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

**Placing Successfully Completed - £62.2 million**

Faroe Petroleum, the independent oil and gas company focusing principally on exploration and production opportunities in the Atlantic Margin, the North Sea and Norway, is pleased to announce that it has conditionally raised £62.2 million (approximately £60.0 million net of expenses) through a Placing of 37,718,024 new Ordinary Shares at a Placing Price of 165 pence per Ordinary Share, with both new and existing investors. The Placing is conditional upon Admission, which is expected to take place on 24 November 2010. Panmure Gordon and Oriel Securities acted as joint bookrunners to the Placing.

**Highlights**

- Placing to existing and new institutional and other investors to raise £62.2 million
- Proceeds of the Placing to fund the recent successes and significant opportunities generated by the Company including:
  - appraisal and pre-development of recent discoveries
  - increased exposure to exploration upside, by taking larger equity stakes and committing to new wells
  - acquisition of appraisal and production assets
- New strategic partnership with Scottish & Southern Energy PLC ("SSE") to develop wider co-operation
  - subscribing in Placing for 5.1 per cent. of enlarged share capital
  - scope to develop wider co-operation, including joint acquisition targets, leveraging mutual strengths
- Placing Price of 165 pence is at a discount of 7.7 per cent. to the middle market closing price of 178.75 pence per Ordinary Share on 18 November 2010, the last business day prior to this Announcement
- The Executive Directors have also subscribed for Placing Shares at the Placing Price

This summary should be read in conjunction with the full text of this Announcement.



**Graham Stewart, Chief Executive of Faroe Petroleum said:**

“We are delighted to have received such strong support from our existing and new shareholders for this placing, which will allow us to fund the new opportunities that we have generated, encompassing appraisal and pre-development work, expansion of our exploration programme, and further acquisition opportunities.

Alongside today’s placing we have entered into a significant strategic agreement with SSE through which we will leverage our respective resources to mutual benefit in growing our respective upstream portfolios. This relationship has been cemented by SSE’s investment in Faroe through the placing, endorsing our significant potential as a rapidly growing independent exploration and production company.”

**For further information please contact:**

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**Background to and Reasons for the Placing**

Since completing the Rights Issue in April this year, the Company has continued to deliver success and has generated a number of new opportunities. In addition to the successful Glenlivet, Tornado and Fogelberg discoveries, Faroe has announced a high quality oil discovery in its Maria licence in Norway and completed drilling on the Anne-Marie prospect in the Faoes, where technical assessment is underway and Faroe is investigating the potential for a follow-up well.

Faroe has also increased its stake in the Clapton prospect in Norway, from 20 per cent. to 40 per cent.. Faroe is the operator of the licence, on which a well is expected to be drilled in 2012, targeting the Upper Cretaceous Hod, Tor and Ekofisk formation.

In the Atlantic Margin, Faroe also has a number of new exploration targets in the Grouse, Balblair, Ardbeg and Aileen prospects, consisting of 23 blocks and part-blocks, with equity stakes of between 37.5 per cent. and 50 per cent., awarded in the UK 26<sup>th</sup> licensing round. On the Rannva prospect, into which ENI has recently farmed in, the Company is also undertaking further technical work ahead of a drill or drop decision in December 2011.



In Norway, the Company's Fogelberg and Maria discoveries have unlocked significant further potential in the area. Faroe has a number of key targets on the Halten Terrace and is preparing an exploration programme for a new play, which has been revealed by the application of leading edge seismic technology.

In October 2010, Faroe announced that it has agreed, subject to certain conditions, to acquire an 18.0 per cent. interest in the Blane oil field from ENI UK Limited and ENI ULX Limited. This acquisition will increase the Company's production to approximately 3,000 boepd. Faroe's growing production profile is designed to allow the Company to leverage its debt facilities and increase its tax-efficiency in order to generate cash to part-fund its exploration activities. This acquisition is a significant step towards meeting the Company's production goal of 6,000 boepd, which is the approximate amount required to fund the Company's future exploration and appraisal programme.

These developments in the Group's business have led the Directors to seek further funding through the Placing.

#### **Use of Proceeds**

In order to continue the Group's development and value growth, the Directors wish to commit to a number of key investments. These will include the following, shown together with expected allocations from the net proceeds of the Placing of approximately £60.0 million in aggregate:

**(a) *Appraisal and Pre-FDP WORK (approximately £14.0 million)***

Funding the appraisal and pre-development work on the Company's recent Maria and Fogelberg discoveries.

**(b) *Increased exposure to exploration upside (approximately £14.0 million)***

The Directors intend to take a larger working interest in key exploration wells and commit to new exploration wells, in addition to the fully funded, firm and expected drilling programmes which were set out in the prospectus published by the Company in connection with the Rights Issue in April 2010.

**(c) *Increased well costs (approximately £6.0 million)***

Post Macondo, additional expenditure has been incurred on various exploration wells drilled by the Company.

**(d) *Acquisitions (approximately £26.0 million)***

In 2006 Faroe purchased a stake in the Breagh field, which was sold in 2009 for £25.3 million, generating a profit of £18.0 million. The Directors have identified a similar opportunity to invest approximately £6.0 million in a new appraisal project, which has considerable upside potential. The Directors intend to use the balance of the proceeds of the Placing, in combination with debt, to fund further acquisitions of cash-generative production assets.



## **Strategic Partnership**

Faroe is pleased to announce a strategic partnership with SSE. With a market capitalisation of £10.8 billion, SSE is one of the “Big 6” utilities and is a major player in the UK gas industry, with annual consumption of some 16 billion cubic metres. SSE is investing in upstream production and acquired a package of North Sea natural gas and infrastructure assets from Hess Limited in June 2010. Faroe and SSE have formed a new partnership, leveraging their respective strengths for a wider strategic cooperation, whereby Faroe will identify joint gas acquisition targets and SSE will help Faroe fund its share of such acquisitions. SSE has subscribed for 10,909,091 Placing Shares, which, on Admission, will represent 5.1 per cent. of the Enlarged Share Capital.

## **Details of the Placing**

The Company has conditionally raised £62.2 million (before expenses) through a cash box placing of 37,718,024 new Ordinary Shares at a Placing Price of 165 pence with both new and existing investors conducted by Panmure Gordon and Oriel Securities, who acted as joint bookrunners. The Placing Price of 165 pence is at a discount of 7.7 percent. to the middle market closing price of 178.75 pence per Ordinary Share on 18 November 2010, the last business day prior to this Announcement.

Graham Stewart, Iain Lanaghan, Helge Hammer and Tim Read have respectively subscribed for 47,060, 35,890, 37,870 and 8,333 Placing Shares at the Placing Price. Following Admission, Graham Stewart, Iain Lanaghan, Helge Hammer and Tim Read will have a beneficial interest in 225,019, 75,180, 137,270 and 49,998 Ordinary Shares respectively, representing 0.11 per cent., 0.04 per cent., 0.06 per cent., and 0.02 per cent. respectively of the Enlarged Share Capital. In addition, such Placing Shares will be treated as "Investment Shares" as these Directors are eligible to participate in the Company's Co-Incentive Plan and an award of matching shares will be announced separately.

The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares. The Placing Shares represent approximately 17.8 per cent. of the Enlarged Share Capital. Following Admission, the Company will have 212,337,227 Ordinary Shares in issue.

The Company has applied for Admission of the Placing Shares to trading on AIM. It is expected that Admission will take place and that dealings in the Placing Shares will commence on 24 November 2010. Share certificates in respect of Placing Shares to be held in certificated form are expected to be despatched by no later than 30 November 2010. Placing Shares to be held in uncertificated form are expected to be delivered in CREST by no later than 24 November 2010.

The Placing has only been made to persons falling within Article 19, Article 49, Article 50 or Article 50A of the Financial Services and Markets Act (Financial Promotion) Order 2005 (as amended) and who are also “qualified investors” for the purposes of section 86(7) of FSMA and no other person may now participate in the Placing or rely on any communication relating to it. The offer of the Placing Shares has not been made to the public for the



purposes of the Prospectus Rules. This Announcement does not constitute an offer, or the solicitation of an offer, to subscribe for or buy any of the Placing Shares.

The Placing is conditional upon, inter alia, Admission becoming effective and the Placing Agreement not being terminated by the Brokers prior to Admission.

Appendix 1 to this announcement (which forms part of this announcement) sets out the terms and conditions of the Placing.

**Contacts:**

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**Important Notices**

This announcement includes “forward-looking statements” which include all statements other than statements of historical facts, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.



This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue, or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This announcement has been issued by and is the sole responsibility of Faroe Petroleum plc.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Panmure Gordon, Oriel Securities or Rothschild or by any of their respective affiliates or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefor is expressly disclaimed.

Panmure Gordon, which is authorised and regulated in the United Kingdom by the FSA, is acting for Faroe and for no-one else in connection with the Placing, and will not be responsible to anyone other than Faroe for providing the protections afforded to customers of Panmure Gordon nor for providing advice to any other person in relation to the Placing or any other matter referred to herein.

Oriel Securities, which is authorised and regulated in the United Kingdom by the FSA, is acting for Faroe Petroleum plc and for no-one else in connection with the Placing, and will not be responsible to anyone other than Faroe Petroleum plc for providing the protections afforded to customers of Oriel Securities nor for providing advice to any other person in relation to the Placing or any other matter referred to herein.

Rothschild, which is authorised and regulated in the United Kingdom by the FSA, is acting as financial adviser to Faroe and for no-one else in connection with the Placing, and will not be responsible to anyone other than Faroe for providing the protections afforded to customers of Rothschild nor for providing advice to any other person in relation to the Placing or any other matter referred to herein.

The distribution of this announcement and the offering of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, Panmure Gordon, Oriel Securities or Rothschild that would permit an offering of such shares or possession or distribution of this announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company, Panmure Gordon, Oriel Securities and Rothschild to inform themselves about, and to observe, such restrictions.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the AIM market operated by the London Stock Exchange. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.



## Appendix 1

### TERMS AND CONDITIONS

#### IMPORTANT INFORMATION FOR PLACEES ONLY REGARDING THE PLACING

This appendix contains important information for Placees (as defined below). Members of the public are not eligible to take part in the Placing. This announcement and this appendix are for information purposes only, and the terms set out herein are directed only at persons: (a) who if in the United Kingdom, have been selected by the Relevant Broker and who have professional experience in matters relating to investments and are "investment professionals" within the meaning of Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order, "Sophisticated Investors" falling within Article 50 of the Order, "Self-certified Sophisticated Investors" falling within Article 50A of the Order; (b) who, if in a member state of the European Economic Area, are "qualified investors" (as defined in article 2(1)(e) of EU Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (together with any implementing directive measure in such member states, the "Prospectus Directive")); or (c) are otherwise persons to whom it may lawfully be communicated (all such persons together being referred to as "Relevant Persons"). Any investment or investment activity to which the terms and conditions set out herein relates is available only to such persons and will be engaged in only with such persons.

#### Terms of the Placing

If a person chooses to participate in the Placing by making or accepting an offer to acquire Placing Shares (each such person whose participation is accepted by the Relevant Broker in accordance with this appendix being hereinafter referred to as a "Placee" and together, as the "Placees") it will be deemed to represent and warrant that it has read and understood this announcement and this appendix in its entirety and to be making or accepting such offer on the terms and to be providing the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings, contained in this appendix.

Placing Shares referred to in this announcement have not been, and will not be registered under the US Securities Act of 1933 as amended (the "Securities Act") or under the securities legislation of any State of the United States. Furthermore, the Placing Shares have not been recommended by any US federal or state securities commission or regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or confirmed the accuracy or determined the adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States. This appendix is not an offer of securities for sale in the United States, and the Placing Shares may not be offered or sold in the United States absent the registration of the Placing Shares under the Securities Act, or an exemption therefrom, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Placing Shares in the United States. No money, securities or other consideration from any person inside the United States is being solicited by this announcement and the appendix and, if sent in response to information contained in this announcement or this appendix, will not be



accepted. The Placing Shares will not be lodged with or registered by the Australian Securities and Investments Commission under Australia's Corporations Law and are not being offered for subscription or sale and may not be directly or indirectly offered, sold, taken up, transferred or delivered in or into Australia or to or for the account or benefit of any person or corporation in (or with a registered address in) Australia. The relevant clearances have not been, and will not be obtained from the Ministry of Finance of Japan and no circular in relation to the Placing Shares has been or will be lodged with or registered by the Ministry of Finance of Japan. The Placing Shares may not therefore be offered, taken up, transferred or sold, directly or indirectly, in or into Japan, its territories and possessions and any areas subject to its jurisdiction or to any resident of Japan. The approval of the South African Exchange Control Authorities has not been, and will not be, obtained in relation to the Placing Shares. The Placing Shares may not therefore be offered, taken up, transferred or sold directly or indirectly in or into South Africa or to a resident of South Africa. The Placing Shares may not be offered, taken up, transferred or sold directly or indirectly in or into Canada or to a resident of Canada. This announcement and appendix do not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction. The distribution of this announcement and the placing and issue of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, the Brokers or Rothschild that would permit an offering of such securities or possession or distribution of this announcement or any other offering or publicity material relating to such securities in any jurisdiction where action for that purposes is required. Persons to whose attention this announcement has been drawn are required by the Company, the Brokers and Rothschild to inform themselves about and to observe any such restrictions.

The price of securities and the income from them may go down as well as up and investors may not get back the full amount on disposal of the securities.

Any indication in this announcement of the price at which ordinary shares in the capital of the Company have been bought or sold in the past cannot be relied upon as a guide to future performance. No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

In particular, each such Placee represents, warrants and acknowledges that it is:

- (a) a Relevant Person (as defined above) and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
- (b) in the case of a Relevant Person in a member state of the EEA which has implemented the Prospectus Directive (each a "Relevant Member State") who acquires any Placing Shares pursuant to the Placing:
  - (i) a Qualified Investor (as defined in the Prospectus Directive); and
  - (ii) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (a) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they



been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of the Brokers has been given to the offer or resale; or (b) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons; and

- (c) acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion, and that, unless otherwise agreed with the Brokers and the Company, it (and any such account) is subscribing for the Placing Shares in an “offshore transaction” (within the meaning of Regulation S under the Securities Act).

The Placing Shares will not be admitted to trading on any stock exchange other than the AIM Market of the London Stock Exchange.

Neither the content of Faroe’s website nor any website accessible by hyperlinks on Faroe’s website is incorporated in, or forms part of, this announcement.

Persons (including, without limitation, nominees and trustee) who have a contractual or other legal obligation to forward a copy of this announcement should seek appropriate advice before taking any action.

**Each Placee should consult with its own advisors as to legal, tax, business and related aspects of a purchase of Placing Shares.**

### **Placing Arrangements**

1. The Brokers will arrange the Placing as agents for and on behalf of the Company. Participation will only be available to persons invited to participate by the Brokers. The Brokers will, following consultation with the Company, determine in their absolute discretion the extent of each Placee's participation in the Placing, which will not necessarily be the same for each Placee.
2. The price payable per new Ordinary Share shall be the Placing Price.
3. A Placee's commitment to subscribe for a fixed number of Placing Shares will be agreed with and confirmed to it orally by the Relevant Broker (the "Placing Commitment") and a contract note (a "Contract Note") will be despatched as soon as possible thereafter. The oral confirmation to the Placee by the Relevant Broker (the "Oral Confirmation") constitutes an irrevocable, legally binding contractual commitment to the Relevant Broker (as agent for the Company) to subscribe for the number of Placing Shares allocated to it on the terms set out in this appendix.
4. Commissions will not be paid to Placees in connection with the Placing.
5. The Brokers have the right, *inter alia*, to terminate the agreement entered into between the Brokers and the Company in connection with the Placing (the “Placing Agreement”) (after such consultation with the Company as the circumstances may allow) at any time prior to Admission if, *inter alia*, (i) there has been any material



- breach of the warranties, undertakings or other obligations on the part of the Company contained in the Placing Agreement; or (ii) there occurs an event of force majeure. If the Placing Agreement is terminated prior to Admission, the Placing will lapse and the rights and obligations of the Placees hereunder shall cease and determine at such time and no claim can be made by any Placee in respect thereof. In such event, all monies (if any) paid by the Placees to the Relevant Broker at such time shall be returned to the Placees at their sole risk without any obligation on the part of the Company or the Relevant Broker or any of their respective affiliates to account to the Placees for any interest earned on such funds. The Placees acknowledge and agree that the Company and the Brokers may, at their sole discretion, exercise their contractual rights to waive or to extend the time and/or date for fulfilment of any of the conditions in the Placing Agreement. Any such extension or waiver will not affect Placees' commitments.
6. Neither the Brokers nor the Company shall have any liability to any Placee nor shall they owe any Placee fiduciary duties in respect of any claim they may have under the Placing Agreement (or to any other person whether acting on behalf of a Placee or otherwise) in respect of the exercise of their contractual rights to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of termination of the Placing Agreement or in respect of the Placing generally.
  7. Each Placee acknowledges to, and agrees with, the Brokers for themselves and as agents for the Company, that except in relation to the information in this announcement, it has relied on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing.
  8. Settlement of transactions in the Placing Shares following Admission will take place within CREST, subject to certain exceptions. The Brokers reserve the right to require settlement for and delivery of the Placing Shares to the Placees in such other means that it deems necessary if delivery or settlement is not possible within CREST within the timetable set out in this announcement or would not be consistent with the regulatory requirements in the jurisdictions of such Placees.
  9. It is expected that settlement of the Placing will occur on 24 November 2010, on which date each Placee must settle the full amount owed by it in respect of the Placing Shares allocated to it. The Relevant Broker may (after consultation with the Company) specify a later settlement date (or dates) at its absolute discretion. Payment must be made in cleared funds. The payment instructions for settlement in CREST and settlement outside of CREST will be set out in the Contract Note. The trade date of the Placing Shares is 24 November 2010. Interest is chargeable daily on payments to the extent that value is received after the due date at the rate per annum of 2 percentage points above the Barclays Bank plc base rate. If a Placee does not comply with these obligations, the Relevant Broker may sell the Placing Shares allocated to such Placee (as agent for such Placee) and retain from the proceeds, for its own account, an amount equal to the Placing Price plus any interest due. The relevant Placee will, however, remain liable, inter alia, for any shortfall below the



Placing Price and it may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of its Placing Shares on its behalf. Time shall be of the essence as regards the obligations of Placees to settle payment for the Placing Shares and to comply with their other obligations under this appendix.

10. If Placing Shares are to be delivered to a custodian or settlement agent of a Placee, the relevant Placee should ensure that its Contract Note is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are to be registered in the name of a Placee or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such person, such Placing Shares will, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax. Placees should match the CREST details as soon as possible or if using a settlement agent they should instruct their agent to do so. Failure to do so could result in a CREST Settlement fine.

### **Representations and Warranties by Placees**

By participating in the Placing, each Placee (and any persons acting on its behalf):

1. represents and warrants that it has read this announcement in its entirety and acknowledges that its participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of this announcement (including this appendix);
2. acknowledges that no offering document or prospectus has been or will be prepared in connection with the Placing and that it has not received a prospectus or other offering document in connection therewith;
3. represents, warrants and undertakes that it will subscribe for the Placing Shares allocated to it in the Placing and pay for the same in accordance with the terms of this appendix failing which the relevant Placing Shares may be placed with other subscribers or sold as the Brokers determine and without liability to such Placee;
4. confirms the Relevant Broker's absolute discretion with regard to the Placing Agreement and agrees that the Relevant Broker owes it no fiduciary duties in respect of any claim it may have relating to the Placing;
5. undertakes and acknowledges that its obligations under the Placing are legally binding and irrevocable;
6. represents and warrants that it is entitled to subscribe for Placing Shares under the laws of all relevant jurisdictions which apply to it and that it has fully observed and complied with such laws and obtained all such governmental and other guarantees and other consents which may be required thereunder and complied with all necessary formalities;



7. acknowledges that it is not entitled to rely on any information (including, without limitation, any information contained in any management presentation given in relation to the Placing) other than that contained in this announcement (including this appendix) and represents and warrants that it has not relied on any representations relating to the Placing, the Placing Shares or the Company other than the information contained in this announcement;
8. acknowledges that neither the Brokers nor the Company nor any of their affiliates nor any person acting on behalf of any of them has provided, and will not provide, it with any material regarding the Placing Shares or Faroe other than this announcement; nor has it requested the Brokers, the Company, any of their affiliates or any person acting on behalf of any of them to provide it with any such information;
9. represents and warrants that the issue to the Placee, or the person specified by such Placee for registration as holder of Placing Shares, will not give rise to a liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
10. represents and warrants that it is aware of and has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 (the "Regulations") and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it and that the applicable procedures have been carried out to verify the identity of the third party as required by the Regulations;
11. if in the United Kingdom, represents and warrants that it is a person falling within Article 19(5) or Article 49(2)(a) to (e) of the Order and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
12. if in the United Kingdom, represents and warrants that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 as amended ("FSMA") with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving the United Kingdom and will not sell or offer to sell the Placing Shares in a manner which will result in an offer to the public in the United Kingdom within the meaning of FSMA;
13. represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;



14. represents and warrants that it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
15. if in a Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the relevant Placee represents and warrants that it is either:
  - (a) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities;
  - (b) a legal entity which has two or more of:
    - (i) an average of at least 250 employees during the last financial year;
    - (ii) a total balance sheet of more than €43,000,000; and
    - (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
  - (c) such securities are sold in any other circumstance which does not require the publication of a prospectus by the Company pursuant to Article 3 of the Prospectus Directive; and
  - (d) is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion, and that, unless otherwise agreed with the Company, it (and any such account) is subscribing for the Placing Shares in an "offshore transaction" (within the meaning of Regulation S under the Securities Act).
16. represents and warrants that its obligations under the Placing are valid, binding and enforceable and that it has all necessary capacity and authority, and has obtained all necessary consents and authorities to enable it to commit to participation in the Placing and to perform its obligations in relation thereto and will honour its obligations (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this announcement);
17. acknowledges that the Relevant Broker is acting solely for the Company and that participation in the Placing is on the basis that it is not and will not be a client or customer of the Relevant Broker or any of its affiliates and that the Relevant Broker and its affiliates have no duties or responsibilities to it for providing the protections afforded to their clients or customers or for providing advice in relation to the Placing or in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of the Relevant Broker's rights and obligations thereunder, including any right to waive or vary conditions or exercise any termination right;
18. undertakes and agrees that (i) the person whom it specifies for registration as holder of the Placing Shares will be (a) the Placee or (b) a nominee of the Placee, (ii) neither the Brokers nor the Company or any of their respective affiliates will be responsible



- for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement and (iii) the Placee and any person acting on its behalf agrees to subscribe on the basis that the Placing Shares will be allotted to the CREST stock account of the Relevant Broker which will act as settlement agent in order to facilitate the settlement process;
19. acknowledges that any agreements entered into by it pursuant to these terms and conditions shall be governed by and construed in accordance with the laws of England and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract;
  20. acknowledges and agrees that the Placing Shares have not been and will not be registered under the Securities Act or under the relevant securities laws of any state of the United States, that the relevant clearances have not been and will not be obtained from the Securities Commission of any Province of Canada and that the Placing Shares have not been and will not be registered under the relevant securities laws of any of Australia, Japan, or South Africa or any state or territory within any such country and, subject to certain limited exceptions, may not be, directly or indirectly, offered, sold, renounced, transferred, taken-up or delivered in, into or within those jurisdictions;
  21. acknowledges and understands that the Placing Shares have not been recommended, approved or disapproved by any United States federal or state securities commission or regulatory authority, and agrees not to reoffer, resell, pledge or otherwise transfer the Placing Shares except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
  22. acknowledges that any Placing Shares offered or sold in the United States are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, so long as such Placing Shares are "restricted securities", it will not deposit Placing Shares into any unrestricted depositary receipt facility maintained by any depositary bank in respect of the Company's Ordinary Shares, and represents and warrants that if Placing Shares were offered to it in the United States, that it will not reoffer, sell, pledge or otherwise transfer Placing Shares except (i) to the Company; (ii) outside the United States in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act; or (iii) within the United States (a) upon delivery to the Company of an opinion of U.S. counsel reasonably satisfactory to the Company to the effect that registration under the Securities Act would not be required in connection with such transfer, or (b) pursuant to an effective registration statement under the Securities Act and that, in each such case, such offer, sale, pledge, or transfer will be made in accordance with all applicable securities laws of each State of the United States, and that any Placing Shares subject to such restrictions and issued in certificated form will bear a legend setting forth the restrictions referred to above;



23. acknowledges that it and, if different, the beneficial owner of the Placing Shares is not, and at the time the Placing Shares are acquired will not be residents of Australia, Canada or Japan;
24. save where it has provided evidence to the satisfaction of the Relevant Broker that it is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, represents, warrants and acknowledges to the Relevant Broker that it is outside the United States and will only offer and sell the Placing Shares outside the United States in offshore transactions in accordance with Regulation S under the Securities Act;
25. represents, warrants and undertakes and agrees that neither it nor its affiliates (as defined in Rule 501(b) under the US Securities Act), nor any person acting on its or their behalf. have engaged in or will engage in any "general solicitation" or "general advertising" (as such terms are defined in Regulation D under the US Securities Act) or in any "directed selling efforts" (as defined in Regulation S under the US Securities Act) in connection with any offer or sale of the Placing Shares;
26. acknowledges that the agreement to settle each Placee's subscription (and/ or the subscription of a person for whom it is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to a subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there were any such arrangements, or the settlement related to other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable, for which neither the Company nor the Brokers nor any of their respective affiliates will be responsible. If this is the case, the relevant Placee should take its own advice and notify the Relevant Broker accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares; and
27. acknowledges that any monies of any Placee or any person acting on behalf of the Placee held or received by the Relevant Broker will not be subject to the protections conferred by the FSA's Client Money Rules. As a consequence, these monies will not be segregated from the monies of the Relevant Broker and may be used by the Relevant Broker in the course of its business, and the relevant Placee or any person acting on its behalf will therefore rank as a general creditor of the Relevant Broker.

The acknowledgements, undertakings, representations and warranties referred to above are given to each of the Company and the Relevant Broker (for their own benefit and, where relevant, the benefit of their respective affiliates) and are irrevocable. The Company and the Relevant Broker will rely upon the truth and accuracy of the foregoing acknowledgements, undertakings, representations and warranties.

## Appendix II - Definitions

The following definitions have been used in this Announcement, unless the context otherwise requires:

“Act”	the Companies Act 2006
“Admission”	the admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers published by the London Stock Exchange
“bcm”	billion cubic metres
“Board” or “Directors”	the directors of the Company as at the date of this Announcement
“boepd”	barrels of oil equivalent per day
“Brokers”	Panmure Gordon and Oriel Securities, jointly and/or severally and “Relevant Broker” means either of them as the context so requires (by reference to the relevant subscriber procured)
“Company” or “Faroe”	Faroe Petroleum plc
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear UK & Ireland is the operator
“DTR”	the Disclosure and Transparency Rules made by the Financial Services Authority with effect from 20 January 2007 pursuant to Commission Regulation 2004/109/EC, as revised from time to time
“Enlarged Share Capital”	the enlarged share share capital of the Company immediately following Admission
“FSMA”	Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries
“London Stock Exchange”	London Stock Exchange plc



“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Oriel Securities”	Oriel Securities Limited
“Panmure Gordon”	Panmure Gordon (UK) Limited
“Placees”	persons who subscribe for Placing Shares under the Placing
“Placing”	the placing of the Placing Shares
“Placing Agreement”	the agreement dated 18 November 2010 between the Company, Panmure Gordon and Oriel Securities relating to the Placing
“Placing Price”	165 pence per Placing Share
“Placing Shares”	the 37,718,024 new Ordinary Shares to be issued pursuant to the Placing
“Prospectus Rules”	the Prospectus Rules made by the Financial Services Authority with effect from 1 July 2005 pursuant to Commission Regulation 2004/809/EC, as revised from time to time
“Rights Issue”	the offer by way of rights issue for existing Shareholders to subscribe for new Ordinary Shares undertaken by the Company in April 2010
“Rothschild”	N M Rothschild & Sons Limited
“Shareholder(s)”	holder(s) of Ordinary Shares
“SSE”	Scottish & Southern Energy PLC and its group
“UK”	the United Kingdom of Great Britain and Northern Ireland