

04 June 2007

**Faroe Petroleum plc**

**(“Faroe Petroleum” or “the Company”)**

**NOK 120,000,000 Credit facility for Norwegian Exploration and Appraisal**

Faroe Petroleum, the independent oil and gas company focusing on exploration, appraisal and production in the Atlantic Margin, the North Sea and Norway, is pleased to announce that it has entered into a NOK 120m (approximately £10m) revolving credit facility with Bank of Scotland to finance the first phase of its Norwegian exploration and appraisal programme.

In 2005 the Norwegian Tax authorities introduced a favourable tax structure designed to encourage exploration. Under this scheme, exploration-focused companies such as Faroe Petroleum can recover 78% of exploration- and appraisal-related expenditure in the following tax year. Under the terms of the revolving credit facility 75% of all Faroe's exploration, appraisal and supporting expenditure in Norway will be met by Bank of Scotland, thereby substantially increasing the Company's capital available for investment in Norway activity.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

'This facility ensures that Faroe Petroleum will maximise the benefits of Norway's recent exploration-focused tax changes and frees up our own cash resources. We are very pleased to be working with the Bank of Scotland, with whom we have a long-standing relationship.'

Euan Tait, Associate Director, Bank of Scotland, commented:

'Bank of Scotland Corporate is delighted to support Faroe Petroleum's exciting growth aspirations in Norway and we very much look forward to continuing our excellent relationship with the company as Faroe Petroleum continues to develop and grow'.

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