

21 January 2014

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

Pil exploration well commences in the Norwegian Sea

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 the spudding of the VNG-operated Pil exploration well 6406/12-3S (Faroe 25%).

The Pil prospect (Licence PL 586) is located within tie-back distance (33 kilometres) to the Njord platform in which the Company holds a 7.5% interest. The prospect is a combined structural and stratigraphic closure and the primary target is at the shallower upper Jurassic Rogn formation sandstone which has proved to be an effective reservoir in the producing Draugen field, located 60 kilometres to the north east.

The Pil licence drilling operations are operated by VNG Norge AS (30%) using the Transocean Arctic drilling rig with partners Spike Exploration Holdings AS (30%) and Rocksource Exploration Norway AS (15%).

Graham Stewart, Chief Executive of Faroe Petroleum commented:

“We are pleased to announce the spudding of the Pil exploration well which, as with our recently discovered Snilehorn oil discovery, is another exciting exploration prospect located in the Greater Njord Area. Pil is situated in close proximity to the Njord hub facilities, which act as host to the Hyme field, and is also likely to host the significant Snilehorn oil field and potentially further yet to be discovered fields in the vicinity.

“Pil is the third well in our 2014 exploration programme. This exciting exploration campaign commenced with the Butch East well (Faroe 15%), currently drilling, close to the producing Ula, Tambar and Gyda oil fields and continues with the Novus well, currently drilling, close to the producing Heidrun oil field, operated by Statoil. Pil follows the significant Snilehorn discovery announced in November 2013. Following these wells, we also look forward to the drilling of the Solberg (Faroe 20%) and Butch South West (Faroe 15%) prospects, also in Norway.

“With material equity stakes held in a portfolio of excellent quality licences across the prolific North Sea, Norwegian Sea and Barents Sea in Norway, Faroe Petroleum has the real potential to generate considerable shareholder value through our sustained programme of exploration and appraisal drilling.”

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Jan-Tore Paulsen, Exploration Manager Norway of Faroe Petroleum and a Geophysicist (MSc. in Geophysics from University of Bergen), who has been involved in the energy industry for 15 years, has read and approved the technical disclosure in this regulatory announcement

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 benefits from a good reputation and has extensive experience working with major and independent oil companies, all relevant authorities and its joint venture partners, which 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. Full year production for 2013 is estimated to be between 5,500 boepd and 6,500 boepd, accounting for the temporary shut in of the Njord facilities.

In January 2013 Faroe announced a significant discovery in the Rodriguez/Solberg prospect located on the Halten Terrace, in the Norwegian Sea. The discovery was made in the Lower Cretaceous, and led to the decision to fast-track drilling of the forthcoming Solberg appraisal well. In November 2013 Faroe announced the Snilehorn oil discovery, with resource potential stated as between 57 and 101 mmboc gross, in the Norwegian Sea in close proximity to the Hyme and Njord fields.

Norway operates a tax efficient system which incentivises exploration, through reimbursement of 78% of costs in the subsequent year. Faroe has in place a revolving credit facility with a group of banks to fund the majority of the 78% reimbursement on a cash flow basis, which provides excellent capital efficiency to the Company.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger, London and Torshavn. The Company is funded from cash reserves and cash flow, and has access to an undrawn \$250m borrowing base facility, with a fully funded drilling programme through 2014. 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.



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