

**THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this circular and/or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares in Faroe Petroleum plc before the date that the Existing Ordinary Shares are marked “ex-entitlement” to the Open Offer by the London Stock Exchange, please immediately forward this circular, together with the accompanying Application Form and Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares you should retain this circular and the accompanying Application Form and Form of Proxy and should immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected. This circular and any accompanying documents should not be sent or transmitted in or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations including, but not limited to, any Restricted Jurisdiction. In addition, subject to certain exceptions, Shareholders in the United States will not be eligible to acquire Open Offer Shares, Open Offer Entitlements or Excess Open Offer Entitlements in connection with the Open Offer. See section 7 of Part IV of this circular for further information.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent amount) in aggregate. Therefore, in accordance with section 85 and Schedule 11A of FSMA, this circular is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this circular has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom (“FCA”), pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this circular does not constitute an admission document drawn up in accordance with the AIM Rules.

---

## **FAROE PETROLEUM PLC**

*(Incorporated in England and Wales with registered number 04622251)*

### **Open Offer of 5,958,896 Ordinary Shares at a price of 70 pence per share and**

### **Notice of General Meeting**

**STIFEL NICOLAUS EUROPE LIMITED**  
**Nominated Adviser, Financial Adviser and Underwriter**

**RBC EUROPE LIMITED**  
**Underwriter**

---

**This circular should be read as a whole. Your attention is drawn in particular to the letter from the Chairman of Faroe Petroleum plc which is set out in Part I of this circular and, in particular, to paragraph 10 which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below. In addition, your attention is drawn to Part II of this circular entitled “Risk Factors” which contains a discussion of certain factors that should be considered by Shareholders when considering whether or not to make an investment in the Company.**

**The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 5 August 2016. The procedure for acceptance and payment is set out in Part IV of this circular and, where relevant, in the Application Form.**

Notice of a General Meeting of Faroe Petroleum plc to be held at 11.00 a.m. British Summer Time (“BST”) on 9 August 2016 at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD is set out at the end of this circular. A Form of Proxy for use at this General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company’s UK registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, BR3 4TU as soon as possible but in any event so as to arrive not later than 11.00 a.m. on 5 August 2016 together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Stifel Nicolaus Europe Limited (“Stifel”), which is authorised by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company and no-one else in connection with the Open Offer and will not regard any other person (whether or not a recipient of this circular) as a client in relation to the Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Open Offer or any other matter referred to herein. Its responsibilities as the Company’s nominated adviser and financial adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and the Company and not to any other person in respect of his decision to acquire Open Offer Shares in reliance on any part of this circular. Stifel has not authorised the contents of, or any part of, this circular and no liability whatsoever is accepted by Stifel nor does it make any representation or warranty, express or implied, for the accuracy of any information or opinion contained in this

circular or for the omission of any information. Stifel expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this circular.

RBC Europe Limited (trading as RBC Capital Markets) (“**RBC Capital Markets**”), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for the Company and no-one else in connection with the Open Offer and will not regard any other person (whether or not a recipient of this circular) as a client in relation to the Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Open Offer or any other matter referred to herein. RBC Capital Markets has not authorised the contents of, or any part of, this circular and no liability whatsoever is accepted by RBC Capital Markets nor does it make any representation or warranty, express or implied, for the accuracy of any information or opinion contained in this circular or for the omission of any information. RBC Capital Markets expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this circular.

The Existing Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Open Offer Shares to be issued pursuant to the Open Offer will commence at 8.00 a.m. on 10 August 2016.

This circular does not constitute a prospectus or a prospectus equivalent document. This circular cannot be relied on for any investment contract or decision. No person has been authorised to give any information or make any representation and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Stifel or RBC Capital Markets. In particular, apart from certain sections of the Disclosure Document which are referred to in this Circular, the content of the Company’s website does not form part of this circular and Shareholders and prospective shareholders should not rely on it.

Qualifying non-CREST Shareholders will find an Application Form accompanying this circular. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement as soon as practicable on 22 July 2016. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked “ex-entitlement”.

If the Open Offer Entitlements are for any reason not enabled by 3.00 p.m. or such later time as the Company may decide on 22 July 2016, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST Sponsors regarding the action to be taken in connection with this circular and the Open Offer. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Applications for Excess Shares pursuant to the Excess Application Facility may be made by the Qualifying Shareholder provided that their Open Offer Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this circular.

Whether or not you intend to be present at the General Meeting, please complete the Form of Proxy enclosed with this circular in accordance with the instructions printed on the Form of Proxy and return it to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, BR3 4TU by no later than 11.00 a.m. on 5 August 2016 in order to be valid. Completion and return of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you so wish.

Copies of this circular are available free of charge from Faroe Petroleum plc, 30 Crown Place, London, EC2A 4ES.

#### **Notice to Overseas Shareholders**

None of this circular and/or the accompanying documents should be distributed, forwarded, or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Restricted Jurisdictions. In addition, the transfer of Open Offer Entitlements or Excess Open Offer Entitlements through CREST, in jurisdictions other than the UK, including the Restricted Jurisdictions, may be restricted by law and therefore persons into whose possession this circular comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This circular does not constitute, and may not be used for the purposes of, any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Open Offer Shares to or by anyone in any jurisdiction in which such offer, invitation or solicitation is unlawful or to any person to whom it is unlawful to make such offer or invitation or undertake such solicitation. The distribution of this circular and the offering of Open Offer Shares in certain jurisdictions, including (without limitation) the Restricted Jurisdictions, may be restricted by law and,

accordingly, persons into whose possession this circular comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned.

This circular and the Application Form do not constitute an offer of the Open Offer Shares to any person with a registered address, or who is resident or located, in any of the Restricted Jurisdictions. This circular is being sent to Shareholders with registered addresses in the Restricted Jurisdictions for information only in connection with the General Meeting. Subject to certain exceptions, Shareholders with registered addresses (or who are otherwise located) in the Restricted Jurisdictions will not be sent an Application Form.

None of the Open Offer Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements has been or will be registered under the US Securities Act or under the applicable state securities laws of the United States or under the applicable securities laws of Australia, Canada, Japan, or the Republic of South Africa. Subject to certain exceptions, the Open Offer Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements may not be offered, sold, taken up, delivered or transferred in or into any of the Restricted Jurisdictions. In particular, none of the Open Offer Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements may be, directly or indirectly, offered, sold, taken up, delivered, renounced or transferred in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of any of the Open Offer Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements in the United States.

The Open Offer Shares, the Open Offer Entitlements and Excess Open Offer Entitlements are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the US Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risk of this investment for an indefinite period of time.

Neither the SEC nor any state securities commission or other US regulatory authority has approved or disapproved of the Open Offer Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements or endorsed the merits of the Open Offer or the adequacy or accuracy of this circular. Any representation to the contrary is a criminal offence in the United States.

In addition, subject to certain exceptions, Application Forms are not being posted to and no Open Offer Entitlements or the Excess Open Offer Entitlements will be credited to a stock account of any person in any of the Restricted Jurisdictions. The attention of Overseas Shareholders and other recipients of this circular who are residents or citizens of any country other than the United Kingdom is drawn to the section entitled "Overseas Shareholders" at section 7 of Part IV of this circular. This circular and the Open Offer Shares may not be redistributed or forwarded directly or indirectly into any Restricted Jurisdiction. For a description of the restrictions on offers, sales and transfers of the Open Offer Shares and the distribution of this circular, see section 7 of Part IV of this circular.

#### **Forward-looking statements**

This circular contains statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "envisages", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this circular and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual results, performance or achievements of the Company or developments in the industry in which the Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document.

Prospective investors are strongly recommended to read the risk factors set out in Part II of this document for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

The forward-looking statements contained in this document speak only as at the date of this document. The Company undertakes no obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with its legal and regulatory obligations (including under the AIM Rules).

## TABLE OF CONTENTS

	<i>Page</i>
DIRECTORS AND ADVISERS	5
OPEN OFFER STATISTICS	7
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	8
DEFINITIONS	9
Part I Letter from the Chairman	13
Part II Risk Factors	19
Part III Some Questions and Answers about the Open Offer	21
Part IV Terms and Conditions of the Open Offer	28
NOTICE OF GENERAL MEETING	51

## DIRECTORS AND ADVISERS

Directors	John William Sharp Bentley ( <i>Non-Executive Chairman</i> ) Graham Duncan Stewart ( <i>Chief Executive</i> ) Jonathan Robert Cooper ( <i>Chief Financial Officer</i> ) Helge Ansgar Hammer ( <i>Chief Operating Officer</i> ) Timothy Philip Read ( <i>Senior Independent Non-Executive Director</i> ) Roger Charles Witts ( <i>Independent Non-Executive Director</i> ) Jorunn Saetre ( <i>Independent Non-Executive Director</i> )  all of: 24 Carden Place Aberdeen AB10 1UQ (the UK office address of the Company)
Company Secretary	Julian Riddick
Registered Office	Faroe Petroleum plc 30 Crown Place London EC2A 4ES
Nominated Adviser, Financial Adviser and Underwriter	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Underwriter	RBC Europe Limited (trading as RBC Capital Markets) Riverbank House 2 Swan Lane London EC4R 3BF
Reporting Accountant to the Company	BDO LLP 55 Baker Street London W1U 7EU
Auditor to the Company	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen AB15 4DT
Legal advisers to the Company as to English and US law	K&L Gates LLP One New Change London EC4M 9AF
Legal advisers to the Nominated Adviser and Underwriters as to English and US law	Nabarro LLP 125 London Wall London EC2Y 5AL
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Receiving Agent

Capita Asset Services  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## OPEN OFFER STATISTICS

Issue Price	70 pence
Number of Existing Ordinary Shares in issue on the Record Date	357,533,765
Number of new Ordinary Shares to be issued pursuant to the Open Offer	5,958,896
Basis of the Open Offer	1 Open Offer Share for every 60 Existing Ordinary Shares
Enlarged Share Capital following completion of the Open Offer	363,492,661
Percentage of the Enlarged Share Capital represented by the Open Offer Shares <sup>(1)</sup>	1.6%
Gross proceeds of the Open Offer <sup>(1)</sup>	£4,171,227
Estimated net cash proceeds of the Open Offer	£4,004,378
£:€ exchange rate used in this circular <sup>(2)</sup>	£1:€1.192

(1) The Open Offer has been fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.

(2) European Central Bank Euro foreign exchange reference rate as at 20 July 2016.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2016
Record Date for entitlement under the Open Offer	5.00 p.m. on 19 July
Announcement of the Open Offer	21 July
Ex-entitlement Date and time	8.00 a.m. on 22 July
Posting of this circular, the Form of Proxy and, to Qualifying non-CREST shareholders only, the Application Forms	21 July
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	As soon as practicable on 22 July
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 1 August
Latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 2 August
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 3 August
<b>Latest time and date for receipt of Forms of Proxy from Shareholders</b>	<b>11.00 a.m on 5 August</b>
<b>Latest time and date for receipt of completed Application Forms and payment in full from Qualifying Shareholders under the Open Offer or settlement of relevant CREST instruction (as appropriate)</b>	<b>11.00 a.m on 5 August</b>
Expected time and date of announcement of results of Open Offer	7.00 a.m. on 9 August
General Meeting	11.00 a.m. on 9 August
Expected time of announcement of results of the General Meeting	Afternoon of 9 August
Admission effective and dealings in the Open Offer Shares expected to commence on AIM	8.00 a.m. on 10 August
Expected date for crediting of the Open Offer Shares in uncertificated form to CREST stock accounts	As soon as practicable on 10 August
Expected date of despatch of share certificates in respect of the Open Offer Shares	Week commencing the 15 August

**Notes:**

- (1) If you have any questions on the procedure for acceptance and payment, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.
- (2) The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this circular may be adjusted by the Company in which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.
- (3) All references to time in this circular are to time in London.

## DEFINITIONS

The following definitions apply throughout this circular, unless the context requires otherwise:

<b>“2006 Act”</b>	the UK Companies Act 2006
<b>“Admission”</b>	the admission to trading on AIM of the Open Offer Shares, which is expected to take place at 8.00 a.m. on 10 August 2016
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules for Companies”</b>	the AIM Rules for Companies, as published and amended from time to time by the London Stock Exchange
<b>“AIM Rules for Nominated Advisers”</b>	the rules for nominated advisers to AIM companies, as published and amended from time to time by the London Stock Exchange
<b>“Applicant”</b>	a Qualifying Shareholder or a person entitled by virtue of a <i>bona fide</i> market claim who lodges an Application Form under the Open Offer
<b>“Application Form”</b>	the application form which accompanies this circular on which Qualifying non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
<b>“Articles”</b>	the existing articles of association of the Company as at the date of this circular
<b>“Board” or “Directors”</b>	the directors of the Company from time to time
<b>“Business Day”</b>	any day (other than a Saturday or Sunday) upon which commercial banks are open for business in London, UK
<b>“Capita” or “Capita Asset Services”</b>	a trading name of Capita Registrars Limited
<b>“CCSS”</b>	the CREST courier and sorting service, established by Euroclear UK & Ireland to facilitate, <i>inter alia</i> , the deposit and withdrawal of certificated securities
<b>“Company” or “Faroe”</b>	Faroe Petroleum plc
<b>“CREST”</b>	the relevant system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations
<b>“CREST member”</b>	a person who has been admitted by Euroclear UK & Ireland as a system-member (as defined in the CREST Regulations)
<b>“CREST participant”</b>	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
<b>“CREST payment”</b>	shall have the meaning given in the CREST Manual issued by Euroclear UK & Ireland
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001, as amended
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member (which includes all CREST Personal Members)
<b>“Disclosure Document”</b>	the disclosure document published by the Company on 15 July 2016 in connection with the Placing
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company immediately following Admission
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST

<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlements
<b>“Excess CREST Open Offer Entitlements”</b>	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this circular
<b>“Excess Open Offer Entitlement”</b>	an entitlement for each Qualifying Shareholder to apply to subscribe for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility which is conditional on him taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this circular
<b>“Excess Shares”</b>	Open Offer Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
<b>“Existing Ordinary Shares”</b>	the 357,533,765 existing Ordinary Shares in issue on the date of this circular
<b>“Form of Proxy”</b>	the form of proxy accompanying this circular
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“General Meeting”</b>	the general meeting of Shareholders to be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 11.00 a.m. BST on 9 August 2016
<b>“Group”</b>	the Company, together with its subsidiary undertakings
<b>“ISIN”</b>	International Securities Identification Number
<b>“Issue Price”</b>	70 pence per Open Offer Share
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Member Account ID”</b>	the identification code or number attached to any member account in CREST
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007 (as amended)
<b>“Open Offer”</b>	the invitation to Qualifying Shareholders, conditional on passing of Resolutions 1 and 2 set out in the Notice of General Meeting at the end of this circular, to apply to subscribe for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part IV of this circular and, where relevant, in the Application Form
<b>“Open Offer Entitlement”</b>	the <i>pro rata</i> basic entitlement for Qualifying Shareholders to apply to subscribe for 1 Open Offer Share for every 60 Existing Ordinary Shares held by them on the Record Date pursuant to the Open Offer
<b>“Open Offer Shares”</b>	the 5,958,896 new Ordinary Shares for which Qualifying Shareholders are being invited to apply under the terms of the Open Offer
<b>“Ordinary Shares”</b>	the ordinary shares of £0.10 each in the capital of the Company
<b>“Overseas Shareholder”</b>	a Shareholder who is resident, or who is a citizen of, or who has a registered address in a jurisdiction outside the United Kingdom

<b>“Pareto”</b>	Pareto Securities AS
<b>“Participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>“Placees”</b>	those persons who subscribed for the Placing Shares pursuant to the Placing
<b>“Placing”</b>	the placing of the Placing Shares at the Issue Price by Stifel, RBC Capital Markets and Pareto on 15 July 2016, as further described in the Disclosure Document
<b>“Placing and Open Offer Agreement”</b>	the conditional agreement dated 14 July 2016 between the Company, Stifel, RBC Capital Markets and Pareto relating to the Placing and the Open Offer
<b>“Placing Shares”</b>	the 88,500,000 Existing Ordinary Shares which were placed firm with institutional and other investors by Stifel, RBC Capital Markets and Pareto and were issued by the Company on 19 July 2016 pursuant to the Placing
<b>“Prospectus Rules”</b>	the rules made by the FCA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in uncertificated form
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date were held in certificated form
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholders who are resident in, or who are citizens of, or who have a registered address in a Restricted Jurisdiction)
<b>“RBC Capital Markets”</b>	RBC Europe Limited (trading as RBC Capital Markets)
<b>“Record Date”</b>	5.00 p.m. BST on 19 July 2016
<b>“Receiving Agent”</b>	Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK
<b>“Registrars”</b>	Capita Asset Services
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting at the end of this circular
<b>“Restricted Jurisdiction”</b>	each and any of the United States of America, Australia, Canada, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law or regulations
<b>“SEC”</b>	the US Securities Exchange Commission
<b>“Shareholder”</b>	a holder of Ordinary Shares
<b>“sterling”, “pounds sterling”, “£”, “pence” or “p”</b>	the lawful currency of the United Kingdom
<b>“Stifel”</b>	Stifel Nicolaus Europe Limited
<b>“stock account”</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited

<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“Underwriters”</b>	Stifel and RBC
<b>“Underwriting Agreement”</b>	the letter from the Underwriters to the Company, dated 21 July 2016, pursuant to which the Underwriters have agreed to underwrite the Open Offer
<b>“US Securities Act”</b>	the United States Securities Act of 1933 (as amended)

## Part I

### Letter from the Chairman

#### FAROE PETROLEUM PLC

(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 04622251)

*Directors:*

John William Sharp Bentley (*Non-Executive Chairman*)  
Graham Duncan Stewart (*Chief Executive*)  
Jonathan Robert Cooper (*Chief Financial Officer*)  
Helge Ansgar Hammer (*Chief Operating Officer*)  
Timothy Philip Read (*Senior Independent Non-Executive Director*)  
Roger Charles Witts (*Independent Non-Executive Director*)  
Jorunn Saetre (*Independent Non-Executive Director*)

*Registered Office:*

30 Crown Place  
London  
EC2A 4ES

21 July 2016

Dear Shareholder,

#### Fully Underwritten Open Offer and Notice of General Meeting

##### 1. Introduction

On 15 July 2016, Faroe announced that it had conditionally raised £62 million (before expenses) by the Placing of 88,500,000 new Ordinary Shares to institutional and other investors at the price of 70 pence per Ordinary Share.

The Board recognises and is grateful for the continued support received from Shareholders and has therefore decided to offer all Shareholders the opportunity to participate in a further issue of new equity in the Company by launching the Open Offer to issue up to 5,958,896 further new Ordinary Shares to Qualifying Shareholders at the Issue Price. Qualifying Shareholders may subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 60 Existing Ordinary Shares held on the Record Date. The issue of the Open Offer Shares is expected to raise further gross proceeds of £4,171,227 for the Company. Shareholders subscribing for their full entitlement under the Open Offer may also request additional new Ordinary Shares through the Excess Application Facility.

As the allotment and issue of the Open Offer Shares will exceed the Directors' existing authorities to allot shares for cash on a non pre-emptive basis, the General Meeting is being called to seek Shareholders' approval to grant new authorities to enable the Directors, *inter alia*, to complete the Open Offer.

The Open Offer Shares to be issued pursuant to the Open Offer are to be admitted to trading on AIM, which is expected to take place at 8.00 a.m. on 10 August 2016.

The net proceeds of the Open Offer (after commission and expenses of the Open Offer) will be used primarily for general working capital purposes. Further details on the background to and the reasons for the Open Offer are given in section 2 below.

**The Open Offer is conditional upon, *inter alia*, the approval by Shareholders of Resolutions 1 and 2 which will be sought at the General Meeting to be held at 11.00 a.m. on 9 August 2016, notice of which is set out at the end of this circular. Should Shareholder approval of these resolutions not be obtained at the General Meeting, the Open Offer as currently envisaged will not proceed.**

The purpose of this letter is to explain to Shareholders the background to, and reasons for, the Open Offer. To enable the Company to implement the Open Offer, the Company is seeking the approval by Shareholders of Resolutions 1 and 2 which are to be put to the General Meeting of the Company to be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 11.00 a.m. on 9 August 2016. Resolution 3 is being proposed in order to renew the directors' authority to allot relevant securities following the Placing. Resolution 4 is being proposed in order to update the directors' authority to disapply pre-emption rights on the

allotment of a limited number of equity securities following the increase in the Company's issued share capital as a result of the Placing and Open Offer. The Notice convening the General Meeting is set out at the end of this circular and a Form of Proxy is also enclosed for you to complete. This letter includes an explanation of the Resolutions.

## 2. Background to and reasons for the Open Offer

The net proceeds of the Open Offer will be used primarily for general working capital purposes. For further details of the background to the Open Offer and the proposed use of the proceeds of the Open Offer, please see the Disclosure Document published by the Company on 15 July 2016 in connection with the Placing, which is available on the Company's website [www.fp.fo/investors/aim-rule-26/](http://www.fp.fo/investors/aim-rule-26/).

## 3. Details of the Open Offer

### 3.1 Structure

The Open Offer provides an opportunity for all Qualifying Shareholders to participate in a further issue of new equity in the Company at the same price as the Placing, by acquiring Open Offer Shares *pro rata* to their current holdings of Existing Ordinary Shares with the option for subscribing for more pursuant to the Excess Application Facility.

The Issue Price of 70 pence per Open Offer Share represents a 3.8 per cent. discount to the closing price of 72.75 pence per Existing Ordinary Share on 20 July 2016, the last Business Day before the announcement of the Open Offer.

### 3.2 Principal terms of the Open Offer

Subject to the fulfilment of the conditions set out below and in Part IV of this circular, Qualifying Shareholders are being given the opportunity to subscribe for the Open Offer Shares at a price of 70 pence per Open Offer Share, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

#### **1 Open Offer Share for every 60 Existing Ordinary Shares held on the Record Date**

Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility.

The allotment and issue of the Open Offer Shares will be conditional on, *inter alia*, the passing of Resolutions 1 and 2 at the General Meeting.

The issue of the Open Offer Shares is expected to raise further gross proceeds of approximately £4,171,227 for the Company.

The Open Offer Shares will, upon issue, rank *pari passu* with the Existing Ordinary Shares.

Fractions of Open Offer Shares will not be allotted; instead, each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. The fractional entitlements will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares that are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves).

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Open Offer Entitlements.

To enable the Company to benefit from applicable exemptions to the requirement to prepare a prospectus in connection with the Open Offer, a maximum of 5,958,896 new Ordinary Shares, representing a total consideration of £4,171,227 (€4.97 million), will be made available to Qualifying Shareholders under the Open Offer, which will be conducted on the basis of 1 Open Offer Share for every 60 Existing Ordinary Shares held on the Record Date. The Open Offer is restricted to Qualifying Shareholders in order to enable the Company to benefit from exemptions from securities law requirements in certain jurisdictions outside the United Kingdom.

If the proceeds of the Open Offer would otherwise be €5 million or more, the Company will scale back the Excess Application Facility then, if necessary, the number of Open Offer Shares to be issued pursuant to Open Offer Entitlements (on a *pro rata* basis).

It should be noted that the Open Offer is not a rights issue. Accordingly, the Application Form is not a document of title and cannot be traded. Unlike a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not take up their rights to subscribe under the Open Offer. To the extent that any of the Open Offer Shares are not taken up by Qualifying Shareholders, the Underwriters have agreed to procure subscribers for, or failing which themselves to subscribe as principal for, such Open Offer Shares.

### 3.3 **Excess Application Facility**

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares.

Qualifying non-CREST Shareholders who wish to apply to acquire more than their Open Offer Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4(ii)(j) of Part IV of this circular for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Applications for Excess Shares will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements and subject to any scaling back by the Company. Once subscriptions by Qualifying Shareholders under their respective Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Application will be made for the Open Offer Entitlements and Excess Open Offer Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 22 July 2016. Such Open Offer Entitlements and Excess Open Offer Entitlements will also be enabled for settlement in CREST as soon as practicable on 22 July 2016. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying non-CREST Shareholders will have received an Application Form with this circular which sets out their entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

If applications are made for less than all of the Open Offer Shares available, then the lower number of Open Offer Shares will be issued and any outstanding Open Offer Entitlements will lapse.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part IV of this circular.

For Qualifying non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 5 August 2016. For Qualifying CREST Shareholders the relevant CREST instructions must have been settled as explained in this circular by no later than 11.00 a.m. on 5 August 2016.

### 3.4 **Other information relating to the Open Offer**

The Open Offer is conditional, *inter alia*, upon:

- (a) the passing of Resolutions 1 and 2 at the General Meeting;
- (b) the Placing and Open Offer Agreement becoming unconditional in all respects in respect of the Open Offer (other than Admission) and not having been terminated in accordance with its terms; and
- (c) Admission of the Open Offer Shares becoming effective by not later than 8.00 a.m. on 10 August 2016 (or such later time and/or date as Stifel and the Company may agree, but not later than 24 August 2016).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Open Offer will not proceed.

The Open Offer is expected to result in the issue of in total 5,958,896 new Ordinary Shares (representing, in aggregate, approximately 1.6 per cent. of the Enlarged Share Capital). The Open Offer Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued.

Following the Placing and the issue of the Open Offer Shares pursuant to the Open Offer, Qualifying Shareholders who take up their full entitlements, excluding any Open Offer Shares acquired through the Excess Application Facility, in respect of the Open Offer will have undergone a dilution of 25 per cent. to their interests in the Company because of the Placing. Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will experience a dilution of 26 per cent. to their interests in the Company because of the Placing and the Open Offer.

#### **4. Application for Admission**

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings for normal settlement in the Open Offer Shares on AIM will commence at 8.00 a.m. on 10 August 2016.

#### **5. General Meeting**

A notice convening a General Meeting of the Company, to be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD at 11.00 a.m. on 9 August 2016 is set out at the end of this circular. At the General Meeting, the following Resolutions will be proposed:

1. an ordinary resolution to grant authority to the Directors to allot up to 5,958,896 new Ordinary Shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company pursuant to section 551 of the 2006 Act, being up to an aggregate nominal amount of £595,889.60. The Directors will limit this authority to the allotment of new Ordinary Shares pursuant to the Open Offer and the authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 or, if earlier, 30 June 2017;
2. a special resolution to disapply the statutory pre-emption rights contained in section 561(1) of the 2006 Act in respect of the allotment for cash of up to 5,958,896 new Ordinary Shares with an aggregate nominal amount of up to £595,889.60. The Directors will again limit this authority to the allotment of new Ordinary Shares pursuant to the Open Offer and the authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 or, if earlier, 30 June 2017;
3. an ordinary resolution to grant a general authority to the Directors to allot shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company pursuant to section 551 of the 2006 Act, being up to an aggregate nominal amount of £26,709,119. This authority will represent 66.66 per cent. of the Enlarged Share Capital (plus £2,478,699 in connection with various employee share option and incentive schemes) and is in line with the Investment Association Guidelines which recommend that the directors' authority to allot share capital be limited to a sum equal to two-thirds of the issued ordinary share capital plus the amount required in order to satisfy outstanding share options on condition that half of this amount (representing one third of the Company's Enlarged Share Capital can only be allotted pursuant to a rights issue; it is also in line with the authorities granted pursuant to section 551 of the Act at the Company's last Annual General Meeting held on 28 June 2016; and
4. a special resolution to disapply the statutory pre-emption rights contained in section 561(1) of the 2006 Act in respect of the allotment for cash of equity shares with an aggregate nominal amount of up to £1,817,463. This authority will represent approximately five per cent. of the Enlarged Share Capital and is in line with the Directors' existing share authorities granted in respect of the disapplication of section 561(1) of the 2006 Act granted at the Company's last Annual General Meeting held on 28 June 2016.

Resolutions 1 and 3 are proposed as ordinary resolutions and Resolutions 2 and 4 are proposed as special resolutions.

## **6. Action to be taken by Shareholders**

### **6.1 General Meeting**

Shareholders will find accompanying this circular a Form of Proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK as soon as possible and, in any event, so as to arrive no later than 11.00 a.m. on 5 August 2016. Completion and return of the Form of Proxy will not affect Shareholders' right to attend and vote in person at the General Meeting if they so wish. Further information regarding the appointment of proxies can be found in the notes to the Notice of General Meeting.

In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, the Shareholder should complete and send a letter of direction in accordance with the instructions provided by their broker or other intermediary.

**In order for the Open Offer to proceed, Shareholders will need to approve Resolutions 1 and 2 set out in the Notice of General Meeting. If Resolutions 1 and 2 are not passed, the Company will not be able to proceed with the Open Offer in the form currently envisaged (see "Risks related to the Resolutions not being passed" in Part II of this circular).**

**Accordingly it is important that Shareholders vote in favour of Resolutions 1 and 2, in order that the Open Offer can proceed.**

### **6.2 Open Offer**

#### *Qualifying non-CREST Shareholders*

If you are a Qualifying non-CREST Shareholder you will have received an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer Entitlement and any Excess Open Offer Entitlements), you should complete the accompanying Application Form in accordance with the procedure for application set out in section 4(i) of Part IV of this circular and on the Application Form itself.

#### *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder and do not hold any Ordinary Shares in certificated form, no Application Form accompanies this circular and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements and Excess Offer Entitlements representing your maximum entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Qualifying CREST Shareholders for both Open Offer Entitlements and Excess Open Offer Entitlements in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in section 4(ii) of Part IV of this circular, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in section 7 of Part IV of this circular.

**The latest time for applications under the Open Offer to be received is 11.00 a.m. on 5 August 2016. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part IV of this circular.**

**Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this circular and the Open Offer.**

## **7. Overseas Shareholders**

Information for Overseas Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom appears in section 7 of Part IV of this circular, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you pay particular attention to that section of this circular.

## **8. Additional Information**

Your attention is drawn to the additional information set out in Parts II to IV (inclusive) of this circular. In particular the attention of investors is drawn to the information regarding taxation set out in paragraph 6 of Part IV of this document. This information is intended only as a general guide to the current tax position under UK taxation law for certain types of investor. **Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.**

This circular will be available for a period of twelve months from the date of this circular on the Company's website [www.fp.fo/investors/aim-rule-26/](http://www.fp.fo/investors/aim-rule-26/) free of charge in accordance with the requirements of Rule 26 of the AIM Rules.

## **9. Responsibility**

The Company and the Directors accept responsibility for the information contained in this circular. To the best of the knowledge and belief of the Company and the Directors (which has and who have taken all reasonable care to ensure that such is the case) the information contained in this circular is in accordance with the facts and does not omit anything likely to affect the import of such information

## **10. Directors' Recommendation**

The Directors consider the Open Offer to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Yours faithfully

**John Bentley**

*Non-Executive Chairman*

## Part II

### Risk Factors

An investment in the Open Offer Shares may not be suitable for all Qualifying Shareholders who receive this document and involves a number of risks. Your attention is drawn in particular to the “Risk Factors” section of the Disclosure Document that was published by the Company on 15 July 2016 in connection with the Placing, which is incorporated into this circular by reference. You can obtain a copy of the Disclosure Document from the Company’s website [www.fp.fo/investors/aim-rule-26/](http://www.fp.fo/investors/aim-rule-26/). Further, all the information set out in this document and, in particular, those risks relating to the Open Offer described below should be carefully considered prior to making any investment decision. Accordingly, you are strongly recommended to consult an investment adviser authorised under the FSMA if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser, who specialises in the acquisition of shares and other securities before making a decision to invest. In addition to all the other information contained in this circular, Qualifying Shareholders should carefully consider the following risk factors, which are not set out in any particular order of priority.

If any of the circumstances identified in the risk factors set out in the Disclosure Document or in this circular were to materialise, the Company’s business, financial condition and operating results could be materially affected. Investors should note that the trading price of the Ordinary Shares could decline due to any of these risks and investors may lose all or part of their investment.

Additional risks which are not presently known to the Board, or that the Board currently deems to be immaterial, may also have an effect on the Group’s business, financial condition and operating results.

In addition to the risks relating to the Company and its business that are set out in the Disclosure Document, the following risks relate specifically to the Open Offer and the Open Offer Shares

#### **Future sales of Ordinary Shares could adversely affect the market price of the Ordinary Shares**

Sales of additional Ordinary Shares into the public market following the Open Offer could adversely affect the market price of the Ordinary Shares if there is insufficient demand for the Ordinary Shares at the prevailing market price.

#### **Share price may fluctuate**

Publicly traded securities from time to time experience price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be volatile. The market price of the Ordinary Shares may fluctuate in response to a number of factors, many of which are beyond the Group’s control, including: variations in operating results in the Group’s reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; changes to Mineral Resource and Reserve statements; additions or departures of key personnel; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of Ordinary Shares; and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Ordinary Shares.

#### **If Resolutions 1 and 2 are not passed, the Company will not be able to proceed with the Open Offer in the form currently envisaged**

Resolution 1 to be proposed at the General Meeting will be proposed as an ordinary resolution and, in order to be passed, will require the support of a simple majority of the total voting rights of Shareholders who (being entitled to do so) vote on such resolution at the General Meeting. Resolution 2 to be proposed at the General Meeting will be proposed as a special resolution and, to be passed, will require the support of not less than 75 per cent. of the total voting rights of Shareholders who (being entitled to

do so) vote on such resolution at the General Meeting. The Open Offer is conditional, *inter alia*, on the passing of Resolutions 1 and 2.

In the event that Resolutions 1 and 2 are not passed, the Company will not be able to proceed with the Open Offer in the form currently envisaged, with the result that the anticipated net proceeds of the Open Offer will not become available to fund proposed upcoming expenditure and achieve the objectives currently pursued by the Board. The Group's business plan and growth prospects may be adversely affected as a result.

**Holders of Existing Ordinary Shares who do not acquire Open Offer Shares pursuant to the Open Offer will experience a further dilution of their percentage ownership of the Company's Ordinary Shares**

Shareholders' proportionate ownership and voting interest in the Company has been reduced pursuant to the Placing. Shareholders' proportionate ownership and voting interest in the Company will be further reduced pursuant to Open Offer to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer. Subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer.

**Pre-emptive rights may not be available for Overseas Shareholders of Ordinary Shares**

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are entitled to pre-emption rights pursuant to the Articles of the Company and the 2006 Act unless such rights are waived by a resolution of the Shareholders at a general meeting (as proposed in respect of the Open Offer) and such an issue could dilute the interests of the then existing Shareholders. To the extent that pre-emptive rights apply in respect of future issue of Ordinary Shares by the Company for cash, certain Overseas Shareholders of Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations or an exemption from the registration requirements thereunder is available.

**Other risk factors**

The risks set out above and in the "Risk Factors" section of the Disclosure Document do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment offered in this circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under the FSMA and who or which specialises in investments of this kind before making a decision to invest.

## Part III

### Some Questions and Answers about the Open Offer

*The questions and answers set out in this Part III of this circular are intended to be in general terms only and, as such, you should read Part IV of this circular for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.*

*This Part III deals with general questions relating to the Open Offer and more specific questions relating principally to the Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read section 7 of Part IV of this circular and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements or apply for Excess Shares pursuant to the Excess Application Facility. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this circular for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.*

The contents of this circular should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This circular is for your information only and nothing in this circular is intended to endorse or recommend a particular course of action.

#### **1. What is an open offer?**

An open offer is a way for companies to raise money. Companies may do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (an open offer) and/or providing for new investors to acquire any shares (a placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the placing and open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire an aggregate of up to 5,958,896 Open Offer Shares at an Issue Price of 70 pence per new Ordinary Share. If you hold Existing Ordinary Shares (provided that you hold 60 or more such shares) on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States or another Restricted Jurisdiction, you will be entitled to apply for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Open Offer Share for every 60 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to apply for an Open Offer Share in respect of any fraction of an Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of new Ordinary Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

The Issue Price of 70 pence per Open Offer Share represents a 3.8 per cent. discount to the closing price of 72.75 pence per Existing Ordinary Share on 20 July 2016, the last Business Day before the announcement of the Open Offer on 21 July 2016. Considering this discount, and while the market value of an Existing Ordinary Share exceeds the Issue Price, the right to subscribe for Open Offer Shares is potentially valuable.

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility. Once subscriptions by Qualifying Shareholders under their respective Open Offer Entitlements

have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full, in part or at all and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

The number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. Assuming that there is no Overseas Shareholder who has a registered address in, or is a resident in or a citizen of, a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full, there will be no Open Offer Shares available under the Excess Application Facility.

If the proceeds of the Open Offer would otherwise be €5 million or more, the Company will scale back the Excess Application Facility then, if necessary, the number of Open Offer Shares to be issued pursuant to Open Offer Entitlements (on a *pro rata* basis).

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only), and neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

**2. I hold my Existing Ordinary Shares in certificated form. How do I know whether I am able to acquire Open Offer Shares under the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address in or located in the United States or another Restricted Jurisdiction, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 22 July 2016 (the time when the Existing Ordinary Shares were marked “ex-entitlement” by the London Stock Exchange).

**3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or another Restricted Jurisdiction, you have been sent an Application Form that shows:

- how many Existing Ordinary Shares you held at 5.00 p.m. on 19 July 2016 (the Record Date for the Open Offer);
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or another Restricted Jurisdiction, you will not receive an Application Form.

If you would like to apply for any of, all of or more than the Open Offer Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this circular. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or a duly endorsed banker’s draft for the number of Open Offer Shares you want to apply for and allow at least four Business Days for delivery if sent by first class post from within the United Kingdom. Please also see questions 5 and 11 for further help in completing the Application Form.

**4. I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?**

**(a) *If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is sign and send the Application Form, together with your cheque or banker's draft for the full amount (as indicated in Box 8 of your Application Form), payable to "CRL Re: Faroe Petroleum Plc Open Offer A/C" and crossed "A/C payee only", in the reply-paid envelope provided, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK to arrive by no later than 11.00 a.m. on 5 August 2016.

Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope.

Full instructions are set out in the Application Form. A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than the week commencing 15 August 2016.

**(b) *If you want to take up some but not all of your Open Offer Entitlement***

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box 5 of your Application Form; for example, if you are entitled to take up 20,000 shares but you only want to take up 10,000 shares, then you should write '10,000' in Box 5.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '10,000') by £0.70, which is the price in pounds of each Open Offer Share (giving you an amount of £7,000 in this example). You should write this amount in Box 8, rounding down to the nearest whole penny and this should be the amount your cheque or banker's draft is made out for. You should then sign and return your Application Form together with your cheque or duly endorsed banker's draft for that amount, payable to "CRL Re: Faroe Petroleum Plc Open Offer A/C" and crossed "A/C payee only", in the reply-paid envelope provided for use within the UK only, by post, or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK, to arrive by no later than 11.00 a.m. on 5 August 2016, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV of this circular and will be set out in the Application Form.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than the week commencing 15 August 2016.

**(c) *If you want to apply for more than your Open Offer Entitlement***

Provided that you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up in Box 5, which must be the number of Open Offer Shares shown in Box 3. You should then write the number of Open Offer Shares you wish to apply for under the Excess Application Facility in Box 6 and then complete Box 7 by adding together the numbers you have entered in Boxes 5 and 6.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares shown in Box 7 by £0.70, which is the price of each Open Offer Share. You should write this amount in Box 8, rounding down to the nearest whole penny. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to "CRL re: Faroe Petroleum plc Open Offer A/C" and crossed "A/C payee only", in the reply-paid envelope provided (for use within the UK only) by post or by hand (during normal

business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK, to arrive by no later than 11.00 a.m. on 5 August 2016, after which time the Application Form will not be valid.

Within the United Kingdom only, you can use the accompanying reply-paid envelope. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

A definitive share certificate will be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later the week commencing 15 August 2016.

(d) ***If you do not want to take up your Open Offer Entitlement***

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are placed, as would happen under a rights issue. Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer. The Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

If you do not take up your Open Offer Entitlement then, following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be diluted by approximately 1.6 per cent.

If you do take up your Open Offer Entitlement in full, your interest in the Company will have been diluted by approximately 1.6 per cent. as a result of the Placing.

**5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part IV of this circular. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to take up or apply for under their Open Offer Entitlement and their Excess CREST Open Offer Entitlement respectively, and should contact their CREST member should they not receive this information.

**6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to acquire Open Offer Shares under the Open Offer. Some Qualifying non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to acquire Open Offer Shares under the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 19 July 2016 and who have converted them to certificated form prior to 4.30 p.m. on 1 August 2016;

- Shareholders who bought Existing Ordinary Shares before or on 19 July 2016 and who hold such ordinary shares in certificated form but were not registered as the holders of those shares at 5.00 p.m. on 19 July 2016; and
- certain Overseas Shareholders.

**7. If I buy Existing Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?**

If you bought Existing Ordinary Shares at or after the Record Date you are unlikely to be able to participate in the Open Offer unless you have a *bona fide* market claim. If you bought Existing Ordinary Shares at or after 8.00 a.m. on 22 July 2016 (the ex-entitlement date), you will not be eligible to participate in the Open Offer in respect of those Existing Ordinary Shares.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

**8. What if I change my mind?**

Once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for.

**9. What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number. The resulting fractions of new Ordinary Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

**10. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 4 of the Application Form?**

If you want to spend more than the amount set out in Box 4 you should divide the additional amount you want to spend by £0.70 (being the price of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend an additional £1,000 you should divide £1,000 by £0.70, which comes to 1,428.50. You should round that down to 1,428 to give you the number of additional Open Offer Shares for which, in this example, you can apply without exceeding your chosen amount. Write the total number of Open Offer Shares (in this example 1,428) in Box 5. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (1,428) by £0.70 and then fill in that amount rounded down to the nearest whole penny (in this example being £999.60), in Box 8 and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Assuming that there are no Overseas Shareholders who have registered addresses in, or are residents in or citizens of a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

If you want to spend less than the amount set out in Box 4, you should divide the amount you want to spend by £0.70 (being the price of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £1,000 you should divide £1,000 by £0.70. You should round that down to the nearest whole number (in this example, 1,428), to give you the number of shares you want to take up. Write that number (in this example, 1,428) in Box 5. Then to get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 1,428) by £0.70 and then fill in that amount rounded down to the nearest whole penny (in this example being £999.60) in Box 8 and on your cheque or banker's draft accordingly.

**11. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold shares in the Company directly and you sold some or all of your Existing Ordinary Shares before 8.00 a.m. on 22 July 2016, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer.

If you sell any of your Existing Ordinary Shares on or after 8.00 a.m. on 22 July 2016, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**12. I hold my Existing Ordinary Shares in certificated form. How do I pay?**

You should return your Application Form with a cheque or a duly endorsed banker's draft drawn in pounds sterling on a UK bank or building society account in the accompanying reply-paid envelope (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post within the United Kingdom. Cheques should be drawn on a personal account of the Qualifying Shareholder who is applying for the Open Offer Shares and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted. You may be required to supply additional documentation to satisfy Money Laundering Regulations. The funds should be made payable to "CRL Re: Faroe Petroleum Plc Open Offer A/C". In each case, the cheque should be crossed "A/C Payee only". Payments via CHAPS, BACS or electronic transfer will not be accepted.

**13. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

**14. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form and payment in full in the accompanying reply-paid envelope (from within the United Kingdom only) by post or by hand to: Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent, BR3 4TU, UK. You should allow at least four Business Days for delivery if using first class post within the United Kingdom.

If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**15. I hold my Existing Ordinary Shares in certificated form. When do I have to decide whether I want to apply for Open Offer Shares?**

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 5 August 2016. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form, within the United Kingdom.

**16. I hold my Existing Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?**

It is expected that the Registrars will post all new share certificates by no later than the week commencing 15 August 2016.

**17. What should I do if I think my holding of Existing Ordinary Shares (as shown in Box 2 on page 1 of the Application Form) is incorrect?**

If you bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not have been entered on the register of members before the Record Date for the Open Offer. If you bought Existing Ordinary Shares on or before 8.00 a.m. on 22 July 2016 but were not registered as the holder of those shares on the Record Date for the Open Offer (19 July 2016), you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure that you claim your entitlement.

You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 8.00 a.m. on 22 July 2016.

**18. Will the Open Offer affect dividends on the Existing Ordinary Shares?**

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

**19. What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement.

Shareholders with registered addresses or who are located in the United States or another Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in section 7 of Part IV of this circular.

**20. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you would complete the CREST deposit form (Box 13 on page 4 of the Application Form), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 2 August 2016 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to Part IV of this circular for details on how to pay for the Open Offer Shares.

**21. Do I need to comply with the Money Laundering Regulations (as set out in section 5 of Part IV of this circular)?**

If you are a Qualifying non-CREST Shareholder, you may not need to follow these procedures if the value of the Open Offer Shares you are acquiring is less than €15,000 (or its pounds sterling equivalent) and your account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Shares as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying non-CREST Shareholders should refer to section 5(i) of Part IV of this circular and Qualifying CREST Shareholders should refer to section 5(ii) of Part IV of this circular for a fuller description of the requirements of the Money Laundering Regulations.

**22. Further assistance**

If you have any questions on the procedure for acceptance and payment, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

## Part IV

### Terms and Conditions of the Open Offer

#### To Qualifying Shareholders

##### 1. Introduction

As explained in Part I of this circular, the Company is proposing to issue 5,958,896 new Ordinary Shares pursuant to the Open Offer to raise £4,171,227. Upon completion of the Open Offer, the Open Offer Shares will represent approximately 1.6 per cent. of the Enlarged Share Capital. Qualifying Shareholders are being offered the opportunity under the Open Offer to acquire new Ordinary Shares at the Issue Price, being the same price per share as they were offered to Placees under the Placing.

The Issue Price of the Open Offer Shares represents a discount of 3.8 per cent. to the closing price of 72.75 pence per Existing Ordinary Share on 20 July 2016 (being the last Business Day before the announcement of the Open Offer).

A summary of the arrangements relating to the Open Offer is set out below. This circular and, where relevant, the Application Form contain the formal terms and conditions of the Open Offer.

**The latest time for applications under the Open Offer to be received is 11.00 a.m. on 5 August 2016. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are further set out below in this Part IV.**

##### 2. The Open Offer

Subject to the fulfilment of the terms and conditions referred to below and, where relevant, set out in the Application Form, Qualifying Shareholders are hereby invited to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

- (a) 1 Open Offer Share for every 60 Existing Ordinary Shares held by Qualifying Shareholders at the Record Date and so in proportion for any other number of Ordinary Shares then held; and
- (b) further Open Offer Shares in excess of their Open Offer Entitlement through the Excess Application Facility (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Open Offer Entitlement in full).

To enable the Company to benefit from exemptions to the requirement to prepare a prospectus in connection with the Open Offer, a maximum of 5,958,896 new Ordinary Shares, representing a total consideration of £4,171,227 (€4.97 million), will be made available to Qualifying Shareholders under the Open Offer.

If the proceeds of the Open Offer would otherwise be €5 million or more, the Company will scale back the Excess Application Facility then, if necessary, the number of Open Offer Shares to be issued pursuant to Open Offer Entitlements (on a *pro rata* basis).

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Fractions of Open Offer Shares will not be allotted, each Qualifying Shareholder's entitlement being rounded down to the nearest whole number. The fractional entitlements will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum entitlement which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock

account in CREST and, if they so wish, may apply for Open Offer Shares in excess of their Open Offer Entitlement.

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Open Offer Entitlement in full, to apply for Excess Open Offer Entitlements. Qualifying non-CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement should complete the relevant sections on the Application Form. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 4(ii)(j) of Part IV of this circular for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Applications for Excess Open Offer Entitlements will be satisfied only to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements. Once subscriptions by Qualifying Shareholders under their respective Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Any monies paid for applications in excess of their Open Offer Entitlements which are not so satisfied will be returned to the Applicant (at the Applicant's risk) without interest within 14 days by way of cheque or CREST payment, as appropriate. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.

**Not all Shareholders will be Qualifying Shareholders. Overseas Shareholders who are located in, or who are citizens of, or have a registered address in certain overseas jurisdictions (including, without limitation, any Restricted Jurisdiction) will not qualify to participate in the Open Offer. The attention of Overseas Shareholders or any person (including without limitation a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this circular into a jurisdiction other than the United Kingdom is drawn to section 7 of this Part IV.**

If you have received an Application Form with this circular, please refer to section 4(i) and sections 5 to 8 of this Part IV.

If you hold your Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to section 4(ii) and sections 5 to 8 of this Part IV and also to the CREST Manual for further information on the CREST procedures referred to below.

The existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission of the Open Offer Shares will become effective and that dealings for normal settlement in the Open Offer Shares on AIM will commence at 8.00 a.m. on 10 August 2016.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares; all of such shares, when issued and fully paid, may be held and transferred by means of CREST.

Application has been made for the Open Offer Entitlements and Excess Open Offer Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 22 July 2016. Such Open Offer Entitlements and Excess Open Offer Entitlements will also be enabled for settlement in CREST as soon as practicable on 22 July 2016. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Qualifying non-CREST Shareholders will have received an Application Form with this circular which sets out their entitlement to Open Offer Shares as shown by the number of Open Offer Entitlements allocated to them. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements and Excess Open Offer Entitlements as soon as practicable on 22 July 2016.

The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and will rank for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued.

The Open Offer is not a rights issue. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, entitlements to Open Offer Shares will neither be tradeable nor sold in the market and in the event that any Open Offer Shares not applied for are sold or placed in the market, this will be for the benefit of the Company and not the Qualifying Shareholders who do not apply under the Open Offer.

Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Before making any decision to acquire Open Offer Shares, you are asked to read and carefully consider all of the information in this circular, including in particular the important information set out in the letter from the Chairman in Part I of this circular, as well as this Part IV and the Risk Factors set out in Part II of this circular.

### **3. Conditions and further terms of the Open Offer**

The Open Offer is conditional, *inter alia*, upon:

- (i) the passing of the Resolutions 1 and 2 to be proposed at the General Meeting;
- (ii) the Placing and Open Offer Agreement becoming unconditional in all respects in respect of the Open Offer (other than Admission) and not having been terminated in accordance with its terms; and
- (iii) Admission becoming effective by not later than 8.00 a.m. on 10 August 2016 (or such later time and/or date as Stifel and the Company may agree, not being later than 24 August 2016).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Open Offer will not proceed.

Further terms of the Open Offer are set out in this Part IV and in the Application Form.

### **4. Procedure for application and payment**

Save as provided in section 7 of this Part IV in relation to Overseas Shareholders, the action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer, including the Excess Application Facility, or you have Open Offer Entitlements and Excess Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date and who take up Open Offer Shares under their entitlement will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. Further information on deposit into CREST is set out in paragraph 4(ii)(f) of this Part IV.

CREST sponsored members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this circular the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

#### **(i) *If you have an Application Form in respect of your entitlement under the Open Offer***

##### **(a) *General***

Each Qualifying non-CREST Shareholder will have received an Application Form accompanying this circular. The Application Form shows the number of Existing Ordinary

Shares registered in the relevant Qualifying non-CREST Shareholder's name at the close of business on the Record Date. It also shows the number of Open Offer Shares for which such relevant Qualifying non-CREST Shareholder is entitled to apply under the Open Offer, calculated on the basis set out in section 2 of this Part IV, above. Qualifying non-CREST Shareholders may also apply for less than their maximum Open Offer Entitlements.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

The Excess Application Facility enables Qualifying Shareholders who have taken up their full Open Offer Entitlement to apply for Open Offer Shares in excess of their Open Offer Entitlement. Applications in excess of the Open Offer Entitlement will only be satisfied to the extent that applications made by other Qualifying Shareholders are less than their full Open Offer Entitlements and may therefore be scaled down at the Company's sole discretion.

Fractions (if any) of Open Offer Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result. The instructions and other terms which are set out in the Application Form constitute part of the terms of the Open Offer.

(b) *Market claims*

Applications for Open Offer Shares (including under the Excess Application Facility) may only be made on the Application Form and may only be made by the Qualifying Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by AIM, being 22 July 2016. Application Forms may be split up to 3.00 p.m. on 3 August 2016.

Qualifying non-CREST Shareholders may also apply for Excess Shares in excess of their *pro rata* entitlement to Open Offer Shares by completing Boxes 5 and 6 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their *pro rata* entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in section 4 of this Part IV.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of existing Ordinary Shares prior to 22 July 2016, being the date upon which the existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by AIM, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer (including under the Excess Application Facility) may be a benefit which may be claimed by the transferee from his counterparty pursuant to the rules of the London Stock Exchange. Qualifying Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the any of the Restricted Jurisdictions or to US persons.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4(ii)(b) below.

A Qualifying non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form

to the Receiving Agent. However, he or she is strongly encouraged to still complete and return the Form of Proxy to the Registrars.

(c) *Application Procedures*

Applications for Open Offer Shares (including under the Excess Application Facility) by Qualifying non-CREST Shareholders may only be made on the Application Form, which is personal to the Qualifying non-CREST Shareholder(s) named on it and is not capable of being split, assigned or transferred except in the circumstances described below.

Qualifying non-CREST Shareholders may also apply for Excess Shares in excess of their *pro rata* entitlement to Open Offer Shares by completing Boxes 5 and 6 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their *pro rata* entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in paragraph 4(i)(f) of this Part IV.

A Qualifying non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to the Receiving Agent. However, he or she is strongly encouraged to still complete and return the Form of Proxy to the Registrars.

If you are a Qualifying non-CREST Shareholder and wish to apply for all or some of your entitlement to Open Offer Shares under the Open Offer (including any application for any Excess Shares under the Excess Application Facility) you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance, by post or by hand (during normal business hours only) to the Receiving Agent.

The Application Form represents a right personal to the Qualifying non-CREST Shareholder to apply to subscribe for Open Offer Shares (including under the Excess Application Facility); it is not a document of title and it cannot be traded. It is assignable or transferable only to satisfy *bona fide* market claims in relation to purchases in the market pursuant to the rules and regulations of the London Stock Exchange.

Application Forms may be split up to 3.00 p.m. on 3 August 2016 but only to satisfy such *bona fide* market claims. Qualifying non-CREST Shareholders who have before the 'ex' date sold or transferred all or part of their shareholdings are advised to consult their stockbroker, bank or agent through whom the sale or transfer was effected or another professional adviser authorised under the FSMA as soon as possible, since the invitation to apply for Open Offer Shares (including under the Excess Application Facility) may represent a benefit which can be claimed from them by the purchaser(s) or transferee(s) under the rules of the London Stock Exchange.

Qualifying non-CREST Shareholders who submit a valid application using the Application Form and accompanying payment will (subject to the terms and conditions set out in this Part IV and in the Application Form) be allocated the Open Offer Shares applied for in full at the Issue Price (subject to the Company's discretion to accept, reject or scale back any application for any Open Offer Shares).

Applications will be irrevocable and, once submitted, may not be withdrawn and their receipt will not be acknowledged. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying non-CREST Shareholder and such Qualifying non-CREST Shareholder's cheque or a duly endorsed banker's draft is not honoured upon first presentation or such Qualifying non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall arrange (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Qualifying non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Registrars, the

Company or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying non-CREST Shareholders.

Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement to Open Offer Shares under the Open Offer. If any Application Form is sent by first class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four Business Days for delivery. The Company may in its absolute discretion elect to accept Application Forms and remittances after 11.00 a.m. on 5 August 2016. The Company may also (in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 5 August 2016 from an authorised person (as defined in the FSMA) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course.

(d) *Payments*

All payments must be in pounds sterling and cheques or duly endorsed banker's drafts should be made payable to "CRL Re: Faroe Petroleum Plc Open Offer A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on the personal account of the individual investor to which they have sole or joint title to the funds and must be drawn on an account at a branch or a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted except building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the building society cheque or bankers' draft on the reverse to such effect.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 10 August 2016 or such later time and date as the Company and Stifel shall agree (being no later than 24 August 2016), the Open Offer will lapse and application monies will be returned by post to Applicants, at the Applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter.

The Company shall, as soon as possible after the Open Offer becomes unconditional, refund any payment received with respect to an application for a number of Open Offer Shares in respect of an Open Offer Entitlement which has been rejected in whole or in part by the Company.

(e) *Effect of Application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm to the Company, Stifel and RBC Capital Markets that in making the application you are not relying on any information or representation other than that contained in this circular, and you accordingly agree that no person responsible solely or jointly for this circular or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this circular you will be deemed to have notice of all the information concerning the Group contained within this circular;
- (iii) represent and warrant to the Company, Stifel and RBC Capital Markets that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (iv) represent and warrant to the Company, Stifel and RBC Capital Markets that you are not a citizen or resident of a Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of Open Offer Shares directly or indirectly in, into or within a Restricted Jurisdiction or to a resident of a Restricted Jurisdiction or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery;
- (v) represent and warrant to the Company, Stifel and RBC Capital Markets as follows:
  - (i) you have not received the Application Form or any other document relating to the Open Offer in a Restricted Jurisdiction, nor have you mailed, transmitted or otherwise distributed or forwarded any such document in or into a Restricted Jurisdiction;
  - (ii) you are not and were not located in a Restricted Jurisdiction at the time you accepted the Application Form or at the time you returned the Application Form; and
  - (iii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (A) you have full investment discretion with respect to the Open Offer Shares covered by the Application Form or (B) the person on whose behalf you are acting was located outside a Restricted Jurisdiction at the time he or she instructed you to submit the Application Form;
- (vi) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this circular and subject to the Articles;
- (vii) confirm that in making the application you are not relying on and have not relied on the Company, Stifel or RBC Capital Markets or any person affiliated with the Company, Stifel or RBC Capital Markets in connection with any investigation of the accuracy of any information contained in this circular or your investment decision;
- (viii) represent and warrant to the Company, Stifel and RBC Capital Markets that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986;
- (ix) represent and warrant to the Company, Stifel and RBC Capital Markets that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (x) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the "Exchange Information"), and that you are able to obtain or access the Exchange Information without undue difficulty. None of the Company, Stifel or RBC Capital Markets nor any person acting on their behalf nor any of their respective affiliates nor any of their respective

directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and

- (xi) represent and warrant that the purchase by you of Open Offer Shares does not trigger in the jurisdiction in which you are resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

If you are unable to provide such representations and warranties you will be deemed not to have validly submitted an application for Open Offer Shares, save in the discretion of the Company and subject to certain conditions.

You should note that applications will be irrevocable. The Company reserves the right (but shall not be obliged) to treat any application not strictly complying in all respects with the terms and conditions of application as nevertheless valid.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form. Shareholders are nevertheless requested to complete and return the enclosed Form of Proxy for use at the General Meeting to be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 11.00 a.m. on 9 August 2016.

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Kent BR3 4TU or by telephone on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(f) *The Excess Application Facility*

The Excess Application Facility enables Qualifying Shareholders who have taken up their Open Offer Entitlement in full to apply for additional Open Offer Shares.

Qualifying non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed the 5,958,896 Open Offer Shares being made available to Qualifying Shareholders as a result of applications made in respect of the Excess Application Facility, resulting in a scaling back of applications, each Qualifying non-CREST Shareholder who has made a valid application for Open Offer Shares under the Excess Application Facility and from whom payment in full for such Open Offer Shares has been received in cleared funds will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for under the Excess Application Facility but not allocated to the relevant Qualifying non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number. The

fractional entitlements will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

If the proceeds of the Open Offer would otherwise be €5 million or more, the Company will scale back the Excess Application Facility then, if necessary, the number of Open Offer Shares to be issued pursuant to Open Offer Entitlements (on a *pro rata* basis). In such circumstances the Company through the Receiving Agent reserves the right:

- (i) to allocate the Open Offer Shares in such manner as the Directors may determine in their absolute discretion;
- (ii) to treat any application for Open Offer Shares accordingly; and
- (iii) in the case that an excess sum is paid, refund any unutilised sums to the Qualifying non-CREST Shareholder in question.

(ii) ***If you have Open Offer Entitlements and Excess Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in section 7 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer. Qualifying CREST Shareholders may also apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility. Further details of Excess Offer Entitlements can be found in paragraph 4(ii)(j) of this Part IV.

The CREST stock account to be credited will be an account under the participant ID and Member Account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3.00 p.m. on 22 July 2016 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this circular will be adjusted as appropriate and the provisions of this circular applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

Qualifying CREST Shareholders who wish to apply for some or all of their entitlements to Open Offer Shares (including any applications for Excess CREST Open Offer Entitlements) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating to the procedure for acceptance, please telephone Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If you are a CREST sponsored member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares as only your CREST Sponsor will be able to take the necessary action to make this application in CREST (including any application for Excess CREST Open Offer Entitlements).

(b) *Market claims*

The Open Offer Entitlements and Excess CREST Open Offer Entitlements will have separate ISIN/SEDOL numbers and will constitute separate securities for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

Qualifying CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST Sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:-

- (i) the crediting of a stock account of Capita under the participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares or Excess Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares or Excess Shares referred to in (i) above.

(d) *Content of USE Instructions in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:-

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BD0CXR41;
- (iii) the participant ID of the accepting CREST member;
- (iv) the Member Account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the Member Account ID of Capita, in its capacity as CREST receiving agent. This is 28866FAR;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 5 August 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 August 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 5 August 2016 in order to be valid is 11.00 a.m. on that day.

(e) *Content of USE Instructions in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Excess CREST Open Offer Entitlement(s) being delivered to Capita);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BD0PCV03;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the Participant ID of Capita in its capacity as a CREST receiving agent, which is 7RA33;
- (vi) the Member Account ID of Capita in its capacity as CREST receiving agent, which is 28866FAR;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date, which must be before 11.00 a.m. on 5 August 2016; and
- (ix) the Corporate Action Number for the Open Offer, which will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 5 August 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) should add the following non-mandatory fields to their USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle in order to be valid is 11.00 a.m. on 5 August 2016. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 10 August 2016 or such later time and date as the Company and Stifel shall agree (being no later than 24 August 2016), the Open Offer will lapse, the Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The Open Offer cannot be revoked once all conditions have been satisfied.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and Excess Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 5 August 2016.

In particular, having regard to normal processing times in CREST and on the part of Capita Asset Services, the recommended latest time for depositing an Application Form with the CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 2 August 2016, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST is 4.30 p.m. on 1 August 2016, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and Excess Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and Excess Open Offer Entitlements prior to 11.00 a.m. on 5 August 2016.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes on page 2 of the Application Form, and a declaration to the Company from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any of the Restricted Jurisdictions and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 5 August 2016 will constitute a valid application under the Open Offer.

(h) *CREST Procedures and Timings*

**CREST members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 5 August 2016. In this connection CREST members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(i) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Asset Services reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares and/or Excess Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question;
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question (without interest).

(j) *The Excess Application Facility*

- (i) Provided that a Qualifying CREST Shareholder chooses to take up their Open Offer Entitlement in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements. Any such applications will be granted at the absolute discretion of the Company.
- (ii) Applications for Excess Open Offer Entitlements will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements. Once subscriptions by Qualifying Shareholders under their respective Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.
- (iii) An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in section 7 of this Part IV in relation to certain Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess CREST Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess CREST Open Offer Entitlement as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this circular.
- (iv) To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.
- (v) Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed the number of Open Offer Shares being made available, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST

Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest, and at the applicant's sole risk.

- (vi) Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number, aggregated and made available to Qualifying Shareholders under the Excess Application Facility. To the extent that there are any Open Offer Shares which are not applied for by Qualifying Shareholders, the Underwriters will procure subscribers for such Open Offer Shares (failing which they will subscribe for them themselves), but Qualifying Shareholders who do not apply under the Open Offer will not receive any benefit as a result.

(k) *Effect of Valid Application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) confirm to the Company, Stifel and RBC Capital Markets that in making the application he is not relying on any information or representation other than that contained in this circular, and accordingly agrees that no person responsible solely or jointly for this circular or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this circular he will be deemed to have notice of all the information concerning the Group contained within this circular;
- (iii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this circular and subject to the Articles;
- (iv) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (v) represent and warrant to the Company, Stifel and RBC Capital Markets that he is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a nondiscretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (vi) represent and warrant to the Company, Stifel and RBC Capital Markets that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vii) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in publicly available information and agrees that no person responsible solely or jointly for this circular or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agrees that he will be deemed to have had notice of all the information concerning the Group contained within this circular;

- (viii) represent and warrant to the Company, Stifel and RBC Capital Markets that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements and Excess Open Offer Entitlements by virtue of a *bona fide* market claim;
  - (ix) represent and warrant to the Company, Stifel and RBC Capital Markets that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
  - (x) confirm that in making the application he is not relying on and have not relied on the Company, Stifel or RBC Capital Markets or any person affiliated with the Company, Stifel or RBC Capital Markets in connection with any investigation of the accuracy of any information contained in this circular or his investment decision;
  - (xi) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the "Exchange Information"), and that he is able to obtain or access the Exchange Information without undue difficulty. None of the Company, Stifel or RBC Capital Markets nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and
  - (xii) the purchase by him of Open Offer Shares does not trigger in the jurisdiction in which he is resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.
- (l) *Company's discretion as to Rejection and Validity of Applications*  
The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
  - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
  - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Asset Services have received actual notice from Euroclear of any of the matters specified in section 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
  - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the

event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST Sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Registrar in connection with CREST.

(m) *Issue of Open Offer Shares in CREST*

Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after the close of business after 11.00 am on 5 August 2016 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' Open Offer Entitlements with effect from the next Business Day. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

## **5. Money Laundering Regulations**

(i)  ***Holders of Application Forms***

It is a term of the Open Offer that, in order to ensure compliance with the Money Laundering Regulations, the Registrar may require verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity").

The verification of identity requirements pursuant to the Money Laundering Regulations will apply to applications with a value of €15,000 (or its pound sterling equivalent) or greater, or to one of a series of linked applications whose aggregate value exceeds that amount, and in the case of such applications verification of the identity of Applicant(s) for Open Offer Shares may be required.

If within a reasonable period of time following a request, for verification of identity, but in any event by 11.00 a.m. on 5 August 2016, the Receiving Agent has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant application, in which event the money payable or paid in respect of the application will be returned (without interest and at the Applicant's risk) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

In order to avoid this, payment should be made by means of a cheque drawn by and in the name of the Applicant named on the accompanying Application Form or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers of Existing Ordinary Shares through the market prior to 3.00 p.m. on 3 August 2016), by the person(s) named in Box 11 on the Application Form. If this is not practicable and the Applicant uses a cheque drawn on a building society or a banker's draft, the Applicant should:

- (i) ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited which must be the same name as that printed on the Application Form, such endorsement being validated by a stamp and authorised signature by the building society or bank on the reverse of the cheque or banker's draft;
- (ii) if the Applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or European Union regulated person or institution (e.g. a bank or broker), and specify its status. If you have any questions relating to the procedure for acceptance, please telephone Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by

provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice;

- (iii) if the Applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driving licence; and
- (iv) third party cheques may not be accepted unless covered by (i) above.

In any event, if it appears to the Receiving Agent that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting will be required.

Neither the Receiving Agent nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification. By lodging an Application Form, each Qualifying Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company, at such specified time thereafter as may be required to ensure compliance with the Money Laundering Regulations.

(ii) ***Open Offer Entitlements and Excess Open Offer Entitlements in CREST***

If you hold your Open Offer Entitlements and Excess Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements (and Excess Open Offer Entitlements) as agent for one or more persons and you are not a United Kingdom or European Union regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of any failure to provide satisfactory evidence.

## **6. Taxation**

The following paragraphs are intended as a general guide only and are based on current UK legislation, HM Revenue and Customs practice and the provisions of the current Finance Bill 2016 (as published on 7 July 2016) (which is subject to change and possibly with retrospective effect) and are not exhaustive. The Finance Bill 2016 includes provision for the reform of the taxation of dividends (including the rates of income tax), the abolition of dividend tax credits and the taxation of chargeable gains which are scheduled to be effective from 6 April 2016. Whilst it is likely that these reforms will be enacted into law (with retrospective effect to 6 April 2016) before the end of October 2016, there is no guarantee that they will be so enacted with or without modification; accordingly, the potential United Kingdom tax consequences of acquiring, holding or disposing of Open Offer Shares prior to any enactment of the Finance Bill 2016 should take proper account of these potential retrospective changes in law. They summarise advice received by the Directors of the Company as to the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident (and domiciled) in the United Kingdom (“UK”) for tax purposes, who are the absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. The discussion does not address all possible tax consequences relating to an investment in shares. Certain

Shareholders, such as dealers in securities, employees and officers, Shareholders that are exempt from taxation, insurance companies and collective investment vehicles, may be taxed differently and are not considered.

Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their independent professional adviser immediately.

### **Taxation of Chargeable Gains**

For the purposes of UK taxation of chargeable gains, the issue under the Open Offer of Open Offer Shares by the Company up to and including a Qualifying Shareholder's maximum *pro rata* entitlement should be treated by HM Revenue and Customs as a "reorganisation". This means that a Shareholder should not be treated as making a disposal of all or part of its existing holding of Ordinary Shares by reason of the issue to that Qualifying Shareholder of Open Offer Shares.

Open Offer Shares allotted to a Qualifying Shareholder under the Open Offer will be added to the Qualifying Shareholder's existing holding of Ordinary Shares and treated as acquired at the time the existing holding was acquired. The subscription monies for the Open Offer Shares will be added to the base cost of the existing holding. A subsequent disposal of Open Offer Shares by a Qualifying Shareholder may, subject to the Qualifying Shareholder's circumstances and any available exemption or relief, give rise to a taxable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

Open Offer Shares subscribed for under the Open Offer in excess of a Shareholder's *pro rata* entitlement will be treated as a separate acquisition from his existing holding of Ordinary Shares for the purposes of UK taxation of chargeable gains.

In the case of individual Shareholders, there are two main rates of UK capital gains tax; the applicable rate will be dictated by the individual Shareholder's amount of taxable income. Subject to the enactment of the Finance Bill 2016, those individual Shareholders who are higher rate taxpayers or additional rate taxpayers will pay capital gains tax at 20 per cent. and those individuals who are basic rate taxpayers will pay capital gains tax at 10 per cent. The Finance Bill 2016 includes provision for a new "investor's relief" (a 10 per cent. rate) which may apply subject to particular terms and conditions to disposals of Open Offer Shares after 6 April 2019.

For Shareholders within the charge to UK corporation tax on chargeable gains, the subscription price of the Open Offer Shares will be increased by indexation allowance from the time at which the Shareholder paid for or became liable to pay for the Open Offer Shares until the Open Offer Shares are disposed of. Indexation allowance is not available to create or increase any loss.

A Shareholder who is not UK resident will not be subject to UK tax on a gain arising on a subsequent disposal of Open Offer Shares unless either (i) the Shareholder carries on a trade, profession or vocation in the UK through a branch, permanent establishment or agency and, broadly, holds the Open Offer Shares for the purposes of the trade, profession, vocation, branch, permanent establishment or agency or (ii) the Shareholder falls within the anti-avoidance rules applying to temporary non-residents.

### **Taxation of Dividends**

No UK tax will be withheld by the Company when it pays a dividend.

The Finance Bill 2016 includes provision for the reform of the taxation of dividends (including the abolition of tax credits attaching to dividends) with effect from 6 April 2016.

Subject to the enactment of the Finance Bill 2016, an individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from the Company will be entitled to an effective exemption (called the "dividend nil rate") for the first £5,000 of all dividends received (including dividends received from any other share investments in the same tax year) by that Shareholder (although such income still counts towards the basic, higher and additional rate thresholds for that Shareholder). For dividends received in aggregate above £5,000, the income tax rate will be 7.5 per cent., 32.5 per cent. and 38.1 per cent. for basic rate, higher rate and additional rate tax payers respectively. United Kingdom resident Shareholders with sources of income other than shares should therefore seek tax advice to determine the rates of income tax applicable to the dividends received from the Company.

A United Kingdom resident corporate Shareholder will not generally (subject to anti-avoidance rules) have to pay corporation tax on dividends received from the Company provided they fall within certain

exemptions. These exemptions are broadly drafted and the general effect is to exempt all dividends from corporation tax unless they fall within certain anti-avoidance rules. Dividends paid on Open Offer Shares to United Kingdom resident corporate shareholders would generally fall within one or more of the classes of dividend qualifying for exemption from corporation tax.

The Finance Bill 2016 includes provision to abolish with effect from 6 April 2016 any tax credit otherwise attaching to dividends received from the Company to which any Shareholder would have otherwise been entitled.

A non-UK resident Shareholder may be subject to foreign taxation on dividend income.

### ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No UK stamp duty or UK SDRT should be payable on the allotment or issue of Open Offer Shares.

AIM qualifies as a “recognised growth market” for the purposes of stamp duty and SDRT; accordingly, under current law, for so long as the Ordinary Shares are admitted to trading on AIM and are not listed on any other market, no liability to stamp duty or charge to SDRT (otherwise arising) will arise in relation to Open Offer Shares (whether or not those Open Offer Shares are held within CREST).

In other circumstances (including following any listing on any market other than a “recognised growth market”), a transfer or other dealing in Ordinary Shares (including Open Offer Shares) may result in a liability to stamp duty (usually at the rate of 0.5 per cent. of the amount or value of the consideration payable, rounded up to the next multiple of £5) or charge to SDRT (usually at the rate of 0.5 per cent. of the consideration in money or money’s worth) may arise. A higher rate (1.5 per cent.) may apply in those other circumstances in relation to transfers involving clearance services or the issue of depository receipts.

**The statements in this paragraph relating to stamp duty and SDRT apply to any holders of Ordinary Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.**

## **7. Overseas Shareholders**

### **(a) General**

**The distribution of this circular and the Application Form and the making or acceptance of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer. The comments set out in this section 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.**

No action has been or will be taken by the Company or any other person, to permit a public offering or distribution of this circular (or any other offering or publicity materials or Application Form(s)) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Application Forms will not be sent to and Open Offer Entitlements and Excess Open Offer Entitlements will not be credited to a stock account in CREST of persons with registered addresses in a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her nor should he or she in any event use any such Application Form

and/or credit of Open Offer Entitlements and/or credit of Excess Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements and/or credit of Excess Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory. Neither the Company, nor any of its respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this circular and/or an Application Form and/or a credit of Open Offer Entitlements and/or a credit of Excess Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines that such action would not violate applicable legal or regulatory requirements.

Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this circular and/or an Application Form and/or transfers Open Offer Entitlements and/or Excess Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part IV and specifically the contents of this section 7.

The Company reserves the right, but shall not be obliged, to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or despatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of an Open Offer Entitlement and/or an Excess Open Offer Entitlement to a stock account in CREST, to a member whose registered address would be in a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to sections 7(b) to 7(e) below.

Notwithstanding any other provision of this circular or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or

ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this circular or the Application Form into any Restricted Jurisdiction. Receipt of this circular and/or an Application Form and/ or a credit of an Open Offer Entitlement and/or a credit of Excess Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

(b) ***United States***

None of the Open Offer Shares, the Open Offer Entitlements or the Excess Open Offer Entitlements has been or will be registered under the US Securities Act or the laws of any state or other jurisdiction of the United States and, therefore, the Open Offer Shares, the Open Offer Entitlements and the Excess Open Offer Entitlements may not be, directly or indirectly, offered, sold, taken up, delivered, renounced or transferred in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States and, subject to certain exceptions, none of this circular, the Application Forms or the crediting of Open Offer Entitlements or Excess Open Offer Entitlements to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for an offer or an invitation to subscribe for any Open Offer Shares in the United States. Neither this circular nor an Application Form will (unless an address within the United Kingdom for services of notices has been notified to the Company) be sent to, and no Open Offer Entitlements or Excess Open Offer Entitlements will be credited to, a stock account in CREST of any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from, or post-marked in, the United States will be deemed to be invalid and all persons subscribing for Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open Offer Shares outside the United States.

(c) ***Other Restricted Jurisdictions***

Due to restrictions under the securities laws of the other Restricted Jurisdictions and subject to certain exemptions, Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, re-sold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this circular or the Application Forms into any Restricted Jurisdiction.

(d) ***Other overseas jurisdictions***

Application Forms will be sent to Qualifying non-CREST Shareholders and an Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders in other overseas jurisdictions. Qualifying Shareholders in jurisdictions other than any Restricted Jurisdiction may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this circular and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional

advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

(e) **Representations and warranties relating to Overseas Shareholders**

(i) *Qualifying non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Stifel, RBC Capital Markets and/or the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (i) such person is not requesting registration of the relevant Open Offer Shares from within a Restricted Jurisdiction;
- (ii) such person is not a US Person (as defined in the US Securities Act) or a resident of any Restricted Jurisdiction or in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- (iii) such person is not acting on a non-discretionary basis on behalf of, a person located within a Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and
- (iv) such person is not subscribing for Open Offer Shares with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into a Restricted Jurisdiction or any territory referred to in (ii) above.

The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it:

- (i) appears to the Company or its agents to have been executed, effected or despatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements;
- (ii) provides an address in any Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or
- (iii) purports to exclude the warranty required by this paragraph 7(e)(i).

(ii) *Qualifying CREST Shareholders*

A CREST member who makes a valid application either on its own behalf or on behalf of one of its clients in accordance with the procedures set out in this Part IV represents and warrants to the Company, Stifel and RBC Capital Markets that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (i) neither it nor its client is within a Restricted Jurisdiction;
- (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares;
- (iii) it is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within a Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and
- (iv) neither it nor its client is subscribing for any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into a Restricted Jurisdiction, or any territory referred to in (ii) above.

The Company reserves the right to reject any USE instruction from a Restricted Jurisdiction or any territory referred to in (ii) above or by a CREST participant who is acting

on a non-discretionary basis on behalf of a person located within a Restricted Jurisdiction or any territory referred to in (ii) above.

## **8. Admission, Settlement and Dealings**

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Open Offer becoming unconditional in all respects, it is expected that Admission of the Open Offer Shares will become effective and that dealings in the Open Offer Shares will commence at 8.00 a.m. on 10 August 2016.

Open Offer Entitlements and Excess Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 5 August 2016 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 10 August 2016). On this day, Capita will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 10 August 2016). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this circular, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Capita in connection with CREST.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post by no later than the week commencing 15 August 2016. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. All documents or remittances sent by or to Applicants or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to the Application Form.

## **9. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this circular shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this circular, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **10. Further information**

The attention of Qualifying non-CREST Shareholders is further drawn to the terms and conditions set out in the enclosed Application Form.

Dated: 21 July 2016

# FAROE PETROLEUM PLC

(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered no. 04622251)

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting of Faroe Petroleum plc (“**Faroe**” or the “**Company**”) will be held at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 11.00 a.m. British Summer Time on 9 August 2016 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolutions 2 and 4 will be proposed as special resolutions.

### **Resolution 1**

That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “**2006 Act**”) to exercise all powers of the Company to allot 5,958,896 Ordinary Shares pursuant to the Open Offer (each as defined in the circular dated 21 July 2016, of which this notice forms part (“**Circular**”)), provided that this authority shall (i) be in substitution for all previous authorities pursuant to section 551 of the 2006 Act and (ii) expire on the conclusion of the next annual general meeting of the Company, or, if earlier, 30 June 2017.

### **Resolution 2**

That, conditional on the passing of Resolution 1, the Directors be and they are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 1 above as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of 5,958,896 Ordinary Shares pursuant to the Open Offer and shall expire on the conclusion of the next annual general meeting of the Company, or, if earlier, 30 June 2017.

### **Resolution 3**

That the Directors be and they are authorised generally and unconditionally pursuant to and in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the 2006 Act) and to grant rights to subscribe for or convert any security into shares in the Company (“**Rights**”) and to list such shares or rights on any stock exchange:

- (i) up to an aggregate nominal amount of £14,593,909; and
- (ii) up to a further aggregate nominal amount of £12,115,210 in connection with an offer by way of a rights issue: (a) to holders of Ordinary Shares on the register of members at such record date as the Directors may determine in proportion (as nearly as may be practicable) to their existing holdings; and (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions, limits, restrictions or other arrangements as the Directors may deem necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

and such authorities shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 30 June 2017 (unless previously revoked or varied by the Company in a general meeting), save that the Company may, in each case, before such expiry make an offer or enter into agreements which would, or might, require equity securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot equity securities or grant rights to subscribe for or convert securities into shares in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired. All authorities and powers previously conferred upon the Directors pursuant section 551 of the 2006 Act shall be revoked (other than pursuant to Resolutions 1 and 2 above in relation to the Open Offer) but without prejudice to any exercise of such other authorities and powers prior to the date on which this resolution is passed, including offers or agreements already made or entered into which would, or might, require equity securities to be allotted or rights to subscribe for or convert securities into shares to be issued, in which case such authority or power shall remain valid.

#### **Resolution 4**

That, subject to the passing of Resolution 3 above, the Directors be and they are hereby empowered pursuant to sections 570 and 573 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by Resolution 3 above and/or by way of a sale of Ordinary Shares held by the Company as treasury shares, as if section 561(1) of the 2006 Act did not apply to such allotment or sale, provided that this power shall be limited to the allotment of equity securities and sale of treasury shares for cash:

- (i) in connection with an offer of, or invitation to apply for, equity securities by way of rights to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing respective holdings of Ordinary Shares and to holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary, on a record date fixed by the Directors but subject to such exclusions, limits or restrictions or other arrangements as the Directors may consider necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, any legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) in the case of the authority granted under Resolution 3 above and/or in the case of any sale of treasury shares for cash (other than pursuant to sub-paragraph (i) above) having a nominal amount, not exceeding in aggregate £1,817,463,

and shall expire on the conclusion of the Company's next annual general meeting or, if earlier, at the close of business on 30 June 2017 save that the Company may, before the expiry of such power, make offers or agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

#### *Explanatory Notes:*

*Resolution 1 enables the Directors to allot the Open Offer Shares (as defined in the Circular) pursuant to the Open Offer.*

*Resolution 2 entails Shareholders' waiver of their pre-emption rights in respect of the Open Offer Shares to be issued pursuant to the Open Offer and enables the Directors to allot these Open Offer Shares for cash.*

*Resolution 3 enables the Directors to allot relevant securities (including new Ordinary Shares). The maximum nominal amount of securities which the Board of Directors will have authority to allot pursuant to this resolution is £26,709,119 (such amount equating to 66.66 per cent. of the aggregate nominal value of the Enlarged Share Capital (as defined in the Circular) plus £2,478,699 in connection with various employee share option and incentive schemes. This amount is in line with the Investment Association's Share Capital Management Guidelines which recommend that the Directors' authority to allot share capital be limited to a sum equal to two-thirds of the issued ordinary share capital plus the amount required in order to satisfy outstanding share options on condition that half of this amount (representing one third of the Enlarged Share Capital) can only be allotted pursuant to a rights issue. Resolution 3 will, if passed, renew the authority to allot given to the Directors at the Company's last annual general meeting broadly on the same terms as the equivalent resolution passed at the annual general meeting on 28 June 2016.*

*Resolution 4 is required to authorise the Directors to allot equity securities for cash subject to statutory pre-emption rights in favour of Shareholders and to disapply statutory pre-emption rights on the allotment of a limited number of equity securities (including new Ordinary Shares). In the light of the Investment Association's Share Capital Management Guidelines described in relation to Resolution 3 above, this authority will permit the Directors to allot:*

- (i) *shares up to approximately two-thirds of the Company's issued ordinary share capital on an offer to existing shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to approximately one-third of the Company's issued ordinary share capital (in each case subject to such adjustments or exclusions as are described in the Notice of Meeting); and*
- (ii) *shares up to a maximum nominal amount of £1,817,463, such amount equating to 5 per cent. of the aggregate nominal value of the Enlarged Share Capital.*

*Resolution 4 will, if passed, renew the authority to allot equity shares for cash given to the Directors at the Company's last annual general meeting broadly on the same terms as the equivalent resolution passed at the annual general meeting on 28 June 2016.*

**By order of the Board of Directors**  
**John Bentley**  
*Non-Executive Chairman*

*Registered Office*  
30 Crown Place  
London  
EC2A 4ES

21 July 2016

**Notes:**

- (1) A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies, in accordance with the Company's Articles of Association, to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company and the appointment of a proxy does not preclude a Shareholder from attending and voting in person if he or she wishes to do so. A Form of Proxy is enclosed for this purpose. To be valid, the instrument to appoint a proxy must be lodged with Capita Asset Services, PXS, Corporate Actions, The Registry, 34 Beckenham Road, Kent BR3 4TU as soon as possible but in any event so as to arrive not later than 48 hours before the time appointed for the meeting or any adjournment thereof together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed.

A Shareholder has the right to appoint one or more persons as his proxy or proxies, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. The person named in the enclosed Form of Proxy is the chairman of the General Meeting (which is expected to be a Director of the Company); a Shareholder has the right to appoint a person or persons other than the chairman of the General Meeting as his or her proxy or proxies. Further details are included in the notes to the Form of Proxy.

A Shareholder who has appointed a proxy may revoke the proxy appointment in accordance with the provisions contained in the Company's Articles of Association by an instrument in writing, including another proxy, duly executed by the Shareholder or by his or her attorney authorised in writing, deposited with the Company as provided above. A Shareholder may also revoke a proxy in any other manner permitted by law, but such revocation must be prior to the exercise of rights by such proxy in respect of any particular matter.

- (2) Proxies are being solicited by or on behalf of management for use in connection with the General Meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company or the Company's registrars (Capita Asset Services) at a nominal cost. The costs of solicitation will be borne by the Company.
- (3) Only those Shareholders registered in the register of members of the Company as at 6.00 p.m. on 5 August 2016 shall be entitled to attend and vote at the General Meeting to which this Notice relates in respect of the number of Ordinary Shares registered in their name at that time. Changes to the entries on the register of members of the Company after 6.00 p.m. on 5 August 2016 shall be disregarded in determining the rights of any person to attend or vote at the meeting to which this Notice relates.
- (4) The persons named in the enclosed Form of Proxy will vote the Ordinary Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of a contrary instruction, the chairman of the General Meeting intends to vote in favour of the passing of all of the Resolutions in respect of the Ordinary Shares in respect of which he is appointed as proxy.** The enclosed Form of Proxy confers discretionary authority upon the person named therein with respect to amendments or variations to matters identified in the Notice of General Meeting and with respect to other matters which may properly come before the General Meeting or any adjournment thereof. At the time of the printing of this circular, the Board of Directors knows of no such amendments, variations or other matters to come before the General Meeting, other than the matters referred to in this Notice of General Meeting. However, if any other matters which are not known to management should properly come before the General Meeting, the proxies will be voted on such matters in accordance with the best judgement of the named proxies.
- (5) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (6) If the appointer is a corporation, the proxy must be completed under its common seal (if any) or under the hand of its duly authorised agent or officer.
- (7) On the date hereof, 357,533,765 Ordinary Shares in the capital of the Company were issued and outstanding. Each Ordinary Share entitles the holder thereof to vote on matters to be acted upon at the General Meeting.

