

26 October 2010

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

Acquisition of Interest in Producing Blane Oil Field and Exploration Farm Out

Faroe Petroleum plc, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in the Atlantic Margin, the North Sea and Norway, is pleased to announce that it has agreed to acquire an 18.0% interest in the Blane oil field (“Blane Interest”) from ENI UK Limited and ENI ULX Limited (the “Vendors”).

The headline consideration for the acquisition (the “Acquisition”), calculated from the effective date of 1 July 2010 is £60 million, prior to working capital adjustments to completion, payable to the Vendors in cash (the “Consideration”) together with the farm out, on promoted terms, of a 20% interest in three Atlantic Margin exploration licences.

The Consideration is to be funded from cash and bank debt drawn against the Company’s borrowing base facility.

The Acquisition is also subject to joint venture partner consent, the resolution of pre-emption rights and regulatory approval.

The Blane Oil Field (P111-Block 30/3a (Upper), UK North Sea) was discovered in 1989, and is located on the Central Graben of the UK continental shelf, extending into the Norwegian sector. Production commenced in September 2007 from a Tertiary Palaeocene Forties sands reservoir with a structural closure. The field has been developed as a sub-sea tie-back to the BP-operated Ula platform located in the Norwegian continental shelf (34 kilometres to the north east) and currently comprises two horizontal production wells with gas lift and one water injection well.

Blane is a low-cost producing field with average gross production rates during September 2010 of 11,964 barrels of oil equivalent per day (boepd) (net production 2,154 boepd), taking group production to over 3,000 boepd. Remaining 2P reserves, as evaluated by Faroe Petroleum’s reserves auditors Senergy (GB) Limited, as at 30 June 2010 were 3.0 million barrels of oil equivalent net to Faroe Petroleum, which corresponds to an acquisition cost of \$17.5/boe when incorporating tax synergies. These tax synergies include brought forward tax losses of approximately £57 million (at 30 June 2010) from historical exploration, and the extinguishment of the £4.5 million Capital Gains Tax liability from the sale of the Breagh Gas field to RWE in August 2009. Furthermore, Faroe Petroleum recognises upside potential in the existing reserves, through a combination of outperformance of the existing development, and the potential for further in-fill drilling. Joint venture partners in the field are Talisman Resources (43.0% and operator), Roc Oil (12.5%), Nippon Oil (14.0%) and Dana Petroleum (12.50%).

As part of the transaction Faroe Petroleum has also agreed to assign to the Vendors under a farm out agreement, on promoted terms, a 20% interest in the Atlantic Margin Rannva exploration licences (Faroese Licences 012 and 017 and UKCS licence P.1740) which straddle the UK/Faroe border. These prospective licences cover some 2,794 square kilometres and are located in around 500 metres water depth, approximately 170 kilometres west of the BP operated Schiehallion oilfield. The Rannva licences (Faroe Petroleum 100% and operator) contain two giant prospects along the axis of the Wyville-Thomson Ridge - one of the largest un-drilled anticlines in North West Europe. Continuing technical work is underway across these licences in order to define a well location.



technical teams at the leading edge of seismic and geological interpretation, reservoir engineering and field development.

The Company has had considerable exploration success in 2009 and 2010 with significant discoveries in the Glenlivet and Tornado prospects, both located in the UK west of Shetlands area, and with the Fogelberg and Maria discoveries in the Norwegian Sea.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger and Torshavn. The Company has a highly experienced team of professionals focused on creating exceptional value for its shareholders.

The Blane field was developed by Paladin Resources, which was acquired by Talisman Resources in 2005. Several of Faroe's technical team worked with Paladin Resources at that time and were closely involved in the development.