

21 September 2012

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

**Acquisition of Interest in Producing East Foinaven Field**

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, is pleased to announce that it has agreed to acquire a 10% non-operated interest in the East Foinaven Field and a 0.5% interest in the West of Shetland Pipeline System (the “Interests”) from Marubeni Oil & Gas (North Sea) Limited (“Marubeni”).

The headline consideration for the acquisition of the Interests (the “Acquisition”), calculated from the effective date of 1 January 2012 is US\$32 million payable to Marubeni in cash (the “Consideration”). The actual sum payable at completion will be reduced to take account of working capital adjustments for net income payable to the Company from the sale of hydrocarbons from the field during the period.

The Consideration is to be funded from the Company’s existing cash resources. The Acquisition is also subject to joint venture partner consent and regulatory approval.

The BP operated East Foinaven Field is located in blocks 204/24a,25b in the Atlantic Margin 190 kilometres west of Shetland. The field lies 7 kilometres to the south east of the main Foinaven Field (also BP operated) and 10 kilometres to the south west of BP operated Schiehallion. The East Foinaven field was discovered in August 1995 and first oil from the field was in September 2001.

The field has been developed as a subsea tie-back to the main Foinaven Field and currently utilises three production wells and two water injectors from a single subsea production manifold. Two shuttle tankers offload Foinaven crude from the Foinaven floating, production, storage and offtake vessel (“FPSO”) which is then shipped directly to refineries. Gas is exported via a 10 inch pipeline to the West of Shetlands Pipeline System which transports gas to the Sullom Voe Terminal in the Shetland Islands. Gas is then transported to the Magnus Field via the East of Shetland Pipeline System for use in the Magnus Enhanced Oil Recovery scheme.

Remaining Proved and Probable reserves, as evaluated by Faroe Petroleum’s reserves auditors Senergy (GB) Limited, as at 1 January 2012 were 1.55 million barrels of oil equivalent net to Faroe Petroleum. The average 2012 projected gross production rate for the East Foinaven field is approximately 3,500 barrels of oil equivalent per day (boepd) (350 boepd net to Faroe Petroleum).

East Foinaven has a good quality reservoir with Palaeocene channel sands and Faroe Petroleum’s analysis indicates that in the medium to longer term reserves are expected to grow, with the potential to extend the life of field beyond 2022.

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

“We are very pleased to further broaden our production portfolio through the acquisition of the East Foinaven interest which boosts and continues to diversify our oil and gas revenue.”

“East Foinaven is a good quality producing field which provides significant upside potential from one of our core areas. The transaction is very tax efficient for Faroe Petroleum, providing shelter for both past and future tax losses in the UK and is in line with our strategy to grow our production portfolio to continue the funding of our exploration programme.”



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Ida Veland, the Norwegian Business Development Manager of Faroe Petroleum Norge AS and an M. Sc in Petroleum Engineering from Norwegian University of Science and Technology, has read and approved the technical disclosure in this regulatory announcement.

To assess the reserves, Senergy (GB) Limited have used the definitions and guidelines set out in the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

#### Glossary

channel sand	a sandstone or sand deposited in a stream bed or other channel system, in this case as part of a submarine turbidite fan system
Palaeocene	a geologic epoch that lasted from approximately 65.5 to 56 million years ago
Proved Reserves	Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Probable Reserves	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.



Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
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### 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 2011 acquisitions of an interest in the Blane oil field in the UK and interests in the Brage, Hyme, Njord, Ringhorne East and Jotun fields in Norway.

Faroe Petroleum plc is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger, London 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.



# Faroe Petroleum

## East Foinaven location Map

