

Quarterly Report 1Q 2010

SUCCESSFUL GROUND-BREAKING DEMONSTRATION OF CONCEPT

Badger Explorer ASA has recently announced a successful ground-breaking demonstration of the Badger Explorer concept at the test site in Eastern Norway. The Board of Directors is proud to announce that this demonstration is the world's first operation of its kind. The self burial test was a closed cavity operation and the Badger Explorer tool was remotely operated through an electric cable. This successful test is the proof of the Badger Explorer concept as well as a concluding step of the Company's prototype phase. The Badger Explorer development program is now entering the pre-commercial phase.

The activities of the first quarter of 2010 have been focused on the Demo50 version2 full-scale self burial test. The preparation efforts and the test program have been comprehensive.

The Badger Group's cash position is MNOK 127 as of 31.03.2010. The strong cash position and client partner support in the upcoming pre-commercial phase is considered to be sufficient funding to reach the commercial phase.

1Q 2010 - AN OVERVIEW

Prototype phase

To assist the drilling test program various additional activities have taken place early in 1Q 2010. Three wells have been drilled to 12 meters depths equipped with a one and a half meters steel conductor. These wells have served as start wells and are equipped with a six meters high launch chamber, bolted to the top of the well conductor as the length of the current Demo50 version2 is 18 meters. This start set-up is needed to assure a controlled start of the drilling process and secure valuable test data. Additional counter weights (several tons of concrete blocks) are also required to withstand the powerful upwards compaction force as soon as the tool's anchor-section is below the conductor shoe.

The Demo50 version2, a prototype of 18 meters length with a diameter of 15 centimeters and fitted with 50 meters of cable, is made up of three separate main units (drilling-, hydraulic/electronic control- and compaction unit). Badger Explorer ASA's subsidiary Calidus Engineering Ltd. has delivered the advanced electronic control and hydraulic drive unit.

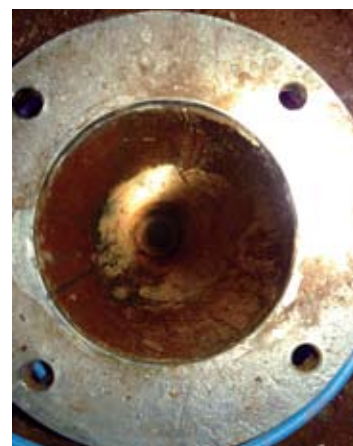
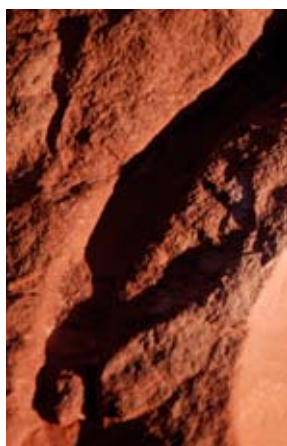
The qualification of the tool has been a comprehensive process. Successful test runs of 10-12 hours have taken place at the workshop in Stavanger. The timeconsuming test program revealed that several functions of the tool had to be improved and redesigned. At the end of 1Q 2010 some of these main functions were rebuilt.

During the concept demonstration the Badger Explorer tool operated for an extended period of time. The tool drilled several meters, the cuttings were transported and separated inside the tool and then compacted at the rear end of the tool, forming a plug whilst operating in a closed cavity. The tool has been powered and controlled through a cable and the tool has not been visible during the drilling process.

The test has, as expected, shown that some functions need to be adjusted and redesigned to increase the operational reliability of the current prototype.

Pre-commercial phase

The activities that have taken place during the last quarter include work that is also of relevance for the upcoming pre-commercial phase. On completion of the prototype phase, the next step will comprise the manufacturing and testing of a pre-commercial 125 Demonstrator tool (125°C).



Work on sensors and logging packages has been initiated and the design work regarding high-specification electro motors is ongoing. Furthermore the development work on the 125°C hydraulic unit and general modelling work continues at BXPL's engineering department.

As reported in December 2009 the Research Council of Norway (RCN) has granted MNOK 4.9 to a BXPL project - "Drilling in a Closed Cavity near Pore Pressure (DCCPP)". This project will take course parallel to the main project of the pre-commercial phase. The DCCPP project will focus on modelling the interrelationship of all parameters affecting the down-hole performance of a Badger Explorer operation in a closed cavity. The results are expected to be of great significance for future versions of the tool. The DCCPP project will be funded independently from the main project and negotiations regarding financing are on-going with joint industry partners.

The pre-commercial phase will consist of several different projects:

- **Badger 125 Down hole Laboratory**
- **Badger 125 Test Facilities**
- **Badger 125 Advanced Technology**
- **DCCPP Project**
- **Badger 125 Demonstrator**

The Company's client partners ExxonMobil, Shell and Statoil will during the pre-commercial phase be involved to a higher degree. The client partners have through an extended client partner agreement secured first right of refusal to buy the full manufacturing capacity of Badger Explorer tools at market price for a period of three years from the time of commercialization.

CALIDUS ENGINEERING LTD., CORNWALL, UK, 50% SUBSIDIARY

Calidus Engineering Ltd. (Calidus), UK, is a well-reputed multi-discipline engineering company specialized in designing down hole equipment for harsh environments. In addition to modelling and engineering design services, Calidus runs a prototype based machine shop. Revenue comes from local and global clients from the oil industry, the geothermal industry as well as from the field of R&D. Calidus has become a vital supplier to Badger Explorer ASA.

Calidus's turnover during 1Q 2010 was MNOK 3.5 compared to MNOK 3.9 in 1Q 2009, out of which 63% (36% in 1Q 2009) were deliveries to Badger Explorer ASA.

The net result before tax (EBITDA) was MNOK 0.9 compared to MNOK 1.5 in 1Q the year before. Calidus' equity ratio is 93.6% and the cash position remains strong.

Business volume has been somewhat weak during the last quarter. However, in December 2009 a marketing campaign was performed in the Norwegian oil & gas market. The company is for the time being in the start-up phase of some major contracts.



FINANCIAL STRENGTH AND INVESTOR RELATIONS

Badger Explorer ASA and its development program up to the commercial launch of Badger Explorer services are considered fully financed. In 2005 and 2007 the Company raised equity in total of MNOK 235. The extended partner agreements with the Company's industry client partners, ExxonMobil, Shell and Statoil, will include financial support in addition to valuable technical support. The partnerships and the Company's financial strength provide a unique position, which allows fully focusing on further technological development and the upcoming pre-commercial phase.

As of 31.03.2010 the Badger Explorer Group had a net equity of MNOK 197.0 (equity ratio of 91.4%), compared to MNOK 210.1 as of 31.03.2009.

The Company's activity level will be further increased in 2010.

Investor Relations Issues

The value of the BXPL shares has considerably increased compared to 1Q 2009. The number of shareholders is currently 742, increased by 142 during the last twelve months. Norwegian entities and individuals hold 64.6% of the total number of outstanding shares. As of 31.03.2010 the 20 largest shareholders held 70.65% of the outstanding shares compared to 81% one year earlier.



BADGER EXPLORER GROUP

The magnitude of the Badger Explorer Group operations comprises more than 50 people, including Calidus engineers and dedicated specialists from the Company's client partners, sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 20 people. The Group is seeking more technical and operational staff and the number of employees will continue to increase.

MAIN FIGURES

Revenues for 1Q 2010 amounted to kNOK 1 289, compared to kNOK 2 532 for 1Q 2009.

Operating expenses for 1Q 2010 amounted to kNOK 4 240, compared to kNOK 5 254 for 1Q 2009.

EBITDA for 1Q 2010 amounted to kNOK -2 951, compared to kNOK -2 722 for 1Q 2009.

During 1Q 2010 the total project development costs for the Badger Explorer Prototype amounted to kNOK 11 525 of which kNOK 10 179 were capitalized.

Application for "Skattefunn" has been filed and approved for 2010. Public grants amounted to MNOK 2.0 for 2009. All public grants were capitalised together with the project costs.

Earnings per share amounted to NOK -0.210 per share for 1Q 2010. Cash reserves as of 31.03.10 amount to MNOK 68.4. In addition the Company holds MNOK 59.1 in shares of a market based liquidity fund.



CONSOLIDATED SUMMARY Unaudited figures in NOK 1000	1Q 2010	1Q 2009	31.03. 2010	31.03. 2009
Revenues	1 289	2 532	1 289	2 532
Operating expenses	4 240	5 254	4 240	5 254
EBITDA	-2 951	-2 722	-2 951	-2 722
Earnings per share (figures in NOK)	-0,210	-0,113	-0,210	-0,113
Projects development costs	11 525	7 922	11 525	7 922
Public grants for projects dev.	108	0	108	0
Cap. of dev. costs and public grants	10 071	6 634	10 071	6 634

OUTLOOK

The Company is very pleased having performed the successful demonstration of the Badger Explorer concept. The Badger Explorer idea was born in 1999 and the Company established in 2003. Comprehensive R&D, design and testing conducted by an excellent and skilled team has taken place for several years. The efforts of the team are remarkable. The prototype phase is about to be completed and the pre-commercial phase is commencing.

The Company recognizes that much R&D work remains before a reliable commercial version of the tool will be ready for commercialisation. Therefore the pre-commercial phase will consist of designing and developing the first commercial versions of the Badger Explorer tool.

The successful demonstration of the concept brings Badger Explorer ASA much closer to the goal of supplying a commercial service to its partners and the oil & gas market in general.

The pre-commercial development program with its defined projects will be launched in 2010. Client partners and sub-vendors will be important contributors. The Company will seek both public grants and client partner support for the further development work. The development work already undertaken by the Badger Explorer organization remains revolutionary and will form a sound basis for the further product development program.

On the basis of the solid experience in particular during 1Q 2010 and the overall progress made, Badger Explorer retains its optimistic view both on its operations and on the market, and anticipates further positive development this year and up to the commercial launch of BXPL services.

Stavanger, 29 April 2010
The Board of Directors
Badger Explorer ASA

ACCOUNTING POLICIES

Badger Explorer ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (Oslo Axess list). The Company's head office is located at Jåttåvågveien 7 - Building C, 4020 Stavanger, Norway. The consolidated financial statement of Badger Explorer ASA and all its subsidiaries (the Group) has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as of 31.12.2009. The financial statement has been prepared on an historical cost basis.

The Group's consolidated financial statement comprises Badger Explorer ASA (100%), Badger Plasma Technology as (100%) and Calidus Engineering Ltd. (50%). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Acquisitions of non-controlling interests are accounted for by using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

The interim financial statement do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements as at 31.12.2009. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31.12.2009.

Income statements in foreign subsidiaries are translated into NOK using the average exchange rate for the period (month). Assets and liabilities in foreign subsidiaries, including goodwill and adjustments for fair value included in the consolidation are translated into NOK using exchange rate at the balance sheet date. The exchange differences arising from the translation are recorded against the equity.

Inventories are valued at the lower of cost and net realisable value. Cash includes cash in hand and at bank. Accounts receivable are recognised in the balance sheet at nominal value less provisions for doubtful debts. Fixed assets are carried at cost less accumulated depreciations and impairment losses. The gross carrying amount of fixed assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Depreciation is calculated using the straight-line method.

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

Cost relating to development are capitalised following criteria's are met in full

- the product or the process is clearly defined and the cost elements can be identified and measured reliably;
- the technical solution for the product has been demonstrated;
- the product or the process will be sold or used in the company's operations;
- the asset will generate future financial benefits; and
- sufficient technical, financial and other recourses for completing the project are present

Costs that have been charged as expenses in previous accounting periods are not recognised in the balance sheet.

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

Revenue from sale of engineering services is recognised on a monthly basis based on completed monthly time sheets completed by the employee at the rate agreed with the customer. Interest income is recognised in the income statement based on the effective interest method as they are earned. Public grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost it intends to compensate. Where the costs are related to a development project and capitalised, the belonging grants are capitalised together with the cost.

Contributions from partners are recognised in the balance sheet as long term liabilities as the contributions are subject to repayment. Ref. note 14 in the annual accounts.

The options granted in 2006 were during Q3 2009 replaced with new options. The options entitle the employees to purchase shares at a predetermined price during a 3.2 year period until 15.11.2012. This is an equity based option program and is recognized on the P&L under personnel costs and on the balance sheet under other paid in equity. The options are recognized over the vesting period starting from 15.09.2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. The replacement of options was treated as a cancellation and re-pricing under IFRS 2.

CONSOLIDATED INCOME STATEMENT

Unaudited figures in NOK 1000

	1Q 2010	4Q 2009	1Q 2009	Note	31.03. 2010	31.03. 2009
Revenues						
Other Income	1 289	2 087	2 532	4	1 289	2 532
Public grants	108	1 977	0	1	108	0
Capitalised public grants	-108	-1 977	0	2	-108	0
Total Revenues	1 289	2 087	2 532		1 289	2 532
Operating Expenses						
Cost of goods sold	176	663	92	13	176	92
External services for dev. project	6 143	5 298	4 317	4	6 143	4 317
Salary	5 888	6 609	4 732	13	5 888	4 732
Other Operating Expenses	2 213	3 818	2 748	4,10,13	2 213	2 748
Capitalised development cost	-10 180	-8 259	-6 634	3	-10 180	-6 634
Total Operating Expenses	4 240	8 129	5 254		4 240	5 254
EBITDA	-2 951	-6 042	-2 722		-2 951	-2 722
Depreciation	284	232	292		284	292
EBIT	-3 234	-6 274	-3 014		-3 234	-3 014
Net financial	-254	1 467	1 626	11,12	-254	1 626
EBT	-3 488	-4 807	-1 388		-3 488	-1 388
Tax	0	-235	0		0	0
Net profit/loss from operations	-3 488	-5 042	-1 388		-3 488	-1 388
Profit (loss) attributable to minority interests	380	66	690		380	690
Profit (loss) attributable to equity holders of the parent	-3 868	-5 107	-2 078	9	-3 868	-2 078
Earnings per share	-0,210	-0,278	-0,113		-0,210	-0,113
Earnings per share diluted	-0,210	-0,278	-0,113		-0,210	-0,113

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income

Unaudited figures in NOK 1000

	31.03. 2010	31.03. 2009	31.12. 2009
Profit (loss) for the year (period):	-3 488	-1 388	-11 158
Other comprehensive income			
Translation differences	-402	-704	-1 149
Comprehensive income at end of period	-3 890	-2 092	-12 307

Distribution of total comprehensive income

Unaudited figures in NOK 1000

	31.03. 2010	31.03. 2009	31.12. 2009
Equity holders of the parent	-4 269	-2 782	-13 879
Non-controlling interest	380	690	1 572
	-3 890	-2 092	-12 307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS Unaudited figures in NOK 1000	31.03. 2010	31.03. 2009	Notes	31.12. 2009
FIXED ASSETS				
Development costs	74 082	42 060	3	64 010
Patent rights	387	387		387
Goodwill	5 605	5 853	4	5 710
Total intangible assets	80 074	48 300		70 107
Machinery, fixtures, etc.	3 374	3 366		3 333
Total tangible assets	3 374	3 366		3 333
Bank bonds	0	79 023	11	0
Investment in shares	59 058	0	12	0
Sum financial assets	59 058	79 023		0
TOTAL NON-CURRENT ASSETS	142 506	130 689		73 440
CURRENT ASSETS				
Inventory	950	1 027		854
Sum Inventory	950	1 027		854
Accounts receivable	973	968	4	1 520
Other receivables	2 667	3 380	4	3 115
Total receivables	3 640	4 348		4 635
Bank bonds	0	0	11	33 782
Total current financial assets	0	0		33 782
Cash and cash equivalents	68 391	92 381		107 316
TOTAL CURRENT ASSETS	72 981	97 756		146 587
TOTAL ASSETS	215 486	228 445		220 027
EQUITY AND LIABILITIES Unaudited figures in NOK 1000	31.03. 2010	31.03. 2009	Notes	31.12. 2009
EQUITY				
Share capital	2 305	2 305	4,5,10	2 305
Share premium reserve	217 100	217 100	5	217 100
Other paid in equity	1 329	276	4,6	946
Total paid in equity	220 734	219 680		220 351
Other equity	-28 768	-13 402		-24 499
Total retained earnings	-28 768	-13 402		-24 499
Minority Interest	5 065	3 803		4 685
TOTAL EQUITY	197 030	210 081		200 536
LIABILITIES				
Capitalised grants	13 855	13 855	7	13 855
Total long term liabilities	13 855	13 855		13 855
Accounts payable	2 076	2 608	4,10	3 376
Public duties payable	89	-192		222
Taxes payable	196	105		202
Other short term liabilities	2 242	1 988		1 835
Total short term liabilities	4 601	4 509		5 635
TOTAL LIABILITIES	18 456	18 364		19 491
TOTAL EQUITY AND LIABILITIES	215 486	228 445		220 027

CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	31.03. 2010	31.03. 2009	Note	31.12. 2009
Contribution from operations	-2 947	-3 399		-16 808
Change in accounts receivable and accounts payable	-753	942		1 158
Change in other receivables and payables	998	2 510		4 189
Net cash flow from operating activities	-2 702	53		-11 462
Investments in fixed assets	-324	-232		-1 055
Investment in/sale of bank bonds	33 782	-39 650		5 591
Investment in shares	-59 058	0		0
Capitalisation of development cost	-10 180	-6 634		-30 561
Net cash flow from investment activities	-35 780	-46 516		-26 025
Grants from Skattefunn and RCN	108	0		1 977
Net financials	-254	1 626		5 909
Net cash flow from financing activities	-145	1 626		7 886
Total net changes in cash flow	-38 628	-44 837		-29 601
Net foreign differences	-297	-355		-656
Cash balance at beginning of period	107 316	137 573		137 573
Cash and cash equivalents at end of period	68 391	92 381		107 316
Net result	-3 868	-2 078		-12 730
Employee options	383	13		684
Depreciation	284	292		1 148
Financial items	254	-1 626		-5 909
Total contribution from operations	-2 947	-3 399		-16 808

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000	31.03. 2010	31.03. 2009	Note	31.12. 2009
Equity at beginning of period	200 536	212 160		212 160
Total comprehensive income	-3 890	-2 092		-12 307
Employee options	383	13		684
Equity at end of period	197 030	210 081		200 536

NOTES

1. Projects in the Badger Explorer Program are supported by the Research Council of Norway and "Skattefunn" with a percentage of the total project cost. The calculated amount is accrued consecutively. Badger Explorer ASA was supported by "Skattefunn" in 2009.
2. The cost and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised.
3. The project development costs are capitalised in accordance with the IFRS regulations. Additional project cost not capitalised this year due to the restriction in the IFRS standard for the Badger Explorer Prototype project amounts to kNOK 1 346 per 31.03.2010.
4. The 100% owned subsidiary, Badger Plasma Technology AS and the 50% owned subsidiary, Calidus Engineering Ltd. have been consolidated with the parent company Badger Explorer ASA starting from 01.12.2007. Intercompany sales and purchases, intercompany receivables and payables, intercompany investments and share capital are eliminated.

5. The general assembly decided in meeting on 09.05.2007 to split the existing shares which gave an increase in number of shares from 6 719 520 to 13 439 040. A total of 5 000 000 additional shares were issued in connection with the IPO of NOK 160 000 000 related to the listing on Oslo Axess on 12.06.2007. The total number of shares per 31.03.2010 is 18 439 040 at par value of 0,125 per share.
6. The options granted in 2006 were during 3Q 2009 replaced with new options. The new option program is accepted and effective from 15.09.2009, includes all employees and grants a total of 406 750 share options at a strike of NOK 10. The options entitle the employees to purchase shares during a 3.2 year period until 15.11.2012. These are equity based option agreements and are recognised on the P&L under personnel costs and on the balance sheet under other paid in equity. The options (incl. Employers' national insurance contributions) are recognized over the vesting period starting from 15.09.2009. The option value is based on a third party evaluation of the options at the grant date where the Black-Scholes model was used for calculation. The replacement of options was treated as a cancellation and repricing under IFRS 2. The options were "in the money" per 31.03.2010.
7. The Group has received contribution from the three industry partners amounting to a total of NOK 13 855 200. This contribution shall be repaid to the partners by paying 5% of all technology related sales in the future. This royalty is limited to 150% of received contribution.
8. Deferred tax asset has not been recognised.
9. Below table shows the segments of which the management is reporting to the Board of Directors. The segments are the main projects; Badger Explorer and Plasma Channel Drilling, engineering; Calidus Engineering Ltd. and other activities (mainly administration).

The column "other" includes all administration support and other costs not allocated directly to any of the other segments. All office equipment and cash in the Norwegian companies are included in this segment.

31.03.2010 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 481	0	-2 192	1 289
Segment profit (loss)	-1 346	0	380	-2 902	0	-3 868
Total assets	70 268	5 899	18 400	130 836	-9 916	215 486

31.03.2009 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 939	21	-1 428	2 532
Segment profit (loss)	-1 288	0	690	-1 481	0	-2 078
Total assets	37 131	6 573	16 900	176 965	-9 124	228 445

1Q 2010 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 481	0	-2 192	1 289
Segment profit (loss)	-1 346	0	380	-2 902	0	-3 868

1Q 2009 - Business segments	Badger	Badger	Engineer-		Elimin-	
Unaudited figures in NOK 1000	Explorer	Plasma	ing	Other	ation	Total
Total revenue	0	0	3 939	21	-1 428	2 532
Segment profit (loss)	-1 288	0	690	-1 481	0	-2 078

Transaction with shareholders	31.03.2010	31.03.2009
Accounts payable*	933	757
Purchased services*	2 143	1 440

*The Company has purchased engineering- and production services from Calidus Engineering Ltd. in which Badger Explorer ASA owns 50% and Nigel Halladay owns 50% of the shares. Nigel Halladay also owns 33 000 shares in Badger Explorer ASA.

Shares held by members of the board and Management group	31.03.2010	31.03.2009
Convexa Capital IV AS (Board Director - Bjørge Gretland)*	3 200 780	3 300 780
Ahlqvist Invest AS (Chairman of the Board - Rolf E. Ahlqvist)	465 407	454 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO - Kjell Erik Drevdal	222 600	222 600
Convexa AS (Board Director - Bjørge Gretland)	100 000	-
Nilsholmen Investering AS (Sr.VP Bus. Dev. & Strategy - Kjell Markman)	149 222	149 222
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	80 200	80 200
Invest OK AS (Board Director - Kristine Holm)	15 000	15 000
5K International (CEO - Kjell Erik Drevdal)	10 000	10 000
Chevni AS (Board Director - Christian Bull Eriksson)	6 000	6 000
Board Director - Tone Kvåle	5 000	-
Mng. Hr, Economy & Adm. - Hege Furland	2 858	2 858
CTO - Erling Woods	1 000	1 000
Ordinary shares	4 559 939	4 543 939
% of total shares	24,7 %	24,6 %

*Bjørge Gretland does not have decisive influence in Convexa Capital IV AS.

11. Bank bonds

All of the Company's bank bonds were sold in January 2010.

12. Investment in shares

The Company owns 54 045 shares of First Norway Alpha KL IV-IA, a market based liquidity fund, to a nominal value of MNOK 60.0. The fund have underlying exposure to the Norwegian money market with entire notional amount (overnight NIBOR). The value of the shares are monitored on a daily basis. The shares are not under any contractual obligation unless for a 3 days notice for settlement when selling the shares. The shares are classified under IAS39 as "financial assets at fair value through profit and loss" and are carried at market value.

13. Intercompany sales and purchases has previously been eliminated towards salary and other operating expenses. Elimination is now changed to reflect the material consumption by eliminating these costs towards Cost of Goods sold (COGS). The reallocation effect is:

Effect for 2009	Salary	Other Opr. Exp.	COGS
1Q	395	49	-444

Badger Explorer ASA
Org.nr. 985 955 107 MVA

Visiting address: Jåttåvågveien 7, 4020 Stavanger, Norway
Postal address: P.O. Box 130, 4065 Stavanger, Norway
Switchboard: +47 52 97 45 00 / Fax: +47 52 97 45 01

<http://www.bxpl.com>