

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION

FOR IMMEDIATE RELEASE

2 January 2019

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

Independent expert's asset valuation highlights the inadequacy of DNO's Offer

The Board of Faroe (the "Board", "we") announces that it is today publishing an independent current valuation report on Faroe's assets which implies a valuation for Faroe in the range of 186p to 225p per share¹. This independent valuation report clearly highlights the inadequacy of DNO's offer of 152p per share in cash (the "Offer").

Summary

- Gaffney, Cline & Associates ("GCA"), a leading independent oil and gas industry expert, concludes that the value of Faroe's oil and gas assets reflecting current market oil pricing is in the range of **US\$879m - US\$1,076m**
- This implies a valuation for Faroe in the range of 186p to 225p per share¹ on a fully diluted basis adjusting for net cash as at 30 September 2018, representing a 22% - 48% premium to DNO's Offer price
- GCA's valuation report has been prepared as at 30 September 2018 but updated to reflect the current oil price environment and latest drilling results including for Brasse, which have been announced today
- GCA estimates Faroe's 2P Reserves as at 30 September 2018 to be c.102mmboe²
- GCA's valuation further reinforces the Board's view that DNO's Offer is opportunistic and substantially undervalues Faroe

Independent expert's asset valuation

GCA has prepared an independent valuation of Faroe's assets as at an effective date of 30 September 2018, in accordance with Rule 29 of the UK Takeover Code.

GCA has updated its analysis to reflect the current oil price environment and latest drilling results including for Brasse, which have been announced today. GCA concludes that "the value of Faroe's oil and gas assets more reflective of current (late December 2018) market oil pricing is in the range of **US\$879 million - US\$1,076 million**"

In accordance with Rule 26.3 of the UK Takeover Code, a full copy of GCA's independent valuation report has been published on our website.

GCA's valuation does not account for:

- The Equinor asset swap on the basis that this has not completed yet and consequently does not reflect the tax synergies we expect to realise through the accelerated utilisation of our Norwegian tax loss position from this transaction
- Faroe's scarcity value in the current tight upstream M&A market, especially on the Norwegian Continental Shelf (as described by Wood Mackenzie in their "Norway's M&A Market" October 2018 report)
- Faroe's going concern value of its management's proven track record, in particular in exploration (as validated by Wittemann E&P Consulting in their "NCS exploration performance analysis" 1 October 2018 report)
- The strategic benefits that Faroe would bring to DNO whose business stands in stark contrast to Faroe's high quality, full cycle and diversified North Sea business

The Board believes that GCA's independent valuation further reinforces its view that the Offer is opportunistic and substantially undervalues Faroe.

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

"GCA's independent valuation clearly supports our view that DNO's Offer substantially undervalues Faroe. Its valuation of Faroe's oil and gas assets implies a value per share for Faroe in the range of 186p to 225p per share representing a 22%-48% premium respectively to DNO's Offer price."

As noted above, the full GCA report is available on Faroe's website <https://www.fp.fo/> and will be posted to shareholders shortly.

- Ends -

For further information please contact:

Faroe Petroleum plc
Graham Stewart, CEO

Tel: +44 (0) 1224 650 920

Rothschild & Co
Emmet Walsh / Elias Mitropoulos

Tel: +44 20 7280 5000

Stifel Nicolaus Europe Limited
Callum Stewart / Nicholas Rhodes / Ashton Clanfield

Tel: +44 (0) 20 7710 7600

BMO Capital Markets
Tom Rider / Jeremy Low

Tel: +44 (0) 207 236 1010

FTI Consulting
Ben Brewerton / Sara Powell

Tel: +44 (0) 20 3727 1000

Footnotes

- 1) The implied valuation for Faroe in the range of 186p to 225p per share is based on GCA's valuation range of Faroe's oil and gas assets of US\$879m to US\$1,076m, converted assuming a USD:GBP exchange rate of 1.27 as at 31 December 2018, adjusted for Faroe's net cash balance of £49.6m as at 30 September 2018 (unaudited management estimate) and assumes a fully diluted number of shares outstanding of 398.3m
- 2) The reference to GCA's estimates of Faroe's 2P Reserves as at 30 September 2018 of c.102mmboe is calculated using a Bscf:mmboe conversion factor of 6:1

Extraction of key Reserves and Resources data contained within GCA's report

A summary of the Reserves attributed to Faroe's assets is shown in Table 1. A summary of the Contingent Resources (Development Pending) attributed to Faroe's assets is shown in Table 2.

Table 1: Summary of Reserves, Net to Faroe, as at 30th September 2018

	Proved	Proved plus Probable	Proved plus Probable plus Possible
Oil (MMBbl)	43.2	71.4	108.9
NGL (MMBbl)	5.5	10.4	21.3
Gas (Bscf)	63.6	118.5	235.8

Table 2: Summary of Contingent Resources (Development Pending), Net to Faroe, as at 30th September 2018

	1C	2C	3C
Oil (MMBbl)	13.5	45.9	78.7
NGL (MMBbl)	1.1	2.1	3.1
Gas (Bscf)	98.6	277.0	449.8

The technical data in this announcement has been reviewed by Mr. Bill Cline, the Senior Advisor within GCA. He has over 30 years' experience in the international oil and gas industry and has managed a large number of GCA's engagements with national oil companies, governments and ministries worldwide, particularly with respect to property valuations for transactional or dispute resolution purposes. He graduated from the Edmund A. Walsh School of Foreign Service at Georgetown University in Washington D.C. with a BSc. degree in International Economics and completed his MBA at Southern Methodist University's Edwin L. Cox School of Business in Dallas. He is a member of the Society of Petroleum Engineers and member and President Elect of the Association of International Petroleum Negotiators.

GCA's estimate has been 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.

Glossary

"1C"	denotes Low Estimate of Contingent Resources
"2C"	denotes Best Estimate of Contingent Resources.
"3C"	denotes High Estimate of Contingent Resources.
"Bscf"	billions of standard cubic feet
"Contingent Resources"	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
"MMBbls"	million barrels
"mmboe"	million barrels of oil equivalent
"Proved Reserves" or "1P"	those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term 'reasonable certainty' is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate
"Proved + Probable Reserves" or "2P"	when added to 1P, those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than 1P but more certain to be recovered than 3P. 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% probability that the actual quantities recovered will equal or exceed the 2P estimate
"Proved + Probable + Possible Reserves" or "3P"	when added to 2P, those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than 2P. The total quantities ultimately recovered have a low probability of exceeding the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
"reserves"	reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status

Further information

N M Rothschild & Sons Limited ("Rothschild & Co"), 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 & Co nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

Stifel Nicolaus Europe Limited ("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 Stifel nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

BMO Capital Markets Limited, 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 BMO Capital Markets Limited nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No. 596/2014, and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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.

If you receive the Response Circular in electronic form or by it being published on Faroe's website, you may request a copy of it in hard copy form if so entitled in accordance with Rule 30.3 of the Takeover Code. Hard copies will be sent only where valid requests are received from such persons. Requests for hard copies are to be submitted to the Registrars, Link Asset Services on 0871 664 0300 (or if calling from outside the UK +44 (0) 371 664 0300). Calls are charged at the standard geographic rate and will vary by provider. Calls made from outside the United Kingdom will be charged at the applicable international rate. A hard copy of the Response Circular and any other document referred to in the Response Document will not be sent to you unless so requested. You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be in hard copy form.

Please be aware that addresses, electronic addresses and certain other information provided by shareholders and persons with information rights and other relevant persons for the receipt of communications from Faroe may be provided to DNO during the offer period as required by the Takeover Code.

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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

MSCEAFFFEDXNEAF