

9 August 2013

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

**Completion of 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 completed the previously announced acquisition of a 10% non-operated interest in the BP-operated East Foinaven oil field and a 0.5% interest in the West of Shetland Pipeline System (the “Interests”), both from Marubeni Oil & Gas (North Sea) Limited .

The net consideration payable for the acquisition of the Interests, after adjusting for net income receivable by the Company from the sale of hydrocarbons from the field during the period, has been reduced to approximately US\$22.5 million which is to be funded from the Company’s existing cash resources.

Remaining Proved and Probable Reserves, as evaluated by the Company, as at 1 January 2013 were 1.2 million barrels of oil equivalent net to Faroe Petroleum. Average daily production for the first six months net to the Company was approximately 400 boepd.

A description of the Interests was announced by the Company on 21 September 2012 and a summary is set out below.

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

“We are very pleased to broaden our production base further through the acquisition of the East Foinaven interest, which boosts and diversifies our oil and gas production portfolio.

“East Foinaven is a good quality, long life producing oil field which provides significant upside potential in 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 base in order to fund the Company’s very active exploration programme. We look forward to an exciting period of exploration drilling kicking off with the Snilehorn well in Norway scheduled to commence at the end of Q3 2013, followed by a further five wells as we head into 2014.”

For further information please contact:

Faroe Petroleum plc  
Graham Stewart, CEO  
Tel: +44 1224 650 920

Panmure Gordon (UK) Limited  
Callum Stewart/Adam James  
Tel: +44 20 7886 2500

Oriel Securities Limited  
Michael Shaw/Ashton Clanfield  
Tel: +44 20 7710 7600

FTI Consulting  
Edward Westropp/ Georgia Mann  
Tel: +44 20 7831 3113



John Wood, UK Asset Manager of the Company with over fifteen years' experience of the oil and gas industry and who holds an M.Sc in Petroleum Engineering from Imperial College, has read and approved the technical disclosure in this regulatory announcement.

### **East Foinaven Field**

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.

### **Reserves Assessment**

To assess the reserves, the Company has 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**

BOEPD	Barrels of oil equivalent per day
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, diversified portfolio of exploration, appraisal, development and production assets across the Atlantic margin, the UK and Norwegian North Sea, Norwegian Sea, Barents Sea and offshore Iceland. Faroe Petroleum has extensive experience working with major and independent oil companies and its joint venture partners include BP, Centrica, DONG, E.ON Ruhrgas, GDF, OMV, Repsol, RWE Dea, Statoil and Wintershall.

The Company's licence portfolio provides considerable spread of risk and reward, encompassing some 60 licences. Faroe has a very active drilling programme ahead and it currently has interests in four principal producing oil and gas fields in the UK and Norway, including interests in the Blane oil field in the UK, and interests in the producing Njord, Brage and Ringhorne East fields in Norway, which collectively produced on average 7,200 boepd (economic production) in 2012.

Faroe announced in January 2013 a significant discovery in the Rodriguez prospect located on the Halten Terrace, in the Norwegian Sea. The discovery was made in the Lower Cretaceous, and will be appraised with the planned Solberg well in early 2014.

Norway operates a tax efficient system which encourages exploration, through reimbursement of 78% of costs in the subsequent year.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger, London and Torshavn. The Company is well financed from a strong cash reserve, excellent cash flow and largely undrawn \$250m borrowing base facility, with a fully funded drilling programme in 2013 and beyond. Faroe has highly experienced technical teams who are leaders in the areas of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.