

# AUDIT COMMITTEE CHARTER

## FRAM EXPLORATION ASA

ADOPTED BY BOARD OF DIRECTORS 11 APRIL 2011

### I. SCOPE OF RESPONSIBILITY

#### A. General

The Audit Committee is appointed by the Board and shall act as preparatory body in connection with the Board's supervisory role, with respect to financial control and external audit, to prepare matters for which the Board maintains responsibility and decision making. The Audit Committee supports the Board in the administration and exercise of the Board's responsibility for supervisory oversight in accordance with:

- The Norwegian Public Limited Companies Act and Norwegian securities legislation;
- The Norwegian Accounting Act and related legislation; and
- Applicable listing standards of the securities exchanges on which the Company's securities are listed.

The primary function of the Audit Committee is to act as a preparatory body for the Board in connection with the Board's monitoring of:

- The integrity of the financial statements of the Company and related disclosures, based on adequate books, records and internal controls and selection and consistent application of appropriate accounting policies;
- The independent auditors' qualifications, independence, and performance;
- The performance of the Company's internal audit function; and
- The compliance by the Company with legal and regulatory requirements.

#### B. Relationship to Other Groups

The management of the Company is responsible primarily for developing the Company's accounting practices, preparing the Company's financial statements, maintaining internal controls, maintaining disclosure controls and procedures, and preparing the Company's disclosure documents in compliance with applicable law. Any persons performing the Company's internal audit function are responsible primarily for objectively assessing the Company's internal controls. The outside auditors are responsible primarily for auditing and attesting to the Company's financial statements and evaluating the Company's internal controls. Subject to the limitations noted

in Section VI, the Audit Committee, as the delegate of the Board, is responsible for overseeing this process and discharging such other functions as are assigned by law, the Company's organizational documents, or the Board. The functions of the Audit Committee are not intended to duplicate, certify or guaranty the activities of management or the internal or outside auditors.

The Audit Committee will strive to maintain an open and free avenue of communication among management, the outside auditors, the internal auditors (if any), and the Board. The outside auditors will normally meet with the Audit Committee in connection with the Committee's review of the quarterly report.

## **II. COMPOSITION**

The Audit Committee will be comprised of three or more directors selected by the Board one of whom will be independent directors. The members of the Audit Committee shall meet the independence, expertise, experience and financial literacy requirements of Norwegian law and the listing standards of the Oslo Stock Exchange.

The chairperson of the Audit Committee, whom shall be appointed by and amongst the members of the Audit Committee, shall attend the Annual General Meeting.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, subject to any limitations or reporting requirements established by law or the Company's procedures.

## **III. MEETINGS**

The Audit Committee will meet quarterly at a minimum, or more frequently if the Committee determines it to be necessary. To foster open communications, the Audit Committee may invite to its meetings other directors or representatives of management, the outside auditors, the internal auditors, counsel or other persons whose pertinent advice or counsel is sought by the Committee. The agenda for meetings will be prepared in consultation among the Committee chair with input from Committee members, management, the outside auditors, the internal auditors and counsel. The Audit Committee will maintain written minutes of all its meetings and provide a copy of all such minutes to all board members.

## **IV. POWERS & RESPONSIBILITIES**

The Audit Committee shall consider and propose to the Board, for presentation and election by the Annual General Meeting, the independent auditors of the Company. The Audit Committee shall also consider and propose the independent auditor's remuneration to be fixed by the Annual General Meeting.

The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall conduct an annual performance evaluation of its activities.

The Audit Committee shall be directly responsible for the oversight of the work of the outside auditors (including resolution of disagreements between management and the outside auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Audit Committee shall be responsible for (a) ensuring receipt from outside auditors of a formal written statement delineating all relationships between the auditor and the Company, (b) engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and (c) taking, or recommending that the Board take, appropriate action to oversee the independence of the outside auditor.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide reasonable and customary funding, as determined by the Audit Committee, for payment of compensation to the outside auditor for the purpose of rendering or issuing an audit report, to any advisors employed by the Audit Committee, and for any administrative expenses that are necessary or appropriate in carrying out the Audit Committee's duties.

The Audit Committee shall have the power to (a) obtain and review any information that the Audit Committee deems necessary to perform its oversight functions and (b) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee will be responsible for establishing procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Audit Committee shall have the power to issue any reports or perform any other duties required by (a) the Company's articles of incorporation, (b) applicable law, or (c) rules or regulations applicable to the Company.

The Audit Committee shall have the power to consider and act upon any other matters concerning the financial affairs of the Company as the Audit Committee, in its discretion, may determine to be advisable in connection with its oversight functions.

No decision making powers are vested with the Audit Committee and all such authority remains with the Board. At least two members of the Audit Committee must be present or participating in a meeting for the Committee to constitute a quorum.

The Audit Committee shall prepare minutes and shall report to the Board on a regular basis. The report to the Board shall contain recommendations for Board action and decision when appropriate.

**V. PERIODIC OVERSIGHT TASKS**

The Audit Committee, to the extent it deems necessary or appropriate or to the extent required by applicable laws or regulations, will perform the oversight tasks delineated in the Audit Committee Checklist (below). The checklist will be updated annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. The most recently updated checklist will be considered to be an addendum to this charter. In addition, the Audit Committee will review and reassess the adequacy of this Charter on an annual basis.

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AUDIT COMMITTEE CHECKLIST

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
<b><u>Annual Audit Planning</u></b>					
1. consider and propose to the Board, for presentation and election on by the Annual General Meeting the independent auditor of the Company. Consider and propose the independent auditor's remuneration to be fixed by the Annual General Meeting	X				
2. pre-approve all auditing services	X				
3. review significant relationships between the outside auditors and the Company	X				X
4. discuss the scope and comprehensiveness of the audit plan, including changes from prior years and the coordination of the efforts of the outside and internal auditors	X				X
5. discuss the Company's earnings release with management and the outside auditors prior to its release	X	X	X	X	
6. discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies	X	X	X	X	
7. review and discuss with management and the outside auditors the Company's financial information, and any report, opinion or review rendered on the financial statements by management or the outside auditors	X	X	X	X	

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
8. review and discuss reports from the outside auditors on:					
(a) the Company's critical accounting policies	X				X
(b) all alternative treatments of financial information within IFRS that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the outside auditors	X				X
(c) other material written communications between the outside auditors and management, such as any management letter or schedule of unadjusted differences	X				X
(d) all communications with the national office of the outside auditors pertaining to the Company's financial affairs	X	X	X	X	
9. discuss with management and the outside auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any (a) significant changes in the Company's use or application of accounting principles or policies, (b) major issues as to the adequacy of the Company's internal controls, its disclosure controls and procedures, or its financial reporting processes, and (c) special steps adopted in light of material control deficiencies	X	X	X	X	
10. discuss with management and the outside auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements	X	X	X	X	

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
11. discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures	X	X	X	X	X
12. review "reportable conditions" or other matters that are required to be communicated by the outside auditors to the Audit Committee under applicable auditing standards	X	X	X	X	X
13. review difficulties or disputes with management or the internal auditors encountered by the outside auditors during the course of their audit and management's response				X	X
14. review the outside auditors' views regarding the Company's financial disclosures, the quality of the Company's accounting principles as applied, the underlying estimates and other significant judgments made by management in preparing the financial statements, and the compatibility of the Company's principles and judgments with prevailing practices and standards	X				X
15. review the accounting implications of significant new transactions					X
<b><u>Conduct of Meetings</u></b>					
16. in connection with each periodic report of the Company, review:					
(a) management's required disclosure, if any, to the Audit Committee regarding significant deficiencies in internal controls or reportable fraud					X
(b) the contents of the certifications of the Company's CEO and CFO included in such report	X	X	X	X	
17. receive reports regarding any non-audit services that the Chairman pre-cleared the outside auditor to perform during the prior quarter	X	X	X	X	

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
18. review the extent to which the Company has implemented changes in practices or controls that were previously recommended to or approved by the Audit Committee					X
19. receive reports regarding significant changes to IFRS or regulations impacting the Audit Committee					X
20. meet in executive session with the outside auditors, internal auditors and management	X	X	X	X	

**Annual Reports**

21. recommend to the Board whether the audited financial statements should be approved and whether changes to the Annual Report should be made	X				
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**Oversight of the Company's Outside Auditors**

22. pre-clear the engagement of the outside auditors to conduct non-audit services not pre-cleared by the Chairman					X
23. obtain and review a report from the outside auditors regarding (a) the outside auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting any audit engagement, (c) any steps taken to deal with any such issues, (d) all relationships between the outside auditors and the Company and (e) assurances that the outside auditing firm is registered in good standing with the regulatory authorities; evaluate the qualifications, performance and independence of the outside auditors				X	
24. review and evaluate the lead audit partner and ensure his rotation as required by law or practice				X	

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
25. review and approve hiring policies for employees or former employees of the outside auditors					X
<b><u>Oversight of the Company's Internal Auditors (if any)</u></b>					
26. review the performance of the senior internal auditing executive, and propose replacing if necessary			X		
27. meet, if possible, with the entire internal auditing staff		X			
28. review the significant reports to management prepared by the internal auditing department and management's responses	X	X	X	X	X
29. discuss with the outside auditors and management internal audit department plans, responsibilities, budget, independence and staffing (including the use of third party firms) and any recommended changes thereto				X	
<b><u>Compliance Oversight Responsibilities</u></b>					
30. establish and monitor procedures for the receipt, retention and treatment of confidential, anonymous complaints received by the Company regarding accounting, controls or auditing matters					X
31. discuss any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies					X
32. review the adequacy of the Company's internal controls and its disclosure controls and procedures					X
33. review reports on "related party" transactions	X				
34. review the effectiveness and adequacy of the Company's corporate compliance procedures, and consider, adopt and recommend to the Board any proposed changes thereto		X			
35. review periodically the procedures established by the Company to monitor its compliance with debt					X

	<u>Winter</u>	<u>Spring</u>	<u>Summer</u>	<u>Fall</u>	<u>As Needed</u>
covenants					

36. consult periodically with counsel concerning the Audit Committee’s responsibilities or legal matters that may have a material impact on the Company’s financial statements, controls, or corporate compliance procedures					X
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**Self Assessment**

37. review the Audit Committee’s own performance annually				X	
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38. verify that all Committee members remain eligible to serve				X	
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**Charter**

39. review this checklist and the related Audit Committee charter annually, and consider, adopt and submit to the Board any proposed changes				X	
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