29 August 2007

Faroe Petroleum plc

(“Faroe Petroleum” or “the Company”)

First time adoption of International Financial Reporting Standards (IFRS)

Faroe Petroleum, the AIM quoted oil and gas company focusing on exploration, appraisal and undeveloped field opportunities in offshore North West Europe, announces the publication of the restatement of its 2006 comparative financial information under IFRS (previously stated under UK Generally Accepted Accounting Practices (UK GAAP)).

In September 2007 the Company will publish its interim results for the six months to 30 June 2007 which will be the first results to be prepared under IFRS and will include IFRS comparative financial information for the six months to 30 June 2006. The Company will present its first annual report and accounts under IFRS for the year ended 31 December 2007 which will include comparative IFRS financial information for the year ended 31 December 2006.

Changes to the Group’s reported financial information for the year ended 31 December 2006 as a result of adopting IFRS are summarised as follows:

	UK GAAP Restated[1] £000	IFRS Adjustments £000	IFRS £000
Income statement			
Operating loss	(3,140)	(787)	(3,927)
Loss after tax	(1,588)	(787)	(2,375)
Earnings per share (basic and diluted)	(2.4)	(1.2)	(3.5)
Balance sheet			
Net assets	55,747	(3,837)	51,910

[1] The restatement of UK GAAP figures had no impact on the reported loss after tax or net assets

The adjustments arise principally due to the adoption of IFRS 6 – “Exploration for and evaluation of mineral resources”. Under UK GAAP, Faroe Petroleum had adopted the full cost accounting method as permitted in the provisions of the UK Oil Industry Accounting Committee’s Statement of Recommended Practice (SORP) “Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities”. The IFRS accounting policy for oil and gas expenditures is set out in detail in Section 4 of the IFRS first time adoption statement.

The main impact of IFRS 6 on the Group's financial statements is that costs which are incurred prior to the award of licences, are required to be expensed in the Income Statement. These costs included not only technical staff costs but also seismic surveys.

The implementation of IAS 12 – "Income Taxes" has not resulted in changes to the primary statements of the Group but has resulted in a change in the Group's unrecognised deferred tax assets which are principally generated by historic trading and pre-trading losses.

The full IFRS first time adoption statement is available on the Company's website.

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