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Part 1: Faroe Petroleum Incentive Plan

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1 *Interpretation*

1.1 *Definitions*

In this Plan, unless the context otherwise requires, the following words and expressions have the following meanings:

Acting in Concert has the meaning given to that expression in The City Code on Takeovers and Mergers in its present form or as amended from time to time;

Award means an Option, a Conditional Share Award or Phantom Share granted under the Plan;

Award Certificate means a statement in a form determined by the Company setting out details of the Award as set out in Rule 2.4 (Contents of Award Certificate);

Award Date means the date on which an Award is made in accordance with Rule 2 (Making of Awards);

Award Holder means an individual who holds an Award, whether Vested or unvested and, in the case of an Option, whether or not the Vested Option has been exercised and, where the context permits, his legal personal representatives;

Award Price means the amount (if any) per Plan Share payable in pounds sterling on the exercise of an Option or the Vesting of a Conditional Share Award, determined in accordance with Rule 5 (Award Price);

Board means the board of directors of the Company or a duly authorised committee thereof;

Cause means the summary dismissal of the Award Holder's office or employment with any Group Member by reason of deliberate wrong doing, gross negligence or such other conduct by the Award Holder considered by the Committee justifying summary dismissal of the Award Holder or the resignation of the Award Holder in circumstances justifying such summary dismissal;

Committee means the Remuneration Committee of the Board or, as appropriate, such duly authorised sub-committee of it, save that the Committee shall be as constituted on the day prior to any person obtaining Control of the Company on the occurrence of an event set out in Rule 10 (Takeovers, etc.) ;

Company means Faroe Petroleum plc incorporated in England and Wales under company number 04622251;

Conditional Share Award means a conditional right under the Plan to acquire Plan Shares, subject to any conditions that may be imposed by the Committee;

Control has the meaning given to it by section 995 of ITA;

Dealing Day means any day on which the London Stock Exchange is open for the transaction of business;

Dealing Restrictions means restrictions on dealings imposed by statute, order or regulation or Government directive, or by the Model Code or any code adopted by the Company based on the Model Code;

Eligible Employee means an individual who is a bona fide employee of the Company or a Group Member at the Award Date and who satisfies any other conditions which the Committee may impose from time to time in its absolute discretion. For the avoidance of doubt, non-executive directors are not eligible to participate in the Plan;

Employees' Share Scheme has the meaning set out in section 1166 of the Companies Act 2006;

Exercise Period means the period set by the Committee on the Award Date during which an Option may be exercised but which will not exceed the tenth anniversary of the Award Date;

Gain means the difference between (i) the Market Value of a Plan Share on the date of exercise of an Option and (ii) the Award Price, multiplied by the number of Plan Shares in respect of which the Option is being exercised;

Group means the Company and its Subsidiaries from time to time and **Group Member** shall be interpreted accordingly;

Holding Period means the period of two years, commencing on the Vesting Date or exercise (where the Award is an Option) of an Award or such other period which the Committee, in its absolute discretion, may determine;

"Internal Reorganisation" means any compromise, arrangement or offer which, in the reasonable opinion of the Committee, having regard to the shareholdings in the Company and any acquiring company before and after the compromise, arrangement or offer and/or the consideration given for the acquisition of the Shares and/or any other matter which it considers relevant, is in the nature of an internal reorganisation or reconstruction of the Company;

ITA means the Income Tax Act 2007;

ITEPA means the Income Tax (Earnings and Pensions) Act 2003;

London Stock Exchange means the London Stock Exchange plc or any successor body;

Market Value on any day means at the relevant time Plan Shares are listed in the Daily Official List of the London Stock Exchange, any other recognised stock exchange within the meaning of section 1005 of ITA or the Alternative Investment Market of the London Stock Exchange, the market value of the Company's closing share price on the Dealing Day prior to the Award Date, or on any other basis as the Committee, in its discretion, sees fit;

Model Code means the Model Code on directors' dealings in securities as set out in the Listing Rules issued by the Financial Services Authority in its present form and as amended from time to time;

Option means a right to acquire Plan Shares granted under the Plan in return for a payment of the Award Price (if any);

Participant means a person holding an Award or his personal representatives;

Performance Period means the period in respect of which the Performance Target(s) (if any) are to be satisfied which in the case of an Award granted to an executive director must be in respect of at least three financial years, unless the Committee determines otherwise at the Award Date;

Performance Target means a performance target imposed as a condition of the Vesting of an Award under Rule 6.1 (Setting of Performance Target(s)) and as substituted or varied in accordance with Rule 6.3 (Substitution, variation or waiver of Performance Target(s));

Phantom Award means a subsisting right which, when Vested, entitles the Award Holder to be paid the Market Value of a Plan Share in cash;

Plan means the Faroe Petroleum Incentive Plan as amended from time to time;

Plan Shares means ordinary shares in the capital of the Company (or any shares representing them);

Regulatory Information Service means a service that is approved by the Financial Conduct Authority on meeting the Primary Information Provider criteria and is on the list of Regulatory Information Services maintained by the Financial Conduct Authority (or any overseas equivalent);

Relevant Employment means employment with any Group Member. For the avoidance of doubt, an Award Holder will still be in Relevant Employment if he is under notice of termination of employment, given or received;

Rules mean the rules of the Plan;

Subsidiary has the meaning set out in section 1159 of the Companies Act 2006;

Tax Liability has the meaning given in Rule 14.1 (Deductions);

Trustees means the trustees of any trust created by a Group Member which, when taken together with the Plan, constitutes an Employees' Share Scheme;

Variation means any variation in the share capital of the Company, including but without limitation a capitalisation issue, rights issue, demerger or other distribution, a special dividend or distribution, rights offer or bonus issue and a sub-division, consolidation or reduction in the capital of the Company; and

Vest means:

- in relation to an Option, an Award Holder becoming entitled to exercise the Option;
- in relation to a Conditional Share Award, an Award Holder becoming entitled to have the Plan Shares transferred to them; and
- in relation to a Phantom Award, an Award Holder becoming entitled to be paid the Market Value of a Plan Share in cash,

and “**Vesting**” and “**Vested**” shall be construed accordingly.

1.2 Interpretation

In the Plan, unless otherwise specified:

- save as provided for by law a reference to writing includes any mode of reproducing words in a legible form and reduced to paper or electronic format or communication including, for the avoidance of doubt, correspondence via e-mail; and
- the Interpretation Act 1978 applies to the Plan in the same way as it applies to an enactment.

2 Making of Awards

2.1 Awards made by the Committee

Subject to Rules 2.5 (When Awards can be made), 2.6 (When Awards may not be made) and 2.7 (Who can be made Awards) the Board, having consulted with the Committee, may from time to time make Awards to Eligible Employees.

2.2 Terms of Awards

Subject to the Rules, the Committee will in its absolute discretion decide whether or not any Awards are made at any particular time and, if they are, who they are made to and the terms of such Awards.

2.3 Procedure for making of Awards and Award Date

The Award Date shall be the date on which the Board, having consulted with the Committee, passes the resolution or such later date as specified in the resolution and allowed by Rule 2.5 (When Awards can be made). The making of an Award shall be evidenced by a deed executed by or on behalf of the Committee. An Award Certificate shall be issued to each Award Holder as soon as practicable following the making of the Award.

2.4 Contents of Award Certificate

The Company will deliver an Award Certificate to the Award Holder which will state:

- whether the Award comprises:
 - an Option,
 - a Conditional Share Award; or
 - a Phantom Award;
- the Award Date;
- the number of Plan Shares subject to or which relate to the Award;
- the Award Price (if any);
- the date or dates on which the Award will Vest, which shall not normally be earlier than three years after the Award Date;
- whether or not any dividend equivalents will be payable under Rule 8.11 (Dividend Equivalents). For the avoidance of doubt, if the Award Certificate does not specifically state that dividend equivalents will be payable then they will not be payable;
- in the case of an Option, the Exercise Period;
- any Performance Target and the relevant Performance Period;
- any Holding Period;
- whether the provisions set out in Rule 7.1 (Clawback) will be dis-applied;
- any further conditions of the Award; and
- any process by which Eligible Employees are required to follow in order to accept an Award granted under the Plan.

2.5 When Awards can be made

Subject to Rule 2.6 (When Awards may not be made), the Committee may make Awards, on behalf of the Company or any Group Company, only during the forty-two days beginning on:

- the date of shareholder approval of the Plan Rules or an amendment to the Plan;
- the day after the announcement of the Company's interim or final results, including a preliminary announcement, for any period or through a Regulatory Information Service;
- any day on which the Committee determines that circumstances are sufficiently exceptional to justify the making of the Award at that time; or
- within 42 days of the lifting of any Dealing Restrictions which prevented the making of Awards during any of the times described above.

2.6 When Awards may not be made

Awards may not be made:

- when prevented by any Dealing Restrictions; or
- after the tenth anniversary of shareholder approval of the Plan.

2.7 Who can be made Awards

An Award may not be made to an individual who is not an Eligible Employee at the Award Date. Unless the Committee decides otherwise, an Award will not be made to an Eligible Employee who on or before the Award Date has given or received notice of termination of employment (whether or not such termination is lawful).

2.8 ***Right to refuse Awards***

An Award Holder may, by notice with the Company, within thirty days after the Award Date, reject the grant of an Award. In such a case, the Award shall be treated as never having been made. No payment is required from the Award Holder or the Company.

2.9 ***Awards non-transferable***

An Award shall be personal to the Award Holder and, except in the case of the death of an Award Holder, shall not be capable of being transferred, charged or otherwise alienated and shall lapse immediately if the Award Holder purports to transfer, charge or otherwise alienate the Award.

3 ***Plan Limits***

3.1 ***General***

The aggregate number of Plan Shares over which Awards may be made shall be limited as set out in this Rule 3 (Plan Limits).

3.2 ***Fifteen per cent in ten years***

An Award may not be made if the result of making the Award would be that the aggregate number of Plan Shares issued or committed to be issued in the preceding ten year period under:

- Awards under the Plan; or
- Options or awards granted under any other Employees' Share Scheme (whether or not discretionary) operated by the Group,

would exceed fifteen per cent of the Company's issued ordinary share capital at that time.

For avoidance of doubt where options or awards originally granted under any other Employees' Share Scheme operated by the Group have been exchanged for Awards under the Plan, only the replacement Awards count towards the limit.

3.3 ***Calculation***

For the purpose of the limits contained in this Rule 3 (Plan Limits):

- for as long as required by the Investment Association guidelines treasury shares shall be included in the limit as if they were new issue shares;
- there shall be disregard for any Plan Shares which the Trustees have purchased, or determined that they will purchase, in order to satisfy an Award or the exercise of an Option or the vesting of other rights of an employee under any other Employees' Share Scheme operated by the Group will be disregarded;
- any Plan Shares issued in relation to an Award or the vesting of other rights of an employee under any other Employees' Share Scheme operated by the Group shall be taken into account once only (when the Award is granted or the right awarded) and shall continue to count towards the limit even when the Award Vests or is exercised or other rights vest;
- no account will be taken of Awards which have lapsed, been surrendered or otherwise become incapable of exercise or Vesting;
- no account will be taken of Plan Shares purchased in the market for the purpose of satisfying Awards;

- no account will be taken of Plan Shares which are issued and which represent the value of dividends declared during the Performance Period on the number of Plan Shares subject to the Participant's Award which have Vested; and
- no account shall be taken of partnership shares acquired by the Award Holder from their salary or of dividend shares acquired from cash dividends pursuant to a share incentive plan operated by the Group under the provisions of Schedule 2 to ITEPA.

For the purposes of Rule 3, **Trustees** means the trustees of any trust created by a Group Member which, when taken together with the Plan, constitutes an Employees' Share Scheme.

3.4 *Scaling down*

If the making of an Award would cause the limits in this Rule 3 (Plan Limits) to be exceeded, such Award shall take effect as an Award over the maximum number of Plan Shares which does not cause the limit to be exceeded. If more than one Award is made on the same Award Date, the number of Plan Shares which would otherwise be subject to each Award shall be reduced pro rata.

In the event that this Rule 3.4 applies, the Committee may, in its absolute discretion, determine that a further Award may be made in the same Financial Year to the relevant Participants whose Awards were scaled down in the event that further headroom becomes available pursuant to rule 3.2 (Fifteen per cent in 10 years) provided that the further Award will not result the limits in Rule 4 (Individual Limits) being breached.

4 *Individual Limits*

4.1 *General*

The number of Plan Shares over which Awards may be made to any one Eligible Employee shall be limited as set out in this Rule 4 (Individual Limits).

4.2 *Limit*

Apart from in exceptional circumstances, an Award must not be made to an Eligible Employee in respect of a Financial Year, if the result of making the Award would be that, at the proposed Award Date, the Market Value of the Plan Shares subject to that Award, when aggregated with the Market Value of the Plan Shares subject to all awards made or options granted to him (whether under the Plan or any other discretionary Employees' Share Scheme operated by the Group) in the same Financial Year would exceed a percentage of his Annual Remuneration specified in the Award Certificate being not more than 250% of his Annual Remuneration.

For the purpose of this Rule 4.2:

- **Annual Remuneration** means the higher of:
 - basic salary paid by the Group expressed as an annual rate as at the Award Date;
 - basic salary paid by the Group for the period of 12 months ending on the last day of the month immediately preceding the month in which the Award is made;
- **Financial Year** means the financial year of the Company;
- the **Market Value** of Plan Shares subject to an award or Option shall be measured on the date on which the award was made or the Option was granted; and
- no account shall be taken of Awards that are made to replace awards made or options granted under any other Employees' Share Scheme operated by the Group.

4.3 *Scaling down*

If the making of an Award would cause the limit in Rule 4.2 (Limit) to be exceeded, such Award shall take effect as an Award over the maximum number of Plan Shares which does not cause the limit to be exceeded.

5 *Award Price*

Any Award Price shall be determined by the Committee in its absolute discretion, except that in the case of an Award comprising of a right to subscribe for Plan Shares, the Award Price will not be less than the nominal value of a Plan Share.

6 *Performance Target(s)*

6.1 *Setting of Performance Target(s)*

The Committee may, in its absolute discretion, determine that Vesting of an Award be subject to the satisfaction of Performance Targets. If the Committee determines that Performance Targets will apply to an Award, the Vesting of an Award and the extent to which it Vests, will be subject to the satisfaction of any such Performance Targets and any other conditions which the Committee determines attach to an Award.

6.2 *Nature of Performance Target(s)*

Any Performance Target or any further condition imposed under Rule 6.1 (Setting of Performance Target(s)) shall be:

- objective; and
- set out in, or attached in the form of a schedule to, the Award Certificate.

6.3 *Substitution, variation or waiver of Performance Target(s)*

If an event occurs which causes the Committee to consider that any Performance Target or other condition imposed under Rule 6.1 (Setting of Performance Target(s)) subject to which an Award has been made is no longer appropriate, the Committee may substitute, vary or waive any Performance Target or the condition in such manner (and make such consequential amendments to the Rules) as:

- is reasonable in the circumstances; and
- except in the case of waiver, produces a fairer measure of performance and is not materially less difficult to satisfy.

The Award shall then take effect subject to any Performance Target or other condition as substituted, varied or waived.

6.4 *Notification of Award Holders*

The Committee shall, as soon as practicable, notify each Award Holder concerned of any determination made by it under this Rule 6 (Performance Target(s)).

7 Clawback

7.1 Malus

Notwithstanding any other provision of the Rules, the Committee may, at the time of Vesting of an Award or at any time before, reduce the number of Plan Shares subject to an Award in whole or in part (including, for the avoidance of doubt, to nil) in the following circumstances:

- discovery of an adverse material misstatement in the audited consolidated accounts of the Company or the audited accounts of any Group Member; and/or
- discovery of a material mis-booking of reserves by the Company; and/or
- censure by a regulatory authority; and/or
- action or conduct of an Award Holder or Award Holders which, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct; and/or
- action or conduct of an Award Holder or Award Holders which leads to any other serious damage to the Company's reputation, as decided the Committee, acting fairly and reasonably in its absolute discretion; and/or
- a material and exceptional loss for the group which the Committee has determined (acting fairly and reasonably in its absolute discretion) for which the Award Holder is wholly or partly responsible and the reduction of the Award in those circumstances is appropriate.

7.2 Investigation

Notwithstanding any other Rule of this Plan, if the Committee considers that the provisions under Rule 7.1 (Malus) may apply to an Award and an investigation regarding whether those provisions should be invoked commences in respect of a Participant, then, unless otherwise determined by the Committee, the following will apply as appropriate until such investigation has been concluded:

- prior to Vesting, that Participant's Awards shall not Vest;
- after Vesting but before the delivery of the Plan Shares and/or cash underlying an Award, the Shares underlying that Award shall not be delivered or become exercisable;
- after the delivery of the underlying Plan Shares, where the Plan Shares are delivered to a nominee, the Participant's nominee account shall be frozen; and
- in the case of Vested Option or a Vested Phantom Award, that Award shall not Lapse.

In determining the reduction which should be applied under this Rule 7, the Committee shall act fairly and reasonably but its decision, not being unreasonably delayed, shall be final and binding.

For the avoidance of doubt, any reduction under this Rule 7 may be applied on an individual basis as determined by the Committee.

8 Vesting of Awards (and Exercise of Options)

8.1 Earliest date for Vesting of Awards

Subject to Rules 7 (Clawback), 9 (Vesting in Special Circumstance, etc.) and 10 (Takeovers etc.), an Award will Vest on the later of:

- the relevant date specified in the Award Certificate under Rule 2.4 (Contents of Award Certificate); and
- the date on which the Committee determines that the Performance Target and any further condition imposed under Rule 6.1 (Setting of Performance Target(s)) have been satisfied.

8.2 *Effect of Award Vesting*

Subject to the Rules, the effect of an Award Vesting shall be:

- in the case of an Option, that the Award Holder is entitled to exercise the Option at any time during the Exercise Period to the extent that it has Vested;
- in the case of a Conditional Share Award, that the Award Holder shall become entitled to the Plan Shares to the extent that the Award has Vested; and
- in the case of a Phantom Award, the Award Holder is entitled to receive a cash payment to the extent that the Award has Vested.

8.3 *No Vesting or Exercise while Dealing Restrictions apply*

Plan Shares may not be issued or transferred to an Award Holder (nor, in the case of an Option, may the Option be exercised) while Dealing Restrictions apply.

8.4 *Effect of Cessation of Relevant Employment*

Subject to Rule 9 (Vesting and Exercise of Awards in Special Circumstances), an Award shall Vest only while the Award Holder is in Relevant Employment. Any Award that has been granted but has not Vested shall lapse on the date the Award Holder ceases to be in Relevant Employment.

8.5 *Payment of tax and social security contributions*

Vesting (and where relevant, exercise) of Awards will be subject to the Participant meeting any Tax Liability (wherever arising) in respect of Vesting or exercise of the Awards.

8.6 *Options may be Exercised in whole or in part*

Subject to Rules 8.3 (No Vesting or Exercise while Dealing Restrictions apply) and Rule 8.4 (Effect of Cessation of Relevant Employment), a Vested Option may be exercised in whole or in part at any time. If exercised in part, the unexercised part of the Option shall not lapse as a result and shall remain exercisable.

8.7 *Procedure for Exercise of Options*

- An Option shall be exercised by the Award Holder delivering to the Committee a duly completed notice of exercise in the form from time to time prescribed by the Company, specifying the number of Plan Shares in respect of which the Option is being exercised, and either accompanied by the Award Price (if any) in full or confirmation of arrangements satisfactory to the Committee for the payment of the Award Price (which include, but are not limited to, entering into an undertaking to pay), together with any payment of any Tax Liability/or documentation required under Rule 14 (Accounting for Tax and Social Security Contributions) and, if required, the Award Certificate.
- For the avoidance of doubt, the date of exercise of an Option shall be the date of the receipt of the notice of exercise and compliance with the first paragraph of this Rule 8.7.
- To the extent that a Vested Option remains unexercised on the last day of the Exercise Period, the Company will, subject to the condition set out below being satisfied, be deemed to have received a valid

notice of exercise for such Option with a direction to sell a sufficient number of Plan Shares arising on the exercise of the Option to fund the Award Price together with any payment of any Tax Liability and/or documentation required under Rule 14 (Accounting for Tax and Social Security Contributions). The condition referred to be that $A - B$ is greater than C , calculated as follows: A equals the expected sale proceeds of the Plan Shares resulting from the exercise of the Option; B equals any costs of any sale; and C equals the Award Price. An Award Holder may give notice (in a form determined by the Committee) that this paragraph is not to apply in respect of an Option.

8.8 ***Issue or transfer of Plan Shares***

Subject to Rules 8.10 (Cash Settling), 8.11 (Dividend Equivalent) and 14 (Accounting for Tax and Social Security Contributions) and to any necessary consent and to compliance by the Award Holder with the Rules, the Committee shall, as soon as practicable as and in any event not later than thirty days after:

- the exercise date in the case of an Option arrange, for the issue or transfer to the Award Holder of the number of Plan Shares specified in the notice of exercise together with, in the case of the partial exercise of an Option, an Award Certificate in respect of, or the original Award Certificate endorsed to show, the unexercised part of the Option; and/or
- the Vesting of a Conditional Share Award, arrange for the issue or transfer to the Award Holder of the number of Plan Shares in respect of which the Award has Vested; and/or
- the Vesting of a Phantom Share Award, arrange for the payment to the Award Holder of the cash amount in respect of which the Award has Vested.

8.9 ***Satisfaction of Awards***

On Vesting (or, where appropriate, exercise) of an Award, the Company may satisfy the Vesting or exercise of the Award using new issue shares, market purchase shares and shares transferred out of treasury and/or out of trust (including, but not limited to, the Employee Benefit Trust).

8.10 ***Cash Settling***

Subject to Rule 14 (Accounting for Tax and Social Security Contributions), the Board, having consulted with the Committee, may on exercise of an Option make a cash payment to the Award Holder equal to the Gain on the date of exercise of the Option.

Subject to Rule 14 (Accounting for Tax and Social Security Contributions), the Board, having consulted with the Committee, may on the Vesting of a Conditional Award make a cash payment to the Award Holder equal to the Market Value of the Plan Shares in respect of which the Conditional Share Award has Vested.

Where the Board settles an Award in the manner described in this Rule 8.10, this shall be in full and final satisfaction of the Award Holder's rights under the Award.

8.11 ***Dividend Equivalents***

An Award may include the right to receive an amount on Vesting equal in value to the dividends which were payable on the number of Plan Shares in respect of which the Award has Vested during the period between the Award Date and the date of Vesting.

The Board, having consulted with the Committee, may decide at any time not to apply this Rule 8.11 to all or any part of a special dividend or dividend in specie.

8.12 ***Holding Period***

If an Award is granted subject to a Holding Period, the Vesting (and exercise, where appropriate) of the Award will be subject to the Participant agreeing that they cannot sell, charge or dispose of any Plan Shares they acquire in connection with the Vesting or exercise of the Award in any way, save as to meet any Tax Liability which arises at Vesting and/or exercise. If the Award Vests in connection with Rules 9 (Leavers) and 10 (Takeovers, etc.) the Holding Period requirement will not apply.

8.13 ***US Taxpayers***

This Rule 8.13 shall apply to US Taxpayers. Notwithstanding anything to the contrary contained in the Plan, no Option may be exercised later than 2.5 calendar months after the end of the Taxable Year in which the Option first becomes exercisable, provided that the Option shall lapse on the date it would have lapsed had this Rule not applied. The Rules of the Plan shall be interpreted accordingly.

For the purposes of this Rule 8.13, “Taxable Year” means the 12 month period in respect of which the Option Holder is obliged to pay US Tax or, if it would result in a longer exercise period, the 12 month period in respect of which the Option Holder’s employing company is obliged to pay tax. US Taxpayer means a person who is subject to taxation under the tax rules of the United States of America.

9 ***Vesting and Exercise of Awards in Special Circumstances***

9.1 ***Good Leaver Reasons***

Notwithstanding Rule 8.1 (Earliest date for Vesting of Awards), if an Award Holder ceases to be in Relevant Employment for any reason other than by reason of Cause or, unless the Committee determines otherwise, the resignation of the Award Holder, he will be regarded as a “good leaver” (“**Good Leaver**”).

If an Award Holder ceases employment as a Good Leaver, then any Awards that have not Vested shall not lapse, but shall Vest to the extent that the Performance Targets have been satisfied, as measured over the Performance Period and shall Vest pro-rata as a proportion of the amount of time that has elapsed between the Award Date and the end of the Performance Period unless the Committee determines that such a reduction should be disappplied. The Awards will lapse as to the balance.

For the avoidance of doubt, the Committee will have discretion to determine that Awards will Vest in full if the Award Holder is a Good Leaver during the Performance Period.

In the case of Options, the Award Holder or, in the case of death of the Award Holder, his personal representative, shall be entitled to exercise the Vested proportion of his Options during a period specified by the Committee. If not so exercised, the Option shall lapse at the end of such period.

9.2 ***Meaning of ceasing to be in Relevant Employment***

For the purposes of the Plan, an Award Holder shall be treated as ceasing to be in Relevant Employment when he no longer holds any office or employment with any Group Member. An Award Holder will still be in Relevant Employment if he has given or received notice to terminate his employment but his employment has not yet terminated for any reason except where the Award Holder ceases to be in Relevant Employment by reason of Cause, where the relevant date of ceasing Relevant Employment will be the earlier of (i) the date notice to terminate the Relevant Employment is given and (ii) the date such notice takes effect.

9.3 ***Interaction of Rules***

In the case of an Option, if it has become exercisable under Rule 9 (Vesting and Special Circumstances, etc.) and, during the period allowed for the exercise of the Option under Rule 9 (Vesting and Special Circumstances etc.), the Option becomes exercisable under Rule 10 (Takeover, etc.) also (or vice versa), the period allowed for

the exercise of the Option shall be the shorter of the period allowed by Rule 9 (Vesting and Special Circumstances, etc.) and the period allowed by Rule 10 (Takeovers, etc.).

10 Takeover, Reconstruction, Amalgamation or Winding-up of the Company

10.1 Takeover

Subject to Rule 11 (Exchange of Awards), if a person (or a group of persons acting in concert) obtains Control of the Company as a result of making an offer to acquire Plan Shares, the Performance Period relating to any Award will end on the date that the person (or a group of persons acting in concert) obtains such Control of the Company and the Award will Vest, subject to the provisions of rule 8 (Vesting of Awards (and Exercise of Options) and rule 9 (Vesting in Special Circumstance, etc.) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to 10.6. Unless settled or exercised, all Awards will lapse, whether Vested or exercised pursuant to this rule 10.1 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

10.2 Compulsory acquisition of the Company

If a person becomes entitled or bound to acquire shares in the Company under section 979 of the Companies Act 2006, the Performance Period relating to any Award will end on the date that the person becomes so entitled and the Award will Vest, subject to the provisions of rule 8 (Vesting of Awards (and Exercise of Options) and rule 9 (Vesting in Special Circumstance, etc.) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to 10.6. Unless settled or exercised, all Awards will lapse, whether Vested or exercised pursuant to this rule 10.2 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

10.3 Reconstruction or amalgamation of the Company

If a person proposes to obtain Control of the Company in pursuance of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006, the Performance Period relating to any Award will end on the date that the court sanctions such compromise or arrangement, and the Award will Vest, subject to the provisions of rule 8 (Vesting of Awards (and Exercise of Options) and rule 9 (Vesting in Special Circumstance, etc.) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to 10.6. Unless settled or exercised, all Awards will lapse, whether Vested or exercised pursuant to this rule 10.3 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

10.4 Winding-up of the Company

If a notice is given of a resolution for the voluntary winding-up of the Company, the Performance Period relating to any Award will end immediately prior to the winding up of the Company and the Award will Vest, subject to the provisions of rule 8 (Vesting of Awards (and Exercise of Options) and rule 9 (Vesting in Special Circumstance, etc.) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to 10.6. Unless settled or exercised, all Awards will lapse, whether Vested or exercised pursuant to this rule 10.4 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

10.5 Demergers and Other Events

If the Committee becomes aware that the Company will be affected by a demerger, distribution (which is not an ordinary dividend) or other transaction not otherwise covered by the Rules, the Committee may determine that the Performance Period relating to any Award will end immediately prior to the date or on the date that the demerger, distribution or other transaction will occur and the Award will Vest, subject to the provisions of rule 8 (Vesting of Awards (and Exercise of Options) and rule 9 (Vesting in Special Circumstance, etc.) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to 10.6. Unless settled or exercised, all Awards will lapse, whether Vested or exercised pursuant to this rule 10.4 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

10.6 Relevant Event

If any of the events in rules 10.1 to 10.5 inclusive (a “**Relevant Event**”) occurs, the number of Plan Shares to Vest (if any) in respect of a Award may, if the Committee acting in its complete discretion so determines, be reduced by reference to the proportion of the Performance Period which has elapsed at the date of the Relevant Event.

10.7 Meaning of “obtains Control of the Company”

For the purpose of this Rule 10 (Takeovers, etc.), a person shall be deemed to have obtained Control of the Company if he and others Acting In Concert with him have together obtained Control of it.

10.8 Notification of Award Holders

The Committee shall, as soon as reasonably practicable, notify each Award Holder of the occurrence of any of the events referred to in this Rule 10 (Takeovers, etc.) and explain how this affects their position under the Plan.

10.9 Vesting of Awards and corporation tax deduction

Where the Committee is aware that an event is likely to occur under Rule 10 (Takeovers, etc.) in respect of which Awards will Vest in circumstances where the conditions for relief under Part 12 of the Corporation Tax Act 2009 may not be satisfied, the Committee may determine that the Awards Vest, in accordance with Rule 10 (Takeovers, etc.), immediately prior to the event taking place.

11 Exchange of Awards

11.1 Where exchange applies

In the event of:

- an Internal Reorganisation which would otherwise cause Awards to Vest in accordance with his Rule 10 (Takeovers, etc.);
- an offer is made to, and accepted by, the Award Holder to exchange his Award, or
- an event set out in Rule 10 (Takeovers, etc.) occurs and the Committee determines that this Rule 11 shall apply,

the other provisions of Rule 10 (Takeovers, etc.) will not apply and the Awards will not Vest but will be exchanged in consideration for the grant of new awards over or in respect of shares in another company the other provisions of Rule 10 (Takeovers, etc.) will not apply and the Awards will not Vest but will be exchanged in consideration for the grant of New Awards over or in respect of shares in another company which is in

accordance with Rule 11.2 (provided always that the New Awards will be subject to Rule 2 (Making of Awards) and Rule 7 (Clawback)).

11.2 Terms of exchange

The following applies in respect of the New Award:

- the Award Date of the New Award shall be deemed to be the same as the Award Date of the Award;
- the New Award will be in respect of the shares in a company determined by the Committee;
- in the application of the Plan to the New Award, where appropriate, references to “Company” and “Plan Shares” shall be read as if they were references to the company to whose shares the New Award relates;
- the New Award must be equivalent to the Award and it will Vest at the same time and in the same manner as the Award; and
- either the Vesting of the New Award must be subject to performance conditions and other conditions which are so far as possible equivalent to the Performance Target and conditions applying to the Award or no performance conditions will apply but the value of shares comprised in the New Award shall be the value of the number of Plan Shares which would have Vested under Rule 10 (Takeovers, etc.) as applicable.

12 Lapse of Awards

Notwithstanding any other provision of the Rules, an Award (or relevant part thereof) shall lapse on the earliest of:

- in the case of Options only, the expiry of the Exercise Period;
- the date a determination is made in accordance with Rule 7 (Clawback);
- the Committee determining that the Performance Target or any further condition imposed on an Award under Rule 6.1 (Setting of Performance Target(s)) has not been satisfied either in whole or in part in respect of the Award and can no longer be satisfied in whole or in part;
- subject to Rule 9 (Vesting in Special Circumstance, etc.), the Award Holder ceasing to be in Relevant Employment;
- any date provided for under these Rules;
- ten years from the Award Date; and
- the date on which the Award Holder attempts to transfer, charge or otherwise alienate his Award or becomes bankrupt or enters into a compromise with his creditors generally.

13 Adjustment of Awards on Variation of share capital

13.1 Power to adjust Awards

In the event of a Variation, the number of Plan Shares subject to an Award which is an Option or a Conditional Share Award or the number of Plan Shares which relate to a Phantom Award, the description of the Plan Shares, the Award Price, or any one or more of these, shall be adjusted in such manner as the Committee considers fair and reasonable.

13.2 Notification of Award Holders

The Board, having consulted with the Committee, shall, as soon as reasonably practicable, notify each Award Holder of any adjustment made under this Rule 13 (Adjustment of Awards on Variation of Share Capital) and explain how this affects their position under the Plan.

14 Accounting for tax and social security contributions

14.1 Deductions

Unless the Award Holder discharges any liability that may arise himself, the Board, having consulted with the Committee, the Company or any Group Member (as the case may be) may withhold such amount, or make such other arrangements as it may determine appropriate, for example to sell or withhold Plan Shares or make deductions from other payments due or otherwise due to the Award Holder, to meet any liability to:

- (i) for any tax (or similar liabilities) in any jurisdiction; and/or
- (ii) for any employee social security contributions (or similar liabilities) in any jurisdiction (but excluding employers social security contributions); and/or
- (iii) any duties or similar charges.

in connection with an Award and/or the acquisition and holding of Plan Shares pursuant to an Award (together, the "**Tax Liability**").

14.2 Tax elections

Each Award Holder agrees to enter into a joint election in respect of any Plan Shares he may acquire pursuant to an Award under section 431(1) or section 431(2) of ITEPA Act (or similar elections or statements or other declaration pursuant to such other tax legislation that may be applicable to Award Holder situated in jurisdictions other than the UK), if required to do so by the Company, the Committee or the Award Holder's employer or former employer, on or before the Grant Date, the Vesting date or exercise date, as appropriate.

14.3 Execution of Document by Award Holder

The Committee may require an Award Holder to execute a document in order to bind himself contractually to any such arrangement as is referred to in Rule 14.1 (Deductions) and return the executed document to the Committee by a specified date. It shall be a condition of Vesting of the Award that the executed document be returned by the specified date unless the Committee determines otherwise.

15 Issue and Listing of Plan Shares

If and so long as Plan Shares are listed on the Alternative Investment Market and traded on the London Stock Exchange, the Company will apply for the listing of any Plan Shares issued under the Plan as soon as practicable.

16 Relationship of Plan to Contract of Employment

16.1 Contractual Provisions

Notwithstanding any other provision of the Plan:

- the Plan shall not form part of any contract of employment between any Group Company and an Eligible Employee;

- unless expressly so provided in his contract of employment, an Eligible Employee has no right to be made an Award and the receipt of an Award in one year is no indication that the Award Holder will be made any subsequent Awards;
- the benefit to an Eligible Employee of participation in the Plan (including, in particular but not by way of limitation, any Awards held by him) shall not form any part of his remuneration or count as his remuneration for any purpose and shall not be pensionable;
- if an Eligible Employee ceases to be in Relevant Employment for any reason, he shall not be entitled to compensation for the loss or diminution in value of any right or benefit or prospective right or benefit under the Plan (including, in particular but not by way of limitation, any Awards held by him which lapse by reason of his ceasing to be in Relevant Employment) whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise;
- Participants in the Plan will have no claim or right of action in respect of any decision, omission or discretion, which may operate to the disadvantage of the Eligible Employee even if it is unreasonable, irrational or might otherwise be regarded as being in breach of the duty of trust and confidence (and/or any other implied duty) between the Eligible Employee and his employer; and
- no Eligible Employee has any right to compensation for any loss in relation to the Plan, including any loss in relation to:
 - any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
 - any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; or
 - the operation, suspension, termination or amendment of the Plan.

16.2 Deemed Agreement

By accepting the making of an Award, an Award Holder is deemed to have agreed to the provisions of these Rules, including this Rule 16 (Relationship of Plan to Contract of Employment).

17 Administration of Plan

17.1 Responsibility for administration

The Committee shall be responsible for, and shall have the conduct of, the administration of the Plan. The Committee may from time to time make, amend or rescind regulations for the administration of the Plan provided that such regulations shall not be inconsistent with the Rules.

17.2 Committee's decision final and binding

The decision of the Committee shall be final and binding in all matters relating to the Plan, including but not limited to the resolution of any dispute concerning, or any inconsistency or ambiguity in the Rules or any document used in connection with the Plan.

17.3 Discretionary nature of Awards

All Awards shall be made entirely at the discretion of the Committee.

17.4 Provision of information

The Award Holder shall provide to the Company as soon as reasonably practicable such information as the Company reasonably requests for the purpose of complying with its obligations under section 421J of ITEPA.

17.5 Cost of Plan

The cost of introducing and administering the Plan shall be met by the Company. The Company shall be entitled, if it wishes, to charge an appropriate part of such cost to a Subsidiary or the Committee.

17.6 Data protection

By participating in the Plan the Participant consents to the collection, holding and processing of personal data provided by the Participant to any Group Member, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to:

- administering and maintaining Participant records;
- providing information to Group Members, the trustee of any employee benefit trust, registrars, brokers or third party administrators of the Plan;
- providing information to future purchasers of the Company or their agents or advisers or the business in which the Participant works; and
- transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

17.7 Third party rights

Nothing in these Rules confers any benefit, right or expectation on a person who is not an Award Holder. No such third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of these Rules.

18 Amendment of Plan

18.1 Power to amend Plan

Subject to Rules 18.2 (Amendments to the Plan) and 18.3 (Rights of existing Award Holders), the Committee may from time to time amend the Rules (including, for the purposes of establishing a sub-plan for the benefit of employees located overseas).

18.2 Amendments to the Plan

Without the prior approval of the Company in general meeting, an amendment may not be made for the benefit of existing or future Award Holders to the Rules relating to:

- the basis for determining an Eligible Employee's entitlement (or otherwise) to be made an Award and/or to acquire Plan Shares on the exercise of an Option and/or to become absolutely entitled to Plan Shares subject to a Conditional Share Award (as the case may be) under the Plan;
- the persons to whom an Award may be made;
- the limit on the aggregate number of Plan Shares over which Awards may be made;
- the limit on the number of Plan Shares over which Awards may be made to any one Eligible Employee;

- the price at which Plan Shares may be acquired under an Award;
- the adjustment of Awards on a Variation; or
- this Rule 18.2,

except for:

- an amendment which is of a minor nature and benefits the administration of the Plan; or
- an amendment which is of a minor nature and is necessary or desirable in order to take account of a change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan, the Company or some other Group Member.

18.3 *Rights of existing Award Holders*

Plan Shares issued on Vesting of a Conditional Share Award or exercise of an Option will rank equally in all respects with the Plan Shares in issue on the date they Vest or are exercised save as regards any rights attaching to such Plan Shares by reference to a record date prior to the date of such issue or transfer.

Plan Shares which are transferred (including transfer out of treasury) on Vesting or exercise of an Award to the Award Holder will be entitled to all rights attaching to the Plan Shares by reference to a record date on or after the transfer date. The Award Holder will not be entitled to voting, dividend or other rights before that date.

Amendment may not adversely affect the rights of an existing Award Holder except where the Award Holder has approved the amendment.

19 *Notices*

19.1 *Notice by Committee or Company*

Save as provided for by law, any notice, document or other communication given by, or on behalf of, the Board or Committee or to any person in connection with the Plan shall be deemed to have been duly given if delivered to him at his place of work, if he is in Relevant Employment if sent by e-mail to such e-mail address as may be specified by him from time to time, or sent through the post in a pre-paid envelope to the postal address last known to the Company to be his address and, if so sent, shall be deemed to have been duly given on the date of posting.

19.2 *Notice to Committee or Company*

Save as provided for by law any notice, document or other communication given to the Committee in connection with the Plan shall be delivered by hand or sent by email, fax or post to the Company Secretary at the Company's registered office or such other e-mail or postal address as may from time to time be notified to Award Holders but shall not in any event be duly given unless it is actually received at the registered office or such e-mail or postal address.

20 *Governing Law and Jurisdiction*

20.1 *Plan governed by English law*

The formation, existence, construction, performance, validity and all aspects whatsoever of the Plan, any term of the Plan and any Award made under it shall be governed by English law.

20.2 ***English courts to have jurisdiction***

The English courts shall have jurisdiction to settle any dispute which may arise out of, or in connection with, the Plan.

20.3 ***Jurisdiction agreement for benefit of Company***

The jurisdiction agreement contained in this Rule 20 (Governing Law and Jurisdiction) is made for the benefit of the Company only, which accordingly retains the right to bring proceedings in any other court of competent jurisdiction.

20.4 ***Award Holder deemed to submit to such jurisdiction***

By accepting the making of an Award, an Award Holder is deemed to have agreed to submit to such jurisdiction.

Schedule: Part 2 – Faroe Petroleum Restricted Share Plan

1 *General*

Except as expressly provided in this schedule, all of the rules set out in the Faroe Petroleum Incentive Plan will apply to Awards made under this schedule, except where this schedule provides otherwise.

2 *Definitions*

All definitions set out in Rule 1.1 of the Faroe Petroleum Incentive Plan apply to this schedule, unless otherwise set out below:

Award Certificate means a statement in a form determined by the Company setting out details of the Award as set out in Rule 2.4 (Contents of Award Certificate) of the Faroe Petroleum Incentive Plan Rules, except as varied in the Rule 3 of this schedule;

Eligible Employee means any individual who is an employee of the Company or a Group Member at the Award Date, excluding the executive directors of the Company. The Committee will have absolute discretion to determine any other eligibility criteria which must be satisfied in order for an individual to be an Eligible Employee; and

RSP means the Faroe Petroleum Restricted Share Plan, as set out in this Schedule to the Faroe Petroleum Incentive Plan.

3 *Making of Awards*

The provisions of Rule 2 of the Faroe Petroleum Incentive Plan will apply to Awards under the RSP, except that the provisions in Rule 2.4 (Contents of Award Certificate) are varied by this Rule 3 so that:

- An Award granted under the RSP will be an Option unless the Committee determines otherwise at the Award Date;
- Awards granted under the RSP will always have an Award Price of nil unless the Committee determines otherwise at the Award Date; and
- Awards granted under the RSP will not be subject to a Holding Period.

4 *Individual Limits*

4.1 *Limit*

Rule 4.2 of the Faroe Petroleum Incentive Plan will, for the purpose of the RSP, be deleted and replaced with the following:

- In any Financial Year, Eligible Employees may not be granted Awards in respect of a Financial Year with a Market Value at their respective Award Dates in excess 50% of Annual Remuneration.

All or part of Awards may be granted subject to a Performance Target.

For the purpose of this Rule 4.1:

- **Annual Remuneration** means the higher of:
 - basic salary paid by the Group expressed as an annual rate as at the Award Date;

- basic salary paid by the Group for the period of 12 months ending on the last day of the month immediately preceding the month in which the Award is made.

In calculating the limit set out in this Rule 4.1, no account shall be taken of Awards that are made to replace awards made or options granted under any other Employees' Share Scheme operated by the Group.