

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the UK or, if not, from another appropriately authorised stockbroker or adviser. If you have sold or transferred all of your ordinary shares in Faroe Petroleum plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

**Faroe Petroleum plc**

(Incorporated and registered in England and Wales with registered number 04622251)

*Directors:*

John William Sharp Bentley (Non-Executive Chairman)  
Graham Duncan Stewart (Chief Executive)  
Jonathan Robert Cooper (Chief Financial Officer)  
Helge Ansgar Hammer (Chief Operating Officer)  
Timothy Philip Read (Senior Independent Non-Executive Director)  
Roger Charles Witts (Non-Executive Director)  
Jorunn Johanne Saetre (Non-Executive Director)

*Registered Office:*

30 Crown Place  
London  
EC2A 4ES

12 May 2017

**To Shareholders and, for information only, to option holders**

Dear Shareholder

**Faroe Petroleum plc (the "Company")**

**Notice of Annual General Meeting**

I am writing to invite you to the Annual General Meeting ("AGM") of the Company to be held on Tuesday 20th June 2017 at 11.00 a.m. at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. The formal notice of AGM sets out the business to be considered at the AGM.

Each resolution will be proposed and voted on separately and there will be an opportunity during the AGM to ask questions of your Directors on the issues involved and to raise other matters about the business of the Company. As chairman of the AGM, I will endeavour to ensure that discussions are kept relevant and that as many shareholders as possible have the opportunity to speak.

I would comment as follows on a number of the resolutions to be put to shareholders:

Resolutions 5, 6 and 7: All of the Directors are subject to re-election by shareholders at least once every three years and in addition, as required under the UK Corporate Governance Code, any non-executive director who has served on the Board in that capacity for more than nine years will be subject to annual re-election. Accordingly Roger Witts and John Bentley who were appointed to the board in 2007 will stand for re-election at the forthcoming AGM along with Helge Hammer who was last re-elected in 2014.

Following the annual evaluation of the Board's performance at the end of 2016, the Board is satisfied that each Director continues to have the skills, experience and commitment necessary to contribute effectively to the deliberations of the Board. The Board therefore unanimously recommends the re-election of the Directors set out in these resolutions and biographical details of each of the Directors appear in Schedule 1 attached to this notice.

Resolution 8: Following a review of certain provisions of the Faroe Petroleum Incentive Plan ("FPIP") and the Faroe Petroleum Co-Investment Plan ("FCIP" and, together, the "Plans") minor amendments to the rules of these Plans concerning the termination of participants' office or employment are proposed.

These changes would take effect both in relation to awards granted prior to the amendment of the Plans approved by shareholders at the 2016 AGM and in relation to awards granted after that date.

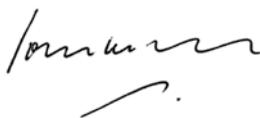
Resolution 11: As referred to in the Nomination Committee report, a number of the non-executive directors have been with the Company for in excess of six years and are approaching retirement in the normal course. Accordingly the Nomination Committee intends to appoint a further independent non-executive director in 2017 to ensure a smooth transition and has engaged a recruitment specialist to assist in a formal, rigorous and transparent process. This process will be repeated with the selection and appointment of further independent non-executive directors in due course, to ensure a progressive refreshment of the Board.

The current limit on the aggregate fees for the Directors, excluding salary or other remuneration, was set at £300,000 with an annual indexation from June 2009 based on the increase in the Retail Price Index (All Items) ("RPI"), which would now result in an aggregate fee of approximately £380,000 as at the date of this notice. Although the Directors' remuneration hasn't been increased since January 2015, to allow for further appointments to the Board, it is proposed to increase the limit to £500,000, this being consistent with the median of the Company's peer group used for benchmarking director pay. The full revised Article 105.1 is set out in the formal Notice of AGM.

Your Directors believe that each of the proposed resolutions is likely to promote the success of the Company for the benefit of its shareholders as a whole and unanimously recommend that you vote in favour of them, as they intend to do in respect of their own beneficial holdings, which amount in aggregate to 3,259,179 ordinary shares of 10p each (representing approximately 0.89 per cent of the current issued share capital of the Company).

I look forward to meeting you at the AGM.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Bentley', with a flourish underneath.

**John Bentley**  
Chairman

## SCHEDULE 1

### DIRECTORS' BIOGRAPHIES

**Resolution 5: John William Sharp Bentley**, aged 68 (Non-Executive Chairman)

John Bentley has 40 years' experience in the natural resources sector. He served in a number of senior management positions in the Gencor Group in South Africa, the USA, UK and Brazil. In 1996 he was instrumental in floating Energy Africa Ltd on the Johannesburg stock exchange and was Chief Executive for the following five years. More recently he has served on the Board of Caracal Energy Inc and currently serves on the boards of Wentworth Resources Ltd and Africa Energy Corporation. Mr Bentley, who holds a degree in Metallurgy from Brunel University, was appointed to the board in September 2007.

**Resolution 6: Roger Charles Witts**, aged 70 (Non-Executive Director)

Roger has over 40 years' experience in the oil and gas industry. Whilst he has broad senior management experience in the upstream industry he has specific expertise in financial and tax planning, economic appraisal, debt finance and risk management. Mr Witts qualified as a Chartered Accountant in 1970 with Coopers and Lybrand and then moved to The British Land Company in 1972 as financial controller of two quoted subsidiaries. His oil industry experience started with Petrofina in 1976 where he held a number of senior positions including Managing Director of a combustion engineering subsidiary and Finance Director of Fina Exploration Company. He was Finance Director of Thomson North Sea from 1984 to 1989 and of Seafield Resources from 1990 to 1997. Mr Witts was appointed to the board in May 2007 as part time Finance Director and became a Non-Executive Director in May 2009.

**Resolution 7: Helge Ansgar Hammer**, aged 55 (Chief Operating Officer)

Helge joined the Company in 2006, where he is Chief Operating Officer. Prior to joining Faroe Petroleum he was Asset Manager and deputy Managing Director at Paladin Resources. He holds a degree in Petroleum Engineering from NTH University of Trondheim and in Economics from Institut Francais du Petrol in Paris. In addition, he worked for Shell for 13 years as a Reservoir Engineer, Team Leader and Business Manager in Norway, Oman, Australia and The Netherlands.

## SCHEDULE 2

### **Changes to the Faroe Petroleum Incentive Plan (the "FPIP") and the Faroe Petroleum Co-investment Plan (together, the "Plans").**

The leaver provisions of the Plans will be amended to provide that participants who are summarily dismissed for "Cause" (or who leave the Company in circumstances which would justify their summary dismissal) will be "Bad Leavers". Bad Leavers will lose their rights to shares granted under the Plans. The definition of Bad Leaver will also include those participants who resign (unless the Committee determines that such leavers will be permitted to retain some or all of their awards).

Other leavers ("Good Leavers") will be permitted to retain their rights to shares granted under the Plans. The Good Leaver (or his personal representatives as the case may be) may retain their unvested award which will continue to vest subject to the satisfaction of any performance targets determined at the date of grant of the award and will be subject to a pro-rating reduction to reflect the time which has elapsed since the date of grant as a proportion of the performance period. The Committee will have discretion to permit Good Leaver awards to vest in full and/or to vest earlier.

In addition, the FPIP rules currently state that a leaver would forfeit their vested options if their employment contract was terminated regardless of the notice period. The proposed amendment, will allow a leaver to exercise their vested awards up to the end of their notice period (this includes vested FPIPs within the applicable holding period) and which is being made to reflect standard market practice, in this regard.

These changes are proposed to take effect both in relation to awards granted prior to the amendment of the Plans approved by shareholders at the 2016 AGM and in relation to awards granted after that date.

**Note:** This Schedule 2 summarises the proposed changes to the rules of the Plans, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. The rules governing the Plans, showing the amended terms are available for inspection at the Company's registered address of 30 Crown Place, London EC2A 4ES during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the Annual General Meeting of the Company, and at the meeting itself.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Faroe Petroleum plc (the "Company") will be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD on 20th June 2017 at 11.00 a.m. for the following purposes:

### Ordinary Resolutions

1. To receive and adopt the annual accounts of the Company for the financial year ended 31 December 2016 together with the report of the Directors on those accounts, the Directors' Remuneration Report for that financial year and the Auditor's report on those accounts and the auditable part of the Directors' Remuneration Report.
2. To approve the Directors' Remuneration Report for the financial year ended 31 December 2016.
3. That Ernst & Young LLP be and they are reappointed as auditors of the Company, to hold office from the conclusion of this AGM to the conclusion of the next Annual General Meeting of the Company.
4. To authorise the Directors to fix the remuneration of the auditors of the Company.
5. To reappoint John William Sharp Bentley as a Director of the Company.
6. To reappoint Roger Charles Witts as a Director of the Company.
7. To reappoint Helge Ansgar Hammer as a Director of the Company.
8. To amend the rules of the Faroe Petroleum Incentive Plan and the Faroe Petroleum Co-Investment Plan, as summarised in Schedule 2 to this notice.
9. That the Directors be and they are authorised generally and unconditionally, in substitution for all subsisting authorities, pursuant to and in accordance with section 551 of the Companies Act 2006 (the "CA 2006"), to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the CA 2006) and to grant rights to subscribe for or convert any security into shares in the Company and to list such shares or rights on any stock exchange:
  - (i) up to a nominal amount of £15,041,741;
  - (ii) up to a nominal amount of £27,260,776 (after deducting from such limit any relevant securities allotted under paragraph (i) above) in connection with an offer by way of a rights issue:
    - (a) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or, as the Directors otherwise consider necessary, but subject to such exclusions, limits, restrictions or other arrangements as the Directors may deem necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

and such authorities shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at close of business on 30 June 2018 (unless previously revoked or varied by the Company in general meeting) save that the Company may, in each case, before such expiry make an offer or enter into agreements which would, or might, require equity securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot equity securities or grant rights to subscribe for or convert securities into shares in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. All authorities and powers previously conferred upon the Directors pursuant to section 80 of the Companies Act 1985 and section 551 of the CA 2006 shall be revoked but without prejudice to any exercise of such other authorities and powers prior to the date on which this resolution is passed, including offers or agreements already made or entered into which would, or might, require equity securities to be allotted or rights to subscribe for or convert securities into shares to be issued, in which case such authority or power shall remain valid.

### Special Resolutions

10. That, subject to the passing of resolution 9 above, the Directors be and they are hereby empowered pursuant to sections 570 and 573 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash, either pursuant to the authority conferred by resolution 9 above and/or by way of a sale of ordinary shares held by the Company as treasury shares, for cash as if section 561(1) of the CA 2006 did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and sale of treasury shares for cash:

- (i) in connection with an offer of, or invitation to apply for, equity securities by way of rights to the holders of ordinary shares in proportion (as nearly as may be practicable) to their existing respective holdings of ordinary shares and to holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary, on a record date fixed by the Directors but subject to such exclusions, limits, restrictions or other arrangements as the Directors may consider necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, any legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever; or
- (ii) in the case of the authority granted under resolution 9 above and/or in the case of any sale of treasury shares for cash (other than pursuant to sub-paragraph (i) above) having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £1,832,855,

and shall expire on whichever is earlier of the date of the Company's next Annual General Meeting (and at the conclusion thereof) or, if earlier, until close of business on 30 June 2018 save that the Company may, before the expiry of such power, make offers or agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All authorities and powers previously conferred upon the Directors pursuant to section 95 of the CA 1985 and section 561 of the CA 2006 shall be revoked but without prejudice to any exercise of such other authorities and powers prior to the date on which this resolution is passed.

11. That, with effect from the conclusion of the meeting, Article 105.1 in the Company's Articles of Association shall be replaced by the following:

- 105.1 The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum and on such terms as the Board may determine provided that the aggregate of such remuneration shall not exceed £500,000 per annum or such larger sum as the Company in general meeting may from time to time determine. Such remuneration shall be divisible among the Directors as the Board may decide. Any fees payable pursuant to this Article shall be distinct from and shall not include any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of these Articles and shall accrue from day to day.

**BY ORDER OF THE BOARD**  
**Julian Galloway Money Riddick**  
Company Secretary  
12 May 2017

*Registered Office:*  
30 Crown Place  
London  
EC2A 4ES

## EXPLANATORY NOTES

1. A member who is unable to be present at the AGM is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company. In the case of an individual, the proxy form must be signed by the appointer or by his attorney duly authorised in writing. In the case of a corporation this proxy must be under its common seal or executed in the manner permitted by section 44 of the CA 2006 or under the hand of an officer or attorney duly authorised in writing. To be effective this proxy and any power of attorney or other authority under which it is signed must be sent to reach the Company's Registrars, Capita Asset Services, no later than 11.00 a.m. on Friday 16 June 2017 or not less than 48 hours (excluding non-business days) before the time of any adjourned AGM.
2. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other registered holders of the share. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company.
3. To be valid, a form of proxy (together with any power of attorney or other authority under which it is executed or a notarially certified or board approved copy of such power or other authority) must be completed in accordance with the notes on the enclosed form and should arrive at Capita Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham BR3 4ZF no later than 11.00 a.m. on Friday 16 June 2017 or not less than 48 hours (excluding non-business days) before the time appointed for any adjourned AGM. Completing and returning a form of proxy will not prevent a member of the Company from attending and voting in person at the AGM in respect of which the proxy is appointed or at any adjournment thereof. If a member has appointed a proxy and attends the AGM in person, their proxy appointment will automatically be terminated.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company not later than the close of business on 16 June 2017 (or, if the AGM is adjourned, members entered on the register of members of the Company not later than 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend, speak and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.
5. Copies of Directors' service contracts (or a memorandum of the terms thereof) are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and bank or public holidays in England excepted) from the date of this notice of AGM up to and including the date of the AGM and also shall be available for inspection (together with the register of interests of the Directors and their families in the securities of the Company) at the place of the AGM from at least 15 minutes prior to the AGM until its conclusion.
6. Resolution 9 renews the Directors' authority to allot relevant securities (as defined in section 560 of the CA 2006) as follows:
  - (i) The total of £15,041,741 in Resolution 9 (i) is made up from:
    - £2,822,707 representing 28,227,065 ordinary shares of 10p each in connection with various employee share option and incentive schemes; and
    - £12,219,035 representing 122,190,346 ordinary shares of 10p each, equivalent to approximately one third of the current issued share capital of the Company (the latter being 366,571,040 ordinary shares of 10p each);
  - (ii) The total of £27,260,776 in Resolution 9(ii) represents the values given above in Resolution 9(i) together with a further £12,219,035 representing 122,190,346 ordinary shares of 10p each, equivalent to approximately a further third of the current issued share capital of the Company, provided that a) such authority may only be used pursuant to a rights issue; and b) following a rights issue all of the Directors shall submit themselves for re-election at the next annual general meeting of shareholders (in accordance with IMA's Share Capital Management Guidelines).
7. Resolution 10(ii), which is designed to permit the allotment of shares for cash without first offering them to existing shareholders on a pro rata basis, is limited to allotments of shares having an aggregate nominal value of up to £1,832,855 representing 18,328,552 ordinary shares of 10p each being five per cent. of the Company's current issued ordinary share capital.

