

Response to Unsolicited Offer by DNO ASA

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FOR IMMEDIATE RELEASE

26 November 2018

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

Response to Unsolicited Offer by DNO ASA ("DNO")

Further to its earlier announcement, the Board of Faroe (the "Board", "we") have now met together with its advisers and considered the announcement released earlier today by DNO of an unsolicited offer for the entire issued and to be issued share capital of Faroe not already owned by DNO at 152p per share (the "Offer").

The Board strongly believes that the Offer is opportunistic and substantially undervalues Faroe and encourages all shareholders to take no action.

DNO's opportunistic Offer substantially undervalues your Company

The Offer price of 152p per share represents a premium of just 1% to Faroe's 3-month VWAP and only 21% to Faroe's closing share price on 23 November 2018. This is:

- substantially below the average premium on all UK takeovers over the last 10 years of 43%¹;
- substantially below the average premium on all UK takeovers in the E&P space over the last 10 years of 40%²; and
- equivalent to US\$6.8³ per barrel of 2P reserves and US\$3.2³ per barrel of 2P reserves + 2C resources, which is substantially below the average price paid recently for comparable North Sea (in particular, Norwegian Continental Shelf) portfolios of US\$12.1⁴ per barrel of 2P reserves and US\$9.5⁴ per barrel of Total Resources respectively.

DNO's Offer does not value Faroe's exciting prospects as an independent business

The Offer also fails to recognise the exciting prospects that Faroe has as an independent business. Faroe has a proven track record of successful exploration, sustainably delivering reserves and resource growth year-on-year, and effective portfolio management. Since the date of DNO's first acquisition of the Company's shares on 4 April 2018, Faroe has made significant progress in its stated exploration and appraisal programme and general corporate development:

- following significant exploration successes at Iris/Hades and Agar this year, our exploration programme continues with a near term five-well exploration and appraisal campaign already underway with the potential to deliver significant resources in the next 12 months, and many more wells expected thereafter;
- we continue our transformational production growth programme with a fully-funded near to medium term production growth target of 35,000boepd, and potential for considerable additional organic production growth thereafter; and
- our plans are underpinned by our strong balance sheet together with the recent successful increase and extension of our Reserve Based Lending bank credit facility, which remains undrawn.

We strongly believe that DNO's Offer fails to reflect these attributes and hence the fair value that you deserve for your investment in Faroe.

Our growth plans are aimed at serving the interests of Faroe's shareholders as a whole, in keeping with our strong corporate governance culture which also, as expressed in our announcement dated 16 August 2018, led us to conclude that Board representation by DNO would not serve the interests of Faroe's shareholders. The Board believed then, and continues to believe, that control of the Company should not be ceded without an appropriate premium being paid.

DNO's Offer does not provide you with an appropriate premium for solving DNO's strategic challenges

Faroe would provide DNO with a high quality, full cycle and diversified North Sea asset base that stands in stark contrast to DNO's existing business. As such, Faroe would solve DNO's strategic challenges and shareholders should receive an appropriate premium which is not currently reflected in DNO's Offer.

John Bentley, Non-Executive Chairman of Faroe, commented:

"DNO's offer substantially undervalues Faroe on every applicable metric.

The Board is determined to defend our shareholders' rights to receive an appropriate premium for a fully funded business which is actively progressing the delivery of its highly attractive growth prospects and is the only platform available which solves DNO's strategic challenges.

We believe that Faroe is worth substantially more than 152p per share and we urge shareholders to reject DNO's opportunistic, unsolicited and inadequate offer."

The Board of Faroe will write to shareholders with its detailed views on the offer in due course. In the meantime, Faroe shareholders are strongly urged to take no action in relation to their Faroe shares.

Rule 2.9 information

In accordance with Rule 2.9 of the City Code on Takeovers and Mergers, the Company confirms that, as at the date of this announcement, it has 372,889,693 ordinary shares of 10 pence each in issue and admitted to trading on the AIM market of the London Stock Exchange.

The International Securities Identification Number for Faroe's ordinary shares is GB0033032904.

- Ends -

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Footnotes

- 1) Based on the average pre-bid speculation premium achieved in UK public market takeovers in the ten years to 20 November 2018. This data is exported from M&A Monitor (criteria: a) Target Nation: UK; b) Deal Status: Announced or Completed; c) Deal Type: Public Offers (all categories except partial, minority and squeeze-out offers)). The export was then adjusted to exclude deals categorised as "Public Transaction (partial offer)." under the "Type of deal" category
- 2) Based on the average pre-bid speculation premium achieved in UK E&P public market takeovers in the ten years to 20 November 2018. This data is exported from M&A Monitor (criteria: a) Target Nation: UK; b) Deal Status: Announced or Completed; c) Deal Type: Public Offers (all categories except partial, minority and squeeze-out offers)). The export was then filtered for 'Oil & Gas' under the 'Industrial Sector' category
- 3) Assumes a USD:GBP exchange rate of 1.28, fully diluted number of shares outstanding of 398.5m, latest reported Faroe net cash balance of £82.6m as at 30 June 2018 and Faroe 2P reserves of 98mmboe and 2C resources of 113mmboe
- 4) Based on Wood Mackenzie report ("Wood Mackenzie Report") commissioned by the Board to consider historical upstream mergers and acquisitions and determine an appropriate benchmark against which to value Faroe. The Wood Mackenzie Report can be viewed on the Company's website at www.fp.fo. Transaction multiples are based on relevant UK and Norway deals as outlined in the Wood Mackenzie report

Further information

Rothschild, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Faroe and no one else in connection with the above and will not be responsible to anyone other than Faroe for providing the protections offered to clients of Rothschild nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

Stifel, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Faroe and no one else in connection with the above and will not be responsible to anyone other than Faroe for providing the protections offered to clients of Rothschild nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a

person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication on website and hard copies

A copy of this announcement and the documents required to be published by Rule 26 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Faroe's website at <https://www.fp.fo/> by no later than 12 noon on the Business Day following the date of this announcement. For the avoidance of doubt, the content of the website is not incorporated into and does not form part of this announcement.

Forward Looking Statements

This announcement contains certain statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and Faroe's actual results of operations, financial condition and liquidity, and the development of the industry in which Faroe operates, may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Faroe, or persons acting on its behalf, may issue.

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