Faroe

Faroe Petroleum plc

Annual Report and Accounts 2013

2013 was another year with a sustained, high impact exploration programme, which delivered success with the drill bit, coupled with a significant increase in our 2P reserves and 2C resources.

2013 was a successful year with the drill bit with two excellent discoveries announced in the year

See p21 for more on drilling

Significant licence awards and acquisitions during the year have strengthened our portfolio

See p24 for more on licence rounds

Njord and Hyme production re-start scheduled for the summer 2014

See p25 for more on production and development

Glossary

APA	awards in pre-defined areas
bcf	billions of standard cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
Contingent Resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources
EBITDAX	earnings before interest, taxation, depreciation, amortisation and exploration expenditure (gross profit plus depreciation and impairment on producing assets)
net to gross ratio	the total amount of pay footage divided by the total thickness of the reservoir interval
net to Faroe	the portion that is attributed to the equity interests of Faroe
PL	production licence
PRMS	the 2007 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE)
Proved Reserves or 1P	those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate
Proved + Probable Reserves or 2P	when added to 1P, those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than 1P but more certain to be recovered than 3P. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate
Proved + Probable + Possible Reserves or 3P	when added to 2P, those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than 2P. The total quantities ultimately recovered have a low probability of exceeding the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
reserves	reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status
STOIIP	stock tank oil initially in place

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