5 December 2011

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

Operational Update Following Completion of the 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 operational update following completion of the transaction with Petoro AS (“Petoro”), to swap Faroe’s interest in the Maria discovery for Petoro’s interests in a number of high quality oil and gas production assets in Norway.

Highlights

- The Petoro asset swap (Norway) represents:
  - Producing 2P reserves of 14.2 mmboe net to Faroe as at 1 January 2011 with anticipated greater reserves replaced than have been produced since that date;
  - Associated net average production over 2011 estimated at 7,600 boepd*; and
  - Eliminates requirement to fund over £250 million of development costs on Maria field
- Faroe self-funded from cash flow, cash reserves and debt facilities for current planned high impact exploration programme and the committed field investment plan
- Fulla discovery (UK) proves producible oil, de-risks neighbouring Freya discovery and takes project forwards to a work programme to mature reserve estimates and development solutions

Petoro Asset Swap

The Company is pleased to announce that the Petoro asset swap transaction has now been completed. The transaction (which had an effective date of 1 January 2011) took the form of an asset for asset swap, comprising Petoro’s interests in the Brage, Hyme, Njord, Ringhorne East and Jotun fields (the “Petoro Assets”) and Faroe’s 30% interest in the Maria discovery. There was no cash consideration from either party, although Faroe will receive the net benefit of production sales from the Petoro Assets for the 11 months to 30 November 2011 in cash.

The 2P reserves of the Petoro Assets were calculated by Senergy to be 14.2 mmboe at 1 January 2011 and it is expected that additional reserves have been added over 2011 in excess of those produced over the same period, as a result of development projects and improved field performance. Production from the Petoro Assets over 2011 is estimated to be approximately 7,600 boepd* net to Faroe.

A description of the Petoro Assets and further details of the transaction were announced by the Company on 11 April 2011 and 12 July 2011 and a summary is set out at the end of this announcement.

Group Production Update

The Petoro Assets are expected to average production of 7,600 boepd* over 2011, with production from Faroe's existing production assets estimated to average 2,500 boepd* over the same period.

For 2012, the Company expects that average net Faroe Group production will be in the range of 6,000 to 8,000 boepd** reflecting reduced production primarily from the Njord field due to a riser replacement programme currently underway and continuing into 2012, and the tie in of the new Hyme field to Njord. The Njord riser replacement programme has necessitated the shutting in of production wells on the Njord field and as the risers are replaced the wells are progressively being brought back on stream. The Hyme field development (Faroe 7.5%) is scheduled for installation in 2012, and will necessitate the shutdown of the entire Njord field for approximately three months while the field is tied in to the Njord platform. As a consequence, average 2012 production from Njord will not reflect full field capacity, however 2013 production is expected to benefit from the Njord wells being back on stream as well as the new Hyme production wells.

** In its 2011 financial statement Faroe will only account for production from the completion dates of 1 December 2011 for the Petoro Assets and 16 May 2011 for the Blane field interest, but will receive the full net economic benefit of production revenues for the full year.*

*** Estimates sourced from the respective field Operators.*

Freya and Fulla Update

On 24 August 2011, Faroe announced an oil discovery in well 206/5a-3 drilled on the Fulla prospect, neighbouring the existing Freya discovery in P.1161 (Faroe Petroleum 50% and operator) in the west of Shetland area.

Detailed analysis of the data obtained from the exploration well has been conducted indicating that the oil quality was towards the upper end of expectations whilst the oil volume within the Fulla structure was lower than pre-drill estimates. The Fulla crude oil has been measured at 19 degree API and is further characterized by a gas oil ratio of 360 scf/stb and an oil viscosity at reservoir conditions in the range 5 to 6 cP. The results indicate that the Fulla oil is of a related quality to the crude oil in the giant Clair field, located approximately 31 kilometres to the south west.

Faroe has conducted a post drill analysis of the licence area which indicates a most likely discovered oil in place figure of 166 million barrels and initial estimated recovery factor ranges of between 15% and 25%. The majority of this volume sits within the Freya structure which has been considerably de-risked by the 206/5a-3 well due to the proximity of the discoveries.

The forward work programme on the licence is to shoot a 3D seismic survey with the objective of optimising placement of future production wells, whilst embarking on a work programme aiming at maturing development solutions and reserve estimates.

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

"We are very pleased to announce the completion of the transformational Petoro transaction, which is an excellent example of value creation from exploration success. Within 18 months of discovering the Maria field we have, through this swap deal, become the owners of material interests in a high quality production portfolio operated by Statoil and ExxonMobil, with significant reserves, revenues and upside potential.

The deal increases considerably the Company's cash flows and debt capacity and, in line with our strategy, allows us to finance our current planned high impact exploration programme, as well as our committed field investment plan. Furthermore the transaction eliminates the requirement for Faroe to fund over £250 million of appraisal and development costs on the Maria field.

Meanwhile, drilling operations on the Butch and T-Rex wells, both in Norway, continue according to schedule. We look forward to providing further updates on the progress of these wells over the coming period, as we prepare to commence our very active 2012 exploration drilling programme which will include Kalvklumpen (Norway), North Uist (UK, west of Shetlands), Clapton (Norway), Cooper (Norway) and Santana (Norway)."

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Ms Ida M. Veland, Business Development Manager of Faroe Petroleum Norge AS, 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.

Unless specifically stated otherwise the reserve and resource estimates were compiled by the Company. All reserve and resource estimates have been compiled in accordance with the 2007 Petroleum Resources Management System produced by the Society of Petroleum Engineers.

Glossary

2P	combined total of Proved and Probable reserves
API	American Petroleum Institute
Boe	barrels of oil equivalent
Boepd	barrels of oil equivalent per day
cP	centipoise
scf	standard cubic feet
stb	stock tank barrels
mmboe	millions of barrels of oil equivalent

Notes to Editors

The Company 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. Faroe 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's licence portfolio provides considerable spread of risk and reward, encompassing over 40 licences located in the West of Shetlands, offshore the Faroe Islands, the UK North Sea and Norway. In addition Faroe now has interests in 10 producing oil and gas fields in the UK and Norway, including the recently completed acquisition of an 18% equity interest in the Blane oil field in the UK and the Petoro Assets.

Faroe Petroleum plc is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger and Torshavn. The Company is well financed with a fully funded drilling programme extending into 2013 and has a highly experienced technical team at the leading edge of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.

Petoro Swap Transaction

On 11 April 2011, Faroe announced that it had signed an agreement with Petoro AS to swap its 30% interest in the Maria oil discovery in Norway for non-operated interests in a number of high quality oil and gas production assets in Norway, namely in Brage, Njord, Ringhorne East and Jotun.

On 12 May 2011, a Field Development Plan (FDP) was submitted for the Hyme oil field, which has since been approved by the Norwegian Ministry of Petroleum and Energy. Faroe has 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 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 are expected to add over 3 million boe of 2P reserves net to Faroe and come as an addition to the 14.2 million boe of 2P reserves net to Faroe reported by the Company on 11 April 2011.

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, estimated to be in excess of £250 million, required to appraise and develop Maria. Petoro also transfers to Faroe pro-forma tax balances (an asset) with an undiscounted future tax value of in excess of NOK 400 million (approximately £46 million) as of the effective date.

Njord and Gygrid (Blocks 6407/7 and 6407/10)
The Njord field, operated by Statoil (20%) (Faroe 7.5%, E.ON Ruhrgas Norge 30%, GDF SUEZ E&P Norge 20%, ExxonMobil E&P Norway 20% and VNG Norge 2.5%), has been developed with a floating production facility and is located in the Norwegian Sea close to Faroe's exploration licences on the Halten Terrace, having commenced production in 1997. Oil is transported by tankers and the gas is exported via Norwegian gas infrastructure to the European Continent. Additional in-fill potential has been recognised in the field. In addition, new production will be generated by the North West Flank Development, which has been approved, and by the Hyme development project. The Snilehorn exploration prospect is being matured to a drilling decision.

Brage (Blocks 30/6, 31/4 and 31/7)
The Brage oil field, operated by Statoil (32.70%) (Faroe 14.25%, Spring Energy Norway 2.50%, VNG Norge 4.44%, Noreco 12.25% and Talisman Energy Norge 33.84%), is located in the northern part of the Norwegian North Sea and commenced production in 1993. Brage has been developed with a production facility on a steel jacket. Oil is transported by pipeline to the Sture onshore terminal. Associated gas is exported via Statpipe to the market.

Ringhorne East and Jotun (Block 25/8)
The Ringhorne East oil field, operated by ExxonMobil (77.38%) (Faroe 7.80% and Statoil 14.82%), is located in the middle of the Norwegian North Sea, and commenced production in 2006. The field has been developed by three production wells drilled from the Ringhorne facility on the Balder field. The production from Ringhorne East is transported to the Balder and Jotun facilities for processing, storage and export. Two in-fill wells are in the planning phase for drilling and production following a recent 4D seismic acquisition.

The Jotun field is located close to Ringhorne. The field has been developed with a floating production, storage and offloading unit and commenced production in 1999. The field is now in the tail-end phase of production.

Maria
The Maria discovery was announced in July 2010. The operator, Wintershall (25%), is currently working towards FDP submission expected to be in 2012/2013. An appraisal well in the northern part of Maria is planned for 2012. Faroe invested approximately £5.0m (net of the Norwegian tax rebate) in its 30% share of the Maria work programme.

Petoro
Petoro manages the Norwegian State's direct financial interests in oil and gas assets on the Norwegian Continental Shelf.