

12 July 2011

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

**Update on Petoro asset swap deal**

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 provide an update on the Petoro asset swap deal as follows:

**Highlights**

- The transaction was passed by the Norwegian Parliament on 17<sup>th</sup> June 2011 and completion is expected in the Autumn
- Average net production from the Petoro Assets in the six month period 1<sup>st</sup> January to 30<sup>th</sup> June 2011 was approximately 8,400 boepd
- 3.2 million boe of additional reserves net to Faroe’s acquired interest in Njord since signing the Petoro Asset swap, expected to result from sanctioning of two new projects

On 11<sup>th</sup> April 2011, Faroe announced that it had signed an agreement with Petoro AS to swap its 30% interest in the significant Maria oil discovery for non-operated interests in a number of good quality oil and gas production assets in Norway, namely in Brage, Njord, Ringhorne East and Jotun (the “Petoro Assets”).

Average net production from the Petoro Assets in the six month period 1<sup>st</sup> January to 30<sup>th</sup> June 2011 was approximately 8,400 boepd. This high level of production has been achieved despite a technical problem with the riser system in Njord, which caused several production wells to be shut in for a period. Following the completed repairs, Njord is expected to be back on full production in Q3 2011.

On 12<sup>th</sup> May 2011, a Field Development Plan (FDP) was submitted for the Hyme oil field, and this has already been approved by the Norwegian Ministry of Petroleum and Energy. Faroe will have a 7.5% net interest in the Hyme development (previously named Gygrid), located to the east of Njord. First oil from Hyme is expected in early 2013. The field will be developed with one dual-lateral producer and a water injector sub-sea tied back to the Njord field. In addition, the Njord partnership has sanctioned a project to allow continued production at lower pressure and extended field life. These two projects will add 3.2 million boe of 2P reserves and come as an addition to the 14 million boe of 2P reserves reported by the Company on 11 April. Net Faroe capital expenditure on these projects is expected to be approximately £42 million, to be funded principally through a combination of cash flow from the Petoro Assets and bank debt.

The transaction was an asset for asset swap with no cash consideration from either party, and an effective date of 1 January 2011. Through this transaction, Faroe avoids the net capital investment of approximately £250 million required to appraise and develop Maria. Petoro retains the majority of decommissioning and abandonment liabilities in the Petoro Assets and have transferred a tax balance of NOK 400 million



(approximately £46 million). The deal is conditional upon approval by the Norwegian authorities; the transaction was passed by the Norwegian Parliament on 17<sup>th</sup> June 2011 and completion is expected in the Autumn.

Graham Stewart, Chief Executive of Faroe Petroleum plc, commented:

“We are very pleased with progress of the Petoro transaction. We are also encouraged by the higher than expected production rates of the fields we are acquiring during the first half of the year.

“We now look forward to a very exciting period of drilling ahead with four wells in the second half alone, starting with Fulla results, due in August 2011.”

For further information please contact:

Faroe Petroleum plc  
Graham Stewart

Tel: +44 1224 650 920

Panmure Gordon (UK) Limited  
Katherine Roe/Callum Stewart

Tel: +44 20 7459 3600

Oriel Securities Limited  
Michael Shaw/ Ashton Clanfield

Tel: +44 20 7710 7600

Financial Dynamics  
Billy Clegg/Edward Westropp

Tel: +44 20 7831 3113

Ms Ida M. Veland, the Business Development Manager of Faroe Petroleum Norge AS and who holds an M.Sc in Petroleum Engineering from the Norwegian University of Science and Technology, 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 45 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 delivered considerable exploration success in the past two years with four significant spanning West of Shetlands and mid Norway. Faroe recently completed the acquisition of an 18% equity stake in the Blane oil field in the UK. In addition, Faroe announced in April the swap of its 30% interest in the Maria discovery in Norway for interests in the producing Njord, Brage and Ringhorne East fields in Norway, in a transaction with state-owned Petoro.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger and Torshavn. The Company has highly experienced technical teams at the leading edge of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.