20 September 2016

FAROE PETROLEUM PLC
("Faroe Petroleum", "Faroe", the "Company" or the "Group")

Unaudited Interim Results for the six months ended 30 June 2016

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway and the UK, announces its unaudited Interim Results for the six months ended 30 June 2016.

Highlights

Operations – significant Brasse discovery and acquisition of package of producing assets from DONG boost production, cash flow, reserves and resources

- Exploration programme delivers considerable increase in resources
    - Faroe-operated Brasse oil and gas discovery (Faroe 50%) estimated at 43-80 mmboe in good reservoir located near Brage and Oseberg production facilities
    - Kvalross exploration well (Faroe 40%) in Norwegian Barents Sea, announced as dry in February 2016
    - Further new exploration licence awards – six APA licences awarded in Norway in January 2016 and one licence option, located close to the producing Corrib field, awarded offshore Ireland in July 2016
- Average first half production of 9,030 boepd from existing portfolio (H1 2015: 10,971 boepd) – decrease mainly due to planned suspension of Njord and Hyme in early June 2016
- Average operating cost per boe approximately $25 (2015: $23) – increase primarily due to lower production resulting from Njord and Hyme suspension and higher tariff charges on Schooner and Ketch
- Acquisition of four producing fields in Norway from DONG adding 19.8 mmboe of reserves for consideration of $70.2 million(effective date 1 January 2016, expected to complete in H2 2016)

Finance – balance sheet strengthened following £66 million placing and open offer in July and August 2016

- Revenue £23.1 million (H1 2015: £51.1 million) and EBITDAX £16.8 million (H1 2015: £39.8 million)
- Realised hedging gains of £4.1 million net after premium (H1 2015: £4.2 million) – mainly on gas sales
- Operating loss £34.3 million (H1 2015: £5.6 million profit) and loss after tax £13.0 million (H1 2015: £6.7 million) – reflecting lower revenue and higher expensed exploration costs
- Exploration and appraisal capex £14.8 million (H1 2015: £25.2 million), excluding Kvalross which was expensed in the period, equivalent to net £3.7 million (H1 2015: £6.3 million) on a post-tax basis, taking account of 78% Norway exploration tax rebate
- Cash and net cash at 30 June 2016 £83.9 million and £60.9 million respectively (31 December 2015: £91.5 million and £68.5 million), excluding the subsequent placing and open offer
- Reserve based lending facility in place, of which £23 million is drawn (31 December 2015: £23 million)
- Raised £66.0 million, before expenses, in share placing and open offer in July and August 2016, to fund acquisition from DONG and to accelerate Brasse discovery towards development

Outlook – upwards revision of production guidance and continuing focus on growth

- Production guidance for full year 2016, including the impact of fields acquired from DONG, revised upwards to 16,000-18,000 boepd, previously 15,000-17,000 boepd, reflecting better than expected performance from the Trym, Brage and Oselvar fields, split approximately 60% liquids and 40% gas
- 90% of H2 2016 gas production (post-tax) hedged at average price of 41p/therm and 66% of 2017 gas production (post-tax) hedged at average price of 39p/therm
- Exploration and appraisal programme continues with Njord North Flank exploration well (Faroe 7.5%) ongoing and Dazzler/Boné exploration well in Norwegian Barents scheduled for late 2016 or early 2017
- Net capital expenditure for 2016 on exploration, development and production forecast at approximately £65 million pre-tax (2015: £85 million), equivalent to £25 million on post-tax basis (2015: £38 million post-tax)
- Development plans for Oda (formerly known as Butch) progressing well with FDP scheduled for late 2016 and first oil expected in 2019, whilst the FDP for the Njord Future Project, including the Snilehorn development, is scheduled for early 2017. Both projects are expected to benefit materially from industry-wide cost reductions
- Progressing towards development concept selection on Pil – expected at end of 2016
- With a strengthened balance sheet and much enhanced production portfolio, Faroe is well positioned to progress its exploration-led, production-backed growth strategy to create significant shareholder value

Graham Stewart, Chief Executive of Faroe Petroleum, commented:
"I am pleased to announce Faroe's results for the first half of 2016, a period of strategic delivery for the business with: another significant discovery in Norway at the Faroe-operated Brasse exploration well; production performing above guidance; and post period end, the transformational acquisition of a portfolio of Norwegian production assets from DONG was announced in July 2016.

"Pre-acquisition net production was above guidance averaging at approximately 9,000 boepd with opex per boe of $25, from which we continue to generate cash, despite the challenging market conditions. Faroe has had considerable success with the drill bit in recent years, and we are now seeing the real value of that success materialise. We have made good progress in advancing the high quality Oda development project (Faroe 15%) with first oil scheduled in 2019. Field Development Plan sanction of the Njord Future Project is expected in early 2017, and in addition, concept selection for development of the Pil field (Faroe 25%) is expected by the end of the year. We are very pleased to be progressing these important new projects all of which are taking advantage of falling costs.

"The transformational acquisition of a package of producing assets from DONG, negotiated on a bilateral basis, creates a new strategic hub for Faroe, centred round the Ula field platforms, in one of our core areas offshore Norway. The fields, benefitting from the synergies of owning several field interests in and around Ula, will have a material impact on production, reserves, cash flow and debt capacity. In parallel with the acquisition, we raised gross £66.0 million of equity in July and August 2016 to fund the acquisition and accelerate the progress of Brasse towards development.

"As we proceed towards the year end we remain busy with the drill bit with results due shortly from the near-field Njord North Flank exploration well (Faroe 7.5%); we also look forward to spudding the high impact Barents Sea well Dazzler/Boné (Faroe 20%), and plan the early integration of the new DONG assets and asset team into our business. I look forward to updating you on our progress in due course."

Ends

For further information please contact:

Faroe Petroleum plc
Graham Stewart/Jonathan Cooper Tel: +44 1224 650 920

Stifel Nicolaus Europe Limited
Callum Stewart/Ashton Clanfield Tel: +44 20 7710 7600

RBC Capital Markets
Matthew Coakes/Daniel Conti/Roland Symonds Tel: +44 20 7653 4000

FTI Consulting
Edward Westropp/Tom Hufton Tel: +44 20 3727 1000

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

We are pleased to announce the 2016 Half Year Financial Results. The period finished on a high note with the significant Brasse discovery in Norway. Faroe is operator and holds a 50% interest in this discovery, estimated to hold gross 43-80 mmboe in good reservoirs. Close to existing infrastructure, Brasse has the potential to become a cornerstone asset in our portfolio. In July 2016 we announced the acquisition from DONG of a package of four producing oil and gas fields in Norway for a consideration of $70.2 million, which is set to more than double our current production. Simultaneously we announced a substantially oversubscribed share placing to raise £66 million, before expenses. These three key achievements have propelled the Company forward to its next phase of growth and put us on track to become a leading independent North Sea E&P company.

The start of the year saw a further decline in oil prices, with WTI and Brent falling below $30 per barrel for the first time since 2003. Since this low-point the oil price has been on a fairly steady upward trend, reaching approximately $50 per barrel at the close of the half year. The market now appears to be at a point where supply and demand are approaching balance, following a period of substantial global oversupply, and expectations are that an upward trend in oil prices is likely to emerge albeit at a slow rate due to the accumulated stock overhang. The market is expected to remain challenging for some time, and for E&P companies with access to capital, this is an opportune time to progress projects benefiting from substantial cost reductions and to grow through acquisition.

Consistent strategy is delivering results

Faroe's strategy is to grow value from reserves and resources through monetising exploration and appraisal successes, selectively participating in development projects and pursuing value accretive asset transactions. This strategy and business model, underpinned by cash flow from good quality low-cost production, a strong balance sheet and rigorous financial discipline, has delivered exceptional results for Faroe, creating a strong platform for continued growth benefiting from significant sector-wide cost reduction. The Group will also continue to pursue its successful exploration strategy, funded from cash flow and Norwegian fiscal incentives.

Brasse exploration success

Two exploration wells were drilled in the first half of 2016, resulting in one significant success. The first well, which commenced in January 2016, was on the Norwegian Barents Sea Kvalross prospect (Faroe 40%). Whilst the well was unsuccessful we were pleased that it was drilled significantly below budget. In May 2016 drilling commenced on the Faroe-operated Brasse well (Faroe 50%) in the Norwegian North Sea immediately south of the producing Wintershall-operated Brage oil field (Faroe 14.25%) and east of the producing Statoil-operated Oseberg field. After encountering good oil and gas bearing reservoirs in the main wellbore a side-track well was drilled and in July 2016 we announced that the recoverable hydrocarbons were estimated to be in the range of 43-80 mmboe. With a 50% interest in Brasse, net recoverable resources are in the range 22-40 mmboe, making Brasse one of our most significant discoveries to date. The Brasse discovery, in one of our core areas, with its significant resources and close proximity to existing infrastructure builds on Faroe's existing position in the Norwegian North Sea and work has begun to assess options for taking this important new asset forward towards development.

Pre-development projects progressing

Faroe's successful exploration programme has delivered a number of commercial discoveries which are now progressing towards development. Development projects in this low commodity price environment benefit significantly from reduced costs, helping to make project economics robust at low commodity prices. There is real potential for Faroe to benefit from material near- and medium-term organic growth in production and cash flow from its existing portfolio, through a combination of selective monetisation and participation in development projects.

In early June 2016, production was suspended on the Njord and Hyme fields (Faroe 7.5%) as planned, and the Njord production facility has now been towed to shore for upgrade work. The operation, which is on time and on budget, is designed to strengthen the facility and modify the topsides in order to extend its operating life and accommodate the Snilehorn tie-back development; production start-up is scheduled for 2020. Remaining gross recoverable Reserves on the Njord, Hyme and Snilehorn fields exceed an estimated 200 mmboe.

On the shallow water Centrica-operated Oda oil field development project (Faroe 15%), formerly known as Butch, FDP submission is expected by the end of the year with first oil scheduled for 2019. Oda has estimated reserves of 42 mmboe in excellent reservoir, and will be developed as a subsea tie-back to Ula (Faroe 20%). Gross plateau production from Oda is expected to be 35,000 boepd (5,250 boepd net to Faroe).

The significant Pil area (Faroe 25%) is also being matured towards development, with concept selection scheduled before the end of the year. Estimated reserves on the Pil, Bue and Boomerang discoveries range from 80-200 mmboe gross. Both Njord and Draugen have been identified as potential export hosts, and a standalone development with a leased FPSO is also a candidate.

Production portfolio performing well

The Company's tax efficient production portfolio remains core to our strategy and is a principal source of funding for the Group's drilling programme. Faroe delivered net average production of 9,030 boepd in the first half of 2016 with an average opex per boe of $25. Faroe's production is spread across a balanced and high quality portfolio of assets with an approximately even split between Norway and the UK prior to the DONG asset acquisition; following the DONG asset acquisition, the geographic split is closer to 75%/25% Norway/UK. With an operating netback of $14 per boe, the production portfolio generated substantial cash flow for the Group. The suspension of production on Njord and Hyme in early June 2016 reduces full-year production and earnings, as Njord and Hyme contributed approximately 1,850 boepd net to Faroe during the first half of 2016.

Successful DONG acquisition and share issue

In July 2016 Faroe announced the acquisition from DONG of four producing assets, all in the Norwegian North Sea, for a consideration of $70.2 million. In parallel, the Company raised £66 million of new equity capital (before expenses) in a significantly oversubscribed share placing and open offer. The acquired assets, two of which are operated, add 2P developed reserves of 19.8 mmboe together with 2C resources of 11.1 mmboe, and are expected to approximately double Faroe's average economic production in 2016. The deal, which comes with tax balances of $109 million, has an effective date of 1 January 2016 and is expected to complete in H2 2016.

The acquisition creates a new strategic hub for Faroe, centred around the Ula platform, in one of our core areas offshore Norway. As well as the strategic nature of the deal, the acquired assets will have a material and complementary impact on production, reserves, resources, cash flow and debt capacity. Having assessed a large number of potential acquisition opportunities in recent times, this portfolio of assets stands out as an excellent strategic fit, with substantial upside, and delivering material multi-faceted synergies

The share placing and open offer ensure that Faroe continues to take advantage of the growth potential within our portfolio in a capital efficient manner, taking advantage of upside opportunities and progressing our pre-development projects towards monetisation while maintaining balance sheet strength and flexibility.

Outlook

Our consistent focus on exploration has delivered high-quality discoveries over several years, most recently on the Brasse discovery. As a result of these successes, maturing and monetising discoveries will form an increasing part of our value-focused growth model. Furthermore, despite persistent low commodity prices, the vastly reduced cost structure in the industry today offers real scope to lock in low costs and attractive returns. The timing is therefore right for the Company to participate in the upcoming pre-sanction projects, namely the Njord Future Project, the Oda development and the Pil concept selection. In addition, the important Brasse discovery this summer is set to become a major asset in the coming period and underlines the material size, diversity and economic attractiveness of our projects which together have the real potential to transform the value of the Company in the coming years.

Following the acquisition of producing assets from DONG, Faroe will focus on their integration into our portfolio, in order to optimise their value and contribution to our growth. This acquisition brings with it an additional small operating asset team in our Stavanger office, strengthening further Faroe's capability as we grow the Company. Faroe's enhanced in-house experience and capability coupled with strong partnerships will ensure that we realise the substantial upside of our production portfolio.

Market conditions remain challenging for the sector but there are signs of a return to balance between supply and demand, seen in the oil price recovery following the lows of January this year. The combination of Faroe's strong balance sheet, latent debt capacity, healthy and profitable production base, continuing exploration programme focus and outstanding portfolio of pre-development projects means that we are well positioned to grow materially in the near future in order to deliver our goal of becoming a leading independent North Sea E&P company.

John Bentley Chairman	Graham Stewart Chief Executive

REVIEW OF ACTIVITIES

While continuing to make good progress in the ongoing exploration projects, the pre-sanction development projects and the projects to improve production from the existing fields, the Brasse discovery stands out as the major highlight in H1 2016, in addition to the acquisition of four additional Norwegian producing assets from DONG, announced in July 2016.

Exploration

Faroe participated in two exploration wells in the Barents Sea and Norwegian North Sea and added to the licence portfolio through awards in the Norwegian APA licensing round and Irish Atlantic Margin Licensing Round. The drilling programme is continuing with the Njord North Flank exploration well currently being drilled.

Drilling operations

At the beginning of the year Faroe participated in the drilling of the Wintershall-operated Kvalross well, located in the Barents Sea in Licence PL611 (Faroe 40%). The well targeted the two independent prospects, Kvalross and Kvaltann, within a Mid-Late Triassic Snadd formation channel. Whilst good quality sands were encountered in the Kvaltann prospect they were found to be water wet and in the main Kvalross target, hydrocarbon shows were observed, but not in good quality reservoirs. Whilst a disappointing result the well was delivered below budget.

In early July 2016, Faroe announced an oil and gas discovery in the Brasse exploration well, 13 kilometres to the south of the Brage field in the Norwegian North Sea. Faroe, as operator, commenced drilling well 31/7-1 (Faroe 50%) at the end of May using the Transocean Arctic semi-submersible drilling rig. The main wellbore encountered approximately 18 metres of gross gas-bearing and approximately 21 metres of gross oil-bearing good quality Jurassic reservoir and based on these initial results, the joint venture undertook to drill a side-track appraisal well (31/7-1A) to test the south-eastern part of the structure. The side-track encountered a 25 metre gross oil column and a 6 metre gross gas column, also in good quality reservoir. Total gross volumes of recoverable hydrocarbons have been estimated by the Company to be 28-54 mmbbls of oil and 89-158 bcf of gas (43-80 mmboe in aggregate).

The Brasse discovery is located within tie-back distance to existing infrastructure: 13 kilometres to the south of the Brage field platform, in which the Company holds a 14.3% working interest, 13 kilometres to the east of the Oseberg Sør field platform, and 13 kilometres to the south east of the Oseberg field platform. Faroe and its co-venturer (Point Resources AS (50%)) have started the planning of a possible appraisal programme and have started assessing development options for this discovery, in one of Faroe's core areas in the Norwegian North Sea.

In August 2016, drilling commenced on the Njord North Flank-2 exploration well 6407/7-9 S (Faroe 7.5%) located in Licence PL107C immediately north of the Njord field (Faroe 7.5%). The well is targeting Middle and Lower Jurassic sandstone reservoirs of the Ile and Tilje formations in a fault-bounded structural closure, with a target depth in the Lower Jurassic Åre Formation. Drilling operations are ongoing.

Faroe's rolling exploration programme is set to continue with a high impact frontier exploration well on the Barents Sea Dazzler prospect (Faroe 20%) at the end of the year or the beginning of 2017.

Licence rounds

In January 2016, Faroe was awarded six new prospective exploration licences including two operatorships under the 2015 Norwegian APA (Awards in Pre-defined Areas) Licence Round on the Norwegian Continental Shelf. Three of the licences are located in the Norwegian Sea and three in the Norwegian North Sea including the Rungne Prospect in the Brage area and the Katie Prospect close to the Ula Field.

In July 2016, Faroe was awarded a licence in Ireland in the second tranche of awards in the 2015 Atlantic Margin Licensing Round. The Licensing Option 16/23 (Faroe 100% and operator), which involves a low cost work programme, covers some 960 square kilometres in the Slyne/Erris Basin, approximately 15 kilometres east of the producing Corrib gas field (operated by Shell), which came on-stream at the end of 2015.

Production

During the first half of 2016, Faroe achieved net average production of 9,030 boepd (H1 2015: 10,971 boepd) a decrease mainly due to the suspension of the Njord and Hyme fields in early June, to allow the Njord Future Project to proceed. In H1 2016, approximately 41% of total production came from UK fields and approximately 37% of total production was gas.

Faroe's diversified production is spread across a well balanced portfolio of oil and gas assets in the UK and Norway. The principal fields in the UK are Schooner, Ketch and Blane. Production from Schooner and Ketch has been slightly below expectations in the beginning of the year mainly caused by liquids handling issues within the export system at the Theddlethorpe terminal. This situation is being corrected and flows are returning to normal rates. A key well in Schooner, SA-11, was reinstated to good production in May following a successful wireline intervention.

In Norway, the main producing fields are Brage and Ringhorne East. Brage is continuing to deliver stable and reliable base production from 19 wells and with a high uptime. The field produced above expectations in H1 2016. The two most recent infill wells, A-18C and A-7B are delivering significant contribution to total field production. The Brage drilling rig is currently warm stacked. Several good quality new infill drilling targets have been identified and plans are now underway to recommence production drilling early in 2017.

Average operating expenditure per barrel of oil equivalent (opex/boe) in the period was $25 compared to $22 for the whole of 2015 which reflects the lower production rates notably following the suspension of the Njord and Hyme fields.

In July 2016, Faroe announced that it had added interests in four significant new producing fields acquired from DONG: Ula (20%), Tambar (45% in Tambar and 37.8% of Tambar East), Oselvar (55%), and Trym (50%). Faroe will become the operator of Oselvar and Trym, which are developed with subsea installations tied to the Ula field and to the Harald field in Denmark respectively. The four new fields have performed above expectations in 2016 delivering approximately 10,500 boepd net to the acquired interests in the period January to August.

Pre-sanction development projects

Njord Future Project

Following the planned shut-in of the Njord and Hyme fields in June 2016, the Njord A and B facilities were successfully towed to shore, on time and on budget, to strengthen the facility and modify the topsides in order to extend the life and accommodate the Snilehorn tie-back. Snilehorn (Faroe 7.5%) will be developed as a two-well subsea tie-back to Njord and it is planned that first oil from Snilehorn will coincide with production recommencing on Njord and Hyme in 2020. The Njord Future Project is progressing to plan with finalisation of the FEED project, final investment decision (FID) and field development plan (FDP) submission expected in Q1 2017.

Oda (Butch) Project

Concept selection for the Oda (Butch Main) discovery (Faroe 15%) was made in 2015 being a subsea tie-back to the Ula field in which Faroe will have a 20% interest acquired from DONG. The produced gas from Oda will be injected into the Ula Field reservoir to improve oil recovery. A compensation payment is expected to be paid by the Oda partners to the Oselvar field (Faroe 55%) which will cease production when Oda comes on stream. The plan is to submit the field development plan for Oda in late 2016.

Pil Project

Following its discovery in 2014, the Pil area now includes the Pil, Bue and Boomerang discoveries (Faroe 25%). The Pil partnership is maturing these significant discoveries towards development, focusing on either subsea development options or a stand-alone development solution, based on an FPSO. The partnership is making good progress towards the next major milestone, which is the concept selection decision expected in late 2016.

South-East Tor

In November 2015 the Company increased its equity interest in this Norwegian North Sea discovery, by acquiring a 75% interest from Lundin, taking Faroe's stake to 85% with operatorship. There are several different development scenarios under review including a simple tie-back solution to Ekofisk, either directly or in connection with the nearby Tor Field, where a redevelopment project is currently being planned.

Portfolio management

The Company is applying stricter investment criteria across its pre-development assets to reflect the lower commodity price environment and in 2016 has withdrawn from the UK Tornado licence (Faroe 7.5%) and is in the process of relinquishing the Solberg and Rodriguez licences (Faroe 20%) in Norway; in both these cases, the decisions to withdraw are a result of a combination of increasing licensing fees or other commitments together with a low probability of progressing these assets to become economically viable developments.

The Company has written down to zero the carrying value of its interest in the Perth licence (Faroe 39.95%, increased from 34.62% following Atlantic Petroleum's withdrawal) having done the same for its interest in the Lowlander licence (Faroe 100%) in 2015. Faroe's managements view is that the current market conditions, there is a low likelihood of commercialising these interests in the near to medium term.

FINANCE REVIEW

The first half of 2016 saw a significant reduction in cash flow from operations, as a result of lower production and a reduction in realised prices to $38.5 per boe in H1 2016 from $51.5 per boe in H1 2015. Faroe's active exploration programme in Norway, which benefits from the 78% exploration tax rebate, has continued with two wells drilled in H1 2016, of which the Faroe-operated Brasse well was announced as a significant discovery. Drilling operations are currently ongoing on the Njord North Flank well with results expected soon. Following this well, the Dazzler/Bone is expected to spud in late 2016 or early 2017.

Revenue adjusted for under-lift of £20.2 million and including realised hedging gains of £4.1 million, totalled £47.4 million, averaging $38.7 per boe (H1 2015: $51.5 per boe). This fall is predominantly explained by the fall in oil prices during H1 2016. Operating costs, excluding depreciation, depletion and amortisation (DDA) increased slightly to $24.9 per boe compared to $22.5 per boe in 2015, caused by a combination lower volumes, following the Njord and Hyme shut in, and higher tariff charges on Schooner and Ketch. DDA per boe fell to $11.1 compared to $15.1 per boe in 2015, reflecting impairment charges in 2015.

Since the half year the Company raised £66.0 million gross in equity in a share placing in July and an open offer to existing shareholders in August 2016. The fund raise coincided with the acquisition of a package of Norwegian production assets from DONG, expected to complete in H2 2016, for a consideration of $70.2 million, adding 19.8 mmboe of 2P reserves and doubling our 2016 production. The fund raise and acquisition have created a solid platform for further growth for the Company.

Income statement

Revenue in the period was £23.1 million (H1 2015: £51.1 million). Revenue adjusted for under-lifts and over-lifts was £43.3 million (H1 2015: £63.7 million). The decrease in revenue reflects a reduction in production, mainly due to Njord and Hyme being suspended in June 2016 for upgrades and strengthening. Hedging gains of £4.1 million net of premium were realised in H1 2016 (H1 2015: £4.2 million) and are included in other income. Hedging gains in H1 2016 were predominantly from gas sales where Faroe hedged a significant portion of production at a weighted average 44 pence per therm in the period.

Cost of sales for the period was £24.2 million (H1 2015: £36.0 million). Cost of sales excluding over-lifts and under-lifts (see paragraph above) was £44.4 million (H1 2015: £48.5 million) reflecting a reduction in production. DDA for the period was £13.7 million (H1 2015: £20.4 million). With lower revenue and higher opex per boe, EBITDAX in H1 2016 was lower at £16.8 million compared to £39.8 million in H1 2015.

Pre-tax expensed exploration costs for the half year were £25.9 million (H1 2015: £9.0 million) and include write-offs of the Kvalross (£14.5 million) and Perth (£6.4 million) costs and a number of licences where active exploration activity has ceased. Expensed exploration costs also include £1.7 million (H1 2015: £3.3 million) of pre-award expenditure, which comprises costs associated with licence round applications. Expensed administration costs in H1 2016 were £4.2 million (H1 2015: £2.7 million). The increase in administrative expenses was due to the time-writing charge out rate for 2015 being adjusted in March 2016 with retrospective effect.

The Group made a loss before tax of £35.9 million (H1 2015: £0.4 million profit) which mainly reflects the operating loss as outlined above. The non-cash tax credit for the period was £22.9 million (H1 2015 tax charge: £7.1 million) largely reflecting lower profits from production in Norway and higher exploration write-offs. The post-tax loss was £13.0 million (H1 2015: £6.7 million).

Taxation

Faroe is an active and successful explorer in Norway with a substantial licence portfolio and relatively high average working interests. Thanks to Norway's progressive fiscal incentive for exploration, Faroe is able to pursue a multi-well exploration programme in Norway for a fraction of the cost of a similar programme outside Norway. The Company benefits directly from a 78% exploration tax rebate, meaning that for every £1 spent the Norwegian Government will return 78p of eligible expenditure in the form of a rebate at the end of the following year, to the extent it is not offset by current year profits from producing assets. The Group had a tax receivable at 30 June 2016 of £64.5 million (31 December 2015: £35.2 million) consisting of 78% of exploration expenditure, net of production profits in Norway. The Company will receive the 2015 tax rebate in December 2016.

At 30 June 2016 the Group had unrelieved UK tax losses of approximately £51.1 million (31 December 2015: £55.6 million). The unrelieved tax losses are available indefinitely for offset against future taxable profits in the UK. The carried forward losses are expected to be utilised in coming years, depending upon commodity prices, and were first recognised as a deferred tax asset in 2014 at the prevailing rate at the time of 62%, being corporation tax of 30% and supplementary corporation tax ('SCT') of 32%. In 2015 the SCT was reduced to 20% and in March 2016 it was announced that the SCT would decrease to 10% from 1 January 2016 which was substantively enacted on 6 September, and will result in a decrease in the deferred tax asset of approximately £8.0 million.

Balance sheet and cash flow

Expenditure of £17.3 million (H1 2015: £32.8 million) on intangible and tangible assets, excluding Kvalross which was expensed in the period, prior to tax rebate, was made in the period, of which £14.8 million (post tax £3.7 million) related to exploration expenditure, primarily on Brasse. £2.5 million related to development expenditure, principally reflecting pre-sanction cost on the Oda (formerly Butch) field.

The net assets of Faroe Petroleum increased during the period to £195.0 million (31 December 2015: £192.4 million).

Closing gross cash was £83.9 million (31 December 2015: £91.5 million) and net cash reduced to £60.9 million (31 December 2015: £68.5 million) in the period prior to the subsequent placing and open offer.

Hedging

The Group operates a policy to hedge a proportion of its production, principally in order to safeguard revenues and budgets. Hedged volumes, on a post-tax basis, currently amount to approximately 90% of total estimated gas production in 2H 2016 and 66% in 2017 (production from acquired DONG assets are included from 1 January 2017). The hedging instruments selected are primarily put options and swaps at a weighted average of 41 pence per therm in H2 2016 and 39 pence per therm in 2017. Current hedging contracts for 2H 2016 and 2017 are exclusively gas.

Open hedge contracts are marked to market at the end of each period with unrealised gains or losses taken to the Income Statement as other income/expense as a non-cash item. Unrealised hedging losses for H1 2016 were £7.2 million (H1 2015: £2 million). Realised hedging gains in the period, net of premium, were £4.1 million (H1 2015: £4.2 million), and are mainly from gas sales.

Dividend

The Directors do not recommend payment of a dividend.

Group Income Statement	Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
	£'000	£'000	£'000
Revenue	23,083	51,149*	112,980
Cost of sales	(24,173)	(35,984)	(99,838)
Asset impairment	-	-	(45,108)
Gross (loss) / profit	(1,090)	15,165	(31,966)
Other (expense) / income	(3,079)	2,196*	13,867
Exploration and evaluation expenses	(25,936)	(9,043)	(89,537)
Administrative expenses	(4,205)	(2,733)	(3,718)
Operating (loss) / profit	(34,310)	5,595	(111,354)
Finance revenue	296	472	909
Finance costs	(1,932)	(5,692)	(11,855)
(Loss) / profit on ordinary activities before tax	(35,946)	365	(122,300)
Tax credit / (charge)	22,903	(7,050)	69,382
Loss for the period	(13,043)	(6,685)	(52,918)
Loss per share – basic (pence)	(4.85)	(2.49)	(19.7)
Loss per share – diluted (pence)	(4.85)	(2.49)	(19.7)

* Realised hedging gains/(losses) are now included in Other (expense) / income as per note vii which is consistent with the 2015 Annual Report.

Statement of Other Comprehensive Income	Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
	£'000	£'000	£'000
Loss for the period	(13,043)	(6,685)	(52,918)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on retranslation foreign operations net of tax	14,542	(6,043)	(1,503)
Actuarial gains on defined benefit pension plans net of tax	-	-	-
Total comprehensive profit / (loss) for the period	1,499	(12,128)	(54,421)

Group Balance Sheet	Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
	£'000	£'000	£'000
Non-current assets			
Intangible assets	88,990	140,117	73,521
Property, plant and equipment: development & production	107,310	123,967	110,594
Property, plant and equipment: other	374	662	503
Financial assets	-	9	12
Deferred tax asset	39,306	22,249	32,398
	235,980	287,004	217,028
Current assets			
Inventories	6,618	5,206	5,922
Trade and other receivables	45,738	35,027	27,964
Current tax receivable	64,534	53,969	35,195
Financial assets	3,129	3,708	10,621
Cash and cash equivalents	83,895	104,679	91,515
	203,914	202,589	171,217
Total assets	439,894	489,593	388,245
Current liabilities			
Trade and other payables	(38,601)	(33,902)	(32,418)
Current Taxation	-	-	(689)
Financial liabilities	(81,840)	(74,994)	(55,776)
	(120,441)	(108,896)	(88,883)
Non-current liabilities			
Deferred tax liabilities	(29,814)	(65,255)	(19,888)
Provisions	(94,634)	(80,755)	(87,118)
Defined benefit pension plan deficit	-	(975)	-
	(124,448)	(146,985)	(107,006)
Total liabilities	(244,889)	(255,881)	(195,889)
Net assets	195,005	233,712	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	9,290	(8,595)	(4,055)
Retained earnings	(103,666)	(46,888)	(92,866)
Total equity	195,005	233,712	192,356

Condensed Group Cash Flow Statement	Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
	£'000	£'000	£'000
(Loss) / profit before tax	(35,946)	365	(122,300)
Depreciation, depletion and amortisation	13,661	20,648	38,447
Exploration asset write off	10,117	5,707	83,569
Unrealised hedging losses / (gains)	7,211	1,986	(4,580)
Asset impairment	-	-	45,108
Fair value of share based payments	1,900	1,635	1,916
Movement in trade and other receivables	(10,282)	2,618	2,768
Movement in inventories	(696)	(864)	(1,580)
Movement in trade and other payables	6,183	(412)	(1,896)
Currency translation adjustments	(3,003)	686	1,587
Expense recognised in respect of equity settled share based transaction	-	(55)	(67)
Interest receivable	(296)	(472)	(909)
Interest and financing fees payable	4,935	5,006	10,268
Tax (payment)/rebate	(873)	-	40,284
Net cash (used) / generated in operating activities	(7,089)	36,848	92,615
Investing activities			
Purchases of intangible and tangible assets	(17,269)	(32,758)	(84,585)
Proceeds from sale of intangible assets	-	1,300	1,300
Interest received	296	472	909
Net cash used in investing activities	(16,973)	(30,986)	(82,376)
Financing activities			
Proceeds from issue of equity instruments	104	-	138
Net proceeds / (repayments) from borrowings	19,635	9,310	(9,908)
Interest and financing fees paid	(2,170)	(2,562)	(5,322)
Net cash inflow / (outflow) provided from financing activities	17,569	6,748	(15,092)
Net (decrease) / increase in cash and cash equivalents	(6,493)	12,610	(4,853)
Cash and cash equivalents at the beginning of period/year	91,515	92,571	92,571
Effect of foreign exchange rate changes	(1,127)	(502)	3,797
Cash and cash equivalents at end of period/year	83,895	104,679	91,515

Group Statement of Changes in Equity for the period ended 30 June 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	-	-	-	(13,043)	(13,043)
Other comprehensive income:					
Loss on retranslation of foreign subsidiaries	-	-	14,542	-	14,542
Total comprehensive income/(loss)	-	-	14,542	(13,043)	1,499
Transfer to retained earnings*	-	-	(1,197)	1,197	-
Issue of ordinary shares under EBT	79	25	-	-	104
Share based payments	-	-	-	1,046	1,046
As at 30 June 2016	**26,903**	**262,478**	**9,290**	**(103,666)**	**195,005**

*An adjustment has been made to align the financial statements to the underlying accounting records following the intercompany loan balance between the Company and Føroya Kolvetni P/F being repaid as a capital contribution. Since the loan was classified as quasi-equity, historic revaluation balances were transferred to Retained Earnings.

Group Statement of Changes in Equity for the period ended 30 June 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	-	-	-	(6,685)	(6,685)
Other comprehensive income:					
Loss on retranslation of foreign subsidiaries	-	-	(6,043)	-	(6,043)
Total comprehensive income/(loss)	-	-	(6,043)	(6,685)	(12,728)
Issue of ordinary shares under EBT	55	-	-	-	55
Share based payments	-	-	-	923	923
As at 30 June 2015	**26,807**	**262,388**	**(8,595)**	**(46,888)**	**233,712**

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

As required in AIM Rule 18, the interim financial information for the six months ended 30 June 2016 is presented and prepared in a form consistent with those that which will be adopted in the annual statutory financial statement for the year ended 31 December 2016 and having regard to the International Financial Reporting Standards ("IFRS") applicable to such annual accounts.

The financial information contained in this announcement for the year ended 31 December 2015 does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

An unqualified audit opinion was expressed on the statutory accounts for the year ended 31 December 2015, as delivered to the Registrar. This unqualified audit opinion did not contain a statement under 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 268,954,509 (30 June 2015: 268,021,740 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) Taxation

Tax on profit on ordinary activities	Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
	£'000	£'000	£'000
Current tax			
Overseas tax credit	23,882	11,439	35,272
UK Tax charge	-	-	(392)
Amounts underprovided / (overprovided) in previous period/ year	188	-	(187)
Total current tax credit	24,070	11,439	34,693
Deferred tax			
Origination of temporary differences	491	(13,386)	34,594
Change of tax rate	-	(4,996)	-
Prior period/year adjustment	(168)	-	175
Total deferred tax charge	(323)	(18,382)	34,769
Foreign exchange differences			
Differences arising from the use of period end and average exchange rates	(844)	(107)	(80)
Total foreign exchange differences	(844)	(107)	(80)
Total tax credit / (charge) in the Income Statement*	22,903	(7,050)	69,382

* Non-cash tax credit / (charge)

(vi) Cost of sales

Analysis of cost of sales	Unaudited six months to 30 June 2016	Unaudited six months to 30 June 2015	Audited Year to 31 December 2015
	£000	£000	£000
Operating costs*	18,301	18,568	38,866
Commercial tariffs*	10,961	7,519	15,932
Depreciation, depletion and amortisation	13,661	20,415	38,019
(Underlift)/overlift in the year	(20,234)	(12,530)	4,620
Other cost of sales*	1,484	2,012	2,401
Total cost of sales	24,173	35,984	99,838

* included in the opex per boe metric

(vii) Other (expense) / income

Analysis of other income	Unaudited six months to 30 June 2016 £000	Unaudited six months to 30 June 2015 £000	Audited Year to 31 December 2015 £000
Realised hedging gains*	4,132	4,182	9,287
Unrealised hedging (losses) / gains	(7,211)	(1,986)	4,580
Total other income	(3,079)	2,196	13,867

* included in the revenue per boe metric and EBITDAX

(viii) Post balance sheet events

On 7 July 2016, the Company was awarded a new licensing option 16/23 in the Irish Atlantic Margin. The license covers some 960 square kilometres in the Slyne/Erris Basin, and is one of the second tranche of awards made under the 2015 Atlantic Margin Licensing Round. Faroe is the operator of this license (Faroe 100% working interest).

On 11 July 2016, the Company announced the completion of a successful side-track appraisal well on the Brasse discovery in License PL740 in the Norwegian North Sea (Faroe 50% and operator). The Brasse side-track reached a total depth of 2,530 metres (MD) and encountered a 25 metre gross oil column and a 6 metre gas column. Total gross volumes of recoverable hydrocarbons are estimated to be 28-54mmbls of oil and 89-158bcf of gas.

On 14 July 2016, the Company announced the conditional agreement to acquire of package of interests in producing Norwegian oil and gas assets from DONG . A total consideration of $70.2 million has been agreed with the vendor and subject to certain conditions it is expected that the completion of the acquisition will occur by the end of 2016.

Furthermore, the Company announced its intention to conduct a placing with certain institutional investors and the directors of the Company to raise approximately £60.8 million before expenses.

On 21 July 2016, the Company announced an Open Offer to existing shareholders to purchase additional shares following the successful placing. The Open Offer was underwritten and raised £4.2 million before expenses.

As announced on 14 July 2016, Faroe has conditionally acquired interests in a package of Norwegian producing assets from DONG including a 20% interest in the Ula field and associated production hub infrastructure. One of the conditions of the acquisition was a 30 day pre-emption period under which the partner in the Ula field could have acquired the interest. This period has now expired and the Company will now proceed towards the completion of the acquisition as planned.

On 16 August 2016, the Company announced the commencement of the Njord North Flank-2 exploration well 6407/7-9 S (Faroe 7.5% working interest). The well is located in License PL107C immediately north of the Njord field (Faroe 7.5% working interest).

The reduction in the SCT rate from 20% to 10% which was announced during the 2016 budget was substantively enacted on 6 September 2016. This will result in an approximate £8 million reduction of the deferred tax asset.

Glossary

bcf	billions of standard cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
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
DDA	depletion, depreciation and amortisation
DONG	DONG E&P Norge AS
EBITDAX	Earnings before interest, taxation, depreciation, amortisation and exploration expenditure (gross profit plus depreciation on producing assets)
economic production	production to which the Company has an economic entitlement. It includes production between the effective (economic) date and the completion date of an acquisition. Accounting production excludes all pre-completion production.
MD	measured depth
mmbls	million barrels of oil
mmboe	million barrels of oil equivalent
netback	revenue less operating cost per boe
net cash	cash and cash equivalents less financial liabilities excluding the balance of the Exploration Financing Facility which is directly linked to the Norway tax rebate (disclosed as tax receivable in the balance sheet).
"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
TD	total depth

John Wood, is the UK Asset Manager of Faroe Petroleum and an engineer (M.Sc in Petroleum Engineering, Imperial College, London), who has been involved in the energy industry for more than 16 years, has read and approved the technical disclosure in this regulatory announcement.

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 25 years, has read and approved the exploration and appraisal disclosure in 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.