



BADGER
EXPLORER



Semi-annual Report 1H 2010

SUCCESSFUL DEMONSTRATION OF THE BADGER EXPLORER CONCEPT

The activities during 1H 2010 have been focused on the Badger Explorer full-scale self burial test program. The preparation efforts, the test program and the demonstrations have been extensive.

On 28 April 2010 Badger Explorer ASA (BXPL) announced that a successful ground-breaking demonstration of the Badger Explorer concept had taken place at the test site at Brumunddal, Eastern Norway. The self burial test was a closed cavity operation and is regarded as the proof of the Badger Explorer concept. This is the world's first operation of its kind.

The Brumunddal test site has proven to be very valuable hence the Company will continue to use it. BXPL and its industry client partners - ExxonMobil, Shell and Statoil - have already agreed to perform one additional deeper drilling test at Brumunddal. This test will be essential for BXPL with regard to further funding from partners and others. At present mobilization activities for this test are ongoing. The tool that will be used for the test is basically the same as the one used this spring, but some improvements to increase durability and robustness have been implemented.

Badger Explorer ASA is now proceeding with the technical efforts to improve the tool, widen its applicability regarding the range of formations and to enable the tool to go deeper and withstand higher temperatures.

Currently discussions with the industry client partners regarding the process of the further development program are ongoing.

The Badger Group's cash position is MNOK 115.9 as of 30.06.2010. Solid cash position and client partner support for the further development program is considered to be sufficient to reach the commercial stage.

1H 2010 - AN OVERVIEW

The Prototype phase:

1Q 2010 has been a comprehensive preparation period for the test drilling, the Badger Explorer tool and the test site itself. The tests including the self burial test and demonstrations have taken place in 2Q 2010.

The present version of the Badger Explorer tool, the Demo50 version2, is an 18 meters long prototype with a diameter of 15 centimeters and fitted with 50 meters of cable. The tool consists of three separate main units: the drilling unit, hydraulic/ electronic unit and the separation/compaction unit.

During the concept demonstration in April 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 closed cavity. The tool was powered by and controlled through a cable and was not visible during the drilling process.

During the site demonstrations in week 24 several functions of the tool were demonstrated. In order to demonstrate the concept one section of the artificial well bore was replaced with a glass tubular to show the separated cuttings emerging.

Badger Explorer ASA and the three oil companies have agreed to perform one more test at the Brumunddal test site with the aim to bury the tool below the local water table. Some elements of the circulation system, the hydraulic system and the cable routing are being improved before the upcoming test. This will involve two functionalities being tested for the first time: the entire tool operating submerged below the water table in addition to compaction in an open-hole.

Upon completion the results will be analyzed and further plans for the development work will be agreed upon.

The Pre-commercial phase:

Further development work will be project-organized, seeking both technical and financial support (public and partner funding) for each individual project. The transition from the prototype phase and into the pre-commercial phase will gradually take place.

The target of the pre-commercial phase is the development, qualification, manufacturing and pilot-testing of a pre-commercial 125 Demonstrator tool (125 degrees Celsius).

Some development work has already been started relating to future versions of the tool that are either considered time-critical or particularly important with respect to reducing the technical risk of the development activities.



Photo: Ole K. Helgesen/Teknisk Ukeblad

The Company is also making plans for a comprehensive set of activities for the further development of the tool that will be organized around three core activities:

- Further testing in a wider range of formations
- Design and development to modify and if necessary redesign technical solutions
- Theoretical studies to establish a more comprehensive understanding of the interaction between the tool and the formation while operating to ensure that the selected design solutions will be robust in a variety of situations.

BADGER PLASMA TECHNOLOGY AS, 100% SUBSIDIARY

Apart from efforts to secure IP, the activity level throughout 1H 2010 has been at a minimum. The subsidiary has no employees.

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 modeling and engineering design services, the company has a prototyping based machine shop. The revenue mainly comes from clients in the oil industry, the geothermal industry and within the field of R&D.

Calidus's turnover during 1H 2010 was MNOK 6.6 compared to MNOK 8.3 in 1H 2009, out of which 55% were deliveries to BXPL (46% 1H 2009).

The net result before tax (EBT) was MNOK 1.3, compared to MNOK 1.9 the year before. Calidus' equity ratio is 92.4% and the cash position remains strong.

Several large projects were completed in late 2009, giving high turnover in 2009. The first half of 2010 has been weaker. For the time being the order back-log is picking up and Calidus reports that 2H 2010 will have increased activity level.

FINANCIAL STRENGTH AND INVESTOR RELATIONS

A strong equity base combined with the agreements with ExxonMobil, Shell and Statoil allows the Company to entirely focus on successfully completing the development program of the Badger Explorer.

In 2005 and 2007 the Company raised equity totaling MNOK 235. In addition the extended partner agreements with the Company's client industry partners will include financial support along with the valuable technical support. In the present financial climate the partnerships and the financial strength provide a unique position, opening for full focus on further technological development and the pre-commercial phase.

As of 30.06.2010 the Badger Explorer Group had a net equity of MNOK 194.6 (equity ratio of 91.7%), compared to MNOK 209.5 (equity ratio of 92%) as of 30.06.2009. The group's total liquidity is MNOK 115.9 consisting of MNOK 55.5 in net cash and shares of market based liquidity fund totaling MNOK 60.4. Combined with the partner agreements the equity position and the cash position are regarded to be sufficient to reach a commercial stage.

Investor Relations Issues

The number of shareholders is gradually increasing, at present 768 shareholders. Norwegian entities and individuals hold 65.8% of the total number of outstanding shares. Compared to 1H 2009 the 20 largest have reduced their holdings. As of the end of the 1H 2010 they held 70.4% compared to 78.4% at the same time last year.

Quarterly investor presentations have been held in Oslo and Stavanger. 1H 2010 report presentations will also be given at "Rogaland på Børs" 30 August and at the Annual Pareto Oil & Offshore Seminar in Oslo on 1-3 September 2010.

STRENGTHENING THE ORGANISATION

To prepare for the challenges of the pre-commercial phase Mr. Tor Arne Håland joined BXPL as of 1 June 2010 as senior executive within Quality, Risk and Supply Chain management.

BADGER EXPLORER GROUP

The magnitude of the Badger Explorer Group operations consists of more than 50 people, including skilled Calidus engineers and dedicated specialists with sub-vendors and various research institutes. The core staff of Badger Explorer ASA consists of 17 employees.

The Group is seeking more specialists, technical support and operational staff, thus the number of employees will continue to increase during 2010/11. Badger Explorer Group makes use of testing facilities and workshops both in Stavanger, Brumunddal and at Calidus Engineering in Cornwall, UK.

EQUAL OPPORTUNITIES AND FAIR TREATMENT OF PERSONNEL

As of 30.06.2010 Badger Explorer ASA has 17 permanent employees of whom 4 are female. Badger Plasma Technology AS has no permanent employees. Calidus Engineering Ltd. has 24 employees, 22 male and 2 female. In order to succeed, the Group is dependent upon engaging the best competence available. Hence competence must be sourced where it is available. However the Company emphasizes the importance of maintaining a balance and distribution of gender, equal compensation for similar work and equal opportunities for everyone in the development and running of the Company. The staff is multinational representing four nationalities.

The Board of Directors has five members of whom three are male and two are female.

MAIN FIGURES

Revenues for 2Q 2010 amounted to kNOK 1 723 and to kNOK 3 013 for 1H 2010, compared to kNOK 1 926 for 2Q 2009 and kNOK 4 458 for 1H 2009. The decrease in revenues during 1H 2010 compared to the same period last year is due to the lower activity level of Calidus Engineering Ltd.

Operating expenses for 2Q 2010 amounted to kNOK 7 274 and to kNOK 11 514 for 1H 2010, compared to kNOK 4 728 for 2Q 2009 and kNOK 9 982 for 1H 2009. EBITDA for 2Q 2010 amounted to kNOK -5 551 and to kNOK -8 501 in 1H 2010, compared to kNOK -2 802 for 2Q 2009 and kNOK -5 524 for 1H 2009.

Total project development costs for the Badger Explorer Prototype and Plasma Channel Drilling amounted to kNOK 7 624 of which kNOK 5 732 was capitalized for 2Q and amounted to kNOK 19 149 of which kNOK 15 911 was capitalized for 1H 2010. Public grants for the Badger Explorer project amount to kNOK 217 for 2Q 2010 and amount to kNOK 325 for 1H 2010. All public grants are capitalized together with the project costs.

Earnings per share amounted to NOK -0.234 per share for 2Q 2010 and amounted to NOK -0.443 per share for 1H 2010. Cash reserves per 30.06.2010 are MNOK 55.5. In addition the Company holds MNOK 60.4 in shares of market based liquidity fund.

CONSOLIDATED SUMMARY (Unaudited figures in NOK 1000)	2Q 2010	2Q 2009	30.06. 2010	30.06. 2009
Revenues	1 723	1 926	3 013	4 458
Operating expenses	7 274	4 728	11 514	9 982
EBITDA	-5 551	-2 802	-8 501	-5 524
Earnings per share (figures in NOK)	-0,234	-0,125	-0,443	-0,238
Projects development costs	7 624	10 498	19 149	18 420
Public grants for projects dev.	217	0	325	0
Cap. of dev. costs and public grants	5 515	9 228	15 586	15 862

RISK CONSIDERATIONS

For a company that is dependent on groundbreaking technological development it is of the utmost importance to continuously analyze the risks and manage them in a professional manner. The Company continuously works to reduce all risk elements which could influence the Company's success through steady progress in the development project, securing competence, skills and capacities and through financing and robust partnerships.

The extended partner agreements, signed by the Company's industry partners in 2008, must be regarded as the most risk reducing external effort so far. In addition further efforts, strategic acquisitions and industrial partnerships are being evaluated on a continuous basis.

The Company is focusing on the following risk elements:

Technology:

The development work has been complex and time consuming. The time schedule estimates a commercial service to be launched 12-18 months after completion of the prototype phase. However there is risk related to the fact that the development of the commercial versions of the Badger Explorer technology could be more extensive than planned and this could result in a longer development period for the services provided by Badger Explorer ASA. The extended partner agreements with the client industry partners imply comprehensive development support and this is regarded as risk reducing measure in its nature.

The fact that the Company has secured access to high quality sensors and logging tools is expected to be a major step forward in the development of a commercial tool. State-of-the-art technology is offered in combination with communication systems and software for underground analysis. The sensors and logging systems for the commercial versions of the Badger Explorer tool will be custom designed.

Progress:

Today no competitors with the Badger Explorer and its future closed cavity operations have been identified. However, these could appear and the time of the market introduction of the tool is of vital importance both for the market positioning and the potential profit of the technology. Simultaneously it is necessary to spend the time needed to develop robust solutions and not compromise on quality and reliability.

The market:

The uncertainty within the oil & gas market is currently higher than previously experienced. Through the extended partner agreements the Company's partners have secured first rights of refusal to buy the full manufacturing capacity of Badger Explorer ASA at market price for a period of three years from the time of commercialization. The agreements secure market introduction and the Company has potential customers, which reduces the market risk.

Furthermore the market risk related to the development phase has been reduced during the last years as a consequence of the general downturn of all markets that has led to shorter delivery times and more competitive pricing.

The economy of the Badger Explorer concept is considered to be so robust that even a substantial drop in the rig rates should not dramatically influence the economics of Badger Explorer ASA.

Market awareness and attention indicate high interest in the Badger Explorer closed cavity concept. It is anticipated that the Badger Explorer concept will have environmental benefits compared to traditional methods in remote areas like Northern Norway, Alaska etc.

Following the BP blow-out in the Gulf of Mexico environmental friendly solutions like the Badger Explorer service have experienced increased attention.

Competence and resources:

The development of the Badger Explorer requires access to top competence in a large number of technical fields. In spite of some improvements in the labor market, it remains a challenge to recruit individuals with the right competence. The Company and its subsidiary have nevertheless been able to recruit several highly qualified employees. It will be of importance during the pre-commercial phase to widen and increase the client industry partners' contributions within the operational field as well as the area of application of the tool.

The Company's agreements with providers of state-of-the-art sensors and logging tools will be vital both for keeping the overall time schedule and to secure components and services of the very best quality. The efforts to secure skilled employees and long-term agreements with various vendors will continue.

Authorities' permission:

When introducing new concepts with considerable challenges and new routines, the authorities require extensive and convincing qualifications that demonstrate operational safety. The Company is working actively within this field and has already opened a dialogue with relevant governmental bodies and authorities.

Environmental aspects:

The Badger Explorer technology is a non-polluting alternative to explore for oil & gas resources. Sustainable environmental solutions and efforts are vital for the Company's business concepts. The non-polluting services Badger Explorer ASA offers should be a strong incentive for the authorities, professional players within the industry and other stake holders to have the technology commercialized. Hence all these groups will have a common interest in the Badger Explorer being realized and introduced to the market as soon as possible. As mentioned above the Gulf of Mexico crisis has resulted in increased focus on the Badger Explorer technology.

Currency exchange risk:

As a result of acquiring 50% of the shares in Calidus Engineering Ltd. in UK, the Group's balance sheet can be affected up to a certain extent by the changes in the GBP/NOK exchange rates. The Group has a limited number of other transactions in foreign currency which consequently gives a low currency risk. When commercial operations in larger scale commence a currency policy will be introduced.

Interest risk:

The Company's cash position is held in Norwegian short term bank deposits at Norwegian banks through NIBOR plus contracts and in a NIBOR-based Norwegian liquidity fund. The Company has no interest bearing debt. Thus the interest risk in the Company is limited.

Credit bearing risk on accounts receivable:

The majority of sales are based on short term credit, whereas the Company is exposed to limited credit risk on clients. However, the customers are mainly large international energy corporations having strong solidity and corresponding good credibility. The Company has not experienced losses on receivables.

Calidus Engineering Ltd., the 50% owned entity, invoices in Pound sterling and Euro to a limited number of large international customers. The credit risk on receivables in Calidus is regarded to be limited.

**OUTLOOK**

The progress made during the first half of 2010 is regarded as very satisfactory.

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

The Company has identified further work that remains to be executed before a commercial version of the tool will be ready for the market. The Company is in a constructive dialogue with its partners to establish sound plans for executing this work.

For the further development work a close cooperation with the client industry partners, sub-vendors and the oil & gas industry will be vital to maintain. The development of the BXPL services are planned to be sponsored by partners and public funding. The Company sees potential in spin-off technologies as well. The development work 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 results achieved in 1H 2010 and the overall progress made, Badger Explorer ASA remains its optimistic view both on its operations and on the market.


 Rolf E. Ahlqvist
 Chairman


 Christian Bull Eriksson
 Director


 Bjørge Gretland
 Director


 Kristine Holm
 Director


 Tone Kvåle
 Director


 Kjell Erik Drevdal
 President & CEO

Stavanger, 24 August 2010
 The Board of Directors
 Badger Explorer ASA

RESPONSIBILITY STATEMENT

The Board of Directors and the CEO confirm that to the best of their knowledge the condensed set of financial statements for the first half year of 2010 which have been prepared in accordance with IAS 34 - Interim Financial Reporting, gives a true and fair view on the Group's consolidated assets, liabilities, financial position and results of the operation for the period, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Rolf E. Ahlqvist
Chairman
(sign)

Christian Bull Ericsson
Director
(sign)

Bjørge Gretland
Director
(sign)

Kristine Holm
Director
(sign)

Tone Kvåle
Director
(sign)

Kjell Erik Drevdal
President & CEO
(sign)

Stavanger, 24 August 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 Jåttåvågeien 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	2Q 2010	1Q 2010	2Q 2009	Note	30.06. 2010	30.06. 2009
Revenues						
Other Income	1 723	1 289	1 926	4	3 013	4 458
Public grants	217	108	0	1	325	0
Capitalised public grants	-217	-108	0	2	-325	0
Total Revenues	1 723	1 289	1 926		3 013	4 458
Operating Expenses						
Cost of goods sold	164	176	1 068	13	340	1 159
External services for dev. project	3 941	6 143	6 941	4	10 084	11 258
Salary	5 624	5 888	2 961	13	11 513	7 693
Other Operating Expenses	3 277	2 213	2 986	4,10,13	5 489	5 734
Capitalised development cost	-5 732	-10 180	-9 228	3	-15 911	-15 862
Total Operating Expenses	7 274	4 240	4 728		11 514	9 982
EBITDA	-5 551	-2 951	-2 802		-8 501	-5 524
Depreciation	306	284	296		590	587
EBIT	-5 857	-3 234	-3 098		-9 091	-6 112
Net financial	1 827	-254	1 080	11,12	1 573	2 706
EBT	-4 030	-3 488	-2 018		-7 518	-3 405
Tax	0	0	0		0	0
Net profit/loss from operations	-4 030	-3 488	-2 018		-7 518	-3 405
Profit (loss) attributable to minority interests	279	380	269		659	959
Profit (loss) attributable to equity holders of the parent	-4 309	-3 868	-2 287	9	-8 176	-4 365
Earnings per share	-0,234	-0,210	-0,125		-0,443	-0,238
Earnings per share diluted	-0,233	-0,210	-0,124		-0,442	-0,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Unaudited figures in NOK 1000)	30.06. 2010	30.06. 2009	Notes	31.12. 2009
FIXED ASSETS				
Development costs	79 597	51 288	3	64 010
Patent rights	387	387		387
Goodwill	6 066	6 486	4	5 710
Total intangible assets	86 050	58 160		70 107
Machinery, fixtures, etc.	3 631	3 729		3 333
Total tangible assets	3 631	3 729		3 333
Bank bonds	0	78 830	11	0
Investment in shares	60 354	0	12	0
Sum financial assets	60 354	78 830		0
TOTAL NON-CURRENT ASSETS	150 034	140 719		73 440
CURRENT ASSETS				
Inventory	2 327	942		854
Sum Inventory	2 327	942		854
Accounts receivable	1 023	612	4	1 520
Other receivables	3 346	3 481	4	3 115
Total receivables	4 368	4 093		4 635
Bank bonds	0	0	11	33 782
Total current financial assets	0	0		33 782
Cash and cash equivalents	55 538	81 817		107 316
TOTAL CURRENT ASSETS	62 234	86 853		146 587
TOTAL ASSETS	212 268	227 572		220 027
EQUITY AND LIABILITIES (Unaudited figures in NOK 1000)	30.06. 2010	30.06. 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	1 706	316	4,6	946
Total paid in equity	221 111	219 721		220 351
Other equity	-31 855	-14 301		-24 499
Total retained earnings	-31 855	-14 301		-24 499
Minority Interest	5 344	4 072		4 685
TOTAL EQUITY	194 599	209 492		200 536
LIABILITIES				
Capitalised grants	13 855	13 855	7	13 855
Total long term liabilities	13 855	13 855		13 855
Accounts payable	2 345	3 151	4,10	3 376
Public duties payable	240	49		222
Taxes payable	212	116		202
Other short term liabilities	1 018	908		1 835
Total short term liabilities	3 814	4 224		5 635
TOTAL LIABILITIES	17 669	18 079		19 491
TOTAL EQUITY AND LIABILITIES	212 268	227 572		220 027



CONSOLIDATED STATEMENT OF CASH FLOW

Unaudited figures in NOK 1000	30.06. 2010	30.06. 2009	Note	31.12. 2009
Contribution from operations	-8 400	-6 430		-16 808
Change in accounts receivable and accounts payable	-533	1 841		1 158
Change in other receivables and payables	-1 836	1 936		4 189
Net cash flow from operating activities	-10 769	-2 653		-11 462
Investments in fixed assets	-887	-890		-1 055
Investment in/sale of bank bonds	33 782	-39 457		5 591
Investment in shares	-60 354	0		0
Capitalisation of development cost	-15 911	-15 862		-30 561
Net cash flow from investment activities	-43 371	-56 209		-26 025
Grants from Skattefunn and RCN	325	0		1 977
Net financials	1 573	2 706		5 909
Net cash flow from financing activities	1 898	2 706		7 886
Total net changes in cash flow	-52 241	-56 156		-29 601
Net foreign differences	464	401		-656
Cash balance at beginning of period	107 316	137 573		137 573
Cash and cash equivalents at end of period	55 538	81 817		107 316
Net result	-8 176	-4 365		-12 730
Employee options	760	54		684
Depreciation	590	587		1 148
Financial items	-1 573	-2 706		-5 909
Total contribution from operations	-8 400	-6 430		-16 808

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

Unaudited figures in NOK 1000	30.06.2010	30.06.2009	Note	31.12.2009
Equity at beginning of period	200 536	212 160		212 160
Total comprehensive income	-6 698	-2 722		-12 307
Employee options	760	54		684
Equity at end of period	194 599	209 492		200 536

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income

Unaudited figures in NOK 1000	30.06.2010	30.06.2009	31.12.2009
Profit (loss) for the year (period):	-7 518	-3 405	-11 158
Other comprehensive income			
Translation differences	820	684	-1 149
Comprehensive income at end of period	-6 698	-2 722	-12 307

Distribution of total comprehensive income

Unaudited figures in NOK 1000	30.06.2010	30.06.2009	31.12.2009
Equity holders of the parent	-7 356	-3 681	-13 879
Non-controlling interest	659	959	1 572
	-6 698	-2 722	-12 307

NOTES

- 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.
- The cost and the grants for the development of Badger Explorer Prototype project and Plasma Channel Drilling project are capitalised.
- 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 3 238 per 30.06.2010.
- 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.
- 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 Axxess 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 419 500 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 30.06.2010.
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.

30.06.2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	6 649	23	-3 660	3 013
Segment profit (loss)	-3 238	0	659	-5 597	0	-8 176
Total assets	76 324	5 899	19 955	122 048	-11 958	212 268

30.06.2009 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	8 299	21	-3 862	4 458
Segment profit (loss)	-2 558	0	959	-2 766	0	-4 365
Total assets	46 373	6 559	16 815	166 672	-8 848	227 572

2Q 2010 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	3 168	23	-1 468	1 724
Segment profit (loss)	-1 892	0	279	-2 695	0	-4 308

2Q 2009 - Business segments	Badger Explorer	Badger Plasma	Engineering	Other	Elimination	Total
Unaudited figures in NOK 1000						
Total revenue	0	0	4 360	0	-2 434	1 926
Segment profit (loss)	-1 270	0	269	-1 286	0	-2 287

10. Related party transaction

Unaudited figures in NOK 1000

Transaction with shareholders	30.06.2010	30.06.2009
Accounts payable*	861	1 072
Purchased services*	3 660	3 906

*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 51 000 shares in Badger Explorer ASA.

Shares held by members of the board and Management group	30.06.2010	30.06.2009
Convexa Capital IV AS (Board Director - Bjørge Gretland)*	3 200 780	3 200 780
Ahlqvist Invest AS (Chairman of the Board - Rolf E. Ahlqvist)	465 407	465 407
Dalvin Rådgivning AS (CFO - Gunnar Dolven)	301 872	301 872
CEO - Kjell Erik Drevdal	222 600	222 600
Nilsholmen Investering AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	209 222	149 222
Convexa AS (Board Director - Bjørge Gretland)	100 000	100 000
Nilsholmen AS (Sr. VP Bus. Dev. & Strategy - Kjell Markman)	20 200	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
CFO - Gunnar Dolven	5 000	-
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	4 564 939	4 554 939
% of total shares	24,8 %	24,7 %

*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
2Q	305	38	-343
30.06.2010	700	87	-787

Badger Explorer ASA
Org.nr. 985 955 107 MVA

Visiting address: Jåttåvågveien 7, 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>