FRAM EXPLORATION ASA

Annual Report

Year End 2015

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

Fram Exploration ASA's key priority in 2015 has been to prove up the Mancos shale play. Fram has undertaken a series of tests, successfully documenting the presence of movable hydrocarbons in different horizons of the Mancos. The most promising results have been achieved in the Juana Lopez member of the Mancos shale, suggesting that commercial development is viable.

The sale of Fram's two drilling rigs in 2015 gave us a satisfactory working capital buffer throughout the year. However, as most of the consideration was made in the form of shares in Loyz Energy Ltd, a Singapore Exchange listed oil and gas company, the impact of the imploding oil market was very much felt by Fram. The value of Fram's current assets were thus heavily reduced as the oil market slid, and has further been depleted after year end.

Fram's bond is falling due in December 2016, which in the current situation is causing a cash flow challenge and concern. Fram has thus initiated discussions with the bond holders to negotiate a change in terms, based on the fact that the going concern value of Fram is substantially different from a possible accelerated realization of assets. The talks have been progressing well, and we believe that the terms of the Bond loan will be amended to enable Fram to develop its full potential.

As a consequence of unsustainably low oil prices, Fram has reduced its activity to a bare minimum to await a possible improvement. The main priority is now to bring in a competent partner to develop the Whitewater asset, with potential to release significant value creation.

The developments are causing the Board of Directors of Fram to be cautiously optimistic that we will be able to generate the value to our stakeholders we have been aiming at.

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 2015 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 45,000 net acres are owned and operated by Fram Americas, and is currently the largest federal unit in the state of Colorado.

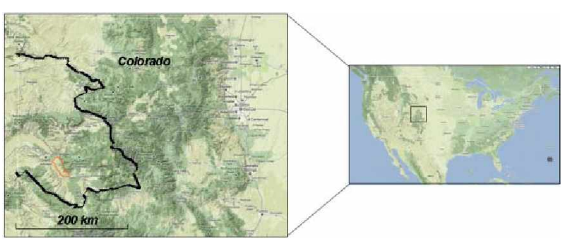
In *Renville County, North Dakota,* Fram Americas owns and operates 47 leases, with a gross acreage totaling approximately 2,620 net acres. Subsurface work has commenced to high grade exploration leads into drillable prospects into the prolific Mission Canyon formation. Some observers believe the Bakken 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 2015 Activities

Whitewater lease (Colorado, USA)



The Company operates the Whitewater Federal Unit in the Piceance Basin in North West Colorado, where it has approximately 45,000 net 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. Five of these wells are oil producers, three are shut in gas producers.

Full year 2015 production from Whitewater from five producing wells was 1,351 gross bbls of oil, 11% 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. The Siminoe 32-2-I had first production in January 2015. The Mansur 33-4-D did not have initial production and is under evaluation. The Mansur 33-1-L well under evaluation started production in Q4, 2014 after using the gas gun to stimulate the Dakota. Full year 2014 production from Whitewater from five producing wells was 2,430 gross bbls of oil, 34% 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 2015, had produced gross volumes of 19,062 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. In 2015, gas gun tests were performed on six Whitewater wells with positive results. This test of the lower Mancos (Juana Lopez and Tununk members) in the Whitewater Unit prove that the lower 450 feet of the Mancos Shale qualify for further exploration as a petroleum resource play. Furthermore, the same resource play intervals are the proven source for the conventional oil being produced from the Dakota Formation.

The Company continues to work on the drilling and completion techniques being employed. A total of 1,311 bbls of oil were sold from Whitewater throughout 2015 with an average price of $34.48, a discount of approximately $12.50 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.

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.

In January 2012, the Company attempted to complete the three wells drilled at South Greene: the Laura Funke #4, the Donovan Funke #3 and the Zeltinger #1. The Funke #3 and Funke #4 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-permitting it as a water disposal well. The Zeltinger well has been determined to be a dry hole and was plugged in 2015. The Nailor Trust #1 well was drilled in 2014 and has been determined to be a dry hole and was also plugged in 2015.

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. The Company has a seismic analysis agreement with Rex Technology Management Ltd. which will further 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 2,258 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.

2015 Financing Activities

In January 2015, The Company sold 14,749,213 new shares of its common stock for NOK 2 per share for a total of $3,744,806. These shares were issued with an equal number of warrants to purchase three additional shares each at NOK 2 per share. In May 2015, the Company terminated its lease agreement of two drilling rigs with Loyz Energy for consideration of $13,800,000 which was paid to Fram through the issuance of 136,500,000 shares of Loyz stock valued at $11,300,000, a cash payment of $500,000, and a receivable of $2,000,000. During the year ended December 31, 2015, the Company sold 6,684,211 of these shares for gross proceeds of $503,985, of which $81,753 was received subsequent to year-end. The remaining shares were marked to market at year end. The Company reported investment loss of $6,086,530 at December 31, 2015 from the change in value. On February 20, 2015, the Company and bond holders amended the bond agreement to have interest only accrue on the bonds without payment until the revised bond due date at December 31, 2016.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the years ended December 31, 2015 and 2014 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 2015 fiscal year and their impact on the financial statements, a description of the principal risks and uncertainties for 2015 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 development program, will have an adequate 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.

On April 28, Summit ESP served the Company with a complaint alleging $126,862.77 in damages plus attorney fees for unpaid invoices.

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, 2015 and 2014.

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 $17,829,603, working capital of $2,373,475 and net cash used in operating activities of $4,097,261 for the year ended December 31, 2015.

The Company believes its current available cash along with the expected receipt of receivables and proceeds from additional sales of Loyz shares will be sufficient to meet its cash needs for the near future. However, the Company is evaluating strategic dispositions, joint ventures and future capital raises that may be required. Management believes that the planned development program funded by receivables, sales of Loyz shares held for investment, asset dispositions and a potential 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 2016.

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, 2015.

The Company and Parent Company did not experience any employee accidents during the year ended December 31, 2015.

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 five permanent employees during the year ended December 31, 2015.

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, 2015 and 2014 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, 2015 and 2014

The Company reported a net loss for the year ended December 31, 2015 of approximately $18 million, or $0.40 per share. For the same period in the prior year, the Company reported a net loss of approximately $23.4 million, or $0.83 per share. The Parent Company reported a net loss of approximately $6.7 million and $35.9 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, 2015 and 2014. The Parent Company did not have any production revenue for the periods shown.

	Years ended December 31, 2015	Years ended December 31, 2014	Increase (Decrease)	% Increase (Decrease)
Sales Volumes:				
Crude Oil (Bbls)	1,855	6,309	(4,454)	-71%
Crude Oil (Bbls per day)	5	17	(12)	-71%
Average Sale Price:				
Crude Oil ($/Bbl)	$ 34.22	$ 75.29	(41.07)	-55%
Petroleum Revenue:				
Crude Oil	$ 63,480	$ 475,034	(411,554)	-87%

Petroleum Revenues

Petroleum revenues for year ended December 31, 2015 decreased to approximately $0.1 million to $0.5 million in the prior year, due to decreases in both price and production during the year.

Operating Expenses

The following table sets forth the operating results for continuing operations for the years ended December 31, 2015 and 2014.

	Company		Parent Company	
Years ended December 31,	**2015**	**2014**	**2015**	**2014**
Operating expenses				
Exploration expenses	$ 115,510	$ 2,427,971	$ -	$ -
Operating expenses	2,016,733	3,740,684	618,139	1,135,033
Production Taxes	(247)	38,659	-	-
Royalty expense	14,436	92,736	-	-
Total operating expense	2,146,432	6,300,050	618,139	1,135,033
General and administrative expenses	491,858	1,194,615	245,161	934,679
Depreciation, depletion and amortization	459,077	780,965	-	-
Impairment of oil and gas assets	8,919,779	17,137,323	-	14,100,000

Total Operating expenses for years ended December 31, 2015 and 2014 decreased to approximately $2.1 million from $6.3 million due primarily to a decreases of approximately $2.3 million in exploration expenses and a decrease of $1.7 million in lease operating expense. The Company incurred approximately $8.9 million and $17.1 million in impairment of oil and gas assets during the years ended December 31, 2015 and 2014, respectively.

General and Administrative Expenses
General and administrative expenses decreased by approximately $0.7 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 due primarily to the Company's decrease in management staff and contract labor.

Depreciation, Depletion and Amortization ("DD&A")
DD&A for year ended December 31, 2015 decreased to approximately $0.5 million from $0.8 million in the prior year due primarily to the decrease in depletion expense driven by the decrease in production in the current year.

Liquidity and Capital Resources

The primary sources of cash for the Company during the year ended December 31, 2015 were funds generated from operations, equity sales and equipment sales. The Company had total cash of $668,017 at December 31, 2015.

The Company's debt repayment schedule at December 31, 2015 was as follows:

Fiscal Year	Secured Bond
2016	$ 6,961,317
2017	-
2018	-
2019	-
2020	-
	$ 6,961,317

Cash flows from operating activities

The Company's net cash used in operating activities for the year ended December 31, 2014 was approximately $4.1 million compared to $4.4 million for the same period in the prior year. The decrease of $0.3 million is primarily due to a $5.6 million decrease in net loss, a $4.7 million increase in loss on investments, $1.6 million decrease in changes in derivative, debt, and debt discounts, and a $0.3 million increase in changes in accounts receivable, prepaid and other assets partially offset by a $8.4 million decrease in impairments, a $3.1 decrease in changes in accounts payable and accrued liabilities, and a $0.3 decrease in depreciation, depletion and amortization.

The Parent Company's net cash used in operating activities for the year ended December 31, 2014 was $4.7 million compared to $1.7 million for the same period in the prior year. The increase of $3 million is primarily due to an increase in net loss of $3.2 million and a decrease of $7.7 million in impairments partially offset by a $4.7 million increase in loss on investments, $1.6 million decrease in changes in derivative, debt, and debt discounts, and a $1.4 million increase in changes in accounts receivable and a $0.4 increase in changes in accounts payable and accrued liabilities.

Cash flows from investing activities

The Company's net cash provided by investing activities for the year ended December 31, 2015 was approximately $0.6 million as compared to a net cash used of approximately $7.3 million, an increase of approximately $7.9 million. The increase in cash provided by investing activities is primarily due to a $10.5 million decrease in capital expenditures, a $0.5 increase in proceeds from the sale of equipment offset by a $3.1 million decrease in proceeds from the sale marketable securities.

The Parent Company's net cash used in investing activities for the year ended December 31, 2015 decreased by approximately $5.9 million from the prior year primarily due to an $8.4 decrease in capital expenditures offset by a $3.1 million decrease in proceeds from the sale marketable securities.

Cash flows from financing activities

The Company and Parent Company's net cash provided by financing activities for the year ended December 31, 2015 decreased to $3.7 million from $10.5 million for the same period in the prior year due to a decrease in borrowing of $10.5 million offset by an increase in proceeds from share issuances of $3.7 million.

Trondheim, May 25, 2016

Bernt Østhus
Chairman of the Board

Kristin Jorstad
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,	2015	2014	Parent Company 2015	Parent Company 2014
Assets				
Current assets				
Cash and cash equivalents (Notes 5, 6, 7, and 12)	$ 668,017	$ 434,714	$ 48,721	$ 91,344
Marketable securities (Note 8)	4,955,852	246,367	4,955,852	246,367
Receivables (Notes 5, 12, 13 and 27)	3,519,338	1,444,721	3,512,766	1,478,711
Prepaids (Notes 5 and 7)	1,618	48,185	1,618	48,185
Inventory (Note 14)	34,277	96,616	-	-
Total currrent assets	9,179,102	2,270,603	8,518,957	1,864,607
Non-current assets				
Shares in subsidiaries (Notes 10 and 31)	-	-	35,435,944	64,053,743
Oil and gas properties (Note 11)	29,237,403	38,109,110	-	-
Property plant and equipment (Notes 11 and 15)	7,510,032	21,544,818	-	13,800,000
Other	9,590	62,654	4,400	10,056
Total non-current assets	36,757,025	59,716,582	35,440,344	77,863,799
Total Assets	**$ 45,936,127**	**$ 61,987,185**	**$ 43,959,301**	**$ 79,728,406**
Liabilities and Shareholders' Equity				
Current liabilities				
Current portion, borrowings external (Notes 5 and 16)	$ 5,460,779	$ 6,180,293	$ 5,460,779	$ 6,180,293
External trade creditors (Notes 5, 13, 17 and 27)	556,873	2,090,237	$ 244,904	$ 309,368
Other short term liabilities, external (Notes 5, 15 and 17)	787,975	276,462	785,999	276,462
Total current liabilities	6,805,627	8,546,992	6,491,682	6,766,123
Non-current liabilities				
Derivative liabilities (Notes 5 and 19)	-	160,785	-	160,785
Decommissioning provision (Note 18)	1,662,881	1,726,992	-	-
Total non-current liabilities	1,662,881	1,887,777	-	160,785
Shareholders' equity				
Share capital (Note 22)	13,991,772	10,246,966	13,991,772	10,246,966
Share premium reserve	23,475,847	41,305,450	23,475,847	62,554,532
Total shareholders' equity	37,467,619	51,552,416	37,467,619	72,801,498
Total liabilities and shareholders' equity	**$ 45,936,127**	**$ 61,987,185**	**$ 43,959,301**	**$ 79,728,406**

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

The Board of Directors and General Manager Fram Exploration ASA

Trondheim, May 25, 2016

Kristin Jorstad

Bernt Osthus
Chairman of the Board

Kristin Jorstad
Board Member

Odd Hjelmeland
Board Member

Stig Aune
General Manager, Fram Exploration ASA

FRAM Exploration ASA

Consolidated and Parent Company Statements of Operations

Years ended December 31,	2015	2014	Parent Company 2015	Parent Company 2014
Revenue:				
Petroleum and natural gas revenue (Note 3)	$ 63,480	$ 475,034	$ -	$ -
Group revenues	-	-	252,000	960,000
	63,480	475,034	252,000	960,000
Operating expenses				
Exploration expenses (Note 11)	115,510	2,427,971	-	-
Operating expenses (Note 25)	2,016,733	3,740,684	618,139	1,135,033
Royalty expenses	14,436	92,736	-	-
Production Taxes	(247)	38,659	-	-
Total operating expenses	2,146,432	6,300,050	618,139	1,135,033
General and administrative expenses (Notes 21 and 28)	491,858	1,194,615	245,161	934,679
Depreciation, depletion and amortization (Notes 11 and 18)	459,077	780,965	-	-
Impairment of oil and gas assets (Note 31)	8,919,779	17,137,323	-	14,100,000
Results from operating activities	(11,953,666)	(24,937,919)	(611,300)	(15,209,712)
Finance income (Notes 6, 9, 16 and 19)	154,594	1,681,467	153,180	1,676,796
Finance expense (Notes 6, 9, 16 and 19)	(1,032,419)	(1,796,494)	(1,113,886)	(1,794,478)
Gain (loss) on marketable securities (Note 8)	(6,086,530)	51,943	(6,068,530)	114,314
Loss on shares in subsidiaries (Note 31)	-	-	(32,526,567)	(22,210,901)
Foreign exchange gain (Note 9)	1,088,418	1,571,682	1,088,418	1,571,682
Net loss	(17,829,603)	(23,429,321)	(39,078,685)	(35,852,299)
Other comprehensive income	-	-	-	-
Total comprehensive loss	$ (17,829,603)	$ (23,429,321)	$ (39,078,685)	$ (38,325,166)

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 Shareholders' Equity
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 24)	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 comprehensive loss	2,050,991	15,944,458	17,995,449
Balances at December 31, 2014	$ 10,246,966	$ 41,305,450	$ 51,552,416
Loss for the period	-	(17,829,603)	(17,829,603)
Issuance of shares	3,744,806		3,744,806
Total transactions with shareholders	3,744,806	-	3,744,806
Balances at December 31, 2015	$ 13,991,772	$ 23,475,847	$ 37,467,619

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 Shareholders' Equity
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 24)	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
Total profit / loss for the period	$ -	$ (39,078,685)	$ (39,078,685)
Issuance of shares	3,744,806	-	3,744,806
Total transactions with shareholders	3,744,806	-	3,744,806
Balances at December 31, 2015	$ 13,991,772	$ 23,475,847	$ 37,467,619

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

Years ended December 31,	Company 2015	Company 2014	Parent Company 2015	Parent Company 2014
Cash flow from operating activities				
Loss before tax	$ (17,829,603)	$ (23,429,321)	$ (39,078,685)	$ (35,852,299)
Depreciation, depletion and amortization	459,077	780,965	-	-
Change in accounts receivable, prepaids and other assets	106,767	(146,195)	99,921	(1,275,393)
Change in accounts payable and accrued liabilities	(1,021,851)	2,120,830	445,073	82,863
Change in inventories	62,339	7,763	-	-
Impairment of shares in subsidiaries	-	-	28,617,799	22,210,901
Impairment of capitalized exploration expenses	8,656,083	3,176,078	-	-
Impairment of oil and gas equipment	263,696	14,100,000	-	14,100,000
(Gain) loss on investments	6,086,530	1,378,575	6,086,530	1,378,575
Change in derivatives, debt and debt discounts	(880,299)	(2,437,525)	(880,299)	(2,437,525)
Option expense	-	93,133	-	93,133
Net used in provided by operating activities	(4,097,261)	(4,355,697)	(4,709,661)	(1,699,745)
Cash flow from investing activities				
Capital expenditures	(336,474)	(10,819,193)	-	(12,331,377)
Proceeds from sale of equipment	500,000	-	500,000	-
Proceeds from purchase and sale of marketable securities	422,232	3,489,791	422,232	3,489,791
Net cash provided by (used in) investing activities	585,758	(7,329,402)	922,232	(8,841,586)
Cash flow from financing activities				
Proceeds from borrowings - net	-	10,482,662	-	10,482,662
Proceeds from share issuances	3,744,806	-	3,744,806	-
Net cash provided by financing activities	3,744,806	10,482,662	3,744,806	10,482,662
Net change in cash and cash equivalents	233,303	(1,202,437)	$ (42,623)	(58,669)
Cash and cash equivalents at the start of period	434,714	1,637,151	$ 91,344	150,013
Cash and cash equivalents at the end of period	$ 668,017	$ 434,714	$ 48,721	$ 91,344

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 May 25, 2016.

The Company is in the early stages of development and is currently focused on increasing cash flows 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 and performed gas gun tests on new oil zones on six wells in 2015.

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 11 – Property and equipment
- Note 18 – Decommissioning provision
- Note 19 – Derivative liabilities
- Note 21 – Share based compensation

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies for the year ended December 31, 2015 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.

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, 2015 and 2014, 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, 2015 and 2014, 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.

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.

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.

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.

IFRS 9 – Financial Instruments, issued July 2014.

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, 2018, 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 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, 2015	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	3.00	81.25	2.44	0	0	20.40	81.25	16.58
Williston - S Greene and Schlak Oil	0	0	0.20	80.00	0.16	0	0	0.33	80.00	0.26
Total					2.60					16.84
Non-developed assets										
As of December 31, 2015	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, 2013	**15.110**	**20.740**	**7.5**	**16**
Production	-0.008	-0.008		
Acquisitions/disposals				
Extentions and discoveries				
New developments				
Revisions of previous estimates				
Balance (current ASR or interim update) as of December 31, 2014	**15.102**	**20.732**	**7.5**	**16**
Production	-0.002			
Acquisitions/disposals				
Extentions and discoveries				
New developments				
Revisions of previous estimates	-11.900			
Balance (current ASR or interim update) as of December 31, 2015	**3.200**	**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, 2015	**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	$ 668,017	$ -	$ 668,017	$ 48,721	$ -	$ 48,721
Trade receivables	3,519,338	-	3,519,338	3,512,766	-	3,512,766
Prepaids	1,618	-	1,618	1,618	-	1,618
Marketable securities	-	4,955,852	4,955,852	-	4,955,852	4,955,852
	4,188,973	4,955,852	9,144,825	3,563,105	4,955,852	8,518,957
Liabilities						
Trade payables and accrued liabilities	556,873	-	556,873	244,904	-	244,904
Accrued public charges	2,314	-	2,314	2,314	-	2,314
Short term debt	5,460,779	-	5,460,779	5,460,779	-	5,460,779
Other short term liabilities	785,661	-	785,661	783,685	-	783,685
	$ 6,805,627	$ -	$ 6,805,627	$ 6,491,682	$ -	$ 6,491,682

	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

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. In October 2015, all remaining warrants outstanding from this issuance expired.

In January 2015, the Company issued warrants to purchase 42,924,075 shares at a price of NOK 2 per share in conjunction with equity sales. These warrants may be exercised at any point up to their expiration date of December 29, 2017. These warrants do not fit the definition of a financial liability and as such have not been valued separately outside equity. As of the date of these financial statements, no warrants associated with this issuance have been exercised.

The fair value the Company's derivative contacts at December 31, 2015 and 2014 was $0 and $160,785, respectively. Further detail on outstanding warrants can be found in Note 19 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 $0 and $160,785 at December 31, 2015 and 2014, 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, 2015 and 2014:

Years ended December 31,	**2015**	**2014**
Opening Balances	$ 160,785	$ 1,837,581
Additions	-	-
Conversions	-	-
Currency (gains) losses	(7,605)	(224,536)
(Gains) losses recognized in profit and loss	(153,180)	(1,452,260)
Closing Balances	$ -	$ 160,785

The fair value of bonds issued was 27.5% and 82.56% of the nominal value for years ended December 31, 2015 and 2014, respectively. Pricing was done by Nordic Bank Pricing, further information can be found at www.nordicbondpricing.no.

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.

	Company		Parent Company	
Balances at December 31,	**2015**	**2014**	**2015**	**2014**
Cash at bank and on hand	$ 138,738	$ 188,018	$ 40,786	$ 83,409
Short-term bank deposits	529,279	246,696	7,935	7,935
Cash and cash equivalents (excluding bank overdrafts)	$ 668,017	$ 434,714	$ 48,721	$ 91,344

NOTE 7 – RESTRICTED BALANCES AND OTHER ASSETS

Balances at December 31,	**2015**	**2014**
Cash accounts		
Fram Americas LLC	$ 524,288	$ 238,761
Fram Exploration ASA	4,991	7,935
	$ 529,279	$ 246,696
Other assets		
Bond receivable	495	785
Prepaid interest	1,618	1,911
	$ 2,113	$ 2,696

Balances held at Fram Americas LLC as of December 31, 2015 and 2014 of $524,288 and $238,761, 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, 2015 and 2014 of $4,991 and $7,935, 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 prepaid interest on the bond issuance and must be used for that purpose.

NOTE 8 – Marketable Securities

All marketable securities held as of December 31, 2015 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, 2015 and 2014 are shown below:

	Rex Intl' Holding (REXI:SP)	Loyz Energy (594:SI)	Total
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
Shares received for equipment	-	11,300,000	11,300,000
Sales	-	(503,985)	(503,985)
Change in value	-	(6,086,530)	(6,086,530)
Balance at December 31, 2015	$ -	$ 4,955,852	$ 4,955,852

NOTE 9 – FINANCE INCOME AND EXPENSE

	Company		Parent Company	
Years ended December 31,	**2015**	**2014**	**2015**	**2014**
Finance income				
Interest income	$ 1,414	$ 4,671	$ -	$ -
Net gain on derivative contracts	153,180	1,676,796	153,180	1,676,796
	154,594	1,681,467	153,180	1,676,796
Finance expenses				
Interest expense	760,884	1,133,959	824,351	1,069,572
Other financial expense	271,535	662,535	289,535	724,906
	1,032,419	1,796,494	1,113,886	1,794,478
Net finance income (expense)	$ (877,825)	$ (115,027)	$ (960,706)	$ (117,682)

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, 2015 and 2014, the Company recognized a gain of $900,218 and $1,571,682, respectively.

NOTE 10 – SUBSIDIARIES

Subsidiaries consolidated in these financial statements are as follows:

		2015		2014	
	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%

NOTE 11 – 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, 2015 and 2014, property and equipment of the Company costs consist of the following:

	Oil and Gas Properties	Property, Plant, and Equipment	Total
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
Disposals	-	-	-
Reclassification of parts & supplies	(221,916)	221,916	-
Impairments\dry hole expense	(3,176,078)	(14,100,000)	(17,276,078)
Reclassification of depreciation	-	-	-
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)	(3,901,477)
Net book amount	38,109,110	21,544,818	59,653,928
Opening net book amount	38,109,110	21,544,818	59,653,928
Additions	-	336,474	336,474
Disposals	-	(13,800,000)	(13,800,000)
Retirements of ARO asset	(141,689)	-	(141,689)
Impairments\dry hole expense	(8,656,083)	(263,696)	(8,919,779)
Depreciation charge	(73,935)	(307,564)	(381,499)
Balance at December 31, 2015	29,237,403	7,510,032	36,747,435
Balance at December 31, 2015			
Cost	32,082,092	8,948,319	41,030,411
Accumulated depreciation	(2,844,689)	(1,438,287)	(14,770,297)
Net book amount	$ 29,237,403	$ 7,510,032	$ 36,747,435

For the years ended December 31, 2015 and 2014, 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, 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)	(184,237)	(573,682)
Balance at December 31, 2014	38,109,110	20,428,551	58,537,661
Balance at December 31, 2014			
Cost	$ 40,879,864	$ 21,278,433	$ 62,158,297
Accumulated depreciation	(2,770,754)	(849,882)	(3,620,636)
Net book amount	38,109,110	20,428,551	58,537,661
Opening net book amount	38,109,110	20,428,551	58,537,661
Additions	-	-	-
Disposals	-	(13,800,000)	(13,800,000)
Retirements of ARO asset	(141,689)	-	(141,689)
Impairments\dry hole expense	(8,656,083)	(263,696)	(8,919,779)
Depreciation charge	(73,935)	(130,356)	(204,291)
Balance at December 31, 2015	29,237,403	6,234,499	35,471,902
Balance at December 31, 2015			
Cost	32,082,092	7,214,737	39,296,829
Accumulated depreciation	(2,844,689)	(980,238)	(3,824,927)
Net book amount	$ 29,237,403	$ 6,234,499	$ 35,471,902

The Company's Whitewater and Williston Basin Assets were impaired by $6,250,000 and 1,200,000, respectively, due to substantial 2015 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. See Note 30 for further information on the Company's impairment.

For the years ended December 31, 2015 and 2014, 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		-
Opening net book amount		-
Acquisition of subsidiary		
Additions		27,900,000
Depreciation charge		-
Impairment charge		(14,100,000)
Balance at December 31, 2014		13,800,000
Disposals		(13,800,000)
Depreciation charge		-
Balance at December 31, 2015		-
Balance at December 31, 2015		
Cost		-
Accumulated depreciation		-
Net book amount	$	-

NOTE 12 – 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,		**2015**		**2014**
Cash at bank and short-term bank deposits				
Norway (rating A 1)	$	48,721	$	91,334
United States (rating AA)		619,296		343,370
	$	668,017	$	434,704
Bond receivables and held in escrow				
Norway (rating Baa 1)	$	495	$	785
Prepaid interest held in escrow				
Norway (rating Baa 1)	$	1,618	$	1,911

NOTE 13 – TRADE AND OTHER RECEIVABLES

Balances at December 31,	Company 2015	Company 2014	Parent Company 2015	Parent Company 2014
Trade receivables				
Trade receivables	$ 3,518,843	$ 1,443,936	$ 3,512,271	$ 1,430,518
Other receivables	495	785	495	48,193
	$ 3,519,338	$ 1,444,721	$ 3,512,766	$ 1,478,711
Prepayments				
Prepaid interest	$ 1,618	$ 1,911	$ 1,618	$ 1,911
Prepaid well costs	-	-	-	-
Other prepayments	-	46,274	-	46,274
	$ 3,520,956	$ 1,492,906	$ 3,514,384	$ 1,526,896

At December 31, 2015 and 2014 all receivables are considered collectible and all prepaid balances are considered realizable.

NOTE 14 – INVENTORIES

Balances at December 31,	2015	2014
Petroleum inventory	$ 34,277	$ 96,616
Drilling materials inventory	-	-
	$ 34,277	$ 96,616

NOTE 15 –LEASES

Operating Leases

The Company has entered into a lease for office space in Colorado Springs, CO which runs through July 2016 and is 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
2016	29,853
2017	-
2018	-
2019	-
2020	-
	$ 29,853

The Company's Lease operating expenses for the fiscal years 2015 and 2014 were:

	Company		Parent Company	
Year ended December 31,	**2015**	**2014**	**2015**	**2014**
Office and IT costs	$ 87,800	$ 141,030	$ 1,805	$ 27,677
Consultant and auditor fees	839,834	999,444	537,399	493,522
Other operating expense	245,799	833,787	78,935	603,912
Lease operating expenses	843,300	1,766,423	-	9,922
	$ 2,016,733	$ 3,740,684	$ 618,139	$ 1,135,033

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 was to pay 60 monthly payments of $0.50. Additionally, the lease contained a bargain purchase option in which the Company could exercise its option to purchase the equipment for the sum of $0.50 after 900 days elapsed in the lease term. The Company accounted for this lease as a finance lease and the value was included in property, plant, and equipment on the Company and Parent Company's consolidated statements of financial position. At December 31, 2014, Company and Parent Company recognized total impairment on the drilling rigs of $14.1 million. In May 2015, the Company terminated its lease agreement on the drilling rigs for a termination fee of $13,800,000 which was paid through the issuance of 136,500,000 shares of Loyz stock valued at $11,300,000, a cash payment of $500,000, and a receivable of $2,000,000.

NOTE 16 – DEBT OBLIGATIONS

	December 31, 2015	**December 31, 2014**	**Stated Interest**	**Maturity Date**
Secured Bond	$ 5,460,779	$ 6,180,293	13%	December 31, 2016
Less current portion	5,460,779	6,180,293		
Total long term debt	$ -	$ -		

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.

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 could 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 drilling campaign 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 $790,637 and $95,679 at December 31, 2015 and 2014, 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.

On February 20, 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, 2016. All other terms of the bond remain the same.

Repayment Schedule
At December 31, 2015, maturities and contractual repayment on total debt were as follows:

Fiscal Year		**Secured Bond**
2016	$	6,961,317
2017		-
2018		-
2019		-
2020		-
	$	6,961,317

Repayment terms of the Secured bond is interest and principal due upon maturity.

NOTE 17 – TRADE AND OTHER PAYABLES

	Company				**Parent Company**			
Balances at December 31,		**2015**		**2014**		**2015**		**2014**
Trade payables	$	556,873	$	2,090,237	$	244,904	$	309,368
Social security and other taxes		2,314		103,661		2,314		103,661
Other liabilities		785,661		172,801		783,685		172,801
	$	1,344,848	$	2,366,699	$	1,030,903	$	585,830

NOTE 18 – 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, 2015, the Company has a total estimated future decommissioning liability of $2,598,252. All current well liabilities are amortized over an estimated productive life of 8 to 14 years and held at present value based on an inflation rate of 3.09% and a risk free cost of money of 4.85%.

Balances at December 31,		2015		2014
Decommissioning provision, beginning of period	$	1,726,992	$	1,072,176
Additions (retirements) during period - net		(141,689)		582,922
Accretion of discount		77,578		71,894
Balances, end of period	$	1,662,881	$	1,726,992

NOTE 19 – DERIVATIVE LIABILITIES/WARRANTS

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, 2015 and 2014 is $0 and $160,785, 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, 2015 and 2014 the unamortized portion of the loss was $0.

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		-		-

Warrants issued

In January 2015, the Company issued warrants to purchase 43,304,712 shares at a price of NOK 2 per share in conjunction with equity sales. These warrants may be exercised at any point up to their expiration date of December 29, 2017. These warrants do not fit the definition of a financial liability and as such have not been valued. As of the date of these financial statements, no warrants associated with this issuance have been exercised.

The following tables summarize information about warrants outstanding at December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Number		Weighted average exercise price (NOK)	Number		Weighted average exercise price (NOK)
Warrants outstanding, beginning of period	1,551,742	kr	31.00	1,551,742	kr	31.00
Exercised	-			-		
Granted	42,924,075		2.00	-		-
Cancelled	-		-	-		-
Expired	(1,551,742)		31.00	-		-
Warrants outstanding, end of period	42,924,075	kr	2.00	1,551,742	kr	31.00
Warrants exercisable, end of period	42,924,075	kr	2.00	1,551,742	kr	31.00

The following tables summarize information about warrants exercisable at December 31, 2015 and 2014:

	Outstanding		Exercisable	
Exercise Price (NOK)	Number	Weighted average remaining life (years)	Number	Weigted average remaining life (years)
kr 2.00	42,924,075	2.00	42,924,075	2.00
	42,924,075	2.00	42,924,075	2.00

NOTE 20 – 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:

	2015	2014
Current Liabilities	6,805,627	8,546,992
Non-current Liabilities	1,662,881	1,887,777
Shareholders' Equity	37,467,619	51,552,416

The 2012/2015 Convertible Bond Issue requires a Book Equity Ratio of 30% at the Company level. The December 31, 2015 Book Equity Ratio was 81% 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 16.

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, 2015, the Company had no oil and natural gas risk management contracts in place.

Currency risk
The Company is exposed to currency risk as some of its debt and other liabilities are denominated in a currency other than that of their functional currency. If currency rates fluctuate, it could expose the Company to greater levels of debt.

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 21 – 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, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Number		Weighted average exercise price (NOK)	Number		Weighted average exercise price (NOK)
Options outstanding, beginning of period	-	kr	-	-	kr	-
Granted	-		-	50,000		20.00
Exercised	-		-	-		-
Forfeited	-		-	-		-
Expired	-		-	(50,000)		20.00
Options outstanding, end of period	-	kr	-	-	kr	-
Options exercisable, end of period	-	kr	-	-	kr	-

NOTE 22 – SHARE CAPITAL

As of December 31, 2015 and 2014 Company has issued a total of 45,749,213 and 31,441,188 common shares, with share capital amounts of $13,991,772 and $10,246,966 respectively.

The following details issued share capital as of December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
Shareholder	Shares	Percentage Ownership	Shares	Percentage Ownership
Rex International Holding PTE LTD	13,858,871	30.3%	7,008,871	22.3%
Loyz USA Holdings LLC	6,288,238	13.7%	6,288,238	20.0%
Staur Private Equity AS	5,831,150	12.7%	1,524,271	4.8%
Pareto Growth AS	5,055,006	11.0%	5,055,006	16.1%
Staur E&P I AS	2,000,000	4.4%	2,000,000	6.4%
Staur E&P II AS	2,000,000	4.4%	2,000,000	6.4%
Clements Capital LLC	1,732,379	3.8%	896,379	2.9%
Bernh Brekke AS	1,293,058	2.8%	533,058	1.7%
Tinbuen AS	807,031	1.8%	507,031	1.6%
Oslo Pensjonsforsikring AS	787,955	1.7%	787,955	2.5%
Frithjof Anderssen ANS	783,017	1.7%	533,017	1.7%
Hauken Invest AS	576,564	1.3%	376,564	1.2%
Holberg Norden V/Holberg Fondsforvaltning	512,289	1.1%	512,289	1.6%
MP Pensjon	447,915	1.0%	197,915	0.6%
Investo AS	400,000	0.9%	194,375	0.6%
Chibit Holding AS	391,739	0.9%	391,739	1.2%
Kuppelvik AS	268,205	0.6%	218,205	0.7%
Origo Partners PLC	254,925	0.6%	175,925	0.6%
GF Eagle Corp.	222,750	0.5%	222,750	0.7%
Rygg Kjellesvik AS	190,905	0.4%	190,905	0.6%
Battie Geo AS	187,607	0.4%	187,607	0.6%
Karpus AS	187,429	0.4%	187,429	0.6%
Holberg Norge V/Holberg Fondsforvaltning	177,757	0.4%	177,757	0.6%
DnB Nor SMB	123,153	0.3%	123,153	0.4%
Roger Mc Collin	110,264	0.2%	110,264	0.4%
Other	1,261,006	2.8%	1,040,485	3.3%
	45,749,213	100.0%	31,441,188	100.0%

Management and members of the Board of Directors at held 15,442,569 shares as of December 31, 2015.

	December 31, 2015	
Shareholder	Shares	Percentage Ownership
Pareto Growth AS	5,055,006	11.0%
Staur E&P I AS	2,000,000	4.4%
Staur E&P II AS	2,000,000	4.4%
Staur Private Equity AS	5,831,150	12.7%
MP Pensjon	447,915	1.0%
Dave Cook	81,374	0.2%
Tim Rickert	27,124	0.1%
	15,442,569	33.8%

NOTE 23 – 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, 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
Issuance of shares	14,308,025	3,744,806	-
Balances at December 31, 2015	$ 45,749,213	$ 13,991,772	$ 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, 2015 the combined retained earnings included in share premium in the statement of financial position is $46,682,426.

NOTE 24 – TAXES

Fram Americas, LLC is not subject to taxation at the entity level as it files tax returns as a partnership. The Company did not recognize any tax expense for the years ended December 31, 2015 and 2014. The Parent Company, which is subject to taxation in in the United States and Norway, had a negative taxable income. Because the Company has not recognized the deferred tax assets there are no tax expenses in the income statement for the years ended December 31, 2015 and 2014. The Company had carry-forward losses in the amount of $54,211,941 and $49,710,579 at December 31, 2015 and 2014, respectively.

NOTE 25 –OPERATING EXPENSES

	Company		Parent Company	
Year ended December 31,	**2015**	**2014**	**2015**	**2014**
Office and IT costs	$ 87,800	$ 141,030	$ 1,805	$ 27,677
Consultant and auditor fees	839,834	999,444	537,399	493,522
Other operating expense	245,799	833,787	78,935	603,912
Lease operating expenses	843,300	1,766,423	-	9,922
	$ 2,016,733	$ 3,740,684	$ 618,139	$ 1,135,033

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,	**2015**	**2014**	**2015**	**2014**
Fees for statutory audit services	$ 54,821	$ 89,632	$ 54,821	$ 89,632
Other attestation services	1,188	12,480	1,188	12,480
Tax advice	9,326	4,831	9,326	4,831
Services other than audit services	437	-	437	-
	$ 65,772	$ 106,943	$ 65,772	$ 106,943

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 26 – COMMITMENTS

At December 31, 2015 and 2014, the Company commitments under non-cancellable operating leases of $13,950 and $9,339, respectively.

Balances at December 31,	**2015**	**2014**
Within 1 year	$ 29,853	$ 9,339
2 Years	-	-
More than 2 years	-	-
	$ 29,853	$ 9,339

NOTE 27 – 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, 2015 and 2014:

Year ended December 31,	Relationship	2015	2014
Income			
Fram Americas LLC	Subsidiary	252,000	960,000
Management and travel expenses			
Staur Holding AS	CFO/Chairman	161,906	203,868
Management purchase of shares			
Staur Private Equity AS	Chairman	1,095,160	-
Period end balances - liabilities			
Staur Holding AS	CEO/Chairman	166,267	226,080

As of December 31, 2015 approximately 33.8% (15,442,569 shares) of all outstanding shares of the Company are owned by related parties.

NOTE 28 – EMPLOYEE BENEFIT EXPENSE

	Company		Parent Company	
Year ended December 31,	2015	2014	2015	2014
Wages and salaries	$ 477,505	$ 987,215	$ 230,808	$ 727,279
Social security costs	8,102	87,853	8,102	87,853
Share options	-	93,133	-	93,133
Pension costs - defined contribution plans	6,251	26,414	6,251	26,414
Total	$ 491,858	$ 1,194,615	$ 245,161	$ 934,679

	Parent Company	
Management remuneration	General Manager	Board
Salaries	$ 180,000	$ 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, 2015, the Company had general manager salary expense of $180,000.

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 2015 and 2014 were $6,251 and $26,414 respectively.

NOTE 29 – PRIVATE PLACEMENT/GOING CONCERN

As reflected in the accompanying financial statements, the Company had a net loss of $17,829,603, working capital of $2,373,475 and net cash used in operating activities of $4,097,261 for the year ended December 31, 2015.

The Company is evaluating strategic dispositions, joint ventures and future capital raises that may be required. Management believes that the planned development program funded by receivables, sales of Loyz shares held for investment, asset dispositions and a potential 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 2016.

NOTE 30 – 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 was 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 as of December 31, 2014 were determined not to be impaired while the Company's Williston Basin assets were determined to be impaired.

The December 31, 2015 Whitewater assets were valued considering 3.0 million barrels of oil in ground at $5.50 per barrel, 45,000 acres of mineral leases valued at $150 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 $5.50 per barrel. The Whitewater single well reserves considering the well bore data, core samples, and analysis corroborate this estimate. The Whitewater wells, compressor, pipeline and other equipment has an impairment value of $10 million while the entire Whitewater Unit had total expert valuation of $33.25 million. Accordingly the carrying value of the Whitewater Unit resulting was impaired by $6.25 million to a total carrying value of $33.25 million.

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

Whitewater Segment:	Book Value	Fair Value	Variance
Wells and equipment	$ 19,897,130	$ 9,989,222	$ (9,907,908)
Leases	83,146	6,750,000	6,666,854
Seismic and gelogical assets	-		-
Oil and gas properties	19,508,946	16,500,000	(3,008,946)
	$ 39,489,222	$ 33,239,222	$ (6,250,000)

The Williston assets were assets were valued considering seismic of $1,413,382, lease acreage valued at $368,165 and spare parts, standby and spare service equipment of $110,000. 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 $1,845,332 compared to the carrying value of $3,045,332 resulting in impairment of $1,200,000.

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

Williston Basin Segment:	Book Value	Fair Value	Variance
Wells and equipment	$ 1,238,875	$ -	$ (1,238,875)
Leases	433,364	340,741	(92,623)
Seismic and gelogical assets	1,143,995	1,394,591	250,596
Other equipment	229,098	110,000	(119,098)
	$ 3,045,332	$ 1,845,332	$ (1,200,000)

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 changes by approximately $3,325,000 up or down based on ten percent increases or decreases in key assumptions while the Williston assets impairment changes by approximately $314,000 up or down based on ten percent increases or decreases in key assumptions.

At December 31, 2015, 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 $1,200,000 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 assets 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 Value	Fair Value	Variance
Piceance Basin (Whitewater)	$ 33,239,222	$ 33,239,222	$ -
Williston Basin	1,845,332	1,845,332	-
Excess fair value over book value	35,084,554	35,084,554	-
Fram Americas net equity			35,435,944
Total fair value of Fram Americas			35,435,944
Parent Company investment in subsidiaries			67,962,511
Total impairment of investment in subsidiaries			$ (32,526,567)

NOTE 31 – SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through May 25, 2016, the date on which the financial statements were issued. Except as outlined below, there have been no transactions requiring disclosure.

The BLM State Director remanded the case filed by environmental groups back to the BLM Field Office for further findings related to the Company's proposed development that will now include hydraulic fracturing.

On April 28, Summit ESP served the Company with a complaint alleging $126,862.77 in damages plus attorney fees for unpaid invoices.