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

Drilling completed on Lagavulin well, West of Shetland

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in the Atlantic margin, the North Sea and Norway, announces that drilling has reached target depth on the Lagavulin exploration well (Faroe 10%), operated by Chevron, in the UK Atlantic Margin to the west of the Shetland Islands.

Well 217/15-1z, on the Lagavulin prospect was spudded in October 2010 and drilled in 1,567 metres water depth. Total depth was reached on 10 June 2011. Hydrocarbons and a working petroleum system have been confirmed, however no workable reservoir system was found to be present at this location and the well will be plugged and abandoned. Extensive data gathering has been undertaken in the well and detailed analysis is underway to fully evaluate the well results.

The well was drilled with the Stena Carron drillship. Progress was slower than expected, principally due to a number of operational and technical challenges, notably poor weather conditions and variable drilling formation. As a result of these delays, the cost of this well was greater than projected.

Faroe Petroleum has, since its formation in 1998, been at the forefront of basalt exploration in the Atlantic Margin, in partnership with several Major oil companies, including Chevron, BP, Eni and Statoil. The material potential the region offers continues to attract super-Majors such as Exxon, who joined with Statoil earlier this year in committing to further sub-basalt drilling in the Atlantic Margin region in the coming period. The results of the Lagavulin exploration well will significantly advance our understanding of the geology and ability to unlock the high potential basalt play in the Atlantic Margin region.

The Company pursues a portfolio exploration business model, which is managed to mitigate the negative impact that any single well can have on our continuing well programme. Among the fully-funded 17 firm and expected wells in our schedule to end 2013, the Company is participating in two further near-term high impact exploration wells in the west of Shetlands area, namely the shallow water Fulla well, in which Faroe holds a 50 percent interest, and the deep water North Uist well. The first of these to be drilled, Fulla, is located close to the producing Clair oil field, in shallow water and is expected to commence in June, with Faroe as operator, while North Uist is now expected to be drilled in early 2012. Furthermore, three wells are scheduled to spud in Norway in the coming months: Butch and T-Rex in August and Kalvklumpen in October. T-Rex will be Faroe's third well on the Halten Terrace, in the same area in which the Company made the two discoveries, Maria and Fogelberg, in 2010.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

"Lagavulin was a true high risk frontier exploration well, offering material upside in a success case. Whilst the outcome of the well is a disappointment, the presence of hydrocarbons has however now been proven and offers encouragement to continue our deep water exploration plans in the region."

"The Group is well funded and, despite the cost over-run on Lagavulin, none of our forward drilling programme will be impacted. Faroe has a healthy cash balance and strong cash flows from our portfolio of production assets, with group production expected to be approximately 9,000 barrels of oil equivalent per day (boepd) by the year end. Furthermore, it should be noted that, following the recent completion of our

Blane acquisition, the proceeds from sale of its accumulated oil inventory resulted in a significant unbudgeted windfall gain by the Company which more than offsets the cost over-run on Lagavulin."

"From an operational standpoint, Lagavulin was a deep and complex well, with no neighbouring drilling history, and it was drilled safely by the partnership led by Chevron. A great deal has been learned from this well, which will serve to significantly reduce the cost of any future wells in the region. As we now proceed to analyse the data from the well, our exploration programme continues on apace through 2011 and beyond, as we test our considerable portfolio, which currently has a 17 well, fully funded programme, offering very material upside potential."

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Andrew Roberts, Exploration Manager of Faroe Petroleum and a Geophysicist (BSc. Joint Honours in Physics and Chemistry from Manchester University), who has been involved in the energy industry for more than 25 years, has read and approved the technical disclosure in this regulatory announcement.

Notes to Editors

The Company is actively building a balanced portfolio of exploration, appraisal and production opportunities, with significant stakes and a fully funded, dynamic work programme. Faroe Petroleum has, through successive licence applications and acquisitions, built a substantial portfolio of exploration, appraisal, development and production assets across the Atlantic Margin, the UK and Norwegian North Sea and the Norwegian Sea.

The licence portfolio provides considerable spread of risk and reward, encompassing more than 40 licences located in the West of Shetlands, offshore the Faroe Islands, the UK North Sea and Norway. In addition Faroe Petroleum has interests in five producing oil and gas fields in the UK and Norway. Faroe Petroleum has extensive experience working with major oil companies and its joint venture partners include BP, Chevron, DONG, ENI, E.ON Ruhrgas, GDF, OMV, RWE Dea, Statoil and Wintershall. The Company has proprietary technical teams at the leading edge of seismic and geological interpretation, reservoir engineering and field development.

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