REJECT
DNO's Offer

Your Company is worth substantially more than 152p per share

Faroe is delivering transformational growth – you should be the beneficiary of this, not DNO

TO REJECT THIS OPPORTUNISTIC, UNSOLICITED AND INADEQUATE OFFER,

DO NOTHING

DO NOT COMPLETE ANY FORM OF ACCEPTANCE

DISCLAIMER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This document is not for release, publication or distribution in, into or from any jurisdiction where such release, publication or distribution would constitute a violation of the securities laws of such jurisdiction. 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 Offer 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 document or any other matters referred to herein.

This document 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.

Statements of estimated cash flow benefits as a result of the Equinor asset swap relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this document generally, should be construed as a profit forecast, or interpreted to mean that Faroe's earnings or earnings per share for the current or future financial years would necessarily match or be greater than or be less than those for the relevant preceding financial period or any other period. For the purposes of Rule 28 of the Takeover Code, the Quantified Financial Benefits Statement contained in this document is the responsibility of Faroe and the Faroe directors.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out in Part A of Appendix 1 to this document. These estimated cash flow benefits have been reported on under the Takeover Code by BDO LLP, and by Faroes's financial advisers, Rothschild & Co. Copies of their letters are included in Parts B and C of Appendix 1. References in this document to those estimated cash flow benefits as a result of the Equinor asset swap should be read in conjunction with those parts of Appendix 1.

A copy of this document is, and will continue to be, available free of charge on Faroe's website at www.fp.fo until the end of the Offer Period. Save as referred to herein, the content of Faroe's website is not incorporated by reference into, and does not form part of, this document.

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.

Copies of this document

If you have received this document in electronic form or by it being published on Faroe's website, you may request a copy of this document 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 this document and any other document referred to in this 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 Shareholder 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.

Your Company is worth substantially more than 152p per share

DNO's opportunistic, unsolicited and inadequate Offer fails to fully value:

1. **Faroe's high quality, full cycle and diversified North Sea business**
2. **Our management team's proven track record, in particular in exploration – as validated by an independent consultant's report published today – and our exciting independent future**
3. **The benefits of the Equinor asset swap, which delivers an additional £96m[1] of cash flow over the next two years with no material impact on reserves or growth prospects**

Do not let DNO enjoy the benefits of our work and your investment without paying an appropriate premium

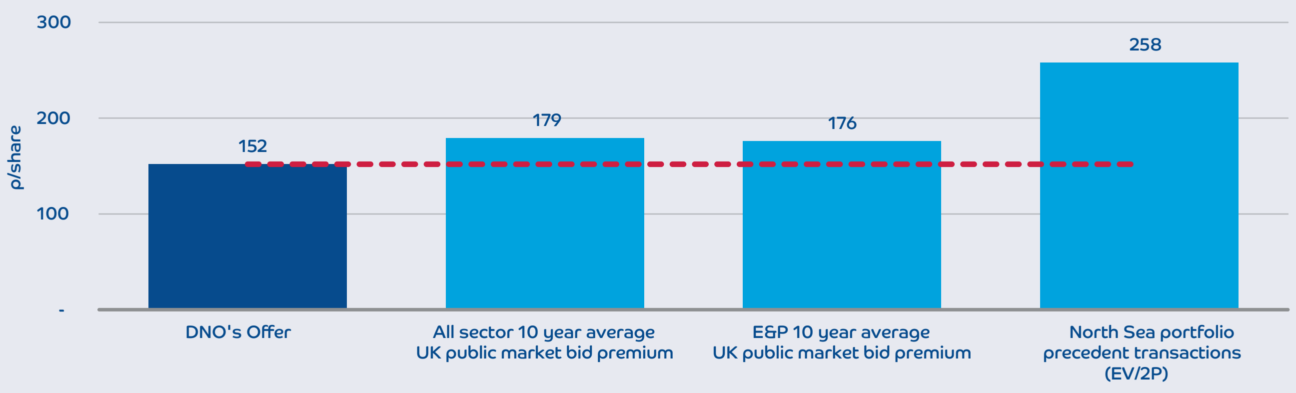
Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

YOUR COMPANY IS WORTH SUBSTANTIALLY MORE THAN 152P PER SHARE

1 DNO's opportunistic Offer of 152p per share substantially undervalues Faroe's business

- Premium of only 1% to the undisturbed three month volume weighted average share price (VWAP)
- Premium of only 21% to the closing share price prior to the Offer announcement – about half the average premium paid on all UK takeovers over the last 10 years
- Discount of c.45% to the average price paid for comparable North Sea (in particular, Norwegian Continental Shelf) portfolios measured on a per barrel of 2P reserves basis
- DNO's opportunistic Offer seeks to exploit the recent oil price fall – timing its Offer announcement after the oil price fell to a 12 month low – to acquire Faroe on the cheap

DNO's opportunistic Offer is significantly below a range of valuation benchmarks



2 DNO's unsolicited Offer ignores Faroe management's proven track record and its exciting independent future

- One of the best exploration track records on the NCS – as validated by the Wittemann E&P Consulting report published today; our Iris/Hades discovery was one of the largest globally in 2018 YTD
- Consistently drilled 4-5 exploration wells a year delivering regular, high impact news flow and currently in the midst of our largest ever drilling campaign
- Fully funded to triple production in the near-to-medium term
- Excellent track record of value creation through active portfolio management and M&A – as exemplified by the recent Equinor asset swap

Leading exploration track record on the NCS

Top 5

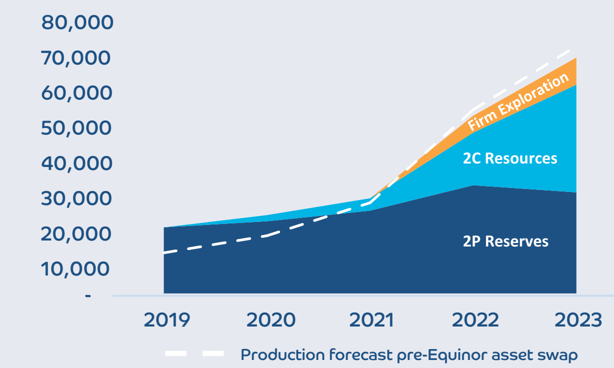
in value creation from exploration

(excluding Johan Sverdrup)

Wittemann E&P Consulting (September 2018)

Transformational production growth already underway – accelerated by the Equinor asset swap

Unrisked production profile (boepd)



**Note: all figures unrisked and based on operator figures and management estimates; planned exploration figures preliminary and subject to change*

3 DNO's inadequate Offer ignores the significant benefits created by the Equinor asset swap

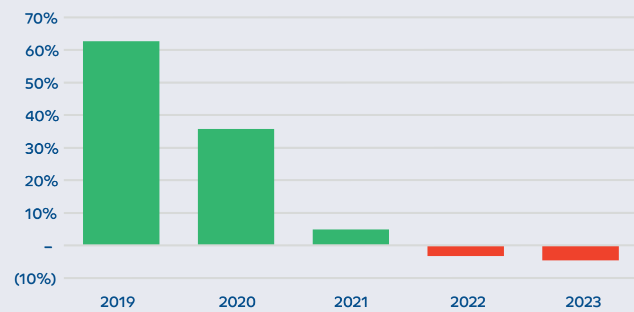
- Accelerates the delivery of our production target by increasing production by c.60% in 2019
- Provides better portfolio balance between production and development with no material impact on reserves or growth prospects
- Adds £96m[1] incremental cash flow in the next two years further strengthening our already robust balance sheet. This financial flexibility enables us to give careful consideration to the optimal mix of reinvestment in the existing portfolio, potential M&A opportunities and capital return to shareholders
- DNO were not aware of this transaction when they announced their Offer and have since then failed to revise their Offer to reflect the significant benefits created by it

Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

Equinor asset swap adds near term production and cash flow

Increase in 2019 forecast production	Incremental cash flow benefit from 2019-2020	Material near term uplift in production with limited longer term impact

% change to Group production from the Equinor asset swap



Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

DNO'S OFFER SUBSTANTIALLY UNDERVALUES YOUR BUSINESS AND ITS PROSPECTS, AND IGNORES THE SIGNIFICANT BENEFITS CREATED BY THE EQUINOR ASSET SWAP

Letter from your Chairman

Dear Shareholder,

Thank you for taking the time to read this document carefully. As you will be aware, on 26 November 2018 DNO made an unsolicited Offer for your Company of 152p in cash per share. It is your Board's strong belief that this Offer is entirely opportunistic and that the terms fundamentally undervalue Faroe. In this document we set out the key reasons why we believe this to be the case.

1. DNO's opportunistic Offer of 152p per share substantially undervalues Faroe's high quality, full cycle and diversified North Sea business

The Offer price of 152p per share represents a:

- Premium of only 1% to the undisturbed three month volume weighted average share price (VWAP);
- Premium of only 21% to the closing share price prior to the Offer announcement – about half the average premium paid on all UK takeovers over the last 10 years; and
- Discount of c.45% to the average price paid recently for comparable North Sea (in particular, Norwegian Continental Shelf) portfolios measured on a per barrel of 2P reserves basis.

DNO has sought to present the premium that it is offering with reference to Faroe's share price on 3 April 2018 but this fails to recognise the significant achievements your Company has delivered since then, including the Iris/Hades and Agar discoveries, and the recently announced Equinor asset swap.

DNO's opportunistic Offer also seeks to exploit the recent oil price fall – timing its Offer announcement after the oil price fell to a 12 month low – to acquire Faroe on the cheap.

2. DNO's unsolicited Offer ignores Faroe management's proven track record and its exciting independent future

Your Company has a proven track record of delivering value to all shareholders.

We have one of the best exploration track records on the Norwegian Continental Shelf, as validated by the Wittemann E&P Consulting report which we publish today. This report, which the Board commissioned to assess Faroe's exploration track record on the Norwegian Continental Shelf during 2005-2017, concludes:

- Faroe is among the Top 5 for value creation from exploration (excluding Johan Sverdrup);
- Faroe has made at least one commercial discovery in 7 of the last 8 years;
- Each discovery was among the Top 5 in its respective year;
- The average discovery size has been above the NCS average; and
- Faroe's finding cost (post-tax) has been US$1.1/boe vs. the NCS average of US$1.4/boe.

In the last 12 months alone Faroe has drilled three exploration wells and made two commercial discoveries (Iris/Hades and Agar). Iris/Hades is one of the world's largest discoveries in the year to date.

Our sustainable and well funded business has allowed us to repeatedly secure new exploration acreage through licensing rounds and M&A, and provided us with the financial capacity to drill the prospects therein. As a result we have consistently drilled 4-5 exploration wells every year delivering regular, high impact news flow. In the last month alone, for example, we have added the Snadd Outer Outer/Black Vulture and Alpha exploration & appraisal wells to our pipeline of future wells.

We are currently in the midst of the largest drilling campaign in Faroe's history with two exploration wells ongoing (Brasse East and Cassidy), four committed exploration & appraisal wells (Pabow, Iris/Hades appraisal, Snadd Outer Outer/Black Vulture and Bergknapp) and a further five wells being planned (Agar appraisal, Alpha, SE Tor/Gomez, Canela and Brasse Extension) in the next 12-15 months.

We are fully funded to deliver our 35,000 boepd production target in the near-to-medium term and are confident in our ability to deliver in excess of 50,000 boepd in the medium term.

Faroe has an excellent track record of actively managing its portfolio as demonstrated most recently by the Equinor asset swap. Through a combination of organic exploration success and M&A Faroe has delivered year-on-year 2P reserves growth over the last five years.

3. DNO's inadequate Offer ignores the significant benefits created by the Equinor asset swap

The recently announced asset swap with Equinor clearly demonstrates the value your Company creates through active portfolio management, as it has previously done with:

- The acquisition of DONG E&P's Norwegian assets in 2016, which boosted Faroe's production base and created a new strategic hub around the Ula platform; and
- The Petoro asset swap in 2011, in which Faroe swapped its interest in Maria within 18 months of its discovery for a high quality production portfolio.

The Equinor asset swap provides a better portfolio balance between production and development, with no material impact on reserves or growth prospects.

The transaction accelerates the delivery of Faroe's production target by almost two years by adding 7-8,000 boepd in 2019 thereby increasing Group production by c.60%.

The transaction also significantly increases our near term cash flow, which has been independently reported on as adding £96m[1] incremental cash flow over the next two years. In addition we expect to realise material tax synergies by accelerating the utilisation of our Norwegian tax loss position. The transaction consequently strengthens our already robust balance sheet. Before the Equinor asset swap we had already announced a fully funded exploration, appraisal and development programme. As a result of the material improvement in our financial flexibility following the Equinor asset swap we are now able to give careful consideration to the optimal mix of:

- Reinvestment into the existing portfolio given the significant growth opportunities therein;
- Pursuing value accretive M&A opportunities leveraging our reputation as a credible, reliable and trusted counterparty; and
- Returning capital to shareholders.

DNO were not aware of the Equinor asset swap when they announced their Offer and have since then failed to revise their Offer to reflect the significant benefits that this transaction has created for your Company.

4. The Board believes DNO's criticisms of Faroe are unfounded and purely a tactic to distract from the simple fact that its Offer substantially undervalues the Company

DNO has criticised Faroe's share price performance, financial flexibility, remuneration policy and corporate governance. The Board believes that these criticisms are wholly without substance noting that:

- Faroe's share price has outperformed the AIM Oil & Gas Index and Brent price over the three year period up to 3 April 2018 (the day before DNO announced its first acquisition of Faroe shares) and 23 November 2018 (the day before DNO's Offer announcement). In its Offer document DNO has presented a chart of Faroe's share price performance since December 2014; over this period not only has Faroe (+66%) outperformed the AIM Oil & Gas Index and Brent price but also DNO (-18%);
- Faroe has a robust balance sheet that has been further strengthened by the addition of £96m[1] incremental cash flow over the next two years resulting from the Equinor asset swap;
- Faroe's remuneration policy is in line with its UK E&P peers and at this year's AGM, with the exception of DNO, the Directors Remuneration Report was approved by 99.9% of other shareholders who voted; and
- Faroe is widely recognised for its strong corporate governance culture in line with UK corporate governance best practice. Faroe complies in full with the UK Corporate Governance Code.

TO REJECT DNO'S OPPORTUNISTIC, UNSOLICITED AND INADEQUATE OFFER, DO NOTHING

Your Board believes that DNO's Offer substantially undervalues Faroe. Your Board, which has been so advised by Rothschild & Co as to the financial terms of the Offer, unanimously recommends that you should reject the Offer. In providing advice to the Board, Rothschild & Co has taken into account the Board's commercial assessment. Your Directors do not intend to accept DNO's Offer in respect of their own beneficial shareholdings.

John Bentley
Chairman

Note 1 : As reported in Quantified Financial Benefit Statement (refer to Appendix 1)

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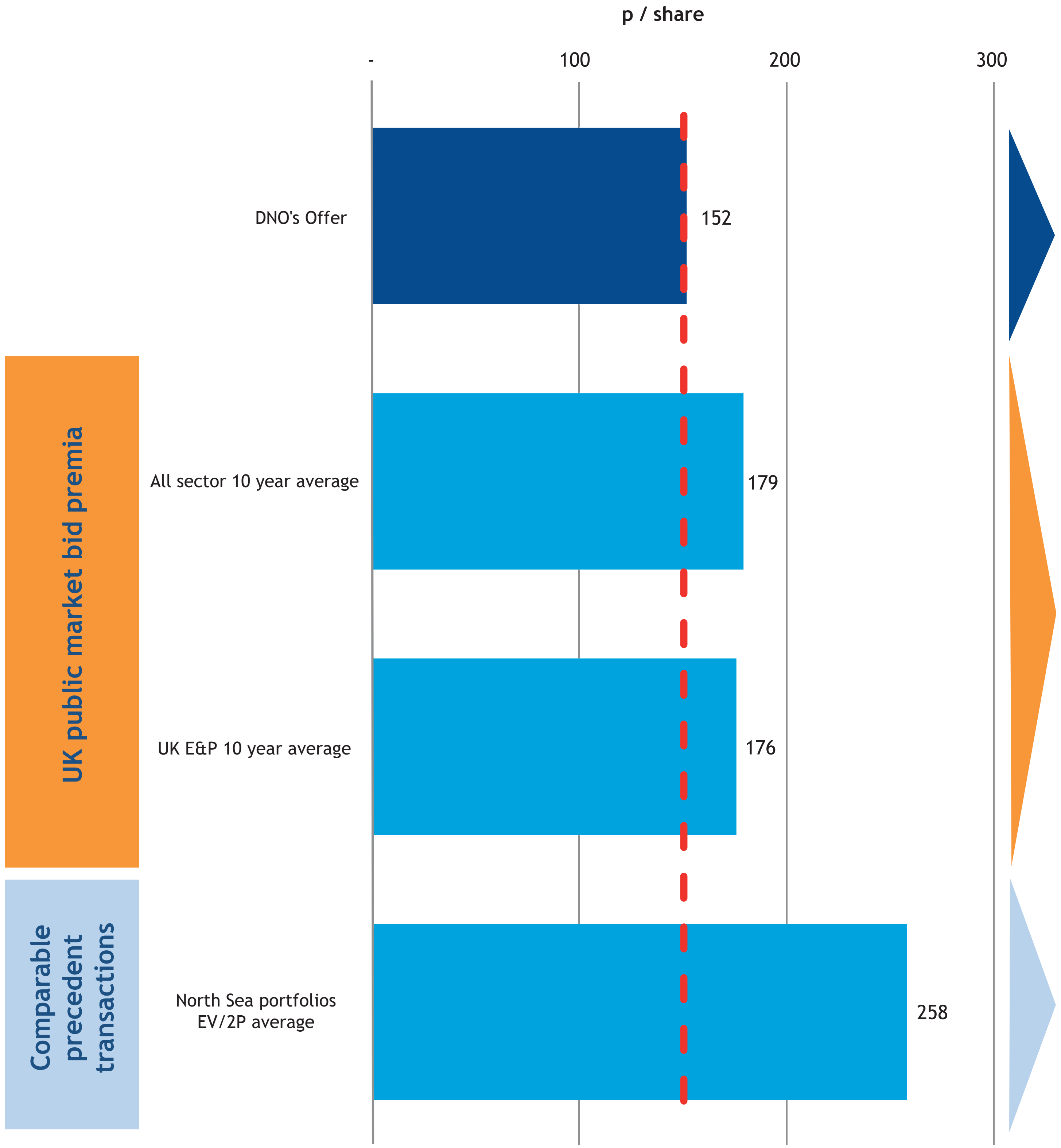
DNO'S OPPORTUNISTIC OFFER OF 152P PER SHARE SUBSTANTIALLY UNDERVALUES FAROE'S BUSINESS



- **DNO has timed its Offer to coincide with a c.30% fall in the oil price from its recent peak to near a 12 month low**

"Given the falling oil prices, DNO clearly thought it could swoop in and secure itself a bargain"
Statement by Cavendish Asset Management, as published by Reuters (26 Nov 2018)

"The timing and level [of DNO's Offer] are quite opportunistic, taking advantage of lower share prices across the E&P sector as oil prices have fallen"
Arden Partners (26 Nov 2018)

- **DNO's Offer represents a premium of only 1% to the undisturbed three month volume weighted average share price (VWAP)**
- **DNO's 21% Offer premium based on the closing share price prior to its Offer announcement is substantially below the average premium for:**
  - **All UK takeovers across all sectors over the last 10 years of 43%**
  - **All UK takeovers in the E&P space over the last 10 years of 40%**
- **The premium DNO has stated is based on the closing share price on 3 April 2018 which fails to recognise the significant achievements the Company has delivered since then:**
  - **Iris/Hades discovery – one of the largest global discoveries in 2018 YTD**
  - **Agar discovery – high value discovery following recent farm-in**
  - **Equinor asset swap – accelerating growth, rebalancing reserves, materially increasing near term cash flow, unlocking tax synergies and adding new near term activity/catalysts**

- **DNO's Offer price is equivalent to US$6.7 per barrel of 2P reserves which is substantially below the average price paid recently for comparable North Sea portfolios (in particular, NCS) of US$12.1 per barrel of 2P reserves**

"Our view, publicly stated throughout 2018, is that the Norwegian upstream market is becoming tight – there are many potential buyers and few sellers – and this competition will put upward pressure on valuations again"
Wood Mackenzie report (October 2018)

DO NOT ALLOW DNO TO TAKE CONTROL OF YOUR COMPANY WITHOUT AN APPROPRIATE PREMIUM

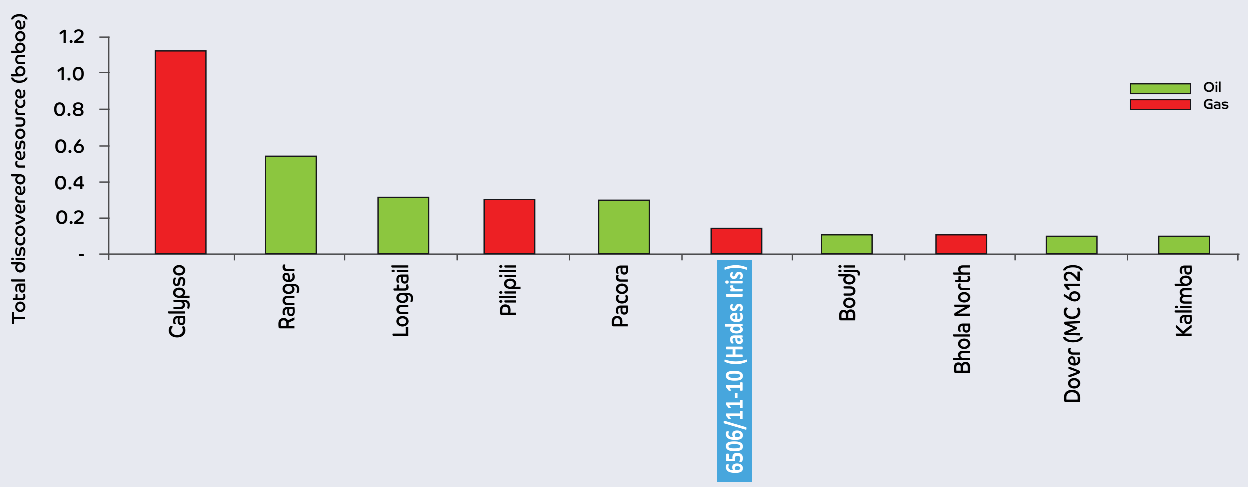
2 DNO'S UNSOLICITED OFFER IGNORES FAROE MANAGEMENT'S PROVEN TRACK RECORD AND ITS EXCITING INDEPENDENT FUTURE

1 We have a leading exploration track record on the NCS

- The Board has engaged Wittemann E&P Consulting to provide an assessment of Faroe's exploration track record on the NCS during 2005-2017
- Wittemann E&P Consulting is an independent Norwegian consultancy with more than 20 years' experience in the oil & gas industry
- The report concludes:
  - ✓ Faroe is among the **Top 5** for value creation from exploration (excluding Johan Sverdrup)
  - ✓ Faroe has made **at least one** commercial discovery in 7 of the last 8 years
  - ✓ Each Faroe discovery was among the **Top 5** in its respective year
  - ✓ Faroe's average discovery size has been **above the NCS average**
  - ✓ Faroe's finding cost (post-tax) has been US$1.1/boe vs. the NCS average of US$1.4/boe

Our Iris/Hades discovery was the 6th largest discovery in the world in H1 2018 and one of the largest global discoveries in 2018 YTD

Top 10 global discoveries in H1 2018



2 Our strong stakeholder and partner relationships have afforded us access to unique opportunities

Equinor asset swap (2018) – accelerating growth, rebalancing reserves, materially increasing near term cash flow, unlocking tax synergies and adding new near term activity/catalysts

Agar farm-in (2018) – quickly followed by a commercial discovery

Blane additional interest acquisition (2017) – further exposure to a low cost, high quality and long life asset

NCS portfolio acquisition (2016) – boosted Faroe's production base and created a new strategic hub around the Ula platform

Maria asset swap (2011) – swapped interest in Maria 18 months from discovery for a high quality production portfolio

3 Our strong track record of value creation is widely recognised across the market

"[Faroe is a] well capitalized, efficiently managed business with a fully-funded portfolio of development projects, deep inventory of exploration acreage and a track-record for accretive acquisitions"

Barclays (1 Oct 2018)

"Faroe has added value for shareholders through both organic and inorganic growth. Exploration has added material resource volumes at attractive finding cost levels, and the DONG deal added diversity and additional growth areas at a good price."

Macquarie (5 Apr 2018)

"Faroe Petroleum continues to stand out in the Euro E&P small-cap space with its low-risk counter-cyclical and fully-funded development portfolio"

Jefferies (21 Mar 2018)

DNO'S OPPORTUNISTIC OFFER DOES NOT REFLECT THE VALUE THAT FAROE'S MANAGEMENT BRINGS

2 DNO'S UNSOLICITED OFFER IGNORES FAROE MANAGEMENT'S PROVEN TRACK RECORD AND ITS EXCITING INDEPENDENT FUTURE (continued)

1 Proven, well respected team with strong stakeholder relationships across the NCS and UK

- Leading in-house technical capability
- 12 years of continuous operations on the NCS and 14 in the UK

Our partners

equinor, AkerBP, vår energi, petoro, bp, REPSOL, SPIRIT ENERGY, INEOS, SUNCOR, Cairn, NEPTUNE ENERGY, wintershall, ConocoPhillips, OMV, PGNiG, DEA, dyas

Our key stakeholders

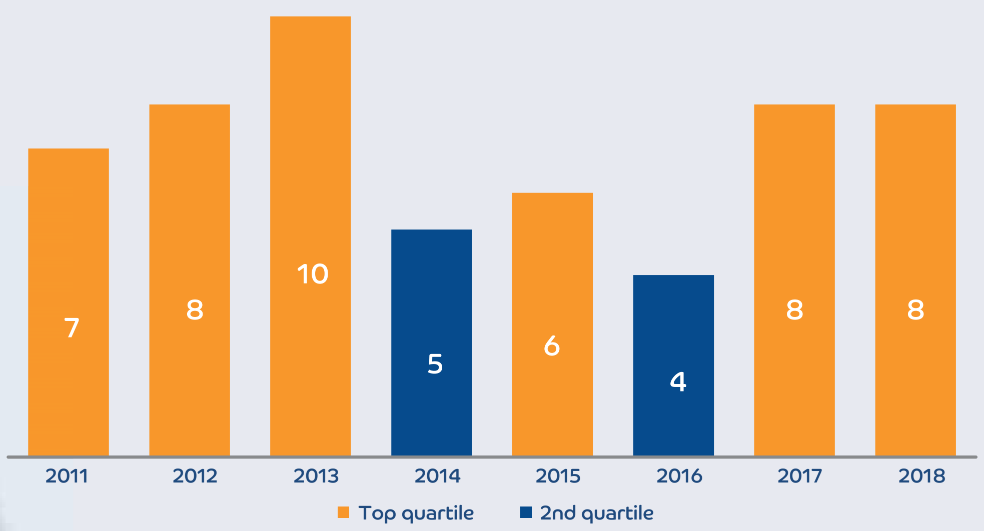
Oil & Gas Authority

NORWEGIAN MINISTRY OF PETROLEUM AND ENERGY

NORWEGIAN PETROLEUM DIRECTORATE

2 Regular success in securing licences

Faroe's Norway APA Round Awards success



1

Significant financial flexibility:

- £159m cash at 30 June 2018
- US$350m undrawn RBL facility
- NOK1bn exploration financing facility

2

- +£96m[1] of incremental cash flow from Equinor asset swap over next two years
- Access to NOK bond markets post US$100m issuance

Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

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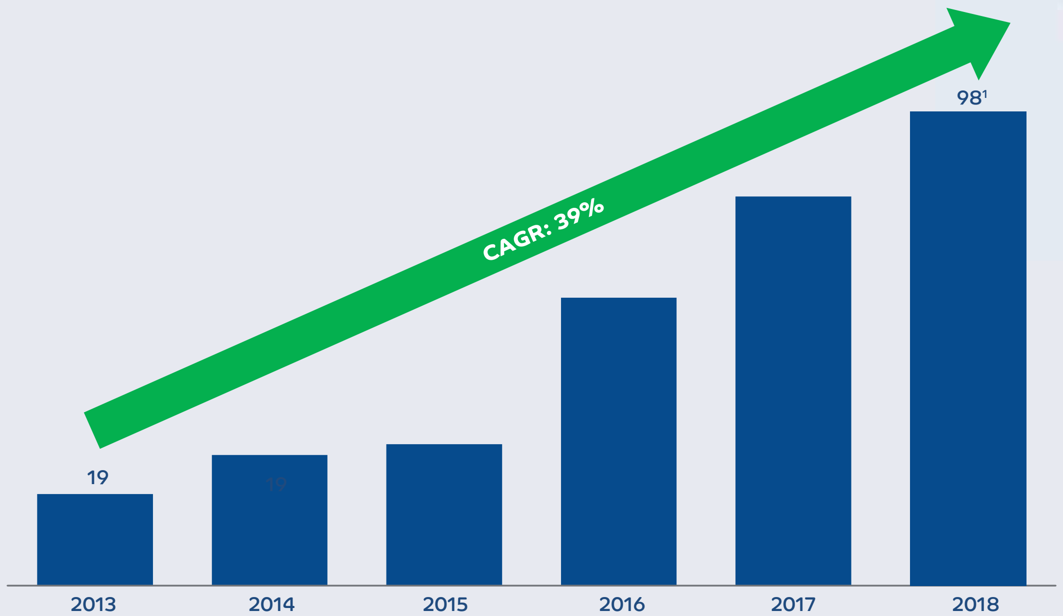
4 Delivering year-on-year reserves growth

Consistent 2P reserves growth (mmboe)

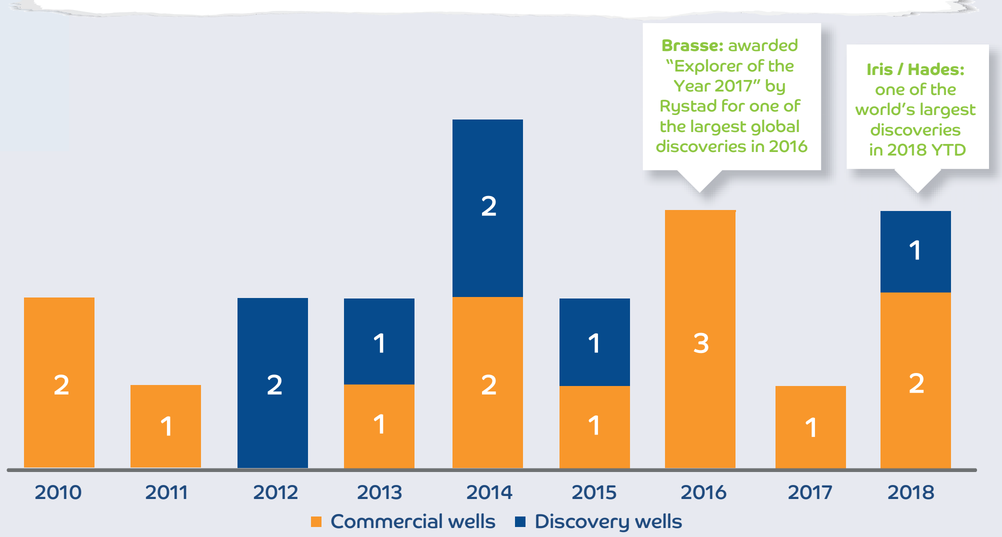


Note 1: 2P reserves are as at 1 January 2018 adjusted for the Fenja divestment but not the Equinor asset swap, which is due to complete in Q1 2019 and has been agreed on a reserves neutral basis

3 Leading exploration track record

Number of Faroe discoveries

"Faroe's exploration performance track record on the NCS has clearly been among the best in the industry" Wittemann E&P Consulting (September 2018)

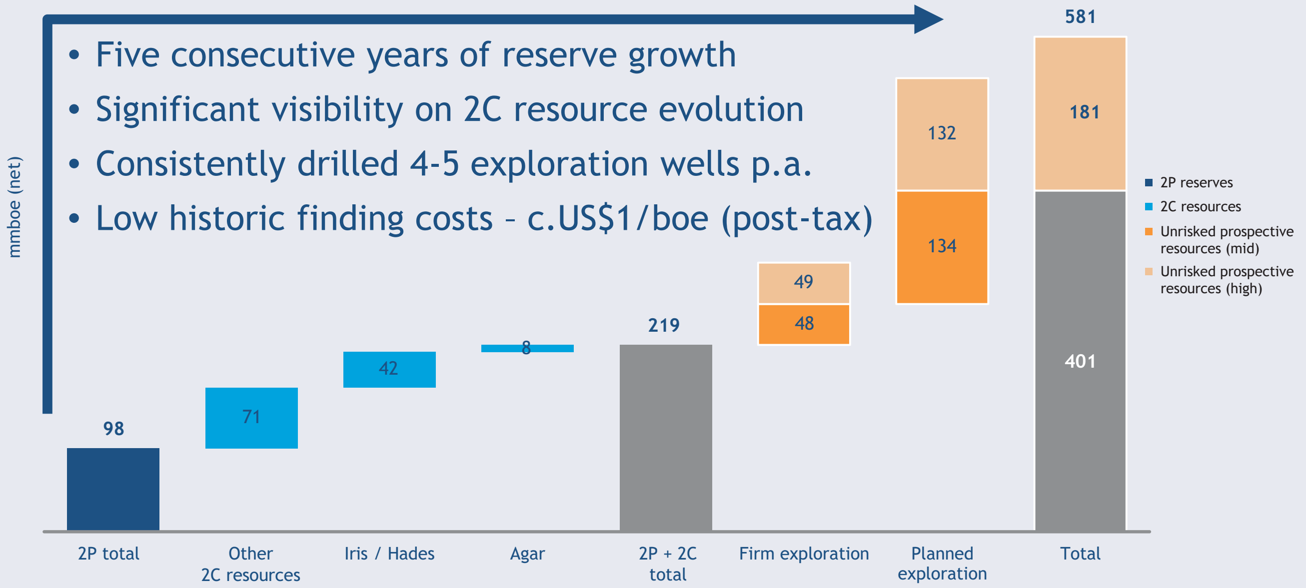


WELL FUNDED, SUSTAINABLE BUSINESS DELIVERING MATERIAL NEAR TERM VALUE GROWTH

2 DNO'S UNSOLICITED OFFER IGNORES FAROE MANAGEMENT'S PROVEN TRACK RECORD AND ITS EXCITING INDEPENDENT FUTURE (continued)

1 Significant value creation potential from existing reserves and resources

- Five consecutive years of reserve growth
- Significant visibility on 2C resource evolution
- Consistently drilled 4-5 exploration wells p.a.
- Low historic finding costs – c.US$1/boe (post-tax)



Note: 2P reserves and 2C resources are as at 1 January 2018 adjusted for the Fenja divestment, Fogelberg farm-down and the Iris/Hades and Agar discoveries but not the Equinor asset swap, which is due to complete in Q1 2019 and has been agreed on a reserves neutral basis

2 Largest drilling programme in our history already underway

				Gross	2018		2019		2020
		WI%	Operator	mmboe	H1	H2	H1	H2	
Firm exploration	Brasse East	50.0%	Faroe	13					
Firm exploration	Cassidy	15.0%	Spirit	50-110					
Firm exploration	Snadd OO/BV	32.0%	Equinor	35-50					
Firm exploration	Pabow	20.0%	Equinor	70-200					
Firm exploration	Bergknapp	30.0%	Wintershall	30-60					
Planned exploration	Gomez	85.0%	Faroe	50-115					
Planned exploration	Alpha (UK)	12.5%	Apache	24-77					
Planned exploration	Canela	40.0%	Faroe	70-120					
Planned exploration	Brasse Extension	50.0%	Faroe	40-70					
Planned exploration	Edinburgh*	100.0%	Faroe	40-75					

Acquired as part of the **Equinor asset swap**
** Block 30/14b only*

Firm wells alone offer potential to deliver 48 – 97 mmboe of net resources in next 12 months

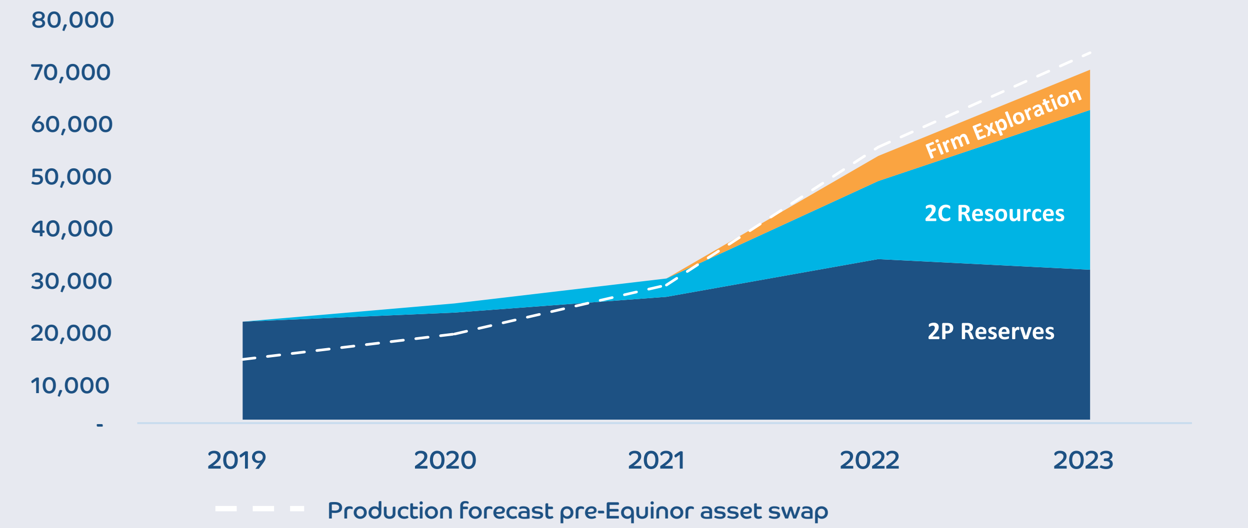
3 Transformational production growth

				2018		2019		2020	
		WI%	Operator	H1	H2	H1	H2	H1	H2
2P Reserves	Oda	15.0%	Spirit			first oil			
2P Reserves	Tambar	45.0%	AkerBP	infills		gas lift			
2P Reserves	Brage	14.3%	Wintershall	infills		infills			
2P Reserves	Marulk	17.0%	Vår Energi				drilling		
2P Reserves	Ula	20.0%	Aker BP				infills	infills	
2P Reserves	Fenja	7.5%	Neptune	PDO				drilling	
2P Reserves	Brasse	50.0%	Faroe			DG2	PDO	EPCI	
2P Reserves	Ringhorne East	22.6%	Vår Energi					infills	infills
2C Resources	Iris/Hades	20.0%	OMV			appraisal			PDO
2C Resources	Agar	25.0%	Azinor Catalyst				appraisal		

Acquired as part of the Equinor asset swap; Ringhorne East WI% increased as a result of the transaction

Fully funded to deliver 35,000 boepd target in the near-to-medium term and ability to deliver in excess of 50,000 boepd in the medium term

Faroe unrisked production profile (boepd)



** Note: all figures unrisked and based on operator figures and management estimates; planned exploration figures preliminary and subject to change*

DO NOT LET DNO ENJOY THE BENEFITS OF OUR WORK AND YOUR INVESTMENT WITHOUT PAYING AN APPROPRIATE PREMIUM

3 DNO'S INADEQUATE OFFER IGNORES THE SIGNIFICANT BENEFITS CREATED BY THE EQUINOR ASSET SWAP

1 £96m[1] incremental cash flow increase over the next two years

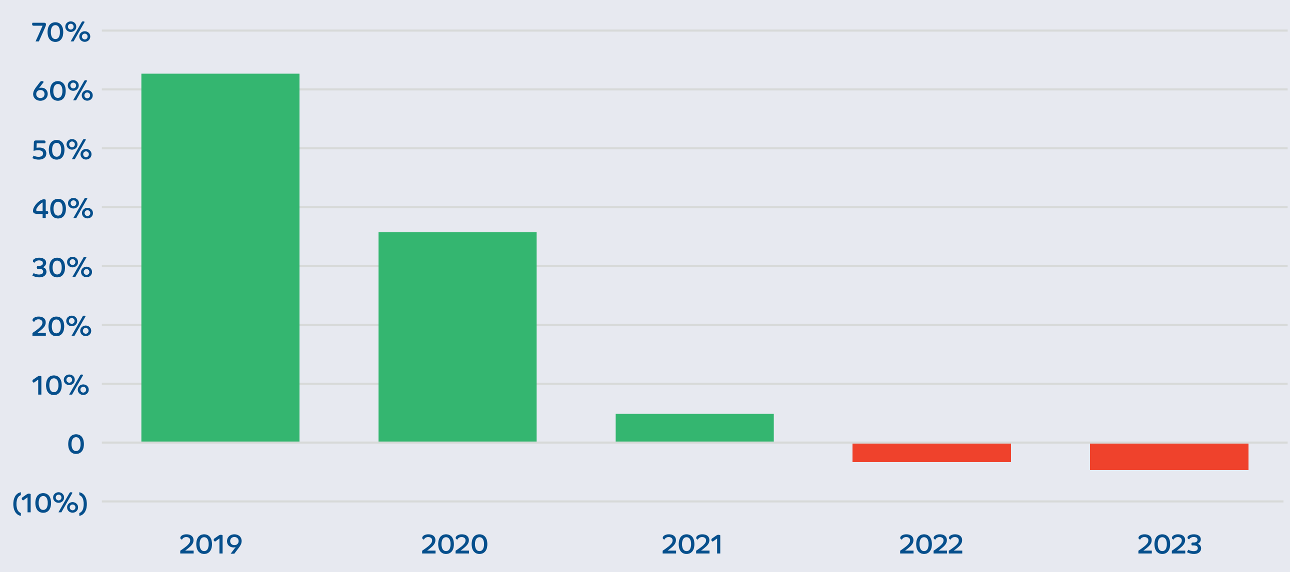
2 c.60% increase in production in 2019 (+7-8,000 boepd)

3 18 mmboe 2P reserves transferred from development to producing assets

4 Two new core areas increasing our NCS footprint

Material near term uplift in production with limited long term impact

Group production change from the Equinor asset swap (%)



Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

"... we believe [the Equinor asset swap] demonstrated management's ability to deliver accretive transactions that accelerate the strategy of self-funded production growth and continued impactful exploration"

Barclays (6 Dec 2018)

"For Faroe, the [the Equinor asset swap] should prove to be accretive to our valuation, having little impact on the company's medium term production target of 35,000 boe per day, but adding significant near-term production/cashflow, operational/tax synergies and reducing both opex and capex exposure."

Statement by analysts at Cantor Fitzgerald as published by Energy Voice (5 Dec 2018)

"The [the Equinor asset swap] is solidly cash-flow accretive by increasing Faroe's 2019 net production by 7,000-8,000 boepd, while removing significant development-spending outlay"

Bloomberg Intelligence (7 Dec 2018)

"[DNO's statement regarding Faroe's Equinor asset swap] seems to ignore the fact that FPM has just swapped out a 7.5% WI in a costly redevelopment for an instant >50% uplift in production"

Cantor Crude Thoughts (6 Dec 2018)

1 Material cash flow benefit

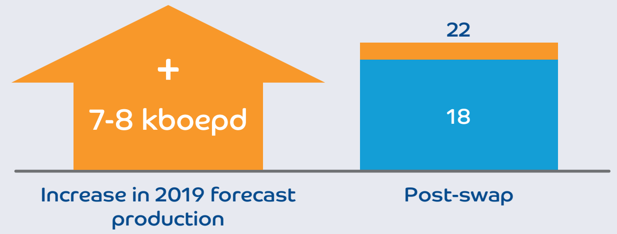
Incremental cash flow benefit 2019-2020

- Plus material tax synergies through accelerated utilisation of Norwegian losses
- Strengthens already robust balance sheet creating significant financial flexibility

Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

2 Near term production increase

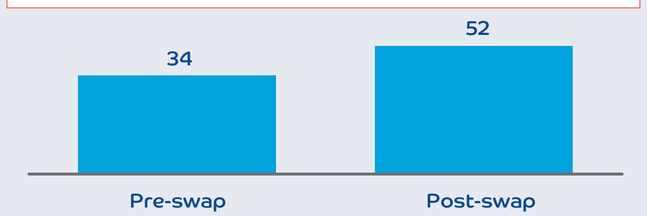
2019 production (kboepd)



- Accelerates delivery of the 35,000 boepd production target in the near-to-medium term

3 Reserves transferred to producing assets

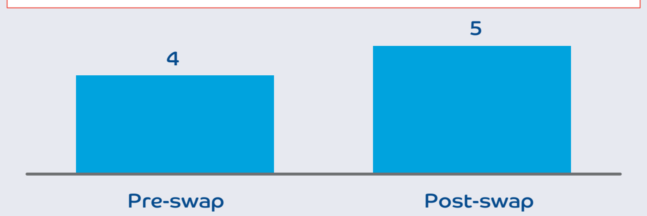
2P reserves in producing assets (mmboe)



- Improved portfolio balance between producing and development assets
- No material impact on overall reserves and growth prospects

4 Expanded NCS footprint

Number of hubs



- Two additional new core areas, Alvheim and Norne
- Near term 2019 catalysts include a firm dual-target exploration well at Alve and an approved development well at Marulk

DNO HAS FAILED TO REVISE ITS OFFER FOLLOWING OUR EQUINOR ASSET SWAP ANNOUNCEMENT

3 DNO'S OFFER IGNORES THE SIGNIFICANT BENEFITS CREATED BY THE EQUINOR ASSET SWAP (continued)

1 Significant growth opportunities within existing portfolio and further enhanced through the Equinor asset swap

2P reserves	Oda	98 mmboe[1] (net)	First oil on track for H1 2019
	Tambar		Gas lift planned for H1 2019
	Brage		Infill drilling in H1 2019
	Marulk		Firm drilling to develop deeper Lange formation in H2 2019
	Ula		Infill drilling in H2 2019 – H1 2020
	Fenja		PDO in H1 2018, drilling in H1 2020
	Brasse		Development on track: DG2 in H1 2019, PDO in H2 2019, first oil target in 2021/22
	Ringhorne East		Infill drilling in 2020
	Other 2P reserves		Including Trym, Vilje, Alve and Blane
2C resources	Iris / Hades	122 mmboe[1] (net)	Appraisal drilling in H1 2019; fast track development under consideration
	Agar		Appraisal drilling expected in H2 2019 following recent discovery
	Other 2C resources		Including SE Tor, Fogelberg, Gjøk discovery and Oselvar redevelopment
Unrisked prospective resources	Brasse East	Firm wells: 48-97 mmboe (net, mid-high)	Well recently spud; results expected around 2018 year-end
	Cassidy		Well recently spud; results expected around 2018 year-end
	Snadd OO / BV		Firm well scheduled for H1 2019
	Pabow		Firm well scheduled for H1 2019
	Bergknapp		Firm well scheduled for H2 2019
	Planned wells	Planned wells: 134-265 mmboe (net, mid-high)	Planned drilling at Gomez, Alpha, Canela, Brasse Extension and Edinburgh

Note 1: 2P reserves and 2C resources are as at 1 January 2018 adjusted for the Fenja divestment, Fogelberg farm-down and the Iris/Hades and Agar discoveries but not the Equinor asset swap, which is due to complete in Q1 2019 and has been agreed on a reserves neutral basis

2 Well positioned to pursue active portfolio management and M&A leveraging our reputation as a credible, reliable and trusted counterparty

3 Capital return to shareholders

DNO'S OFFER DOES NOT REFLECT THE STRATEGIC OPTIONALITY CREATED BY THE EQUINOR ASSET SWAP

DNO'S CRITICISMS OF FAROE ARE UNFOUNDED AND PURELY A TACTIC TO DISTRACT FROM THE FACT THAT ITS OFFER SUBSTANTIALLY UNDERVALUES THE COMPANY

DNO Claim: "Faroe has failed to deliver consistent shareholder returns"

✔ Faroe's share price has outperformed the FTSE AIM Oil & Gas Index and Brent price over the three year period up to:

- 3 April 2018 (the day before DNO announced its first acquisition of Faroe shares)
- 23 November 2018 (the day before DNO's Offer announcement)

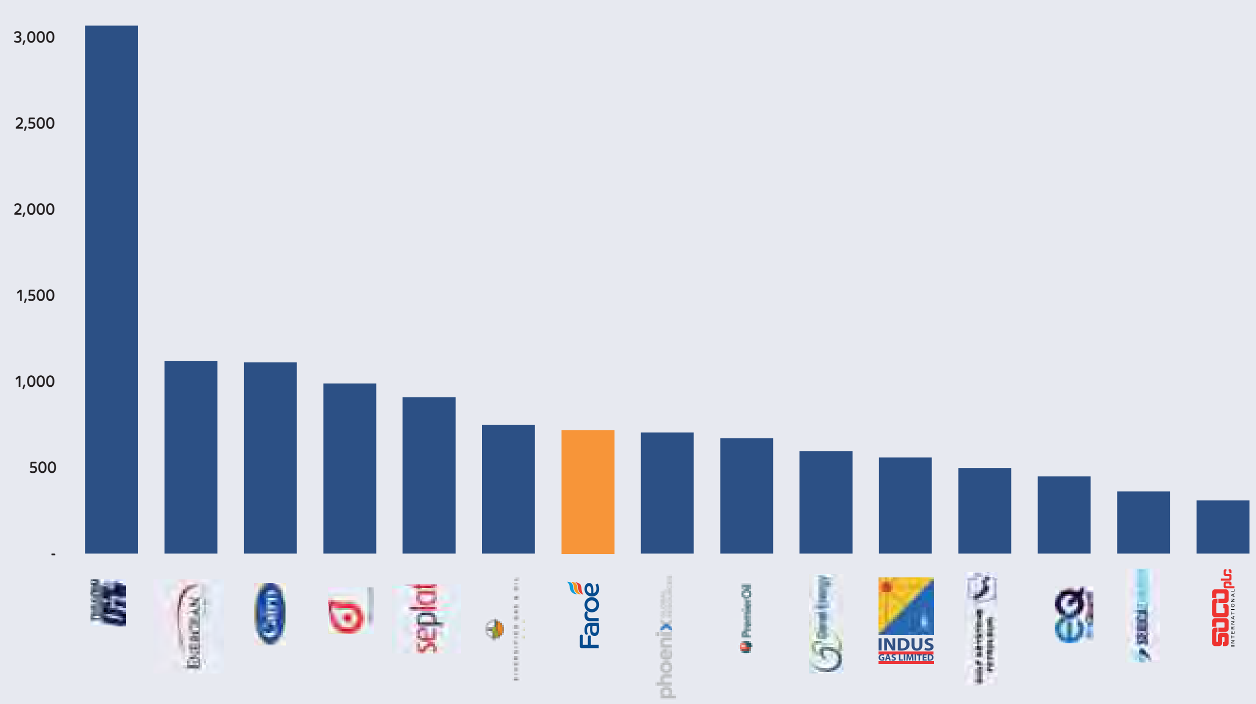
✔ Faroe's share price (+66%) has also outperformed these benchmarks as well as DNO (-18%) since 1 December 2014, the time period presented in DNO's own Offer document

DNO Claim: Faroe is a "relatively small scale UK-AIM listed company"

✔ We have just agreed a transaction with the largest player on the NCS (Equinor) and are the only party to have successfully completed a swap with the Norwegian State's NCS investment vehicle (Petoro): our scale is not an impediment to our ability to create value

✔ We are the seventh largest London listed (Main Market and AIM) E&P by market cap

London listed (Main Market and AIM) E&Ps by market cap (US$m)



DNO Claim: "The recent swap deal with Equinor is further evidence of Faroe's inability to capitalise fully on its assets"

✔ The opposite is in fact the case: this transaction demonstrates Faroe's ability to capitalise on its assets to deliver:

- c.60% increase in production in 2019 (+7-8,000 boepd)
- £96m[1] incremental cash flow increase over the next two years further strengthening our already robust balance sheet. This financial flexibility enables us to give careful consideration to the optimal mix of reinvestment into the existing portfolio, exploring value accretive M&A opportunities and capital return to shareholders

DNO Claim: "Concerns about Faroe's capacity to deliver its "flag-ship" Brasse development project in Norway on time and on budget"

✔ We are confident in our ability to develop this project successfully:

- Highly qualified project team with an average of over 25 years of industry experience per team member
- 2018 project milestones delivered on time and on budget
- On track for selection of host concept and preparations for Decision Gate 2

DNO Claim: "Concerns about corporate governance culture"

✔ Faroe is widely recognised for its strong corporate governance culture in line with best practice

✔ We comply in full with the UK Corporate Governance Code

> *"In our view, a company [DNO] which is broadly considered to be operated as the personal fiefdom of its Executive Chairman questioning the governance practices of one of the best-run E&Ps in the market [Faroe], is borderline hysterical"*
>
> Cantor Crude Thoughts (28 Aug 2018)

DNO Claim: "Very generous option schemes which benefit the directors among others"

✔ Faroe's remuneration policy is in line with its UK E&P peers

✔ At this year's AGM, with the exception of DNO, the Directors Remuneration Report was approved by 99.9% of other shareholders who voted

✔ All option scheme rules have been approved by shareholders

Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

DO NOT BELIEVE DNO'S CLAIM THAT ITS OFFER IS "FULL AND FAIR": IT IS NOT

FAROE: LEADING NORTH SEA INDEPENDENT E&P DELIVERING VALUE FOR ALL SHAREHOLDERS

Your Company is worth substantially more than 152p per share

DNO's opportunistic, unsolicited and inadequate Offer fails to fully value:

1. Faroe's high quality, full cycle and diversified North Sea business
2. Our management team's proven track record, in particular in exploration – as validated by an independent consultant's report published today – and our exciting independent future
3. The benefits of the Equinor asset swap, which delivers an additional £96m[1] of cash flow over the next two years with no material impact on reserves or growth prospects

Do not let DNO enjoy the benefits of our work and your investment without paying an appropriate premium

Note 1 : As reported in Quantified Financial Benefits Statement (refer to Appendix 1)

TO REJECT DNO'S OPPORTUNISTIC, UNSOLICITED AND INADEQUATE OFFER, DO NOTHING

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 5, accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Company and the Directors, in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and Registered Office

2.1 The Company was incorporated in England and Wales on 19 December 2002 under the Companies Act 1985 as a private company limited by shares with the name Faroe Petroleum Limited and with registered number 04622251. The Company's issued share capital is divided into Ordinary Shares of 10 pence each. On 19 June 2003, the Company re-registered as a public limited company under the Companies Act 1985 and the name of the Company was changed to Faroe Petroleum plc.

2.2 The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder.

2.3 The Company's principal place of business and the business address of the Directors is 24 Carden Place, Aberdeen, AB10 1UQ. The Company's telephone number is +44 1224 650 920. The Company's registered office is at 30 Crown Place, London, EC2A 4ES.

3. Information on Faroe

3.1 Faroe is an experienced oil and gas operator of both exploration and production assets, principally in Norway and the UK. The Company's substantial licence portfolio provides a considerable spread of risk and reward. Faroe has an active E&A drilling programme and has interests in a portfolio of producing oil and gas fields in the UK and Norway, including interests in the Brage, Ringhorne East, Ula, Tambar, and Trym fields in Norway and the Blane and Enoch oil fields in the UK. In December 2016, the Company completed the acquisition of a package of Norwegian producing assets from DONG Energy, including interests in the Ula, Tambar, and Trym fields.

3.2 In November 2013 and March 2014, Faroe announced the Bauge (Snilehorn) and Fenja (Pil) discoveries in the Norwegian Sea in close proximity to the Njord and Hyme fields. In July 2016, the Company announced the Brasse discovery, next to the Brage field and in April 2018 the Iris and Hades discoveries, both in Norway. Faroe has built an extensive portfolio of high-potential exploration licences in Norway, which, together with its established UK North Sea positions, provides the majority of prospects targeted by the Company's sustainable exploration drilling programme.

3.3 Faroe is quoted on the AIM Market of the London Stock Exchange. The Company is funded from cash reserves and cash flow, and has access to a US$350 million reserve base lending facility. The Company has also raised a US$100 million senior unsecured bond.

3.4 Faroe has a highly experienced technical team who are leaders in the areas of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.

4. Share Capital

As at 18 December 2018 (being the latest practicable date prior to the publication of this document), the issued, called up and fully paid share capital of the Company was as follows:

	Number	Nominal Value (£)
Ordinary Shares	372,889,693	37,288,969

5. Directors

The Directors of the Company are as follows:

Name	Position
John William Sharp Bentley	Non-Executive Chairman
Graham Duncan Stewart	Chief Executive Officer
Jonathan Robert Cooper	Chief Financial Officer
Helge Ansgar Hammer	Chief Operating Officer
Brent Cheshire	Senior Independent Non-Executive Director
Roger Charles Witts	Independent Non-Executive Director
Jorunn Johanne Saetre	Independent Non-Executive Director
Katherine Louise Margiad Ward (nee Roe)	Independent Non-Executive Director

The business address of each of the Directors is 24 Carden Place, Aberdeen, AB10 1UQ.

6. Background to the Offer

6.1 On 4 April 2018, DNO announced that it had agreed to acquire 15.37 per cent. of the issued share capital of Faroe but that, pursuant to Rule 2.8 of the Takeover Code, it did not intend to make an offer for Faroe.

6.2 On 26 November 2018, DNO announced a firm intention to make a formal cash offer for the issued and to be issued share capital of the Company at 152p per share (the "Offer"). DNO did not engage with the Company before making the announcement of the Offer. On the same day, the Company advised Shareholders to take no action in respect of the Offer.

6.3 DNO subsequently published its formal Offer Document in relation to the Offer on 12 December 2018. The Company released an announcement on the same day advising Shareholders to take no action before the Company published its detailed response.

Interests and dealings in Faroe securities

7. Directors' Interests

7.1 The interests of the Directors and their immediate families in the share capital of the Company (all of which, unless otherwise stated, are beneficial) as at 18 December 2018 (being the latest practicable date prior to the publication of this document) are shown below.

Name	Number of Ordinary Shares	Percentage of Issued Share Capital
John Bentley	172,270	0.05%
Graham Stewart	2,489,415	0.67%
Jonathan Cooper	656,164	0.18%
Helge Hammer	1,320,519	0.35%
Brent Cheshire	15,000	0.00%
Roger Witts	109,180	0.03%
Jorunn Saetre	28,571	0.01%
Katherine Louise Margiad Ward (nee Roe)	0	0.00%

None of the Directors intend to accept the Offer in respect of their own beneficial shareholdings in Faroe.

7.2 Details of the Directors' interests in Ordinary Shares subject to options and awards under the FPIP and CIP as at 18 December 2018 (being the latest practicable date prior to the publication of this document) are set out below.

Name	Number of Options	Percentage of Issued Share Capital
John Bentley	0	0%
Graham Stewart	5,365,748	1.44%
Jonathan Cooper	3,019,063	0.81%
Helge Hammer	3,287,032	0.88%
Brent Cheshire	0	0%
Roger Witts	0	0%
Jorunn Saetre	0	0%
Katherine Louise Margiad Ward (nee Roe)	0	0%

7.3 Details of the Directors' interests in Ordinary Shares subject to options and awards under the Faroe SIP as at 18 December 2018 (being the latest practicable date prior to the publication of this document) are set out below.

Name	Number of Options	Percentage of Issued Share Capital
John Bentley	0	0%
Graham Stewart	25,288	0.005%
Jonathan Cooper	16,934	0.007%
Helge Hammer	24,569	0.007%
Brent Cheshire	0	0%
Roger Witts	0	0%
Jorunn Saetre	0	0%
Katherine Louise Margiad Ward (nee Roe)	0	0%

7.4 Details of the interests in Ordinary Shares held by the Faroe Petroleum Employee Benefit Trust as at 18 December 2018 (being the last practicable date prior to the publication of this document) are set out below.

Name	Number of Ordinary Shares	Percentage of Issued Share Capital
Faroe Petroleum Employee Benefit Trust	2,757,088	0.74%

7.5 Details of the interests in Ordinary Shares held by the Company's Connected Advisers as at 18 December 2018 (being the last practicable date prior to the publication of this document) are set out below.

Name	Number of Ordinary Shares	Percentage of Issued Share Capital
Bank of Montreal	4,106,081	1.101

7.6 Interest in Faroe securities

Save as set out in this paragraph 7, no Director, nor any person acting in concert with the Company (including any person with whom Faroe or any person acting in concert with Faroe has an arrangement), has any interest in or a right to subscribe for, or any short positions in relation to, Faroe securities (whether conditional or absolute and whether in the money or otherwise), including any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of Faroe securities or those of its subsidiaries as at 18 December 2018 (being the last practicable date prior to the publication of this document).

7.7 Dealings in Faroe securities

Save as set out in this paragraph 7, no Director, nor any person acting in concert with the Company (including any person with whom Faroe or any person acting in concert with Faroe has an arrangement), has dealt or had dealing arrangements in any Faroe securities since 26 November 2018 (being the start of the Offer Period in relation to the Company) and 18 December 2018 (being the last practicable date prior to the publication of this document).

7.8 Borrowed or lent Faroe securities

Save as set out in this paragraph 7, neither the Company nor any person acting in concert with the Company, have borrowed or lent any Faroe securities (including for these purposes any Financial Collateral Arrangements) since 18 December 2018 (being the last practicable date prior to the publication of this document).

Interests and dealings in DNO securities

7.9 Interests in DNO securities by the Company and the Directors

No Director, nor any person acting in concert with the Company (including any person with whom Faroe or any person acting in concert with Faroe has an arrangement), has any interest in or a right to subscribe for, or any short positions in relation to, DNO securities (whether conditional or absolute and whether in the money or otherwise), including any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of DNO securities as at 18 December 2018 (being the last practicable date prior to the publication of this document).

7.10 Dealings in DNO securities held by the company

No Director, nor any person acting in concert with the Company (including any person with whom Faroe or any person acting in concert with Faroe has an arrangement), has dealt or had dealing arrangements in any DNO securities since 26 November 2018 (being the start of the Offer Period in relation to the Company) and 18 December 2018 (being the last practicable date prior to the publication of this document).

7.11 Definitions

(a) "**acting in concert**" with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Takeover Code and/or the Offer;

(b) "**arrangement**" includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

(c) "**dealing**" or "**dealt**" includes the following:

(i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or of general control of securities;

ADDITIONAL INFORMATION

(ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;

(iii) subscribing or agreeing to subscribe for securities;

(iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;

(v) the acquisition or, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;

(vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities;

(vii) the redemption or purchase of, or taking or enforcing an option over, any of its own relevant securities by the offeree company or offeror; and

(viii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

(d) "Financial Collateral Arrangement" means an arrangement of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code;

(e) "securities" means relevant securities (such term having the meaning given to it in the Takeover Code) of Faroe or DNO, as the case may be, including equity share capital of Faroe or DNO, as the case may be, and any securities convertible into, rights to subscribe for and options (including traded options) in respect of and derivatives referenced to any of the foregoing; and

(f) "short position" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

8. Directors' Service Agreements and Letters of Appointment

8.1 On 29 June 2007, John Bentley entered into a letter of appointment with the Company (subsequently amended and restated on 24 March 2010 and then as amended and extended from time to time) pursuant to which he agreed to act as Non-Executive Director and Chairman of the Company from 1 September 2007. His annual fee is £127,050 per annum (based upon four days' work each month). The appointment is terminable by three months' notice by either party.

8.2 On 15 July 2008, Graham Stewart entered into a service agreement with the Company pursuant to which he agreed to act as Chief Executive (subsequently amended and restated on 28 May 2013 and 20 June 2017). His salary is £413,600 per annum, plus a discretionary bonus (such bonus not to exceed 100 per cent. of the salary). In addition, Graham Stewart is entitled to 20 per cent. of basic salary as a pension contribution to be paid into a pension scheme of his choice, medical insurance, life assurance and permanent health/disability insurance. The appointment is terminable by 12 months' notice by either party although upon a change of control of the Company Graham Stewart is entitled to terminate his service agreement within three months of the completion of such an event and receive compensation in the form of 12 months' salary and benefits including pension and 65 per cent. of any bonus paid in the previous period.

8.3 On 28 May 2013, Jonathan Cooper entered into a service agreement with the Company pursuant to which he agreed to act as Chief Financial Officer (as subsequently amended and restated on 20 June 2017). His salary is £279,300 per annum, plus a discretionary bonus (such bonus not to exceed 100 per cent. of the salary). In addition, Jonathan Cooper is entitled to 20 per cent. of basic salary as a pension contribution to be paid into a pension scheme of his choice, medical insurance, life assurance, and permanent health/disability insurance. The appointment is terminable by 12 months' notice by either party although upon a change of control of the Company, Jonathan Cooper is entitled to terminate his service agreement within three months of the completion of such an event and receive compensation in the form of 12 months' salary and benefits including pension and 65 per cent. of any bonus paid in the previous period.

8.4 On 1 February 2006, Helge Hammer entered into an employment agreement with Faroe Petroleum Norge AS ("FPN") (as subsequently amended and restated most recently on 29 May 2017) appointing him as managing director of FPN and Chief Operating Officer of the Company. His salary for 2018 is NOK1,757,140 plus £154,000 (with the GBP element of his salary converted to NOK at the closing GBP/NOK exchange rate of each month prior to the month of payment), plus a discretionary bonus. Helge Hammer's pension entitlements are as follows: up to 25.1% of base salary up to approximately £104,500 (NOK 1,123,608), which is paid into a defined contribution scheme; 10% of base salary above approximately £104,500 (NOK 1,123,608) and up to approximately £148,100 (NOK 1,591,778) which is to be paid into a pension scheme of his choice; and 20% of base salary above approximately £148,100 (NOK 1,591,778) which is also to be paid into a pension scheme of his choice. The 10% and 20% mentioned above are paid net of tax calculated using the marginal tax rate. Helge Hammer is also entitled to pension insurance and personal insurance and NOK120,000 (approximately £11,200), in lieu of a motor car. The appointment is terminable by 12 months' notice by either party although upon a change of control of the Company, Helge Hammer is entitled to terminate his service agreement within three months of the completion of such an event and receive compensation in the form of 12 months' salary and 65 per cent. of any bonus paid in the previous period.

8.5 On 15 June 2009, Roger Witts entered into a letter of appointment with the Company (subsequently amended and restated on 24 March 2010 and then amended and extended from time to time) pursuant to which he agreed to act as Non-Executive Director from 4 May 2009 and Chairman of the Audit Committee for a current fee of £73,400 per annum (based upon one to two days' work each month). The appointment is terminable by three months' notice by either party.

8.6 On 13 August 2014, Jorunn Saetre entered into a letter of appointment with the Company (as amended and extended from time to time) pursuant to which she agreed to act as Non-Executive Director from 1 September 2014 and Chairman of the Nomination Committee from 1 July 2018 for a current fee of £60,100 (based upon one to two days' work each month). The appointment is terminable by three months' notice by either party.

8.7 On 25 October 2017, Brent Cheshire entered into a letter of appointment with the Company (as amended from time to time) pursuant to which he agreed to act as Non-Executive Director from the same date and was subsequently appointed as the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee for a current fee of £73,400 per annum (based upon one to two days' work each month). The appointment is terminable by three months' notice by either party.

8.8 On 4 June 2018, Katherine Louise Margiad Ward (nee Roe) entered into a letter of appointment with the Company pursuant to which she agreed to act as Non-Executive Director from 1 July 2018 for a current fee of £53,900 (based upon one to two days' work each month). The appointment is terminable by three months' notice by either party.

8.9 Each of the Directors and the Company have entered into deeds of indemnity giving effect to the provisions of Article 182 of the Articles entitling each Director of the Company to an indemnity on the same terms as that Article. Pursuant to the deeds of indemnity the Company has agreed to indemnify the Directors out of the Company's assets against, inter alia, all liabilities incurred by the Director in the actual or purported execution and/or discharge of his duties including any liability incurred defending proceedings (whether civil or criminal) which relate to anything done or omitted to be done by him as an officer or employee of the Company (or associated company or in his capacity as trustee of an occupational pension scheme) or any other liability incurred by the Director as an officer of the Company or an associated company. The Company may provide the Directors with funds to meet expenditure incurred or to be incurred by the Directors in connection with any proceedings or applications in defending any criminal or civil proceedings relating to any alleged negligence, default, breach of duty or breach of trust by the Director in relation to the Company or an associated company.

9. Material Contracts

The following contracts have been entered into by the Company or its subsidiaries otherwise than in the ordinary course of business since 26 November 2016 (the date two years prior to the commencement of the Offer Period and 18 December 2018 (being the latest practicable date prior to the publication of this document) and may be material

9.1 Sale Agreement relating to the sale of a 17.5% stake in Fenja Development

On 9 February 2018, FPN and Suncor Energy Norge AS ("SEN") entered into a sale and purchase agreement under which FPN sold to SEN a 17.5 per cent. interest in the Fenja oil field (including its interest in Licence PL 586 and the related joint operating agreement), with an effective date of 1 January 2018, for a total consideration of US$54.5 million. The sale completed on 16 May 2018. The Agreement is governed by Norwegian law.

9.2 Issue of unsecured US$100 Million Bond

Pursuant to the bond terms, dated 28 November 2017, made between the Company and Nordic Trustee AS, an initial tranche of bonds in an amount of US$100,000,000 were issued on 29 November 2017, and have been fully paid and are freely transferable (the "Bonds"). The Bonds' primary listing became effective on 17 January 2018 on Nordic ABM and is registered as the "Faroe Petroleum plc 8.00% Senior Unsecured Callable Open Bond Issue 2017/2023" with ISIN NO001 0811268. The coupon rate on the Bonds is 8% payable bi-annually with a maturity date on 28 April 2023. The bonds are governed by Norwegian law.

9.3 US$350 Million Reserve-Based Lending Facility

On 12 July 2011 (as subsequently amended on 25 July 2012, 17 December 2013,19 December 2016, 26 October 2018, 28 November 2017 and 26 October 2018), Faroe Petroleum (U.K.) Limited ("FPUK") entered into a secured revolving borrowing base facility (the "Reserve Based Lending Facility") with (now) ten mandated lead arrangers with BNP Paribas as agent under which FPUK can borrow up to US$350 million. The borrowing base amount is calculated by reference to a project life cover ratio and a loan life cover ratio linked to the net present value of the approved borrowing base assets.

FPUK is permitted to draw under the Reserve Based Lending Facility in line with an agreed expenditure plan to fund development costs and general corporate spending. The lenders commitment under the Reserve Based Lending Facility is to reduce in accordance with a reduction schedule, the final maturity date being the earlier of 31 December 2025, upon the Bonds remaining outstanding at 28 April 2023 and the date when the remaining borrowing base reserves are projected to be 25 per cent. or less of the initially approved borrowing base reserves.

Borrowings under the Reserve Based Lending Facility bear interest at LIBOR or NIBOR as the case may be plus a variable increasing margin of 3.00 per cent., 3.25 per cent. and 3.50 per cent. determined on the basis of how much of the Reserve Based Lending Facility is drawn. A commitment fee and arrangement fee are also payable. Voluntary prepayments are permitted subject to notice and payment of break costs. Mandatory prepayments are to be made in the event of illegality or change of control.

Indebtedness under the Reserve Based Lending Facility is guaranteed by Faroe and secured by a floating charge over all assets and the shares of FPUK and FPN and certain other subsidiaries. The Reserve Based Lending Facility contains customary covenants which limit Faroe's ability to incur indebtedness, pledge its assets, dispose of its assets, make capital expenditures and incur capital commitments. The Reserve Based Lending Facility contains standard representations and events of default for a facility of this nature. The Reserve Based Lending Facility is governed by English law.

9.4 Exploration Financing Facility

On 12 July 2011 and as amended on 25 July 2012, 20 December 2012, 11 September 2014, 19 December 2016 and 28 November 2017, FPN entered into an up to NOK 1.0 billion secured revolving exploration facility (the "Exploration Financing Facility") with (now) ten mandated lead arrangers with BNP Paribas as agent. The maximum amount which can be borrowed under the Exploration Financing Facility is the lesser of (i) NOK 1.0 billion and (ii) 96 per cent. of FPN's exploration costs for each year less certain interest costs. The total commitment under the Exploration Financing Facility can be increased by up to NOK 0.5 billion under an accordion mechanism.

Borrowings under the Exploration Financing Facility bear interest at 1.30 per cent. above NIBOR. A commitment fee, arrangement fee and agent fee are also payable. Voluntary prepayments are permitted in certain circumstances without penalty.

Indebtedness under the Exploration Financing Facility is guaranteed by the Company secured over FPN's tax rebate account and a charge over FPN's participating interests in its exploration licences.

The Exploration Financing Facility contains customary covenants which limit the Group's ability to incur indebtedness, pledge its shares and pay dividends. The Exploration Financing Facility

ADDITIONAL INFORMATION

contains standard representations and events of default for a facility of this nature.

FPN is permitted to draw down under the Exploration Financing Facility until 31 December 2019. The Exploration Financing Facility is to be repaid no later than 31 December 2020, utilising the tax rebate payable to FPN for net exploration expenditure for the 2019 tax year. Partial repayment of the Exploration Financing Facility is required if outstanding borrowings exceed a revised calculation of the available amount.

The Exploration Financing Facility is governed by English law.

9.5 Inter-Creditor Agreement

The security arrangements between the ten lenders to the Reserve Based Lending Facility and the Exploration Financing Facility are regulated under an inter-creditor agreement dated 12 July 2011 and as amended from time to time. The inter-creditor agreement is governed by English law.

9.6 Equinor Asset Swap Agreement

On 4 December 2018, FPN and the Company entered into a swap agreement with Equinor Energy AS (a wholly-owned subsidiary of Equinor ASA) to swap on a cashless basis its interests in the Njord, Hyme redevelopment and Bauge development assets in return for interests in four production assets on the Norwegian Continental Shelf: Alve, Marulk, Ringhorne East and Vilje (the "Equinor Swap"). The Equinor Swap has an effective date of 1 January 2019 and is subject only to consent from the Norwegian authorities. The Equinor Swap is governed by Norwegian law.

10. Significant Change

Save as disclosed in this document, the Directors confirm that they are not aware of any significant change in the financial or trading position of the Company which has occurred since 30 June 2018, the date to which the interim results for the Company for the six month period ended 30 June 2018 were published.

11. Fees and Expenses

The aggregate estimated fees and expenses expected to be incurred by the Company in connection with the Offer amount to approximately £8.58 million (excluding any applicable VAT). Separate estimates of the fees and expenses expected to be incurred in relation to the categories of advice are approximately: £6.81 million (depending on the outcome of the Offer) for financial and corporate broking advice; £1.12 million for legal advice; £0.27 million for public relations fees; £0.22 million for other professional expenses and £0.16 million in relation to other costs and expenses.

12. Consents

12.1 Rothschild & Co has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they are included.

12.2 BDO LLP has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they are included.

13. Documents Available on the Company's Website

Copies of the following documents are available free of charge on the Company's website at http://www.fp.fo/ until the end of the Offer. The contents of that website are not incorporated into, and do not form part of, this document:

(a) The Articles of the Company;

(b) the audited consolidated financial information for the Group for the last two financial years;

(c) the audited consolidated financial information of DNO for the last two financial years;

(d) the written consents referred to in paragraphs 12.1 and 12.2 above;

(e) this document;

(f) the Wittemann E&P consulting report; and

(g) the Wood Mackenzie report.

14. Other Information

On giving its opinion on the Offer, the Board is required under the Takeover Code to give its opinion on certain matters. Such matters include the effect of the Offer on Faroe's interests, including, specifically, employment and the Board's views on DNO's strategic plans for Faroe and their likely repercussions on employment and the locations of Faroe's places of business. The Board can only comment on the details of the Offer that have been provided in DNO's Offer Document published by DNO. The Board notes DNO's statements in paragraph 7 on page 12 of DNO's Offer Document regarding its plans in relation to Faroe's management, employees and locations of business. The Board notes the strategic importance to DNO of seeking to acquire Faroe. However, there is insufficient information in the offer document about DNO's plans in relation to Faroe to comment further.

15. Copies of this Document

If you have received this document in electronic form or by it being published on Faroe's website, you may request a copy of this document 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 this document and any other document referred to in this 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 Shareholder 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.

SOURCES AND BASES OF INFORMATION

1. Third party sources

Values in this document have been rounded and accordingly may not add up to 100%. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

2. Presentation of information

Unless otherwise stated:

i. Information regarding the Offer is sourced from the Offer Document and other material made publicly available by DNO or any other person mentioned in the Offer Document

ii. Information regarding Faroe and Faroe's operations is sourced from Faroe Company Information and is subject to change

3. Sources and bases

The relevant sources of information and bases of calculation are provided below in the order in which such information appears in this document and by reference to page numbers of this document. Where such information is repeated in this document, the underlying sources and bases are not repeated. Information referred to in the Chairman's letter (on pages 6-7) is referenced elsewhere in this document and sourced and based accordingly.

All references to Faroe's 2P reserves of 98mmboe are based on Management's estimates as at 1 January 2018 adjusted for the Fenja divestment but not the Equinor asset swap, which is due to complete in Q1 2019 and has been agreed on a reserves neutral basis. This has been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers and World Petroleum Congress.

All references to Faroe's 2C resources of 122mmboe are based on Management's estimates as at 1 January 2018 adjusted for the Fogelberg farm-down and the Iris/Hades and Agar discoveries but not for the Equinor asset swap, which is due to complete in Q1 2019. This has been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers and World Petroleum Congress.

All references to Faroe's production are based on reserves and resources estimates as at 1 January 2018 adjusted for the Fenja divestment, Fogelberg farm-down, Iris/Hades and Agar discoveries and the Equinor asset swap where applicable. This has been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers and World Petroleum Congress.

Page 3

i. The reference to the Equinor asset swap delivering an additional £96m of cash flow over the next two years (2019-2020) is based on the Quantified Financial Benefits Statement in Appendix 1

Pages 4-5

i. The reference to DNO's Offer representing a premium of only 1% to the three month VWAP is based on:
   - The three month Volume Weighted Average Price of 151 pence per share
   - DNO's cash Offer of 152 pence per share

ii. The reference to DNO's Offer representing a premium of only 21% to the closing share price on the business day prior to the Offer being launched is based on:
   - The closing share price on 23 November 2018 of 126 pence per share
   - DNO's cash Offer of 152 pence per share

iii. The reference to DNO's Offer premium of only 21% representing about half of the of the average premium paid on all UK takeovers over the last 10 years is based on:
   - An average pre-bid speculation premium of 43% 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
   - An average pre-bid speculation premium of 40% 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

iv. The reference to DNO's Offer representing a discount of c.45% to the average price paid for comparable North Sea (in particular, Norwegian Continental Shelf) portfolios is based on:
   - The average price paid recently for comparable UK and Norway deals over US$300m on a per barrel of 2P reserves basis of US$12.1 per 2P boe. This has been sourced from a Wood Mackenzie report commissioned by the Board to consider historical upstream mergers and acquisitions and determine an appropriate benchmark against which to value Faroe. The Wood Mackenzie Report can be viewed on the Company's website at www.fp.fo. Transaction multiples are based on relevant UK and Norway deals as outlined in the Wood Mackenzie report
   - A £:US$ FX rate of 1.25 as sourced from Factset as at 11 December 2018
   - Faroe's latest reported net cash balance of £83m as at 30 June 2018
   - Faroe's fully diluted share capital of 398m shares
   - Faroe's 2P reserves of 98mmboe
   - DNO's cash Offer of 152 pence per share

v. The reference to DNO timing its Offer to exploit the recent oil price fall is based on:
   - DNO making its Offer on 26 November 2018
   - The Brent oil price reaching a 12 month low of US$57.7/bbl on 23 November 2018, the last business day before DNO announced its Offer

vi. The reference to Iris / Hades being one of the largest global discoveries in 2018 year to date is based on information included in a presentation produced by Wood Mackenzie titled 'Wildcats to watch 2018 – Update' and dated July 2018. In the report, Iris / Hades is detailed as being the 6th largest global discovery in H1 2018. A chart sourced form the same document is presented on page 10

SOURCES AND BASES OF INFORMATION

vii. The reference to the valuation of 179 pence per share based on the all sector 10 year average UK public market bid premium is based on:

- An average pre-bid speculation premium of 43% 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
- Faroe's closing share price of 126p prior to the Offer announcement

viii. The reference to the valuation of 176 pence per share based on the E&P 10 year average UK public market bid premium is based on:

- An average pre-bid speculation premium of 40% 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
- Faroe's closing share price of 126p prior to the Offer announcement

ix. The reference to the North Sea portfolios average EV / 2P valuation of 258 pence per share is based on:

- The average price paid recently for comparable UK and Norway deals over US$300m on a per barrel of 2P reserves basis of US$12.1 per 2P boe. This has been sourced from a Wood Mackenzie report commissioned by the Board to consider historical upstream mergers and acquisitions and determine an appropriate benchmark against which to value Faroe. The Wood Mackenzie Report can be viewed on the Company's website at www.fp.fo. Transaction multiples are based on relevant UK and Norway deals as outlined in the Wood Mackenzie report
- A £:US$ FX rate of 1.25 as sourced from Factset as at 11 December 2018
- Faroe's latest reported net cash balance of £83m as at 30 June 2018
- Faroe's fully diluted share capital of 398m shares
- Faroe's 2P reserves of 98mmboe

x. The statement that Faroe is Top 5 in terms of value creation from exploration when Johan Sverdrup is excluded is sourced from a report produced by Wittemann E&P Consulting commissioned by The Board. The report is titled 'NCS exploration performance analysis' and dated October 2018 and can be viewed at www.fp.fo

Pages 8-9

i. The reference to DNO timing its Offer to coincide with a c.30% fall in the oil price from its recent peak to a near 12 month low is based on:

- A Brent oil price of US$86.1 per barrel on 4 October 2018
- A Brent oil price of US$57.7 per barrel on 23 November 2018, the last business day before DNO announced its Offer

ii. The statement from Cavendish Asset Management is sourced from a Reuters article published on 26 November 2018 and titled 'Faroe Petroleum shares soar after DNO makes hostile bid'. The full quote is "Given the falling oil prices, DNO clearly thought it could swoop in and secure itself a bargain. However, both the current and historical market price show that this bid wildly undervalues the company."

iii. The quote from Arden Partners is sourced from Analyst Research published on 26 November 2018. The full quote is "We believe that, while DNO is likely to have been considering a bid since early this year (it took its existing 28% stake in March at 125p), the timing and level are quite opportunistic, taking advantage of lower share prices across the E&P sector as oil prices have fallen. We believe that 152p undervalues Faroe and would recommend that shareholders reject the offer."

iv. The reference to the Equinor asset swap unlocking tax synergies is based on accelerating the utilisation of Faroe's Norwegian tax loss position

v. The reference to DNO's Offer price being equivalent to US$6.7 per barrel of 2P reserves is based upon:

- DNO's cash Offer of 152 pence per share
- A £:US$ FX rate of 1.25 as sourced from Factset as at 11 December 2018
- Faroe's latest reported net cash balance of £83m as at 30 June 2018
- Faroe's fully diluted share capital of 398m shares
- Faroe's 2P reserves of 98mmboe

vi. The quote from Wood Mackenzie is sourced from a 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

Pages 10-11

i. The references to the conclusions drawn from the Wittemann report are sourced from a third party report by Wittemann E&P Consulting commissioned by The Board. The report is titled 'NCS exploration performance analysis' and dated October 2018 and can be viewed at www.fp.fo

ii. The chart showing Iris / Hades as being the 6th largest global discovery in H1 2018 is sourced from a presentation produced by Wood Mackenzie titled 'Wildcats to watch 2018 – Update' and dated July 2018

iii. The quote from Barclays is sourced from Analyst Research by Barclays, titled 'Faroe Petroleum – Moment of Truth Approaches' and published on 1 October 2018. The full quote is "Faroe is already a well capitalized, efficiently managed business with a fully-funded portfolio of development projects, deep inventory of exploration acreage and a track-record for accretive acquisitions."

iv. The quote from Macquarie is sourced from Analyst Research by Macquarie Research, titled 'Faroe Petroleum - Further positive results' and published on 5 April 2018. The full quote is "Faroe has added value for shareholders through both organic and inorganic growth. Exploration has added material resource volumes at attractive finding cost levels, and the DONG deal added diversity and additional growth areas at a good price. The future strategy should continue combining both elements."

v. The quote from Jefferies is sourced from Analyst Research titled 'Faroe Petroleum – Follow Through' and published on 21 March 2018. The full quote is "Faroe Petroleum continues to stand out in the Euro E&P small-cap space with its low-risk counter-cyclical and fully-funded development portfolio, while also trading at a steep EV/2P discount."

Pages 12-13

i. The quote from Wittemann E&P Consulting is sourced from a third party report by Wittemann E&P Consulting commissioned by The Board. The report is titled 'NCS exploration performance analysis' and dated October 2018 and can be viewed at www.fp.fo

ii. The reference to Faroe receiving the "Explorer of the Year 2017" award from Rystad for its Brasse discovery is sourced from Rystad Energy's website and can be viewed at https://www.rystadenergy.com/newsevents/news/press-releases/gullkronen2017-winners/

Pages 14-15

i. 2P reserves of 98mmboe are based on Management's estimates as at 1 January 2018 adjusted for the Fenja divestment but not the Equinor asset swap, which is due to complete in Q1 2019 and has been agreed on a reserves neutral basis. This has been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers and World Petroleum Congress

ii. 2C resources of 122mmboe are based on Management's estimates as at 1 January 2018 adjusted for the Fogelberg farm-down and the Iris/Hades and Agar discoveries but not for the Equinor asset swap, which is due to complete in Q1 2019. This has been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers and World Petroleum Congress.

iii. Faroe's exploration resources shown are the unrisked mid-high resource ranges

iv. The recent swap transaction with Equinor has not completed and has not been included in estimates of resources, with the exception of Snadd OO/Black Vulture exploration well (included in exploration resource estimates) and the Marulk development well. The impact of the swap transaction with Equinor on 2P reserves is expected to be minor

Pages 16-17

i. The quote from Barclays is sourced from Analyst Research by Barclays, titled 'Faroe Petroleum - Offense as a form of defense' and published on 6 December 2018. The full quote is "Although Faroe Petroleum's asset swap with Equinor is not a direct response to DNO's 152p/shr cash offer, we believe it demonstrated management's ability to deliver accretive transactions that accelerate the strategy of self-funded production growth and continued impactful exploration."

ii. The statement by analysts at Cantor Fitzgerald is sourced from an article published by Energy Voice on 5 December 2018 and titled 'DNO questions wisdom of Faroe's swap deal with Equinor'. The full quote is "For Faroe, the deal should prove to be accretive to our valuation, having little impact on the company's medium term production target of 35,000 boe per day, but adding significant near-term production/cashflow, operational/tax synergies and reducing both opex and capex exposure."

iii. The quote from Bloomberg Intelligence is sourced from Bloomberg's daily roundup, titled 'Ball Back in DNO's Court in Hostile Bid for Faroe' and published on 7 December 2018. The full quote is "The deal is solidly cash-flow accretive by increasing Faroe's 2019 net production by 7,000-8,000 boepd, while removing significant development-spending outlay."

iv. The quote from Cantor Crude Thoughts is sourced from Analyst Research by Cantor Fitzgerald and published on 6 December 2018. The full quote is "DNO issued what seems to be becoming a typically churlish response to FPM's asset swap with Equinor, acknowledging that it would need to understand the deal "before making a judgement", but questioning whether it represented good value for "a company seeking growth". Which seems to ignore the fact that FPM has just swapped out a 7.5% WI in a costly redevelopment for an instant >50% uplift in production."

Pages 20-21

i. The reference to Faroe's share price outperforming the FTSE AIM Oil & Gas Index and the Brent price over the three year period to both 3 April 2018 and 23 November 2018 is sourced from Factset

ii. The reference that Faroe's share price has increased by 66% since 1 December 2014 to 23 November 2018 is sourced from Factset

iii. The reference that DNO's share price has decreased by 18% since 1 December 2014 to 23 November 2018 is sourced from Factset

iv. The reference that Faroe is the seventh largest London listed E&P by market cap is based upon data using the Bloomberg "EQS" function, filtered for London-based exchanges, "Exploration & Production" sector and using "USD" currency as of 17 December 2018

v. The quote from Cantor Crude Thoughts is sourced from Analyst Research by Cantor Fitzgerald and published on 28 August 2018. The full quote is "In our view, a company which is broadly considered to be operated as the personal fiefdom of its Executive Chairman questioning the governance practises of one of the best-run E&Ps in the market, is borderline hysterical"

GLOSSARY OF TERMS

2C	Best estimate contingent resources
2P	Proved and probable reserves
AGM	Annual General Meeting
APA	Awards in Predefined Areas
bbl	barrels
bnboe	billions of barrels of oil equivalent
Board	the board of directors of Faroe
boe	barrel of oil equivalent
boepd	barrels of oil equivalent per day
CAGR	Compound Annual Growth Rate
CIP	the Faroe Petroleum Co-Investment Plan, as adopted on 28 June 2016 (as amended from time to time)
Connected Adviser	has the meaning given to it in the Takeover Code
DG2	Decision Gate 2
Directors	the directors of the Company
DNO	DNO ASA, a public limited company incorporated, registered and located in Norway at Dokkveien 1, 0250 Oslo, Norway
DONG	DONG E&P Norge AS
E&A	Exploration and Appraisal
E&P	Exploration and Production
Equinor	Equinor Energy AS
EV	Enterprise Value
Faroe/ the Company	Faroe Petroleum plc, incorporated in England and Wales with registered number 04622251 and registered address 30 Crown Place, London, UK, EC2A 4ES
FPIP	Faroe Petroleum Incentive Plan as adopted on 28 June 2016 (as amended from time to time) (excluding the Faroe Restricted Share Plan)
kboepd	thousands of barrels of oil equivalent per day
LIBOR	London Interbank Offered rate
M&A	Mergers & Acquisitions
mmboe	millions of barrels of oil equivalent
NCS	Norwegian Continental Shelf
NIBOR	Norwegian Interbank Offered Rate
NOK	Norwegian Kroner
Offer	the cash offer made by DNO to acquire the issued and to be issued share capital of Faroe at 152p per share, pursuant to the terms set out in DNO's Offer Document
Offer Document	the offer document published by DNO on 12 December 2018 in connection with the Offer
Ordinary Shares	the ordinary shares of the Company
p.a.	per annum
PDO	Plan for Development and Operation
Petoro	Petoro AS
RBL	Reserve Based Lending
Shareholders	the holders of Faroe shares
SIP	the Faroe Petroleum Share Incentive Plan, as approved by HM Revenue & Customs on 26 November 2010 (as amended from time to time)
Takeover Code	the City Code on Takeovers and Mergers, as amended from time to time
VWAP	Volume Weighted Average share Price
WI	Working Interest
YTD	Year to date

APPENDIX 1

APPENDIX 1

QUANTIFIED FINANCIAL BENEFITS STATEMENT

PART A

Pages 3, 4, 5, 7, 13, 16, 17, 21 and 22 include statements of estimated cash flow benefits in 2019-2020 as a result of the Equinor asset swap ("Quantified Financial Benefits Statements", "QFBS"). A copy of the Quantified Financial Benefits Statements is set out below:

Quantified Financial Benefits Statements

- Page 3: The benefits of the Equinor asset swap, which delivers an additional £96m of cash flow over the next two years with no material impact on reserves or growth prospects
- Page 4: Adds £96m incremental cash flow in the next two years further strengthening our already robust balance sheet. This financial flexibility enables us to give careful consideration to the optimal mix of reinvestment in the existing portfolio, potential M&A opportunities and capital return to shareholders
- Page 5: Incremental cash flow benefit from 2019-2020 of £96m
- Page 7: The transaction also significantly increases our near term cash flow, which has been independently reported on as adding £96m incremental cash flow over the next two years.
- Page 7: Faroe has a robust balance sheet that has been further strengthened by the addition of £96m incremental cash flow over the next two years resulting from the Equinor asset swap
- Page 13: Significant financial flexibility … +£96m of incremental cash flow benefits from Equinor asset swap over next two years …
- Page 16: £96m incremental cash flow increase over the next two years
- Page 17: Incremental cash flow benefit 2019-2020 of £96m
- Page 21: £96m incremental cash flow increase over the next two years further strengthening our already robust balance sheet. This financial flexibility enables us to give careful consideration to the optimal mix of reinvestment into the existing portfolio, exploring value accretive M&A opportunities and capital return to shareholders
- Page 22: The benefits of the Equinor asset swap, which delivers an additional £96m of cash flow over the next two years with no material impact on reserves or growth prospects

Assumptions, bases of belief and other information

In arriving at the Quantified Financial Benefits Statements, the Faroe Board has assumed the following:

- The following commodity price and exchange rate assumptions:

	Unit	2019	2020
Oil price	US$/bbl	65.0	67.5
Gas price	p/therm	50.0	47.5
NGL price	US$/bbl	39.0	40.5
NOK/GBP		10.46	9.79
NOK/USD		7.75	7.25

APPENDIX 1

- Production volumes, operating expenditure and capital expenditure are based on operator estimates, as adjusted by the Company for estimated variables.
- There will be no material disruptions to production in the fields in which the Company owns, or will own, a working interest.
- Taxation cash flows have been calculated based on the current regime prevailing in Norway for Corporate Tax and Special Petroleum Tax.
- An inflation rate of 2% p.a. has been assumed in all periods.
- The Company has, in addition, made the following assumptions, all of which are outside its control:
    - There will be no material impact on the underlying operations of the Company or its ability to continue to conduct its business;
    - There will be no material changes to macroeconomic, political, regulatory or legal conditions in the markets or regions in which the Company operates that materially impact on its business plan and the implementation or costs to achieve the projected cash benefits.
    - There will be no material change in current foreign exchange rates and commodity prices contained in the Company's cash flow projections.
    - There will be no change in tax legislation or tax rates or other legislation or regulation in the countries in which the Company operates that could materially impact the ability to achieve any benefits; and
    - There will be no material regulatory impediment to the realisation of the cash flow benefits.
- The key constituent elements of the QFBS are set out as follows including the cash flow build up in 2019 and 2020 for both the new assets acquired and the existing assets divested:
    - Divested assets (2019 and 2020 respectively)
        - Production: 0 and 1.1 (kboepd)
        - Opex: 19.2 and 45.6 (NOKm)
        - Capex: 450.6 and 223.8 (NOKm)
    - New assets (2019 and 2020 respectively)
        - Production: 7.5 and 7.2 (kboepd)
        - Opex: 321.4 and 302.8 (NOKm)
        - Capex: 136.9 and 111.4 (NOKm)

- Whilst overall production from 2022 will be lower following the Equinor asset swap than it would be from the current portfolio, the net impact of the Equinor asset swap over a five year period (2019-2023) is positive overall; no further dis-benefits were identified.
- There will be no internal changes required in order to support the new assets, as the same team that looked after the assets being disposed of will be used to support the new assets being acquired.
- The expected financial benefits are forecast to be realised in 2019-2020 and as such, are not forecast to be recurring thereafter at the same level.
- Legal fees of NOK 1,769,794 (net of VAT) have been incurred for due diligence and contract drafting in relation to the Equinor asset swap. Further costs are expected to be minimal prior to completion of the Equinor asset swap transaction. These costs were one-off in nature and are not expected to continue following the Equinor asset swap transaction; management has identified that there may be an increase in insurance costs following the Equinor asset swap. However, the quantum of this increase has not yet been forecast. No further recurring or non-recurring costs were identified.

Notes

1. The statements of estimated cash flow benefits in 2019-2020 relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cash flow benefits in 2019-2020 referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.
2. Due to the scale of the Equinor asset swap, there may be additional changes to Faroe's operations. As a result, and given the fact that the changes relate to the future, the resulting cash flow benefits in 2019-2020 may be materially greater or less than those estimated.
3. No statement should be construed as a profit forecast or interpreted to mean that Faroe's earnings or earnings per share for the current or future financial years would necessarily match or be greater than or be less than those for the relevant preceding financial period or any other period.

APPENDIX 1

PART B

REPORT FROM BDO LLP ON THE QUANTIFIED FINANCIAL BENEFITS STATEMENTS

The Directors
Faroe Petroleum plc
30 Crown Place
London
United Kingdom
EC2A 4ES

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London
EC4N 8AL

20 December 2018

Dear Sirs

Faroe Petroleum plc (the "Company")

We report on the statement regarding estimated quantified financial benefits made by the Company (the "Statement") and set out on pages 3, 4, 5, 7, 13, 16, 17, 21 and 22 of the defence document (the "Defence Document") issued in connection with the City Code on Takeovers and Mergers (the "City Code") and the basis of preparation of the Statement and notes to the Statement set out in Appendix 1 to the Defence Document. This report is required by Rule 28.1(a)(i) of the City Code and is given for the purpose of complying with that rule and for no other purpose.

Responsibility

It is the responsibility of the directors of the Company (the "Directors") to prepare the Statement in accordance with the requirements of the City Code.

It is our responsibility to form an opinion, as required by Rule 28.1(a)(i) of the City Code, as to whether the Statement has been properly compiled on the basis stated and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and to the shareholders of the Company, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2(b) of the City Code, consenting to its inclusion in the Defence Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

Our work included considering whether the Statement has been accurately computed based upon the disclosed bases of belief (including the principal assumptions and sources of information summarised in the notes to the Statement). Whilst the bases of belief (and the principal assumptions and sources of information summarised in the notes to the Statement) are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the bases of belief(or principal assumptions or sources of information summarised in the notes to the Statement) adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Statement, have not been disclosed or if any of the bases of belief (or principal assumptions or sources of information summarised in the notes to the Statement) made by the Directors appears to us to be unrealistic. This involved discussing the bases of belief supporting the Statement with those officers and employees of the Company who developed the principal assumptions and bases of belief, but our work did not involve any independent examination of the financial or other information underlying the Statement. The Statement is subject to uncertainty as described in note 1 to the Statement.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Statement has been properly compiled on the basis stated.

We do not express any opinion as to the achievability of the cash flow benefits estimated by the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion the Statement by the Company has been properly compiled on the basis stated.

Yours faithfully

BDO LLP

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART C

REPORT FROM ROTHSCHILD & CO ON THE QUANTIFIED FINANCIAL BENEFITS STATEMENT

The Directors
Faroe Petroleum plc
30 Crown Place
London
United Kingdom
EC2A 4ES

20 December 2018

Dear Sirs,

We refer to the Quantified Financial Benefits Statements, the bases of belief thereof and the notes thereto (together, the "Statement"), for which the directors of Faroe are solely responsible under Rule 28 of the City Code on Takeovers and Mergers.

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the directors of Faroe and those officers and employees of Faroe who developed the underlying plans. The Statement is subject to uncertainty as described in this document and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by, or on behalf of, Faroe, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter. We have also reviewed the work carried out by BDO LLP and have discussed with them the opinion set out in their letter of 20 December 2018 addressed to the directors of Faroe and ourselves.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the Directors of Faroe.

This letter is provided pursuant to our engagement letter with Faroe solely to the directors of Faroe in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Faroe or its shareholders or any person other than the directors of Faroe in respect of the contents of, or any matter arising out of or in connection with, this letter. No person other than the directors of Faroe can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person in respect of this letter, its results, or the work undertaken in connection with this letter, or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which the directors of Faroe are solely responsible, has been prepared with due care and consideration.

Yours truly,

N M Rothschild & Sons Limited

Faroe

REJECT

DNO's Offer

Your Company is worth substantially more than 152p per share

Faroe is delivering transformational growth – you should be the beneficiary of this, not DNO

TO REJECT THIS OPPORTUNISTIC, UNSOLICITED AND INADEQUATE OFFER,

DO NOTHING

DO NOT COMPLETE ANY FORM OF ACCEPTANCE