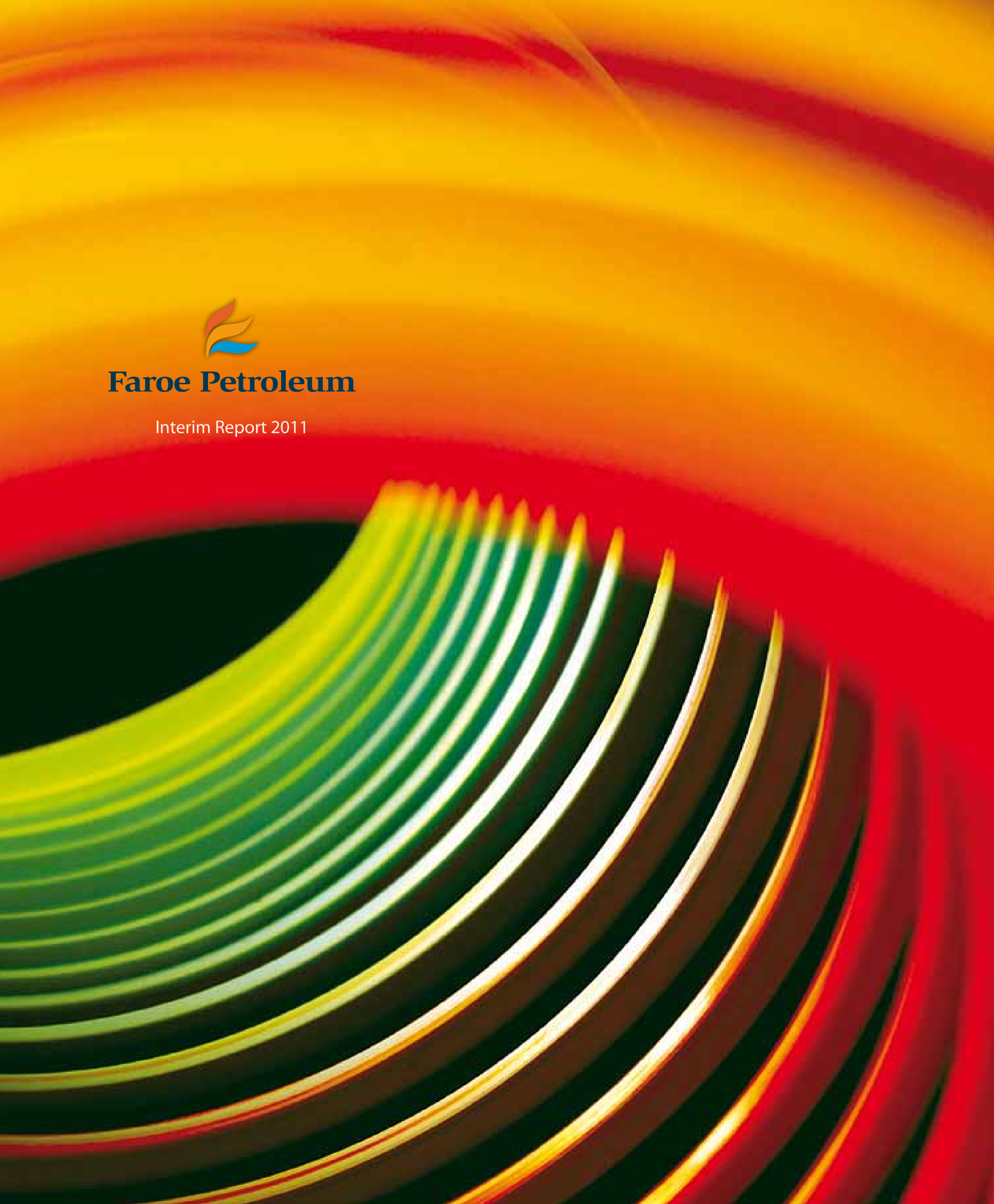


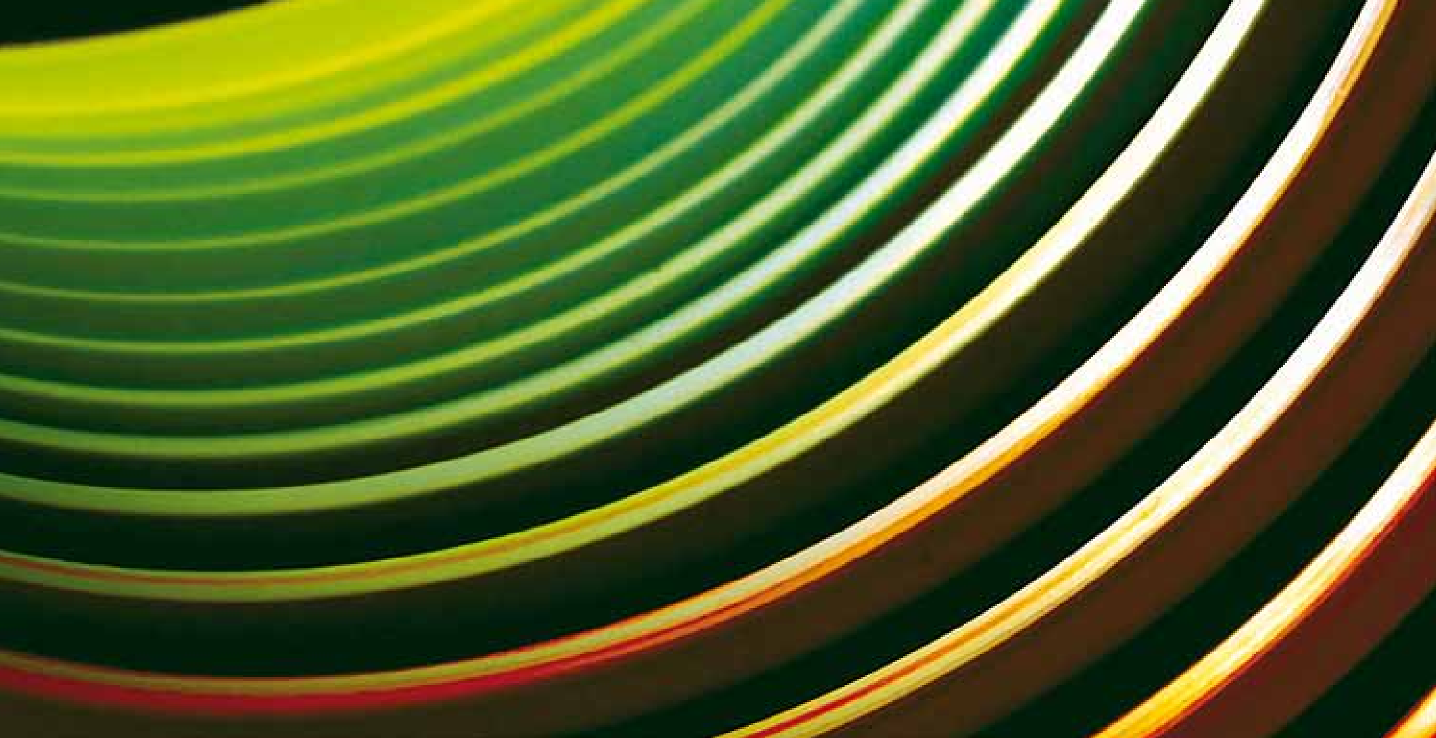
Faroe Petroleum

Interim Report 2011

"We have made excellent progress so far in 2011, resulting in a significant boost to production, proven reserves and cash flow, and following the period end, after the disappointing result from Lagavulin announced in June, we made an important new discovery west of the Shetlands on Fulla which was announced in August 2011. The acquisition of 18% of Blane was completed in May and we also agreed a ground-breaking deal to monetise our significant 2010 Maria discovery by swapping it for high quality, long life oil and gas production from four Norwegian fields.

This again demonstrates Faroe's ability to deliver solid value for shareholders through the drill-bit."

Graham Stewart,
Chief Executive



Highlights

Activity

- Completion of Blane acquisition
- Significant transaction in Norway to swap Faroe's Maria discovery for non-operated stakes in good quality producing fields ("Petoro Assets")
- Deep water, frontier Lagavulin exploration well, west of Shetlands completed – hydrocarbon system encountered but not commercial

Financial

- Turnover increased four-fold to £40.1m (1H 2010: £9.3m)
- Gross profit increased five-fold to £6.7m (1H 2010: £1.3m)
- Loss before tax of £24.0m (1H 2010: £3.8m)
- Adjusted cash of £82.9m at 30 June 2011 (31 December 2010: £132.2m)

Post-Balance Sheet Events

- Discovery on Fulla, west of Shetland, Faroe's first operated well – announced 24 August 2011
- Refinancing and significant expansion of credit facilities completed in July 2011

Outlook

- Exciting drilling programme continues, targeting up to five material wells per year
- Active preparations to secure further licences in near-term licensing rounds
- Well positioned to achieve significant programme expansion and growth in portfolio value

Chairman's and Chief Executive's statement

John Bentley , Chairman

Graham Stewart, Chief Executive

We are pleased to announce the unaudited Interim Results for the six months ended 30 June 2011. This has been another significant period for the business. Despite the disappointing result on the Lagavulin frontier exploration well west of the Shetlands, we went on to make a significant discovery on the Fulla well, also west of the Shetlands, and as operator. Successful transactions have led to a boost in production allowing us to utilise our financial resources in a tax efficient manner. Our increased cash flow and the significant increase in our bank facilities announced in July put us in an excellent position to carry out our drilling programme and grow further the value in our business.

In the first half of the year there were two excellent examples of Faroe's deal making success. We completed the acquisition of an 18% interest in the Blane oil field in the UK, with an effective date of 1 July 2010. In the first half of the year Blane was producing 2,056 barrels of oil equivalent per day (boepd) net to Faroe, a significantly higher rate than had been expected at the time of signing the deal, and with higher oil prices than predicted. Blane is a high quality, low operating cost field, and the Group sees further upside potential. Production from Blane will produce tax-effective cash flow as it will utilise part of the Group's UK tax losses (£52.9 million at 30 June 2011). Additionally, the pre-completion inventory sale realised £27.8m, thus paying for almost half of the consideration.

We also announced the swap of our 30% stake in Maria, a significant 2010 discovery made in mid-Norway, for interests in a number of high quality, long life producing Norwegian fields, held by Norwegian state-owned Petoro. These assets are expected to produce approximately 7,300 boepd on average over 2011. The transaction also eliminates the need for Faroe to invest approximately £250 million on meeting its share of the development costs of Maria.

In exploration, drilling of the Lagavulin exploration well (Faroe 10%), operated by Chevron, was completed in June 2011. Lagavulin is the most northerly well and in some of the deepest water ever drilled offshore UK. Drilling of the well took longer than expected because of poor weather and challenging drilling conditions. Hydrocarbons were encountered, however a producible reservoir was absent. Whilst Lagavulin was not a discovery, the substantial amounts of data collected are helping us develop a much greater understanding of the area, resulting in a number of benefits, including a de-risking of the neighbouring significant Grouse prospect (Faroe 37.5% and operator). Post period end the Group subsequently drilled the successful Fulla (Faroe 50%) exploration well, in the UK, which was Faroe's first well as operator. An oil discovery was announced in August 2011, with the potential to be a significant commercial opportunity. Further analysis of the considerable amounts of data acquired from the well is underway. Faroe has had five successes in its seven most recent exploration wells. We now look forward to drilling three further exploration and appraisal wells in Norway during the remainder of the year: Butch (Faroe 15%, which spudded on 15 August 2011), Kalvklumpen (Faroe 20%) and T-Rex (Faroe 30%).

In development we are actively progressing the West of Shetland 2009 discovery, Glenlivet (Faroe 10%), to development sanction stage. Glenlivet looks set to be advanced with significant new gas export infrastructure currently being installed nearby on the Total-operated Laggan/Tormore gas development, offering the potential to accelerate Glenlivet's development. In Norway we are also progressing the Fogelberg (Faroe 15%) gas and condensate discovery, where it was announced recently that the operator has increased its estimate of the field reserve size significantly to 68 million barrels of oil equivalent (boe), compared with the original estimate of 47 million boe when it was discovered last year. We also secured at low cost a 28% stake in the potentially significant undeveloped Perth oil discovery and are actively working with our partners Deo, Maersk and Atlantic Petroleum to establish a viable development solution.

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 five new licences in Norway, four located in mid-Norway through the APA (Awards in Predefined Areas) licensing round and one in the Barents Sea through the frontier licensing round. We aim to enhance the portfolio with further licence applications in both the 2011 Norwegian APA licensing round later this year and in the UK 27th Round scheduled for early next year, having identified a number of attractive exploration opportunities.

Adjusted cash at 30 June 2011 was £82.9 million (31 December 2010: £132.2 million). Our producing assets delivered an average of 1,263 boepd in the half year. This includes Blane production from late May but excludes production from the fields to be acquired as part of the Maria swap. The increased production has increased our revenue and gross margin substantially assisted by strong oil and gas prices. The Blane transaction generates very efficient cash flow, particularly since our increased profitability in the UK can be offset against our brought forward tax losses.

The Company announced new debt arrangements in July 2011, significantly increasing the size and extending the term of our bank credit facilities, 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 leave the Group well positioned to fund the forward programme and deliver continued value growth.

Outlook

Since the period end, Faroe has continued to deliver on all fronts with further significant exploration success, intense activity in licence applications and benefitting from the increasing production and cash flows following the Blane and Petoro swap transactions. We are confident that, with our extensive firm and expected drilling programme, strong financial position and effective portfolio management, we can continue to grow the business and create further significant shareholder value.

John Bentley
Chairman

Graham Stewart
Chief Executive

Review of activities

Exploration – Atlantic Margin

The Atlantic Margin between Shetland and the Faroe Islands has been a core area for Faroe Petroleum since the Company was established. The area contains some of the UK's largest remaining producing oil fields, as well as several important new discoveries and holds very substantial remaining exploration potential. The Total-operated Laggan-Tormore gas/condensate development with new gas export infrastructure is now underway, thereby making exploration for gas in this area significantly more attractive. Faroe is the third largest acreage holder in this area, in which the Group currently has 15 exploration licences, four in the Faroe Islands and 11 in the UK west of Shetlands area. Eight of these licences are operated by Faroe, and the Company has built a very active Atlantic Margin exploration programme including the drilling of several significant exploration prospects and acquisition of key new exploration data to de-risk future wells.

We have drilled five exploration wells in the Atlantic Margin since 2009 of which three have been discoveries: Glenlivet, Tornado and Fulla. To manage the relatively high well costs in this region, Faroe secured a financial carry of a portion of the well costs for four of these wells through farm-out arrangements.

The frontier Lagavulin exploration well was drilled by operator Chevron on the deep water North Corona Ridge with the Stena Carron drill ship. Hydrocarbons and a working petroleum system were confirmed, however no workable reservoir was found. Extensive data gathering was undertaken and detailed analysis is continuing to fully evaluate the well results. Progress during the drilling operations was slower than expected, principally due to a number of operational and technical challenges, notably poor weather conditions and variable drilling formations. Despite the disappointing results, the Lagavulin exploration well has significantly advanced Faroe's understanding of the geology in this area and the possibility to unlock the high potential plays in this part of the Atlantic Margin area.

On 24 August 2011, Faroe announced that it had made an oil discovery in its first operated exploration well, Fulla. The well was drilled using the Awilco Wilphoenix semi-submersible drilling rig at a location 31 kilometres to the north east of the BP-operated Clair field platform and was targeting Whiting and Clair formations. The well encountered the target reservoirs close to prognosis and drilled through a net oil column of 45 feet in better than expected reservoir quality. Detailed data analysis has commenced on interpreting the Fulla well results, including analysis of the oil, which was successfully sampled during the operations. The Group will now establish the need for further appraisal activity and start work to mature development options, which will include the Freya discovery made by Mobil in 1980 (Freya is located immediately to the south of Fulla). Both Fulla and Freya are 100% within licence P1161 where Faroe is the operator and holds a 50% participating interest.

In October 2010, Faroe was awarded four new licences in the Atlantic Margin as operator. The Grouse prospect is a very large structural prospect on the Corona Ridge in an exciting new exploration play located above the basalt layers, and which preliminary analysis suggests has been de-risked by the neighbouring Lagavulin well. Balblair and Ardbeg are two further large, structurally controlled prospects located on the edge of the basalt in the north Corona Ridge, in an area where Faroe will benefit from its unique experience and technical database. Faroe is also the operator of the large Aileen prospect, located further south in a relatively unexplored play on the west side of the giant, BP-operated Clair field. The Edradour discovery announced by Total earlier this year is in a similar geological play and has provided significant encouragement for us to prioritise working up this opportunity to drillable status. Faroe recently completed the acquisition of the seismic data which had been committed as work programmes for these four new licences. The seismic processing has commenced and once completed, the prospects will be interpreted in detail ahead of the drilling commitment decisions scheduled in the licence terms.

Faroe is also actively preparing to apply for licences in the UK 27th Licensing Round, expected in early 2012, where a number of exciting UK exploration opportunities have already been identified.

Exploration – Norway

Since entering Norway in 2006, Faroe has been successful in every licence round and has built a highly significant portfolio which currently consists of 22 licence interests. In 2005, Norway established a favourable regulatory regime for exploration activity by introducing the tax refund of exploration expenditures and by making attractive exploration acreage available to industry on a regular basis through the licensing rounds. This has generated positive trends for the Norwegian oil and gas industry both in terms of the number of exploration wells being drilled and the success rate, with many discoveries having been made during the last few years. This year some giant new oil fields have been discovered, most notably the Skrugard discovery, which represents a breakthrough for exploration in the Barents Sea, and the Avaldsnes and Aldous discoveries on the Utsira High. The latter two are important as they demonstrate that very large discoveries can still be made in the mature areas of the Norwegian North Sea. Faroe drilled two wells in 2010 on the Halten Terrace and made two significant discoveries, Fogelberg and Maria, and three exploration wells are planned for the second half of 2011, Butch (Faroe 15%), T-Rex (30%) and Kalvklumpen (20%), of which Butch has already commenced.

In January 2011, Faroe announced that it had won three highly prospective new licences located in the Norwegian Sea in the 2010 Norwegian APA (Awards in Predefined Areas) Licence Round. The Milagro prospect (Faroe 30%) is located in the Grinda Graben to the north of Faroe's 2010 Maria discovery (Faroe 30% before Petoro asset swap). To the north of Faroe's other 2010 discovery, Fogelberg, Faroe was awarded the PL592 Licence (Faroe 50%) containing the Grayling prospect within the Lower Cretaceous sands, an analogous target to the T-Rex prospect (Faroe 30%), which will be drilled later in 2011. The Maria Extension licence contains the northern and southern extensions to the Maria Discovery. Faroe has subsequently agreed to swap out of the Maria Extension licence as part of the swap transaction with Petoro (as described below).

Faroe was also awarded a new exploration licence in the Barents Sea under the 21st Norwegian Licence Round. This is the Company's second licence in this frontier region. The new licence covers an area of approximately 2,100 square kilometres and was the largest single licence awarded within the Barents Sea in the licence round. The licence (Faroe 40%, operated by Wintershall 60%) contains the giant Kvalross prospect, which consists of a wedge of clinoforms contained within a very large structural closure. This exciting new licence area is located to the east of the recent significant Statoil oil discovery, Skrugard, and immediately adjacent to Faroe Petroleum's PL534 Licence containing the Samson Dome prospect, over which an extensive 3D seismic survey has now been acquired.

The drilling of an exploration well on the Butch prospect has commenced with Centrica as operator, utilising the Mærsk Guardian drilling rig. The prospect is situated in the Norwegian North Sea, some seven kilometres east of the producing Ula field.

Drilling on the T-Rex and Kalvklumpen prospects is expected to commence in October 2011. The T-Rex well, with Mærsk as the operator, is planned to be drilled with the Transocean Winner. The substantial target is a Cretaceous sandstone reservoir already proven to contain hydrocarbons in Smørbukk and Smørbukk South wells on the west and east side of the prospect. Kalvklumpen is an undrilled anticline with targets at several prospective levels, and is planned to be drilled with the Songa Delta drilling rig in Q4 2011 by Det Norske as operator.

Review of activities *continued*

Discoveries & Appraisal Projects

During the last two years, Faroe has significantly strengthened its portfolio through successful exploration drilling with five discoveries in the last seven wells. The operated Fulla discovery was announced in August this year, and follows on from the Fogelberg and Maria discoveries in Norway in 2010 and the Tornado and Glenlivet discoveries West of Shetland in late 2009.

The planning of the Glenlivet development project (Faroe 10%) is being progressed by the Danish operator DONG E&P and the field could become a significant part of the planned new UK west of Shetland gas gathering system for which the Total-operated Laggan/Tormore gas fields are the focal point. Glenlivet is situated approximately 15 kilometres from the proposed Laggan/Tormore gas export pipeline to Sullom Voe in the Shetland Islands.

The Tornado discovery contains significant gas resources and an oil rim in very clean reservoir. OMV is the operator and has identified a number of potential future development solutions. Due to its location in deeper water and further offshore compared to Glenlivet, the timing of the development project is likely to coincide with the expected installation of new gas infrastructure in this area.

Fogelberg (Faroe 15%) is a significant gas and condensate discovery in the Norwegian Sea close to the Åsegard production and transportation system. Åsegard is currently at maximum gas export capacity, and so the timing of the Fogelberg development is dependent upon capacity becoming available. It has also been announced recently that the operator has increased its estimate of the field reserve size significantly to 68 million boe, compared with the original estimate of 47 million boe when it was discovered last year. A number of options to increase the gas export capacity from mid-Norway are being discussed, which could lead to earlier gas export and acceleration of the Fogelberg development project.

In April 2011 Faroe announced that it had agreed to swap its entire interest in the Maria discovery for interests in a number of high quality oil and gas production assets in Norway with Petoro, the Norwegian state oil company. The significant Maria discovery (Faroe 30%) was announced in July 2010. The completion of this transaction is expected in Q4 2011.

In January 2011, Faroe announced that it had acquired a 28% interest in the undeveloped Perth oil field in the UK Central North Sea. Perth is located in 130 metres water depth with the main neighbouring infrastructure being the Tartan platform seven kilometres to the North and the Scott platform 11 kilometres to the South East. Faroe is working closely with the operator, Deo Petroleum, to address technical challenges relating to development of the Perth field in advance of progressing to a field development decision.

Producing Assets

Faroe's net production for the first half of 2011 was an average of 1,263 boepd and was generated from six fields including a brief period of contribution from Blane (Faroe 18.0%) from the date of the acquisition's completion in May 2011.

Faroe produces gas from the UK Southern Gas Basin from the Schooner (Faroe 6.9%), Wissey (Faroe 18.8%) and Topaz (Faroe 7.5%) gas fields. The Company increased its stake in the Schooner field to 6.9% late in January this year, by enacting pre-emptive rights in a small transaction. The field is operated by Tullow Oil, and is located approximately 34 kilometres south east of the Murdoch Field, and has been on production since 1996. The Topaz gas field is operated by RWE and is located 14 kilometres south east of Schooner. It has been developed with a single subsea production well tied back to the Schooner field. The Wissey gas field is located 10 kilometres east of the Horne & Wren field facility and 25 kilometres south east of the Thames platform and is operated by Tullow Oil.

In Norway, Faroe produces oil from the Glitne (Faroe 9.3%) and Enoch (Faroe 1.9%) fields. The Glitne oil field is operated by Statoil and has been developed with a leased Floating Production Storage and Offloading vessel (FPSO). Enoch is operated by Talisman and straddles the UK/Norway median line in the Central North Sea, and has been developed as a tie-back to the Brae platform.

The Blane Oil Field (Faroe 18.0%) is operated by Talisman and has been developed as a sub-sea tie-back to the BP-operated Ula platform located in the Norwegian sector. The field was discovered in 1989, and is located on the Central Graben of the UK continental shelf, extending into the Norwegian sector. Production commenced in September 2007 from a Tertiary Palaeocene Forties sands reservoir with a structural closure. The field has continued to perform above expectations, mainly as a result of later than expected water break-through from the injection well.

Swap Transaction with Petoro

In a significant transaction with Norwegian State owned Petoro, Faroe has agreed to swap its 30% share in the 2010 Maria oil discovery for producing interests in three main production areas: the Njord field area, the Brage field area and the Ringhorne East field area, which in the period from January to June 2011 on average produced 8,540 boepd net to Faroe's acquired interests.

The Njord field area consists of the Njord field itself and the recently sanctioned Hyme development project. The Njord field, which commenced production in 1997, is operated by Statoil and is located in the Norwegian Sea close to Faroe's exploration licences on the Halten Terrace. Oil is transported by tankers and the gas is exported via Norwegian gas infrastructure into Europe. Petoro has agreed to transfer necessary gas transportation capacity to Faroe to allow Faroe to export its equity gas without paying a premium. Additional in-fill potential has been recognised in the field. In addition, new production will be generated by the North West Flank Development, which has already been approved, and by the Hyme development project which is under way.

The Brage field, also operated by Statoil, is located in the northern part of the Norwegian North Sea. The field commenced production in 1993. Brage has been developed with a production facility on a steel jacket. Oil is transported by pipeline to the Sture onshore terminal, and associated gas is exported via the Statpipe pipeline to the market. A new 4D seismic survey is to be undertaken focusing on firming up new in-fill well targets.

The Ringhorne East field area consists of the Ringhorne East oil field and a small interest in the Jotun field. Ringhorne East is operated by ExxonMobil and is located in the middle of the Norwegian North Sea. The field commenced production in 2006, and has been developed by three production wells drilled from the Ringhorne facility on the Balder field. Production from Ringhorne East is transported to the Balder and Jotun facilities for processing, storage and export. Two in-fill wells are in the planning phase following a recent 4D seismic acquisition. The Jotun field, which is located close to Ringhorne and has been developed with an FPSO, came on stream in 1999 and is now in the tail-end phase of production.

Petoro will retain the principal abandonment and decommissioning liabilities for the Petoro Assets, including Njord, Brage, and Jotun fields, capped at NOK 600 million (£67 million) pre-tax. As part of the deal Faroe inherited tax balances of approximately NOK 400 million (£45 million). With an effective date of 1 January 2011, the transaction is expected to complete in Q4 2011.

Finance review

The first half of 2011 was a period of considerable activity for the Group. Faroe ended the half year in a strong cash position with £82.9 million of adjusted cash (31 December 2010 adjusted: £132.2 million).

Income statement

Revenue was £40.1 million (1H 2010: £9.3 million). This represents a significant increase on last year, particularly reflecting increased oil revenue following the acquisition of an 18.0% interest in the Blane oilfield in the UK, and higher oil and gas prices. In line with Group policy, approximately 40% of UK gas sales were hedged using swaps and put options at an average strike price of 51 pence/therm. On completion of the Blane transaction, the Company acquired oil inventory of 388,000 barrels which was sold at a price of $115/bbl, yielding £27.8 million and reducing the net acquisition cost to £31.2 million. The proceeds from the sale of the pre-completion inventory are included in revenue and cost of sales in the income statement but do not affect the gross profit.

Cost of sales for the period was £33.3 million (1H 2010: £8.0 million) and the gross profit for the period was £6.7 million (1H 2010 1.3 million). The improved margin is largely due to the addition of Blane and better commodity prices.

Expensed exploration costs for the half year was £25.9 million (1H 2010: £2.6 million) and includes write offs of the Lagavulin, Anne Marie, and Talisker licences, plus pre-award expenditure such as costs associated with licence round applications.

The Group's loss before tax was £24.0 million (1H 2010: £3.8 million), reflecting exploration licence write-offs. The post-tax loss was £18.2 million (1H 2010: £3.6 million).

The Maria swap with Petoro is scheduled to complete in the second half, at which stage a gain on disposal is expected to be recognised.

Taxation

The Group had a tax receivable at 30 June 2011 of £36.3 million (31 December 2010: £28.1 million) being 78% of exploration expenditure, net of production profits, in Norway for the last 18 months. The amount relating to 2010 will be repaid to Faroe in December 2011. Following completion of the Maria swap, expected in Q4 2011, with the benefits of the Petoro assets for the full year accruing to Faroe, the Company is likely to have a small 2011 Norway tax charge. Of the tax rebate for the expenditure to June 2011, a credit of £1.3 million (2010: £0.2 million) has been recognised in the income statement, the balance being credited to deferred tax liabilities.

At June 2011 the Group had unrelieved UK tax losses of approximately £52.9 million (31 December 2010: £67.7 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. Provision was made in 2009 for £4.5 million capital gains tax on the disposal of the interest in the Breagh gas field. As the Group has reinvested the Breagh proceeds in acquiring Blane this tax charge is avoided and the provision has been reversed.

Balance sheet and cashflow

Expenditure of £51.1 million (1H 2010: £22.7 million) on intangible and tangible assets, prior to tax rebate, were made in the half year. This includes the net consideration for Blane of £31.2 million, the balance mainly relating to drilling on Lagavulin and Fulla.

The net assets of Faroe Petroleum decreased during the period to £166.2 million (31 December 2010: £181.1 million), mainly reflecting the write-off of a number of exploration licences. Adjusted closing cash was £82.9 million (31 December 2010: £132.2 million); this comprises cash at 30 June 2011 of £55.1 million plus the receipt from sale of Blane inventory (£27.8 million) which was due to have been received on 30 June 2011 but was received on 1 July 2011.

Dividend

The Directors do not recommend payment of a dividend.

Refinancing

The Group announced in July 2011 a refinancing of its bank facilities. The Group has secured on attractive terms a revolving credit facility of NOK 500 million (approx. £55 million), plus a further uncommitted facility of NOK 500 million, for financing 75% of Norwegian exploration costs net of Norwegian profits, such that no more than 25% of exploration expenditure in Norway is funded from equity sources. At 30 June 2011 £30.8 million was outstanding on the current Norwegian exploration facility, which is drawn against the Norwegian tax rebate receivable in December 2011 and 2012.

The Group also increased its reserve based debt facility to $125 million (approx. £78 million) and secured a further uncommitted facility of $125 million. This is a significantly larger facility than the previous reserve based debt facility of £20.0 million. The reserve based debt facility was undrawn at 30 June 2011.

A bank group of six banks comprising BNP Paribas, Lloyds TSB, Commonwealth Bank of Australia, DnB NOR, Royal Bank of Scotland and SEB are participating pro rata in the new Norwegian exploration and reserve based lending facilities.

Group income statement

	Unaudited Six months to 30 June 2011 £000	Unaudited Six months to 30 June 2010 £000	Audited Year to 31 December 2010 £000
Revenue	40,104	9,271	15,087
Cost of sales	(33,285)	(8,020)	(14,103)
Asset impairment	(118)	–	(5,896)
Gross profit/ (loss)	6,701	1,251	(4,912)
Exploration and evaluation expenses	(25,878)	(2,595)	(13,702)
Administrative expenses	(4,376)	(2,438)	(6,571)
Operating loss	(23,553)	(3,782)	(25,185)
Finance revenue	1,063	911	1,524
Finance costs	(1,544)	(935)	(2,379)
Loss on ordinary activities before tax	(24,034)	(3,806)	(26,040)
Tax credit	5,819	157	5,690
Loss for the period	(18,215)	(3,649)	(20,350)
Basic and diluted loss per share (pence)	(8.6)	(3.0)	(13.3)

Statement of other comprehensive income

	Unaudited Six months to 30 June 2011 £000	Unaudited Six months to 30 June 2010 £000	Audited Year to 31 December 2010 £000
Loss for the financial period	(18,215)	(3,649)	(20,350)
Cash flow hedges:			
– Loss on cash flow hedges taken to equity net of tax	–	(398)	(37)
Exchange differences on retranslation of foreign operations	1,963	(1,958)	545
Total comprehensive loss for the period	(16,252)	(6,005)	(19,842)

Group balance sheet

	Unaudited 30 June 2011 £000	Unaudited 30 June 2010 £000	Audited 31 December 2010 £000
Non-current assets			
Intangible assets	107,008	83,437	102,688
Property, plant and equipment: development & production	40,314	11,510	9,492
Property, plant and equipment: other	446	204	312
Financial assets	14	13	13
	147,782	95,164	112,505
Current assets			
Inventories	726	475	645
Trade and other receivables	42,927	16,058	7,514
Current tax receivable	36,322	27,086	28,070
Cash and cash equivalents	55,053	80,631	132,150
	135,028	124,250	168,379
Total assets	282,810	219,414	280,884
Current liabilities			
Trade and other payables	(13,378)	(21,199)	(20,941)
Financial liabilities	(30,759)	(18,248)	(17,575)
	(44,137)	(39,447)	(38,516)
Non-current liabilities			
Deferred tax liabilities	(60,819)	(43,629)	(52,514)
Provisions	(11,234)	(1,955)	(8,334)
Defined benefit pension plan deficit	(436)	(305)	(383)
	(72,489)	(45,889)	(61,231)
Total liabilities	(116,626)	(85,336)	(99,747)
Net assets	166,184	134,078	181,137
Equity attributable to equity holders			
Equity share capital	21,239	17,456	21,235
Share premium account	205,935	149,800	205,935
Cash flow hedge	–	(360)	–
Cumulative translation reserve	8,243	3,772	6,273
Retained earnings	(69,233)	(36,590)	(52,306)
Total equity	166,184	134,078	181,137

Group cash flow statement

	Unaudited Six months to 30 June 2011 £000	Unaudited Six months to 30 June 2010 £000	Audited Year to 31 December 2010 £000
Operating activities			
Cashflow from operations	(37,673)	(454)	4,007
Tax rebate	–	–	12,440
Net cashflow from operating activities	(37,673)	(454)	16,447
Investing activities			
Expenditure on intangible and tangible assets	(51,144)	(22,733)	(46,566)
Prepayment of expenditure on intangible assets	–	–	(644)
Interest received	685	269	685
Net cashflow from investing activities	(50,459)	(22,464)	(46,525)
Financing activities			
Borrowing	11,784	(4,067)	(5,538)
Issue of ordinary share capital	–	69,823	132,008
Issue costs	–	(4,614)	(6,885)
Interest paid	(1,008)	(868)	(2,046)
Net cashflow from financing activities	10,776	60,274	117,539
Net increase/(decrease) in cash and cash equivalents	(77,356)	37,356	87,461
Cash and cash equivalents at the beginning of the year	132,150	43,583	43,583
Exchange differences	259	(308)	1,106
Cash and cash equivalents at the end of the year	55,053	80,631	132,150

Group statement of changes in equity

	Unaudited Six months to 30 June 2011 £000	Unaudited Six months to 30 June 2010 £000	Audited Year to 31 December 2010 £000
Loss for the period	(18,215)	(3,649)	(20,350)
Other comprehensive (loss)/income	1,963	(2,356)	508
Total comprehensive loss for period	(16,252)	(6,005)	(19,842)
Share based payments	1,299	680	1,663
Share issue	–	65,209	125,122
Net movement in shareholders' funds	(14,953)	59,883	106,943
Opening shareholders' funds	181,137	74,194	74,194
Closing shareholders' funds	166,184	134,078	181,137

Notes to the accounts

1. 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 2011 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 2010, as delivered to the Registrar.

2. Loss per share

The calculation of loss per share is based on the weighted average number of ordinary shares in issue during the period of 212,383,221 (30 June 2010: 122,876,027 and 31 December 2010: 152,770,524). All of the potential ordinary shares are anti-dilutive and as a result the diluted earnings per share is equal to the basic earnings per share for 2011.

3. Dividend

The Directors do not recommend payment of a dividend.

4. 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.

5. Reconciliation of loss on ordinary activities to net cashflow from operating activities

	Unaudited Six months to 30 June 2011 £'000	Unaudited Six months to 30 June 2010 £'000	Audited Year to 31 December 2010 £'000
Loss before tax	(24,034)	(3,806)	(26,040)
Depreciation charges	3,374	2,675	5,011
Exploration asset write off	24,020	(18)	8,633
Asset impairment	118	–	5,896
Fair value of share based payments	1,229	698	1,667
Increase in trade and other receivables	(35,276)	(10,773)	(85)
Decrease/(increase) in inventories	(81)	7	(140)
Increase/(decrease) in trade and other payables	(7,504)	9,523	8,439
Foreign exchange movements	(371)	642	(768)
Interest received	(692)	(269)	(757)
Interest paid	1,544	867	2,151
Net cash flow from operating activities	(37,673)	(454)	4,007

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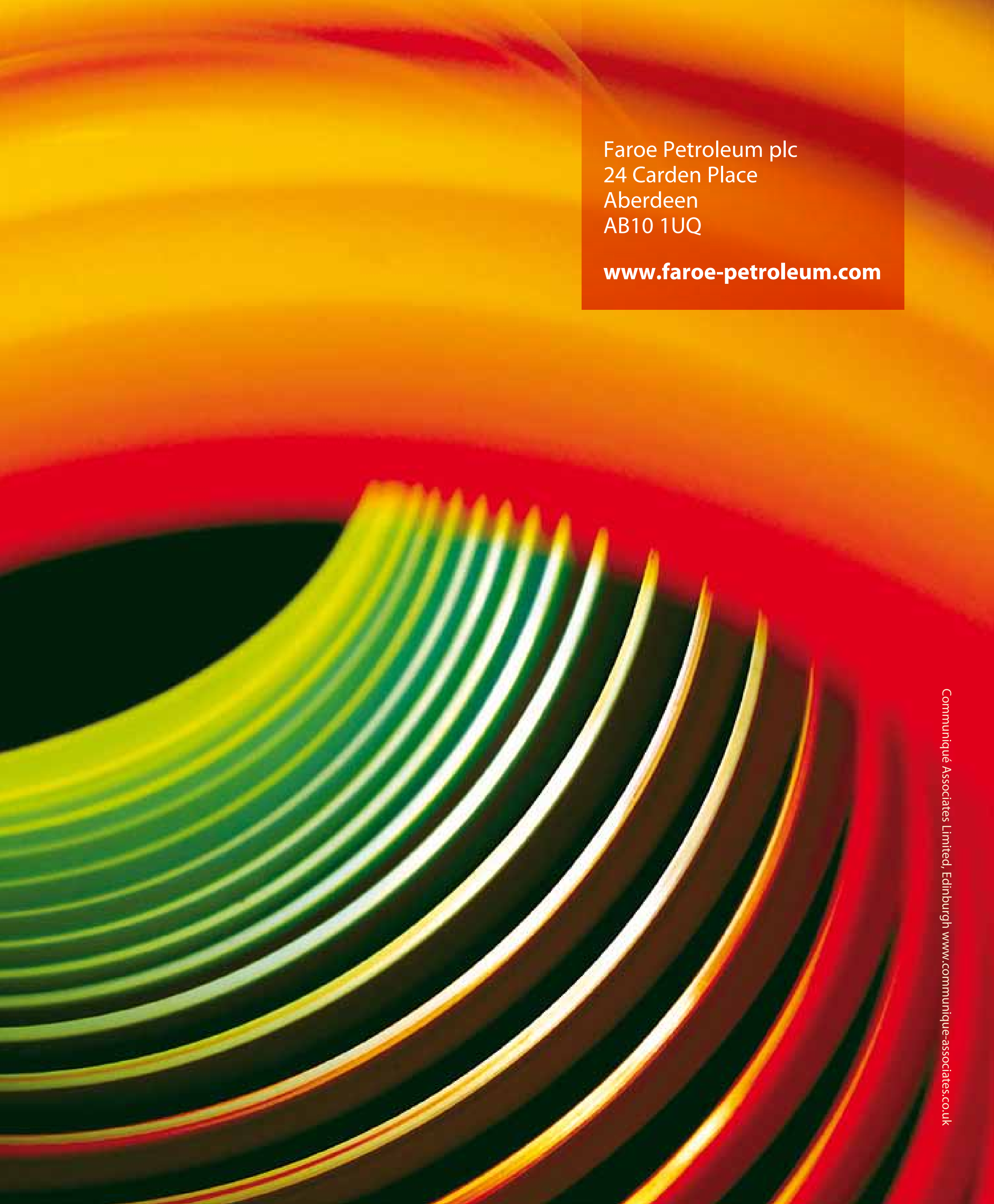

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