18 September 2012

FAROE PETROLEUM PLC
("Faroe Petroleum", "Faroe", the "Company" or the "Group")

Unaudited Interim Results for the six months ended 30 June 2012

Faroe Petroleum, the independent oil and gas group focused on oil and gas exploration and production in the Atlantic Margin, Norway and the North Sea, announces its unaudited Interim Results for the six months ended 30 June 2012.

Highlights

Activity

- Significant increase in production
    - Produced an average of 8,581 boepd in the period (1H 2011: 1,263 boepd)
    - Four principal producing fields (Blane, Njord, Brage, and Ringhorne East)
    - Significant investment in development and production wells
- Increased production cashflow continuing to finance enhanced exploration programme
- Active programme of investment in drilling and new ventures
    - Five exploration wells of which Butch confirmed as a significant discovery
    - Drilling ongoing on the BP-operated North Uist exploration prospect West of Shetland
    - Portfolio success rate on exploration remains high (approx. 50% in the period 2009-12), despite lack of commercial discoveries during in 1H 2012
    - Considerable new licence application activity, with Faroe now taking the lead as operator in several joint ventures

Financial

- Revenue increased significantly to £90.6 million (1H 2011: £40.1 million – including sale of pre-completion oil inventory on Blane of £26.8 million)
- EBITDA[1] increased six-fold to £62.8 million (1H 2011: £10.1 million)
- Profit after tax of £3.7 million (1H 2011 loss: £18.2 million)
    - Includes substantial income from producing assets
    - Includes expensed exploration costs of £53.2 million (1H 2011: £25.9 million)
- Cash of £103.2 million at 30 June 2012 (31 December 2011: £111.6 million)
- Norwegian tax receivable of £22.6 million (1H 2011: £36.3 million)
- Forward exploration programme fully funded

Post-Balance Sheet Events

- Committed reserve based lending facility increased to $250 million and extended to 2017 – provides finance for further investments and acquisitions
- Acquisition of 12.5% of Licence PL531 in Barents Sea, including well on high-impact Darwin prospect
- Tests on Cooper hydrocarbons failed to flow oil to surface – further evaluation to be carried out

Outlook

- Spaniards and Rodriquez South wells expected to spud in 2H 2012
- Drilling programme targeting up to five material wells next year, including Darwin, Novus (Faroe-operated) and Butch exploration wells
- 2012 production guidance 7,000-8,000 boepd
- Exploration and development capital expenditure for 2012 forecast at approx. £205 million (approx. £120 million after Norwegian tax rebate)
- Active preparations to apply for further licences in near-term licensing rounds (Norway)
- Well positioned and funded to achieve significant growth through exploration and acquisition
- Pursuing opportunities to extend our exploration model in new areas

1 EBITDA (earnings before interest, taxation, depreciation and amortisation) is gross profit plus depreciation on producing assets

Graham Stewart, Chief Executive, commented:

"We have made good progress so far in 2012, resulting in a significant boost to production and cash flow. Our production has increased significantly following successful acquisitions of interests in four high quality, long life oil and gas fields in UK and Norway, most of which emanated from our ground-breaking swap deal with Petoro to monetise the significant Maria discovery."

''Despite some disappointing results in our exploration programme during the first half, our success rate across the portfolio remains high. Faroe has an exciting drilling programme ahead with results from a further four exploration wells scheduled for the next six months, including the frontier Darwin well on the untested Veslemoy high in the western part of the Barents Sea expected to spud around year end. This is followed by an active schedule of exploration and appraisal wells over the next three years. Two wells are scheduled for next year to explore the south west and the east sides of the large salt structure where we made the significant Butch oil discovery, and we are also preparing plans to drill the exciting Novus prospect in Norway as operator in 2013."

"Faroe has demonstrated its ability to deliver solid value for shareholders both through the drill-bit and by considerable strengthening of its reserves and production base. The resultant cash flow from our production combined with cash balances and available debt facilities ensure we are well funded to maintain a very active investment programme and continue to create value for shareholders."

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Chairman's and Chief Executive's Statement

We are pleased to announce the unaudited Interim Results for the six months ended 30 June 2012. This has been another significant period for the business. There has been considerable exploration activity, predominantly in Norway, as well as West of Shetland. Production has been boosted substantially, reflecting acquisition and swap transactions completed in 2011, which, together with our increased tax efficient cash flow and available bank facilities put us in an excellent position to continue our exciting drilling programme and grow the business.

In the first half of the year the Group saw a significant increase in production, from 1,263 boepd (1H 2011 average) to 8,581 boepd (1H 2012 average). This was delivered in particular through the addition of a number of high quality, long life producing Norwegian oil and gas fields (notably Njord, Brage and Ringhorne East), together with the Blane oil field in the UK (both the Blane acquisition and Maria swap transaction completed in 2011). The Group now has a well balanced, high quality portfolio of producing assets with upside potential. Production in the first half started very strongly with average daily production above 10,000 boepd in the first four months. This output was cut back in May and June to allow for a scheduled programme of maintenance, repair and tie-in works on the Njord and Brage fields.

In exploration there has been considerable activity in the half year. In January 2012 the drilling operations on the significant Butch discovery in Norway were completed; the well encountered light oil in excellent quality reservoir sands with a very high net to gross ratio. The T-Rex well in Norway, which also commenced at the end of 2011, was Faroe's first well targeting Cretaceous reservoirs on the Halten Terrace and confirmed the presence of oil but in a thinner than expected reservoir interval. The Kalvklumpen, Clapton and Cooper wells (all in Norway) and the North Uist well (West of Shetland) all spudded in the half year. The Kalvklumpen well targeted sandstones of the Palaeocene Hermod Formation and the Jurassic Brent Group and, whilst excellent reservoirs were confirmed in both targets, no hydrocarbons were encountered, and the data obtained suggests good follow up potential in this and adjacent licences. Clapton was the Group's first well as operator in Norway. Whilst Clapton was not a discovery, the Group was pleased to have been able to demonstrate its ability to operate successfully under the rigorous regime in Norway and to deliver a well on budget and without any serious incident. In July 2012 it was announced that the Cooper well had encountered hydrocarbons in Middle Jurassic Garn formation and based on preliminary results the joint venture decided to perform a drill stem test (DST) to evaluate the potential productivity of the reservoir. Disappointingly, no hydrocarbons flowed to surface in the DST; however, further technical work is being carried out on other target horizons within the Cooper well. The North Uist well in the West of Shetlands basin is currently still being drilled by BP.

In appraisal and development we are progressing the West of Shetland discovery, Glenlivet (Faroe 10%), to concept selection. Glenlivet looks set to be advanced with new gas export infrastructure currently being installed nearby on the Total-operated Laggan/Tormore gas development, offering the potential for Glenlivet to secure the gas export route. In Norway the partnership is also progressing the major Fogelberg (Faroe 15%) gas and condensate discovery. The significant Butch oil discovery made in 2011 is making good progress, with work ongoing on the field development plan in parallel with plans to drill two further exploration wells in 2013, which have the potential of increasing the scale of this development project.

We have always placed great importance on winning new exploration licences in order to provide feedstock for a continuing, high quality exploration drilling programme. In the year to date we have already added seven new licences in Norway, three as operator, through the APA (Awards in Predefined Areas) licensing round. In the UK, applications have been submitted in the 27th round, and are applying for licences in the Norwegian 22nd round and 2012 APA round. We are also reviewing developments in the East Barents Sea, which may become available as part of the 23rd round, and, with a continuing Arctic focus, the Group has also submitted applications in the Icelandic round, in the Jan Mayen Island area.

Cash at 30 June 2012 was £103.2 million (31 December 2011: £111.6 million). Increased 1H production has boosted revenue and gross margin substantially, assisted by strong oil and gas prices. In particular, Blane production has generated very efficient cash flow, particularly since our increased profitability in the UK can be offset against our brought forward tax losses.

The Company announced a further strengthening of its debt arrangements in July 2012, increasing significantly the committed size and extending the term of our reserve based lending facility, on good terms and with an excellent international bank group, led by BNP Paribas and Lloyds TSB Bank. The combination of cash balances, cash flows and headroom from available bank facilities leaves the Group well positioned to fund the forward programme and deliver continued value growth.

Outlook

Faroe Petroleum has grown to become a robust, portfolio based exploration company, with strong production revenues and an outstanding platform on which to build. Our ambitious targeted drilling campaign ensures our shareholders are exposed to significant upside potential on a near continuous basis. We have managed our funds and portfolio in such a way as to ensure the drilling programme is substantially funded from cash flow. We have also ensured that we work in partnership with many of the best oil companies in the world to share in the unlocking of value through exploration, appraisal and development.

Our team is delivering a very exciting drilling programme together with a strong production base. Following earlier exploration successes, Faroe Petroleum has a number of potential developments in the portfolio, and will consider how best to monetise these opportunities, whether through the development cycle, full or partial divestment, or other means.

We also continue to look for opportunities for further growth of the portfolio both within our existing areas, and also in new areas. As with previous country entries, in seeking potential new opportunities to complement and maintain our high quality future exploration programme, we would focus on our strengths and competitive advantage.

We also aim to grow our production portfolio to continue the funding of our ongoing exploration programme substantially from tax-efficient cash flow. Our expanded debt facilities are designed to allow us to fund potential investments and acquisitions and maintain our strong forward momentum in creating value for shareholders.

John Bentley
Chairman

Graham Stewart
Chief Executive

Review of activities

Faroe Petroleum's focus is on the northern seas of the North Sea (UK and Norway), Norwegian Sea, Barents Sea (Norway), Atlantic Margin (UK and Faroes), as well as new Arctic frontier regions where high impact exploration opportunities are available. The Company has built considerable competence, expertise and knowledge in each of these areas, which in combination provide a well balanced portfolio of exploration, appraisal, development and production assets and the capacity to manage future investments effectively and efficiently.

Exploration – UK

The UK Atlantic Margin remains a very active oil and gas province and an important focus area for Faroe Petroleum. The area holds some of UK's largest producing oil fields. The Laggan-Tormore project is the first gas development in this area and the installation of new gas export infrastructure has led to increased interest in exploration for gas. New tax incentives for deep water developments were introduced by the UK Government earlier this year and this has further stimulated exploration and development activity. The planning of Chevron's Rosebank project is underway, which could lead to further activity and the installation of new deep water infrastructure in the area.

Faroe has one of the largest acreage positions in the UK Atlantic Margin. The Company currently holds eight licences, of which five are operated. The portfolio is diversified with several promising and independent exploration plays being pursued in parallel. These are expected to generate an active programme of exploration drilling in the coming years. Since January 2009, the Company has drilled five exploration wells in the Atlantic Margin, including the Faroes, and has made three discoveries: the Glenlivet and Tornado gas discoveries and the Fulla oil discovery.

Drilling is currently ongoing on the BP-operated North Uist exploration prospect (Faroe 6.25%). Drilling of this deep-water well commenced in March 2012, but due to drilling related technical issues, approximately three months of delay has been experienced. The North Uist prospect offers significant resource potential and is in close proximity to a number of important discoveries on the Atlantic Margin Corona Ridge, including Rosebank and Cambo.

Further north on the Corona Ridge, the Grouse prospect (Faroe 37.5% and operator) is a very large structural prospect located above the basalt layers. An electromagnetic survey has been successfully acquired over the prospect during July and August 2012 to de-risk this opportunity further, ahead of the drilling commitment decision.

On the Fulla and Freya discoveries (Faroe 50% and operator), work is continuing to try to find cost efficient ways of de-risking this opportunity to establish whether there is potential for a combined development project.

In October 2012, Faroe expects to spud the Spaniards well (Faroe 8.4%) with Premier as operator. Faroe is fully carried in this exploration well which will be targeting an exploration prospect to the south of the Perth field in the Central North Sea

Faroe has submitted a number of applications for licences in the UK 27th Licensing Round which include several exciting new exploration opportunities both in the Atlantic Margin area and the North Sea. Awards are expected to be announced later in the year.

Exploration – Norway

Norway has seen a considerable increase in exploration activity during the last few years with many new players competing for acreage and an increasingly high number of exploration wells being drilled. This activity has been very successful and last year Norway made some of the largest oil discoveries in the world. Statoil's billion barrel Johan Sverdrup discovery in the Norwegian North Sea has demonstrated that very large discoveries can still be made in areas that have been actively explored for many years. In the Barents Sea, the Statoil Skrugard and Havis oil discoveries represent a breakthrough in a very large area which could turn into a new petroleum province. Faroe has been successful in every licence round since it entered Norway in 2006 and now holds a significant portfolio of exploration blocks which range from lower risk prospects in the Norwegian North Sea to frontier licences in the Barents Sea.

The Group has had a good track record of success in Norway. Since January 2009 the Group has drilled eight wells in Norway, with three commercial discoveries. Fogelberg and Butch are being progressed with further appraisal planned ahead of development decisions, and the Maria discovery was successfully swapped with Petoro for producing assets in Norway.

The Butch discovery well and sidetrack (Faroe 15%), which were finalised at the beginning of the year, found a light oil in excellent quality reservoir on the north-west side of a large salt structure. The discovery is located in approximately 66 metres water depth in the Norwegian North Sea close to the Ula and Gyda fields. Centrica as the operator has started working on a development plan for the Butch discovery itself but, in parallel, is also planning two further exploration wells to be drilled in the middle of next year on the untested south-west and east sides of the large salt structure. The two Butch follow-up wells will target two attractive exploration prospects. The well planning work is being carried out in parallel with the development planning to allow the latter to be fast tracked, irrespective of the outcome of the two additional exploration wells.

Through several licence rounds Faroe has built a considerable acreage position in the Frigg area on the northern part of the Utsira high and to the north of the giant Johan Sverdrup discovery. Several significant discoveries have been made in this area in recent years including Total's David discovery and Statoil's Krafla discovery. The Kalvklumpen well (Faroe 20%) was drilled at the beginning of the year and found excellent reservoir at both target levels. However, the well did not encounter hydrocarbons. After incorporating the Kalvklumpen results and new information from other wells, the understanding of the petroleum system in this area is improving and several promising new targets have been identified both in the Kalvklumpen licence and in the neighbouring Faroe licences. Current work is aimed at de-risking and ranking these targets ahead of a commitment decision to drill further exploration wells in this area.

The result of the T-Rex well (Faroe 30%) was announced in March 2012. The well found oil, but unfortunately encountered a thinner than expected reservoir section. T-Rex was the first well to target the high potential Cretaceous play in this area and data from the well now provides a very important calibration point for further evaluation and de-risking of other prospects on this play type. Fluid samples were also successfully recovered indicating good quality light oil. Faroe is very well positioned on the Halten Terrace with several Cretaceous prospects in the inventory. In the T-Rex licence itself, the further potential is limited and the Group has therefore decided to relinquish this licence.

In addition, Faroe has committed to two further exploration wells on the Halten Terrace: the Rodriguez South well, which will target an untested Jurassic fault block in close vicinity to the Maria discovery, and the Faroe-operated Novus well, which will target a fault structure with a supporting seismic anomaly between Maria and the giant Heidrun field. The Rodriguez South and Novus wells are expected to be drilled in 2012 and 2013 respectively.

In June 2012, Faroe announced the result of the Clapton exploration well which was drilled on the side of the Mode Dome salt diapir in the Norwegian North Sea (Faroe 40% and operator). The well encountered the primary chalk reservoir on prognosis, but it did not contain hydrocarbons of producible quantities. This well, which was Faroe Petroleum's first operated well in Norway, was drilled successfully using the Maersk Guardian jack-up rig; it came in on budget and was drilled without any serious health, safety and environment (HSE) incident.

In August 2012, it was announced that the Cooper well had encountered oil in a 59 metres gross section within the Garn Formation and 10 metres gross section within the Ile Formation. Extensive data acquisition including pressure tests indicated restricted flow within the reservoir and the decision was taken to perform a drill stem test to evaluate the potential productivity. Disappointingly and unlike other wells in the area, no hydrocarbons flowed to surface during the production test. A large amount of data has been collected in the Cooper well, and continued work on the oil discovery will focus on trying to resolve why the Garn formation is tight in the Cooper well and whether this is likely to be a local or a field wide reservoir phenomenon.

In the Barents Sea, Faroe already holds two very large exploration licences located between the Total Nordvarg gas discovery to the East and the large Skrugard and Havis oil discoveries to the West. On the Samson Dome licence (Faroe 20%), a new 3D seismic dataset is being interpreted while in the Kvalross licence (Faroe 40%) a large new 3D seismic survey was acquired in 2012 and is currently being processed. Both these licences are being matured towards drilling decisions.

Also in August 2012, Faroe announced the acquisition from Talisman of a share in PL531 in the Barents Sea, which contains the Darwin prospect. Darwin will be the target of a high impact wildcat exploration well planned to spud around the end of the year. The prospect consists of a large closure at multiple levels, located on the Veslemøy High in the frontier western part of the Barents Sea, approximately 60 to 80 kilometres to the south west of the recent breakthrough oil discoveries on Skrugard and Havis. Faroe has agreed to carry Talisman Energy Norge AS' retained 12.5% share of base well cost obligations in respect of the well, in return for a 12.5% share in the licence.

Production and Development

During the first six months of 2012, Faroe produced a net average of 8,581 boepd with over 90% coming from the Njord, Brage and Ringhorne East fields in Norway and the Blane field in the UK. Smaller contributions to production came from the Glitne, Enoch and Jotun fields in Norway, as well as the Schooner, Topaz and Wissey gas fields in the Southern Gas basin in the UK.

Faroe has two fields in development: the Hyme field in Norway and the Orca field in the UK. In addition, fields that are progressing in the appraisal phase and towards developments include Butch and Fogelberg in Norway, Glenlivet and Tornado in the west of Shetland and Perth in the UK Central North Sea.

The Njord field (Faroe 7.5%) is undergoing a significant upgrade and development work programme in 2012, which includes riser replacements, a low pressure production project, preparations for the North West flank development and the tie-in of the Hyme satellite development project. The upgrade programme, which involves shutting down the Njord production, has progressed well with the majority of planned production downtime already incurred.

In the Brage field (Faroe 14.25%) production was interrupted for two weeks in July, subsequent to the period end, due to an oil workers strike, but has recommenced and the field is now producing with high uptime. The drilling of new infill wells continued in the first half of 2012, but, as per plan, drilling has now stopped temporarily to carry out maintenance and upgrades to the drilling equipment to allow for the drilling of long reach wells in 2013.

The Ringhorne East field (Faroe 7.8%) has produced at stable rates during the first half of the year. The first of two long reach infill wells targeting un-drained oil identified on 4D seismic was completed and came on stream at the end of July. The well has started production and is expected to contribute to a higher Group production level in the second half of the year.

The Glitne field (Faroe 9.3%) is approaching the end of field life and, following an unsuccessful in-fill well in early 2012, work has commenced on planning the decommissioning of the field in 2013. Faroe is capped for a large part of the decommissioning cost through an agreement with DONG, and the remainder of this cost can be offset against income from production on other Norwegian fields for tax purposes.

The Blane Oil Field (Faroe 18.0%) located in the Central North Sea on the border between the UK and the Norwegian sector has continued to perform above expectations. The field had a period of downtime as a result of upgrades to the fire and gas detection systems on the host platform, however with water production increasing at a slower rate than predicted, overall oil production is exceeding expectations.

On the Glenlivet discovery (Faroe 10%) west of Shetland, negotiations are ongoing to secure capacity for gas export in the new UK west of Shetland gas gathering system, which is being installed by Total as part of the Laggan and Tormore gas field development. This will allow the project to move towards concept selection and Field Development Plan ("FDP") submission.

The Tornado discovery (Faroe 7.5%) contains significant gas resources and an oil rim in a high quality reservoir. Work is ongoing by the Tornado group, as well as other partnerships in the area on confirming the feasibility of potential joint development and gas export solutions.

On Fogelberg (Faroe 15%), the operator is working towards field development to coincide with availability of transportation capacity in the Åsegard production and transportation system, which will allow for the gas to be transported from the Norwegian Sea to the European continent.

In the UK Central North Sea the Perth oil field (Faroe 34%) is being matured towards field development by the operator Deo Petroleum, recently acquired by the Parkmead Group.

Finance Review

The first half of 2012 was a period of considerable activity for the Group, reflecting production from 10 producing assets, and the drilling of five exploration wells, including one as operator. Faroe ended the half year in a strong cash position with £103.2 million of cash (31 December 2011: £111.6 million).

Income statement

Revenue was £90.6 million (1H 2011 revenue: £40.1 million, which was inclusive of proceeds from the sale of the Blane pre-completion inventory of £26.8 million). The Blane inventory sale was included in revenue and cost of sales in the 2011 income statement and did not affect the gross profit. The significant increase in revenue reflects production from the Njord, Brage and Ringhorne East fields in Norway, acquired as part of the Maria swap with Petoro, and production from Blane in the UK.

Cost of sales for the period was £49.0 million (1H 2011: £33.3 million) and the gross profit for the period was £41.7 million (1H 2011: £6.7 million). The improved margin is largely due to increased production levels.

Pre-tax expensed exploration costs for the half year were £53.2 million (1H 2011: £25.9 million) and include write-offs of the T-Rex and Clapton licences, plus pre-award expenditure such as costs associated with licence round applications.

The Income Statement includes a gain on disposal of £1.6 million. This is a deferred consideration for the sale of the Trym asset in 2009.

The Group's loss before tax was £15.9 million (1H 2011: £24.0 million), reflecting significant exploration write-offs offset by considerably higher production in 2012. The tax credit for the period was £19.6 million (1H 2011: £5.8 million), largely reflecting the credit of deferred tax on Norwegian exploration assets written off less tax on profit from production. The post-tax profit was £3.7 million (1H 2011 loss: £18.2 million).

Taxation

The Group had a tax receivable at 30 June 2012 of £22.6 million (31 December 2011 tax payable: £13.3 million) mainly consisting of 78% of exploration expenditure, net of production profits, in Norway for the half year. Of the tax rebate for the expenditure to June 2012, a credit of £19.6 million (1H 2011: £1.3 million) has been recognised in the income statement, the balance being credited to deferred tax liabilities. In addition, a credit of £4.5 million was recognised in 1H 2011 relating to a reversal of a UK tax provision made in 2009.

At June 2012 the Group had unrelieved UK tax losses of approximately £64.8 million (31 December 2011: £70.3 million). The unrelieved tax losses are available indefinitely for offset against future taxable profits in the UK, with the potential to materially enhance the Group's net results.

Balance sheet and cashflow

Expenditure of £91.4 million (1H 2011: £51.1 million) on intangible and tangible assets, prior to tax rebate, were made in the half year. Of this £62.6 million related to pre-tax exploration expenditure, particularly on the T-Rex, Kalvklumpen, North Uist, Clapton and Cooper wells. £28.6 million related to development expenditure, principally reflecting in-fill wells and other expenditure on the Njord and Brage fields, and the Hyme tie-back due to come on stream in early 2013.

The net assets of Faroe Petroleum increased during the period to £235.7 million (31 December 2011: £230.8 million) which essentially reflects the profit after tax in the period. Closing cash was £103.2 million (31 December 2011: £111.6 million).

Refinancing

The Group announced in July 2012 a further strengthening of its bank facilities. The Group increased its reserve based debt facility to $250 million (approx. £161 million) from $125 million, exercising a $125 million accordion uncommitted facility. At the same time the Group extended the maturity of the facility by one year, so it now matures in June 2017. This increase and extension means that a substantially increased borrowing base is available to the Group. This facility is currently undrawn, though a small portion is utilised for a letter of credit.

In addition, the Group has in place a revolving credit facility of NOK 500 million (approx. £55 million), plus a further uncommitted accordion facility of NOK 500 million for financing 75% of Norwegian exploration costs net of Norwegian profits, such that no more than 25% of net exploration expenditure in Norway is usually funded from equity sources. At 30 June 2012 £16.0 million (31 December 2011: £nil) was outstanding on the Norwegian exploration facility, which is drawn against the 2012 Norwegian tax rebate receivable in December 2013.

The facilities are provided by a strong bank group of seven banks.

Hedging

The Group operates a policy to hedge its UK production, and at this time approximately 90% of production to June 2013 is hedged, with a lesser percentage hedged to June 2014. The net effect of this oil hedging is to create an effective floor, most at $90 per barrel.

Dividend

The Directors do not recommend payment of a dividend.

Group Income Statement	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Revenue	90,616	40,104	80,233
Cost of sales	(48,958)	(33,285)	(52,238)
Asset impairment	-	(118)	-
Gross profit	41,658	6,701	27,995
Net gain on disposal	1,593	-	39,956
Exploration and evaluation expenses	(53,226)	(25,878)	(42,337)
Administrative expenses	(5,439)	(4,376)	(9,853)
Operating (loss)/profit	(15,414)	(23,553)	15,761
Finance revenue	2,013	1,063	2,323
Finance costs	(2,469)	(1,544)	(3,834)
(Loss)/profit on ordinary activities before tax	(15,870)	(24,034)	14,250
Tax credit	19,615	5,819	33,157
Profit/(loss) for the period	3,745	(18,215)	47,407
Earnings/(loss) per share – basic (pence)	1.76	(8.6)	22.3
Earnings/(loss) per share – diluted (pence)	1.57	(8.6)	20.1

Statement of Other Comprehensive Income	**Unaudited Six months to 30 June 2012**	**Unaudited Six months to 30 June 2011**	**Audited Year to 31 December 2011**
	£'000	£'000	£'000
Profit/(loss) for the financial period	3,745	(18,215)	47,407
Exchange differences on retranslation foreign operations net of tax	(829)	1,963	(1,102)
Actuarial gains on defined benefit pension plans net of tax	-	-	423
Total comprehensive gain/(loss) for the period	2,916	(16,252)	46,728

Group Balance Sheet	Unaudited 30 June 2012	Unaudited 30 June 2011	Audited 31 December 2011
	£'000	£'000	£'000
Non-current assets			
Intangible assets	110,899	107,008	99,579
Property, plant and equipment: development & production	115,367	40,314	104,705
Property, plant and equipment: other	508	446	406
Financial assets	12	14	13
	226,786	147,782	204,703
Current assets			
Inventories	4,689	726	4,369
Trade and other receivables	61,503	42,927	59,852
Current tax receivable	22,555	36,322	-
Cash and cash equivalents	103,192	55,053	111,589
	191,939	135,028	175,810
Total assets	418,725	282,810	380,513
Current liabilities			
Trade and other payables	(66,157)	(13,378)	(36,772)
Financial liabilities	(16,007)	(30,759)	-
Current tax payable	-	-	(13,325)
	(82,164)	(44,137)	(50,097)
Non-current liabilities			
Deferred tax liabilities	(64,698)	(60,819)	(64,256)
Provisions	(35,889)	(11,234)	(35,038)
Defined benefit pension plan deficit	(251)	(436)	(308)
	(100,838)	(72,489)	(99,602)
Total liabilities	(183,002)	(116,626)	(149,699)
Net assets	235,723	166,184	230,814
Equity attributable to equity holders			
Equity share capital	21,239	21,239	21,239
Share premium account	205,971	205,935	205,971
Cumulative translation reserve	4,462	8,243	5,311
Retained earnings	4,051	(69,233)	(1,707)
Total equity	235,723	166,184	230,814

Condensed Group Cash Flow Statement	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
(Loss)/profit before tax	(15,870)	(24,034)	14,250
Depreciation, depletion and amortisation	21,265	3,374	12,887
Exploration asset write off	51,264	24,020	38,993
Gain on disposal of asset	(1,593)	-	(39,956)
Asset impairment	-	118	-
Fair value of share based payments	2,011	1,229	2,909
Increase in trade and other receivables	(6,023)	(35,276)	(27,464)
Decrease/(increase) in inventories	4,050	(81)	(3,724)
Increase/(decrease) in trade and other payables	29,329	(7,504)	14,277
Currency translation adjustments	(1,611)	(371)	(977)
Investment revenue	(402)	(692)	(1,324)
Interest and financing fees paid	2,469	1,544	3,834
Tax (payment)/rebate	(18,820)	-	28,070
Net cash generated/(used) in operating activities	66,069	(37,673)	41,775
Investing activities			
Purchases of intangible and tangible assets	(91,408)	(51,144)	(96,217)
Proceeds from sale of intangible assets	1,593	-	53,103
Investment revenue	402	685	1,324
Net cash used in investing activities	(89,413)	(50,459)	(41,790)
Financing activities			
Net proceeds from borrowings	16,007	11,784	(17,575)
Issue of ordinary share capital	-	-	40
Interest and financing fees paid	(961)	(1,008)	(4,393)
Net cash provided/(used) from financing activities	15,046	10,776	(21,928)
Net decrease in cash and cash equivalents	(8,298)	(77,356)	(21,943)
Cash and cash equivalents at the beginning of period/year	111,589	132,150	132,150
Effect of foreign exchange rate changes	(99)	259	1,382
Cash and cash equivalents at end of period/year	103,192	55,053	111,589

Group Statement of Changes in Equity	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Profit/(loss) for the period	3,745	(18,215)	47,407
Other comprehensive (loss)/income	(829)	1,963	(679)
Total comprehensive gain/(loss) for period/year	2,916	(16,252)	46,728
Share based payments	1,993	1,299	2,909
Share issue	-	-	40
Net movement in shareholders' funds	4,909	(14,953)	49,677
Opening shareholders' funds	230,814	181,137	181,137
Closing shareholders' funds	235,723	166,184	230,814

Notes

(i) Basis of preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2012 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IFRS.

An unqualified audit opinion was expressed for the year ended 31 December 2011, as delivered to the Registrar.

(ii) Earnings per share

The calculation of earnings per share is based upon the weighted average number of ordinary shares in issue during the period of 212,385,353 (30 June 2011: 212,379,927 and 31 December 2011: 212,382,662).

The difference between the diluted earnings per share and the earnings per share presented represent all dilutive share options currently in issue, including any expected additional share issues under the Company's Incentive Plan. Total shares in issue as at 30 June 2012 amounted to 212,385,353 with potential for an additional 26,448,046 contingently issuable shares under the share option and Company Incentive Plan schemes.

(iii) Dividend

The Directors do not recommend payment of a dividend.

(iv) Foreign currencies

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.