

# FRAM EXPLORATION ASA

## Interim Financial Report

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**Third Quarter 2011**



*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 and in the Republic of Trinidad and Tobago off the coast of Venezuela. 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](http://www.framexploration.com)*

# FRAM Exploration ASA

Directors' Report

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## 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 person's officers or employees provides any assurance that the assumptions underlying such forward-looking statements are 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 our actual results.

## Third Quarter 2011 Activities

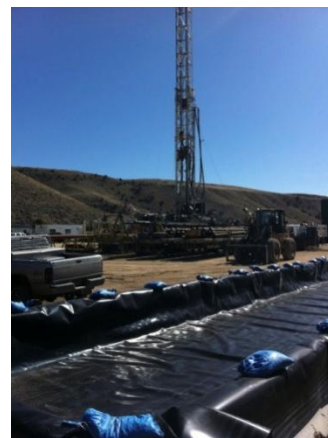
### *Whitewater lease (Colorado, USA)*

Fram operates the Whitewater Federal Unit in the Piceance Basin in North West Colorado, where it has ~55,000 acres under lease with a 95.6% working interest. Since assuming operatorship in May 2009, the Company has conducted a successful drilling campaign in the unit, drilling a total of 13 wells (10 vertical and 3 high angle) and has identified six hydrocarbon bearing formations, the most important of which is the Upper Cretaceous Dakota reservoir.

During the third quarter we produced 2,665 gross barrels of oil, 75% of which came from the Mansur 33-1-K well, a Dakota discovery, which was the first oil well completed by Fram in Whitewater. This well also led to our prioritizing oil development over natural gas. It came on production in June 2010 and, as of the end of third quarter 2011, has produced gross volumes of 13 mb of oil and 26.2 mmcf of gas with no water and no loss of reservoir pressure. Due to the distribution and geometry of the channel sands that constitute the Dakota reservoir, Fram plans to drill and complete high-angle, medium-reach wells to ensure we intersect multiple channel systems and thereby achieve maximum reservoir contact and maximum production flow rates. Total vertical depths (TVD) for the wells will be in the 2,500 to 3,000 feet range and measured depths in the 3,500 to 4,500 feet range.

In the Whitewater field, two high angle wells which did not meet our performance expectations were drilled in the second quarter. With the assistance of Weatherford Reservoir engineering consultants in Trondheim, we are currently reviewing various alternative methods for stimulating the wells. Fram continues to work on the drilling and completion techniques being employed to obtain targeted initial production (IP) rates of 60 bopd from the high angle wells.

A total of 2,665 gross barrels of oil were sold in the quarter from Whitewater at an average price of \$75.63, a discount of approximately \$13 per barrel from WTI marker prices.



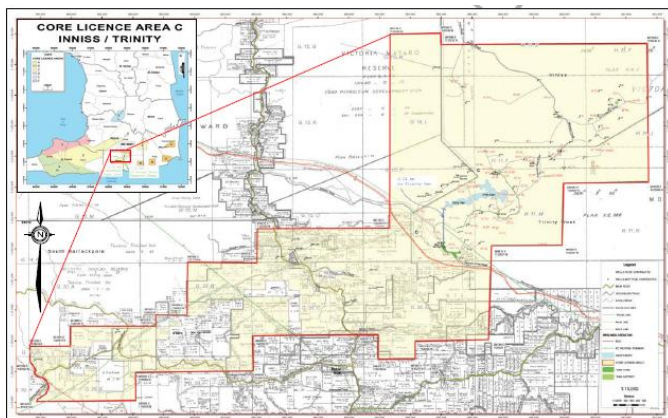
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## ***Inniss – Trinity field (Trinidad)***

Fram operates the Inniss-Trinity Contract Area onshore south central Trinidad under an Incremental Production Service Contract with Petrotrin, the State oil company. To date, operations on the approximately 5,800 acre contract area have been focused on an extensive field work-over program. Average production has steadily increased: more than tripling from 28 gross bopd in March to volumes in excess of 90 gross bopd in September. This improvement was achieved from two management initiatives: two work-over and two swabbing units were operated in the field for much of the quarter and the completion, in April, of a 1,500 barrel storage facility, which has greatly reduced downtime in production and sales. The near-term focus will be to complete the work-over program on the existing well inventory to increase production rates.



A total of 4,052 gross barrels of oil from the Inniss-Trinity field were sold in the quarter at an average price of \$93.39, a \$4/bbl premium to WTI marker prices.

As of the end of Q3, cumulative production from the Fram-operated portion of the Inniss-Trinity field stood at 9,061 gross bbls of oil, 45% of which was produced in the third quarter of 2011.

## ***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 and, henceforth, it will be called 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 at more than 100 barrels of oil per day throughout August and September produced at approximately 96 bopd under restricted conditions while optimal production rates were being evaluated. During the quarter we produced a total of 4,206 gross barrels of oil and 2.5 mmcf of gas, along with 4,300 barrels of water. A total of 3,562 gross barrels of oil were sold in the quarter at an average price of \$67.53 per bbl, a discount of approximately \$22 per bbl from WTI marker prices. The Company is highly encouraged by these early results from a vertical well and believes it validates its geological model for the 18 other prospects and leads that it holds in Renville County. Current plans are to begin developing the South Greene field with an initial 3 vertical wells beginning in early November.



Fram holds leases on a total of about 10,500 acres in the basin and has a portfolio of an additional 18 leads and prospects, which identify carbonate mounds in the shallow marine carbonates of the Mississippian-aged Mission Canyon formation. These mounds are similar in size and geological setting to the South Greene field and are also in close proximity to existing fields producing from the Mission Canyon formation. Long term plans are to drill approximately 6 of these prospects per year until they are fully evaluated.

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## **Oil Pricing**

Pricing of the oil produced at the Company's three main assets is based upon on a set of relationships to WTI marker prices with an adjustment to account for differences in oil quality and for the costs of transportation. The Williston and Piceance basin assets have their oil trucked to a distribution point while Trinidad uses a pipeline to move its oil a short distance to market. The current quarter relationships are discounts of \$13/bbl in the Whitewater unit and \$22/bbl in the South Greene field while Inniss-Trinity is currently enjoying a \$4/bbl premium to WTI. Over time, the US price relationships are expected to remain reasonably constant while the Trinidadian premium pricing is expected to revert to a small discount as the Brent/WTI crude price differential narrows.

## **Initial Public Offering**

Fram applied for listing on the Oslo Axess exchange in March 2011 and was approved for the listing targeting a raise of \$25 – 40 million. A very thorough due diligence was performed on the company from both a legal and financial perspective. In addition, a Competent Persons Report was obtained from independent reserve engineers, Gaffney Cline and Associates. The Company prospectus was approved by the FSA and it went to market in June on a two week roadshow through Europe and the US but was forced to withdraw the application due to adverse market conditions. At the time of this report, the Company will manage its investment activities and expenses in order to maintain adequate liquidity and remain viable as a going concern. During the second quarter, the Company closed on some interim financing arrangements and plans to go public as and when equity market conditions improve on the Toronto Stock Exchange.

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## **Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1, 2011 through September 30, 2011 has been prepared in accordance with IAS 34 – Interim Financial Reporting, 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 interim management report includes a fair review of important events that have occurred during the first nine months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining three months of the financial year, and major related parties transactions.

## **Subsequent Events**

In late October, Fram executed an IADC drilling contract with CanElson Drilling (US) Inc. and intends to drill and complete three development wells in the South Greene field in Renville County, ND during the fourth quarter. South Greene is the new name for the field discovered by the Funke #1 exploration well drilled in April of 2011. The vertically drilled wells are each expected to produce in excess of 100 barrels per day initially and decline naturally thereafter.

In early November, Fram drew down an additional NOK 12.7 million (approximately \$2.3 million) of loan proceeds against its Convertible Note. The drawdown leaves outstanding approximately NOK 16.7 million (\$3 million) against the facility. It is Fram's intention to draw down the complete amount of NOK 46.2 million (approximately \$8.3 million) by the end of December, 2011.

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## Directors' Report

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Also in November, Clements Capital agreed to convert its \$2 million Note, due February 1, 2012, to the same terms and conditions as the Company's existing Convertible Notes. Documentation has commenced to record the verbal agreement.

### **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's core values, we continuously strive to improve performance in this area.

In line with the Company's environmental goals, the Company has 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 has established governing documentation for each Country in which it operates.

The Company works proactively to reduce sickness absence by promoting a safe and positive working environment and emphasizing attendance factors. The Company's sickness rate was almost zero for the three quarters of 2011.

### **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.

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### **Results of Operations**

The following discussion and analysis of the results of operations for the three and nine months ended September 30, 2011 and 2010 should be read in conjunction with the consolidated financial statements of Fram Exploration ASA and notes thereto included in this Quarterly Report.

#### **Three Months Ended September 30, 2011 vs. Quarter Ended September 30, 2010**

The Company reported a net loss for the quarter ended September 30, 2011 of \$2.2 million or \$.10 per share. For the same period in the prior year, the Company reported a net loss of \$1.8 million, or \$.17 per share. Net loss increased by \$.3 million primarily due to exploration costs of \$.8 million, an increase of \$.8 million in general and administrative, offset by a \$.6 million reduction in operating expenses and a \$.7 million increase in oil and gas revenue.

The following table sets forth the operating results and production data for continuing operations for the quarter ended September 30, 2011 and 2010.

# FRAM Exploration ASA

Directors' Report

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	Three Months Ended		Increase	% Increase
	September 30,			
	2011	2010		
<b>Sales Volumes:</b>				
Crude Oil (Bbls)	10,278	2,177	8,101	372%
Crude Oil (Bbls per day)	112	24	88	372%
<b>Average Sale Price:</b>				
Crude Oil (\$/Bbl)	\$ 79.18	\$ 62.01	\$ 17.17	28%
<b>Petroleum Revenue:</b>				
Crude Oil	\$ 813,857	\$ 134,996	\$ 678,861	503%

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## *Petroleum Revenues*

Petroleum revenues for quarter ended September 30, 2011 increased significantly to \$.8 million from \$.1 million for the same period in the prior year, primarily due to \$.5 million related to increased volume and \$.2 million related to price increase. Revenue increases from oil volumes were due to production coming on line at the Williston and Trinidad fields (3,562 and 4,052 gross bbl of oil, respectively) as well as increased production of 488 gross bbl of oil at the Whitewater field.

## *Operating Expenses*

The following table sets forth the operating results for continuing operations for the quarter ended September 30, 2011 and 2010.

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	Three Months Ended	
	September 30,	
	2011	2010
Operating expenses		
Exploration expenses	\$ 789,506	\$ -
Lease operating expense	600,718	930,167
Royalty expense	244,601	133,646
Total operating expense	1,634,825	1,063,813
General and administrative expenses	1,816,796	767,563
Depreciation, depletion and amortization	79,850	28,429

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Operating expenses for quarter ended September 30, 2011 increased to \$1.6 million from \$1.0 million for the same period in the prior year due primarily to exploration costs of \$.6 million and IPO expenses of \$.2 million offset by \$.2 million reduction in lease operating expense. Lease operating reductions were reduced due to \$.6 million consolidation error recognized in June 2011.

## *Exploration Expenses*

Exploration expense for the quarter ended September 30, 2011 was comprised of the write off of the Federal 12-1A-1 well in Whitewater, which was an attempted horizontal well that was did not reach the pay zone due to mechanical limitations.

# FRAM Exploration ASA

Directors' Report

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## *General and Administrative Expenses*

General and administrative expenses, including share-based compensation, for quarter ended September 30, 2011 increased to \$1.8 million from \$.8 million for the same period in the prior year. The increase is due primarily to additional personnel salaries and benefits expense.

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

DD&A for quarter ended September 30, 2011 increased to \$.08 million from \$.03 million for the same period in the prior year in line with the increase in production volumes.

## **Nine Months Ended September 30, 2011 vs. Nine Months Ended September 30, 2010**

The Company reported a net loss for the nine months ended September 30, 2011 of \$10.5 million, or \$0.51 per share. For the same period in the prior year, the Company reported a net loss of \$4.8 million, or \$0.43 per share.

The following table sets forth the operating results and production data for continuing operations for the nine months ended September 30, 2011 and 2010.

	Nine Months Ended		Increase	% Increase
	September 30,			
	2011	2010		
<b>Sales Volumes:</b>				
Crude Oil (Bbls)	19,358	2,500	16,858	674%
Crude Oil (Bbls per day)	71	9	62	674%
<b>Average Sale Price:</b>				
Crude Oil (\$/Bbl)	\$ 85.12	\$ 61.83	\$ 23.29	38%
<b>Petroleum Revenue:</b>				
Crude Oil	\$ 1,647,676	\$ 154,566	\$ 1,493,109	966%

## *Petroleum Revenues*

Petroleum revenues for nine months ended September 30, 2011 increased significantly to \$1.6 million from \$.1 million for the same period in the prior year, primarily due to \$1.1 million related to increased volume and \$.4 million related to an increase in price. Revenue increases from oil volumes were due to production coming on line at the Williston and Trinidad

# FRAM Exploration ASA

## Directors' Report

fields (3,562 and 9,061 gross bbl of oil, respectively) as well as increased production of 4,235 bbl of oil at the Whitewater field.

### *Operating Expenses*

The following table sets forth the operating results for continuing operations for the nine months ended September 30, 2011 and 2010.

	Nine Months Ended	
	September 30,	
	2011	2010
Operating expenses		
Exploration expenses	\$ 1,994,224	\$ -
Lease operating expense	5,259,148	2,312,792
Royalty expense	535,511	138,100
Total operating expense	7,788,883	2,450,892
General and administrative expenses	4,600,194	1,963,220
Depreciation, depletion and amortization	225,358	74,015

Operating expenses for nine months ended September 30, 2011 increased to \$7.8 million from \$2.5 million for the same period in the prior year due primarily to \$2.0 million of exploration costs, a \$3.0 million increase in lease operating expense, and a .3 million increase in royalty expense.

### *Exploration Expenses*

Exploration expense for the nine months ended September 30, 2011 was comprised of the write off of the following wells as non-productive: a \$1 million impairment charge on the Mansur 33-1-G well first leg, \$0.8 million impairment charge on the Federal 12-1A-1 commitment well and \$0.2 million impairment charge on the Siminole 32-2-L well. All the impaired wells were located in the Whitewater field.

### *General and Administrative Expenses*

General and administrative expenses, including share-based compensation, for nine months ended September 30, 2011 increased to \$4.6 million from \$2 million for the same period in the prior year. The increase is primarily due to \$1.3 million of expenses related to the Company's Oslo IPO in the first half of 2011 and additional personnel salaries and benefits expense.

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

DD&A for nine months ended September 30, 2011 increased to \$.22 million from \$.07 million for the same period in the prior year in line with the increase in production volumes.

# FRAM Exploration ASA

Directors' Report

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## **Liquidity and Capital Resources**

The primary sources of cash for the Company during the nine months ended September 30, 2011 were funds generated from operations, issuances of ordinary shares, and borrowings.

### ***Cash flows from operating activities***

Net cash used in operating activities for the nine months ended September 30, 2011 increased to \$10.3 million from \$5.8 million for the same period in the prior year primarily due to increased net loss of \$6.3 million, offset by \$1.9 million increase in creditor liabilities. Increased uses of net cash for operating activities were associated with expenses related to drilling commitment wells and the write off of nonproductive wells in the Whitewater field as well as costs of bringing production online in the Williston basin.

### ***Cash flows from investing activities***

Net cash used in investing activities for the nine months ended September 30, 2011 increased by \$.4 million for the same period in the prior year.

### ***Cash flows from financing activities***

Net cash used in investing activities for the nine months ended September 30, 2011 decreased to \$3.8 million from \$10.1 million for the same period in the prior year primarily due to conclusion of stock issuances in 2010 and \$3 million of proceeds from borrowings in 2011.

# FRAM Exploration ASA

Consolidated Statements of Financial Position  
(Unaudited)

	September 30, 2011	September 30, 2010	December 31, 2010
<b>Assets</b>			
Current assets			
Cash and cash equivalents (Notes 4 and 5)	\$ 4,315,873	\$ 786,740	\$ 14,929,515
Accounts Receivable	746,039	685,705	378,048
Inventory	283,283	329,570	417,363
Total current assets	5,345,194	1,802,015	15,724,926
Oil and gas properties (Note 8)	29,862,739	27,367,205	30,263,049
Gathering and other field facilities (Note 8)	2,192,820	1,948,374	-
Well equipment and other (Note 8)	2,399,250	1,219,145	-
Accumulated depreciation, depletion and amortization (Note 8)	(279,923)	(105,714)	-
Concessions, patents, licences, etc. (Note 9)	130,224	183,963	180,579
Other	4,340	2,000	186,139
Total non-current assets	34,309,449	30,614,972	30,629,767
<b>Total Assets</b>	<b>\$ 39,654,644</b>	<b>\$ 32,416,987</b>	<b>\$ 46,354,693</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Current portion, borrowings external (Note 10)	\$ 4,200,000	\$ -	\$ 2,945,851
External trade creditors	1,350,801	506,931	347,043
Other short term liabilities, external	1,085,984	576,864	455,270
Total current liabilities	6,636,785	1,083,795	3,748,164
Borrowings, external (Note 10)	2,225,593	4,200,000	2,200,000
Derivative liabilities (Note 12)	1,952,938	-	-
Decommissioning Provision (Note 11)	239,510	194,167	235,748
Other provisions and liabilities	131,916	48,286	2,249,650
Total non-current liabilities	4,549,957	4,442,453	4,685,398
Shareholders' equity			
Share capital	6,612,110	4,027,920	6,586,367
Share premium reserve	43,947,099	31,826,408	31,219,296
Translation reserve	(23,946)	2,126	-
Other Reserves	(5,698,839)	(3,255,475)	115,468
Accumulated deficit	(16,368,522)	(5,710,240)	-
Total shareholders' equity	28,467,902	26,890,738	37,921,131
<b>Total liabilities and shareholders' equity</b>	<b>\$ 39,654,644</b>	<b>\$ 32,416,987</b>	<b>\$ 46,354,693</b>

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

# FRAM Exploration ASA

Consolidated Statements of Financial Position  
(Unaudited)

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The Board of Directors FRAM Exploration ASA

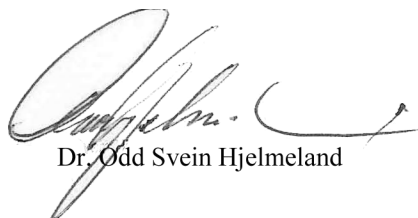
Trondheim, November 29, 2011



Bernt Elvind Østhus  
Chairman



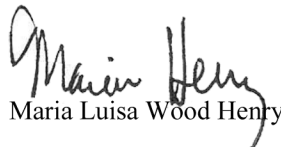
Kristin Jørstad



Dr. Odd Svein Hjelmeland



Ola Petter Tandle Lyngstad



Maria Luisa Wood Henry



Patrick Gerard Keenan  
Group President & CEO

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## Consolidated Statements of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenue:				
Petroleum and natural gas revenue (Note 3)	\$ 813,857	\$ 134,996	\$ 1,647,676	\$ 154,566
Operating expenses				
Exploration expenses	789,506	-	1,994,224	-
Lease operating expenses	600,718	930,167	5,259,148	2,312,792
Royalty expenses	244,601	133,646	535,511	138,100
Total operating expenses	1,634,825	1,063,813	7,788,883	2,450,892
General and administrative expenses	1,816,796	767,563	4,600,194	1,963,220
Depreciation, depletion and amortization (Note 8)	79,850	28,429	225,358	74,015
Results from operating activities	(2,717,615)	(1,724,809)	(10,966,758)	(4,333,560)
Finance income (expense), net (Note 6)	678,040	(91,172)	721,717	(346,797)
Foreign exchange gain (loss)	(108,154)	(27,352)	(208,800)	(94,921)
Net loss	(2,147,729)	(1,843,333)	(10,453,841)	(4,775,279)
Other comprehensive income (loss)	(23,946)	2,129	(23,946)	2,129
Total comprehensive income (loss)	\$ (2,171,675)	\$ (1,841,204)	\$ (10,477,787)	\$ (4,773,150)
Weighted average no. of shares outstanding	20,563,943	10,993,730	20,556,728	10,993,730
Profit/loss per share (adjusted for split) after tax	\$ (0.10)	\$ (0.17)	\$ (0.51)	\$ (0.43)

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

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Consolidated Statements of Changes in Equity  
(Unaudited)

	Share capital	Premium reserve	Other paid-in equity	Total equity
Balances at December 31, 2009	\$ 3,396,834	\$ 15,000,764	\$ -	\$ 18,397,598
Total comprehensive income	-	(4,773,153)	-	(4,773,153)
Issue of new shares	631,086	12,546,286	-	13,177,372
Other	-	88,922	-	88,922
Total transactions with shareholders	631,086	12,635,208	-	13,266,294
Balances at September 30, 2010	\$ 4,027,920	\$ 22,862,819	\$ -	\$ 26,890,739
Balances at December 31, 2010	\$ 6,586,367	\$ 31,219,296	\$ 115,468	\$ 37,921,131
Total comprehensive income	-	(10,477,787)	-	(10,477,787)
Share based compensation (Note 13)	-	-	629,965	629,965
Increase of capital	25,743	485,156	-	510,899
Other	-	(116,306)	-	(116,306)
Total transactions with shareholders	25,743	368,850	629,965	1,024,559
Balances at September 30, 2011	\$ 6,612,110	\$ 21,110,359	\$ 745,433	\$ 28,467,903

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

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Consolidated Statements of Changes in Cash Flows  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash flow from operating activities				
Income / loss before tax	\$ (2,147,729)	\$ (1,843,333)	\$ (11,087,820)	\$ (4,775,279)
Depreciation/dry holes	79,850	28,429	223,559	74,015
Change in inventories, accounts payable and accounts receivable	(4,310,833)	(693,234)	1,303,657	(613,123)
Change in net working capital and other accrual items	501,548	(178,597)	(733,679)	(519,278)
Net cash used in operating activities	(5,877,163)	(2,686,735)	(10,294,282)	(5,833,665)
Cash flow from investing activities				
Capital expenditures, net	(781,887)	(1,466,362)	(4,113,328)	(3,723,359)
Net cash used in investing activities	(781,887)	(1,466,362)	(4,113,328)	(3,723,359)
Cash flow from financing activities				
Net change in restricted bank deposits	42,641	(51,564)	235,690	129,813
Proceeds from borrowings	3,000,000	-	3,000,000	-
Net cash provided by (used in) financing activities	3,042,641	(51,564)	3,793,967	10,073,776
Net change in cash and cash equivalents	(3,616,409)	(4,204,661)	(10,613,643)	516,752
Cash and cash equivalents at the start of period	7,932,282	4,991,401	14,929,516	269,988
Cash and cash equivalents at the end of period	\$ 4,315,873	\$ 786,740	\$ 4,315,873	\$ 786,740

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

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Notes to Consolidated Financial Statements  
(Unaudited)

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## **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, the Williston Basin in North Dakota both in the United States, and in Trinidad in the Caribbean. The main office is in Trondheim Norway. These consolidated financial statements have been approved for issue by the Board of Directors on November 28, 2011.

## **NOTE 2 – BASIS OF PRESENTATION AND PREPARATION**

### ***Statement of compliance:***

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”).

The consolidated financial statements are presented in US dollars.

### ***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, income and expenses. Actual results may differ from these estimates.

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 – Significant accounting policies

Note 9 – Intangible assets

Note 11 – Decommissioning provision

Note 12 – Derivative liabilities

Note 13 – Share based compensation

### ***Reclassification:***

Certain amounts disclosed in prior periods have been reclassified to conform to current presentation. Such reclassifications had no effect on the Company’s net loss in any of the periods presented.

### ***Correction of error:***

During the third quarter, the Company made an adjustment to the consolidated financial statements to correct for technical consolidation errors in the second quarter 2011. This correction has the net effect of decreasing year to date other operating expenses by 633,978.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

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## ***NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies are consistent with those of the annual financial statements for the year ended December 31, 2010 except as detailed below.

Summary of significant accounting policies to the financial statements was modified to change the depletion denominator to include Proved and Probable reserves rather than Proved Developed and Proved Undeveloped. Specifically, The Company's unit of production method calculates depletion based on Proved and Probable reserves in the denominator. The calculation uses the actual period production by field divided by the Proved and Probable reserves for the field. The depletion restatement amount for 2010 was immaterial for this change.

### ***Basis of consolidation:***

These consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the accounts of Fram Exploration ASA, its wholly owned subsidiary Fram Caribbean Ltd. and its 99.6% majority owned subsidiary, Fram Americas LLC. All intercompany transactions and balances have been eliminated on consolidation.

### ***Foreign currency:***

Transactions in foreign currencies are translated to 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 to 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 to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

### ***Fair value of financial instruments:***

As of September 30, 2011 and 2010, the fair value of the Company's cash, accounts receivable, inventory, accounts payable other short term liabilities approximate their carrying values because of the short-term maturity of these instruments.

### ***Earnings per share of common stock:***

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

### ***Share-based payment:***

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

### ***Revenue and Cost Recognition:***

The Company recognizes oil and natural gas revenue under the sales method of accounting for its interests in producing wells as crude oil and natural gas is produced and sold from those wells. Under the sales method, the Company does not recognize

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
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the value of its crude oil inventory in the financial statements. Costs associated with production are expensed in the period incurred.

## *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, effective for the Company on January 1, 2013, to have a material impact on the financial statements.

IFRS 9 – Financial Instruments, issued November 2009.

IFRS 10 – Consolidated Financial Statements, issued May 2011.

IFRS 13 – Fair Value Measurement, issued May 2011.

## **NOTE 4 – 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.

<b>Balances at September 30,</b>	<b>2011</b>	<b>2010</b>
Cash at bank and on hand	\$ 4,131,005	\$ 604,156
Short-term bank deposits	184,868	182,584
Cash and cash equivalents (excluding bank overdrafts)	\$ 4,315,873	\$ 786,740

## **NOTE 5 – RESTRICTED CASH**

<b>Balances at September 30,</b>	<b>2011</b>	<b>2010</b>
Fram Caribbean Ltd	\$ 140,218	\$ 138,352
Fram Americas LLC	184,868	182,584
Fram Exploration AS	17,682	43,724
	\$ 342,769	\$ 364,661

As part of the terms of the licenses with Petrotrin, the Company is required to secure surety bonds in order to maintain operations in Trinidad. The restricted amounts for Fram Caribbean, Ltd. at September 30, 2011 and 2010 of \$140,218 and \$138,352 respectively are held at the Unit Trust Corporation of Trinidad and Tobago as collateral for these required bonds.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

Balances held at Fram Americas LLC as of September 30, 2011 and 2010 of \$184,868 and \$182,584 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 September 30, 2011 and 2010 of \$17,682 and \$43,724 respectively are required tax deposits for employees of the Company in Norway.

## NOTE 6 – FINANCE INCOME AND EXPENSE

Three months ended September 30,	2011	2010
Finance income		
Interest income	\$ 2,892	\$ 1,250
Net gain on derivative contracts	990,844	-
	993,736	1,250
Finance expenses		
Interest expense	315,695	92,422
	\$ 678,040	\$ (91,172)
Net finance income (expense)		

## NOTE 7 – SEGMENT INFORMATION

The Company has three reportable operating and geographic segments – Norway Operations, Trinidad Operations and US Operations. See Note 1 for a description of the Company’s operations. Geographic revenues by external customer, and property and equipment are included below.

The following summarizes the Company’s segmented information:

Three months ended September 30, 2011	Trinidad	USA	Norway	Total
Total segment revenue	\$ 429,895	\$ 435,431	\$ 420,000	\$ 1,285,326
Inter-segment revenue	(51,469)	-	(420,000)	(471,469)
Revenue from external customers	378,426	435,431	-	813,857
Interest income	1,236	1,656	-	2,892
Interest expense	-	76,835	238,860	315,695
Depreciation and amortisation	33,222	17,269	29,359	79,850
Reportable segment profit/loss	(647,257)	(1,178,639)	(345,779)	(2,171,675)
Total assets	\$ 1,381,011	\$ 36,806,757	\$ 1,466,876	\$ 39,654,644
Total liabilities	\$ 3,473,450	\$ 5,386,265	\$ 2,327,027	\$ 11,186,742

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

Three months ended September 30, 2010	Trinidad	USA	Norway	Total
Total segment revenue	\$ -	\$ 134,996	\$ 420,000	\$ 554,996
Inter-segment revenue	-	-	(420,000)	(420,000)
Revenue from external customers	-	134,996	-	134,996
Interest income	652	598	-	1,250
Interest expense	-	64,570	27,852	92,422
Depreciation and amortisation	-	19,536	8,893	28,429
Reportable segment profit/loss	(422,729)	(1,368,126)	(50,350)	(1,841,204)
Total assets	\$ 851,301	\$ 30,529,759	\$ 1,035,927	\$ 32,416,987
Total liabilities	\$ 84,765	\$ 4,728,768	\$ 712,716	\$ 5,526,248

## NOTE 8 – 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 years
- Equipment, furniture, and fittings 5-10 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. The calculation uses the actual periods 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 recognised 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 recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

For the nine months ended September 31, 2011, property and equipment costs consist of the following:

	Oil and gas properties	Gathering and other field facilities	Well Equipment and other equipment	Total
Balance at December 31, 2010				
Cost	\$ 29,332,721	\$ 2,020,076	\$ 1,493,891	\$ 32,846,688
Accumulated depreciation	(2,320,507)	(4,518)	(258,614)	(2,583,639)
Net book amount	27,012,214	2,015,558	1,235,277	30,263,049
Opening net book amount				
Additions	2,850,525	172,744	962,859	3,986,127
Disposals	-	-	-	-
Depreciation charge	-	(38,644)	(35,647)	(74,291)
Balance at September 30, 2011	29,862,739	2,149,658	2,162,489	34,174,885
Balance at September 30, 2011				
Cost	32,183,246	2,192,820	2,503,953	36,880,019
Accumulated depreciation	(2,320,507)	(43,162)	(341,464)	(2,705,133)
Net book amount	\$ 29,862,739	\$ 2,149,658	\$ 2,162,489	\$ 34,174,886

## NOTE 9 – INTANGIBLE ASSETS

Changes in intangible assets for the three months ended September 30, 2011 consist of the following:

	Licenses, patents, etc.
Balance at December 31, 2010	
Cost	\$ 215,843
Accumulated depreciation	(35,265)
Net book amount	180,578
Three months ended September 30, 2011	
Opening net book amount	147,008
Depreciation charge	(16,784)
Closing net book amount	130,224
Balance at September 30, 2011	
Cost	215,843
Accumulated depreciation	(85,619)
Net book amount	\$ 130,224

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
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## NOTE 10 – DEBT OBLIGATIONS

	September 30, 2011	September 30, 2010	Stated Interest	Maturity Date
Clements Capital	\$ 2,000,000	\$ 2,000,000	7%	February 1, 2012
PHT Whitewater	2,200,000	2,200,000	4%	May 1, 2012
Convertible Note	2,980,666	-	10%	December 18, 2012
	7,180,666	4,200,000		
Less current portion	4,200,000	-		
	\$ 2,980,666	\$ 4,200,000		

### *Clements Capital*

The Company executed a \$2,000,000 Promissory Note in favor of Clements Capital, LLC, in exchange for a 5% carried working interest in the Whitewater Unit, on May 21, 2009, bearing interest at 7% paid quarterly, with the principal due February 1, 2012 or due upon sale of all or substantially all of the midstream assets, if sooner. In association with the interest, Clements Capital, LLC has a 5% carried working interest to the point where Fram has expended \$60,000,000 in acquisition and operations of the Whitewater Unit. Accrued interest payable under the note was \$0 and \$0 at September 30, 2011 and 2010 respectively.

### *PHT Whitewater*

As part of the consideration paid to acquire Whitewater Unit assets from PHT Whitewater, LLC and BAMCO Gas, LLC, Fram executed a \$2,200,000 Promissory Note in favor of PHT Whitewater, LLC and BAMCO Gas, LLC bearing interest at 4% paid quarterly, with the principal and interest due May 1, 2012, or due upon sale of all or substantially all of the midstream assets, if sooner. Accrued interest payable under the note was \$206,137 and \$118,137 at September 30, 2011 and 2010 respectively.

The midstream assets, compressor station and pipeline on the Whitewater unit are pledged as security for the Clements Capital note and the PHT/BAMCO note.

### *Convertible Note*

During August, the Company entered into a NOK 46.2 million (\$8.3 million) convertible loan facility with 10 existing shareholders, including two of the Company's major shareholders, Staur and Pareto, for the purpose of funding interim exploration and development drilling as well as for general corporate working capital needs. The note bears interest at an annual rate of 10% paid quarterly, with principal and interest due December 18, 2012.

### *Shareholder Loans*

The parent company also has loans from the shareholders totaling \$1,057,193 and \$533,838 at September 30, 2011 and 2010 respectively.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

At September 30, 2011, maturities and contractual repayment on total debt were as follows:

<b>Fiscal Year</b>	<b>Clements Capital</b>	<b>PHT Whitewater</b>	<b>Convertible Note</b>	<b>Total</b>
2011	\$ -	\$ -	\$ -	\$ -
2012	2,000,000	2,200,000	2,980,666	\$ 7,180,666
2013	-	-	-	\$ -
2014	-	-	-	\$ -
2015	-	-	-	\$ -
	\$ 2,000,000	\$ 2,200,000	\$ 2,980,666	\$ 7,180,666

## **NOTE 11 – 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 Company only accrues for Decommissioning provision in its US operations. All wells in Trinidad are owned by the government, and so there is no legal obligation by the Company to decommission them at the end of their useful productive life.

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 September 30, 2011, the Company has a total estimated future decommissioning liability of \$1,026,000. All current well liabilities are amortized over an estimated productive life of 40 years and held at present value based on an inflation rate of 3.4% and a risk free cost of money of 7%.

<b>Balances at September 30,</b>	<b>2011</b>	<b>2010</b>
Decommissioning provision, beginning of period	\$ 274,662	\$ 194,167
Retirements during period	(33,655)	-
Accretion expense	(1,497)	-
Balances, end of period	\$ 239,510	\$ 194,167

## **NOTE 12 – DERIVATIVE LIABILITIES**

### *Share based compensation*

The Company issued on December 17, 2010 a total of 16,080,048 warrants to the participants that took part in an equity issue at the same date. Following the 20 to 1 reverse split in the Company's Shares, a total of 803,986 warrants remain outstanding that each entitles the holder to acquire one share issued at NOK 54.8 per share. The warrants can be exercised at any time up to and including December 30, 2012. As the functional currency of the Company is deemed to be the U.S. dollar, these warrants have to be classified as a financial liability (derivative). The fair value of the derivative liability is estimated by using the Black-Scholes model. The main factor that influences the valuation are the Company's expected initial

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

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public offering price 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. The fair value of the warrants \$1,043,539 and as of September 30, 2011.

The following assumptions were used to value share based compensation at their respective grant dates (adjusted for 20 to 1 reverse share split):

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<b>Black-Scholes assumptions</b>	<b>December 17, 2010</b>
Weighted average fair value per conversion share granted	\$ 2.64
Risk free weighted average interest rate	2.50%
Expected life in years	1.75
Expected volatility	90%
Expected annual dividend per share	-

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The Company has issued a total of 80,160 warrants pro rata to share holder as of May 14, 2009. Each warrant gives the holders a right to require a maximum of 12.581 shares issued at NOK 2.00 per share. Following the 20 to 1 reverse split in the Company's Shares, each warrant gives the holders a right to require a maximum of 0.62905 shares issued at NOK 40.0 per share. The exercise of the warrants is subject to an IPO or a trade sale, and such exit must have taken place no later than June 30, 2012. The final number of shares issued upon exercise of the warrants is dependent upon the net profit of the IPO or trade sale. As of the date of these financial statements, Management has determined warrants were not separated from equity under to IAS 32, and are therefore not separately accounted for.

## *Convertible note*

The conversion feature for the convertible note allows the lenders to redeem their loans in stock at the higher or 85% of the non-retail IPO price or NOK 40.6. The note also contains provisions that restrict new debt and changes of control. The fair value of the conversion options outstanding at September 30, 2011 is \$1,165,377.

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

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<b>Black-Scholes assumptions</b>	<b>August 15, 2011</b>
Weighted average fair value per conversion share granted	\$ 1.93
Risk free weighted average interest rate	2.18%
Expected life in years	1.35
Expected volatility	90%
Expected annual dividend per share	-

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# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
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## **NOTE 13 – SHARE BASED COMPENSATION**

The Company has granted the CEO a share purchase program that entitles him to acquire shares in the Company for a maximum of \$300,000 per year. The price is to be determined by the Board prior to each year and is not to be higher than the price paid in the latest fund raise. The agreement is accounted for as a share based payment.

Warrants have been granted to the CEO and CFO. The exercise price of the granted warrants is equal to the market price of the shares less 19% on the date of the grant. The warrants may only be exercised on or before December 31, 2012 following the sale of more than 90% of the shares of Fram Exploration ASA, a sale of all or substantially all of the assets of the Company, or an initial public offering of the Company (an “Exit”). If the listing is not completed and no other Exit has occurred by December 31, 2012, the warrants will lapse.

The CEO, Patrick Keenan, as part of a share based payment program, holds 237,387 non-transferable warrants that each entitles him to subscribe for one share at a price of NOK 33.0 per share. Pursuant to an extension to the expiration date granted by the board of directors during the August 26, 2010 directors meeting, the warrants may be executed in a period from the first day of trading of the Company's shares on the Oslo Axess until December 31, 2012.

The CFO, John O'Keefe, as part of a share based payment program, holds 100,000 non-transferable warrants that each entitles him to subscribe for one share at a price of NOK 44.0 per share. The warrants may be executed in a period from the first day of trading of the Company's shares on the Oslo Axess until December 31, 2012.

The value of all share based compensation warrants granted is \$1,299,240 at September 30, 2011. The unamortized portion of all share based compensation warrants granted is \$553,807 at September 30, 2011. Management currently expects the Company to issue its initial public offering during the first quarter of fiscal 2012.

The following assumptions were used to value share based compensation at their respective grant dates:

<b>Black-Scholes assumptions</b>	<b>December 17, 2010</b>	<b>April 26, 2011</b>
Weighted average fair value per conversion share granted	\$ 3.37	\$ 3.44
Risk free weighted average interest rate	2.50%	2.61%
Expected life in years	1.54	1.68
Expected volatility	90%	90%
Expected annual dividend per share	-	-

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
(Unaudited)

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## **NOTE 14 – RELATED PARTY TRANSACTIONS**

The following chart shows summarizes all significant related party transactions for the three months ended September 30, 2011 and 2010:

<b>Three Months ended September 30,</b>	<b>2011</b>	<b>2010</b>
Income		
Fram Americas LLC	240,000	240,000
Fram Exploration Trinidad Ltd.	180,000	180,000
Interest expense		
Pareto Growth AS	8,137	7,470
Staur Exploration AS	19,009	608
Period end balances - liabilities		
Pareto Growth AS	295,655	263,936
Staur Exploration AS	690,671	21,218

As of September 30, 2011 approximately 77.3% (15,902,940 shares) of all outstanding shares of the Company are owned by related parties.

## **NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital items increased (decreased) cash as follows for the periods ended:

<b>Three months ended September 30,</b>	<b>2011</b>	<b>2010</b>
Accounts receivable and other assets	\$ 281,993	\$ (542,301)
Accounts payable and accrued liabilities	(4,454,724)	166,637
Less: related to operations	(781,887)	
Related to investing activities	\$ (3,390,844)	\$ (375,663)

## **NOTE 16 – SUBSEQUENT EVENTS**

The Company evaluates subsequent events through the date the financial statements are issued, which for the interim period ended September 30, 2011, is November 28, 2011.

In late October, the Company executed an IADC drilling contract with CanElson Drilling (US) Inc. and intends to drill and complete three development wells in the South Greene field in Renville County, ND. South Greene is the new name for the field discovered by the Funke #1 exploration well drilled in April of 2011. The vertically drilled wells are each expected to produce in excess of 100 barrels per day initially and decline naturally thereafter.

# FRAM Exploration ASA

Notes to Consolidated Financial Statements  
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In early November, the Company drew down an additional NOK 12.7 million (approximately \$2.3 million) of loan proceeds against its Convertible Note. The drawdown leaves outstanding approximately NOK 16.7 million (\$3 million) against the facility. It is the Company's intention to draw down the complete amount of NOK 46.2 million (approximately \$8.3 million) by year end.

To the Board of Directors of Fram Exploration ASA

## Report on Review of Interim Financial Information

### *Introduction*

We have reviewed the accompanying consolidated statements of financial position of Fram Exploration ASA as of 30 September 2011 and the related consolidated statements of operations, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 2 December 2011  
**PricewaterhouseCoopers AS**



Rune Kenneth S. Lædre  
State Authorised Public Accountant