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Faroe Petroleum plc (“Faroe Petroleum”, or “Faroe”)

Multi-License Farm-out Agreement with Idemitsu – West of Shetland

Faroe Petroleum, the independent oil and gas company focusing on exploration, appraisal and production in the Atlantic Margin, the North Sea and Norway, is pleased to announce that it has entered into its first Atlantic Margin farm-out agreement. The agreement, which involves four high impact exploration wells, was reached with Idemitsu E&P UK Limited, a subsidiary of Idemitsu Kosan Co. Ltd (“Idemitsu”), one of Japan’s leading energy and petrochemical companies. This significant step is in line with Faroe Petroleum’s strategy of farming-out the majority of drilling costs to reduce its cost exposure whilst retaining material remaining interests.

The arrangements extend over the following four UK West of Shetland licences, three of which are situated along the prospective Corona Ridge on the same trend as the significant Chevron-operated Rosebank Lochnagar discovery (currently under appraisal):

<i>Licence</i>	<i>Partners</i>	<i>Post farm-in equity</i>	
		<i>Faroe</i>	<i>Idemitsu</i>
P.1190 Tornado	OMV(operator), Dana	10.0%	10.0%
P.1192 Cardhu	Shell (operator), BP, Chevron	5.0%	5.0%
P.1196 Lagavulin	Chevron (operator), OMV	10.0%	10.0%
P.1165 Talisker	Chevron (operator)	12.5%	12.5%

The agreement provides for a significant cost carry for Faroe Petroleum through the remaining work programme under the initial term, including the drilling of one exploration well on each licence, should such decision be taken by the respective joint ventures. This farm-in represents the first step of Idemitsu’s strategic entry into the UK.

The Idemitsu group of companies, established in 1911, focuses on the import, export, refining and distribution of petroleum, oil and gas exploration, coal mining, petrochemical plants and product sales. The group employs 4,500 people world-wide, with 2006 performance of \$28billion gross turnover and \$347million of net profits, and has a market capitalisation of some \$3.8billion. It started its upstream business in 1971, and has well-established exploration and production assets in Norway and Southeast Asia.

The farm-out agreement is contingent on joint venture partner consents being granted and approval from the UK Department of Trade and Industry.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

“This is an important step in Faroe Petroleum’s Atlantic Margin strategy of farming out high cost exploration wells in a timely manner to secure a significant free carry, from an initially high licence equity position. Idemitsu has recognised the potential of our strategic Atlantic Margin portfolio position, which we have carefully built to include

13 licences, and we are delighted to have reached agreement with them for the first of our Atlantic Margin farm-outs. Idemitsu has committed substantial capital through this four-licence farm-in, and we look forward to a very successful relationship together.”

Osamu Kamimae, Executive Officer of Idemitsu Kosan said:

“We are very pleased to have signed this agreement with Faroe Petroleum, which gives us access to a package of highly prospective and material exploration opportunities. Faroe Petroleum is well established in the Atlantic Margin area while, crossing the border, we have had very successful experiences in the Norwegian territorial sea. We look forward to working with them.”

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ACREAGE HOLDERS IN THE NORTH ATLANTIC MARGIN

