FRAM EXPLORATION ASA

Annual Report

Year End 2014

Fram Exploration is an international E&P company with oil & gas assets onshore in the states of Colorado and North Dakota in the United States. The Company has significant worldwide industry experience in the technical disciplines of geology, geophysics, reservoir modeling, petroleum engineering, operations management, drilling, and completion expertise. The Company targets undervalued assets in regions with politically stable regimes and attractive fiscal terms. For more details see www.framexploration.com

Chairman's message

2014 turned out to be a turbulent year for Fram Exploration ASA. Changes to the geological interpretation of our assets in combination with a challenging financial situation, which was only resolved late Q4, caused the work to create value more difficult than anticipated. The falling oil price further complicated the situation.

With a new G&G team in place the operational focus was changed, and further geological evaluations caused us to reduce the reserve estimates for what has been the key target for our development of the Whitewater field, the lower Dakota sands. On the other hand, the new approach to the geological interpretation has caused us to initiate testing of the upper Dakota formation as well as the Mancos shale. Test results from the early part of 2015 are very encouraging, and suggest that Fram will be able to replace and exceed the earlier reserve estimates.

Hence, the development efforts are focused on proving the commercial viability of producing these formations.

In Q4 2014 Fram initiated a renegotiation of the loan agreement with the bondholders in Fram. As part of a holistic refinance plan, Fram proposed to push back the maturity of the loan to December 2016, and to change the interest clause to a PIK arrangement. The lenders accepted Fram's proposal in January 2015.

In parallel, the Shareholders of Fram subscribed to a USD 4,1 million allotment.

After the end of the financial year, Fram also successfully disposed of its two drilling rigs, yielding a total consideration of approx. USD 13.8 million. Hence, Fram is currently financed to perform the work necessary to validate its shale development in Whitewater and to initiate further development of its North Dakota assets.

The developments are causing the Board of Directors of Fram to be cautiously optimistic that we will be able to generate the shareholder value we have been aiming at. 2015 will bring important answers to this work.

Sincerely,

Bernt Østhus

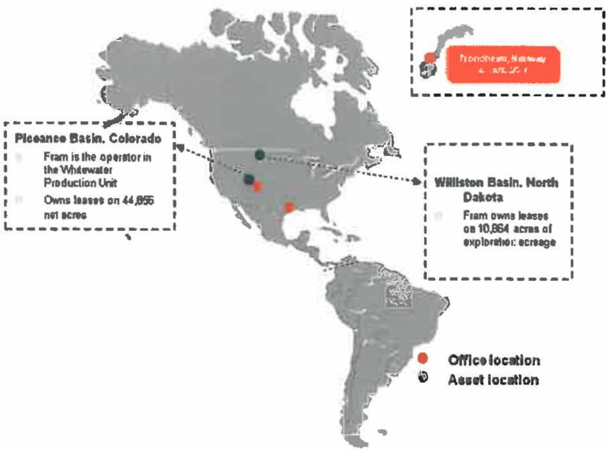
Chairman of the Board

Forward Looking Statements

This report contains certain forward-looking statements relating to the business, financial performance & results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances & results & other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", & similar expressions. The forward-looking statements contained in this report, including assumptions, opinions & views of the Company or cited from third party sources, are solely opinions & forecasts which are subject to risks, uncertainties & other factors that may cause actual events to differ materially from any anticipated development. None of the Company or any of their parent or subsidiary undertakings or any such persons, officers or employees provides any assurance that the assumptions underlying such forward-looking statements is free from error, nor do any of them accept any responsibility for the future accuracy of the opinions expressed in this report or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to the Company's actual results.

FRAM Exploration Group

The Group's business



Fram Exploration is an international exploration & production (E&P) company with oil & gas assets onshore in the states of Colorado and North Dakota in the United States. The Company has significant worldwide industry experience in the technical disciplines of, geology, geophysics, reservoir modeling, petroleum engineering, operations management, drilling, and completion expertise.

The Company was formed November 19, 2007. Operations followed in the Whitewater Unit in the Piceance Basin in Colorado, and the Williston Basin in N. Dakota.

Operations continue in the Whitewater Unit in Colorado, the Williston Basin in N. Dakota.

Fram Exploration ASA

Fram Exploration ASA is the parent company (the "Parent Company") of the group. The main activities in 2014 have consisted of sub-surface work on the oil and gas leases acquired in 2009, as well as financing exploration and production drilling in its subsidiaries. The Company has its registered office in Trondheim, Norway but maintains its corporate office in Colorado Springs, Colorado.

Fram Americas LLC

Fram Americas is a 99.96 percent subsidiary of Fram Exploration AS. It is located in Colorado Springs USA.

Fram Americas' main asset consists of a 95 percent ownership in the Whitewater production unit in Colorado and a 100 percent ownership of exploration leases in Renville and Ward Counties, North Dakota. The assets are located in the Piceance and the Williston geologic basins respectively.

The Whitewater Production unit is located in the western most reaches of Colorado, just south of the city of Grand Junction. The unit covers approximately 90,000 acres, of which approximately 55,000 gross acres are owned and operated by Fram Americas, and is currently the largest federal unit in the state of Colorado.

In *Renville County, North Dakota,* Fram Americas owns and operates 115 leases, with a gross acreage totaling approximately 10,500 acres. Subsurface work has commenced to high grade 81 exploration leads into drillable prospects into the prolific Mission Canyon formation. Some observers believe the Bakken shale may also be present on these leases but that has not yet been established.

Fram Operating LLC

Fram Americas LLC is the 98 percent owner of Fram Operating LLC, through which the Company operates the Whitewater production unit and operations in the Williston basin.

Calendar 2014 Activities

Whitewater lease (Colorado, USA)

The Company operates the Whitewater Federal Unit in the Piceance Basin in North West Colorado, where it has approximately 55,000 gross acres under lease with a 95% working interest. Since assuming operatorship in May 2009, the Company has conducted a successful drilling campaign in the unit, drilling a total of 14 wells (6 vertical and 8 high angle) and has identified six hydrocarbon bearing formations, the most important of which is the Upper Cretaceous Dakota reservoir.

Full year 2014 production from Whitewater from five producing wells was 1,628 gross bbls of oil, 45% of which was produced from the Mansur 33-1-K well, a Dakota discovery which was the first oil well completed by the Company in Whitewater. The Company drilled two Whitewater wells in 2014, the Mansur 33-4-D and Siminoe 32-2-I. Both of these wells did not have initial production and are under evaluation. Two other wells under evaluation started production in Q4, 2014 after using the gas gun to stimulate the Dakota, the Mansur 33-1-L and Siminoe 32-2-I. Full year 2013 production from Whitewater from three producing wells was 2,360 gross bbls of oil, 70% of which was produced from the Mansur 33-1-K well. This well which led to our prioritizing oil development over natural gas, came on production in June 2010 and, as of year-end 2014, had produced gross volumes of 18,427 bbls of oil.

With the assistance of Halliburton Reservoir Engineering and other consultants, the Company is currently reviewing various alternative methods for stimulating the wells and additional target zones in the lower Mancos ripple beds and carrier beds. Towards the end of 2014 work commenced on evaluating two new plays in Whitewater: lower Mancos silty carrier beds and Upper Dakota ripple beds. Source rock and thermal maturity laboratory studies undertaken in October show the lower Mancos is a viable resource play in the Whitewater area. Several 'shut in' wells have been identified as cost-effective candidates to test the lower Mancos. Both plays will be tested and further evaluated during Q1 2015.

The Company continues to work on the drilling and completion techniques being employed. A total of 1628 bbls of oil were sold from Whitewater throughout 2014 with an average price of $81.75, a discount of approximately $12 per barrel from WTI marker prices. The discount is set under contract and reflects that the oil is transported to the refinery by truck rather than field pipeline.

Additional acreage

During 2011, the Company acquired an additional 3,144 acres in T13S 95W and T14S 95W in Delta County Colorado. These strategic acquisitions expanded the Company's access to additional reservoir to the south and east of the Whitewater Unit. Since taking over operations of the Whitewater field and Federal Production Unit, the Company has drilled a total of 14 wells. Five of the wells are oil producers, three are shut in gas producers, two are potential oil producers currently being evaluated for recompletion, one was abandoned due to adverse hole conditions, and three were classified as dry holes.

Williston basin (North Dakota, USA)

The Company's first exploration well, the Funke #1, in the Williston basin was drilled in March 2011 on the East Smith prospect in Renville County, North Dakota. The state has now named the field, the "South Greene" field. Management has estimated that the discovery contains 4-6 million gross barrels of oil reserves based on core and log analysis. The discovery lies approximately 3km from the nearby Smith field, which has produced more than 3.6 gross million barrels of oil since inception.

The Funke #1 well came on production in August 2011 at 105 bbl of oil per day (average over 14 days continuous production) and through September 2011 produced at approximately 96 bbl per day under restricted conditions while optimal production rates were being evaluated. During 2014 the Company produced only test production of oil from the Funke #1.

In January 2012, the Company attempted to complete the three wells drilled at South Greene: the Laura Funke #1, the Donovan Funke #3 and the Zeltinger #1. The Donovan and Laura Funke both had oil shows during drilling. The Funke #3 was placed on pump and, in Q4, 2014, produced at the rate 11 bopd and about 880 bwpd, despite repeated attempts to increase production by optimizing the pump rate. The Laura Funke #4 well, after showing the presence of oil in the drilling process, produced only water. The well has been shut-in and the company is in the process of re-permiting it as a water disposal well. The Zeltinger well has been determined to be a dry hole.

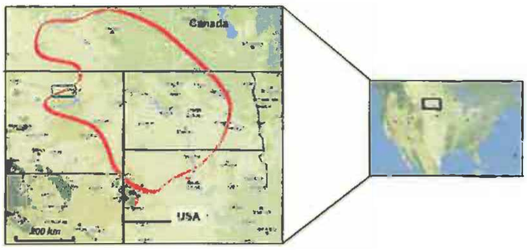
Two wells were drilled in the Schlak area. The Schlak-2 was a geological discovery that has not been put on production due to drilling and completion problems. The Schlak-3, is a commercial discovery that has produced a total of 5,698 barrels of oil to date. Williston total production for 2014 was 6,309 bbls with 4,209 bbls from the Schlak-3. Williston production for 2013 was 3,116 bbls. Given the positive result of this campaign the Company in 2014 shot 74 miles of 2D seismic to optimize additional well locations in the Schlak area. Of the ten Williston Basin wells drilled by the Company only four wells have proven to be dry while two are geological discoveries, two are still pending work over and or pressure support to enhance production and two have been commercial producing wells. This puts the Company well ahead of most operators working the

Mission Canyon Formation in the Eastern Flank of the Williston Basin. Additional 3-D seismic is planned for Q3 2015 to identify and prioritize drilling targets.

Detailed Data Collection

"Quad combo" (sonic/ resistivity/ compensated neutron/ density) and "image" logs were collected on two of the three wells drilled in 2014 and core was collected on two of them to further our understanding of the play.

A review of 745 wells drilled in the Mission Canyon indicates that the development well success rates approximate 1 in every 2 wells drilled. A similar review of 151 wells in a much closer area to South Greene appears to confirm this 50% success rate.



The Company holds leases on a total of roughly 10,500 acres in the basin. Drilling activity in the Bakken shale formation has moved eastward from what is considered to be the sweet-spot for oil production to Renville County. Results have determined that the upper, middle, and lower Bakken formation is present in Renville County. Management believes that productive area of the Bakken producing formation may extend on to its acreage at this time.

2014 Financing Activities

At June 30, 2014, The Company issued a promissory note for USD 6,500,000 to Loyz as full settlement of the Company's obligations pursuant to the production and exploration agreement originally between Loyz, Rex and Fram. The promissory note was immediately settled by conversion into equity in Fram. The Company also entered into a lease agreement of two drilling rigs with Loyz for which the company issued 4,237,726 shares of stock valued at $27,900,000 representing the fair value of the rigs as initial payment sixty monthly lease payment to follow of $0.50 each. The Company has an option to acquire the rigs for upon completion of the lease for $1 and has classified this lease as a finance lease. Loyz further invested $7,000,000 in Company shares which was accounted for as a reduction of the Company's obligation to pay outstanding debt to Loyz of $4,000,000 as well as the receipt 11,301,000 shares in Loyz Energy Ltd. valued at $3,000,000. This investment made Loyz a 20% shareholder of Fram.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the years ended December 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards, and gives a true and fair view of the Parent Company's and Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the management report includes a fair review of important events that have occurred during the 2014 fiscal year and their impact on the financial statements, a description of the principal risks and uncertainties for 2014 fiscal year, and major related party transactions.

Outlook

The Company has a diversified portfolio of producing, developing, and exploration assets. It also has an experienced management team, a skilled and experienced E&P organization, and following the drilling program, will have an excellent financial position. As such, the Company is well positioned to take advantage of its core strengths and positive industry fundamentals to deliver profitable growth to shareholders.

The Board of Directors has no knowledge of any elements that could significant impact the pre-requisites' for future profitability of the Company.

Subsequent Events

Management has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through the date on which the financial statements were issued.

The Company finalized an agreement on January 19, 2015 with the Company's shareholders to provide $4,100,000 cash in January 2015 in exchange for issuance of 14,308,025 new shares with 14,308,025 warrant rights to acquire 42,924,075 additional new shares with a par value of NOK 2 and a subscription price per share of NOK 2, which may be exercised through December 29, 2017. This transaction secured the financing of the operations and drilling program for Q1 and Q2 2015.

The Bond Holders amended the bond agreement on February 20, 2015 to have interest only accrue on the bonds without payment until the revised bond due date at December 31, 2016.

The Company signed a termination agreement for the rigs capital lease on May 5, 2015 with a $13,800,000 termination fee payable to the Company. The first installment of $500,000 was received by the Company in May 2015 and $2,000,000 is to be deposited on or before June 30, 2015. The remaining $11,300,000 will be received as 136,000,000 shares in Loyz Energy Limited, which will be received immediately following the Fram Exploration ASA extraordinary general meeting scheduled for June 30, 2015. The 136,000,000 shares will be held for sale subject to a lock-up restriction of 9 months. 14,500,000 shares are exempted from the lock-up with prior written consent of Loyz Energy Limited, to generate approximately $1,900,000 additional cash in the second half of 2015.

Corporate Governance

Effective corporate governance is essential for the Company's success in creating value for its shareholders and other stakeholders. The Company is therefore committed to maintaining high standards in this area, and has followed its internal policies based upon the Norwegian code of practice for corporate governance during the years ended December 31, 2014 and 2013.

Independent Auditors

The independent auditor of the Company is, PricewaterhouseCoopers, Trondheim. The auditors' fee is presented in the notes to the consolidated financial statement of the group.

Going Concern

As reflected in the accompanying financial statements, the Company had a net loss of $23,429,321, a working capital deficit of $6,276,389 and net cash used in operating activities of $4,355,697 for the year ended December 31, 2014.

The Company believes its current available cash along with the proceeds received in January 2015 from Fram's major shareholders' Subscription Agreement and anticipated revenues are sufficient to meet its cash needs for the near future. However, the Company is evaluating strategic acquisitions and future capital raises for that purpose may be required. Management believes that the planned drilling program funded by this capital raise for the Colorado and N. Dakota assets will generate positive cash flow by the end of 2016.

Pursuant to the Norwegian Accounting Act § 3-3a the Board of Directors confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis.

The Board of Directors is of the opinion that the Company has the financial capacity to execute the business plan for 2015.

Health, Safety and Environment

Good results in the area of health, safety and the environment (HSE) are a success criterion and an important value driver in the international oil and gas business. Since HSE forms an integral part of the Company and Parent Company's core values, the Company and Parent Company continuously strive to improve performance in this area.

In line with the Company's and Parent Company's environmental goals, the Company and Parent Company have experienced no spills to air or sea above legal limitations and has no HSE litigation or threat thereof. To minimize the danger of spill and accidents the Company and Parent Company have established governing documentation for each Country in which they operate.

The Company and Parent Company work proactively to reduce sickness absence by promoting a safe and positive working environment and emphasizing attendance factors. The Company and Parent Company's sickness rate was almost zero for the year ended December 31, 2014.

The Company and Parent Company did not experience any employee accidents during the year ended December 31, 2014.

Risk Management

Understanding and managing risk exposure is necessary for achieving the Company's goal of creating value for its shareholders. The Company seeks to allocate capital and resources to the business opportunities, which yield the best risk-adjusted returns from a long-term perspective.

The Company is in an early stage of development and operates in the competitive international oil & gas industry. As such it assumes the following primary risks and uncertainties, some of which may be mitigated through insurance and hedging: risk of not achieving production targets, risks of drilling dry holes, risks of losing key leaders, oil price risk, risks of not having sufficient liquidity to meet its spending targets, and risks of currency exchange between the US dollar and Norwegian Kroner. The main mitigants to the risks presented are in having an experienced leadership team that are used to proactively managing and balancing these risks in an E&P company with risk mitigation activities.

The directors' main tools in managing risks are regular reporting on projects, operations and financial results, periodic reviews of the business and major transactions, strategic and budget review processes as well as ongoing dialogue with management.

Employees

Fram Exploration group had an average of six permanent employees during the year ended December 31, 2014.

Equal Opportunities

Pursuant to the Norwegian Accounting Act § 3-3c the Board of Directors provides the following relating to the Company's guidelines, principles, procedures and standards on social responsibility. The board and management work systematically to achieve a balanced working environment in which everyone will have access to opportunities, irrespective of gender, ethnicity or disability. Fram will show respect for all individuals and make active efforts to ensure a good working environment characterized by equality and diversity. We do not accept any form of discrimination of our own employees or others involved in our activities. Discrimination includes all unequal treatment, exclusion or preference on the basis of race, gender, age, disability, sexual orientation, religion, political views, national or ethnic origin, or other similar circumstances that result in the setting aside or compromising of the principle of equality.

Our commitment to respect human rights and labor standards is based on the International Bill of Human Rights, including the Universal Declaration of Human Rights and the International Labor Organization's (ILO) 1998 Declaration on Fundamental Rights and Principles at Work. We follow the UN Guiding Principles on Business and Human Rights, and endorse the United Nations Global Compact.

We are determined to be known for our high ethical standards and our commitment to transparency and openness. We have zero tolerance for corruption in our operations. Our Ethics Code of Conduct requires us to comply with all applicable laws and regulations and to act in an ethical, sustainable and socially responsible manner. Respect for human rights is an integral part of Fram's value base. The Ethics Code of Conduct applies to the whole organization and its employees, including the chief executive officer, board members, hired personnel, consultants, intermediaries, lobbyists and others who act on Fram's behalf.

We expect our vendors and joint operation parties to share our corporate social responsibility standards and ethical values in our joint operations. We may include specific references to human rights principles in contracts with business partners.

Results of Operations

The following discussion and analysis of the results of operations for the years ended December 31, 2014 and 2013 should be read in conjunction with the consolidated financial statements of Fram Exploration ASA and notes thereto included in this Annual Report.

Years Ended December 31, 2014 and 2013

The Company reported a net loss for the year ended December 31, 2014 of approximately$23.3 million, or $0.83 per share. For the same period in the prior year, the Company reported a net loss of approximately $6 million, or $0.26 per share. The Parent Company reported a net loss of approximately $35.9 million and $6.6 million over the same periods, respectively.

The following table sets forth the operating results and production data for continuing operations for the years ended December 31, 2014 and 2013. The Parent Company did not have any production revenue for the periods shown.

	Years ended December 31, 2014	Years ended December 31, 2013	Increase (Decrease)	% Increase (Decrease)
Sales Volumes:				
Crude Oil (Bbls)	6,309	5,476	833	15%
Crude Oil (Bbls per day)	17	15	2	15%
Average Sale Price:				
Crude Oil ($/Bbl)	$ 75.29	$ 76.47	(1.18)	-2%
Petroleum Revenue:				
Crude Oil	$ 475,034	$ 418,760	56,274	13%

Petroleum Revenues

Petroleum revenues for year ended December 31, 2014 increased from approximatey$0.4 million to $0.5 million from the prior year, primarily due to a slight increase in production during the year.

Operating Expenses

The following table sets forth the operating results for continuing operations for the years ended December 31, 2014 and 2013.

	Company		Parent Company	
Years ended December 31,	**2014**	**2013**	**2014**	**2013**
Operating expenses				
Exploration expenses	$ 2,427,971	$ 938,228	$ -	$ -
Lease operating expense	3,740,684	3,378,856	1,135,033	1,298,627
Production Taxes	38,659	26,906	-	-
Royalty expense	92,736	108,686	-	-
Total operating expense	6,300,050	4,452,676	1,135,033	1,298,627
General and administrative expenses	1,194,615	904,689	934,679	681,526
Depreciation, depletion and amortization	780,965	505,694	-	46,297
Impairment of oil and gas assets	17,137,323	-	14,100,000	-

Total Operating expenses for years ended December 31, 2014 and 2013 increased to approximately $6.3 million from at $4.5 million due primarily to an increases of approximately $1.5 million in exploration expenses, $0.4 million in lease operating expense. The Company incurred approximately $17.1 million in impairment of oil and gas assets.

General and Administrative Expenses

General and administrative expenses increased by approximately $0.2 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013 due primarily to the Company's hiring of additional management staff.

Depreciation, Depletion and Amortization ("DD&A")

DD&A for year ended December 31, 2014 increased to approximately $0.8 million from $0.5 million in the prior year due primarily to an increase in oil and gas properties and fixed assets.

Liquidity and Capital Resources

The primary sources of cash for the Company during the year ended December 31, 2014 were funds generated from operations and borrowings. The Company had total cash of $434,671 at December 31, 2014.

The Company's debt repayment schedule at December 31, 2014 was as follows:

Fiscal Year		Secured Bond
2014	$	6,849,825
2015		-
2016		-
2017		-
2018		-
	$	6,849,825

Cash flows from operating activities

The Company's net cash used in operating activities for the year ended December 31, 2014 was approximately $4.4 million compared to net cash provided by operating activities of $1.2 million for the same period in the prior year. The decrease of $5.6 million is primarily due to a $17.3 million increase of in net loss, a $6.4 million decrease in accounts receivable, prepaids and other, a $2.8 million increase in changes in derivative, debt, and debt discounts, and a $3.3 million decrease in cash flows from the discontinued Trinidad business segment from the sale of Fram Caribbean Ltd offset by a $3.3 million increase in accounts payable and accrued liabilities, a $16.3 million increase in impairment expense and a $4.2 million increase on loss on investments.

The Parent Company's net cash used in operating activities for the year ended December 31, 2014 was $1.7 million compared to net cash provided by operating activities of $3.2 million for the same period in the prior year. The decrease of $4.9 million is primarily due to an increase in net loss of $29.2 million, an $8.2 million decrease in accounts receivable, prepaids, and other, a $1.7 million decrease in loss on investments, and a $2.8 million increase in change in derivatives, debt and debt discount offset by a $0.6 million increase in accounts payable and accrued liabilities and a $36.3 million increase in impairment expense.

Cash flows from investing activities

The Company's net cash used in investing activities for the year ended December 31, 2014 decreased by approximately $3.9 million from the prior year primarily due to a $3.5 million increase in proceeds from the sale of marketable securities and an decrease of $6.5 million in cash used by discontinued business segments offset by a $6.5 million increase in exploration and production activities.

The Parent Company's net cash used in investing activities for the year ended December 31, 2014 decreased by approximately $0.1 million from the prior year primarily due to a $3.5 million increase in proceeds from the sale of marketable securities offset by a $3.3 million increase in capital expenditures.

Cash flows from financing activities

The Company's net cash provided by financing activities for the year ended December 31, 2014 increased to $10.5 million from $10.3 million for the same period in the prior year due to an increase in borrowing of $3.5 million and a decrease in repayments of $1.2 million offset by a decrease in cash flows from discontinued business segment of $4.5 million.

The Parent Company's net cash provided by financing activities for the year ended December 31, 2014 increased to $10.5 million from $5.8 million for the same period in the prior year primarily due to an increase in borrowing of $3.5 million and a decrease in repayments of $1.2.

Trondheim, June 26, 2015

Bernt Østhus
Chairman of the Board

Kristin Jorstad
Board Member

Maria Henry
Board Member

Odd Hjelmeland
Board Member

Stig Aune
General Manager, Fram Exploration ASA

FRAM Exploration ASA

Consolidated and Parent Company Statements of Financial Position

Balances at December 31,	**Company** 2014	2013	**Parent Company** 2014	2013
Assets				
Current assets				
Cash and cash equivalents (Notes 5, 6, 7, and 13)	$ 434,714	$ 1,637,151	$ 91,344	$ 150,013
Marketable securities (Note 8)	246,367	2,119,687	246,367	2,119,687
Receivables (Notes 5, 13, 14 and 29)	1,444,721	306,159	1,478,711	48,451
Prepaids (Notes 5 and 7)	48,185	1,050,608	48,185	213,108
Inventory (Note 15)	96,616	104,379	-	-
Total current assets	2,270,603	5,217,984	1,864,607	2,531,259
Non-current assets				
Shares in subsidiaries (Notes 10 and 33)	-	-	64,053,743	73,979,338
Oil and gas properties (Note 12)	38,109,110	33,337,130	-	-
Property plant and equipment (Notes 12 and 16)	21,544,818	5,628,825	13,800,000	-
Other (Note 17)	62,654	52,598	10,056	-
Total non-current assets	59,716,582	39,018,553	77,863,799	73,979,338
Total Assets	**$ 61,987,185**	**$ 44,236,537**	**$ 79,728,406**	**$ 76,510,597**
Liabilities and Shareholders' Equity				
Current liabilities				
Current portion, borrowings external (Notes 5 and 18)	$ 6,180,293	$ -	$ 6,180,293	$ -
External trade creditors (Notes 5, 14, 19 and 29)	2,090,237	470,961	309,368	147,010
Other short term liabilities, external (Notes 5, 16 and 19)	276,462	357,830	276,462	355,957
Total current liabilities	8,546,992	828,791	6,766,123	502,967
Non-current liabilities				
Borrowings, external (Notes 5 and 18)	-	6,941,022	-	6,941,022
Derivative liabilities (Notes 5 and 21)	160,785	1,837,581	160,785	1,837,581
Decommissioning provision (Note 20)	1,726,992	1,072,176	-	-
Total non-current liabilities	1,887,777	9,850,779	160,785	8,778,603
Shareholders' equity				
Share capital (Note 24)	10,246,966	8,195,975	10,246,966	8,195,975
Share premium reserve	41,305,450	25,360,992	62,554,532	59,033,052
Total shareholders' equity	51,552,416	33,556,967	72,801,498	67,229,027
Total liabilities and shareholders' equity	**$ 61,987,185**	**$ 44,236,537**	**$ 79,728,406**	**$ 76,510,597**

The accompanying notes are an integral part of these consolidated financial statements.

FRAM Exploration ASA

Consolidated and Parent Company Statements of Operations

The Board of Directors and General Manager Fram Exploration ASA

Trondheim, June 26, 2015

Bernt Østhus
Chairman of the Board

Kristin Jorstad
Board Member

Maria Henry
Board Member

Odd Hjelmeland
Board Member

Stig Aune
General Manager, Fram Exploration ASA

FRAM Exploration ASA

Consolidated and Parent Company Statements of Operations

	Company		Parent Company	
Years ended December 31,	**2014**	**2013**	**2014**	**2013**
Revenue:				
Petroleum and natural gas revenue (Note 3)	$ 475,034	$ 418,760	$ -	$ -
Group revenues	-	-	960,000	960,000
	475,034	418,760	960,000	960,000
Operating expenses				
Exploration expenses (Note 12)	2,427,971	938,228	-	-
Operating expenses (Note 27)	3,740,684	3,378,856	1,135,033	1,298,627
Royalty expenses	92,736	108,686	-	-
Production Taxes	38,659	26,906	-	-
Total operating expenses	6,300,050	4,452,676	1,135,033	1,298,627
General and administrative expenses (Notes 23 and 30)	1,194,615	904,689	934,679	681,526
Depreciation, depletion and amortization	780,965	505,694	-	46,297
Impairment of oil and gas assets (Note 33)	17,137,323	-	14,100,000	-
Results from operating activities	(24,937,919)	(5,444,299)	(15,209,712)	(1,066,450)
Finance income (Notes 6, 9, 18 and 21)	1,681,467	1,364,904	1,676,796	1,363,335
Finance expense (Notes 6, 9, 18 and 21)	(1,796,494)	(4,772,427)	(1,794,478)	(4,808,392)
Gain (loss) on marketable securities (Note 8)	51,943	(582,093)	114,314	(582,093)
Loss on shares in subsidiaries	-	-	(22,210,901)	-
Foreign exchange gain (loss) (Note 9)	1,571,682	1,005,485	1,571,682	1,005,485
Net loss	(23,429,321)	(8,428,430)	(35,852,299)	(4,088,115)
Gain (loss) discontinued business segment (Note 1)	-	2,364,737	-	(2,472,867)
Net loss	(23,429,321)	(6,063,693)	(35,852,299)	(6,560,982)
Other comprehensive loss	-	(15,788)	-	-
Total comprehensive loss from discontinued operations	$ (23,429,321)	$ (6,079,481)	$ (35,852,299)	$ (6,560,982)
Weighted average no. of shares outstanding	28,322,911	23,009,866		
Loss per share after tax (Note 31)	$ (0.83)	$ (0.26)		

The accompanying notes are an integral part of these consolidated financial statements.

FRAM Exploration ASA
Consolidated Statements of Changes in Equity

	Share capital	Premium Reserve	Total Shareholder Equity
Balances at December 31, 2012	$ 6,612,110	$ 7,843,008	$ 14,455,118
Loss for the period	-	(6,063,693)	(6,063,693)
Translation reserve	-	(15,788)	(15,788)
Total comprehensive loss	-	(6,079,481)	(6,079,481)
Issuance of shares for debt conversion (Note 25)	1,583,865	23,597,465	25,181,330
Total transactions with shareholders	1,583,865	17,517,984	19,101,849
Balances at December 31, 2013	$ 8,195,975	$ 25,360,992	$ 33,556,967
Loss for the period	-	(23,429,321)	(23,429,321)
Stock options granted	-	93,133	93,133
Issuance of shares for stock	148,623	2,846,423	2,995,046
Issuance of shares for debt conversion (Note 25)	520,178	9,962,484	10,482,662
Issuance of shares for capital lease of drilling rigs	1,382,190	26,471,739	27,853,929
Total transactions with shareholders	2,050,991	39,373,779	41,424,770
Balances at December 31, 2014	$ 10,246,966	$ 41,305,450	$ 51,552,416

The accompanying notes are an integral part of these consolidated financial statements.

FRAM Exploration ASA

Statements of Changes in Equity – Parent Company

	Share capital	Premium Reserve	Total Shareholder Equity
Balances at December 31, 2012	$ 6,612,110	$ 41,996,569	$ 48,608,679
Total profit / loss for the period	$ -	$ (6,560,982)	$ (6,560,982)
Issuance of shares for debt conversion (Note 25)	1,583,865	23,597,465	25,181,330
Total transactions with shareholders	1,583,865	23,597,465	25,181,330
Balances at December 31, 2013	$ 8,195,975	$ 59,033,052	$ 67,229,027
Total profit / loss for the period	$ -	$ (35,852,299)	$ (35,852,299)
Stock options granted	-	93,133	93,133
Issuance of shares for stock	148,623	2,846,423	2,995,046
Issuance of shares for debt conversion (Note 25)	520,178	9,962,484	10,482,662
Issuance of shares for capital lease of drilling rigs	1,382,190	26,471,739	27,853,929
Total transactions with shareholders	2,050,991	39,373,779	41,424,770
Balances at December 31, 2014	$ 10,246,966	$ 62,554,532	$ 72,801,498

The accompanying notes are an integral part of these consolidated financial statements.

FRAM Exploration ASA

Consolidated and Parent Company Statements of Changes in Cash Flows

	Company		Parent Company	
Years ended December 31,	**2014**	**2013**	**2014**	**2013**
Cash flow from operating activities				
Loss before tax	$ (23,429,321)	$ (6,063,693)	$ (35,852,299)	$ (6,560,982)
Depreciation, depletion and amortization	780,965	505,694	-	46,297
Change in accounts receivable, prepaids and other assets	(146,195)	6,239,102	(1,275,393)	6,884,249
Change in accounts payable and accrued liabilities	2,120,830	(1,165,666)	82,863	(521,671)
Change in inventories	7,763	(104,379)	-	-
Impairment of shares in subsidiaries	-	-	22,210,901	-
Impairment of capitalized exploration expenses	3,176,078	933,834	-	-
Impairment of oil and gas equipment	14,100,000	-	14,100,000	-
(Gain) loss on investments	1,378,575	(2,816,023)	1,378,575	3,054,960
Change in derivatives, debt and debt discounts	(2,437,525)	317,796	(2,437,525)	317,796
Option expense	93,133	-	93,133	-
Cash flows from discontinued business segment	-	3,334,466	-	-
Other	-	37,780	-	-
Net cash (used in) provided by operating activities	(4,355,697)	1,218,911	(1,699,745)	3,220,649
Cash flow from investing activities				
Capital expenditures	(10,819,193)	(4,743,791)	(12,331,377)	(8,943,011)
Proceeds from purchase and sale of marketable securities	3,489,791	-	3,489,791	-
Cash flows from discontinued business segment	-	(6,469,700)	-	-
Net cash used in investing activities	(7,329,402)	(11,213,491)	(8,841,586)	(8,943,011)
Cash flow from financing activities				
Proceeds from borrowings - net	10,482,662	7,000,000	10,482,662	7,000,000
Cash flows from discontinued business segment	-	4,529,694	-	-
Repayments of borrowings	-	(1,200,000)	-	(1,200,000)
Net cash provided by financing activities	10,482,662	10,329,694	10,482,662	5,800,000
Net change in cash and cash equivalents	(1,202,437)	335,114	$ (58,669)	77,638
Cash and cash equivalents at the start of period	1,637,151	1,302,037	$ 150,013	72,375
Cash and cash equivalents at the end of period	$ 434,714	$ 1,637,151	$ 91,344	$ 150,013

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – GENERAL

Fram Exploration ASA and its subsidiaries (collectively, the "Company") is engaged in natural gas and oil operations, with exploration and production activities in the federal Whitewater Unit in Colorado, and the Williston Basin in North Dakota. The registered office is in Trondheim Norway. These consolidated financial statements have been approved for issue by the Board of Directors on June 26, 2015.

In October 2013, the Company sold its wholly owned subsidiary, Fram Caribbean Ltd, and discontinued operations in Trinidad and Tobago. Amounts related to the discontinued entity have been separately shown in the financial statements. As part of the consideration, Fram received shares in Rex International Holding Limited which are carried as at fair value through profit and loss and have a value of $2,119,687 at December 31, 2013. The Company has sold all shares of Rex International Holding Limited as of December 31, 2014.

The Company is in the early stages of development and is currently focused on increasing cashflows and proving reserves. The Company drilled five wells in 2013 under the joint operating agreement with Loyz America, LLC and Rex Oil & Gas Ltd where Loyz and Rex each had a twenty percent net revenue interest. At October 1, 2013, The Company took over the Rex share position in the joint operating agreement and issued to Rex shares in the Company. At June 30, 2014, the Company took over the Loyz share position in the joint operating agreement and issued to Loyz shares in the Company. The Company drilled five wells in 2014.

NOTE 2 – BASIS OF PRESENTATION AND PREPARATION

Statement of compliance:
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations approved by the EU.

In these consolidated financial statements all amounts are expressed in United States (U.S.) dollars unless otherwise noted.

Basis of measurement:
The consolidated financial statements have been prepared on the historical cost basis except for various financial instruments which are measured at fair value (Note 3).

Use of estimates and judgments:
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and expenses. Such estimates relate primarily to transactions and events that have not settled as of the date of the financial statements. Accordingly, actual results may materially differ from estimated amounts as future confirming events occur. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed, as outlined below.

Estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the periods in which the estimates are revised with prospective adjustments to any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

Note 3 – Summary of significant accounting policies

Note 12 – Property and equipment

Note 20 – Decommissioning provision

Note 21 – Derivative liabilities

Note 23 – Share based compensation

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies for the year ended December 31, 2014 are consistent with prior reporting periods.

Basis of consolidation:
These consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the accounts of Fram Exploration ASA (the "Parent Company"), its formerly wholly owned subsidiary Fram Caribbean Ltd. and its 99.96% majority owned subsidiary, Fram Americas LLC and Fram Americas LLC majority owned subsidiary, Fram Operating LLC. Inter-company transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The non-controlling interests associated with Fram Americas LLC and Fram Operating LLC represent an immaterial portion (0.04% and 2% respectively) of the ownership structure and, therefore, have not been recognized in the financial statements.

Segment reporting:
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Board of Directors). The Company has 3 operating segments, the Piceance Basin (Whitewater) in USA, the Williston Basin in USA, and the Norwegian parent company operations. In these financial statements, the two operating segments in the USA are combined as they have similar economic characteristics, and comply with other requirements of IFRS 8 in order to be combined. The segment disclosure notes for 2014 thereby show figures for the 2 segments; USA and Norway.

Foreign currency:
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). For the years ended December 31, 2014 and 2013, the Parent Company and all subsidiary companies have reviewed their economic environment and has determined that substantially all sales, revenues and costs are based on US dollars and that the US dollar continues to be the functional currency of the Parent Company and all subsidiaries. Management has no plans to change the functional currency.

Transactions in foreign currencies are translated into US dollars, the functional currency of all group entities, at exchange rates on the dates of the transactions and reporting dates. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising from translation of items denominated in currencies other than the functional currency are recognized in the income statement as finance income or expense. Foreign currency differences arising from translation are recognized in the income statement as other comprehensive income.

Fair value of financial instruments:
All financial instruments must initially be recognized at fair value on the balance sheet. Subsequent measurement of the financial instruments is based on its classification, which management determines at initial recognition based on the reason it was acquired. Unrealized gains and losses on held-for-trading financial instruments are recognized in earnings. Loans and

receivables, and other financial liabilities are recognized at amortized cost using the effective interest method. As of December 31, 2014 and 2013, the fair value of the Company's cash and cash equivalents, accounts receivable, inventory, accounts payable, borrowings, derivative liabilities and other short term liabilities approximate their carrying values because of the short-term maturity of these instruments.

The Company applies a three level hierarchy that reflects the significance of the inputs used in making the fair value reference to quoted prices in active markets for identical assets and liabilities.

Level 1 Fair Value Measurements
Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements
Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices and where all significant outputs are observable, either directly or indirectly.

Level 3 Fair Value Measurements
Level 3 fair value measurements are based on unobservable information.

Exploration and evaluation costs:
The Company uses the successful efforts method of accounting for its exploration and development costs, and is in accordance with IFRS 6 Exploration for and Evaluation of Mineral resources. Exploratory costs, excluding the cost of exploratory wells and acquired exploration rights, are charged to expense as incurred. Costs to acquire and develop proved and probable reserves and to drill and complete developmental or exploratory wells that find reserves are capitalized and depleted over the remaining life of the reserves using the units-of-production method.

Capitalization is made within property and equipment or intangible assets according to the nature of the expenditure. When development is completed on a specific field, it is transferred to fixed or intangible assets. No depreciation or amortization is charged during the exploration and evaluation phase.

All expenditures carried within each field are amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the beginning of the period, generally on a field by field basis. Costs used in the unit of production calculation comprise the net book value of capitalized costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Petroleum and natural gas properties and equipment:

Exploration and evaluation ("E&E") costs:
Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired, except for those costs incurred in relation to projects for which exploration and evaluation activities have been temporarily suspended. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability. No costs are charged to a cost center when operations in that cost center are suspended for greater than 12 months.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas interests.

Production and development ("P&D") costs:
Assets in property and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are tested for impairment on a well by well basis. Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income or expenses in profit or loss.

Proceeds from disposal of intangible exploration assets are used to reduce the carrying amount of the assets. When proceeds exceed the carrying amount, the difference is recognized as a gain.

Subsequent costs:
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or project basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Impairment of non-financial assets:
Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Normally, separate cash-generating units are oil and gas fields. For capitalized exploration expenditure, the cash-generating units are individual wells. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where there has been a change in economic conditions that indicates a possible impairment in a producing field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Any impairment identified is charged to the income statement as an additional write-off. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement net of any depreciation that would have been charged since the impairment.

Impairment of financial assets:
The Company assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists.
For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Inventories:
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises direct purchase costs (including transportation) and cost of production. Inventory includes produced oil and gas.

Share-based payment:
The Company records compensation expense over the vesting period based on the fair value of options granted to employees, directors, and consultants. These amounts are recorded as contributed surplus. Any consideration paid by employees, directors, or consultants upon the exercise of these options is recorded as share capital together with the related contributed surplus associated with the exercised options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Income taxes:
The tax expense for the period comprises current and change in deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws substantively enacted at the balance sheet date in the taxing jurisdictions where the Company and its subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company uses the liability method of accounting for future income taxes whereby future income tax assets and liabilities are determined based on temporary differences between the accounting basis and the tax basis of the assets and liabilities, and are measured. In assessing whether the future tax assets are realizable, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions:
Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Decommissioning provision:
Provisions for decommissioning obligations are capitalized as part of the cost of property and equipment and amortized to expense through depletion and depreciation over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and expense. The expense is recorded as a finance cost in the income statement. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying value of the asset incurred upon settlement of the decommissioning provision and the recorded liability is recognized in earnings in the period in which the settlement occurs.

Revenue and cost recognition:
Revenue and expenses from sales of oil, natural gas and all other products is recognized at the fair value of the consideration received or receivable, after deduction of sales taxes, excise duties and similar levies, when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. For sales by upstream operations, this generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism. Royalty (owner royalty, overriding royalty and working interest) are classified as an operating expense. Costs associated with production are expensed in the period incurred.

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

Leases:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and interest expense. The corresponding rental obligations, net of interest expense, are included in other short term and long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Business combinations:
Assets acquired and liabilities assumed on a business combination are recognized at their fair value at the date of the acquisition; the amount of the purchase consideration above this value is recognized as goodwill.

Investment in subsidiaries:
Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. In the separate statement of the parent investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between the Company and subsidiaries are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Transactions and non-controlling interests
The non-controlling interests associated with Fram Americas LLC and Fram Operating LLC represent an immaterial portion (0.04% and 2%) of the ownership structure and therefore have not been recognized in the financial statements.

When the Company ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in the statement of comprehensive income.

Dividend distribution:
Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Earnings per share:
Basic and diluted net income per share calculations are calculated on the basis of the weighted average number of shares of the Company's common stock (Common Shares) outstanding during the period. Purchases of treasury stock reduce the outstanding shares commencing on the date that the stock is purchased. Common stock equivalents are excluded from the calculation when a loss is incurred as their effect would be anti-dilutive.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:

> The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
>
> The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all such shares.

New standards and interpretations not yet adopted:
The following new standards and amendments to existing standards, which have been issued by the IASB, and which are expected to be relevant to the Company are not yet effective and have not been applied in preparing these financial statements. The Company does not expect adoption of these new standards and interpretations to have a material impact on the financial statements.

> <u>IFRS 9 – Financial Instruments, issued July 2014.</u>
> IFRS 9, effective January 1, 2018, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L.

IFRS 15 – Revenue from contracts with customers

IFRS 15, effective January 1, 2017, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

NOTE 4 – RESERVES REPORTING (UNAUDITED)

As a company with oil and gas operations, Fram Exploration is required to present certain supplementary disclosures regarding those operations and its proved and probable oil and gas reserves. The disclosures are in accordance with principles as set forth in the Petroleum Resource Management System (PRMS) and the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information, both promulgated by the Society of Petroleum Engineers (SPE). While this information is developed with reasonable care and disclosed in good faith, it is emphasized that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgment involved in developing such information. The work was undertaken by experts (OPK Resources) and was based on data supplied by Fram Exploration. OPK Resources has made estimates on reserves in the Whitewater lease areas in the southern Piceance Basin of Colorado. The total area of the Whitewater leases is 55,772 gross acres and the Williston leases is 10,500 gross acres.

The determination of the reserves is part of an ongoing process subject to continual revision as additional information becomes available. Estimates of proved and probable reserve quantities are imprecise and change over time as new information becomes available. Moreover, identified reserves and contingent resources that may become proved and probable in the future, are excluded from the calculations. See the tables below for more detailed information.

Classification of reserves:

Proved reserves have a "reasonable certainty" of being recovered, which means a high degree of confidence that the volumes will be recovered. To be clear, reserves must have all commercial aspects addressed. It is technical issues which separate proved from unproved categories.

Probable reserves are volumes that are defines as "less likely to be recovered than proved, but more certain to be recovered than possible reserves".

The term 1P is frequently used to denote proved reserves and 2P is the sum of proved and probable reserves. The best estimate of recovery from committed projects is generally considered to be the 2P sum of proved and probable reserves. Note that these volumes only refer to projects that are currently justified for or already in development.

The following chart represents the Company's reserves:

Under development (Transitional assets)										
As of December 31, 2013	1P / P90					2P / P50				
	Liquids (MMstb)	Gas (Bscf)	MMboe	Interest %	Net MMboe	Liquids (MMstb)	Gas (Bscf)	Mmboe	Interest %	Net MMboe
Whitewater - Dakota oil	0	0	14.9	81.25	12.1	0	0	20.4	81.25	16.6
Williston - S Greene and Schlak Oil	0	0	0.21	80.00	0.2	0	0	0.34	80.00	0.3
Total					12.3					16.8
Non-developed assets										
As of December 31, 2013	1P / P90					2P / P50				
	Liquids (MMstbl)	Gas (Bscf)	MMboe	Interest %	Net MMboe	Liquids (MMstbl)	Gas (Bscf)	MMboe	Interest %	Net MMboe
Whitewater - Dakota gas	0	0	0	77.1875	0.0	0	0	0	77.1875	0.0
Whitewater - Brushy Basin	0	0	0	77.1875	0.0	0	0	0	77.1875	0.0
Williston - East Smith Oil	0	0	0	80.0000	0.0	0	0	0	80.0000	0.0
Total					0.0					0.0

The following chart represents the Company's reserves development:

Net attributable MMboe. Calendar years, reporting as of year end	Under development (Transitional assets)		Non-developed assets	
	1P / P90	2P / P50	1P / P90	2P / P50
Balance (current ASR or interim update) as of December 31, 2012	**0.185**	**8.355**	**7.5**	**16**
Production	-0.005	-0.005		
Acquisitions/disposals				
Extentions and discoveries	0.050	0.070		
New developments				
Revisions of previous estimates (2011)	14.930	12.390		
Balance (current ASR or interim update) as of December 31, 2013	**15.110**	**20.740**	**7.5**	**16**
Production	-0.008	-0.008		
Acquisitions/disposals				
Extentions and discoveries				
New developments				
Revisions of previous estimates (2012)				
Balance (current ASR or interim update) as of December 31, 2014	**15.102**	**20.732**	**7.5**	**16**

The Company utilized an updated version of its prior year reserve report for this filing. All production amounts shown above are, therefore, representative of two years production

NOTE 5 – FINANCIAL ASSETS AND LIABILITIES

Subsequent measurement of financial instruments are measured after the following accounting principles:

	Company			Parent Company		
Balances at December 31, 2014	**Deposits and receivables**	**Assets/liabilities at fair value through profit and loss**	**Total**	**Deposits and receivables**	**Assets/liabilities at fair value through profit and loss**	**Total**
Assets						
Cash and cash equivalents	$ 434,714	$ -	$ 434,714	$ 91,344	$ -	$ 91,344
Trade receivables	1,444,721	-	1,444,721	1,478,711	-	1,478,711
Prepaids	48,185	-	48,185	48,185	-	48,185
Marketable securities	-	246,367	246,367	-	246,367	246,367
	1,927,620	246,367	2,173,987	1,618,240	246,367	1,864,607
Liabilities						
Trade payables and accrued liabilities	2,090,237	-	2,090,237	309,368	-	309,368
Accrued public charges	103,661	-	103,661	103,661	-	103,661
Short term debt	6,180,293	-	6,180,293	6,180,293	-	6,180,293
Other short term liabilities	172,801	-	172,801	172,801	-	172,801
Derivative liabilities	-	160,785	160,785	-	160,785	160,785
	$ 8,546,992	$ 160,785	$ 8,707,777	$ 6,766,123	$ 160,785	$ 6,926,908

	Company			Parent Company		
Balances at December 31, 2013	**Deposits and receivables**	**Assets/liabilities at fair value through profit and loss**	**Total**	**Deposits and receivables**	**Assets/liabilities at fair value through profit and loss**	**Total**
Assets						
Cash and cash equivalents	$ 1,637,151	$ -	$ 1,637,151	$ 150,013	$ -	$ 150,013
Trade receivables	306,159	-	306,159	48,451	-	48,451
Prepaids	1,050,608	-	1,050,608	213,108	-	213,108
Marketable securities	-	2,119,687	2,119,687	-	2,119,687	2,119,687
	2,993,918	2,119,687	5,113,605	411,572	2,119,687	2,531,259
Liabilities						
Trade payables and accrued liabilities	470,961	-	470,961	147,010	-	147,010
Accrued public charges	50,628	-	50,628	50,628	-	50,628
Other short term liabilities	307,202	-	307,202	305,329	-	305,329
Long term debt	6,941,022	-	6,941,022	6,941,022	-	6,941,022
Derivative liabilities	-	1,837,581	1,837,581	-	1,837,581	1,837,581
	$ 7,769,813	$ 1,837,581	$ 9,607,394	$ 7,443,989	$ 1,837,581	$ 9,281,570

Warrants issued:

In conjunction with the Company's bond issuance in October 2012, the Company issued warrants allowing bond holders to convert their bonds into company stock at a price of NOK 31 per share. These warrants may be exercised at any point during up to and including the maturity date of the bonds. These warrants have to be classified as a financial liability (derivative) and the fair value of the liability is estimated by using the Black-Scholes model. The main factors that influence the valuation are the Company's expected initial public offering price of NOK 32 per share and the estimation of the expected average annualized stock price variance. This is estimated to be 90% based on data from 198 companies in the petroleum industry and can be found on the "Damodaran Online" homepage. In April 2013, approximately 67% of the outstanding warrants, related the bond issuance valued at $3,387,120 were converted into 3,262,492 shares of the Company's stock.

The fair value the Company's derivative contacts at December 31, 2014 and 2013 was $160,785 and $1,837,581, respectively. Further detail on outstanding warrants can be found in Note 21 of these financial statements.

Fair value estimation:

The Company has the above described warrants and marketable securities carried at fair value. IFRS 7 describes 3 different levels by valuation method, which are defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The warrants and conversion options are at level 3 and have a fair value of $160,785 and $3,836,938 (net unamortized day 1 loss of zero and $1,999,357, respectively) at December 31, 2014 and 2013, respectively. The estimation technique is described above.

The following table presents the changes in level 3 instruments for the Company and Parent Company for the years ended December 31, 2014 and 2013:

Years ended December 31,	2014	2013
Opening Balances	$ 1,837,581	$ 4,883,249
Additions	-	-
Conversions	-	(3,387,119)
Currency (gains) losses	(224,536)	(322,498)
(Gains) losses recognized in profit and loss	(1,452,260)	663,949
Closing Balances	$ 160,785	$ 1,837,581

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less. Bank drafts that are payable on demand, whereby management has the ability and intent to net bank drafts against cash, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Balances at December 31,	Company 2014	Company 2013	Parent Company 2014	Parent Company 2013
Cash at bank and on hand	$ 188,018	$ 1,376,220	$ 83,409	$ 127,033
Short-term bank deposits	246,696	260,931	7,935	22,980
Cash and cash equivalents (excluding bank overdrafts)	$ 434,714	$ 1,637,151	$ 91,344	$ 150,013

NOTE 7 – RESTRICTED BALANCES AND OTHER ASSETS

Balances at December 31,	2014	2013
Cash accounts		
Fram Americas LLC	$ 238,761	$ 237,951
Fram Exploration ASA	7,935	22,980
	$ 246,696	$ 260,931
Other assets		
Bond receivable	785	1,029
Prepaid interest	1,911	173,360
	$ 2,696	$ 174,389

Balances held at Fram Americas LLC as of December 31, 2014 and 2013 of $238,761 and $237,951, respectively, are funds that the Company has invested in CDs at various financial institutions to be held as collateral for surety bonds for the Colorado Whitewater Unit, North Dakota and Montana Williston Basin Blanket Bond.

Balances held at Fram Exploration ASA as of December 31, 2014 and 2013 of $7,935 and $22,980, respectively, are required tax deposits for employees of the Company in Norway.

Bond receivable and prepaid interest balances represent funds held in trust from the Company's bond issuance. Funds held as bond receivable are accessible to the Company for use with corporate expenses and joint drilling operations. Funds held as prepaid interest represent one year's interest on the bond issuance and must be used for that purpose.

NOTE 8 – Marketable Securities

All marketable securities held as of December 31, 2014 are classified as level 1 trading securities as they are actively traded on a public exchange.

The Company and Parent Company's marketable securities for the years ended December 31, 2014 and 2013 are shown below:

	Rex Intl' Holding (REXI:SP)	Loyz Energy (594:SI)	Total
Balance at December 31, 2012			
Shares received for sale of subsidiary	$ 2,701,780	$ -	$ 2,701,780
Sales	-	-	-
Change in value	(582,093)	-	(582,093)
Balance at December 31, 2013	2,119,687	-	2,119,687
Shares received for equity	-	3,000,000	3,000,000
Sales	(2,171,802)	(1,322,943)	(3,494,745)
Receivable for sales value below mimimum	-	(1,430,518)	(1,430,518)
Change in value	52,115	(172)	51,943
Balance at December 31, 2014	$ -	$ 246,367	$ 246,367

NOTE 9 – FINANCE INCOME AND EXPENSE

	Company		Parent Company	
Years ended December 31,	**2014**	**2013**	**2014**	**2013**
Finance income				
Interest income	$ 4,671	$ 52,762	$ -	$ 51,193
Net gain on derivative contracts	1,676,796	1,312,142	1,676,796	1,312,142
	1,681,467	1,364,904	1,676,796	1,363,335
Finance expenses				
Interest expense	1,133,959	1,997,419	1,069,572	2,033,384
Other financial expense	662,535	2,775,008	724,906	2,775,008
	1,796,494	4,772,427	1,794,478	4,808,392
Net finance income (expense)	$ (115,027)	$ (3,407,523)	$ (117,682)	$ (3,445,057)

Other financial expense in the chart above includes amortization expense related to the bond discount and the day 1 loss associated with the warrant contracts.

Transactions that have completed the accounting cycle and resulted in a gain or loss related to translation are recorded in foreign exchange gain or loss in the statement of operations. For the years ended December 31, 2014 and 2013, the Company recognized a gain of $1,571,682 and $1,005,485, respectively.

NOTE 10 – SUBSIDIARIES

Subsidiaries consolidated in these financial statements are as follows:

		2014		2013	
	Business Premises	Ownership	Voting Power	Ownership	Voting Power
Subsidiary (to be consolidated)					
Fram Americas LLC	Colorado Springs, CO	100.0%	99.96%	100.0%	99.96%
Fram Operating LLC	Colorado Springs, CO	98%	99%	98%	99%

Fram Operating LLC is owned through Fram Americas LLC. Fram Exploration Trinidad Ltd. and Talon Well Services Ltd. were owned through The Company Caribbean Ltd. and were disposed of in 2013. All income related to these entities have been separated in the Company's statement of operations for the year ended December 31, 2013.

NOTE 11 – SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. At December 31, 2014 and 2013, the Company has two and three reportable operating and geographic segments – Norway Operations, Trinidad Operations and US Operations. See Note 1 for a description of the Company's operations. Geographic revenues by external customer, and property and equipment are included below.

The following tables summarize the Company's segmented information:

Year ended December 31, 2014	Trinidad (Discontinued)	USA	Norway	Total
Total segment revenue	$ -	$ 475,034	$ 960,000	$ 1,435,034
Inter-segment revenue	-	-	(960,000)	(960,000)
Revenue from external customers	-	475,034	-	475,034
Interest income	-	4,671	-	4,671
Interest expense	-	64,387	1,069,572	1,133,959
Depreciation and amortization	-	780,965	-	780,965
Reportable segment profit/loss	-	(9,787,923)	(35,852,299)	(45,640,222)
Current assets	-	453,404	1,864,607	2,318,011
Long term assets	-	45,859,118	77,863,799	123,722,917
Total assets	$ -	$ 46,312,522	$ 79,728,406	$ 126,040,928
Current liabilities	-	1,780,869	6,766,123	8,546,992
Long term liabilities	-	1,726,992	160,785	1,887,777
Total liabilities	$ -	$ 3,507,861	$ 6,926,908	$ 10,434,769
Additions to fixed assets	$ -	$ 10,773,122	$ 27,900,000	$ 38,673,122

Year ended December 31, 2013	Trinidad (Discontinued)	USA	Norway	Total
Total segment revenue	$ 598,445	$ 418,760	$ 960,000	$ 1,977,205
Inter-segment revenue	-	-	(960,000)	(960,000)
Revenue from external customers	598,445	418,760	-	1,017,205
Interest income	1,885	12,493	-	14,378
Interest expense	10,584	6	1,982,191	1,992,781
Depreciation and amortization	53,568	459,397	46,297	559,262
Reportable segment profit/loss	(1,008,332)	(7,507,167)	(6,560,982)	(15,076,481)
Current assets	-	2,734,133	2,531,259	5,265,392
Long term assets	-	38,971,145	73,979,338	112,950,483
Total assets	$ -	$ 41,705,278	$ 76,510,597	$ 118,215,875
Current liabilities	-	325,824	502,967	828,791
Long term liabilities	-	1,072,176	8,778,603	9,850,779
Total liabilities	$ -	$ 1,398,000	$ 9,281,570	$ 10,679,570
Additions to fixed assets	$ 101,274	$ 5,036,466	$ -	$ 5,137,740

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less depreciation, depletion and amortization. Cost includes expenditures that are directly attributable to the acquisition of the items. Day to day maintenance costs are charged to the income statement during the financial period in which they are incurred.

Costs incurred by the company to purchase assets with a useful life of more than one year shall be capitalized. However, due to the subsequent administrative time involved in tracking and depreciating the asset additions, all immaterial expenditures will be charged to expense in the month incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful life, as follows:

- Intangible assets	3-10 years
- Equipment, furniture, and fittings	5 years

Depletion of oil and gas producing properties is computed using the units-of-production method ("UOP"). Depreciation of lease and well equipment is computed using the units-of-production method or on a straight-line basis over estimated useful lives ranging from 7 to 20 years. Buildings and equipment are recorded at cost. The Company's UOP method calculates depletion based on proved and probable reserves in the denominator. An estimate of capital expenditures needed to prove probable reserves is included in the numerator. The calculation uses the actual period's production by field divided by the proved and probable reserves for the field.

An impairment review is done as triggering events occur comparing the book value of each field with the discounted value of proved and probable reserves calculated based on the reserve report prepared by a third party engineering firm. The Company uses the volumes from the reserve report and puts them into a cash-flow model, which estimates the undiscounted value. Adjustments are made as necessary in accordance with IFRS requirements.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is not recognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

For the years ended December 31, 2014 and 2013, property and equipment of the Company costs consist of the following:

	Oil and Gas Properties	Property, Plant, and Equipment	Total
Balance at December 31, 2012			
Cost	$ 32,954,530	$ 5,949,687	$ 38,904,217
Accumulated depreciation	(2,470,413)	(487,137)	(2,957,550)
Net book amount	30,484,117	5,462,550	35,946,667
Opening net book amount	30,484,117	5,462,550	35,946,667
Additions	3,403,972	1,441,066	4,845,038
Disposals	(43,643)	(444,537)	(488,180)
Reclassification of parts & supplies	138,720	(138,720)	-
Impairments\dry hole expense	(735,140)	(155,051)	(890,191)
Reclassification of depreciation	326,123	(326,123)	-
Depreciation charge	(237,019)	(210,360)	(447,379)
Balance at December 31, 2013	33,337,130	5,628,825	38,965,955
Balance at December 31, 2013			
Cost	$ 35,718,439	$ 6,439,922	$ 42,158,361
Accumulated depreciation	(2,381,309)	(811,097)	(3,192,406)
Net book amount	33,337,130	5,628,825	38,965,955
Opening net book amount	33,337,130	5,628,825	38,965,955
Additions	8,559,419	30,113,703	38,673,122
Reclassification of parts & supplies	(221,916)	221,916	-
Impairments\dry hole expense	(3,176,078)	(14,100,000)	(17,276,078)
Depreciation charge	(389,445)	(319,626)	(709,071)
Balance at December 31, 2014	38,109,110	21,544,818	59,653,928
Balance at December 31, 2014			
Cost	40,879,864	22,675,541	63,555,405
Accumulated depreciation	(2,770,754)	(1,130,723)	(21,038,799)
Net book amount	$ 38,109,110	$ 21,544,818	$ 59,653,928

For the years ended December 31, 2014 and 2013, exploration and evaluation and production and developments costs of the Company costs consist of the following:

	Exploration & Evaluation	Production & Development	Total
Balance at December 31, 2012			
Cost	$ 32,954,530	$ 5,747,027	$ 38,701,557
Accumulated depreciation	(2,470,413)	(162,074)	(2,632,487)
Net book amount	30,484,117	5,584,953	36,069,070
Opening net book amount	30,484,117	5,584,953	36,069,070
Additions	3,403,972	1,338,741	4,742,713
Disposals	(43,643)	(444,537)	(488,180)
Reclassification of parts & supplies	138,720	(138,720)	-
Impairments\Dry hole expense	(735,140)	(155,051)	(890,191)
Reclassification of depreciation	326,123	(326,123)	-
Depreciation charge	(237,019)	(177,448)	(414,467)
Balance at December 31, 2013	33,337,130	5,681,815	39,018,945
Balance at December 31, 2013			
Cost	$ 35,718,439	$ 6,347,460	$ 42,065,899
Accumulated depreciation	(2,381,309)	(665,645)	(3,046,954)
Net book amount	33,337,130	5,681,815	39,018,945
Opening net book amount	33,337,130	5,681,815	39,018,945
Additions	8,559,419	28,809,057	37,368,476
Reclassification of parts & supplies	(221,916)	221,916	-
Impairments\dry hole expense	(3,176,078)	(14,100,000)	(17,276,078)
Depreciation charge	(389,445)	(455,015)	(844,460)
Balance at December 31, 2014	38,109,110	20,157,773	58,266,883
Balance at December 31, 2014			
Cost	40,879,864	21,278,433	62,158,297
Accumulated depreciation	(2,770,754)	(1,120,660)	(3,891,414)
Net book amount	$ 38,109,110	$ 20,157,773	$ 58,266,883

The Company's Williston Basin Assets were impaired by $3,037,323 due to substantial 2014 reduction in oil prices. Based on the Company's success in drilling exploratory wells, and in view of the forecast revenue streams and cash flows of this project, the Company is satisfied that the carrying amount of the related assets as disclosed will be recovered in full and that there is no need for any additional impairment provision. The situation will be monitored by the Company and adjustments made in future periods if future events indicate that such adjustments are appropriate.

For the years ended December 31, 2014 and 2013, property and equipment of the Parent Company costs consist of the following:

		Property, Plant, and Equipment
Balance at December 31, 2013		
Cost	$	-
Accumulated depreciation		-
Net book amount		-
Balance at December 31, 2013		
Opening net book amount		-
Additions		27,900,000
Depreciation charge		-
Impairment charge		(14,100,000)
Balance at December 31, 2014		13,800,000
Balance at December 31, 2014		
Cost		13,800,000
Accumulated depreciation		-
Net book amount	$	13,800,000

NOTE 13 – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by the reference to external credit ratings (if available) or to historical information about counterparty default rates.

Balances at December 31,		2014		2013
Cash at bank and short-term bank deposits				
Norway (rating A 1)	$	91,344	$	150,013
United States (rating AA)		343,370		1,487,138
	$	434,714	$	1,637,151
Bond receivables and held in escrow				
Norway (rating Baa 1)	$	785	$	48,451
Prepaid interest held in escrow				
Norway (rating Baa 1)	$	1,911	$	173,360

NOTE 14 – TRADE AND OTHER RECEIVABLES

Balances at December 31,	Company 2014	Company 2013	Parent Company 2014	Parent Company 2013
Trade receivables				
Trade receivables	$ 1,443,936	$ 257,708	$ 1,430,518	$ -
Other receivables	785	48,451	48,193	48,451
	$ 1,444,721	$ 306,159	$ 1,478,711	$ 48,451
Prepayments				
Prepaid interest	$ 1,911	$ 173,360	$ 1,911	$ 173,360
Prepaid well costs	-	837,500	-	-
Other prepayments	46,274	39,748	46,274	39,748
	$ 1,492,906	$ 1,356,767	$ 1,526,896	$ 261,559

At December 31, 2014 and 2013 all receivables are considered collectible and all prepaid balances are considered realizable.

NOTE 15 – INVENTORIES

Balances at December 31,	2014	2013
Petroleum inventory	$ 96,616	$ 104,379
Drilling materials inventory	-	-
	$ 96,616	$ 104,379

NOTE 16 –LEASES

Operating Leases

The Company has entered into a lease for office space in Colorado Springs, CO which runs through July 2015 and has classified as an operating type lease.

The chart below outlines the Company's operating lease payment obligations for the next five years:

Fiscal Year	Lease Payments
2015	9,339
2016	-
2017	-
2018	-
2019	-
	$ 9,339

The Company's Lease operating expenses for the fiscal years 2014 and 2013 were:

	Company		Parent Company	
Year ended December 31,	**2014**	**2013**	**2014**	**2013**
Office and IT costs	$ 141,030	$ 471,184	$ 27,677	$ 198,387
Consultant and auditor fees	999,444	967,602	493,522	419,393
Other operating expense	833,787	675,654	603,912	680,847
Lease operating expenses	1,766,423	1,264,416	9,922	-
	$ 3,740,684	$ 3,378,856	$ 1,135,033	$ 1,298,627

Finance Leases

In June, 2014, the Company entered into a 60 month lease agreement for two drilling rigs with Loyz USA Holdings, LLC. Under the terms of the lease, the company paid initial consideration consisting of 4,237,726 shares of the Company's stock valued at $27,900,000 and will pay 60 monthly payments of $0.50. Additionally, the lease contains a bargain purchase option in which the Company can exercise its option to purchase the equipment for the sum of $0.50 after 900 days have elapsed in the lease term. The Company has accounted for this lease as a finance lease and the value is included in property, plant, and equipment on the Company and Parent Company's consolidated statements of financial position.

NOTE 17 – INTANGIBLE ASSETS

Costs associated with maintaining computer software programs or licenses are recognized as an expense as incurred. Computer software costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

Changes in intangible assets of the Parent Company for the years ended December 31, 2014 and 2013 consist of the following:

	Licenses, patents, etc.
Balance at December 31, 2012	
Cost	$ 209,215
Accumulated depreciation	(162,918)
Net book amount	46,297
Year ended December 31, 2013	
Opening net book amount	46,297
Writeoffs	-
Depreciation charge	(46,297)
Closing net book amount	-
Balance at December 31, 2013	
Cost	209,215
Accumulated depreciation	(209,215)
Net book amount	$ -

NOTE 18 – DEBT OBLIGATIONS

	December 31, 2014	December 31, 2013	Stated Interest	Maturity Date
Secured Bond	$ 6,180,293	$ 7,907,030	13%	October 24, 2015
Less current portion	6,180,293	-		
Total long term debt	$ -	$ 7,907,030		

Convertible Notes
In June 2014, the Company entered into two zero interest convertible notes with Rex international Holding PTE LTD totaling $10,500,000 which were immediately converted into 1,594,843 shares of the Company's stock.

Bridge Loan
In October 2013, The Company entered into an interest free convertible bridge loan for 4,510,000. This note was subsequently converted into 776,984 shares of the Company's stock in November 2013.

Secured Bond
In October 2012, the Company completed the issuance of the first tranche of a NOK 190 million secured bond issue totaling NOK 145 million (approximately $26 million). This bond issue bears interest at the rate of 13% annually paid semiannually and includes an option to convert into common stock shares at the rate of NOK 31 per share. This conversion option may be exercised at any point during the term of the bond up to and including the maturity date of October 24, 2015. Approximately NOK 73.4 million of this issuance was used to refinance existing debt with the remainder to be used to fund the budgeted drilling campaign set to begin in 2013. The bond is secured by the Company's ownership interests in Fram Americas LLC. In April 2013, principal in the amount of NOK 96,896,000 (approximately $16.9 million) was converted 3,262,492 shares of the Company's stock. Accrued interest related to these bonds was $95,679and $195,804 at December 31, 2014 and 2013, respectively.

On January 19, 2015, the Company finalized an agreement with the Secured Bond Holders whereas they agreed to change the maturity date of the bond to December 31, 2015. Additionally, the bond will no longer pay interest semiannually but rather all accrued interest will be due upon the bond's maturity. All other terms of the bond remain the same.

Repayment Schedule
At December 31, 2014, maturities and contractual repayment on total debt were as follows:

Fiscal Year	Secured Bond
2014	$ 6,849,825
2015	-
2016	-
2017	-
2018	-
	$ 6,849,825

Repayment terms of the Secured bond is interest only, paid monthly, with principal due upon maturity.

NOTE 19 – TRADE AND OTHER PAYABLES

Balances at December 31,	Company 2014	Company 2013	Parent Company 2014	Parent Company 2013
Trade payables	$ 2,090,237	$ 470,961	$ 309,368	$ 147,010
Social security and other taxes	103,661	50,628	103,661	50,628
Other liabilities	172,801	307,202	172,801	305,329
	$ 2,366,699	$ 828,791	$ 585,830	$ 502,967

Neither the Company or Parent Company had any debt in default during the years ended December 31, 2014 and 2013.

NOTE 20 – DECOMMISSIONING PROVISION

The Company's decommissioning provision results from its ownership interest in oil and natural gas assets. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years.

The decommissioning provision is estimated based upon the Company's drilling and pipeline establishment activities in Whitewater and Williston Basins. The Company basis new provisions on the average of wells plugged and abandoned in the last year. At December 31, 2014, the Company has a total estimated future decommissioning liability of $2,979,243. All current well liabilities are amortized over an estimated productive life of 9 to 16 years and held at present value based on an inflation rate of 3.41% and a risk free cost of money of 4.85%.

Balances at December 31,	2014	2013
Decommissioning provision, beginning of period	$ 1,072,176	$ 801,334
Additions (retirements) during period - net	582,922	205,256
Accretion of discount	71,894	65,586
Balances, end of period	$ 1,726,992	$ 1,072,176

NOTE 21 – DERIVATIVE LIABILITIES

Secured Bond

The conversion feature for the secured bond issue allows the lenders to redeem their bonds in stock at the rate of NOK 31 per share. The bond also contains provisions that restrict new debt and changes of control. The fair value of the conversion options outstanding at December 31, 2014 and 2013 is $160,785 and $3,836,938, respectively, with a book value less the unamortized portion of the day 1 loss of $0 and $1,999,357, respectively.

The company has calculated a day 1 loss on this derivative issuance of $10,724,654 which accounts for the excess value of the derivative instrument above and the fair value of the consideration given for the bond. The fair value of the bond was calculated by discounting the contractual cash flows of the bond with the estimated interest rate that the bond would have without the conversion option. In accordance with IAS 39AG76A, this day 1 loss is treated as a contra account to the derivative and be amortized on a straight-line basis over the life of the bond. At December 31, 2014, the Company determined the value of the day 1 loss to be less than the value of the conversion option and, consequently, fully amortized the remaining value. At December 31, 2014 and 2013 the unamortized portion of the loss was $0 and $1,999,357, respectively.

The following assumptions were used to value the conversion options at their grant dates:

Black-Scholes assumptions	October 24, 2012	October 30, 2012
Weighted average fair value per conversion share granted	$ 18.52	$ 18.46
Risk free weighted average interest rate	1.47%	1.45%
Expected life in years	2.97	2.96
Expected volatility	90%	90%
Expected annual dividend per share	-	-

The following tables summarize information about warrants outstanding at December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	Number		Weighted average exercise price (NOK)	Number		Weighted average exercise price (NOK)
Warrants outstanding, beginning of period	1,551,742	kr	31.00	4,677,419	kr	31.00
Exercised	-		31.00	(3,125,677)		31
Granted	-		-	-		-
Cancelled	-		-	-		-
Expired	-		-	-		-
Warrants outstanding, end of period	1,551,742	kr	31.00	1,551,742	kr	31.00
Warrants exercisable, end of period	1,551,742	kr	31.00	-	kr	-

The following tables summarize information about warrants exercisable at December 31, 2014 and 2013:

	Outstanding		Exercisable	
Exercise Price (NOK)	Number	Weighted average remaining life (years)	Number	Weigted average remaining life (years)
kr 31.00	1,551,742	0.79	1,551,742	0.79
	1,551,742	0.79	1,551,742	0.79

NOTE 22 – RISK MANAGEMENT

The Company, through its use of financial instruments, is exposed to different financial risks: interest risk (market risk), credit risk and liquidity risk.

Capital Management

The Company objective for managing its capital structure is to ensure financial capacity, liquidity and flexibility to fund full-cycle exploration and development of conventional resources. Given the long cycle time of some development activities, which require significant capital investment prior to cash flow generation, it is expected that capital expenditures will exceed cash flow from operating activities in any given period. The Company's financing needs depend on the timing of drilling campaigns and field development activities. The Company's capital management is aimed at maintaining an appropriate balance between short and mid-term borrowings and Shareholders' equity and maintaining sufficient undrawn committed credit capacity to provide liquidity.

The Company has the ability to make adjustments to the capital structure by issuing additional equity or debt and making adjustments to our capital investment programs. The Company capital consists of shareholders' equity and current and long-term borrowings as follows:

	2014	2013
Current Liabilities	8,546,992	828,791
Non-current Liabilities	1,887,777	9,850,779
Shareholders' Equity	51,552,416	33,556,967

The 2012/2015 Convertible Bond Issue requires a Book Equity Ratio of 30% at the Company level. The December 31, 2014 Book Equity Ratio was 87% and the Company is in compliance with the bond issue requirement.

Credit risk
Credit risk exists on financial assets, and in the Company's case accounts receivable and deposit with banks. The Company's exposure to credit risk is currently immaterial.

Liquidity risk
Liquidity risk is the risk that the Company may run out of liquid assets and be unable to satisfy its liabilities. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and managing the use of equity and debt facilities, as needed. Sales of assets or of a partial interest in assets can also result in increased liquidity. A schedule of the Company's required debt payments can be found in note 18.

Market Risk
Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's net profit (loss) or the value of the financial instruments. The objective of the Company is to mitigate exposure to these risks while maximizing returns to the Company.

Commodity price risk
Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand. The Company may enter into oil and natural gas contracts to protect, to the extent possible, its cash flow on future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. At December 31, 2014, the Company had no oil and natural gas risk management contracts in place.

Currency risk
Until the sale of the Trinidad business segment, a Portion of the Company's petroleum and natural gas sales was denominated in Trinidad dollars, which exposed the Company to currency risk should the exchange rates between the United States Dollar and the Trinidad Dollar move unfavorably. The underlying market prices for these commodities

were also impacted by the exchange rate between Trinidad and the United States. As of December 31, 2013, all operations in Trinidad have been disposed.

Interest risk

The Company has interest bearing assets and liabilities, and the Company's profit and loss and cash flows are influenced by changes in market interest rates. The Company's interest risk is related to cash and cash equivalents and interest bearing liabilities in other short term liabilities. Long term debt has fixed interest rate.

NOTE 23 – SHARE BASED COMPENSATION

During 2014 the Company granted an option to purchase 50,000 shares of the Company's stock at a price of 20 NOK per share to a former employee as part of their termination agreement. The options were exercisable between November 1 2014 and December 31, 2014. The options were not exercised during this period and expired on December 31, 2014.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	Number		Weighted average exercise price (NOK)	Number		Weighted average exercise price (NOK)
Options outstanding, beginning of period	-	kr	-	-	kr	-
Granted	50,000		20	-		-
Exercised	-		-	-		-
Forfeited	-		-	-		-
Expired	(50,000)		20	-		-
Options outstanding, end of period	-	kr	-	-	kr	-
Options exercisable, end of period	-	kr	-	-	kr	-

NOTE 24 – SHARE CAPITAL

As of December 31, 2014 and 2013 Company has issued a total of 31,441,188 and 25,152,950 common shares, with share capital amounts of $10,246,966 and $8,195,975 respectively.

The following details issued share capital as of December 31, 2014 and 2013:

Shareholder	December 31, 2014 Shares	December 31, 2014 Percentage Ownership	December 31, 2013 Shares	December 31, 2013 Percentage Ownership
Rex International Holding PTE LTD	7,008,871	22.3%	7,008,871	27.9%
Loyz USA Holdings LLC	6,288,238	20.0%	-	0.0%
Pareto Growth AS	5,055,006	16.1%	5,055,006	20.1%
Staur E&P I AS	2,000,000	6.4%	2,000,000	8.0%
Staur E&P II AS	2,000,000	6.4%	2,000,000	8.0%
Staur Exploration AS	1,651,150	5.3%	1,651,150	6.6%
Clements Capital LLC	896,379	2.9%	896,379	3.6%
Oslo Pensjonsforsikring AS	787,955	2.5%	787,955	3.1%
Bernh Brekke AS	533,058	1.7%	533,058	2.1%
Frithjof Anderssen ANS	533,017	1.7%	533,017	2.1%
Holberg Norden V/Holberg Fondsforvaltning	512,289	1.6%	512,289	2.0%
Tinbuen AS	507,031	1.6%	507,031	2.0%
Chibit Holding AS	391,739	1.2%	391,739	1.6%
Hauken Invest AS	376,564	1.2%	376,564	1.5%
GF Eagle Corp.	222,750	0.7%	222,750	0.9%
Kuppelvik AS	218,205	0.7%	218,205	0.9%
MP Pensjon	197,915	0.6%	197,915	0.8%
Investo AS	194,375	0.6%	194,375	0.8%
Battie Geo AS	187,607	0.6%	187,607	0.7%
Karpus AS	187,429	0.6%	187,429	0.7%
Rygg Kjellesvik AS	190,905	0.6%	183,834	0.7%
Holberg Norge V/Holberg Fondsforvaltning	177,757	0.6%	177,757	0.7%
Origo Partners PLC	175,925	0.6%	175,925	0.7%
DnB Nor SMB	123,153	0.4%	123,153	0.5%
Roger Mc Collin	110,264	0.4%	110,264	0.4%
Other	913,606	2.9%	920,677	3.7%
	31,441,188	100.0%	25,152,950	100.0%

Management and members of the Board of Directors at held 11,203,474 shares as of December 31, 2014.

Shareholder	December 31, 2014 Shares	December 31, 2014 Percentage Ownership
Pareto Growth AS	5,055,006	16.1%
Staur E&P I AS	2,000,000	6.4%
Staur E&P II AS	2,000,000	6.4%
Staur Exploration AS	1,651,150	5.3%
MP Pensjon	197,915	0.6%
Rygg Kjellesvik AS	190,905	0.6%
Dave Cook	81,374	0.3%
Tim Rickert	27,124	0.1%
	11,203,474	35.6%

NOTE 25 – SHARE CAPITAL AND PREMIUM

The following table reconciles the Parent Company's share capital and premium:

	A Shares	Share Capital	Share Premium
Balances at December 31, 2012	20,563,943	$ 6,612,110	$ 53,517,846
Issuance of shares for debt conversion	4,589,007	1,583,865	23,005,531
Reclassification of derivatives to premium reserve			
Effect of derivatives from bond conversion option	-	-	3,687,120
Effect of day 1 loss	-	-	(2,641,647)
Effect of debt issuance costs	-	-	(453,539)
Total reclassification of derivatives to premium reserve	-	-	591,934
Balances at December 31, 2013	$ 25,152,950	$ 8,195,975	$ 77,115,311
Issuance of shares for debt conversion	1,594,843	520,178	9,962,484
Issuance of shares for stock	455,669	148,623	2,846,423
Issuance of shares for capital lease of rigs	4,237,726	1,382,190	26,471,739
Stock Options	-	-	93,133
Balances at December 31, 2014	$ 31,441,188	$ 10,246,966	$ 116,489,090

During the year ended December 31, 2014, the Parent Company included costs totaling $68,363 as a reduction to equity transactions. The Parent Company includes annual earnings (losses) in the share premium amount in the statement of financial position. At December 31, 2014 the combined retained earnings included in share premium in the statement of financial position is $35,791,256.

NOTE 26 – TAXES

Fram Americas, LLC is not subject to taxation at the entity level as it is taxed as a partnership. The Company did not recognize any tax expense for the years ended December 31, 2014 and 2013. The Parent Company, which is subject to taxation in Norway, has a negative taxable income. Because they have not recognized the deferred tax assets there are no tax expenses in the income statement for the years ended December 31, 2014 and 2013. The Company had carry-forward losses in the amount of $52,331,901 and $41,885,656 at December 31, 2014 and 2013, respectively. The Parent Company had carry-forward losses in the amount of $6,745,109 and $8,255,754 at December 31, 2014 and 2013, respectively. There is no expiration date for the Norway tax deficit carried forward.

NOTE 27 –OPERATING EXPENSES

	Company				Parent Company			
Year ended December 31,		**2014**		**2013**		**2014**		**2013**
Office and IT costs	$	141,030	$	471,184	$	27,677	$	198,387
Consultant and auditor fees		999,444		967,602		493,522		419,393
Other operating expense		833,787		675,654		603,912		680,847
Lease operating expenses		1,766,423		1,264,416		9,922		-
	$	3,740,684	$	3,378,856	$	1,135,033	$	1,298,627

The Company and Parent Company's auditor fees are included under operating expenses and are allocated as follows:

	Company				Parent Company			
Year ended December 31,		**2014**		**2013**		**2014**		**2013**
Fees for statutory audit services	$	89,632	$	131,296	$	89,632	$	131,296
Other attestation services		12,480		29,514		12,480		29,514
Tax advice		4,831		-		4,831		-
Services other than audit services		-		18,985		-		18,985
	$	106,943	$	179,795	$	106,943	$	179,795

Additionally, the Company paid auditor fees in the amount of $5,066 related to equity transactions during the year ended December 31, 2014 which have been included as a component of net capital raised during the period.

NOTE 28 – COMMITMENTS

At December 31, 2014 and 2013, the Company commitments under non-cancellable operating leases of $9,339 and $38,322, respectively.

Balances at December 31,		**2014**		**2013**
Within 1 year	$	9,339	$	26,794
2 Years		-		9,339
More than 2 years		-		-
	$	9,339	$	36,133

NOTE 29 – RELATED PARTY TRANSACTIONS

The Company considers any party or that is deemed to have the power to directly affect the operations or management of the Company as being a related party.

The following chart shows summarizes all significant related party transactions for the years ended December 31, 2014 and 2013:

Year ended December 31,	Relationship	2014	2013
Income			
Fram Americas LLC	Subsidiary	960,000	960,000
Management and travel expenses			
Staur Holding AS	CFO/Chairman	203,868	274,891
Interest expense			
Pareto Staur Energy SPV 1	Chairman	-	281,623
Pareto Growth AS	Chairman	-	108,841
Staur Invest AS	Chairman	-	87,308
Staur Private Equity AS	Chairman	-	46,606
Staur Exploration AS	Chairman	-	19,417
Period end balances - liabilities			
Staur Holding AS	CEO/Chairman	226,080	65,063

As of December 31, 2014 approximately 35.6% (11,203,474 shares) of all outstanding shares of the Company are owned by related parties.

NOTE 30 – EMPLOYEE BENEFIT EXPENSE

	Company		Parent Company	
Year ended December 31,	2014	2013	2014	2013
Wages and salaries	$ 987,215	$ 810,941	$ 727,279	$ 587,778
Social security costs	87,853	63,745	87,853	63,745
Share options	93,133	-	93,133	-
Pension costs - defined contribution plans	26,414	30,003	26,414	30,003
Total	$ 1,194,615	$ 904,689	$ 934,679	$ 681,526

	Parent Company	
Management remuneration	General Manager	Board
Salaries	$ 360,000	$ 72,000
Other Remuneration	-	-

No loans/guarantees have been granted to the general manager, Board chairman or other related parties.

For the year ended December 31, 2014, the Company had general manager salary expense of $360,000.

Pensions

Fram Exploration ASA is, according to the Norwegian act on mandatory occupational pension scheme, obliged to offer pension schemes according to this act. The Company has established schemes according to the act including all employees.

This consists of a deposit based group pension scheme, insured by an insurance company. Recognized pension expenses in 2014 and 2013 were $26,414 and $30,003 respectively.

NOTE 31 – EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares

Year ended December 31,	2014	2013
Loss attributable to equity holders of the company	$ (23,429,321)	$ (6,063,693)
Gain from discontinued operations	$ -	$ 2,394,737
Weighted average number of shares outstanding (basic and diluted)	28,322,911	23,009,866
Loss per share (basic and diluted)	$ (0.83)	$ (0.26)
Gain from discontinued operations per share (basic and diluted)	$ -	$ 0.10

Because the Company experienced a loss on their income statement, diluted earnings per share is not calculated.

NOTE 32 – PRIVATE PLACEMENT/GOING CONCERN

As reflected in the accompanying financial statements, the Company had a net loss of $23,429,321, a working capital deficit of $6,276,389 and net cash used in operating activities of $4,355,697 for the year ended December 31, 2014.

The Company believes its current available cash including $3,750,000 proceeds from the first quarter 2015 capital raise, $13,800,000 from the rig capital lease termination agreement and anticipated revenues are sufficient to meet its cash needs for the near future. However, the Company is evaluating strategic acquisitions and future capital raises for that purpose may be required. Management believes that the planned drilling program funded by these cash generating transactions will provide adequate cash for the Colorado and Whitewater assets to generate positive cash flow by the end of 2016.

Pursuant to the Norwegian Accounting Act § 3-3a the Board of Directors confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis.

The Board of Directors is of the opinion that the Company has the financial capacity to execute the business plan for 2015.

NOTE 33 – IMPAIRMENT OF ASSETS

During 2014, the Company recognized impairment losses of approximately $17.1 million. The main elements were impairment losses of $14.1 million relating to subsequent disposition of the capitalized drill rig leases and approximately $3 million related to the Company's Williston Basin assets due to reduced oil prices and expected future oil prices.

In July, 2014, the Company issued 5,225,009 new shares to Loyz, for a total contribution of $34.4 million as payment for the Company's promissory note of $6.5 million for ending the drilling joint venture between the Company and Loyz and for a capital lease agreement for two drilling rigs. The Parent Company recorded the two drill rigs as capital assets for the aggregate value of $27.9 million. Adverse financial conditions affected the overall oil industry in the second half of 2014 including substantial declines in oil prices and the values of drill rig assets. As a subsequent event, the Company signed a rig lease termination agreement on May 5, 2015 with Loyz in exchange for Loyz agreeing to pay $13.8 million as a termination fee to the Company. The difference between the book value of $27.9 million less the $13.8 million settlement is the Company's rig value impairment of $14.1 million as of December 31, 2014.

The Company also reviewed the carrying amounts of its tangible and intangible assets by cash-generating units to assess whether there was an indication that those assets may be impaired. The Whitewater Unit assets are in Colorado and are a separate cash-generating unit from the geographically diverse Williston Basin assets in North Dakota. Through this analysis, the Company's Whitewater Unit assets were determined not to be impaired while the Company's Williston Basin assets were determined to be impaired.

The Whitewater assets were valued considering 5.5 million barrels of oil in ground at $6 per barrel, 45,000 acres of mineral leases valued at $200 per acre and the value in use of the Whitewater wells and other assets, supported by the single well reserve estimate of 2.2 million barrels of oil in ground at $9 per barrel. The Whitewater single well reserves were valued at $9 per barrel considering the well bore data, core samples, and analysis. The Whitewater single well reserves has an impairment value of $20 million and exceeded the carrying value of the wells, compressor, pipeline and other equipment while the entire Whitewater Unit had total expert valuation of $61.9 million and exceeded the carrying value of the Whitewater Unit resulting in no impairment.

The Williston assets were assets were valued considering the single well recoverable reserves of 289,000 barrels of oil in ground at $6 per barrel, lease value of $75 per acre for 6,900 acres of mineral leases, seismic and spare parts of $1,289,098 and the value of the subsurface model at $1,500,000. Management used expert valuations, comparable sales, current market prices, value computations, other relevant observable inputs and other external documentation relevant to valuing the Company's assets. The recoverable amount of the Williston Basin cash-generating unit assets is its value in use, which was determined to be $4,768,165 compared to the carrying value of $7,805,488 resulting in impairment of $3,037,323.

The following table presents the detail on the Company's impairment charges for the Williston Basin assets:

Willistin Basin Segment:	**Book Vaue**	**Fair Value**	**Variance**
Wells and equipment	$ 5,792,255	$ 1,614,016	$ (4,178,239)
Leases	524,002	517,500	(6,502)
Seismic and gelogical assets	1,260,133	2,407,551	1,147,418
Other equipment	229,098	229,098	-
Total long term debt	$ 7,805,488	$ 4,768,165	$ (3,037,323)

A sensitivity analysis was prepared with a ten percent change up and down in each of the key assumptions as presented in the following tables. The Whitewater assets impairment was not changed by the sensitivity analysis while the Williston assets impairment changes by approximately $500,000 up or down based on ten percent increases or decreases in key assumptions. A 26.5% change down in each of the key assumptions would be necessary for the Whitewater Unit in order to book impairment and the impairment at 26.5% changes down would be $290,000.

At December 31, 2014, the Parent Company tested the value of its investments in the Fram Americas and Fram Operating subsidiaries for impairment and recognized impairment expense of approximately $22,211,000 based upon the underlying value of the subsidiary. The impairment was largely due to falling oil prices, which negatively affected the value of the Fram America's underlying oil reserves coupled with sustained operating losses. The impairment expenses represent non-cash charges against our earnings.

The following table presents the detail on the Parent Company's impairment on its investment in subsidiaries:

	Book Vaue	Fair Value	Variance
Piceance Basin (Whitewater)	$ 40,650,918	$ 61,900,000	$ 21,249,082
Williston Basin	4,768,165	4,768,165	-
Excess fair value over book value	45,419,083	66,668,165	21,249,082
Fram Americas net equity			42,804,661
Total fair value of Fram Americas			64,053,743
Parent Company investment in subsidiaries			86,264,644
Total impairment of investment in subsidiaries			$ (22,210,901)

NOTE 34 – SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 26, 2015, the date on which the financial statements were issued. Except as outlined below, there have been no transactions requiring disclosure.

Fram finalized an agreement on January 19, 2015 with Fram's shareholders to provide $4,100,000 cash in January 2015 in exchange for issuance of 14,308,025 new shares with 14,308,025 warrant rights to acquire 42,924,075 additional new shares with a par value of NOK 2 and a subscription price per share of NOK 2, which may be exercised through December 29, 2017. This transaction secured the financing of the operations and drilling program for Q1 and Q2 2015

The Bond Holders amended the bond agreement on February 20, 2015 to have interest only accrue on the bonds without payment until the revised bond due date at December 31, 2016.

The Company signed a termination agreement for the rigs capital lease on May 5, 2015 with a $13,800,000 termination fee payable to the Company. The first installment of $500,000 was received by the Company in May 2015 and $2,000,000 is to be deposited on or before June 30, 2015. The remaining $11,300,000 will be received as 136,000,000 shares in Loyz Energy Limited, which will be received immediately following the Fram Exploration ASA extraordinary general meeting scheduled for June 30, 2015. The 136,000,000 shares will be held for sale subject to a lock-up restriction of 9 months. 14,500,000 shares are exempted from the lock-up with prior written consent of Loyz Energy Limited, to generate approximately $1,900,000 additional cash in the second half of 2015.

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To the Annual Shareholders' Meeting of Fram Exploration ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Fram Exploration ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Fram Exploration ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statement on Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 26 June 2015
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant (Norway)