantee that the Company will take market share from such established competitors. Should the Company be unsuccessful in gaining such market share, this will have a material adverse effect on the Company's business and financial results.

The Company has not identified any direct competitors with the same technology and services. There are new technologies for improving seismic and EM operations, which will increase the quality of their services, but these services, are considered complementary to the Company's services. Competitors with similar technology could, however, appear if the Company's technology and services prove successful. There is a risk that competing solutions could consequently have material adverse effect on the Company's business and financial position.

Market risk

The Company is operating in the oil and gas industry making it affected by the general market movements in the industry.

Operational risk

The Company has successfully developed a tool, which, through the Demonstrator Program (2012-2014), exhibited performance which may not be scalable to target commercial conditions. The Development Program (2015-2019) is scheduled to qualify component technologies critical for such scaling. Extended time or extended funding may be necessary to execute subsurface tests for development of these technologies. Exposure to unforeseen operational problems during such testing may lead to service downtime, unexpectedly high operating costs and/or loss of earnings which could have a material adverse effect on the financial position of the Company.

Risk related to environmental, health and safety issues

The Company's operations are subject to numerous national and supra-national, environmental, health and safety laws, treaties and conventions and/or other regulations, including, inter alia, those controlling the discharge of materials into the environment, requiring removal and cleanup of environmental contamination, establishing certification, licensing, health and safety, taxes, labor and training standards or otherwise operations relating to the protection of human health and the environment. The amendment or modification of existing regulations or the adoption of new regulations curtailing or further regulating the Company's business could have a material adverse effect on the Company's operating results and financial condition. The Company cannot predict the extent to which future earnings or capital expenditures may be affected by compliance with such new regulations. In addition, the Company may be subject to significant fines, penalties or liabilities if it does not comply with any such existing or future regulations.

The products and services developed by the Company shall undergo strict qualification and certification by international standardization organizations, and shall be certified in accordance with applicable regulations all areas of operation. The Company shall also procure insurance coverage deemed adequate for the Company's business and operations. Notwithstanding this, there is no guarantee that met qualifications, standards, and insurance will be sufficient in all circumstances.

GOING CONCERN

Pursuant to section 3-3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that BXPL is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. The Company has reported significant doubt about the Company's ability to continue as a going concern in the previous periods as a result of a very tight liquidity situation. Additional funding was required to carry on the future development of the Badger tool and pay overdue debt. The overdraft facility of NOK 7.5 million with Sparebanken Vest was in breach with the agreed covenants during 2016 and at year end 31st December 2016. The Board assesses that there is not significant uncertainty related to going concern as of today based on the private placement of NOK 385.4 million carried out in Q1 2017, and the further planned subsequent offering as described in note 17 "Events after the reporting date" in this report.

Health, safety and the environment (HSE)

Good HSE systems and procedures are a precondition for an effective and safe working environment. The Board of Directors works continuously with the Company's management to ensure that business is conducted in a responsible manner and with respect for the employees and the environment.

BXPL has adopted the Norwegian "inkluderende arbeidsliv" (equal opportunity rights) scheme, incorporating procedures for an active follow-up on employees' sick leave and cooperating with the Company's health service. During 2016 absence due to sickness in BXPL was 46 days compared to 70 days in 2015.

No injuries or accidents have been reported in 2016. Increased test operations exposed staff to potential risks and more hazardous environments. Recognizing this, pro-active measures and other industry best practice have been implemented, to increase awareness and minimize the probability of accidents or injuries. Continued emphasis and awareness of issues related to health, safety and the environment will ensure that BXPL's systems and processes grow alongside the technical and commercial development.

Personnel and organization

BXPL is committed to equal opportunity and non-discrimination. BXPL had 4 permanent employees, of which 2 were female employees, for the years ended December 31st, 2016 and 2015, respectively.

In 2016, salaries for male employees averaged NOK 875,895 (compared to NOK 925,310 in 2015). Salaries for female employees averaged NOK 604,710 for 2016 (compared NOK 643,178 in 2015).

Both in 2016 and in 2015, 33% of BXPL's employees were of foreign nationality. All members of BXPL's Executive Management were of Norwegian nationality in 2016.

The Company is dependent upon engaging the best competence available. Competence is sourced without preference for gender, race, religion, political- or sexual inclination.

External environment

The Board takes responsibility for the Group's impact on the environment. It is the responsibility of the Company's Management to meet the set environmental goals and to comply with legislation and regulations.

One of the major benefits of the Badger Explorer, whether in initial field deployments or as part of the exploration and de-risking of a major new deep-water project, will be the reduced environmental impact and HSE exposure, compared to a drilling rig and associated support. From an environmental perspective, significantly less equipment, traffic and support activities will be required for a Badger deployment. During operation, the tool can be run unmanned, which eliminates a whole range of safety exposures.

Corporate Social Responsibility (CSR)

BXPL is committed to enhancing shareholder value in an ethical and socially responsible manner. By implementing the CSR Policy and Ethical Guidelines, the Company aims to take responsibility and set an example of good practice. The Board of Directors reviews the policy and the guidelines yearly and adopted the latest versions of the CSR Policy and the Ethical Guidelines on 23rd February 2017. These guidelines are available on the Company's website (www.bxpl.com). The documents apply to staff, Board members, temporary employees, consultants and any person or entity acting on behalf of BXPL.

Corruption diminishes legitimate business activities, destroys reputation and distorts competition. BXPL opposes all forms of corruption and will act to prevent corruption within the Company. The set of ethical guidelines adopted by the Board clearly states the standards of behaviour expected by all BXPL employees. Bribery, trading in influence, facilitation payments and all form of corruption are prohibited. BXPL promotes its policy on corruption amongst its business partners, contractors and suppliers.

- Bribery is defined as an attempt to influence individuals when performing their duties through offering improper advantages.
- Trading in influence exists when an improper advantage (cash, loans, travel, services or similar) is offered to an individual to influence the performance third party duties.
- A facilitation payment is a payment to a public official to enable or speed up a process, which is the official's job to arrange.

BXPL complies with all applicable national and international laws and regulations (for example, the OECD Guidelines for Multinational Enterprises and the International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery) with respect to improper payments to foreign officials.

BXPL is also committed to providing a safe, secure and healthy working environment. BXPL's overriding goal is to operate safely, in environmentally and socially responsible ways, and thereby:

- Do no harm to people
- Protect the environment
- Comply with all applicable HSE laws and regulations.

The Company believes that accidents and occupational illnesses and injuries are preventable, and hence applies efforts and resources to achieve the goals listed above. BXPL is proud of its good HSE statistics. During 2015, BXPL did a lot of testing and hands-on development work, without recording any injuries or accidents.

The responsibility for the HSE performance is shared by the Company's management and its employees. Supervisors are responsible for ensuring that appropriate preventive and mitigating measures are practical, available and used in practice. Employees are responsible for using such measures and equipment, and for identifying areas of

improvement. BXPL operated facilities and equipment must operate with the necessary permits, approvals and controls to protect health, safety, security and the environment.

The Company provides ongoing training to ensure that BXPL's commitment to excellence in HSE management is reflected throughout the Company. Health, safety and environmental performance are key factors in evaluating and rewarding our employees as well as when selecting contractors.

BXPL does not tolerate any kind of discrimination of employees, customers and partners on account of religion, gender, sexual orientation, age, nationality, political views, disability or other circumstances. We will not tolerate unlawful employment discrimination of any kind. The Company expects all of its employees to treat others they come in contact with through work with respect and courtesy, and to refrain from harassment, discrimination and any other behaviour that may be regarded threatening or degrading. Honesty, integrity and respect for people underpin everything BXPL staff does, and are the foundation of the Company's business practice.

BXPL aims to reduce the Company's carbon footprint and its impact on the environment through the commitment to continual improvement. The Company strives to keep the pollution of the external environment as low as possible by its current activities. A number of specific policies and practices have been established to minimize the Company's environmental impact through routine business activities

- An oil separator has been installed in the workshop to eliminate contamination through spillage. No spillage has occurred during 2016.
- Environmentally friendly workshop chemicals are chosen by preference.
- Waste is separated at source and disposed of appropriately.
- Active recycling is practiced in use of test equipment and fixtures, to avoid the unnecessary re-purchase of items that have been discarded.
- Active energy-saving is practiced in terms of heat and lighting in the workshop.

Corporate Governance

Corporate Governance is performed within the framework of the Norwegian Code of Practice for Corporate Governance dated 30th October 2014 (www.nues.no). The Board reviews the Corporate Governance Policy annually and approved the latest version on 23rd February 2017 which can also be found on the Company's website (www.bxpl.com) and is included in this Annual Report.

As required for a public limited company listed on the Oslo Stock Exchange (Oslo Axess List) BXPL provides its shareholders, the Oslo Stock Exchange and the financial market with timely and accurate information. Such information takes the form of annual reports, quarterly interim reports, stock exchange notifications and investor presentations as applicable.

BXPL communicates its long-term potential, strategy, value drivers and risk factors. The Company maintains an open and proactive investor relations policy and a best-practice website and presents regularly in connection with annual and interim results in Norway. Sound corporate governance underpins growth to benefit shareholders, employees and other stakeholders. The Board strives continuously to build confidence in the Company through the implementation of corporate governance-, accounting- and Oslo Stock Exchange standards. The Board of Directors emphasizes transparency and openness, equal treatment of all shareholders, competence in the Company's governing bodies, independence of auditors and accuracy of information distributed by the Company reflecting its status and operations.

Board of Directors of Badger Explorer ASA

The composition of the Board of Directors and the Board members' competences and expertise are chosen to support the Company's goals. BXPL's Board consists of four members, two males and two females.

The Board of Directors held five ordinary Board meetings and four extraordinary Board meeting during the fiscal year 2016.

The Board's Audit Committee consists of Chairman Mr. Marcus Hansson. The Board conducts an annual evaluation of its work.

Events after the reporting date

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

At the extraordinary general meeting on 9th January 2017, the Company's shareholders resolved to approve Private Placement I and authorized a Subsequent Offering. As a result of the share issue, the Company's new registered share capital was NOK 47,317,161 divided into 378,537,288 shares, each with a nominal value of NOK 0.125 on 16th January 2017. Costs and fees of NOK 3.050 million related to the transaction were recognized as a reduction to equity.

On 2nd February 2017, The Company announced that it had raised NOK 300 million in gross proceeds through a new Private Placement II consisting of 600,000,000 new shares with a subscription price of NOK 0.50 per share. The net proceeds from Private Placement II will be used for further development of the Badger tool and pursue opportunities which can accelerate the commercialization of the Company's patents and knowhow. The Company has already evaluated potential investments and is continuing to see interesting investment opportunities.

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

At the extraordinary general meeting on 23rd February 2017, the Company's shareholders resolved to approve the Private Placement II and authorized a Subsequent Offering II. As a result of the Subsequent Offering I, the Company's new registered share capital is NOK 132,317,161 divided into 1,058,537,288 shares, each with a nominal value of NOK 0.125 on 7th March 2017. The gross proceeds from the Private Placement II and Subsequent Offering I amounted to NOK 310 million. Costs and fees of NOK 13.687 million related to the capital increase transactions were recognized as a reduction to equity.

On 20 March 2017, BXPL agreed to acquire 100% of the outstanding shares of Dwellop AS, the Norwegian-based independent systems and technology provider delivering topside handling equipment for well intervention and plugging & abandonment (P&A) operations. The agreed purchase price is NOK 190 million, whereof NOK 60 million shall be settled in cash at closing and NOK 130 million shall be settled by issuance of new shares in the Badger Explorer ASA at an agreed subscription price of NOK 0.65 per share (the "Remuneration Shares").

On 23 March 2017, the Subsequent Offering II of up to 80,000,000 new shares at a subscription price of NOK 0.50 per share was subscribed for gross proceeds of NOK 30.4 million. As a result of the Subsequent Offering II, the Company's new share capital is NOK 139,909,055 divided into 1,119,272,438 shares, each with a nominal value of NOK 0.125.

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

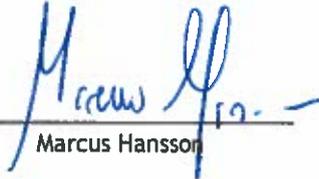
Outlook

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

The Board of Directors wishes to extend their gratitude to the entire BXPL staff for the considerable technical progress and achievements made in advancing the Badger tool throughout 2016.

Stavanger, 29th March 2017

The Board of Directors and the Chief Executive Officer of Badger Explorer ASA



Marcus Hansson
(Chairman of the Board)



Birte Noer Borrevik
(Board member)



Belinda T. Ingebrigtsen
(Board member)



David Ottesen
(Board member)



Roald Valen
(CEO)

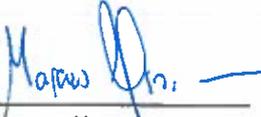
Responsibility statement

We confirm, to the best of our knowledge that the financial statements for the period 1st January to 31st December 2016 have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities and financial position and result of Badger Explorer ASA.

We also confirm, to the best of our knowledge that the Board of Directors' report includes a true and fair overview of the development, performance and financial position of Badger Explorer ASA, together with a description of the principal risks and uncertainties they face.

Stavanger, 29th March 2017

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(Chairman of the Board)



Birte Noer Borrevik
(Board member)



Belinda T. Ingebrigtsen
(Board member)



David Ottesen
(Board member)



Roald Valen
(CEO)