



The Bondholders in Fram Exploration ASA
13 per cent Senior Secured Convertible Bond Issue 2012/2015
ISIN NO 001 066204.2 (the "Bond")

Fram Exploration ASA – Critical financial situation

On 4 March 2014 Fram Exploration ASA ("Fram") announced that it had entered into a Share Subscription Agreement with Loyz Oil Pty Ltd ("Loyz"), securing USD 41.1 million in equity funding in a combination of cash and in kind contributions.

The purpose of this private placement was to secure financing for Fram's seismic and drilling programs in Colorado and North Dakota. An integral part of the allotment was financial instruments securing the value of the contribution in kind made by Loyz. Jitsun Ltd, the main shareholder of Loyz, issued as part of this a put option to Fram, the purpose of which was that certain assets used as contribution in kind could be turned into cash at a defined value and within certain time by Fram.

In September 2014, Fram exercised such put option as a consequence of decreasing market value of one of the assets accepted as in kind contribution. Jitsun failed to honor this obligation, thus causing a difficult and later critical financial situation in Fram. Several attempts to find alternative settlement have failed, with negative consequences for the work program and Fram's general ability to meet its obligations.

The Board of Directors of Fram (The "Board") has considered different lines of action:

- a) Legal action against Jitsun to claim what is owed. Our analyses of the situation is that that legal action will be successful in terms of getting a positive verdict in Singaporean courts. However, there is uncertainty as to the strength of Jitsun's balance sheet, and a legal process will under any circumstances take too long time to help Fram in the short-term perspective. Thus, while reserving all rights towards Jitsun, the Board has decided to apply a different approach to secure coverage of what is owed by Jitsun. This process is ongoing, and the recovery process is unrelated to the below discussion.
- b) Sale of assets. Fram has considered selling assets to cover near term obligations. The severe downturn in the oil market has effectively shut down the demand for non-producing assets, and the rig market is similarly hit. Even though Fram's assets have a potentially high value as going concern, subject to financing of the work program, the assets would be very unlikely to cover the debt and current obligations in a fire sale. The management's analyses is that it would require approx. USD 4-5 million in cash injection to put the assets in a state that would recover sufficient value to meet all obligations. This amount is broken down into covering current liabilities, lease payments, further geological work, one verification well and fees to different service providers related to a sale.
- c) Contribution from shareholders. The Board has since medio November held discussions with the main shareholders to find solutions. The Board sees shareholder contribution as the only viable short-term solution. These discussions have also included early execution of the put options issued in relation to the company's rigs, falling due in approx. 20 months.



The Board has received an offer from Rex International Holding Ltd (REX) to underwrite USD 6 million of an up to USD 10 million share issue in Fram with preferential subscription for existing shareholders. Fram has called for an EGM on 29 December 2014. The call for the EGM is enclosed as appendix 1.

REX has made it a condition for its offer that the capital raised in this round is used to increase the value of the assets, both in terms of establishing production, but also to validate Fram's new geology team's assumptions regarding the viability of the assets. It is therefore a condition for the offer that the owners of the Bonds issued by Fram participate by accepting certain changes to the terms and conditions of the Bond. The most important change is a request to defer the maturity of the Bond till 30 December 2016, thus a prolongation by 15 months and accrual of interest to be paid in full on the maturity date. Further, Bondholders will be asked to accept that the contemplated issue of shares and warrants does not trigger (i) an adjustment to the Conversion Price of the Bonds, and (ii) any Change of Control Event. In return, the shareholders will finance further development and validation of the assets in which the Bondholders have security. The vote on the EGM will be conditional upon formal approval by Bondholders.

REX has notified the Board that their offer is made based on the condition that the situation is resolved prior to 1 January 2015, in order to defend a going concern assessment of Fram. Part of REX' incentive is to avoid a full write down of the Fram shares.

The Board has informed shareholders that it will have an obligation to file for a bankruptcy if there is no solution by early January.

Fram informed Nordic Trustee about the situation in a meeting on December 2nd. Nordic Trustee is also informed that Fram is likely to be unable to meet its obligation to pay interest on the bond from Q1 2015.

In order to assess whether there is sufficient support for such solution, we invite to a meeting to give further information and to discuss the proposed terms with bondholders on Monday 22 December. Time and venue to be advised by Sparebank 1 Markets.

SpareBank 1 Markets has been engaged to assist Fram and bondholders regarding matters concerning the bonds.

Enclosed are two presentations, appendixes 2 and 3, laying out the management's assessment of the status of Fram's main assets.

On behalf of Fram Exploration ASA, I express deep regret about the situation, hereunder the unfortunate timing.

Yours Sincerely,
Fram Exploration ASA

Bernt Østhus
Chairman of the Board
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bernt.osthus@framexploration.no

**FRAM EXPLORATION ASA
INNKALLING TIL EKSTRAORDINÆR
GENERALFORSAMLING**

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Det kalles med dette inn til ekstraordinær generalforsamling i Fram Exploration ASA («Selskapet») den 29. desember 2014 kl 1000. Møtet avholdes i Selskapets lokaler i Kjøpmannsgata 37, Trondheim.

Agenda:

**1 ÅPNING AV
 GENERALFORSAMLINGEN VED
 STYRETS LEDER**

Styrets leder vil foreta fortegnelse av møtende aksjonærer.

2 VALG AV MØTELEDER

Styret foreslår at styrets leder velges til å lede generalforsamlingen.

**3 VALG AV EN PERSON TIL Å
 MEDUNDERTEGNE PROTOKOLLEN**

Styret foreslår at en person som er til stede velges til å medundertegne protokollen.

**4 GODKJENNELSE AV INNKALLING
 OG AGENDA**

5 EMISJON AV AKSJER

Selskapet har på nåværende tidspunkt utilstrekkelig likviditet for å dekke eksisterende behov og forpliktelser. Styret har derfor arbeidet med noen aksjonærer, Rex og obligasjonseierne i Selskapets 2012/2015 obligasjonslån for å finne mulige løsninger for å bedre Selskapets finansielle styrke. Som følge av dette arbeidet har hovedaksjonærer i Selskapet akseptert å gjennomføre en rettet

**FRAM EXPLORATION ASA
NOTICE OF EXTRAORDINARY GENERAL
MEETING**

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Notice is hereby made of an extraordinary general meeting of Fram Exploration ASA (the «Company») on 29 December 2014 at 1000. The meeting will be held at the Company's premises in Kjøpmannsgata 37, Trondheim.

Agenda:

**1 OPENING OF THE GENERAL
 MEETING BY THE CHAIRMAN**

The Chairman will make a record of attending shareholders.

**2 ELECTION OF CHAIRMAN OF
 MEETING**

The Board proposes that the chairman of the Board is elected to chair the meeting.

**3 ELECTION OF ONE PERSON TO
 CO-SIGN THE MINUTES**

The Board proposes that one person present at the meeting is elected to co-sign the minutes.

**4 APPROVAL OF THE NOTICE AND
 AGENDA**

5 SHARE ISSUE

The Company currently finds itself having insufficient liquidity available for its current needs and obligations. The Board, has therefore worked with certain shareholders, Rex and the bondholders in the Company's 2012/2015 bond loan to explore possible solutions to improve the Company's financial strength. Following such discussions, the main shareholders of the

emisjon av nye aksjer til en pris per aksje på NOK 2. Videre skal hver tegnet aksje gi tegneren rett til å tegne en frittstående tegningsrett som gir rett til å tegne ytterligere tre aksjer i selskapet.

Alle Selskapets aksjonærer inviteres til å tegne aksjene (og dermed også få rett til tegningsretter). Den formelle fortrinnsrett til tegning for eksisterende aksjonærer fravikes da Selskapet har behov for midlene raskere enn reglene om fortrinnsrett legger opp til. Styret viser til at aksjonærene vil tilbys å tegne aksjer og dermed opprettholde sitt relative eierskap.

Styret gjør oppmerksom på at tegning av aksjer innebærer risiko for økonomisk tap, herunder at hele investeringen tapes. Etter siste balansedag har Selskapets likviditet og finansielle stilling forverret seg, og den foreslåtte emisjonen er nødvendig for å kunne sikre videre drift inn i 2015.

Seneste årsregnskap med styrets beretning samt revisorberetning er gjort tilgjengelig på Selskapets kontor. Aksjonærer som ønsker trykt versjon tilsendt, kan få dette ved å henvende seg til CFO Martin Lein Staveli på epost martin@staurholding.no.

Styret foreslår følgende vedtak:

- (i) Selskapets aksjekapital skal økes med minimum NOK 28.000.000 og maksimum NOK 74.000.000 ved tegning av minimum 14.000.000 og maksimum 37.000.000 nye aksjer, hver med pålydende NOK 2.
- (ii) Tegningskursen per aksje er NOK 2, noe som innebærer et totalt

Company has agreed to carry out a private placement of new shares at a price of NOK 2 per share. Further, each subscribed share shall give the subscriber the right to receive one warrant which entitles the holder to subscribing a further 3 shares in the Company.

All shareholders in the Company are invited to subscribe shares (and thereby also be entitled to warrants). Existing shareholders' formal preferential right to subscribe the shares is proposed set aside since the Company is in need to get access to the funds quicker than the rules on preferential subscription will allow. The Board refers to the fact that the shareholders will be offered to subscribe shares and thereby maintain their relative ownership.

The Board gives notice that subscription of shares involves economic risks, including the risk of losing the entire investment. After the last accounts date, the Company's liquidity and financial position have deteriorated, and the proposed share issues is necessary in order to secure continued operations into 2015.

The annual accounts with the Board's statement and the auditor's statement are made available for the shareholders at the Company's offices. Shareholders who would like to receive a print copy, may request this from CFO Martin Lein Staveli on email martin@staurholding.no.

The Board proposes the following resolution:

- (i) The Company's share capital shall be increased by a minimum of NOK 28,000,000 and maximum of NOK 74,000,000, by the issue of minimum 14,000,000 and maximum 37,000,000 new shares, each with a par value of NOK 2.
- (ii) The subscription price per share is

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| <p>tegningsbeløp på minimum NOK 28.000.000 og maksimalt NOK 74.000.000.</p> <p>(iii) Aksjene skal tilbys eksisterende aksjonærer per 22. desember 2014 (som registrert i VPS på denne datoen). Eksisterende aksjonærers fortrinnsrett til tegning settes til side. Aksjene skal tildeles i samsvar med følgende prinsipper: Først pro rata in henhold til aksjeeie per 22. desember 2014. Dernest, dersom maksimal beløpet ikke er tegnet ved pro rata allokering; etter styrets skjønn dog slik at styret blant annet skal ta hensyn til størrelsen på den enkelte tegners ordre.</p> <p>(iv) Tegning skjer på særskilt tegningsformular innen utløpet av 31. desember 2014. Betaling skal skje i kontante midler innen utløpet av 2. januar 2015 til Selskapets bankkonto nr. 1503.01.99720 i DNB Bank ASA</p> <p>(v) De nye aksjene gir rett til utbytte som besluttes etter dagen for den ekstraordinære generalforsamlingen.</p> <p>(vi) Selskapet antar at utgifter til kapitalforhøyelsen vil være ca. NOK 100.000.</p> <p>(vii) Selskapets vedtekter punkt 4 endres tilsvarende.</p> | <p>NOK 2, resulting in a total subscription amount of minimum NOK 28,000,000 and maximum NOK 74,000,000.</p> <p>(iii) The shares shall be offered to existing shareholders as at 22 December 2014 (as recorded with the VPS at such date). Existing shareholders' right for preferential subscription is set aside. Shares shall be allocated as follows: First pro rata based on shareholding as per 22 December 2014. Then, in case the maximum amount is not achieved by applying pro rata allocation; at the discretion of the Board, taking into account inter alia volume order from each applicant.</p> <p>(iv) Subscription shall take place on a separate subscription form within end of 31 December 2014. Payment shall take place in cash no later than end of 2 January 2015 to the Company's bank account in DNB Bank ASA,
IBAN: NO53 1503 0199 720
SWIFT: DNBANOKKXXX</p> <p>(v) The new shares shall carry right to dividends resolved after the date of the extraordinary general meeting.</p> <p>(vi) The Company expects that its aggregate costs related to the increase of the share capital will amount to approximately NOK 100,000.</p> <p>(vii) The Company's articles of association section 4 shall be amended accordingly.</p> |
|--|--|

6 UTSTEDELSE AV FRITTSTÅENDE TEGNINGSRETTER

Det vises til beskrivelsen i punkt 5 ovenfor. Eksisterende aksjonærers fortrinnsrett til tegning foreslås fraveket da dette kan være nødvendig for å få til den allokering som følger av allokeringen av aksjer i emisjonen.

6 WARRANTS ISSUE

Reference is made to the description in item 5 above. Existing shareholders' right to preferential subscription is proposed set aside as this may be necessary in order to achieve the allocation which follows from

Styret gjør oppmerksom på at tegning av aksjer innebærer risiko for økonomisk tap, herunder at hele investeringen tapes. Etter siste balansedag har Selskapets likviditet og finansielle stilling forverret seg, og den foreslåtte emisjonen er nødvendig for å kunne sikre videre drift inn i 2015.

Seneste årsregnskap med styrets beretning samt revisorberetning er gjort tilgjengelig på Selskapets kontor. Aksjonærer som ønsker trykt versjon tilsendt, kan få dette ved å henvende seg til CFO Martin Lein Staveli på epost martin@staurholding.no.

Styret foreslår følgende vedtak:

- (i) Selskapet skal utstede minimum 14.000.000 og maksimum 37.000.000 frittstående tegningsretter som hver gir rett for eieren til å tegne 3 aksjer i Selskapet mot en tegningskurs på NOK 2 per aksje («Tegningsrettene»).
- (ii) Tegningsrettene utstedes vederlagsfritt.
- (iii) Eksisterende aksjonærers fortrinnsrett til tegning settes til side. Tegningsrettene skal tegnes av aksjonærer som tegner aksjer i den rettede emisjonen som vedtatt av ekstraordinær generalforsamling 29. desember 2014. En tegnet aksje gir rett til å tegne en Tegningsrett. Tegningsrettene skal tegnes på separat tegningsformular innen utløpet av 31. desember 2014.
- (iv) Tegningsrettene kan utøves av eieren fullt eller delvis på ethvert tidspunkt etter registreringen av Tegningsrettene i VPS og frem til og med 29. desember 2017.
- (v) Aksjer utstedt ved utøvelse av Tegningsretter gir eieren rett til utbytte fra aksjene er registrert i

the allocation of shares in the private placement.

The Board gives notice that subscription of shares involves economic risks, including the risk of losing the entire investment. After the last accounts date, the Company's liquidity and financial position have deteriorated, and the proposed share issues is necessary in order to secure continued operations into 2015.

The annual accounts with the Board's statement and the auditor's statement are made available for the shareholders at the Company's offices. Shareholders who would like to receive a print copy, may request this from CFO Martin Lein Staveli on email martin@staurholding.no.

The Board proposes the following resolution:

- (i) The Company shall issue a minimum of 14,000,000 and maximum of 37,000,000 warrants (no: frittstående tegningsretter), each entitling the holder to subscribe 3 shares in the Company against a subscription price of NOK 2 per share (the "Warrants").
- (ii) The Warrants are issued free of charge.
- (iii) Existing shareholders' preferential right to subscribe the Warrants is set aside. The Warrants are to be subscribed by shareholders subscribing shares in the private placement resolved by the extraordinary general meeting of the company held 29 December 2014. One subscribed share shall entitle to subscribe one Warrant. Warrants are to be subscribed on a separate subscription form no later than within end of 31 December 2014.
- (iv) The Warrants may be exercised by the holder in full or in part at any

- Foretaksregisteret.
- (vi) Tegningsrettene er omsettelige.
 - (vii) Eiere av Tegningsretter skal ha de samme rettigheter som aksjonærer ved fusjon eller fisjon av Selskapet.

- time after the registration of the Warrants with the VPS and up and including to 29 December 2017.
- (v) Shares issues upon exercise of Warrants will entitle the holder to receive dividends as from the time the new shares are registered with Norwegian Register of Business Enterprises.
 - (vi) The warrants are transferrable.
 - (vii) Holders of Warrants shall have the same rights as shareholders in case of merger or demerger of the Company.

Aksjonærer som vil være til stede under generalforsamlingen bes benytte deltakelsesskjema vedlagt som Vedlegg 2 til innkallingen.

Shareholders who will be present during the general meeting are asked to use participation form enclosed as schedule 2 to the notice.

Aksjonærer som vil være representert ved fullmektig, bes benytte fullmaktsskjema vedlagt som Vedlegg 3 til innkallingen.

Shareholders who will be represented by proxy, are asked to use power of attorney form enclosed as schedule 3 to the notice.



Bernt Østhus
Styrets leder

Vedlegg 1 *Schedule 1*

Deltakelsesskjema *Participation form*

Notice of participation

* * *

Shareholder name: _____

Number of shares: _____

I/We hereby confirm that our shares will be represented in the extraordinary general meeting of the shareholders in Fram Exploration ASA to be held on 29 December 2014.

Date: _____

Signature: _____

Name: _____

Position: _____

Please return form to Fram Exploration ASA by CFO Martin Lein Staveli per e-mail martin@staurholding.no

Vedlegg 2 *Schedule 2*

Fullmaktskjema *Form of power of attorney*

Power of attorney

* * *

Shareholder name: _____

Number of shares: _____

I/we hereby grant (set x as appropriate)

Bernt Østhus: []

_____ : []

power of attorney to participate and vote on behalf of all my/our shares in Fram Exploration ASA ("Company") at the extraordinary meeting of the shareholders of the Company to be held on 29 December 2014.

Date: _____

Signature: _____

Name: _____

Position: _____

Please return form to Fram Exploration ASA by CFO Martin Lein Staveli per e-mail martin@staurholding.no

Williston Basin – Fram value creation



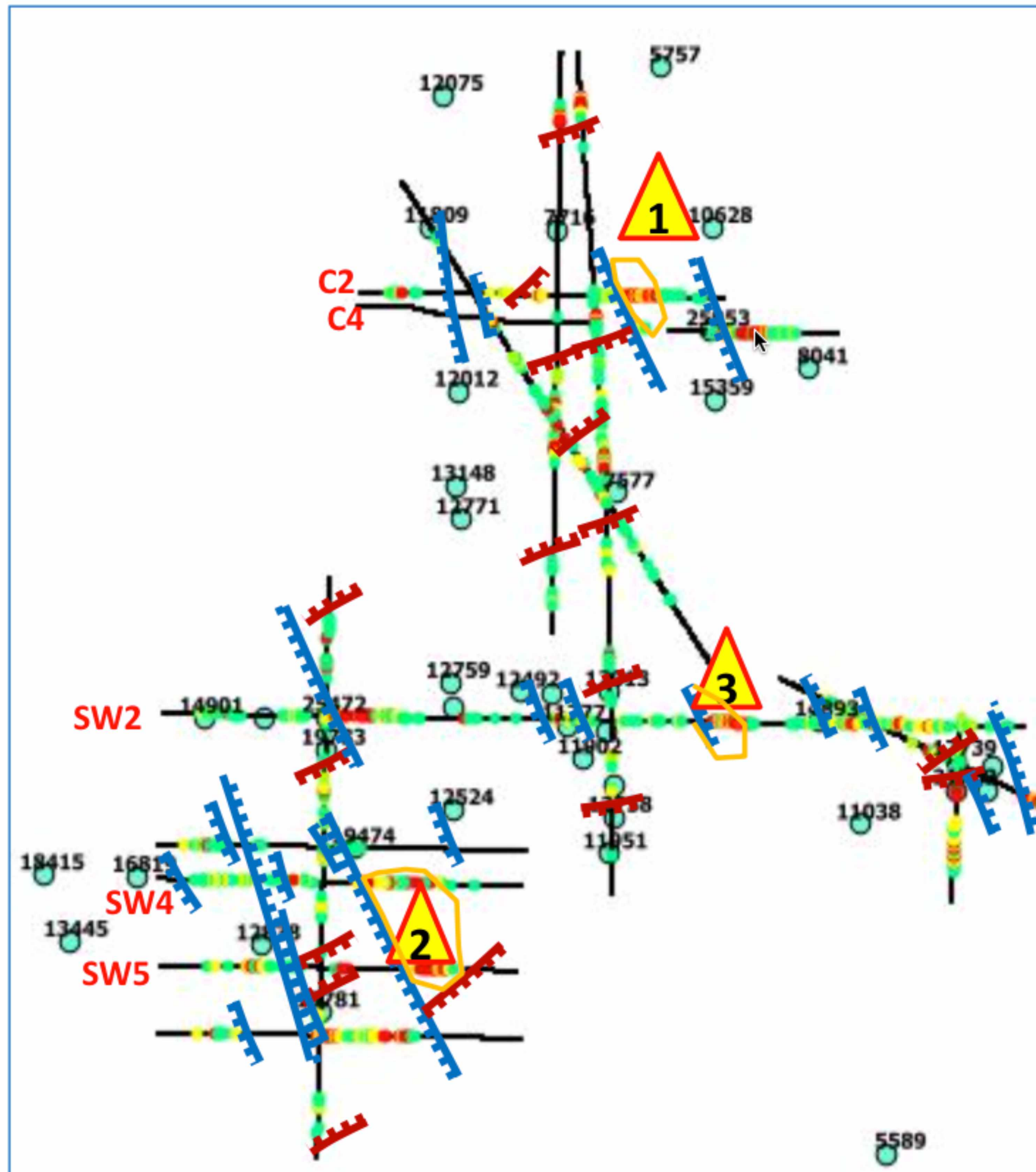
Williston prospectivity based on 2014 work

- New 2D seismic data shows significant value and suggests that no new well should be drilled without 3D
- The traditional Fram Mission Canyon play has further potential documented by seismic
 - 3 significant prospects identified by consultant AGGO
- New reef play type identified by the 2014 seismic and validated by virtual drilling
- Lower drilling costs increases potential for profitable operations



Williston Mission Canyon prospects

Volumes and Chance of Success



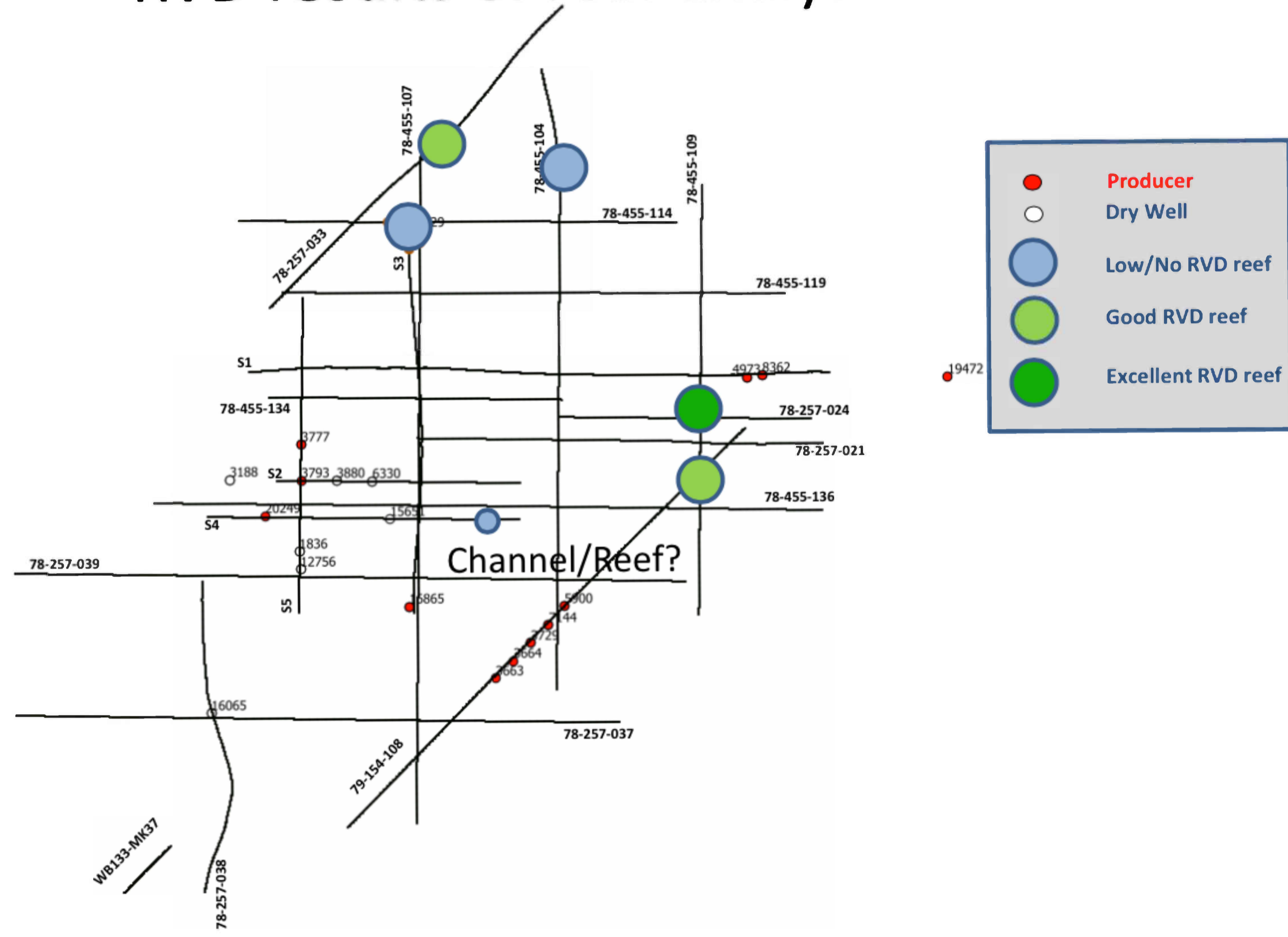
Prospect 1:	
Seismic Lines	C2, C4
Formation	MC
Area	up to 2 km ²
Depth	900 m
STOIIP (max)	6.0 MMBO
STOIIP (MSV)	3.5 MMBO

Prospect 2:	
Seismic Lines	SW4, SW5
Formation	MC
Area	up to 2.8 km ²
Depth	930 m
STOIIP (max)	11.0 MMBO
STOIIP (MSV)	6.0 MMBO

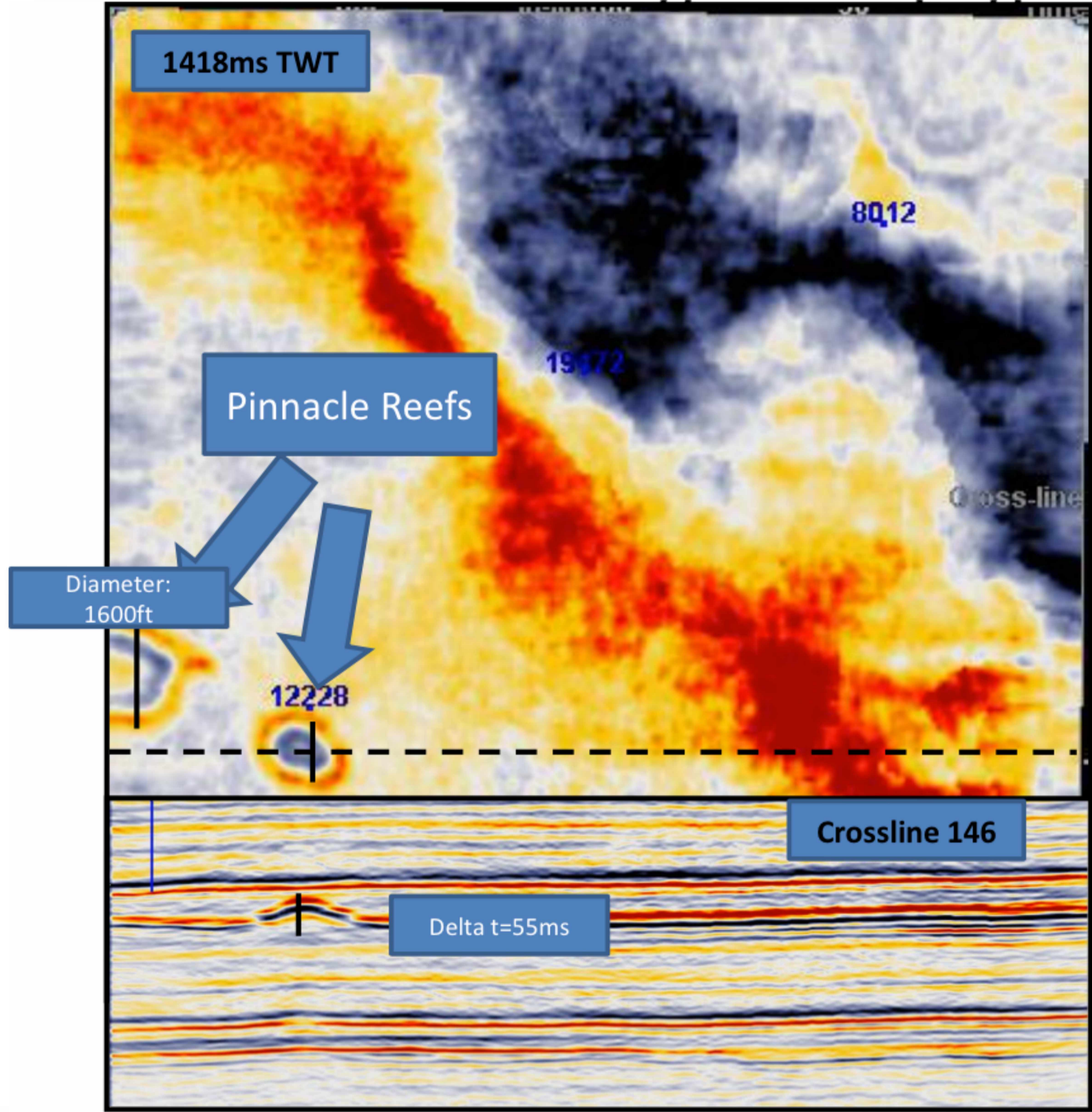
Prospect 3:	
Seismic Lines	SW2
Formation	MC
Area	up to 2 km ²
Depth	930 m
STOIIP (max)	6.0 MMBO
STOIIP (MSV)	3.5 MMBO



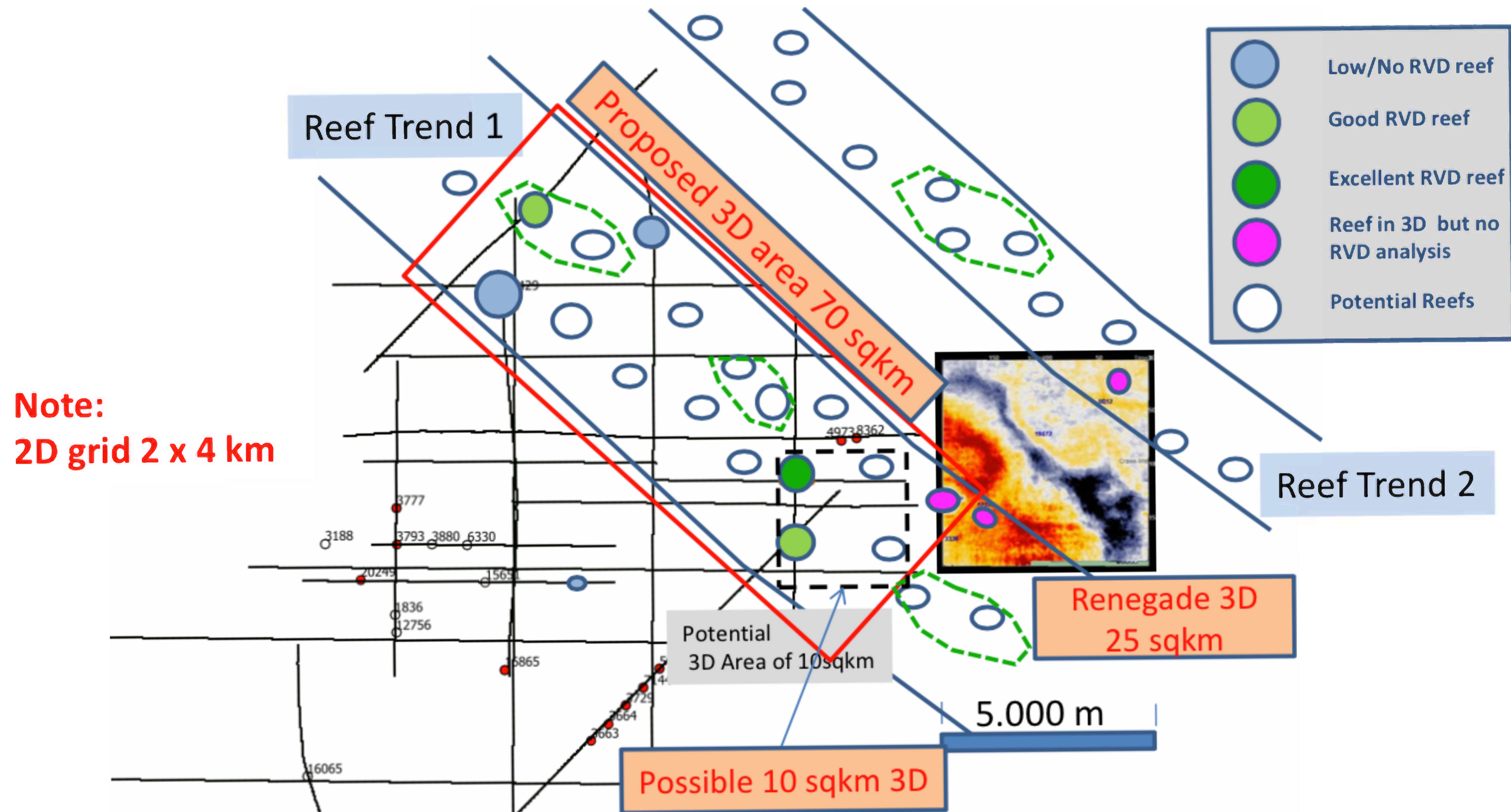
RVD results of reef analysis



Z-slice 3D Area showing Winnipegosis reefs



Proposed 3D area



Note:
Expected 3D Cost: <2 Mio USD

Reef Prospect Average Field Size

Inputs Mean Case (single reef)

- Area 60,000m²
- Height 100m
- N/G 50%
- Av. Porosity 15%
- Oil Saturation 90%
- FVF 1.05
- Recovery Factor 40 %

Results (single reef)

- STOIP 2.5 MMBO
- Recoverable 1 MMBO

Potential in Area

- 3 of 5 reefs seen in 2D have positive RVD anomalies
- 2 reefs are without RVD anomalies, 1 was drilled (dry, but excellent reservoir)
- Expected to find 20 reefs in total, thereof 10 expected to be successful
- Total yet to find in 2D area and adjacent: 5-10 MMBO (3D and 10 wells)

Risks associated Williston

- Mission Canyon exploration based on localised porosity development
- Reef play not tested in the Williston area, however has been successful near by in Canada