**10 September 2007**

# FAROE PETROLEUM PLC
## ("Faroe Petroleum", "Faroe", the "Company" or the "Group")

## Unaudited Interim Results for the six months ended 30 June 2007

Faroe Petroleum, the independent oil and gas group focused on exploration, appraisal and development offshore North West Europe, with 34 licences in the Faroe Islands, UK West of Shetlands, the North Sea and Norway, announces its unaudited Interim Results for the six months ended 30 June 2007.

### HIGHLIGHTS

**Financial & Corporate**
- Turnover of £49,000 from Minke Main gas field production – came on stream 21st June 2007
- Loss of £0.6 million (30 June 2006 restated: loss of £1.5 million)
- Cash of £29.7 million (30 June 2006: £42.4 million) – sufficient funds to meet current commitments
- Revolving credit facility of £10 million secured with Bank of Scotland for exploration in Norway

**Strategy**
- Robust portfolio strategy for creating value in Atlantic Margin, the North Sea and Norway
- 34 licence portfolio spans exploration, appraisal, development and production:
  - high impact exploration, focused mainly in the Atlantic Margin and mid-Norway;
  - medium impact, near infrastructure exploration in the UK and Norwegian North Sea;
  - low risk appraisal in shallow water UK and Norwegian North Sea; and
  - low risk development and production licences in the UK and Dutch Southern North Sea

**Activity**
- Faroe's Atlantic Margin position enhanced by Chevron's Rosebank appraisal success and Total's recently announced gas condensate discovery close to Laggan gas field
- Important success entering Norway – most successful new entrant in latest licensing round
- Farm outs of four West of Shetland deep water exploration wells to Idemitsu
- Rigs secured for drilling the Breagh gas appraisal well in September 2007 plus the Anne Marie prospect in Faroe and the Fogelberg prospect in Norway in 2008/2009
- Milestone first gas production and income - Minke Main field on stream at 60 mmscfd gross
- Good technical progress being made to de-risk and mature many prospects for drilling

**Outlook**
- Firming up drilling programme, starting with Breagh appraisal well in September 2007
- Orca and Minke Graben gas field development plans progressing
- Preparing to farm out further Atlantic Margin wells
- Preparations underway for applications in Norway's APA 2007 Licensing Round
- Further commercial activity underway to secure greater portfolio diversification
- Highly experienced and motivated team driving programme forward

Graham Stewart, Chief Executive, commented:

"The first half of 2007 has seen us make our mark in several ways. Our early move into Norway was rewarded with seven much sought after new licences in a number of strong joint ventures. The Company achieved the major milestone of first production from the new Minke gas field development, which came on stream within a year of acquisition. We are also delighted to have executed a four-well farm-out to Idemitsu, thereby significantly reducing our cost exposure in the deep-water Atlantic Margin. The Company is now preparing for an exciting appraisal well in the Southern Gas Basin later this month with several further wells firming up for drilling and rigs contracted.

"After over four years with the Company, Non-executive Chairman Mr Joe Darby is leaving to pursue other opportunities. Joe has been an excellent chairman for the Company and we wish him well in the future. Mr John Bentley has since joined the Board as our new Non-executive Chairman. John has over 35 years oil and gas experience and we look forward to an increasingly fruitful period ahead with him."

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# FAROE PETROLEUM PLC
## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

### CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

We are pleased to announce the unaudited Interim Results for the six months to 30 June 2007 for Faroe Petroleum. Substantial progress was made during the first half of 2007, strengthening the Company, building on its strong exploration and appraisal portfolio and diversifying risk to include development and production, with licences offshore UK, Faroe Islands, Norway and Holland. Oil prices have remained high and relatively stable over the period, leading to continuing high rig utilisation, and increasing exploration costs and competition. Despite this, and the knock-on effect of drilling delays, we continue to make excellent progress towards our strategic objectives.

Our entry in to Norway, which was designed to take advantage of significant under-explored opportunities and the attractive fiscal regime was rewarded with the announcement earlier this year of seven new licence awards to Faroe Petroleum, making the Company the most successful new entrant in Norway's most recent licencing round. This demonstrates the considerable value of the Company's timely move in early 2006 to secure the highly experienced former Paladin Resources Norway team, and bodes well for our future growth in Norway.

As the high impact West of Shetlands drilling timetable progresses towards drilling, we are very pleased to have farmed out four deep water wells to Idemitsu. This achievement substantially reduces Faroe's cost exposure in these high cost wells, while retaining sufficient licence equity in each licence, given the substantial prospect sizes, to provide very significant value creation on drilling success.

We are also delighted to see the revenues from Faroe's first Southern Gas Basin acquisition, within one year of acquisition, in the form of the Company's landmark first production and cashflow from the Minke Main gas field which came on stream in June. Although relatively small, this is the first of three gas field developments scheduled for development over the coming years. An appraisal well on the significant Breagh gas discovery, acquired by the Company in 2006, will be drilled in September this year to test commerciality. In each of the Breagh, Orca and Minke fields, Faroe Petroleum has secured interests in low risk appraisal and development opportunities with additional exploration upside. This near-term, non-operated production activity, through a spread of fields, has been secured in order to provide tax efficient cashflow to underpin costs going forward, thereby enhancing the Company's ability to finance its exploration and appraisal programme. In addition, the Company expects these developments to allow the introduction of gearing through bank debt.

Key assets for high impact value creation are in the Atlantic Margin, with a 13 licence portfolio, encompassing the UK West of Shetlands and the Faroe Islands. The Company continues to hold material stakes in these licences in partnerships with mostly the major oil companies which include BP, Chevron, DONG, Eni, Idemitsu, OMV, Shell and Statoil. Prospects on these licences are world class, with vast resource potential, benefiting from nearby discoveries in several cases, increasing local production and export infrastructure, proximity to markets and not least political stability. Furthermore, Chevron's announcement earlier this year of the successful appraisal of its Rosebank discovery has substantially reduced exploration risk on the Corona Ridge on which Faroe holds six licences, three of which are in joint ventures with Chevron as operator. In addition, the nearby giant Clair oil field is understood to be continuing to outperform expectations while the Laggan gas field is reported to be making steady progress towards development. The gas potential in this area has been further enhanced through the recent announcement by Total of a new gas condensate discovery, 15 kilometres from Laggan.

Faroe Petroleum's primary objective is to create value through the commercial exploitation of its asset base. Participation in a material drilling programme is key to that end, and requires a mature, high quality portfolio together with the wherewithall to drill. Continuing high oil prices have dramatically increased rig rates and demands with the consequence that drilling plans are taking longer to firm up. In order to expedite the Company's drilling activity, we continue to apply considerable effort to mature Faroe's operated licences, and to encourage and support the operators in our non-operated licences. In parallel, we continue to commit significant resources to identifying new opportunities for participation in drilling activity in our core areas. It is clearly very important for the Company and its shareholders that Faroe's participation in drilling its portfolio of wells is secure and that material equity levels are retained. To that end, much emphasis is given to ensuring the financial strength of the Company. This involves managing financial exposure and equity levels in forthcoming wells to optimise the Company's financial resources of cash reserves and revenues, mainly through farm out.

With 34 licences now in total, spanning some 13,895 square kilometres, the Group has a spread of excellent exploration, appraisal and development opportunities in its portfolio. The licences are split as follows:

- high impact exploration, focused mainly in the Atlantic Margin and mid-Norway;
- medium impact, near infrastructure exploration in the UK and Norwegian North Sea;
- low risk appraisal in shallow water UK and Norwegian North Sea,; and
- low risk development and production licences in the UK and Dutch Southern North Sea

**RESULTS**

The Group received its first revenues from production of £49,000 during the period, reflecting one week of production. Initial net gas production from the newly developed Minke Main gas field was approximately 600 boepd during June 2007. The Group had cash reserves of £29.7 million at 30 June 2007 (30 June 2006: £42.4 million), and has adequate funds to meet all firm work programme commitments. The Group made a loss of £0.6 million in the period (30 June 2006: loss of £1.5 million restated). Agreement was reached with the Bank of Scotland for a revolving credit facility in the amount of Norwegian Kroner 120 million (approximately £10 million) to finance the first phase of the Company's Norwegian exploration and appraisal programme. In Norway, 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 financed by the Bank of Scotland.

The Board of Directors does not recommend the payment of a dividend.

## REVIEW OF ACTIVITIES

## Atlantic Margin

With the award of two new licences, Glenshee (Faroe 30% - Operated by Chevron) and Marjun (Faroe 100%), in the West of Shetlands area in February, the Company holds a good spread of 13 high potential Atlantic Margin licences. Glenshee is located adjacent to the 0.5 trillion cubic feet Tobermory gas discovery, and lies on the highly prospective Corona Ridge which contains the Chevron-operated Rosebank discovery. Marjun includes the 204/16-1 gas discovery with 30 metres of hydrocarbon column, on the same trend as the Marjun oil discovery drilled by Amerada Hess in 2001, which encountered a 160 metres hydrocarbon column.

In line with the Company's stated objectives to reduce its cost exposure in high cost wells, an agreement was reached with Idemitsu to farm out four deep water wells on the Talisker (Faroe 12.5% post farm out), Lagavulin (Faroe 10% post farm out), Cardhu (Faroe 5% post farm out) and Tornado (Faroe 10% post farm out) prospects in deep water UK West of Shetlands. This achievement has been reached ahead of taking on the drilling commitments, and provides a good cost carry and a substantial reduction in Faroe's cost exposure. A rig is currently being sought by OMV to drill the Tornado prospect, located near to the Suilven field, in 2008/2009. The highly prospective Cardhu, Lagavulin and Talisker licences all lie on the same trend as Chevron's significant Rosebank discovery.

Licence 005, Anne Marie (Faroe 25%) is a particularly exciting large prospect located in a prominent structural trend offsetting the Corona Ridge, on which the Rosebank oil discovery is situated, thereby reducing considerably the risk on Anne Marie. Faroe and joint venture partner Eni have committed to drill an exploration well by mid-2009, for which a rig has been sourced by Eni.

Extensive reservoir modelling work has delayed the farm out of the shallow water Freya discovery licence (Faroe 100%), adjacent to the BP operated Clair oil field, until later this year.

Good progress is being made on all Faroe's Atlantic Margin licences, in order to mature prospects towards drilling.

### UK North Sea

With the aim of improving portfolio diversification and balance, Faroe commenced its expansion into the North Sea in 2005 through acquisition from Shell and ExxonMobil of a licence in the unexplored Halibut play, in the prolific Outer Moray Firth. With the recent award of three 24th Round licences in the UK Central North Sea Faroe holds 12 UK North Sea licences. The Company therefore now has a significant position in the Moray Firth and, through 2006 acquisitions, a good initial position in the Southern Gas Basin.

The Moray Firth is a prospective, yet under-explored, Central North Sea region which benefits from a shallow water location and significant oil and gas infrastructure to allow early field development of discoveries. In this area, which has generated several very large fields including the giant producing Piper and Claymore oil fields, Faroe now holds seven licences with substantial licence equity ahead of drilling activity. Three of these are held in partnership with Oilexco, with equities ranging from 45% to 100%. In addition, the Keira licence (Faroe 100%) contains a Jurassic oil discovery which when drilled by Kerr McGee in 1981 recovered Beatrice crude oil with 38 degree API. A substantial technical work programme on the Moray Firth licences is underway to mature prospects for drilling.

In the Southern Gas Basin, Faroe has focused on securing relatively low equity, low risk appraisal and development opportunities, with the potential for near term cashflow generation. To date these have focused on carboniferous gas fields, which include the Minke and Orca fields, and also the soon to be appraised Breagh discovery.

The Minke and Orca fields (Faroe 6%) were acquired from ConocoPhillips in 2006 and within less than one year the Company announced that the Minke Main gas field in block 44/24a had been brought on stream. This is expected to be followed by the Minke Graben and Orca fields in due course. The Minke Main field development is operated by Gaz de France, and exports gas through the NGT pipeline into Holland via the D15 platform. The field flowed 60 million standard cubic feet per day gross (approximately 600 boepd net to Faroe) on production, and has reserves in the order of 2.6 billion cubic feet net to Faroe. Development decisions on Minke Graben and Orca will be made once Minke Main production history and subsequent field re-mapping have been incorporated, in order that the most efficient development options are chosen. Minke Graben is expected to be of a similar size to Minke Main and Orca considerably larger than Minke Main.

Breagh (Faroe 10%) is an exciting opportunity to appraise a significant gas discovery in the Southern Gas Basin. The interest was acquired from Sterling Resources in 2006. An appraisal well is scheduled to be drilled adjacent to the discovery well 43/13-2, in order to establish commercial reserves, which if successful is expected to lead to early development. The Ensco 85 drilling rig has been contracted for this well, which is expected to commence drilling in late September. In addition to the Breagh gas discovery this acreage contains un-drilled leads with good upside potential to enhance value on this licence.

**Norway**

As an important new element of Faroe's portfolio diversification strategy, the decision was taken in 2005 to enter Norway. This decision was principally based on the country's vast potential for resources, its outstanding exploration success rate, the fact that it remains an under-explored province, as well as the strong growth rate in the Norwegian oil industry. Norway has implemented a very favourable tax structure designed to incentivise exploration. This has resulted in a dramatic increase in the number of companies entering the Norwegian oil and gas market. All new entrants are required to pre-qualify in order to demonstrate their suitability and commitment to becoming a licencee on the Norwegian Continental Shelf. To achieve pre-qualification and be prepared for its first licensing round application in September 2006, the Company hired in February 2006 an exceptionally well qualified and experienced team, substantially from the former Paladin Resources Norway company (acquired by Talisman in early 2006).

This move was rewarded this year with the award of seven new 2006 APA (Awards in Pre-defined Areas) Round exploration licences spanning the Norwegian Sea and the Norwegian North Sea areas, making the Company the most successful new entrant in this highly competitive licensing round. Furthermore, Faroe was successful in joining forces with a number of high quality bidding groups, with some very successful oil and gas companies, which include Centrica, ConocoPhillips, DNO, Dana, Lundin, Noreco, PA Resources, Pertra, Petro-Canada and Revus. While Faroe is not yet qualified to act as operator in Norway, much of the screening, sub-surface analysis, generation of prospects and application work was undertaken by the Company's in-house team. The licences are all located in areas near to existing fields and infrastructure, and therefore offer the attractive potential for early field development of discoveries.

Two licences in the Norwegian Sea were awarded in partnership with Centrica and Petro-Canada. These licences offer excellent exploration and appraisal opportunities in an area which is already in active development. These include the Fogelberg and T-Rex licences (both Faroe 30%). Fogelberg is located some eight kilometres to the north of the producing Smørbukk Field and close to the recent Morvin oil and gas discovery 10 kilometres to the southwest, which was successfully appraised by Statoil in 2006. A seismic acquisition programme will be undertaken in mid-2008 and the West Alpha drilling rig has been contracted from SeaDrill to drill the Fogelberg prospect in 2009. Partners are Centrica Resources Norge (operator) and Petro-Canada Norge AS. The T-Rex prospect represents an opportunity to appraise an existing discovery in the Lower Cretaceous. The discovery lies between the Smørbukk and Smørbukk Sør fields and already has proven hydrocarbons in two wells. Following seismic reprocessing a decision on whether to drill an appraisal well will be taken by end 2008.

Faroe Petroleum was also awarded five new licences in the Norwegian North Sea which include the high potential Marulk Basin (Faroe 20%), just to the north of the Snorre Field, in the Tampen Spur hydrocarbon province. 3D seismic reprocessing and interpretation work will be undertaken before a drill or drop decision by end 2008. Joint venture partners are Norske ConocoPhillips, Revus Energy and Petro-Canada Norge.

The Company was also awarded, together with joint venture partners Pertra, Norwegian Energy Company, and PA Resources Norway, the high potential Utsira High licence (Faroe 20%), located to the east of the Frigg Field, and with prospects analogous to the Frøy field.

Faroe Petroleum, together with partners Centrica and Petro-Canada, was also awarded the highly prospective Butch Cassidy and Icarus licences (Faroe 30%). Located on the flank of the prolific Central Graben, Butch Cassidy is approximately 15 kilometres east of the Ula and Gyda Jurassic oil fields. The Icarus licence is located in the Sogn Graben, eight kilometres to the northeast of the 35/8-1 Vega discovery in the northern part of the Norwegian North Sea. Finally, the Company was also awarded, together with DNO, Dana and Lundin, the Clapton licence (Faroe 20%), which contains a chalk prospect and lead, both of which are located close to the Valhall Field. The licence is situated within the prolific chalk basin, which has to date produced well over 3.5 billion barrels of oil. Existing 3D seismic data will be re-processed to identify a drilling location.

Preparations are underway to apply for further licences in the 2007 APA Round and 2008 20$^{th}$ Round. The combination of Faroe's now exceptional knowledge of Norway, its very good relationships with many significant Norway-focused oil companies and its success in the last Licensing Round greatly enhances its potential to build a strong position in the country.

**BOARD OF MANAGEMENT**

Mr John Bentley was appointed to the Board as Non-executive Chairman, effective 1 September 2007, to replace Mr Joe Darby who retires after four years as the Company's Non-executive Chairman. Mr Bentley has over 35 years experience in the natural resources sector. He was Managing Director of Gencor's Brazilian mining company, Sao Bento Mineracao, from 1988 to 1993 when he became chief executive of Engen's E&P division. In 1996 he was instrumental in spinning off Energy Africa from Engen and listing it on the Johannesburg and Luxembourg stock exchanges. As chief executive during its first five years he grew Energy Africa into one of the leading independent E&P companies in Africa. The Board extends its sincere gratitude to Mr Darby for his significant contribution to the Company's progress during his four years as Chairman, presiding over the business from a pre-IPO exploration company with two licences in the Faroes, to a well resourced and well positioned exploration and production company with considerable potential.

Mr Helge Hammer was appointed to the Board of the Company effective 13 March 2007 as an executive director. Mr Hammer is the Managing Director of the Company's subsidiary Faroe Petroleum Norge AS, based in Stavanger. He joined Faroe Petroleum from Paladin Resources Norway where he was Deputy Managing Director, after a very successful international career with Shell.

Mr Roger Witts was also appointed to the Board effective 29 June 2007 as Finance Director. Mr Witts is a Chartered Accountant with over 30 years oil industry experience including as Finance Director of Fina Exploration Ltd, Thomson North Sea plc and Seafield Resources plc. Mr Witts has considerable experience in financial disciplines including fund raising, strategic planning, risk management and financial reporting.

We look forward to a very fruitful relationship with Mr Bentley, Mr Hammer and Mr Witts going forward.

## OUTLOOK

We expect to see increased activity with respect to both drilling and field development for the year ahead. Drilling rigs have been secured for drilling the Breagh well in the Southern North Sea in September, the Anne Marie and Fogelberg wells in Faroe and Norway in 2008/2009, and drilling plans are being firmed up for further wells in the programme. In addition, we will continue to apply for more licences, particularly in Norway as we look to build critical mass and a drilling programme to add to the initial commitment well on the Fogelberg prospect. Drilling opportunities in Norway will be financed in large part by the Norwegian State and, with the Company's new revolving credit facility now in place, we are well positioned to participate in an active drilling programme going forward. Commercial opportunities will also continue to be a key focus as we seek out good, value enhancing additions to the portfolio. These will include potential well farm ins or swaps, as well as possible near-term development and production opportunities to maximise our use of tax losses and our ability to generate revenues to strengthen the Company's finances.

Emphasis will continue on farming out future wells in our drilling programme to optimise our equity and cost exposure and thereby maximise upside.

With continuing high oil and gas prices, exploration and appraisal projects are high on the agenda of an increasing number of oil companies. Faroe Petroleum has an excellent portfolio with many significant drilling opportunities, we are well financed, we have modest production revenues from the Minke Main gas field with further developments to follow, and we have an exceptionally strong and motivated team to deliver value for our shareholders.

***Graham D Stewart***
***Chief Executive***

***John Bentley***
***Chairman***

**7 September 2007**

| Group Income Statement | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 | Audited Year to 31 December 2006 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Revenue | 49 | - | - |
| Cost of sales | (8) | - | - |
| **Gross profit** | 41 | - | - |
| Exploration and evaluation expenses | (1,541) | (622) | (1,006) |
| Administrative expenses | (758) | (1,215) | (2,921) |
| **Operating loss** | (2,258) | (1,837) | (3,927) |
| Interest income | 847 | 617 | 1,551 |
| Finance costs | (41) | (493) | (800) |
| **Loss on ordinary activities before tax** | (1,452) | (1,713) | (3,176) |
| Tax on loss on ordinary activities | 869 | 220 | 801 |
| **Loss for the year** | (583) | (1,493) | (2,375) |
| Basic and diluted loss per share (pence) | (0.8) | (2.5) | (3.5) |

| Group Balance Sheet | Unaudited 30 June 2007 | Unaudited 30 June 2006 | Audited 31 December 2006 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Non-current assets** | | | |
| Intangible assets | 17,831 | 11,987 | 16,099 |
| Property, plant and machinery | 4,410 | 529 | 2,560 |
| Investments | 11 | 11 | 11 |
| | 22,252 | 12,527 | 18,670 |
| **Current assets** | | | |
| Trade and other receivables | 1,620 | 396 | 2,578 |
| Current tax receivable | 2,295 | 289 | 1,052 |
| Cash and cash equivalents | 29,679 | 42,435 | 33,016 |
| | 33,594 | 43,120 | 36,646 |
| **Total assets** | 55,846 | 55,647 | 55,316 |
| **Current liabilities** | | | |
| Trade and other payables | (2,114) | (2,527) | (2,954) |
| Current tax payable | (53) | - | - |
| | (2,167) | (2,527) | (2,954) |
| **Non-current liabilities** | | | |
| Borrowing | (1,418) | - | - |
| Provision for deferred tax | (550) | (69) | (251) |
| Provision for liabilities and charges | (115) | - | (115) |
| Defined benefit pension plan deficit | (45) | (43) | (86) |
| | (2,128) | (112) | (452) |
| **Total liabilities** | (4,295) | (2,639) | (3,406) |
| **Net assets** | 51,551 | 53,008 | 51,910 |
| **Equity attributable to equity holders** | | | |
| Called up share capital | 7,382 | 7,382 | 7,382 |
| Share premium account | 51,813 | 51,816 | 51,813 |
| Other reserves | 1,086 | 1,086 | 1,086 |
| Profit and loss account | (8,730) | (7,276) | (8,371) |
| **Total equity** | 51,551 | 53,008 | 51,910 |

These interim results were approved by the Board of directors on 7 September 2007 and were signed on its behalf by:

Graham D Stewart
Director

| Group Cash Flow Statement | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 | Audited Year to 31 December 2006 |
|---|---|---|---|
| | £000 | £000 | £000 |
| *Operating activities* | | | |
| Cashflow from operations | (1,229) | (1,848) | (5,149) |
| Interest received | 958 | 579 | 1,394 |
| Interest paid | (18) | (10) | (19) |
| **Net cashflow from operating activities** | (289) | (1,279) | (3,774) |
| *Investing activities* | | | |
| Expenditure on intangible and tangible assets | (4,352) | (2,208) | (7,819) |
| Payments to acquire investments | - | - | (919) |
| **Net cashflow from investing activities** | (4,352) | (2,208) | (8,738) |
| *Financing activities* | | | |
| Issue of ordinary share capital | - | 25,085 | 25,082 |
| Issue costs | - | (1,518) | (1,518) |
| Draw-down of credit facility | 1,418 | - | - |
| **Net cashflow from financing activities** | 1,418 | 23,567 | 23,564 |
| Exchange differences | (114) | (496) | (887) |
| Net increase in cash and cash equivalents | (3,337) | 19,584 | 10,165 |
| Cash and cash equivalents at the beginning of the year | 33,016 | 22,851 | 22,851 |
| **Cash and cash equivalents at the end of the year** | 29,679 | 42,435 | 33,016 |

| Group Statement of Changes in Equity | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 | Audited Year to 31 December 2006 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Loss for the year | (583) | (1,493) | (2,375) |
| Exchange gains/(losses) on foreign currency net investment | (64) | 74 | (264) |
| Share option charges | 288 | 289 | 414 |
| New capital issued | - | 23,567 | 23,564 |
| **Net movement in shareholders' funds** | (359) | 22,437 | 21,339 |
| Opening shareholders' funds | 51,910 | 30,571 | 30,571 |
| **Closing shareholders' funds** | 51,551 | 53,008 | 51,910 |

## Notes

**(i) Basis of preparation**

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

Details of the Group's conversion to International Financial Reporting Standards ("IFRS") and the impact on 2006 and prior period UK GAAP results are presented in the IFRS First Time Adoption Statement (the "IFRS Statement") which is available on the Group's website (www.faroe-petroleum.com). The comparative figures for the year ended 31 December 2006 and period ended 30 June 2006 which are presented in these interim results are based on the IFRS Statement. The IFRS Statement includes a summary of the Group's significant accounting policies applicable under IFRS and these policies have been applied to the interim results for the six months ended 30 June 2007 with the addition of the revenue accounting policy which was not disclosed in that statement.

The Group's revenue accounting policy is that turnover reflects sales, net of VAT and royalties, in respect of liftings in accordance with contracts. Any imbalances between production and liftings, either production greater than liftings (underlift) or liftings greater than production (overlift) are reflected in cost of sales at market value.

The next annual financial statements of the group will be prepared in accordance with those IFRSs adopted for use by the European Union, and it is the expectation of the directors that the accounting policies applied in the interim results for the six months ended 30 June 2007 will be applied in those annual financial statements.

The financial information for the six months ended 30 June 2007 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IFRS.

**(ii) Loss per share**

The calculation of loss per share is based on the weighted average number of ordinary shares in issue during the period of 73,817,916 (30 June 2006: 62,303,532, 31 December 2006: 67,295,447). There is no difference between the diluted loss per share and the loss per share presented.

**(iii) Dividend**

The Directors do not recommend payment of a dividend.

**(iv) Foreign currencies**

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## (v) Reconciliation of loss on ordinary activities to cashflow from operations

| | Unaudited Six Months to 30 June 2007 | Unaudited Six Months to 30 June 2006 | Audited Year to 31 December 2006 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Operating loss | (2,258) | (1,837) | (3,927) |
| Depreciation charges | 90 | 52 | 124 |
| Fair value of share options | 288 | 289 | 414 |
| (Increase)/decrease in operating debtors | 749 | 42 | (2,021) |
| (Decrease)/increase in operating creditors | (98) | (394) | 261 |
| **Cashflow from operations** | (1,229) | (1,848) | (5,149) |

# INDEPENDENT REVIEW REPORT TO FAROE PETROLEUM PLC

**Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Equity and the related notes (i) to (v). We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

As disclosed in note (i), the next annual financial statements of the group will be prepared in accordance with those IFRSs adopted for use by the European Union. The accounting policies are consistent with those that the directors intend to use in the next financial statements.

**Review work performed**

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

**Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Ernst & Young LLP
Aberdeen
7 September 2007