

# Income Statement - Badger Explorer ASA

All figures in NOK

	Note	2016	2015
<b>REVENUES</b>			
Other income		65 600	0
<b>Total revenues</b>		<b>65 600</b>	<b>0</b>
<b>OPERATING EXPENSES</b>			
External services for development project	3	1 561 431	8 725 892
Payroll and related expenses	14	4 140 499	9 921 081
Depreciation	16	99 174	200 371
Other operating expenses		4 390 750	8 083 181
Capitalised development costs	3	-3 515 506	-14 123 964
<b>Total operating expenses</b>		<b>6 676 347</b>	<b>12 806 562</b>
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<b>Operating profit (loss)</b>		<b>-6 610 747</b>	<b>-12 806 562</b>
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Finance income	11	30 195	38 831
Other finance income	11	8 244	15 518
Finance expenses	11	483 511	504 656
<b>Net finance income (loss)</b>		<b>-445 072</b>	<b>-450 308</b>
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<b>Profit (loss) before taxes</b>		<b>-7 055 820</b>	<b>-13 256 869</b>
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Tax on ordinary result	12	0	0
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<b>Net profit (loss)</b>		<b>-7 055 820</b>	<b>-13 256 869</b>
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<b>Profit (loss) attributable to equity holders of the company</b>	<b>13</b>	<b>-7 055 820</b>	<b>-13 256 869</b>
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Earnings per share	13	-0,38	-0,72
Earnings per share diluted	13	-0,37	-0,70

## Statement of comprehensive income - Badger Explorer ASA

All figures in NOK

<b>Total comprehensive income</b>	<b>2016</b>	<b>2015</b>
Profit (loss) for the year	-7 055 820	-13 256 869
Other comprehensive income - items that will later be reclassified to profit or loss	0	0
<b>Total comprehensive income for the year, net of tax</b>	<b>-7 055 820</b>	<b>-13 256 869</b>

<b>Total comprehensive income attributable to:</b>	<b>2016</b>	<b>2015</b>
Equity holders of the company	-7 055 820	-13 256 869
<b>Total comprehensive income</b>	<b>-7 055 820</b>	<b>-13 256 869</b>

# Statement of financial position - Badger Explorer ASA

All figures in NOK

ASSETS	Note	2016	2015
<b>NON-CURRENT ASSETS</b>			
Capitalised development costs	2,3	149 631 849	147 767 798
Patent rights	3	386 668	386 668
<b>Total intangible assets</b>		<b>150 018 516</b>	<b>148 154 466</b>
Property, plant & equipment	16	23 995	100 933
<b>Total tangible assets</b>		<b>23 995</b>	<b>100 933</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>150 042 512</b>	<b>148 255 399</b>
<b>CURRENT ASSETS</b>			
Other receivables	2,8,10	605 374	3 629 859
<b>Total receivables</b>		<b>605 374</b>	<b>3 629 859</b>
Cash and cash equivalents	3	334 886	585 953
<b>TOTAL CURRENT ASSETS</b>		<b>940 260</b>	<b>4 215 812</b>
<b>TOTAL ASSETS</b>		<b>150 982 772</b>	<b>152 471 211</b>

# Statement of financial position - Badger Explorer ASA

All figures in NOK

EQUITY AND LIABILITIES	Note	2016	2015
<b>EQUITY</b>			
Share capital	15	2 317 161	2 317 161
Share premium	15	218 069 985	218 069 985
Other paid in capital	14	3 935 228	4 167 490
<b>Total paid in equity</b>		<b>224 322 374</b>	<b>224 554 636</b>
Retained earnings		-165 403 218	-158 347 399
<b>Total equity attributable to equity holders of company</b>		<b>-165 403 218</b>	<b>-158 347 399</b>
<b>TOTAL EQUITY</b>		<b>58 919 156</b>	<b>66 207 237</b>
<b>LIABILITIES</b>			
Capitalised grants	5	81 500 000	75 000 000
<b>Total long term liabilities</b>		<b>81 500 000</b>	<b>75 000 000</b>
Accounts payable	8,9	2 063 022	3 077 545
Public duties payables	8	280 623	474 324
Debt financial institutions	6	6 889 452	6 711 379
Other short term liabilities	7	1 330 519	1 000 727
<b>Total short term liabilities</b>		<b>10 563 616</b>	<b>11 263 975</b>
<b>TOTAL LIABILITIES</b>		<b>92 063 616</b>	<b>86 263 975</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>150 982 772</b>	<b>152 471 211</b>

Stavanger, 29th March 2017

  
 \_\_\_\_\_  
 Marcus Hansson  
 (Chairman of the Board)

  
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 Birte Nøer Borrevik  
 (Board member)

  
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 Belinda T. Ingøbrigtzen  
 (Board member)

  
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 David Ottesen  
 (Board member)

  
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 Roald Valen  
 (CEO)

## Statement of Change in Equity - Badger Explorer ASA

All figures in NOK

Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 1 January 2015	2 317 161	218 069 985	3 659 643	-145 090 529	78 956 260
Profit (loss) for the year				-13 256 869	-13 256 869
Other comprehensive income				0	0
Total comprehensive income				-13 256 869	-13 256 869
Option plan payment 14			507 847		507 847
Equity as of 31 December 2015	2 317 161	218 069 985	4 167 490	-158 347 399	66 207 237
Profit (loss) for the year				-7 055 820	-7 055 820
Other comprehensive income				0	0
Total comprehensive income				-7 055 820	-7 055 820
Option plan payment 14			-232 262		-232 262
<b>Equity as of 31 December 2016</b>	<b>2 317 161</b>	<b>218 069 985</b>	<b>3 935 228</b>	<b>-165 403 218</b>	<b>58 919 156</b>

## Statement of Cash Flow - Badger Explorer ASA

All figures in NOK

	Note	2016	2015
<b>Cash flow from operational activities</b>			
Contributions from operations*		-6 714 576	-12 382 980
Change in accounts receivable and accounts payables		-1 014 522	683 066
Change in other receivables and payables		-375 822	-936 207
<b>Net cash flow from operating activities</b>	<b>A</b>	<b>-8 104 920</b>	<b>-12 636 121</b>
<b>Cash flow from investment activities</b>			
Capitalisation of development costs	3	-3 515 506	-14 123 964
<b>Net cash flow from investment activities</b>	<b>B</b>	<b>-3 515 506</b>	<b>-14 123 964</b>
<b>Cash flow from financing activities</b>			
Government grants	2	5 165 620	8 060 043
Contributions from industry partners	5	6 500 000	8 389 786
Proceeds from borrowings financial institutions	6	178 072	6 711 379
Other finance income	11	8 244	15 518
Interest paid	11	-482 576	-181 188
<b>Net cash flow from financing activities</b>	<b>C</b>	<b>11 369 360</b>	<b>22 995 538</b>
<b>Total net changes in cash flow</b>	<b>A+B+C</b>	<b>-251 067</b>	<b>-3 764 547</b>
Cash and cash equivalents at beginning of period	3	585 953	4 350 500
<b>Cash and cash equivalents at end of period</b>	<b>3</b>	<b>334 886</b>	<b>585 953</b>
Net result attributable to equity holders of the company		-7 055 820	-13 256 869
Employee options	14	-232 262	507 847
Depreciation	16	99 174	200 371
Finance income	11	-8 244	-15 518
Finance expenses	11	482 576	181 188
<b>*Total contributions from operations</b>		<b>-6 714 576</b>	<b>-12 382 980</b>

## Note 1 Significant accounting policies

Badger Explorer ASA (BXPL) is a public limited company, incorporated in Norway, headquartered in Stavanger and listed on the Oslo Stock Exchange (Oslo Axess list), address headquarter: Professor Olav Hanssens vei 15, 4021 Stavanger, Norway.

The financial statements of Badger Explorer ASA for the fiscal year 2016 were approved in the board meeting on 29 March 2017.

The Company's activities are described in the Board of Director's report.

### 1.1 Basis of presentation of the accounts

BXPL's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial year beginning on or after 1 January 2016, and Norwegian disclose requirements listed in the Norwegian Accounting Act as of 31 December 2016.

### 1.2 Intangible assets

Intangible assets that have been acquired separately are carried at cost. 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.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised but are expensed as occurred.

Intangible assets not ready to use are tested for impairment annually ref. note 1.4. Such intangibles are not amortised.

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 the statement of profit or loss when the asset is derecognised.

### Research and development costs

Expenses relating to research and development are recognised in the income statement when they are incurred. Expenses relating to development are capitalised if the following criteria are met in full:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company's intention to complete and its ability to use or sell the asset.
- The Company has demonstrated how the asset will generate future economic benefits.
- The ability to measure reliably the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development are capitalised. 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. Expenses that are capitalised include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Internal hours used in the development project are capitalised at cost (no mark-up).

Costs, which have been charged as expenses in the previous accounting periods, are not capitalised.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. No depreciation has been performed for the development project yet.

### Patents and licenses

Amounts paid for patents and licences are capitalised and amortised in a straight line over the expected line over the expected useful life from the time the technology it relates to is ready for use. The expected useful life of patents and licences varies from 5 til 20 years.

### 1.3 Government grants and contributions from partners

Government grants are recognised when it is reasonably certain that the Company will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Investment grants are capitalised and recognised systematically over the asset's useful life.

Government grants received to date are related to development project (ref. note 3) and deducted in the carrying amount of the related project.

When the contributions from the partners are subject to specific requirements, the contributions are recognised in the balance sheet as long term liabilities. When the contributions from the partners are not subject to specific requirements, the contributions are recognised in the statement of financial position as a deduction of the carrying amount of the related project. ref. note 5.

#### 1.4 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 recognised 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 recognised in the financial statements, is given in the notes 1.2 and 3.

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 described below.

##### *Capitalised development costs*

BXPL capitalises development costs for the Badger Explorer technology in accordance with the accounting policy. Development expenditure is capitalised only if development costs can be measured reliably, the technology is technically and commercially feasible, future economic benefits are probable, and BXPL intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the Badger Explorer technology. Such assessments are performed based on a fair oil industry gross margin which is agreed with the industry partners. Moreover, the Company analyses development works in terms of continuously meeting the conditions for capitalising costs and impairment. This valuation is reviewed by the Audit Committee.

Given the complexity of the Badger technology, technical capability of the product to meet expectations to the customers, the future oil markets and the innovative technological nature of the product give rise to some uncertainty as to when the technology will be commercialized. In order to ramp up further development and commercialization of the Badger Explorer tool, it is important to address the current challenges. Effective collaboration with industry partners, continuous funding from governmental institutions, successful completion of equity raising, clear R&D strategy will serve as tools for accelerating commercialization of the cost-saving, unique and novel Badger Explorer technology. Investments in research and development are absolutely essential for Company's future growth and competitive position in the marketplace and are directly related to timely development of Badger Explorer technology that is central to the Company's core business strategy.

#### 1.5 Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired.

An assessment of impairment losses on assets is made when there is an indication of a fall in value. Intangible assets not ready to use are tested for impairment annually. Such intangibles are not amortised. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the statement of profit or loss. 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 as there is only one CGU (cash generating unit) in the Company.

Impairment losses recognised in the statements of profit or loss 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.

#### 1.6 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

#### 1.7 Statement of cash flows

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

### 1.8 Functional currency and presentation currency

The Company's presentation currency is NOK. This is also the Company's functional currency.

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

### 1.9 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 1.10 Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, receivables, available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and cash equivalents, trade and other receivables.

#### Subsequent measurement

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

##### **Receivables**

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 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 finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in cost of sales or other operating expenses for receivables.

This category includes accounts receivable and other receivables carried at amortised cost or at nominal amount less provision for bad debt where this can be regarded as a reasonable proxy for fair value.

### 1.11 Financial liability

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, as appropriate.

BXPL's financial liabilities include trade and other payables and debt to financial institutions.

#### Subsequent measurement

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

##### **Debt to financial institutions**

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss 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 as finance costs in the statement of profit or loss.

##### **Derecognition**

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

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 1.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated 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 statement of profit or loss.

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 statement of financial position as additional to fixed assets.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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.

### 1.13 Provisions

Provisions are recognised when the Company has a present obligation 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. Provisions are evaluated at the end of each month and adjusted to reflect the available information about the provision. When the information available is insufficient, the best estimate is used.

### 1.14 Recognition of revenue

Revenue is recognised when it is probable that transactions will generate future economic benefits that will flow to the Company and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts. The Company's technology is still in the research and development phase, and there is no revenue from sales of products yet.

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

### 1.15 Income tax

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

Deferred tax assets are recognised when it is probable that the Company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The Company recognise previously unrecognised deferred tax assets to the extent it has become probable that the Company can utilise the deferred tax asset. Similarly, the Company will reduce a deferred tax asset to the extent that the Company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the Company where temporary differences have arisen.

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.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

### 1.16 Contingent liabilities and assets

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Company.

### 1.17 Share-based payment

Employees of BXPL receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 14. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). 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 Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

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.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

### 1.18 Equity

#### Cost of equity transactions

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

### 1.19 Events after the reporting period

New information on the Company's financial position at the end of the reporting period which becomes known after the reporting period is reflected in the annual accounts. Events after the reporting period that do not affect the company's financial position at the end of the reporting period but which will affect the Company's financial position in the future are disclosed if significant.

### 1.20 Segments

The operations of the Company are only for the development of the Badger tool and, as a result of that, there is only one operating segment.

### 1.21 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Company during the current financial year. Below are listed the amendments in IFRS which have been applicable for the Company's 2016 financial statements, as well as the effect of the amendments.

#### **The following new and amended standards and interpretations have been implemented for the first time in 2016:**

##### *IAS 1 Presentation of Financial Statements*

The amendments to IAS 1 are intended to promote the use of professional judgment to a greater extent in relation to which information to include in the notes and how to structure the accounts, and is part of the IASB's "Disclosure Initiative."

The annual report was revised according to the "Disclosure initiative" and restructured in 2016 compared to the previous years.

##### **Annual Improvements 2010-2012 Cycle**

These changes apply to financial years starting 1 February 2015 or later. The Company has applied these amendments for the first time for the annual accounts for 2016. The amendments concern:

##### *IFRS 2 Share-based Payments*

The amendment clarifies definitions relating to vesting conditions, including the following:

- An earning condition must contain a service condition.
- A earnings target may be fulfilled whilst the counterparty is performing the service.
- An earnings targets can relate to operations or activities of a company, or those of a a company in the same group.
- An earnings condition may be a market condition or a non-market based condition.
- If the counterparty, regardless of why, ceases to provide services in the vesting period, then the earnings condition is not met.

The amendment is implemented prospectively.

#### *IFRS 13 Fair Value Measurement*

The amendment is a clarification that trade receivables and payables which are not interest-bearing can be valued at invoice amount when the effect of discounting is immaterial.

#### *IAS 24 Related Party Disclosures*

The amendment is implemented retrospectively and clarifies that a business which provides management services and supplies key staff for the management is a related party which is covered by the requirements of disclosure for related parties. In addition, a company that employs such services must disclose the costs incurred for management services.

#### **Annual Improvements 2012-2014 Cycle**

These changes apply to financial years starting 1 January 2016 or later. The Company has assessed these amendments and none of them is currently applicable.

#### **Amendments to standards and interpretations with a future effective date**

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective are disclosed below. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

#### *IFRS 9 Financial instruments / Finansielle instrumenter (unofficial Norwegian translation)*

In July 2014, IASB published the last sub-project for IFRS 9 and the standard has now been completed. IFRS 9 constitutes amendments linked to the classification and valuation, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Valuation. Those parts of IAS 39 which have not been changed as part of this project have been transferred and included in IFRS 9.

The standard will be implemented retrospectively, except for hedge accounting, but preparing comparative figures is not a requirement. The rules for hedge accounting should mainly be implemented prospectively but with some exceptions. The Company has no plans for implementing the standard early. The standard has accounting effect from 1 January 2018. The Company does not expect material changes in the accounts based on a new standard but it might impact disclosure information.

#### *IAS 7 Statement of Cash Flows*

The amendments are part of the IASB "Disclosure Initiative" and requires companies to provide disclosures that enables users of financial statements to understand the changes in liabilities arising from financing activities, including changes with and without cash flow effect. The amendments must be implemented prospectively and the expected effective date is 1 January 2017.

#### *IFRS 2 Share-based Payments*

The amendments are designed to eliminate disparate practices in the classification and valuation of specific types of share-based payments, and concerns three areas:

- The effects of vesting conditions on the valuation of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement after tax
- The reporting of changes in the classification of cash-settlements of share-based payments

#### *IFRS 15 Revenues from Contracts with Customers*

The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has accounting effect from 1 January 2018. The Company is not yet in a commercial position and the effects of the new standards have not been assessed yet.

#### *IFRS 16 Lease replaces existing IFRS lease requirements, IAS 17 Leieavtaler*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The effective date for IASB is from January 1, 2019 but not yet endorsed by EU. The Company has a lease agreement for the office space with 3 months notice period. As of such, the lease standard is not expected to have a material effect on the financial statements.

The amendments will initially be implemented prospectively, but retrospective adoption is permitted if this is done in all three areas. The expected effective date is 1 January 2018.

**Note 2 Government grants and development costs**

(All figures in NOK)

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

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

R&D projects have been approved for the SkatteFUNN arrangement, a Norwegian tax incentive scheme. BXPL has two approved projects covering all its major R&D activities, supported by SkatteFUNN from 2014 to 2016. For the financial year 2016, the Company received NOK 2.547 million, compared to NOK 2.922 million in 2015. The Company has booked a receivable of NOK 367,027 as at 31 December 2016 to be received in 2017.

The government grants and all project development costs of BXPL, related to the Badger Explorer Development Program, are capitalised in accordance with the IFRS regulations, except of NOK 977,038 as of 31 December 2016, compared to NOK 2.699 million as of 31 December 2015.

**Note 3 Intangible assets**

(All figures in NOK)

BXPL has recognised the following assets in the statement of financial position (including internal built up assets such as development costs).

Year ended 31 December 2016	Patents*	Development costs	Total
Cost at 1 January 2016	400 000	147 767 798	148 167 798
Additions in the year**	0	3 515 506	3 515 506
Government grants	0	-1 651 455	-1 651 455
Cost at 31 December 2016	400 000	149 631 849	150 031 849
Accumulated depreciations at 31 December 2016	13 332	0	13 332
<b>Book value at 31 December 2016</b>	<b>386 668</b>	<b>149 631 849</b>	<b>150 018 516</b>

\* The patent applies to the Badger Explorer technology and has a validity of 20 years from date it was granted 18 March 2002. Depreciation will commence when the technology is ready for its intended use.

\*\* The additions in the year 2016 consist of external services of NOK 1.269 million, purchase of manufactured parts, components and materials of NOK 183,857, internal personnel costs of NOK 1.954 million, travel expenses of NOK 109,043 for the Badger Explorer development project.

Year ended 31 December 2015	Patents*	Development costs	Total
Cost at 1 January 2015	400 000	140 217 614	140 617 614
Additions in the year**	0	14 123 964	14 123 964
Government grants	0	-6 573 781	-6 573 781
Cost at 31 December 2015	400 000	147 767 798	148 167 798
Accumulated depreciations at 31 December 2015	13 332	0	13 332
<b>Book value at 31 December 2015</b>	<b>386 668</b>	<b>147 767 798</b>	<b>148 154 466</b>

\*\* The additions in the year 2015 consist of external services of NOK 8.162 million, purchase of manufactured parts, components and materials of NOK 451,619, internal personnel costs of NOK 5.398 million and travel expenses of NOK 112,619 for the Badger Explorer development project.

There has not been made any depreciation on intangible asset in 2016 and 2015, respectively.

All development costs in 2016 and 2015 are related to the development of the Badger Explorer technology in BXPL. The development work contains inherent technology risk and risk related to the funding contributions from the partners, see notes 1.2 and 1.4 for more information.

**Annual impairment assessment**

The capitalized development of NOK 149.632 million is the main asset of BXPL, equivalent to 99.1% of total assets. Future sales of Badger Explorer operations have a minimum net price indication of USD 12 million according to the Badger Explorer Demonstrator Program Agreement. The price can vary and is subject to licence/sector, complexity, anticipated depth of operations and certainly how comprehensive logging and sensors package the customer wants or needs in the specific operation. The industry partners have first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers for a period of up to 6 years from commercialization. BXPL is of the opinion that the industry partners will use their first right to place orders for the Badger Explorer tool as soon as a fully functional tool is ready. The partners having signed the Badger Explorer Development Program Agreement has a right to buy service at a set gross margin, which is set at acceptable oil industry standards. The Company has prepared a stress test for the valuation of the intangible asset in relation to estimated sales price, margin and expected sales volumes for a fully functional tool available for use. The stress-test is assessed as prudent and reasonable, and shows that a limited amount of yearly sales of units over the first years after commercialization support the book value of the technology. As a result of the analysis, the Company has not identified impairment for the capitalised development cost. Sales of four to five units the first year, gives the Company a capacity to repay all partner grants, generate additional orders from the industry partners and secure future sales. The year-end evaluation of the capitalised technology must be seen in this perspective. There are no indications as of reporting date that impairment is necessary.

**Note 4 Cash and cash equivalents**

(All figures in NOK)

	2016	2015
Cash at bank	334 886	585 953
Total cash at bank	334 886	585 953
Restricted bank deposits for employee withholding taxes	144 121	259 771

**Note 5 Conditional commitments**

(All figures in NOK)

**Contribution recognised as capitalised grants in the statement of financial position**

Through strategic industrial cooperation agreements, BXPL has received contributions amounting to NOK 81.5 million whereas NOK 75 million were received prior to 2015. The Badger Demonstrator Program (2012 -2014) Agreement has been supported by Statoil, Chevron Energy Technology Company, ExxonMobil Exploration and Production Norway AS, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). The Badger Explorer Development Program, which commenced in 2015, has been co-sponsored by Statoil. According to the Development Program, funds are awarded to BXPL when the agreed milestone is reached.

When commercial sales to the market has started, all participants and Shell Technology Norway AS (the previous partner of the Badger Explorer Prototype Program Agreement) will share 5% royalty of all BXPL's sales of products and services related to the Badger Explorer on a yearly basis. This royalty is limited to a total of 150% of received contributions.

The industry partners having signed the Badger Explorer Development Program Agreement have a first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers at a pre-negotiated gross margin. This gross margin is considered to be acceptable and fair oil industry standard. The partners do have this right for a period up to 6 years from commercialization. Should a partner not employ its first right of refusal, this right and the corresponding share of manufacturing capacity will fall to the remaining partners. For further details see note 3.

**Note 6 Debt financial institutions**

(All figures in NOK)

Short term liabilities	2 016	2 015
Debt financial institutions	6 889 452	6 711 379

BXPL has entered into a revolving credit facility with its Norwegian bank Sparebanken Vest on 22 August 2012 that provides for borrowings of up to NOK 7.5 million with an interest rate of 4.95%. In addition, there is a yearly commission of 1.0% on the credit line. As of 31 December 2016, NOK 6.889 million has been drawn on the overdraft facility. Interest incurred of NOK 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 31 December 2016.

The outstanding debt of NOK 6.889 million was repaid due to the private placement of NOK 45 million on 13 January 2017 ref. note 17.

**Note 7 Other short term liabilities**

(All figures in NOK)

Other short term liabilities	2 016	2 015
Unpaid vacation pay	275 141	628 907
Government grants*	772 419	0
Other accrued costs	92 437	181 297
Other**	190 522	190 522
<b>Total other short term liabilities</b>	<b>1 330 519</b>	<b>1 000 727</b>

\*The actual costs for the PETROMAKS2 program (HPHT ultrasonic system) for 2016 were lower than the amounts indicated in the cost plan and the amounts disbursed from Research Council of Norway. Unused funds were repaid to the RCN on 9 March 2017.

\*\* Other short term liabilities include outstanding balance payable to CNPC DR for having two Chinese engineers working at Badger Explorer ASA's HQ from May to September in 2015.

**Note 8 Financial instruments risk management objectives and policies**

(All figures in NOK)

BXPL is subject to market risks (foreign currency exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's management oversees the management of these risks and assures that BXPL's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies. It is the Company's policy that no trading in derivatives 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.

**Foreign currency 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.

**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 debt to financial institutions in 2016.

**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.

The table below shows a maturity analysis for BXPL's total short term liabilities:

	within 3 months	within 6 months	within 9-12 months
<b>2016</b>			
Accounts payable	2 063 022	0	0
Public duties payables	280 623	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 6)	6 889 452	0	0
Other short term liabilities	1 055 378	275 141	0
<b>2015</b>			
Accounts payable	3 077 545	0	0
Public duties payables	474 324	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 6)	6 711 379		
Other short term liabilities	371 820	628 907	0

**Capital management**

BXPL's main objective for the management of its capital structure is to maximise value creation for shareholders, while at the same time maintaining a sound financial position and a good credit rating.

BXPL manages its capital structure and makes adjustments to it in light of changes in 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 the financial year.

BXPL monitors its capital structure using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, debt financial institutions, trade and other payables, less cash and short-term deposits.

**Note 8 Financial instruments risk management objectives and policies (continues)**

(All figures in NOK)

	2016	2015
Debt financial institutions	6 889 452	6 711 379
Trade and other payables	3 674 165	4 552 596
Bank deposits	-334 886	-585 953
<b>Net debt</b>	<b>10 228 730</b>	<b>10 678 022</b>
Equity	58 919 156	66 207 237
<b>Total capital</b>	<b>58 919 156</b>	<b>66 207 237</b>
<b>Capital and net debt</b>	<b>69 147 886</b>	<b>76 885 259</b>
Gearing ratio	14,8 %	13,9 %
Equity ratio	39,0 %	43,4 %

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

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	334 886	334 886	585 953	585 953
Current receivables	605 374	605 374	3 629 859	3 629 859
<b>Financial liabilities</b>				
Debt financial institutions	6 889 452	6 889 452	6 711 379	6 711 379
Trade and other payables	3 674 165	3 674 165	4 552 596	4 552 596

**Age distribution of receivables**

As at 31 December 2016, the ageing analysis of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				>120 days
			<30 days	30-60 days	60-90 days	90-120 days	
2016	367 028	367 028	0	0	0	0	0
2015	3 442 667	3 442 667	0	0	0	0	0

**Note 9 Transactions with related parties**

(All figures in NOK)

The following table provides the total amount of transactions that have been entered into with related parties controlled by the members of executive management of BXPL for the relevant financial year. The purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

Transactions with related parties	2016	2015
Purchased services	1 400 526	2 515 589
Other short term liabilities to related parties	0	0
Account payable to related parties	1 250	0

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

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

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

**Not 10 Total receivables**

(All figures in NOK)

	2016	2015
Skattefunn & Research Council of Norway receivables	367 028	3 108 774
Prepaid expenses	238 346	187 192
Refundable VAT	0	333 893
<b>Total receivables</b>	<b>605 374</b>	<b>3 629 859</b>

For age distribution of accounts receivables see note 8.

**Note 11 Finance income and finance expenses**

(All figures in NOK)

This section provides additional information about individual line items of finance income and finance expense in the statement of profit or loss by type.

Finance income:	2016	2015
Interest income related to cash and cash equivalents	180	5 309
Other financial income	8 244	15 518
Currency gain	30 015	33 521
<b>Total finance income</b>	<b>38 439</b>	<b>54 349</b>

Finance expenses:	2016	2015
Interest expense related to debt to financial institutions	-482 576	-181 188
Currency losses	-935	-323 468
<b>Total finance expenses</b>	<b>-483 511</b>	<b>-504 656</b>
<b>Net finance income (loss)</b>	<b>-445 072</b>	<b>-450 308</b>

**Note 12 Income tax**

(All figures in NOK)

Income tax expense	2016	2015
Payable tax	0	0
Other	0	0
Tax from previous years	0	0
Changes in deferred tax	0	0
<b>Total tax expense</b>	<b>0</b>	<b>0</b>

**Calculation of basis for tax**

Earnings before tax	-7 055 820	-13 256 869
Permanent differences	-199 606	499 593
Changes in temporary differences	7 255 426	12 757 276
<b>Total basis for tax</b>	<b>0</b>	<b>0</b>

**Summary of temporary differences:**

Fixed assets	-148 222	-631 781
Loss carried forward	-164 996 013	-157 257 028
<b>Total</b>	<b>-165 144 235</b>	<b>-157 888 809</b>

Deferred tax asset	-39 634 616	-39 472 202
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**Statement of financial position**

Deferred tax asset	2016	2015
Loss carried forward	-39 599 043	-39 314 257
Fixed assets	-35 573	-157 945
<b>Total deferred tax asset</b>	<b>-39 634 616</b>	<b>-39 472 202</b>
Valuation allowance	39 634 616	39 472 202
<b>Total deferred tax asset recognised in the statement of financial position</b>	<b>0</b>	<b>0</b>

The Company has not recognised a deferred tax asset in the statement of financial position for 2016 and 2015 as the Company is in a development phase and is currently generating losses.

Loss carried forward as of 31 December 2016	2016	2015
Unlimited carrying forward	164 996 013	157 257 028
<b>Effective tax rate</b>	<b>2016</b>	<b>2015</b>
Profit / (loss) before tax	-7 055 820	-13 256 869
25% tax of earnings before tax	-1 763 955	-3 579 355
Permanent differences	-49 902	134 890
Changes in deferred tax asset not recognised in the statement of financial position	162 414	286 688
Effect due to changes in tax rate from 25% to 24% on the deferred tax asset*	1 651 442	3 157 776
<b>Calculated tax cost</b>	<b>0</b>	<b>0</b>
Effective tax rate	0 %	0 %

\*With effect from the 2017 financial year, the corporate taxable profits (ordinary income) are taxed at a flat rate of 24%. Deferred tax assets and liabilities at 31 December 2016 have been calculated using 24% tax rate (2015: 25% tax rate).

### Note 13 Earnings per share

(All figures in NOK)

Earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted average number of shares outstanding over the year.

Diluted earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted average number of shares outstanding over the year plus the weighted average number of dilutive potential shares.

Options, awarded to employees at the end of 2006 and 2007, were waived and not included in the calculation of diluted earnings per share. The effect of options awarded to employees in September 2009, June 2010, October 2011, September 2013, February 2014 and March 2016 is included in the calculation of diluted earnings per share for 2016 and 2015.

	2016	2015
Profit (loss) attributable to equity holders of the Company	-7 055 820	-13 256 869
Weighted average number of outstanding ordinary shares during the year	18 537 288	18 537 288
Effect of dilution - share options	440 000	469 000
Weighted average outstanding diluted shares	18 977 288	19 006 288
<b>Earnings (loss) per share</b>	<b>2016</b>	<b>2015</b>
Ordinary	-0,38	-0,72
Diluted	-0,37	-0,70

### Note 14 Payroll and related expenses

(All figures in NOK)

Payroll and related expenses	2016	2015
Salaries and vacation pay	3 504 429	7 015 003
Social security tax	534 999	1 145 796
Pension expense ("OTP")	143 801	301 163
Employee share option program expense (incl. national insurance contributions)	-232 262	507 847
Remuneration to the Board of Directors and the Nomination Committee	0	545 000
Other benefits	189 532	406 271
<b>Total payroll and related expenses</b>	<b>4 140 499</b>	<b>9 921 081</b>

Number of employees	2016	2015
The average number of full time equivalent employees	5	8

### Pension scheme

The Company has a defined contribution pension scheme that complies with the Norwegian occupational pension legislation (called "OTP"). The pension contributions range from 4% 0 - 7.1 G to 7% 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,111,912). The National Insurance scheme basic amount for 2017 is NOK 92,576. The retirement age for all employees, including the management, is 67 years.

	2016	2015
Contributions expensed during the year	143 801	301 163

**Note 14 Payroll and related expenses (continues)**

(All figures in NOK)

**Remuneration to management**

The total remuneration for the members of the management was NOK 1.421 million in 2016, compared to NOK 2.558 million in 2015.

Total remuneration to management during the year ended 31 December is as follows:

	2016			2015		
	Salary	Other	Pension cost	Salary	Other	Pension cost
	<b>Remuneration</b>			<b>Remuneration</b>		
Steinar Bakke, (CEO)*	257 027	2 681	1 055	1 305 362	14 535	54 792
Øystein Larsen, (CEO)**	746 309	21 501	31 357	0	0	0
Roald Valen, (CEO)***	335 184	7 955	17 712	0	0	0
Øystein Larsen, (CTO)**	0	0	0	1 099 842	28 326	54 792

\*Effective from 20 January 2016, Mr. Steinar Bakke resigned his position as CEO of BXPL. He has stepped down from his position as CEO and took up a new role as Senior Advisor of BXPL until 29 February 2016.

\*\*Mr. Øystein Larsen took on the position as CEO of BXPL, effective from 20 January 2016. On 9 September 2016, Mr. Larsen resigned his position as CEO of BXPL. Mr. Larsen was until 31 December 2015 the Chief Technical Officer of the Company.

\*\*\*Effective from 22 August 2016, Mr. Roald Valen commenced as CEO of the Company.

At the end of the financial year 2016, executive management of BXPL consists of CEO and CFO. Remuneration for CFO is included in the note 9 "Transactions with related parties".

Shares and options held directly or indirectly by the management group as of 31 December 2016 are as follows:

	Number of shares	% shares	Options	Exercise price (NOK)
Roald Valen, CEO	0	0,0 %	250 000	2,40
Gunnar Dolven, CFO	434 872	2,3 %	0	0
<b>Total</b>	<b>434 872</b>	<b>2,3 %</b>	<b>250 000</b>	

Changes in share options held by the management group are as follows:

	Options as of 1 January 2016	Options granted in the period	Options forfeited in the period	Options vested in the period	Options as of 31 December 2016
Steinar Bakke, CEO	370 000	0	185 000	185 000	0
Øystein Larsen, CEO	0	370 000	370 000	0	0
Roald Valen, CEO	0	250 000	0	0	250 000
<b>Total</b>	<b>370 000</b>	<b>620 000</b>	<b>555 000</b>	<b>185 000</b>	<b>250 000</b>

See the section "Remuneration policy for members of executive management" for further information.

**Note 14 Payroll and related expenses (continues)**

(All figures in NOK)

**Remuneration to the Board of Directors and the Nomination Committee**

The annual general meeting held on 14 June 2016 resolved changes to the composition of the Board of Directors and remuneration of the Board members and the Nomination Committee members. The allocation of remuneration to the members of the Board and Nomination Committee is paid as follows in 2015 and 2016:

	2 016	2 015
Marcus Hansson - Chairman of the Board, Audit Committee*	0	120 000
Birte N. Borrevik - Board member*	0	60 000
Belinda T. Ingebrigtsen - Board member	0	0
Tone Kvåle - Board member, Audit Committee (until 2015)	0	200 000
Rolf E. Ahlqvist - Nomination Committee	0	25 000
Bjørge Gretland - Board member* (until 2015)	0	60 000
David Ottesen - Board member*	0	60 000
Richard Urbanski - Nomination Committee	0	10 000
Knut Åm - Nomination Committee	0	10 000
<b>Total remuneration</b>	<b>0</b>	<b>545 000</b>

\*Effective from 28 July 2015, the members of the Board was initially paid out NOK 545,000 of the total remuneration of NOK 995,000 as a result of the Company's tight cash position in 2015. The remaining NOK 450,000 of the total Board remuneration for 2014, and the remuneration for 2015 of NOK 522,500 was paid on 15 February 2017, see the table below.

	2 014	2 015	Sum paid in 2 017
Marcus Hansson - Chairman of the Board, Audit Committee	180 000	200 000	380 000
Birte N. Borrevik - Board member	90 000	100 000	190 000
Belinda T. Ingebrigtsen - Board member		55 000	55 000
Rolf E. Ahlqvist - Nomination Committee		12 500	12 500
Bjørge Gretland - Board member (until 2015)	90 000	45 000	135 000
David Ottesen - Board member	90 000	100 000	190 000
Richard Urbanski - Nomination Committee		5 000	5 000
Knut Åm - Nomination Committee		5 000	5 000
	<b>450 000</b>	<b>522 500</b>	<b>972 500</b>

**Employee share option program**

On 1 January 2016, there were 469,000 share options outstanding under Employee share option program. On 15 March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. Mr. Øystein Larsen was granted 370,000 share options which forfeited due to the resignation from his position as former CEO. Mr. Steinar's Bakke 185,000 share options vested on the date of the publication of the Company's Q4 2015 report. A further 185,000 share options forfeited due to the resignation from his position on 29 February 2016. Upon commencement of the employment, the current BXPL's CEO Mr. Valen was granted 250,000 share options. The previous share options program from 2014 was cancelled. The total number of 440,000 share options held by BXPL employees were outstanding on 31 December 2016. Fully vested and exercisable share options can be exercised between 3 to 10 days after the publication of the Company's Q4 2017 and Q4 2018 reports in 2018 and 2019.

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

The number of employees share options and average exercise prices for BXPL and development during the year:

	2016		2015	
	Share options	Weighted average exercise price	Share options	Weighted average exercise price
<b>Summary of outstanding options:</b>				
Balance at 1 January	469 000	6,71	523 000	6,80
Granted during the year	810 000	1,85	0	0,00
Cancelled during the year	-81 000	7,51	0	0,00
Forfeited during the year	-758 000	4,08	-54 000	7,51
Balance at 31 December	440 000	2,14	469 000	6,71
Vested options	0	0,00	33 000	7,51
Weighted Average Fair Value of options granted during the period	810 000	1,15	0	0,00
Charged against the income statement:	-232 262		507 847	
Charged against the income statement - Employers' national insurance contribution:	0		0	

**Note 14 Payroll and related expenses (continues)**

(All figures in NOK)

Fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

The Board of Directors holds an authorisation to issue shares in the Company resolved by the Annual General Meeting on 14 June 2016. This authorisation is valid until the next General Meeting to be held in 2017 with an ultimate expiry date on 30 June 2017. The authorisation 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 Company's share incentive scheme.

**Implemented remuneration policy for members of executive management for 2016:**

The main principle of the Company's remuneration policy for 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 2016 was 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. The salary for the CEO and executive management has been reduced during 2016.

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 would have been implemented in 2016, the assessment criteria would have been based on both Company's performance and the individual's performance. The targets to be reached by the CEO were 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. No provision for bonus has been recognised for 2016.

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

On 15 March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019.

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

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

All members of the management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% to 7% of the employee's salary - maximized to a percentage of 12 G (NOK 1,080,816). The National Insurance scheme basic amount for 2016 was NOK 90,068. The retirement age for all employees, including management, is 67 years.

**Remuneration policy for members of executive management - Guidelines for 2017:**

The main principle of the Company's remuneration policy for 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 2017 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 2017, 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 15 March 2016, the Board of Directors of BXPL implemented a new share options program for BXPL employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3% of all outstanding BXPL shares. The options granted will be vested in tranches and can be exercised between three and ten days after publications of the Company's Q4 2017 and Q4 2018 results in 2018 and 2019.

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All members of the management are included in the Company's occupational pension scheme drawn up by BXPL for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4% 0 - 7.1 G to 7% 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,110,912). The National Insurance scheme basic amount for 2017 is NOK 92,576. The retirement age for all employees, including the management, is 67 years.

#### Auditor's fee

(All figures in NOK)

The following table shows remuneration related to professional services rendered by the Company's principal auditor, Ernst & Young AS, for fiscal year 2016 and 2015. The amounts shown are exclusive of value added tax.

	2016	2015
Audit fee*	150 000	165 000
Assurance services**	37 355	42 691
Other assistance***	49 121	100 538
<b>Total</b>	<b>236 476</b>	<b>308 229</b>

\* Audit fee relate primarily to services provided by Ernst & Young AS for auditing BXPL's financial statements and its internal controls.

\*\* Assurance services include primarily review of the Company's quarterly financial statements and the annual report.

\*\*\* Other assistance relates primarily to other attestation services required under regulatory requirements, advisory services, preparation of tax returns, the prospectus, going concern assumption review.

#### Note 15 Share capital and shareholder information

(All figures in NOK)

Share capital as at 31 December 2016 was NOK 2.317 million, being 18,537,288 ordinary shares at a nominal value of NOK 0.125 each. All shares carry equal voting rights.

New shares have been issued in 2017, ref. note 17.

Number of ordinary shares	2016	2015
Ordinary shares at 1 January	18 537 288	18 537 288
Capital increase	0	0
<b>Ordinary shares at 31 December</b>	<b>18 537 288</b>	<b>18 537 288</b>

Badger Explorer ASA had 890 shareholders on 31 December 2016. Norwegian entities and individuals held 64.0% of the outstanding shares and the 20 largest shareholders held 53.4% of the outstanding shares. As at 31 December 2016, the 20 largest shareholders were as follows:

	Shareholders	Number of shares	% shares
1	DEUTSCHE BANK AG	2 829 997	15,3 %
2	INVESCO PERP EURAN SMLER COMPS FD	1 225 389	6,6 %
3	GAYANOVA VICTORIA	778 455	4,2 %
4	CLEARSTREAM BANKING S.A.	662 129	3,6 %
5	ABN AMRO BANK (LUXEMBOURG) S.A.	592 900	3,2 %
6	ARGENTUM FONDSINVESTERINGER AS	523 145	2,8 %
7	DALVIN RÅDGIVNING AS	426 872	2,3 %
8	MACAMA AS	355 514	1,9 %
9	MAX INVEST AS	300 000	1,6 %
10	NORDNET BANK AB	284 295	1,5 %
11	ÅM KNUT	242 600	1,3 %
12	KOVACI RAMADAN	235 112	1,3 %
13	DREVDAL KJELL ERIK	222 600	1,2 %
14	BNP PARIBAS SECURITIES SERVICES	220 000	1,2 %
15	ØSTEBRØD EINAR HÅKON	200 000	1,1 %
16	ESPELID KARSTEIN JOHAN	170 000	0,9 %
17	STOKKA SIGMUND	168 693	0,9 %
18	THOMAS FEARNLEY, STIFTELSEN	150 983	0,8 %
19	ANCHOR SECONDARY 4 AS	150 982	0,8 %
20	FAVØR HOLDING AS	150 982	0,8 %
	<b>Total shares for top 20 shareholders</b>	<b>9 890 648</b>	<b>53,4 %</b>
	<b>Total shares for other 870 shareholders</b>	<b>8 646 640</b>	<b>46,6 %</b>
	<b>Total shares (890 shareholders)</b>	<b>18 537 288</b>	<b>100 %</b>

**Note 15 Share capital and shareholders information (continues)**

(All figures in NOK)

The following members of the Board of Directors and member of executive management held shares as of 31 December 2016:

	2016	2015
ABN AMRO Bank (Luxembourg) S.A. (Chairman - Marcus Hansson)	565 000	565 000
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	426 872	426 872
Nilsholmen Investering AS	64 422	209 222
Senior Advisor - Steinar Bakke	473	155 000
Nilsholmen AS	0	20 200
Chairman - Marcus Hansson	11 668	11 668
CFO - Gunnar Dolven	8 000	8 000
Board member - Tone Kvåle (until 31 March 2015)	0	5 000
<b>Ordinary shares</b>	<b>1 076 435</b>	<b>1 400 962</b>
% of total shares	5,8 %	7,6 %

**Board of Director's mandate to increase the share capital**

The Board of Directors holds two authorisations to issue shares in the Company resolved by the Annual General Meeting on 14 June 2016. These authorisations are valid until the next Annual General Meeting to be held in 2017 with an ultimate expiry date on 30 June 2017. 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 conjunction with the issuance of shares to existing shareholders and new investors for a cash deposit or cash contributions and mergers.

**Note 16 Property, plant and equipment**

(All figures in NOK)

	Property, plant & equipment	Total 2016	Property, plant & equipment	Total 2015
Cost price at 1 January	5 793 447	5 793 447	5 793 447	5 793 447
Additions	22 236	22 236	0	0
Cost price at 31 December	5 815 683	5 815 683	5 793 447	5 793 447
Accumulated depreciations at 31 December	-5 791 688	-5 791 688	-5 692 515	-5 692 515
<b>Booked value at 31 December</b>	<b>23 995</b>	<b>23 995</b>	<b>100 933</b>	<b>100 933</b>
Depreciation	-99 174	-99 174	-200 371	-200 371
Depreciation rate %:	10% - 33%		10% - 33%	
Estimated useful life:	3 - 10 years		3 - 10 years	
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.

**Lease commitment**

In March 2016, the Company signed a lease for office and workshop purposes. BXPL moved its administration and workshop to new facilities located at the International Research Institute of Stavanger (IRIS) building. The lease agreement specifies 4 quarterly payments of NOK 100,000 beginning 1 April 2016, the commencement of the lease, and at the first day of each of the next three quarters. The rental agreement of 174 square meters expires on 31 March 2017. After that, the lease of the premises continues automatically. The period of notice is 3 months. The annual rental amount for this space amounted to NOK 300,000 as of 31 December 2016.

The rental agreement also includes a garage rent for storage at NOK 18,000 annually.

The following arrangements are classified as operating leases:

Operating leasing costs	2016	2015
Rent costs on buildings	862 337	2 019 520
Operational leasing costs	14 150	32 551
<b>Total operating leasing costs</b>	<b>876 487</b>	<b>2 052 071</b>

The future minimum rents related to non-cancellable leases fall due as follows:

	Within 1 year	2-5 years	After 5 years
Operational leasing costs	4 000	0	0
Rent costs on buildings	104 500	0	0
<b>Total</b>	<b>108 500</b>	<b>0</b>	<b>0</b>

The lease agreement for the previous office (headquarters) at Forussskogen 1 expired on 31 March 2016. The final outstanding lease payment of NOK 1,164,803 was repaid on 18 January, 2017.

#### Note 17 Events after the reporting date

(All figures in NOK)

On 6 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 13 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 9 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 16 January 2017. Costs and fees of NOK 3.050 million related to the transaction were recognized as a reduction to equity.

On 2 February 2017, The Company announced that it had raised NOK 300 million in gross proceeds through a new Private Placement 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 aim of the Company is to initiate one or more transactions within a relatively short time frame.

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

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.

#### Note 18 Going concern

(All figures in NOK)

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 31 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.

## Key Figures Badger Explorer ASA

	2016	2015
<b>Selected items from income statement (1000 NOK)</b>		
Total revenues	66	0
Government grants	1 651	6 574
Capitalised development costs	-3 516	-14 124
Total operating expenses	6 676	12 807
EBIT	-6 611	-12 807
Net profit (loss) for the year	-7 056	-13 257
Profit (loss) attributable to equity holders of the company	-7 056	-13 257
Earnings per share (NOK)	-0,38	-0,72
<b>Selected items from statement of financial position (1000 NOK)</b>		
Capitalised development costs	149 632	147 768
Total non-current assets	150 043	148 255
Total current assets	940	4 216
Total assets	150 983	152 471
Total equity	58 919	66 207
Equity ratio	39,0 %	43,4 %
Total liabilities	92 064	86 264
<b>Selected items from statement of cash flow (1000 NOK)</b>		
Net cash flow from operating activities	-8 105	-12 351
Net cash flow from investment activities	-3 516	-14 124
Net cash flow from financing activities	11 369	22 711
Total net changes in cash flow	-251	-3 765
Cash and cash equivalents at end of period	335	586
<b>Average number of employees</b>	<b>5</b>	<b>8</b>

No differences between the key figures and the financial statement