14 July 2016

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Faroe Petroleum plc
("Faroe", "Faroe Petroleum", the "Company")

Proposed Acquisition, Placing and Publication of Q1 Financial Information and CPR

Faroe, the independent oil and gas company focusing principally on exploration, appraisal, development and production opportunities in Norway and the UK, is pleased to announce that it has conditionally agreed to acquire a package of interests in producing Norwegian oil & gas assets from DONG E&P Norge AS (“DONG”). A total consideration of US$70.2 million has been agreed with the vendor and, subject to the satisfaction of certain conditions, it is expected that the completion of the Acquisition will occur by the end of 2016.

The Company also announces its intention to conduct a placing with certain institutional investors and the directors of the Company (the "Placing") to raise gross proceeds of approximately £60.8 million in order to fund the Acquisition and to accelerate Faroe’s recent Brasse discovery towards development sanction. The Placing is being conducted through an accelerated bookbuilding process which will be launched immediately following this announcement.

Stifel, RBC and Pareto have been appointed as Joint Bookrunners in respect of the Placing.

Highlights:

- The Company is raising approximately £60.8 million (US$80.0 million) for the purpose of funding the acquisition of the DONG Assets
- The Acquisition comprises:
  - Five Norwegian North Sea producing oil and gas fields: the Ula field (20 per cent. working interest); two tie-back fields to Ula, namely: Tambar (45 per cent. working interest) and Tambar East Unit (37.8 per cent. working interest); Oselvar (55 per cent. working interest); and the Trym gas field (50 per cent. working interest)
  - LR Senergy estimates that the Acquisition will add 2P reserves of 19.8 mmboe
  - The Company estimates the acquisition will provide an additional 8,000 boepd of production in 2016 and to increase the Group’s aggregate average production to between 15,000 and 17,000 boepd for the year to 31 December 2016 (approximately 60 per cent. liquids and 40 per cent. gas)
  - Estimated 2015 unit opex of $19/boe for the DONG Assets
  - Acquisition funded through equity to maintain balance sheet strength and flexibility
- The Directors believe that the Acquisition represents a significant value-enhancing acquisition opportunity for Faroe and its Shareholders
  - Acquisition equates to a per boe acquisition price of US$3.5/boe based on 2P reserves estimated by LR Senergy, US$2.3/boe based on 2P reserves and 2C resources estimated by LR Senergy, and US$7,033 per flowing barrel, based on the DONG Assets’ production between 1 January and 30 April 2016
- A total consideration of US$70.2 million has been agreed with DONG and, subject to the satisfaction of certain conditions, it is expected that the completion of the Acquisition will occur by the end of 2016
- The Acquisition has an effective date of 1 January 2016 and the headline consideration is to be reduced by working capital adjustments since the effective date of 1 January 2016, payable in cash on completion, which is expected to occur in December 2016
- The Acquisition is subject to a number of conditions including certain pre-emption rights not being exercised. In the event that all or part of the Acquisition does not complete, the Company intends to use the unutilised Net Proceeds to fund similar acquisitions.

- The Placing will also allow Faroe to progress its recent Brasse discovery towards development sanction

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

"We are delighted to announce the acquisition of these high-quality assets in the Norwegian North Sea. The acquisition of these producing fields creates a new strategic hub for Faroe, centered around the Ula platform, in one of our core areas offshore Norway. As well as the strategic nature of this deal, the acquired assets will have a material impact on production, reserves, cash flow and debt capacity.

"We have reviewed a significant amount of opportunities in the lead up to this, and as a pre-qualified operator in Norway, this portfolio of assets provides the most strategic sense for us, delivering synergies and upside potential from our existing portfolio.

"The proposed placing also announced today will ensure we continue to take advantage of the growth potential within the portfolio in the most capital efficient manner; taking advantage of exploration opportunities and progressing our development projects while maintaining balance sheet strength and flexibility; delivering our goal of becoming a self-sustaining full cycle E&P company. "

-Ends-

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The Market Abuse Regulation ("MAR") became effective from 3 July 2016. Market soundings, as defined in MAR, were taken in respect of the Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information is set out in this announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

Andrew Roberts, Group Exploration Manager of Faroe Petroleum and a Geophysicist (BSc. Joint Honours in Physics and Chemistry from Manchester University), who has been involved in the energy industry for more than 30 years, has read and approved the information contained within this regulatory announcement.

Estimates of reserves and resources contained in this announcement were prepared in accordance with the Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers.

APPENDIX 1: Unaudited Historical Financial Information
APPENDIX 2: Terms and Conditions of the Placing
APPENDIX 3: Key Risk Factors
APPENDIX 4: Definitions and Glossary

Proposed Acquisition of Norwegian Licence Interests from DONG, Proposed Placing and Publication of Q1 Financial Information and CPR

1. Introduction

The Company intends to raise approximately £60.8 million for the purpose of funding the acquisition of the DONG Assets and to accelerate Faroe's recent Brasse discovery towards development sanction.

A total consideration of US$70.2 million has been agreed with the vendor and, subject to the satisfaction of certain conditions, it is expected that the completion of the Acquisition will occur by the end of 2016.

The Company has also today published a Competent Person's Report on its existing assets, which is available at http://www.fp.fo/investors/aim-rule-26/.

2. Background to and reasons for the Placing and Acquisition

Faroe has reviewed a significant number of potential acquisitions of North Sea oil and gas assets from major oil companies, independents and utilities. As a pre-qualified operator in Norway, with the technical and management capabilities to operate producing and post-production assets, Faroe is one of a limited number of potential acquirors of operated Norwegian production assets.

The Company has maintained a relatively strong balance sheet with low levels of gearing, which makes it relatively well positioned to execute on its stated strategy of taking advantage of the downturn in oil prices to source and execute value enhancing acquisitions. The Placing permits the Acquisition to occur whilst maintaining a strong balance sheet.

The Directors believe that there are significant advantages to growing the Company's production base, including economies of scale and the generation of more cash to fund the Company's development and production activities. The Directors also expect the Company's ability to borrow to increase with greater scale.

The Acquisition

The DONG Assets are five Norwegian North Sea producing oil and gas fields: the Ula field (20 per cent. working interest); two tie-back fields to Ula, namely: Tambar (45 per cent. working interest) and Tambar East Unit (37.8 per cent. working interest); Oselvar (55 per cent. working interest); and the Trym gas field (50 per cent. working interest). LR Senergy estimates that the DONG Assets will add 2P reserves of 19.8 mmboe and the Company estimates an additional 8,000 boepd of production in 2016.

The Acquisition has an effective date of 1 January 2016 and headline consideration is US$70.2 million (to be reduced by working capital adjustments since the effective date of 1 January 2016), payable in cash on completion, which is expected to occur in December 2016.

Value

The Directors believe that the Acquisition represents a significant value-enhancing acquisition opportunity for Faroe and its Shareholders.

The consideration for the Acquisition equates to a per boe acquisition price of US$3.5/boe based on 2P reserves estimated by LR Senergy, US$2.3/boe based on 2P reserves and 2C resources estimated by LR Senergy, and US$7,033 per flowing barrel, based on the DONG Assets' production between 1 January and 30 April 2016. The Directors believe this represents good value for producing assets, particularly because of the upside potential that management believes remains within the assets.

The Acquisition is subject to a number of conditions including certain pre-emption rights not being exercised. In the event that all or part of the Acquisition does not complete, the Company intends to use the unutilised Net Proceeds to fund similar acquisitions.

Operating costs

The DONG Assets have relatively low operating costs, (approximately US$19 per boe in 2015), and this lower cost production is expected to bring Faroe's average operating costs down to approximately US$26 per boe in 2016 from approximately US$30 per boe, if the Company did not complete the Acquisition.

Strategic benefits

Additionally, the Ula Hub Assets share the same infrastructure, via the Ula platform, as Faroe's existing producing Blane field (Faroe 30.5 per cent. working interest) and potentially the Butch development project (Faroe 15 per cent. working interest), which is expected to be developed via a subsea tie-back to the Ula platform. There is therefore scope for further operating and cost synergies and thus enhanced asset value.

The Acquisition includes approximately US$109 million of tax balances, with a tax value of US$84 million, which are expected to offset the Group's profits resulting from the DONG Assets' Norwegian production.

Norwegian production also increases the tax efficiency of the Group's development and decommissioning activities in Norway, as these can be offset against tax payable from production profits. In addition, there is uplift available to further shelter development capital expenditure, available only to companies in a tax-paying position in Norway.

3. Background on Faroe

Faroe is an independent oil and gas company focusing on exploration, appraisal and production opportunities principally in Norway and the United Kingdom. Through successive licence round applications, acquisitions and asset swap transactions, the Group has built a substantial, diversified offshore portfolio of exploration, appraisal, development and production assets across the UK waters and Norwegian North Sea, Norwegian Sea, Barents Sea and offshore Ireland, encompassing 59 licences covering 46 assets.

Faroe currently has interests in six principal oil and gas production fields in the UK and Norway, including interests in the UK/Norway median line Blane oil field in the Northern North Sea; the Schooner and Ketch gas fields in the UK Southern North Sea; the East Foinaven field in the UK Atlantic Margin; and the Ringhorne East and Brage fields in Norwegian waters. The UK Minke and Wissey fields have ceased production but have continuing abandonment liabilities and the Enoch, Jotun, Orca and Topaz fields have zero or nominal production. The Group's production fields (including the currently suspended Njord and Hyme fields) collectively produced on average 10,530 boepd (economic production net to Faroe) in 2015.

The Company also has a 7.5 per cent. interest in the Njord and Hyme fields, both of which were producing fields until the beginning of June 2016. Production from these fields has been suspended as part of a wider redevelopment of the Greater Njord Area called the Njord Future Project. The Njord Future Project, which is expected to be complete in 2020, is expected to extend the production life of the Njord and Hyme assets and provide a hub for existing and future development assets in the area.

In addition, the Group has interests in a number of pre-development assets in Norwegian oil discoveries, Butch (15 per cent.), the combined Pil, Bue and Boomerang fields (25 per cent.) and Snilehorn (7.5 per cent.). The 2P reserves and 2C resources attributed by LR Senergy to these three pre-development fields in combination is 35.0 mmboe and 7.8 mmboe respectively, net to Faroe.

The Group's exploration drilling programme has over recent years achieved many successes, including Glenlivet (gas, UK West of Shetlands); Fogelberg (gas, Norway) and Maria (oil, Norway) in 2010; Butch (oil, Norway) in 2011; Snilehorn (oil, Norway) in 2013; the Pil discovery (oil and gas, Norway) and Bue (oil, Norway) in 2014; Boomerang (oil, Norway) in 2015; and Brasse (oil and gas, Norway) in 2016.

Faroe has built a substantial business over many years. Faroe pursues a portfolio exploration model which seeks to mitigate exploration risk and increase the probability of success by drilling several high impact exploration and appraisal wells every year, whilst focusing on optimal monetisation strategies tailored for each successful discovery. Faroe has also built a production portfolio to generate tax efficient cash flow in order to support its exploration and appraisal programme. The Group has generated, and the Directors believe it can continue to generate, many new, exciting and potentially high value opportunities focusing on exploration, appraisal pre-development and production enhancement. The Group aims to continue its programme of monetising its discoveries through a combination of trading, selling and selectively participating in their development, as well as making selective production acquisitions, such as the proposed Acquisition of the DONG Assets, aimed collectively at creating significant shareholder value.

Specifically, the coming period is expected to see several successful discoveries being progressed towards development sanction resolutions. Faroe's management therefore anticipates a number of significant investment decisions to be made in the near term. In the next 24 months, Faroe has committed to drill two exploration wells and expects to participate in approximately three further exploration wells, advance Butch, the Njord Future Project, Pil/Bue/Boomerang and the recent Brasse discovery towards monetisation, whether by way of development, sale or swap, and a number of production enhancement operations on existing assets. The Group will continue to consider further potential production acquisitions.

Current Trading and Prospects and Developments since 1 January 2016

Group production averaged approximately 9,500 boepd in the five month period from 1 January 2016 to 31 May 2016 (the latest practicable date prior to publication of this announcement). The average operating cost for the same period was approximately US$27/boe, reflecting higher throughput, despite the strength of the Norwegian Krone and lower costs in general.

The Directors currently anticipate that the average daily economic production for the Group's fields will be in the range of 7,000 to 9,000 boepd for the year to 31 December 2016. The range excludes the contribution of production from the Acquisition which is expected to increase the Group's aggregate average production to between 15,000 and 17,000 boepd for the year to 31 December 2016 (approximately 60 per cent. liquids and 40 per cent. gas). The Company is expecting 2016 full year operating costs to be reduced from around US$30/boe to US$26/boe, reflecting anticipated lower production volumes in the second half, following suspension of production (but continued opex) from the Njord and Hyme fields which occurred in June 2016 and the effects of the Acquisition. The Directors expect the cost of the Group's 2016 pre-tax exploration and appraisal programme to be approximately £65 million (£16 million post-tax), with the inclusion of the Dazzler exploration well in 2016. Total expected development and production capital expenditure is approximately £28 million for 2016 including expenditure on the DONG Assets.

On 24 February 2016, the Company announced that the Kvalross exploration well in the Barents Sea, Norway had been completed significantly under budget. No commercial discovery was made.

On 16 June 2016 Faroe announced that it had made an oil and gas discovery in the Faroe-operated Brasse exploration well in licence PL740 (Faroe 50 per cent.) in the Norwegian North Sea and that Faroe was planning to drill a sidetrack to confirm the reservoir distribution and hydrocarbon contacts.

On 11 July 2016 Faroe announced the results of the Brasse side-track well. The Brasse side-track well encountered a 25 metre gross oil column and a 6 metre gross gas column. Results based on extensive coring, wireline logging and sampling show that the well encountered oil and gas in good quality Jurassic reservoir sandstones, similar to those seen in the main well, and provided important information about the reservoir distribution in Brasse. The hydrocarbon-bearing interval in the side-track well was found to be at a similar pressure level to the hydrocarbon-bearing interval in the initial discovery well. Total gross volumes of recoverable hydrocarbons are estimated to be 28-54 mmbbls of oil and 89-158 bcf of gas (43-80 mmboe in aggregate).

Exploration Drilling Programme – Near term

Firm Drilling Programme

Prospect	***Licence***	***Interest***	***Date***
Njord North Flank 2	PL107C	7.5 per cent.	Q3 2016
Dazzler/Bone	PL716	20.0 per cent.	Late 2016/early 2017

Expected Drilling Programme

Prospect	***Licence***	***Interest***	***Date***
Oshun	PL627/B	20.0 per cent.	2017
Dobby	6407/8	7.5 per cent.	2017
Aerosmith/Iris	PL644/B	20.0 per cent.	2017

Possible Drilling Programme

Prospect	***Licence***	***Interest***	***Date***
Fogelberg	6506/9,12	25.0 per cent.	2018
South East Tor	2/5	85.0 per cent.	2018
Cassidy	8/10	15.0 per cent.	2018

Reserves and Resources

Since 2009, Faroe has increased its 2P reserves 30 fold to 60.6 mmboe as at 1 January 2016.

A Competent Person's Report on the Group's assets has been prepared by LR Senergy, an independent consultancy specialising in reservoir engineering, geology, geophysics and petroleum economics. The tables below sets forth reserve, resource and economic information regarding the Group's oil and gas assets as at 1 January 2016 extracted without adjustment from the Competent Person's Report and in accordance with PRMS (unless otherwise stated).

Reserves: Fields in Production & Under Development

Producing and Under Development (UK): Developed and Un-developed Reserves							
	Gross on Licence			Net Attributable			
Phase/Area	Proved	Proved & Probable	Proved & Probable &	Proved	Proved & Probable	Proved & Probable &	Operator
Oil & Liquids Reserves (mmbbl)							
Schooner	0.0	0.1	0.1	0.0	0.0	0.1	Faroe
Ketch	0.1	0.2	0.2	0.1	0.1	0.1	Faroe
East Foinaven	2.0	2.8	5.0	0.2	0.3	0.5	BP
Blane	6.1	11.4	17.4	1.9	3.5	5.3	Talisman
Total Oil & Liquids; mmbbls	**8.2**	**14.5**	**22.7**	**2.1**	**3.9**	**6.0**	
Gas Reserves (Bscf)							
Schooner	5.1	11.4	22.5	3.0	6.8	13.5	Faroe
Ketch	9.1	18.3	22.9	5.5	11.0	13.7	Faroe
Orca	0.4	0.6	1.4	0.0	0.0	0.0	ENGIE
Topa	0.9	1.9	4.1	0.1	0.1	0.3	ENGIE
Total Gas; Bscf	**15.5**	**32.2**	**50.8**	**8.6**	**18.0**	**27.6**	

Producing and Under Development (Norway): Developed and Un-developed Reserves							
	Gross on Licence			Net Attributable			
Phase/Area	Proved	Proved & Probable	Proved & Probable &	Proved	Proved & Probable	Proved & Probable &	Operator
Oil & Liquids Reserves (mmbbl)							
Njord	30.4	54.2	83.2	2.3	4.1	6.2	Statoil
Hyme	8.9	17.7	22.5	0.7	1.3	1.7	Statoil
Brage	17.1	32.7	48.2	2.4	4.7	6.9	Wintersha ll
Ringhorne East	18.4	31.2	42.1	1.4	2.4	3.3	ExxonMo bil
Snilehorne	35.2	52.1	68.4	2.6	3.9	5.1	Statoil
Jotun	0.5	0.6	0.7	0.0	0.0	0.0	ExxonMo bil
Enoch	0.7	1.6	3.1	0.1	0.2	0.4	Talisman
Butch	20.2	40.9	58.0	3.0	6.1	8.7	Centrica
Pil	25.6	71.0	108.7	6.4	17.8	27.2	VNG
Total Oil & Liquids; mmbbls	**157.0**	**302.2**	**435.0**	**19.0**	**40.5**	**59.5**	
Gas Reserves (Bscf)							
Njord	224.6	381.1	551.9	16.8	28.6	41.4	Statoil
Hyme	6.4	12.4	15.6	0.5	0.9	1.2	Statoil
Brage	17.8	39.6	90.8	2.5	5.6	13.0	Wintersha ll
Ringhorne East	3.5	5.5	7.3	0.3	0.4	0.6	ExxonMo bil
Snilehorne	49.8	74.0	96.2	3.7	5.6	7.2	Statoil
Jotun	0.0	0.0	0.0	0.0	0.0	0.0	ExxonMo bil
Butch	4.4	10.0	16.0	0.7	1.5	2.4	Centrica
Pil	79.0	144.9	215.2	19.8	36.2	53.8	VNG
Total Gas; Bscf	**384.9**	**667.5**	**992.9**	**44.2**	**78.9**	**119.5**	

NPV10 Net to Faroe (£m)			
UK	25.6	50.1	79.4
Norway	42.3	141.8	243.9
Total (£m)	**67.9**	**191.9**	**323.3**

Contingent Resources: Un-developed Discoveries

Contingent Resources (UK North Sea): Discoveries								
Phase/Area	Gross on Licence			Net Attributable			Risk Factor	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves (mmbbl)								
Perth	26.4	51.8	77.3	9.1	17.9	26.8	20%	Parkmead
Lowlander	11.6	22.5	30.8	11.6	22.5	30.8	20%	Faroe
Dolphin	1.8	9.0	18.3	0.6	3.1	6.3	20%	Parkmead
Total Oil & Liquids; mmbbls	**39.8**	**83.3**	**126.4**	**21.4**	**43.5**	**63.9**		

Contingent Resources (Norway): Discoveries								
	Gross on Licence			Net Attributable			Risk Factor	Operator
Phase/Area	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves (mmbbl)								
Bue	5.0	10.1	17.6	1.3	2.5	4.4	75%	VNG
Boomerang	4.0	17.8	27.7	1.0	4.5	6.9	40%	VNG
Fogelberg	3.7	7.2	11.4	0.9	1.8	2.9	65%	Centrica
SE Tor (Tor)	4.0	14.3	37.5	3.4	12.2	31.9	35%	Faroe
SE Tor (Ekofisk)	2.0	9.0	70.0	1.7	7.7	59.5	25%	Faroe
Shango/Skirne East	0.1	0.2	0.4	0.0	0.0	0.1	10%	Total
Total Oil & Liquids; mmbbls	**18.8**	**58.6**	**164.6**	**8.3**	**28.6**	**105.6**		
Gas Resources (Bscf)								
Bue	2.0	4.1	7.2	0.5	1.0	1.8	75%	VNG
Boomerang	3.6	15.9	29.3	0.9	4.0	7.3	40%	VNG
Fogelberg	143.0	278.0	442.0	35.8	69.5	110.5	65%	Centrica
SE Tor (Tor)	4.8	17.2	45.0	4.1	14.6	38.3	35%	Faroe
SE Tor (Ekofisk)	2.2	10.1	78.0	1.9	8.6	66.3	25%	Faroe
Shango/Skirne East	3.5	7.1	10.6	0.7	1.4	2.1	10%	Total
Total Gas; Bscf	**159.2**	**332.4**	**612.1**	**43.8**	**99.1**	**226.3**		

Prospective Resources: Exploration Portfolio

Prospective Resources: Medium Term Exploration (UK North Sea)								
	Gross on Licence			Net Attributable			Risk Factor	Operator
Phase/Area	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves (mmbbl)								

Perth Northern	1	8	66	0	3	23	65%	Faroe
Perth Northern	17	31	41	4	8	10	30%	Parkmead
Beta	4	10	19	1	3	6	64%	Faroe
Total Oil & Liquids; mmbbls	**22**	**48**	**126**	**6**	**14**	**40**		

Prospective Resources: Near Term Exploration (Norway)								
Phase/Area	Gross on Licence			Net Attributable			Risk Factor	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves (mmbbl)								
Edinburgh (Blackmore)	0	4	76	0	1	26	39%	Faroe
Brasse	14	23	33	7	12	17	43%	Faroe
Dazzler Central	47	180	987	9	36	197	15%	ENI
Njord NF2	4	18	37	0	1	3	54%	Statoil
Total Oil & Liquids; mmbbls	**64**	**225**	**1133**	**17**	**50**	**243**		
Gas Resources (Bscf)								
Edinburgh (Blackmore)	0	24	476	0	9	167	39%	Faroe
Dazzler Central	70	310	1553	14	62	311	15%	ENI
Njord NF2	17	70	132	1	5	10	54%	Statoil
Total Gas; Bscf	**87**	**404**	**2161**	**15**	**76**	**487**		

Prospective Resources: Near Term Exploration (Norway)								
Phase/Area	Gross on Licence			Net Attributable			Risk Factor	Operator
	Low Estima	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves (mmbbl)								
Zircon	24	70	199	7	21	60	14%	VNG Norge
Dobby	3	10	21	0	1	2	60%	Statoil
Nilus	8	14	30	1	1	2	15%	Statoil
Rosapenna	17	30	111	3	6	22	18%	Statoil
Seychelles	11	80	459	2	16	92	12%	Centrica
Mauritius	9	50	269	2	10	54	15%	Centrica
Aerosmith	7	21	39	1	4	8	24%	OMV
Oshun	11	22	31	2	4	6	23%	Total
Cassidy	5	40	132	1	6	20	32%	Centrica
Rungne	34	46	75	14	18	30	30%	Faroe
Total Oil & Liquids; mmbbls	**128**	**382**	**1366**	**33**	**88**	**295**		
Gas Resources (Bscf)								
Zircon	26	85	251	8	26	75	14%	VNG Norge

Dobby	15	49	110	1	4	8	60%	Statoil
Nilus	49	85	191	4	6	14	15%	Statoil
Rosapenna	19	37	132	4	7	26	18%	Statoil
Seychelles	18	105	696	4	21	139	12%	Centrica
Mauritius	21	103	509	4	21	102	15%	Centrica
Aerosmith	21	64	120	4	13	24	24%	OMV
Rungne	21	28	43	8	11	17	30%	Faroe
Total Gas; Bscf	**190**	**556**	**2051**	**37**	**109**	**406**		

4. Principal terms of the Placing

The Company is proposing to raise approximately £60.8 million (before expenses) through the issue of the Placing Shares.

The Placing is conditional, inter alia, upon:

a) the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and

b) Admission becoming effective by not later than 8.00 a.m. on 19 July 2016 (or such later time and/or date as the parties to the Placing Agreement may agree but in any event no later than 31 July 2016).

The Placing Shares will be issued fully paid and will rank pari passu in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of Admission. Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will occur, and that dealings in the Placing Shares, fully paid, will commence on AIM at 8.00 a.m. on 19 July 2016. The Existing Shares are in registered form and can be held in certificated or uncertificated form via CREST and the same will apply to the Placing Shares.

At Admission, the Placing Shares are expected to represent approximately one third of the Company's Enlarged Issued Share Capital. Shareholders who do not participate in the Placing are expected to suffer an immediate dilution of approximately one third to their interests in the Company as a result of the issue of the Placing Shares pursuant to the Placing.

5. Open Offer

In order to allow all Shareholders an opportunity to subscribe for Ordinary Shares at the Placing Price, the Company intends to make an Open Offer to all qualifying Shareholders (excluding those in the US or Restricted Territories) shortly following Admission, to raise up to €5,000,000 through the offer for subscription of Ordinary Shares at the Placing Price. Any proceeds from the Open Offer will be used for general working capital purposes. It is not expected that the Open Offer will be underwritten. The Open Offer will be subject to Shareholder approval.

6. Directors' intentions

The Directors are fully supportive of the Placing and consider it to be in the best interests of the Company and the Shareholders as a whole. The Directors (and their immediate families) have undertaken to subscribe for approximately 0.3 million Placing Shares in aggregate.

7. The Acquisition

Introduction

The DONG Assets are located in the southern Norwegian North Sea and comprise a mix of oil and gas production totalling 10,768 boepd on average in 2015, equal to approximately 114 per cent. of Faroe's 2015 average production. Faroe will take over operatorship of two of the fields Oselvar and Trym, while BP will remain as operator of the Ula, Tambar and Tambar East fields. With an estimated unit opex of US$19/boe for 2015, the assets were cash flow positive, generating an operating profit of US$25.0 million of gross profit in 2015. The Acquisition includes tax balances of US$109 million which have an estimated tax value of approximately US$84 million (undiscounted).

	Ula	*Tambar*	*Oselvar*	*Trym*	*Total*
Faroe W.I.	20.0%	45.0%	55.0%	50.0%	
Operator	BP	BP	Faroe	Faroe	

2P Reserves*	8.3 mmboe	6.4 mmboe	1.3 mmboe	3.8 mmboe	**19.8 mmboe**
2C Resources*	6.8 mmboe	2.1 mmboe	–	2.1 mmboe	**11.0 mmboe**
2016 4 mths Production	2,200 boepd	2,593 boepd	1,125 boepd	4,064 boepd	**9,982 boepd**

** LR Senergy CPR, July 2016*

Assets

Ula

The Ula field (20 per cent. working interest) is operated by BP (80 per cent. working interest) and has 8.3 mmboe of reserves (net to Faroe). In 2015 the field produced approximately 1,713 boepd (net) and in the first four months of 2016 produced approximately 2,200 boepd (net to Faroe). The field has seven producing wells and five water and gas injection wells in operation. The operator has employed an alternating water and gas injection (WAG) technique in certain reservoir units to enhance oil recovery and conventional oil production in the crestal areas of the field. As part of this strategy, all gas production from Ula, Tambar, Oselvar and Blane is injected into the Ula reservoir.

The field facilities consist of three bridge-linked steel jacket platforms with processing, drilling and living quarter facilities. Oil is exported via the Ula Transport System to the Ekofisk field and then to shore through the Norpipe oil export pipeline to Teesside in the UK.

This infrastructure acts as the local hub, with production from Tambar and Tambar East, Oselvar and the Blane field (Faroe 30.5 per cent. working interest) all feeding into it. The Ula hub is also likely to act as the production hub for the Butch development (Faroe 15 per cent. working interest). Other discoveries have been made in the area, which could also be tied back to Ula in the future.

The operator has a long-term plan for the asset intended to optimise value and recovery of hydrocarbons from the field. Additional associated gas sourced from future projects such as the Butch field development and those on the Tambar field should allow an increase in gas injection into the Ula field to deliver incremental resources. Several infill targets have been identified in the Ula field, which can be matured to project execution in both the main Jurassic reservoir and the deeper Triassic formation. Faroe considers the Triassic reservoir to be underexploited, with only one well drilled to date. The combination of new satellite projects, infill drilling and increased gas injection could contribute to a reduction in opex.

Currently the field is expected to cease production at the end of 2031, although this is sensitive to the oil price, and production volumes from the field and other users of the processing capacity.

On 10 June 2016, Det norske oljeselskap ASA announced that they had agreed terms for a merger with BP's Norwegian subsidiary to form a new company, Aker BP. The transaction is subject to shareholder and Norwegian Authorities' approval, and is expected to complete towards the end of 2016. Aker BP will become the operator for the Ula and Tambar fields. The transaction is expected to result in increased development activity for the Ula and Tambar fields.

Tambar and Tambar East

The Tambar (45 per cent. working interest) and Tambar East Unit (37.8 per cent. working interest) fields are satellite fields, approximately 16 kilometres to the south east of the Ula field. The fields are operated by BP (55 per cent. working interest) and have 6.4 mmboe of reserves (net to Faroe). The fields commenced production in 2001 and in 2015 they produced approximately 2,385 boepd (net), with oil accounting for approximately 85 per cent. of production and gas 15 per cent. Production for the first four months of 2016 was approximately 2,593 boepd (net to Faroe).

Tambar is developed with an unmanned wellhead platform tied back to the Ula platform, with three wells in the Tambar reservoir and one well in Tambar East. Tambar East has a slightly lower working interest of 37.8 per cent. due to the field extending into the adjacent licence. The two fields are however operated as one with the majority of the developed reserves found in the Tambar field itself. Field opex is less than US$15 per boe (including tariffs paid to Ula).

The Tambar field has outperformed initial expectations with current reserve estimates exceeding the approved plan for development and operation by approximately 50 per cent. Currently production is by natural depletion, however as the water cut rises, it will be necessary to install gas lift in the wells. The operator has well advanced plans to execute this modification (known as the Tambar Artificial Lift project) in the next two years, which is anticipated to extend production from the existing wells.

The operator has identified and matured two infill wells for the Tambar field, and it is expected that at least one of these will be drilled in the next two years, with the aim of increasing production. A number of additional opportunities are also under evaluation, including water injection and a further infill well in the Tambar East field.

Aker BP will become the operator for the Tambar field following completion of the proposed merger of Det norske oljeselskap ASA with BP Norway.

Oselvar

The Oselvar field (55 per cent. working interest) is a satellite field, located 23 kilometres to the south east of the Ula production hub on the Norway/ UK border. Faroe will be operator of the field on completion of the Acquisition. Net production in 2015 averaged 1,595 boepd and was a mix of oil (64 per cent.) and gas (36 per cent.). Production is evacuated through a sub-sea tie-back to Ula, where gas from Oselvar is sold to the Ula partners to be injected into the Ula field as part of the Ula WAG production strategy. Production for the first four months of 2016 was approximately 1,215 boepd (net to Faroe).

The field has 1.3 mmboe of remaining reserves, having started production in April 2012. The field has experienced a more rapid decline than pre-development plans suggested and it is expected that the field will cease production in 2018; a decommissioning plan was submitted to the Norwegian authorities in June 2016 by the current operator, DONG. Decommissioning is not extensive and relates to three wells and the sub-sea pipelines and control systems connecting the field to the Ula platform. Total net abandonment expenditure is expected to be US$13.1 million (post tax). Timing of the abandonment project will be optimised together with other Faroe activities.

Additionally, it is expected that parts of the Oselvar facilities will be reused for the Butch Development operated by Centrica Resources (Norge) AS (Faroe, 15 per cent.). Once an investment decision is taken by the Butch joint venture, it is expected that a compensation payment would be made by the Butch partners to the Oselvar partners, making a material contribution towards decommissioning costs. There is potential to reduce the decommissioning costs and recover further value through sale and/or reuse of subsea equipment. Faroe will also consider subsurface potential for future recommencement of production from Oselvar wells.

Trym

The Trym field (50 per cent. working interest) is located in the southern Norwegian North Sea, close to the border with Denmark. The field will be operated by Faroe on completion of the Acquisition. Trym produces gas and condensate from two production wells, via a subsea tie-back to the Harald facilities in the Danish North Sea and has 3.8 mmboe of reserves (net to Faroe). Gas is exported to Denmark via the Danish Underground Consortium (DUC) infrastructure system, which includes the Tyra platforms, which have been affected by subsidence. Condensate is exported to the Fredericia terminal in Denmark via the Tyra and Gorm facilities. 2015 production was 6,301 boepd net to the operator. Production for the first four months of 2016 was approximately 4,064 boepd (net to Faroe). The lower level of production in 2016 is due to available capacity in the transportation infrastructure and decline in reservoir pressure.

It was announced in April 2016, by Maersk Olie og Gas A/S, the operator of the Harald facilities through which Trym is produced, that it will cease production of oil and gas from the two main facilities, Tyra East and Tyra West, in the Tyra field in October 2018, if an economically viable solution to Tyra's subsidence issues is not identified. After shutdown of Tyra, Harald would no longer be able to receive the wellstreams from Trym and therefore an alternative evacuation route would be required or production will cease. Faroe's acquisition case and reserves assessment assumes cessation of production in 2018.

It is not clear whether the Tyra platforms will be shut down in 2018, as this is a central piece of Danish upstream infrastructure responsible for delivering most of Denmark's offshore gas production to shore. It is understood that the owners of the field are considering replacement or modification of the Tyra platform, which would ultimately allow Trym to continue in production.

Other than a continuation of production beyond 2018, there is further upside potential from the lowering of the inlet pressure to the Harald facilities that would allow for extended production and higher reserves.

Reserves and Resources

A Competent Person's Report on the DONG Assets has been prepared by LR Senergy, an independent consultancy specialising in reservoir engineering, geology, geophysics and petroleum economics. The tables below sets forth reserve, resource and economic information regarding the DONG Assets as at 1 January 2016 extracted without adjustment from the Competent Person's Report and in accordance with PRMS (unless otherwise stated).

Developed and Undeveloped Reserves

Developed and Un-developed Reserves							
	Gross on Licence			Net Attributable			
Phase/Area	Proved	Proved & Probable	Proved & Probable & Possible	Proved	Proved & Probable	Proved & Probable & Possible	Operator
Oil & Liquids Reserves							
Ula	25.2	41.6	51.3	5.0	8.3	10.3	BP Norge
Tambar	5.2	12.1	19.5	2.4	5.4	8.8	BP Norge
Tambar East	0.0	0.0	0.0	0.0	0.0	0.0	BP Norge
Oselvar	1.1	1.3	1.4	0.6	0.7	0.8	DONG
Trym	1.2	1.6	2.0	0.6	0.8	1.0	DONG
Total Oil & Liquids; mmbbls	**32.7**	**56.6**	**74.1**	**8.6**	**15.3**	**20.8**	
Gas Reserves (Bscf)							
Ula	0.0	0.0	0.0	0.0	0.0	0.0	BP Norge
Tambar	5.1	12.6	20.4	2.3	5.7	9.2	BP Norge
Tambar East	0.0	0.0	0.0	0.0	0.0	0.0	BP Norge
Oselvar	4.3	6.1	6.5	2.4	3.3	3.6	DONG
Trym	24.8	36.4	45.6	12.4	18.2	22.8	DONG
Total Gas; Bscf	**34.1**	**55.1**	**72.5**	**17.0**	**27.2**	**35.6**	

Contingent Resources

Contingent Resources								
	Gross on Licence			Net Attributable			Risk Factor	Operator
Phase/Area	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Reserves								
Ula Tambar IFN	0.2	0.4	1.6	0.0	0.1	0.3	60%	BP Norge
Ula Unit 3 Injector	1.5	3.4	6.0	0.3	0.7	1.2	45%	BP Norge
2023 Infill (Unit 2	2.6	6.0	9.3	0.5	1.2	1.9	35%	BP Norge
Ula Triassic	3.0	5.0	7.0	0.6	1.0	1.4	15%	BP Norge
Ula Blowdown	0.0	0.0	0.0	0.0	0.0	0.0	30%	BP Norge
Ula North	2.6	4.8	10.1	0.5	1.0	2.0	10%	BP Norge

Tambar North	1.4	2.8	11.	0.6	1.3	5.1	60%	BP Norge
Tambar East	0.8	1.3	1.8	0.3	0.6	0.8	10%	BP Norge
Trym Beyond Oct 18	0.0	0.2	0.6	0.0	0.1	0.3	70%	DONG
Trym Beyond Oct 18	0.4	0.5	0.7	0.2	0.2	0.4	70%	DONG
Trym LP2	0.1	0.1	0.4	0.1	0.1	0.2	50%	DONG
Total Oil & Liquids; mmbbls	**12.7**	**24.5**	**48.9**	**3.2**	**6.1**	**13.6**		
Gas Resources (Bscf)								
Ula Tambar IFN	0.0	0.0	0.0	0.0	0.0	0.0	60%	BP Norge
Ula Unit 3 Injector	0.0	0.0	0.0	0.0	0.0	0.0	45%	BP Norge
2023 Infill (Unit 2	0.0	0.0	0.0	0.0	0.0	0.0	35%	BP Norge
Ula Triassic	0.0	0.0	0.0	0.0	0.0	0.0	15%	BP Norge
Ula Blowdown	60.0	85.0	120.0	12.0	17.0	24.0	30%	BP Norge
Ula North	0.0	0.0	0.0	0.0	0.0	0.0	10%	BP Norge
Tambar North	1.4	2.8	11.	0.6	1.3	5.1	60%	BP Norge
Tambar East	0.4	0.7	0.9	0.2	0.3	0.4	10%	BP Norge
Trym Beyond Oct 18	0.0	3.1	12.7	0.0	1.5	6.3	70%	DONG
Trym Beyond Oct 18	10.2	12.7	19.9	5.1	6.4	10.0	70%	DONG
Trym LP2	4.5	4.9	12.0	2.3	2.5	6.0	50%	DONG
Total Gas; Bscf	**76.6**	**109.2**	**176.9**	**20.2**	**28.9**	**51.8**		

Historic Production Data for the DONG Assets

Production	*2013*	*2014*	*2015*
Gas (mmscf)	6,515	7,824	9,387
Liquids* (mbbl)	2,565	2,912	2,366
Total (mboe)	**3,651**	**4,216**	**3,930**
Total (boepd)	**10,003**	**11,551**	**10,768**

Revenue (£m)	*2013*	*2014*	*2015*
Gas	42.0	36.3	37.2
Liquids*	172.8	155.5	72.5
Other	9.0	8.0	4.2
Total	**223.8**	**199.9**	**113.9**

**Includes oil, natural gas liquids and condensate*

Abandonment/Decommissioning Liabilities

The abandonment liabilities associated with the DONG Assets are to be transferred to Faroe which has agreed to establish a decommissioning provision fund to be owned and operated by Faroe and consisting of both cash and investment securities. The fund will maintain a minimum cash amount of US$10 million until the liabilities have been discharged or until the residual liabilities fall below that level.

Unaudited Historical Financial Information on the DONG Assets

As Faroe is acquiring assets which form only part of DONG's business, separate historic financial information for the acquired assets is not available. The unaudited historical financial information of the DONG Assets, comprising an unaudited historical income statement for the three years ended 31 December 2015 and an unaudited statement of net assets as at 31 March 2016, has been prepared for illustrative purposes only in order to provide a description of the historical performance of the assets being acquired.

UNAUDITED HISTORICAL INCOME STATEMENT OF THE DONG ASSETS FOR THE THREE YEARS ENDED 31 DECEMBER 2015

	For the years ended 31 December		
(In millions of pounds)	*2013*	*2014*	*2015*
Revenue	223.8	199.9	113.9
Cost of sales (ex – DDA)	(62.2)	(57.2)	(47.9)
DDA	(42.3)	(57.0)	(33.8)
Estimated gross profit	**119.3**	**85.7**	**27.2**
Administrative expenses	(1.4)	(1.4)	(2.2)
Operating profit	**117.9**	**84.3**	**25.0**
Profit before tax	**117.9**	**84.3**	**25.0**
Tax charge	(92.0)	(65.8)	(19.5)
Profit	**25.9**	**18.5**	**5.5**

UNAUDITED HISTORICAL STATEMENT OF NET ASSETS FOR THE DONG ASSETS AS AT 31 MARCH 2016

As at 31 March 2016	*(In millions of pounds)*
Assets	
Non-current assets	
Property, plant and equipment: development and production	59.9
Deferred tax assets	44.8
Total assets	**104.7**
Liabilities	
Non-current liabilities	
Provisions	(54.5)
Total Liabilities	**(54.5)**
Net assets	**50.2**

The historic financial information on the Dong Assets, presented in this Announcement, has been compiled using a set of assumptions and data as follows:

Production

Production figures have been taken from the website of the Norwegian Petroleum Directorate (www.npd.no) which reports production by field and product based on operator reports.

Revenue

Revenue has been calculated by multiplying production volumes with average commodity sales prices achieved by Faroe in the respective periods. The Directors believe that this is a reasonable assumption given that Faroe sells its commodities to the same markets as DONG. Particular discounts have been applied to products where such are known. Faroe's working interest in each of the respective licences has then been applied to the gross revenue figure to arrive at the net revenue attributable to Faroe.

Tariff income, included in revenue, is based on operators' joint venture billings.

Cost of sales

Operating costs are based on operators' joint venture billings. Tariffs are based on operators' joint venture billings where these are included. On fields where the operators' joint venture billings do not include tariffs, these have been calculated with reference to the tariff agreements made available to Faroe.

Depreciation, depletion and amortisation ('DDA') has been calculated by multiplying production with assumed DDA rates for unit of production. The assumed DDA rate has been calculated with reference to published accounts of the vendor.

Administrative Expenses

Administrative expenses have been derived based on the average administrative expenses from the DONG audited accounted for the years 2012 through to 2014. The total expense has then been apportioned for the proportion of DONG's production being acquired.

Foreign exchange

Where appropriate, foreign exchange rates have been used to convert the historic financial information to GBP using the annual average rates in the published accounts of Faroe.

Taxation

The tax charge has been calculated as 78 per cent. of the pre-tax profit, in line with the tax rate payable by Norwegian petroleum companies.

Property, plant and equipment: development and production

The acquired development and production assets were recognised at fair value, which has been calculated using a discounted cash flow model, based on the assumptions detailed above and using a discount rate of 10 per cent., in line with common market practice. The acquired balance also includes £12 million, which relates to the decommissioning asset which was recognised, net of tax (see provisions below).

Deferred tax assets

The deferred tax asset mainly relates to the decommissioning asset which was recognised on acquisition net of tax, using the Norwegian rate of 78 per cent. Furthermore, the tax balances attributable to each asset were in excess of the fair value and hence no offsetting deferred tax liability was recognised. Finally, a deferred tax asset was recognised in respect of the uplift balance which is a Norwegian tax allowance against the special tax rate of 53 per cent. The tax balances were obtained directly from DONG.

Provisions

The provisions balance relates to the decommissioning liability recognised on acquisition of the DONG Assets. Gross cost decommissioning estimates and life of field information (reserves, production profiles and COP dates etc) were obtained directly from DONG. This information was input into Faroe's decommissioning model to calculate an accounting provision. A decommissioning asset, net of Norwegian tax, was also recognised.

Principal Terms and Conditions of the Acquisition

Under the Acquisition Agreements, DONG has agreed to assign to Faroe Petroleum Norge AS ("FPN") the DONG Assets, being its participating interests in (a) PL 019 and (b) PL 065, PL 300, PL 274, PL 274CS and PL 147 on the Norwegian Continental Shelf with economic effect from 1 January 2016 ("Effective Date"). FPN is entitled to all income attributable to the DONG Assets with effect from the Effective Date, and has agreed to indemnify DONG against all liabilities related to the DONG Assets on or after the Effective Date. The DONG Assets are assigned together with the remaining tax balance for each of the licences as of the Effective Date.

The aggregate consideration under both Acquisition Agreements is US$70.2 million (to be reduced by working capital adjustments since the Effective Date). FPN has paid to DONG a deposit equal to five per cent. of the consideration under both of the Acquisition Agreements as security for fulfilment of its obligations under the agreements.

Completion of both Acquisition Agreements is subject to customary conditions precedent, including the assignment to FPN of certain contracts that are material to the DONG Assets (which will be subject to third party consent) and consents from the Norwegian MPE and the Ministry of Finance. The Acquisition Agreement for PL 019 is, in addition, conditional on no pre-emption right being exercised by the other licensee of PL 019. The Acquisition Agreement for PL 065, PL 300, PL 274, PL 274CS and PL 147 is conditional on no pre-emption right being exercised by the Norwegian Government. There are no pre- emption rights for the other licensees in PL 065, PL 300, PL 274, PL 274CS and PL 147, and no pre- emption right for the Norwegian Government in PL 019. FPN has the right to terminate the Acquisition Agreement for PL 019 if the Acquisition Agreement for PL 065, PL 300, PL 274, PL 274CS and PL 147 does not also complete. Completion of both Acquisition Agreements is expected to occur by December 2016.

The Acquisition is subject to a number of conditions including certain pre-emption rights not being exercised. In the event that all or part of the Acquisition does not complete, the Company intends to use the unutilised Net Proceeds to fund similar acquisitions.
Under the Acquisition Agreements, FPN is required to deposit an initial cash amount in a separate bank account (in FPN's name) which shall, together with a segregated investment portfolio of securities, serve as a post-tax decommissioning provision fund. FPN shall make such annual adjustments to the amounts deposited as are needed to ensure that the fund at all times cover the best post-tax ABEX estimate for the DONG Assets.

The Company is a party to the Acquisition Agreements to guarantee all of the obligations of FPN under the agreements.

Financing of the Acquisition

The Group intends to use the Net Proceeds to acquire the DONG Assets for a cash consideration of US$70.2 million. Faroe will also receive the economic benefit of production from the DONG Assets between 1 January 2016 and the completion date of the Acquisition. Although the Company has significant existing cash resources and limited capacity under its Reserve Based Lending Facility, the Company's policy has been, and remains, to maintain low levels of leverage and retain a strong focus on maintaining a healthy balance sheet.

To the extent that some or all of the Acquisition does not complete, the Company expects to use the unutilised portion of the Net Proceeds to fund similar acquisitions.

8. Capital resources and liquidity

Exploration Financing Facility

This facility was entered into by FPN and has an aggregate commitment of NOK 1.5 billion. Utilisations can be made under the facility up until 31 December 2016 and the facility expires on 31 December 2017. As at 30 June 2016 (being the latest practicable date prior to the publication of this Announcement) there was NOK 665 million drawn down under the facility (31 December 2015: NOK 425 million). The facility is secured against the annual Norwegian tax rebate under which 78 per cent. of all allowable expenditure is repaid to the claimant (together with interest thereon) 12 months after the end of the tax year.

Reserve Based Lending Facility

This facility was entered into by both FPUK and FPN. The facility has an aggregate amount of US$200 million and will amortise over the life of the borrowing base assets. As at 30 June 2016 (being the latest practicable date prior to the publication of this Announcement), FPUK had drawn down an amount of £23 million under the facility (31 December 2015: 23 million drawn down).

9. Capitalisation and indebtedness

Capitalisation

The following table sets out the Group's capitalisation as at 31 March 2016.

As at 31 March 2016	*£'000*
Shareholders' equity	
Share capital	26,903
Share premium	262,478
Other reserves*	4,197
Total capitalisation	293,578

** Other reserves consist of the cumulative translation reserve and exclude retained earnings in accordance with ESMA recommendations for the consistent implementation of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.*

There has been no material change in the capitalisation of the Group since 31 March 2016.

Indebtedness

The following table sets out the Group's unaudited indebtedness as at 31 May 2016.

As at 31 March 2016	*£'000*
Current debt	
Secured* – Exploration Financing Facility	49,993
Secured* – Reserve Based Lending Facility	23,000
Total current debt	72,993
Total gross indebtedness as at 31 May 2016	72,993

* *Of the total secured debt, £50.0 million relates to the Group's tax receivable of £54.6 million, against which it is secured. The tax receivable, which exceeds the debt, is excluded from the indebtedness table.*

The following table sets out the Group's unaudited net indebtedness as at 31 May 2016.

Net indebtedness as at 31 May 2016	*£'000*
Cash	78,633
Liquidity	78,633
Current Norwegian tax receivable*	54,636
Exploration Financing Facility	(49,993)
Reserve Based Lending Facility	(23,000)
Current financial debt	(72,993)
Net current financial indebtedness	60,276
Net financial indebtedness	60,276

*Of the Norwegian tax receivable of £37.7 million is due to be paid by the Norwegian Government in November 2016 with the remaining balance due to be paid in November 2017. £50.0 million of the Group's debt is secured against the tax receivable and is repaid upon receipt of the tax rebate.

As at 31 May 2016, the Group had no indirect or contingent indebtedness.

There has been no material change in the indebtedness of the Group since 31 May 2016.

10. Expected Timetable

Announcement of the Placing and publication of the Disclosure Document	14 July 2016
Admission of the Placing Shares	8.00 am on 19 July 2016
Expected date for Placing Shares to be credited to CREST accounts	expected to be 19 July2016
Expected date for despatch of definitive share certificates for Placing Shares in certificated form	by no later than 21 July 2016
Expected date of completion of the Acquisition (subject to completion or waiver of the conditions to the Acquisition Agreements)	December 2016

APPENDIX 1

UNAUDITED HISTORICAL FINANCIAL INFORMATION

Unaudited Accounts for Faroe Petroleum plc for three months to 31 March 2016

Group Income Statement	*Unaudited three months to 31 March 2016 £'000*	*Unaudited three months to 31 March 2015 £'000*	*Audited Year to 31 December 2015 £'000*
Revenue	10,267	29,036	112,980
Cost of sales	(12,900)	(22,163)	(99,838)
Asset impairment	-	-	(45,108)
Gross (loss) / profit	**(2,633)**	**6,873**	**(31,966)**
Other income	180	809	13,867
Exploration and evaluation expenses	(15,940)*	(3,778)	(89,537)
Administrative expenses	(2,542)	(1,728)	(3,718)
Operating (loss) / profit	**(20,935)**	**2,176**	**(111,354)**
Finance revenue	143	203	909
Finance costs	(2,044)	(1,693)	(11,855)
(Loss) / profit on ordinary activities before tax	**(22,836)**	**686**	**(122,300)**
Tax credit / (charge)	15,142	(6,040)	69,382
Loss for the period	**(7,694)**	**(5,354)**	**(52,918)**
(Loss) per share – basic (pence)	(2.86)	(2.00)	(19.7)
(Loss) per share – diluted (pence)	(2.86)	(2.00)	(19.7)

* Includes the Kvalross well costs were written off due to the Kvalross drilling well results which were announced as not commercial on 24 February 2016

Statement of Other Comprehensive Income	*Unaudited three months to 31 March 2016 £'000*	*Unaudited three months to 31 March 2015 £'000*	*Audited Year to 31 December 2015 £'000*
Loss for the period	(7,694)	(5,354)	(52,918)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation foreign operations net of tax	8,252	(2,581)	(1,503)
Total comprehensive profit / (loss) for the period	**558**	**(7,935)**	**(54,421)**

Group Balance Sheet	*Unaudited three months to 31 March 2016 £'000*	*Unaudited three months to 31 March 2015 £'000*	*Audited Year to 31 December 2015 £'000*
Non-current assets			
Intangible assets	81,648	132,872	73,521
Property, plant and equipment: development & production	108,980	131,680	110,594
Property, plant and equipment: other	438	743	503
Financial assets	12	12	12
Deferred tax asset	32,388	23,102	32,398
	223,466	**288,409**	**217,028**
Current assets			
Inventories	6,197	5,379	5,922
Trade and other receivables	38,756	31,076	27,964
Current tax receivable	51,854	47,924	35,195
Financial assets	7,804	4,431	10,621
Cash and cash equivalents	75,518	96,131	91,515
	180,129	**184,941**	**171,217**
Total assets	**403,595**	**473,350**	**388,245**
Current liabilities			
Trade and other payables	(28,637)	(31,338)	(32,418)
Current taxation	(98)	-	(689)
Financial liabilities	(70,456)	(63,495)	(55,776)
	(99,191)	**(94,833)**	**(88,883)**
Non-current liabilities			
Deferred tax liabilities	(20,193)	(59,721)	(19,888)
Provisions	(90,707)	(79,807)	(87,118)
Defined benefit pension plan deficit	-	(974)	-
	(110,900)	**(140,502)**	**(107,006)**
Total liabilities	**(210,091)**	**(235,335)**	**(195,889)**
Net assets	**193,504**	**238,015**	**192,356**
Equity attributable to equity holders			
Equity share capital	26,903	26,807	26,824
Share premium account	262,478	262,388	262,453
Cumulative translation reserve	4,197	(5,133)	(4,055)
Retained earnings	(100,074)	(46,047))	(92,866)
Total equity	**193,504**	**238,015**	**192,356**

Condensed Group Cash Flow Statement	*Unaudited three months to 31 March 2016 £’000*	*Unaudited three months to 31 March 2015 £’000*	*Audited Year to 31 December 2015 £’000*
Profit / (loss) before tax	(22,836)	686	(122,300)
Depreciation, depletion and amortisation	6,609	10,383	38,447
Exploration asset write off	15,228	3,058	83,569
Unrealised hedging losses / (gains)	2,604	1,307	(4,580)
Asset impairment	-		45,108
Fair value of share based payments	783	819	1,916
Movement in trade and other receivables	(7,975)	7,146	2,768
Movement in inventories	(275)	(1,037)	(1,580)
Movement in trade and other payables	(3,781)	(2,976)	(1,896)
Currency translation adjustments	(345)	(886)	1,587
Expense recognised in respect of equity settled share based transaction	-	-	(67)
Interest received	(143)	(203)	(909)
Interest and financing fees paid	2,389	2,579	10,268
Tax (payment)/rebate	(883)	-	40,284
Net cash generated in operating activities	**(8,625)**	**20,876**	**92,615**
Investing activities			
Purchases of intangible and tangible assets	(19,703)	(13,987)	(84,585)
Proceeds from sale of intangible assets	-	-	1,300
Interest received	143	203	909
Net cash used in investing activities	**(19,560)**	**(13,784)**	**(82,376)**
Financing activities			
Proceeds from issue of equity instruments	33	55	138
Net proceeds / (repayments) from borrowings	14,680	(2,189)	(9,908)
Interest and financing fees paid	(1,004)	(1,257)	(5,322)
Net cash inflow / (outflow) from financing activities	**13,709**	**(3,391)**	**(15,092)**
Net (decrease) / increase in cash and cash equivalents	(14,476)	3,701	(4,853)
Cash and cash equivalents at the beginning of period/year	91,515	92,571	92,571
Effect of foreign exchange rate changes	(1,521)	(	3,797
Cash and cash equivalents at end of period/year	**75,518**	**96,131**	**91,515**

Group Statement of Changes in Equity for the period ended 31 March 2016	*Share capital £000*	*Share premium account £000*	*Cumulative translation reserve £000*	*Retained earnings £000*	*Total £000*
As at 1 January 2016	**26,824**	**262,453**	**(4,055)**	**(92,866)**	**192,356**
Loss for the year	-	-	-	(7,694)	(7,694)
Other comprehensive income:					
Loss on retranslation of foreign subsidiaries	-	-	8,252	-	8,252
Total comprehensive income/(loss)	-	-	8,252	(7,694)	558
Issue of ordinary shares under EBT	79	25	-	-	104
Share based payments	-	-	-	486	486
As at 31 March 2016	**26,903**	**262,478**	**4,197**	**(100,074)**	**193,504**

Group Statement of Changes in Equity for the period ended 31 March 2015	*Share capital £000*	*Share premium account £000*	*Cumulative translation reserve £000*	*Retained earnings £000*	*Total £000*
As at 1 January 2015	**26,751**	**262,388**	**(2,552)**	**(41,126)**	**245,461**
Loss for the year	-	-	-	(5,354)	(5,354)
Other comprehensive income:					
Loss on retranslation of foreign subsidiaries	-	-	(2,581)	-	(2,581)
Total comprehensive income/(loss)	**-**	**-**	**(2,581)**	**(5,354)**	**(7,935)**
Issue of ordinary shares under EBT	56	-	-	-	56
Share based payments	-	-	-	433	433
As at 31 March 2015	**26,807**	**262,388**	**(5,133)**	**(46,047)**	**238,015**

Group Statement of Changes in Equity for the period ended 31 December 2015	*Share capital £000*	*Share premium account £000*	*Cumulative translation reserve £000*	*Retained earnings £000*	*Total £000*
As at 1 January 2015	**26,751**	**262,388**	**(2,552)**	**(41,126)**	**245,461**
Loss for the year	-	-	-	(52,918)	(52,918)
Other comprehensive income:					
Loss on retranslation of foreign subsidiaries	-	-	(1,503)	-	(1,503)
Total comprehensive loss	-	-	(1,503)	(52,918)	(54,421)
Issue of ordinary shares under EBT	73	65	-	-	138

Share based payments	-	-	-	1,245	1,245
Buy back of share options	-	-	-	(67)	(67)
As at 31 December 2015	**26,824**	**262,453**	**(4,055)**	**(92,866)**	**192,356**

Notes

(i) Basis of preparation

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

In the opinion of the Directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IAS 34, except for certain disclosure requirements of this accounting standard. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements.

An unqualified audit opinion was expressed for the year ended 31 December 2015, as delivered to the Registrar, along with the statutory accounts for that year. The statutory accounts did not contain any disclosures made by the auditor with regard to s498(2) or s498(3) of the Companies Act 2006.

(ii) Earnings per share

The calculation of earnings per share is based upon the weighted average number of ordinary shares in issue during the period of 268,902,145 (31 March 2015: 267,975,398 and 31 December 2015: 268,049,436).

(iii) Dividend

The Directors do not recommend payment of a dividend.

(iv) Foreign currencies

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

(v) Related Party Transactions

There were no Related Party Transactions that require to be disclosed under IAS34.15b.

(vi) Post Balance Sheet Events

The Brasse well (31/7-1) has been drilled to a total depth of 2,780 metres. The well encountered approximately 18 metres of gross gas-bearing and approximately 21 metres of gross oil-bearing Jurassic reservoir, which is believed to be analogous to the effective reservoir at the Brage producing oil field (Faroe 14.3 per cent.).

Production from the Njord and Hyme fields (Faroe 7.5 per cent.) has been suspended, and the Njord A platform will be towed to shore for refurbishment and modification.

(vii) Cost of sales

Analysis of cost of sales	*Unaudited three months to 31 March 2016 £000*	*Unaud three months to 31 March 20 £000*	*Audited Year to 31 December 2015 £000*
Operating costs*	8,722	8,771	38,866
Commercial tariffs*	5,468	3,898	15,932
Depreciation, depletion and amortisation	6,609	10,383	38,019

(Underlift)/overlift in the year	(9,196)	(2,900)	4,620
Other cost of sales*	1,297	2,011	2,401
Total cost of sales	**12,900**	**22,163**	**99,838**

* included in the opex per boe metric

(viii) Other income

Analysis of other income	*Unaudited three months to 31 March 2016 £000*	*Unaudited three months to 31 March 2015 £000*	*Audited Year to 31 December 2015 £000*
Realised hedging gains*	2,784	2,116	9,287
Unrealised hedging (losses) / gains	(2,604)	(1,307)	4,580
Total other income	**180**	**809**	**13,867**

* included in the revenue per boe metric and EBITDAX

(ix) Taxation

Tax on profit on ordinary activities	**Unaudited three months to 31 March 2016** £'000	**Unaudited three months to 31 March 2015** £'000	**Audited Year to 31 December 2015** £'000
Current tax			
Overseas tax credit	17,346	3,419	35,272
UK tax charge	(98)	-	(392)
Amounts over / (under) provided in previous period/ year	83	-	(187)
Total current tax credit	**17,331**	**3,419**	**34,693**
Deferred tax			
Origination of temporary differences	(2,074)	(4,489)	34,594
Change of tax rate	-	(5,051)	
Prior period/year adjustment	(66)	132	175
Total deferred tax charge	**(2,140)**	**(9,408)**	**34,769**
Foreign exchange differences			
Differences arising from the use of period end and average exchange rates	(49)	(51)	(80)
Total foreign exchange differences	**(49)**	**(51)**	**(80)**
Total tax credit / (charge) in the Income Statement*	15,142	(6,040)	69,382

* Non-cash tax credit

APPENDIX 2

TERMS AND CONDITIONS OF THE PLACING

IMPORTANT INFORMATION REGARDING THE PLACING FOR INVITED PLACEES ONLY

PART II OF THE DISCLOSURE DOCUMENT CONTAINS IMPORTANT INFORMATION FOR PLACEES (AS DEFINED BELOW). MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. PART II OF THE DISCLOSURE DOCUMENT IS FOR INFORMATION PURPOSES ONLY, AND THE TERMS SET OUT HEREIN ARE DIRECTED ONLY AT PERSONS: (A) WHO, IF IN THE UNITED KINGDOM, HAVE BEEN SELECTED BY THE RELEVANT BOOKRUNNER AND WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ARE "INVESTMENT PROFESSIONALS" WITHIN THE MEANING OF ARTICLE 19 (5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED) (THE "ORDER") OR ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.") OF THE ORDER; (B) WHO, IF IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, ARE "QUALIFIED INVESTORS" (AS DEFINED IN ARTICLE 2(1)(E) OF EU DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND THE COUNCIL OF 4 NOVEMBER 2003 (TOGETHER WITH ANY IMPLEMENTING DIRECTIVE MEASURE IN SUCH MEMBER STATES, THE "PROSPECTUS DIRECTIVE")); (C) WHO, IF IN THE UNITED STATES, ARE "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT); OR (D) ARE OTHERWISE PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE TERMS AND CONDITIONS SET OUT IN PART II OF THE DISCLOSURE DOCUMENT RELATES IS AVAILABLE ONLY TO SUCH RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH SUCH RELEVANT PERSONS.

Terms of the Placing

For the purposes of Part II of the Disclosure Document, "Relevant Bookrunner" means any one of Stifel, RBC and Pareto, as the context requires.

If a person chooses to participate in the Placing by making or accepting an offer to acquire Placing Shares (each such person whose participation is accepted by the Relevant Bookrunner in accordance with Part II of the Disclosure Document being hereinafter referred to as a "Placee" and together, as the "Placees") it will be deemed to represent and warrant that it has read and understood the Disclosure Document in its entirety and to be making or accepting such offer on the terms and conditions, and to be providing the representations, warranties, acknowledgements, agreements and undertakings, contained in Part II of the Disclosure Document.

The Placing Shares referred to in the Disclosure Document have not been, and will not be, registered under the US Securities Act or under the securities legislation of any state or other jurisdiction of the United States. Furthermore, the Placing Shares have not been recommended by any US federal or state securities commission or regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or confirmed the accuracy or determined the adequacy of the Disclosure Document. Any representation to the contrary is a criminal offence in the United States. The Placing Shares may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) absent the registration of the Placing Shares under the US Securities Act, or an exemption therefrom, or in a transaction not subject to, the registration requirements of the US Securities Act. There will be no public offer of the Placing Shares in the United States.

The Placing Shares will not be lodged with or registered by the Australian Securities and Investments Commission and are not being offered for subscription or sale and may not be directly or indirectly offered, sold, taken up, transferred or delivered in or into Australia or to or for the account or benefit of any person or corporation in (or with a registered address in) Australia. The relevant clearances have not been, and will not be obtained from the Ministry of Finance of Japan and no circular in relation to the Placing Shares has been or will be lodged with or registered by the Ministry of Finance of Japan. The Placing Shares may not therefore be offered, taken up, transferred or sold, directly or indirectly, in or into Japan, its territories and possessions and any areas subject to its jurisdiction or to any resident of Japan. The approval of the South African Exchange Control Authorities has not been, and will not be, obtained in relation to the Placing Shares. The Placing Shares may not therefore be offered, taken up, transferred or sold directly or indirectly in or into South Africa or to a resident of South Africa. The Placing Shares may not be offered, taken up, transferred or sold directly or indirectly in or into Canada or to a resident of Canada.

The Disclosure Document and this Appendix do not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is or may be unlawful. The distribution of the Disclosure Document and the placing and issue of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or the Bookrunners that would permit an offering of such securities or possession or distribution of the Disclosure Document or any other offering or publicity material relating to such securities in any jurisdiction where action for that purposes is required. Persons to whose attention the Disclosure Document has been drawn are required by the Company and the Bookrunners to inform themselves about and to observe any such restrictions.

The price of securities and the income from them may go down as well as up and investors may not get back the full amount of their investment on disposal of the securities.

Any indication in the Disclosure Document of the price at which Ordinary Shares have been bought or sold in the past cannot be relied upon as a guide to future performance. No statement in the Disclosure Document is intended to be a profit forecast and no statement in the Disclosure Document should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

The Placing Shares will not be admitted to trading on any stock exchange other than AIM.

Each Placee should consult with its own advisers as to legal, tax, business and related aspects of a purchase of Placing Shares.

1) The Bookrunners will arrange the Placing as agents for and on behalf of the Company. Participation will only be available to Relevant Persons invited to participate by the Bookrunners. The Bookrunners will, following consultation with the Company, determine in their absolute discretion the extent of each Placee's participation in the Placing, which will not necessarily be the same for each Placee.

2) The price payable per new Ordinary Share shall be the Placing Price.

3) A Placee's commitment to subscribe for a fixed number of Placing Shares will be agreed with and confirmed to it orally by the Relevant Bookrunner and a contract note (a "Contract Note") will be despatched as soon as possible thereafter. The oral confirmation to the Placee by the Relevant Bookrunner constitutes an irrevocable, legally binding contractual commitment to the Relevant Bookrunner (as agent for the Company) to subscribe for the number of Placing Shares allocated to it on the terms set out in the Disclosure Document.

4) Commissions will not be paid to Placees in connection with the Placing.

5) The Bookrunners have the right, inter alia, to terminate the Placing Agreement at any time prior to Admission if, inter alia, (i) there has been any material breach of the warranties, undertakings or other obligations on the part of the Company contained in the Placing Agreement; or (ii) there occurs an event of force majeure. If the Placing Agreement is terminated prior to Admission, the Placing will lapse and the rights and obligations of the Placees hereunder shall cease and determine at such time and no claim can be made by any Placee in respect thereof. In such event, all monies (if any) paid by the

Placees to the Relevant Bookrunner at such time shall be returned to the Placees at their sole risk without any obligation on the part of the Company or the Relevant Bookrunner or any of their respective affiliates to account to the Placees for any interest earned on such funds. The Placees acknowledge and agree that the Company and the Bookrunners may, at their sole discretion, exercise their contractual rights to waive or to extend the time and/or date for fulfilment of any of the conditions in the Placing Agreement. Any such extension or waiver will not affect Placees' commitments.

6) The Bookrunners are acting exclusively for the Company and no one else in connection with the matters referred to in the Disclosure Document and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of the Bookrunners or for providing advice in relation to the matters described in the Disclosure Document. The Bookrunners shall not have any liability to any Placee nor shall they owe any Placee fiduciary duties in respect of any claim they may have under the Placing Agreement (or to any other person whether acting on behalf of a Placee or otherwise) in respect of the exercise of their contractual rights to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of termination of the Placing Agreement or in respect of the Placing generally.

7) Each Placee acknowledges to, and agrees with, the Bookrunners for themselves and as agents for the Company, that except in relation to the information in the Disclosure Document, it has relied on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing.

8) Settlement of transactions in the Placing Shares following Admission will take place within CREST, subject to certain exceptions. The Bookrunners reserve the right to require settlement for and delivery of the Placing Shares to the Placees in such other means that it deems necessary if delivery or settlement is not possible within CREST within the timetable set out in the Disclosure Document or would not be consistent with the regulatory requirements in the jurisdictions of such Placees.

9) It is expected that settlement of the Placing will occur on 19 July 2016, on which date each Placee must settle the full amount owed by it in respect of the Placing Shares allocated to it. The Relevant Bookrunner may (after consultation with the Company) specify a later settlement date (or dates) at its absolute discretion. Payment must be made in cleared funds. The payment instructions for settlement in CREST and settlement outside of CREST will be notified to each Placee by the Relevant Bookrunner. The trade date of the Placing Shares is 15 July 2016. Interest is chargeable daily on payments to the extent that value is received after the due date at the rate per annum of 2 percentage points above the Barclays Bank plc base rate. If a Placee does not comply with these obligations, the Relevant Bookrunner may sell the Placing Shares allocated to such Placee (as agent for such Placee) and retain from the proceeds, for its own account, an amount equal to the Placing Price plus any interest due. The relevant Placee will, however, remain liable, inter alia, for any shortfall below the Placing Price and it may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of its Placing Shares on its behalf. Time shall be of the essence as regards the obligations of Placees to settle payment for the Placing Shares and to comply with their other obligations under Part II of the Disclosure Document.

10) If Placing Shares are to be delivered to a custodian or settlement agent of a Placee, the relevant Placee should ensure that its Contract Note is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are to be registered in the name of a Placee or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such person, such Placing Shares will, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax. Placees should match the CREST details as soon as possible or if using a settlement agent they should instruct their agent to do so. Failure to do so could result in a CREST Settlement fine.

Representations and Warranties by Placees

By participating in the Placing, each Placee (and any persons acting on its behalf):

1) represents and warrants that it has read the Disclosure Document and the information incorporated by reference therein in its entirety and acknowledges that its participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of the Disclosure Document;

2) acknowledges that no prospectus has been or will be prepared in connection with the Placing and that it has not received a prospectus in connection therewith and further understands that the Disclosure Document prepared in connection with this Placing differs from disclosure documents prepared in connection with offerings of securities in the United States pursuant to a registration statement filed with the US Securities and Exchange Commission. In making any purchase of Placing Shares, the Placee acknowledges that it is relying on the Disclosure Document alone and not any other document, information or representation concerning the Company;

3) represents, warrants and undertakes that it will subscribe for the Placing Shares allocated to it in the Placing and pay for the same in accordance with the terms of Part II of the Disclosure Document failing which the relevant Placing Shares may be placed with other subscribers or sold as the Bookrunners determine and without liability to such Placee;

4) confirms the Relevant Bookrunner's absolute discretion with regard to the Placing Agreement and agrees that the Relevant Bookrunner owes it no fiduciary duties in respect of any claim it may have relating to the Placing;

5) undertakes and acknowledges that its obligations under the Placing are legally binding and irrevocable;

6) represents and warrants that it is entitled to subscribe for Placing Shares under the laws of all relevant jurisdictions which apply to it and that it has fully observed and complied with such laws and obtained all such governmental and other guarantees and other consents which may be required thereunder and complied with all necessary formalities;

7) acknowledges that it is not entitled to rely on any information (including, without limitation, any information contained in any management presentation given in relation to the Placing) other than that contained in the Disclosure Document and/or any supplementary disclosure document issued by the Company in connection with the Placing and represents and warrants that it has not relied on any representations relating to the Placing, the Placing Shares or the Company other than the information contained in the Disclosure Document and/or any supplementary disclosure document issued by the Company in connection with the Placing;

8) acknowledges that neither the Bookrunners nor the Company nor any of their affiliates nor any person acting on behalf of any of them has provided, and will not provide, it with any material regarding the Placing Shares or the Company other than this Announcement and the Disclosure Document; nor has it requested the Bookrunners, the Company, any of their affiliates or any person acting on behalf of any of them to provide it with any such material;

9) represents and warrants that the issue to the Placee, or the person specified by such Placee for registration as holder of Placing Shares, will not give rise to a liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depositary receipts and clearance services);

10) represents and warrants that it is aware of and has complied with its obligations in connection with money laundering and terrorist financing under the Criminal Justice Act 1993, Proceeds of Crime Act 2002, the Terrorism Act 2000, the Anti-Terrorism Crime and Security Act 2001, the Terrorism Act 2006 and the Money Laundering Regulations 2007 (the "Regulations") and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it and that the applicable procedures have been carried out to verify the identity of the third party as required by the Regulations;

11) if in the United Kingdom, represents and warrants that it is a person falling within Article 19(5) or Article 49(2)(a) to (d) of the Order and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;

12) represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;

13) represents and warrants that it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;

14) if in a Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the relevant Placee represents and warrants that:

   (a) it is a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; or
   (b) it is a legal entity which has two or more of:
      i. an average of at least 250 employees during the last financial year;
      ii. a total balance sheet of more than €43,000,000; and
      iii. an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
   (c) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (a) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors (as defined in the Prospectus Directive) or in circumstances in which the prior consent of the Bookrunners has been given to the offer or resale; or (b) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons; or
   (d) such securities are sold in any other circumstance which does not require the publication of a prospectus by the Company pursuant to Article 3 of the Prospectus Directive; or
   (e) it is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion, and that, unless otherwise agreed with the Company, it (and any such account) is subscribing for the Placing Shares in an "offshore transaction" (within the meaning of Regulation S under the US Securities Act).

15) represents and warrants that its obligations under the Placing are valid, binding and enforceable and that it has all necessary capacity and authority, and has obtained all necessary consents and authorities to enable it to commit to participation in the Placing and to perform its obligations in relation thereto and will honour its obligations (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in the Disclosure Document);

16) acknowledges that the Relevant Bookrunner is acting solely for the Company and that participation in the Placing is on the basis that it is not and will not be a client or customer of the Relevant Bookrunner or any of its affiliates and that the Relevant Bookrunner and its affiliates have no duties or responsibilities to it for providing the protections afforded to their clients or customers or for providing advice in relation to the Placing or in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of the Relevant Bookrunner's rights and obligations thereunder, including any right to waive or vary conditions or exercise any termination right;

17) undertakes and agrees that (i) the person whom it specifies for registration as holder of the Placing Shares will be (a) the Placee or (b) a nominee of the Placee, (ii) neither the Bookrunners nor the Company or any of their respective affiliates will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement and (iii) the Placee and any person

acting on its behalf agrees to subscribe on the basis that the Placing Shares will be allotted to the CREST stock account of the Relevant Bookrunner which will act as settlement agent in order to facilitate the settlement process;

18) acknowledges that any agreements entered into by it pursuant to these terms and conditions shall be governed by and construed in accordance with the laws of England and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Relevant Bookrunner in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;

19) represents and warrants that, if it is located in the United States or is a US Person, it is a "qualified institutional buyer", as defined in Rule 144A under the US Securities Act and, if acquiring the Placing Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB, it has investment discretion with respect to each account, and has full power and authority to make the acknowledgements, representations and agreements contained in the Disclosure Document on behalf of each owner of such account; and (ii) is acquiring the Placing Shares for its own account, or for the account of a QIB to which it has full investment discretion, in each case for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) of such Placing Shares;

20) represents and warrants that it understands that the Placing and sale to it of the Placing Shares is a transaction not involving a public offering of securities in the United States and neither the Placing nor the Placing Shares have been or will be registered under the US Securities Act or the laws of any state or other jurisdiction of the United States, nor approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority; therefore, it agrees that it will not offer, sell, pledge or otherwise transfer any Placing Shares in the United States unless and until the Placing Shares are registered under the US Securities Act (which it acknowledges the Company has no obligation to do) or unless the Placing Shares are offered, sold, pledged or transferred in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the laws of any state or other jurisdiction of the United States;

21) acknowledges that the Placing Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and, for so long as the Placing Shares are "restricted securities", (x) if in the future, it offers, resells, pledges or otherwise transfers such Placing Shares, it shall notify such subsequent transferee of the restrictions set out herein and (y) it shall not deposit such securities in any unrestricted depositary facility established or maintained by a depositary bank;

22) acknowledges that it has not acquired the Placing Shares as a result of any "directed selling efforts" (as defined in Regulation S) or any "general solicitation or general advertising" (as defined in Regulation D), including but not limited to advertisements, articles, notices or other communications published, communicated or broadcast (as applicable) in any printed public media, radio, television or telecommunications, including electronic display (such as the internet, including but not limited to the Company's website), or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

23) understands that if it is in the United States or a US Person and it decides to offer, sell or otherwise transfer any of the Placing Shares, such securities may be offered, sold or otherwise transferred only (x) in compliance with the US Securities Act and other applicable securities laws (i) in a transaction in accordance with Rule 144A to a person that the Relevant Bookrunner and any person acting on the Relevant Bookrunner's behalf reasonably believe is a QIB, (ii) in an offshore transaction in accordance with Regulation S, (iii) pursuant to an effective registration statement under the US Securities Act, or (iv) pursuant to any other available exemption from the registration requirements of the US Securities

Act and (y) (i) upon delivery of all certifications, opinions and other documents that the Company may require (including to satisfy and transfer agent “stop transfer” instructions that the Company may give) and (ii) in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;

24) understands that no representation is made by the Company or any Bookrunner as to the availability of the exemption provided by Rule 144 under the US Securities Act or otherwise for the reoffer, resale, pledge or other transfer of the Placing Shares and agree to notify any subsequent purchaser of the Placing Shares from it of the re-sale restrictions set out in paragraph 23 above;

25) understands that if it is in the United States or a US Person, the Placing Shares shall only be eligible for settlement through CREST if approved by the Company, and, if requested by the Company, the Placee provides a signed letter addressed to the Company, containing certain representations regarding compliance with US securities laws;

26) if it is in the United States or a US Person and holds the Placing Shares in certificated form, the Placee understands and acknowledges that upon the original issue thereof, and until such time as the same is no longer required under applicable requirements of the US Securities Act or applicable state securities laws, certificates representing, documents or notation constituting the Placing Shares and all certificates or documents issued in exchange therefor or in substitution thereof, shall bear a legend substantially in the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”). THESE SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT THAT COVERS RESALES OF THE SECURITIES, (C) OUTSIDE THE UNITED STATES TO A PERSON NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON OR ACTING FOR THE ACCOUNT OR BENEFIT OF A US PERSON IN ACCORDANCE WITH REGULATION S UNDER THE US SECURITIES ACT, (D) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT, TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (E) OTHERWISE IN A TRANSACTION THAT IS EXEMPT FROM, OR OTHERWISE NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT; AND IN ANY CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, WITH RESPECT TO CLAUSE (E), THE HOLDER HAS, PRIOR TO SUCH OFFER, SALE OR TRANSFER, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OR OTHER EVIDENCE OF EXEMPTION, IN EITHER CASE REASONABLY SATISFACTORY TO THE COMPANY.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE SECURITIES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE COMPANY’S SECURITIES, ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK”;

27) the Placee consents to the Company making a notation on its records or giving instructions to any registrar and transfer agent of the Placing Shares in order to implement the restrictions on transfer described above and understands that the Company or registrar and transfer agent for the Placing Shares will not be required to accept for registration or transfer any Placing Shares except upon presentation of evidence satisfactory to the Company and the transfer agent that the foregoing restrictions on transfer have been complied with;

28) if required by applicable securities laws or as otherwise reasonably requested by the Company, the Placee will execute, deliver and file and otherwise assist the Company in filing reports, questionnaires, undertakings and other documents with respect to the issue of the Placing Shares;

29) represents and warrants that it is purchasing the Placing Shares for its account or for the account of one or more persons for investment purposes only and not with the purpose of, or with a view to, the resale, transfer or distribution or granting, issuing or transferring of interests in, or options over, the

Placing Shares and, in particular, neither the Placee nor any other person for whose account it is purchasing the Placing Shares has any intention to distribute either directly or indirectly any of the Placing Shares in the United States;

30) represents and warrants that it has such knowledge and experience in financial and business and tax matters and expertise in assessing credit and all other relevant risks that it is capable of evaluating independently, and has evaluated independently and conducted an in-depth detailed analysis on, the merits and risks of a purchase of the Placing Shares for itself and each other person, if any, for whose account it is acquiring any Placing Shares, and it has determined that the Placing Shares are a suitable investment for itself and each other person, if any, for whose account it is acquiring any Placing Shares, both in the nature and the number of the Placing Shares being acquired and it is able to bear the economic risks and complete loss of such investment in the Placing Shares;

31) represents and warrants that it has been independently advised as to any resale restrictions under applicable securities laws in its own jurisdiction;

32) understands that the existing ordinary shares of the Company are admitted to AIM , and the Company is therefore required to publish or make publicly available certain business and financial information in accordance with the rules and practices of AIM (the "Available Information"), and acknowledges that we are able to obtain or access the Available Information without undue difficulty;

33) acknowledges that the Company's corporate disclosure may differ from the disclosure made available by similar companies in the United States, that publicly available information about issuers of securities admitted to trading on AIM differs from and, in certain respects, is less detailed than the information that is regularly published by or about listed companies in the United States and regulations governing AIM may not be as extensive in all respects as those governing the US securities markets;

34) acknowledges that it may not rely, and has not relied, on any investigation that the Bookrunners, any of their affiliates or any person acting on their behalf may have conducted with respect to the Placing Shares or the Company, and neither the Bookrunners, nor any of their affiliates or any person acting on their behalf has made any representation to us, express or implied, with respect to the Company or the Placing Shares or the accuracy, completeness or adequacy of the Available Information, this Announcement, the Disclosure Document and any supplemental disclosure document;

35) acknowledges and agrees that the relevant clearances have not been and will not be obtained from the securities commission of any province of Canada and that the Placing Shares have not been and will not be registered under the relevant securities laws of any of Australia, Japan or South Africa or any state or territory within any such country and, subject to certain limited exceptions, may not be, directly or indirectly, offered, sold, renounced, transferred, taken-up or delivered in, into or within those jurisdictions;

36) acknowledges that it and, if different, the beneficial owner of the Placing Shares is not, and at the time the Placing Shares are acquired will not be residents of Australia, Canada, Japan or South Africa;

37) save where it has provided evidence to the satisfaction of the Relevant Bookrunner that it is a qualified institutional buyer, as defined in Rule 144A under the US Securities Act, it represents, warrants and acknowledges to the Relevant Bookrunner that it is outside the United States and will only offer and sell the Placing Shares outside the United States in offshore transactions in accordance with Regulation S under the US Securities Act;

38) acknowledges that it will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares;

39) acknowledges that any monies of any Placee or any person acting on behalf of the Placee held or received by the Relevant Bookrunner will not be subject to the protections conferred by the FCA's Client Money Rules. As a consequence, these monies will not be segregated from the monies of the

Relevant Bookrunner and may be used by the Relevant Bookrunner in the course of its business, and the relevant Placee or any person acting on its behalf will therefore rank as a general creditor of the Relevant Bookrunner;

40) agrees to indemnify and hold the Bookrunners, the Company and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in Part II of the Disclosure Document and further agrees that the provisions of Part II of the Disclosure Document shall survive after completion of the Placing; and

41) acknowledges that its commitment to acquire Placing Shares on the timetable set out in the Disclosure Document is irrevocable and will continue notwithstanding any amendment that may in future be made to the timetable of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's conduct of the Placing.

The acknowledgements, undertakings, representations and warranties referred to above are given to each of the Company and the Relevant Bookrunner (for their own benefit and, where relevant, the benefit of their respective affiliates) and are irrevocable. The Company and the Relevant Bookrunner will rely upon the truth and accuracy of the foregoing acknowledgements, undertakings, representations and warranties.

APPENDIX 3

KEY RISK FACTORS

Key risks relating to the Acquisition:

Completion of the Acquisition Agreements are subject to various conditions precedent, including pre-emption. If any of such conditions are not satisfied (or, where possible, waived), Faroe will not be able to complete the Acquisition fully, or at all, and to deploy the Net Proceeds as planned.

In the event that DONG has failed to provide the Company with all relevant information in response to its due diligence enquiries, the Company may not have been able to assess properly the risks associated with, and the value of, the DONG Assets.

Provisions in the Acquisition Agreements may be unenforceable or may be insufficient to cover potential liabilities relating to the DONG Assets and, as a result, the value of the DONG Assets may be less than the amount that the Company pays for them.

There are various operational risks associated with the DONG Assets, all of which may have a material adverse effect on the value of the DONG Assets.

The continued operation of the Ula field relies on a number of factors but most importantly oil price and the availability of sufficient production from both the Ula field and its satellite fields. In the event that there is a sustained fall in oil price or production, the Ula field could be abandoned prematurely.

Key risks relating to the Group:

The exploration for, and the development and production of, oil, gas and other natural resources is technically challenging and involves a high degree of risk. The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Group. Delays in the construction and commissioning of the Group's projects or other technical difficulties may result in the Group's current or future projected target dates for the delivery of development projects and for production being delayed. In particular, the licences held by the Group are all offshore which may significantly increase the risks involved. Unscheduled temporary shutdowns of production and drilling operations are frequent, although in the recent past they have not had a material effect on Faroe's business, with the exception of Njord and Hyme.

The Group is subject to production risks. The delivery of the Group's production plans depends on the successful continuation of existing field production operations and the development of key projects. Both of these activities involve risks which could also severely damage or destroy equipment, surrounding areas or property of third parties as well as individuals. Such potential obstacles may impair the Group's continuation of existing field production and delivery of key projects. The Group may face interruptions or delays in the availability of infrastructure on which exploration and production activities are dependent. This infrastructure is subject not only to the risk of physical damage but is also dependent upon on certain minimum economic thresholds being met which are governed by a combination of commodity prices and throughput often from other producing fields. If such third party infrastructure is no longer economic to operate it may lead to its cessation of production leaving the Group's fields stranded without a product export route. In particular, the Group's Schooner and Ketch licences, which in 2015 contributed an average of 2,695 boepd to total Group production, produce gas which is exported via the Caister-Murdoch system ("CMS") to the Theddlethorpe Gas Terminal ("TGT"). The operator of CMS and TGT has indicated its intention to shut down the CMS and TGT facilities in October 2018 in the absence of a suitable buyer being found. Such an event would lead both to a cessation of production and an earlier requirement to decommission the Schooner and Ketch wells and infrastructure and incur significant associated gas field (one of the DONG Assets) export route is via the Tyra platform in Denmark, whose operator has indicated its intention to shut down Tyra in October 2018 unless a technical solution to a subsidence issue can be found.

The Group's exploration programme may not generate commercial discoveries. The key focus of the Group is its exploration activities, the success of which will be determined through the successful drilling and completion of exploration wells. Drilling oil and gas wells is speculative, may be unprofitable and may result in a total loss of investment.

The Group's decommissioning liabilities may be onerous. The Group has in the past through its licence interests assumed certain obligations in respect of the decommissioning of its fields and related infrastructure and is expected to assume additional decommissioning liabilities in the future. With the exception of Wissey (c.£1.5 million net to Faroe), Jotun (c.£1.4 million net to Faroe) and Minke (c.£0.3 million net to Faroe), there are no decommissioning expenditures anticipated on the Group's assets on a 2P basis until 2018 at the earliest, with the significant majority of decommissioning expenditure forecast to occur from 2019 onwards. It is therefore difficult to forecast the costs that the Group will ultimately incur in satisfying its decommissioning obligations particularly as (i) the costs of decommissioning are highly volatile, being linked to rig rates, as well as oil and gas capital expenditures generally, and (ii) regulations determining the decommissioning standards may change.

The Group is dependent on third parties for the provision of services and capital equipment. Such equipment and services can be scarce and may not be readily available at the times and places required.

The Group may not be successful in obtaining new licences and assets. Failures in exploration or in identifying and finalising transactions to access potential reserves could slow the Group's oil and gas production growth and replacement of reserves.

The Group may be subject to risks relating to its farm-outs. There is a risk that the relevant third parties may not meet their obligations under the farm-out agreements, the underlying operations may not meet the conditions of the farm-out or the Group may not be able to fulfil its associated obligations, any of which may mean that the Group may have to bear the full costs associated with its retained interest.

The Group is subject to risks relating to its joint ventures and partners. There is a risk that the Group's partners may elect not to participate in certain activities. In these circumstances it may not be possible for such activities to be undertaken by the Group alone or in conjunction with other participants at the desired time or at all. The Group may also have limited control over the nature and timing of exploration and development of oil and gas fields in which the Group has or seeks interests.

Key risks relating to the oil and gas industry:

Oil and gas prices fluctuate. Any material decline in such prices could have a material adverse effect on the Group's financial condition and results of operations.

Estimation of reserves, resources and production profiles is not exact. The estimates may prove to be incorrect and potential investors should not place undue reliance on the forward-looking statements contained in this Announcement concerning the Group's reserves and resources or production levels.

Contingent and prospective reserves are unlikely to be commercially productive in the short or medium term. Development of contingent and prospective resources, if undertaken, may involve considerable expense and may not result in the discovery of hydrocarbons in commercially viable quantities. Volumes and values associated with contingent and prospective resources should be considered highly speculative and there can be no guarantee that the Group will be able to develop these resources commercially.

The Group is subject to HSES risks. The Group's HSES risks include major process safety incidents; failure to comply with approved policies; effects of natural disasters and pandemics; exposure to general operational hazards; personal health and safety; strikes; non-governmental activity terrorism and crime. Depending on cause and severity, the materialisation of such risks may have a material adverse effect on the

Key risks specific to the securities

There is no public market for the Ordinary Shares in the United States or elsewhere outside the United Kingdom.

Pre-emption rights may not be available to Overseas Shareholders.

Shareholders may be exposed to fluctuations in currency exchange rates.

The ability of Overseas Shareholders to bring actions or enforce judgements against the Company or the Directors may be limited.

The Placing Shares may not be a suitable investment for all the recipients of this Announcement.

The Company's securities are traded on AIM rather than the Official List. An investment in shares traded on AIM may carry a higher risk than those listed on the Official List.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them).

The Company has nine major Shareholders that are able to exercise significant influence over matters requiring Shareholder approval.

APPENDIX 4

DEFINITIONS

"Acquisition"	the acquisition of the DONG Assets by Faroe pursuant to the Acquisition Agreements
"Acquisition Agreements"	the agreements between: (a) DONG, FPN and the Company for the acquisition by FPN from DONG of the participating interests held by it in PL 065, PL 300, PL 274, PL 274 CS and PL 147 on the Norwegian Continental Shelf; and (b) DONG, FPN and the Company for the acquisition by FPN from DONG of the participating interests held by it in PL 019 on the Norwegian Continental Shelf, each dated 8 July 2016
"Admission"	admission of the Placing Shares to trading on AIM
"affiliate"	of any person means any other person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and for these purposes "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person whether through the ownership of securities, by contract or agency or otherwise; and the term "person" is deemed to include a partnership. For the avoidance of doubt, "affiliate" includes any person who controls the Company or a Bookrunner, as applicable, within the meaning of either section 15 of the Securities Act or section 20 of the Exchange Act, and each affiliate of the Company and each Bookrunner, as applicable, within the meaning of Rule 501(b) of the Securities Act;
"AIM"	the AIM Market operated and regulated by the London Stock Exchange
"Board" or "Board of Directors"	the board of Directors, from time to time, of the Company
"Bookrunners"	Stifel, RBC Capital Markets and Pareto
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is, not in CREST)
"Closing Price"	the closing middle market price as derived from the AIM Appendix to the Daily Official List on a particular day
"Companies Act"	the United Kingdom Companies Act 2006, as amended
"Company" or "Faroe"	Faroe Petroleum plc, a public limited company incorporated under

	the laws of England and Wales
"CPR" or "Competent Person's Report"	the report from LR Senergy in relation to the Group's licence portfolio and the DONG Assets, as located in Appendix 1 of this document
"CREST"	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear UK is the operator (as defined in the CREST Regulations)
"Daily Official List"	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
"Directors"	the Executive Directors and Non-Executive Directors of the Company as at the date of this document
“Disclosure Document”	the disclosure document of the Company, setting out further details about the Acquisition and the Placing, to be sent to Placees and published in due course on the Company’s website at http://www.fp.fo/investors/investor-briefcase/
"DONG"	DONG E&P Norge AS
"DONG Assets"	the assets to be acquired by FPN from DONG pursuant to the Acquisition Agreements
"EBITDAX"	earnings before interest, taxes, depreciation, amortisation and exploration expenses
"Enlarged Issued Share Capital"	the enlarged issued share capital of the Company immediately following Admission and the issue of the Placing Shares
"EU"	European Union
"European Economic Area" or "EEA"	the EU, Iceland, Norway and Liechtenstein
"Exchange Act"	United States Securities Exchange Act of 1934, as amended
"Executive Directors"	the executive Directors of the Company as at the date of this document
"Existing Shares"	the existing Ordinary Shares in issue at the date of this document
"Exploration Financing Facility"	the facility agreement between FPN and BNP Paribas (as agent), details of which will be set out in paragraph 17.3 of Part VIII of the Disclosure Document
"FCA"	the Financial Conduct Authority of the United Kingdom
"FPN"	Faroe Petroleum Norge AS
"FPUK"	Faroe Petroleum (U.K.) Limited
"FSMA"	the Financial Services and Markets Act 2000, as amended

"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"HSES"	health, safety, environment and security
"London Stock Exchange"	London Stock Exchange plc
"LR Senergy"	Senergy (GB) Limited
"Money Laundering Regulations"	the Money Laundering Regulations 2007 (SI 2007/2157)
"MPE"	the Norwegian Ministry of Petroleum and Energy
"Net Proceeds"	the proceeds of the Placing after payment of expenses
"Non-Executive Directors"	the non-executive Directors of the Company as at the date of this document
"Official List"	the official list of the UKLA
"Open Offer"	the open offer to be made by the Company to all Shareholders as soon as possible following Admission, to raise up to €5,000,000 through the offer for subscription of Ordinary Shares at the Placing Price
"Ordinary Shares"	ordinary shares of 10 pence each in the capital of the Company
"Overseas Shareholders"	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom
"Pareto"	Pareto Securities Limited
"Placees"	the persons who conditionally agree to subscribe for Placing Shares in the Placing
"Placing"	the placing of the Placing Shares at the Placing Price by the Brokers pursuant to the Placing Agreement
"Placing Agreement"	the placing agreement dated 14 July 2016 between the Company and the Bookrunners further details of which will be set out in paragraph 17.1 of Part VIII of the Disclosure Document
“Placing Price”	the price at which new Ordinary Shares will be offered to Placees pursuant to the Placing
"Placing Shares"	the new Ordinary Shares which the Company will allot and issue pursuant to the Placing
"PRMS"	The Society of Petroleum Engineers Oil and Gas Reserves Committee’s guidelines for Application of the Petroleum Resources Management System
"Prospectus Directive"	the Prospectus Rules of the FCA

"QIB"	a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act
"RBC Capital Markets"	RBC Europe Limited (trading as RBC Capital Markets)
"Registrar" or "Registrars"	Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
"Regulation S"	Regulation S under the US Securities Act
"Reserve Based Lending Facility"	the facility agreement between FPUK and BNP Paribas (as agent), details of which will be set out in paragraph 17.2 of Part VIII of the Disclosure Document
"Restricted Territories"	Australia, Canada, Japan and South Africa, and any other jurisdiction outside of the United Kingdom, where the Company is advised that the allotment or issue of the Placing Shares pursuant to the Placing would or may infringe the relevant laws and regulations of such jurisdiction or would or may require the Company to obtain any governmental or other consent or to effect any registration, filing or other formality which, in the opinion of the Company, it would be unable to comply with or is unduly onerous
“Rule 144”	Rule 144 under the US Securities Act
“Rule 144A”	Rule 144A under the US Securities Act
"Shareholders"	holders of Ordinary Shares
"Stifel"	Stifel Nicolaus Europe Limited
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"Ula Hub Assets"	the interests in the Ula, Tambar, Tambar East and Oselvar fields to be acquired as part of the Acquisition
"uncertificated" or "in uncertificated form"	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Securities Act"	the United States Securities Act of 1933, as amended

GLOSSARY

"boe"	barrels of oil equivalent
"boepd"	barrels of oil equivalent per day
"Bscf"	billions of standard cubic feet
"CMS"	Caister Murdoch System, a North Sea gas production and transportation system
"Contingent Resources" or "2C"	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources
"economic production"	see "accounting production" above
"mmbbl"	million barrels
"mmboe"	millions of barrels of oil equivalent
"net to Faroe"	the portion that are attributed to the equity interests of Faroe
"NPV10"	net present value from an economic analysis with a 10 per cent. discount rate
"PL"	production licence
"producing"	related to development projects (eg wells and platforms): active facilities, currently involved in the extraction (production) of hydrocarbons from discovered reservoirs
"Prospective Resources"	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development.
"Proved plus Probable Reserves" or "2P"	those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 per cent. probability that the actual quantities recovered will equal or exceed the 2P estimate
"reserves"	reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation

	date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status
"TGT"	Theddlethorpe gas terminal