



Faroe Petroleum

# Maximising our Potential

Acquisition of Ketch & Schooner gas fields

30 April 2014

# Ketch and Schooner transaction overview & rationale



- Accretive deal to grow production and 2P reserves on attractive terms
  - Adds 3,000 – 4,000 boepd net increasing group production to 7,000–10,000 boepd for 2014
  - Adds 5.9 million boe of 2P reserves at 1 January 2014
  - Significant potential to further boost production, grow reserves and extend field life
- Diversifies production portfolio
  - 60% operated interests in two good quality producing gas fields
  - Assets well known to Faroe – original minority interest in Schooner acquired in 2007
  - Improved balance between oil and gas – approximately 50:50
- Improves tax efficiency
  - Use of carried forward losses allows rapid payback of consideration - estimated 2016
  - Provides tax shelter for future investments in the UK sector
- Acquisition financed from existing RBL debt facility
  - Introduces financial gearing at a prudent level
- Faroe becomes a production operator in a measured way
  - Small increase in staff level
  - Operating model based on “duty holder” principle will continue

# Deal headline metrics

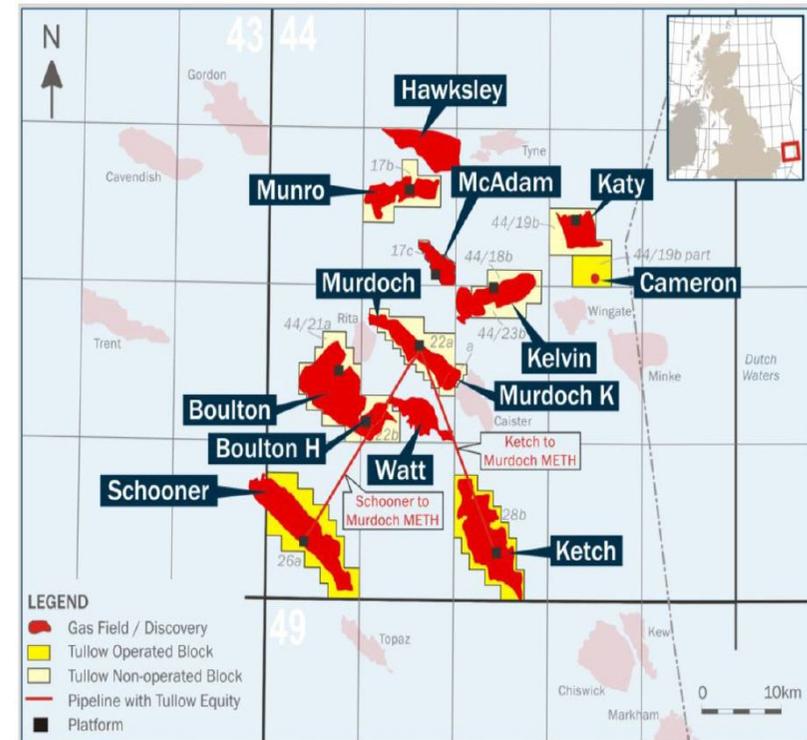


<b>Initial Consideration (at 1 Jan-14)</b>	<b>£35 million</b>
	<b>18-24 mmscf/d</b>
<b>Estimated 2014 Production (net to Faroe)</b>	<b>3,000 - 4,000 boepd</b>
<b>Estimated revised Group 2014 average production</b>	<b>7,000-10,000 boepd</b>
	<b>33.5 bcf + 0.3 MMbbl</b>
<b>Reserves (at 1/1/14) (net to Faroe)</b>	<b>5.9 mmboe</b>
<b>Acquisition Cost \$/boe</b>	<b>\$9.5/boe</b>
<b>Likely cash consideration at completion (Q4-14)</b>	<b>£26 million</b>

- **Potential deferred consideration of £10 million will be paid if up to 10 bcf of incremental reserves are produced from a specific reservoir compartment on the Schooner field, specific to the SA11 well**
- **Potential royalties will be paid on production from two specific potential future discretionary development projects in the Schooner area (Schooner C and Schooner Far NW)**
- **Gas is un-contracted**

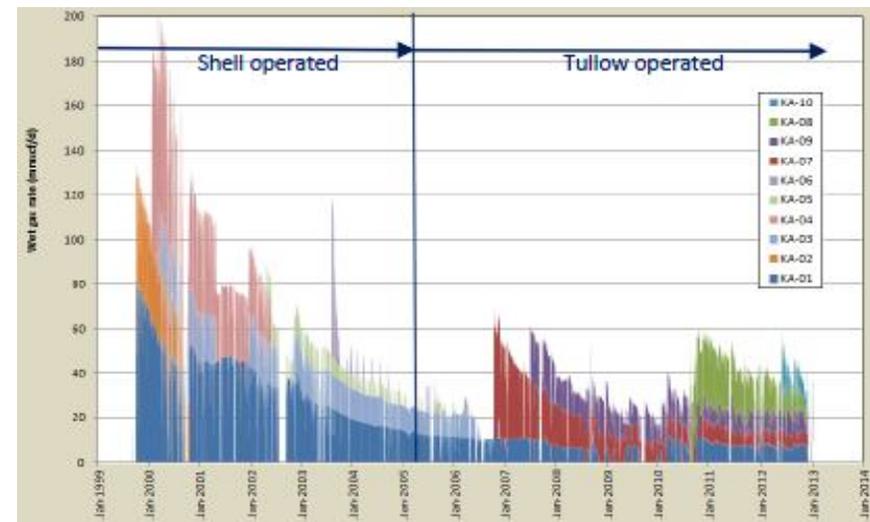
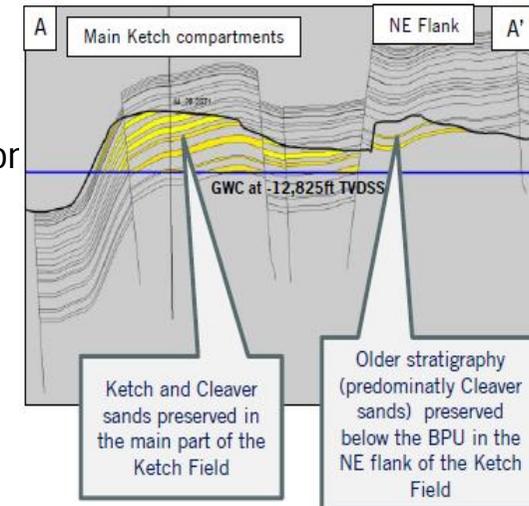
# Assets overview

- Faroe to hold a 60% interest and operatorship of both Ketch and Schooner fields
- Ketch discovered 1984 and on stream 1999
- Schooner discovered 1987 and on stream 1996
- Both developed by Shell as then-operator
- Similar Carboniferous aged reservoirs
- Developed by Shell as two similar Normally Unmanned Installations
- Part of the ConocoPhillips operated Caister Murdoch System (CMS) with a pipeline to the Theddlethorpe Gas Terminal (TGT) on the Lincolnshire Coast
- Shell and Esso sold both assets to Tullow in 2006



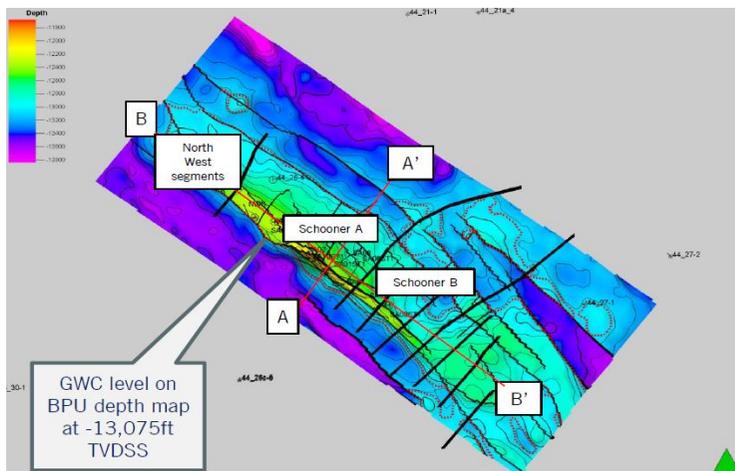
# Ketch asset description

- Block 44/28b, UK SNS, water depth of 177 ft
- Normally Unmanned Installation, controlled remotely from Murdoch
- 18 inch 28 km line to the Murdoch Field platform for onward transportation
- Reservoir is in an elongated NW – SE horst structure
- Fluvial sandstones of the Ketch and Cleaver Formation sands
- 10 development wells drilled
- Further production growth opportunities identified



# Schooner asset description

- Blocks 44/26a and 43/30a, UK SNS, water depth of approximately 236 ft
- Normally Unmanned Installation, controlled remotely from Murdoch
- 16 inch 28 km line to the Murdoch Field platform for onward transportation
- Unitised with 93.1% of volumes allocated to TOSK in Block 44/26a and 6.9% to Faroe Petroleum in Block 43/30a.
- Reservoir is in an elongated North West – South East fault bounded structure
- Fluvial sandstones of the Westphalian and Ketch Formations
- 11 development wells drilled
- Further production and reserve growth opportunities
- Third party tariff revenue from Topaz Field (Faroe 7.5%)



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