Faroe Petroleum plc

Interim Report 2009

FOCUS

“We have had an excellent year to date, with significant exploration success and a number of innovative transactions. The Company has entered a very exciting period in its development, with several high impact wells lined up for drilling and a team confident of delivering substantial value to our shareholders.”

Graham Stewart

Chief Executive

...on delivery

- Significant Atlantic Margin discovery at Glenlivet
- Successful sale of Breagh realising £25.5m (plus interest and working capital adjustments) from investment of £8.8m
- Swap of Trym gas development for Enoch and Glitne producing oil fields and up to £4m cash
- Production of approximately 1,500 boepd, with Topaz due on stream in Q4
- Cash of £37m post Breagh sale
- Exciting drilling programme of 9 firm, fully funded wells and more to come

Chairman's letter

Dear shareholders

The first half of the year has been turbulent for the world economy in general and the oil and gas sector in particular. Oil prices were at a low of $45 per barrel but have increased to a more stable band of $65-$75 per barrel. Gas prices are still challengingly low. However, some of the change has been beneficial with drilling costs and rig rates coming down. Given the uncertainty over the global economy, it is pleasing to report on Faroe Petroleum's most successful year to date. In September this year, we delivered our first Atlantic margin exploration discovery with the Glenlivet gas field, and executed a number of important transactions which put the Company in an excellent position going forward.

The oil industry has suffered from the financial crisis over the past 12 months and the threat to funding in the forms of equity and debt has been severe. Against this back-drop Faroe Petroleum has ensured it is both well financed and continues to invest in its exciting and high potential value exploration and appraisal portfolio. This has been possible because of Faroe's good management and prudent approach to financing

“With a fully funded, firm, nine well exploration drilling programme and many new and attractive exploration and production opportunities under consideration, we are very excited about the period ahead.”

projects, which includes farming out to third parties the bulk of costs of expensive wells, combined with leveraging the Norwegian State tax rebate, from which we benefit significantly in our exploration activity in Norway.

We have also minimised the effects of falling commodity prices through a prudent hedging programme. I am pleased to say that our drilling plans have not been significantly affected by the global financial crisis, as our much larger partners continue steadfastly with their commitments to drill on schedule. This is testimony to the significance of the many prospects we share in our drilling programme with major oil companies. We would also expect to benefit going forward from lower rig rates and a resultant lower cost of wells.

As part of our management action during the economic downturn we decided to reduce capital expenditure wherever practical, and took the decision to sell down development assets. As a consequence of this decision, we were successful in two commercial transactions announced during 2009: the sale of our undeveloped Breagh gas field to RWE for approximately £25.5 million which completed in August; and the swap with DONG, due to complete in the 2nd half of the year, of our undeveloped Trym gas asset for a combination of cash and oil production interests in the Enoch and Glitne fields in Norway. These transactions have achieved the plan of reducing development capital expenditure and realising a substantial gain in order to ensure that Faroe Petroleum is well financed to continue its active exploration programme.

During the period Iain Lanaghan joined the Board as Group Finance Director and Tim Read became our Senior Independent Non-Executive Director. Both Iain and Tim have excellent finance backgrounds, Iain with FTSE250 and energy sector experience, and Tim with natural resource as well as

investment banking experience. We are also conducting a review on corporate governance with the aim to achieve best practice. These initiatives will further strengthen the workings of the Board going forward.

With a fully funded, firm, nine well exploration drilling programme and many new and attractive exploration and production opportunities under consideration, we are very excited about the period ahead, as we continue to push forward our growth plans, with the confidence that we will deliver substantial value to shareholders.

John Bentley
Chairman

Chief Executive's review

I am pleased to announce the unaudited Interim Results for the six months ended 30 June 2009. The Company's portfolio has borne considerable fruit this year, our most successful year to date. Particularly notable successes are our recent significant exploration discovery with the Glenlivet well in the UK west of Shetlands area, and the successful disposals of both the Breagh and Trym undeveloped gas fields. We have built a focused, risk diversified portfolio of over 45 licences spanning the Faroe Islands, west of Shetlands, Norway and the UK North Sea. Faroe Petroleum's proven ability to deliver drilling success, realise value through asset sales, and continue to partner with the world's most successful oil and gas explorers, in prized licences, should give confidence to our shareholders that we have built a strong and exciting business and that we have the resources to deliver significant value.

Faroe Petroleum remains financially strong with cash resources of over £37 million at the end of August following the Breagh sale. Further cash will be realised on completion of the announced Trym swap with DONG. These transactions demonstrate Faroe's ability to manage its portfolio and finances through innovative commercial transactions.

> “The Company’s portfolio has borne considerable fruit this year, our most successful year to date.”

We are pursuing and managing successfully a solid business model: the portfolio is delivering real value; we have managed our finances well despite the global financial crisis; and we are able to sustain an active and fully funded high impact drilling programme. The Company continues to focus on its prime objective of participating in high impact exploration in prospects important to the major oil and gas companies, and we continue to adhere firmly to this strategy.

Faroe has, over the six years since flotation, introduced a diverse and synergistic spread of assets in the Atlantic margin and Norway, which we firmly believe will add significant shareholder value. These areas have substantial oil and gas resource potential, and are important sources of reserves replacement for the major oil companies and the countries they supply. Faroe’s portfolio of risk-reward balanced equity interests in these prized areas is therefore unique and has significant potential.

Faroe Petroleum has a highly experienced and skilled team of professionals with a strong track record. Our team deals with strategy, finance, business development and a spectrum of technical skills encompassing geophysics, geology, petroleum and reservoir engineering, drilling as well as specialist disciplines. Notable among the recent successes of our technical team was the Barents Sea licence award this year where the team carried out its own original licence application work to identify particularly attractive prospectivity in this exciting, highly prized frontier area. This work was rewarded by the Norwegian Authorities’ decision to “marry” Faroe into a group consisting of BG, Statoil and Wintershall – all greatly respected for their technical and financial strength, and most importantly their exploration successes.

It is testimony both to Faroe’s competence in managing its finances and the quality of the drilling prospects in which we are participating, that our Group’s drilling schedule remains little changed despite the global financial crisis. We are actively involved in an ongoing drilling campaign which already includes nine firm wells over the coming two years, all of which are fully funded, and we expect many more to enter the “firm” category in the months ahead. Exploration success is the most cost-effective route to significant value creation for an oil and gas company, and success with any one of our planned wells will add substantial value.

The Group employs several methods for financing its ongoing drilling programme. These include cash reserves, third party farm-in funds (through cost carries), the Norwegian Government-backed exploration finance facility, and tax efficient cash-flow generated from our production portfolio. We have been successful in ensuring each of these sources of funds makes a significant contribution towards funding the drilling programme: cash reserves have been secured by realising value through disposals and intelligent portfolio

> "Exploration success is the most cost-effective route to significant value creation for an oil and gas company, and success with any one of our planned wells will add substantial value."

management; excellent farm-out deals have been achieved, notably in respect of five high cost Atlantic margin wells; we have in place a finance facility with Bank of Scotland and Barclays to fund 75% of Norway exploration costs; and we have a still modest but growing production portfolio with five fields on stream currently generating approximately 1,500 barrels of oil equivalent per day (boepd) with the soon to be commissioned Topaz field due on stream later in the year.

As we make every effort to participate in the best and most significant wells in our core areas, so our need to fund efficiently this activity will ideally be supported materially by production revenues. In the present market, there are many opportunities to acquire production on relatively attractive terms. Such acquisitions have the potential to introduce greater tax efficiency by offsetting carried forward losses and also the ability to leverage bank debt through our established borrowing base facility. We therefore continue to seek out suitable production acquisition opportunities, where there is additional technical upside, primarily in the form of additional reserve potential.

Results

The first half of 2009 was a period of considerable activity for the Group. Significant investments were made relating to drilling of the final Breagh appraisal well and the Hyme exploration well, increasing intangible assets to £77.4 million (31 December 2008: £66.5 million). Investments were also made in the development of the Topaz gas field. The carrying value of development and production assets at 30 June 2009 was £18.3 million (31 December 2008: £20.9 million) reflecting depletion of producing assets. The net assets of Faroe Petroleum decreased during the period to £73.0 million (31 December 2008: £79.3 million).

The Group's Income Statement shows a loss after tax of £4.2 million (30 June 2008: £0.3 million). Revenue from gas and condensate at £2.9 million (30 June 2008: £0.7 million), a significant increase on last year, includes revenues principally from the Wissey and Schooner gas fields. Against a backdrop of falling gas prices on the spot market and in accordance with Group policy, a significant portion of near term gas production has been hedged successfully to mitigate the effect of a material drop in the gas price, in the form of forward sales and put options.

Hedging gains for the period were £1 million (30 June 2008: £0.1m), of which £0.4 million were realised and are included in revenue and £0.6m are unrealised and are included in cost of sales.

Cost of sales for the period was £3.6 million (30 June 2008: £0.5 million) resulting in a gross loss of £0.7 million (30 June 2008: £0.2 million profit). The reason for a gross loss in the first half of 2009 is partly due to significantly reduced gas prices affecting our unhedged production, and because of the commercial arrangements in place with the Wissey host facility where the required accounting treatment accelerates the depreciation charge during the period.

Exploration expenditure for the period was £3.1 million (30 June 2008: £2.3 million). This expenditure includes pre-award exploration expenditure (£1.3 million) and the write-off of licence specific exploration and evaluation expenditure on licences, previously capitalised, where active exploration has ceased (£1.8 million). The licences which were written off during the period were PL424 Shuttle, PL381 Granat and PL271 Yoda in Norway and P1457 West Athena in the UK.

The Group has a tax receivable at 30 June 2009 of £38.3 million (31 December 2008: £30.5 million) being 78% of exploration expenditure in Norway from January 2008 to June 2009, of which £30.5 million will be paid to the Company in December 2009 and the remainder in December 2010. Of the tax rebate relating to 2009, a credit of £1.9 million (30 June 2008: £1.7 million) has been recognised in the income statement, the balance being credited to deferred tax liabilities.

In May 2009 it was announced that the Group had swapped its 10% interest in the Trym field for interests in the producing Enoch and Glitne oil fields in Norway and up to £4m in cash, of which £2 million is payable at completion and a further amount up to £2 million payable upon certain production targets being met by the Trym field. The effective date of the transaction is 1 January 2009 but as the transaction awaits final completion, the transaction is not reflected in these results.

In August 2009, Faroe Petroleum completed the sale of its interest in the Breagh gas field for $41.6 million (£25.5 million) plus interest and working capital adjustments. The Group had invested approximately £8.8 million in appraising the Breagh field and will record a pre-tax gain on disposal in the full year accounts of approximately £17.6 million.

At June 2009 the Group had unrelieved tax losses in the UK of £56 million that are available indefinitely for offset against future taxable profits, potentially optimising the Group's net results going forward. The tax losses will be reduced by £8.8 million by the sale of Breagh which will trigger a capital gains tax liability of approximately £7 million. Whilst the full year results will recognise this tax, the gain will, under recently amended tax legislation relating to roll-over relief, be exempted from tax providing the Group reinvests an amount equivalent to the Breagh proceeds in qualifying assets within a period of three years. It is the Group's intention to make such a reinvestment.

The Group remains well funded with £11.5 million in cash at mid year, production revenues, and approximately £33 million from the Breagh sale and Trym swap expected in the second half of the year. The Company also has a secured, largely undrawn seven-year £25 million reserve based debt facility with Société Générale and a revolving facility of NOK 500 million to fund Norway exploration costs financed by the State repayment of tax credits, with Bank of Scotland and Barclays.

The Board of Directors do not recommend the payment of a dividend.

Graham Stewart
Chief Executive

REVIEW OF ACTIVITIES

Atlantic Margin

The Atlantic margin is a key area in the Group's portfolio, where a significant portion of Faroe's upside potential lies. The Group currently has a very active Atlantic margin portfolio of 14 exploration licences, six in the Faroes and eight in the UK, making Faroe the third largest Atlantic margin position holder after Statoil and DONG by gross licence area. The province has seen continued commercial success in 2009 and Faroe Petroleum has matured its portfolio to the long anticipated stage whereby a significant drilling campaign of five exploration wells is underway during 2009 and 2010. The Company's average equity stake in these wells is approximately 10%, and given the high cost of drilling, and the lack of Government incentive to drill in contrast to Norway, this average equity stake is designed to balance the cost exposure with the upside potential. Four of these high impact wells will be in the UK sector and one in Faroese waters.

In September, the first well in this campaign has delivered success in the Glenlivet exploration well (Faroe 10%), operated by DONG. The well, drilled in 1,430 feet of water, using the Transocean Rather, encountered a gas filled Palaeocene reservoir with net gas column of 201 feet, and no gas water contact. The penetrated net reservoir section has excellent reservoir quality with high porosity and the permeability is also expected to be very high. The Glenlivet discovery is located close to the planned UK west of Shetlands gas gathering system and Glenlivet has the potential to become a significant part of this. The discovery is significant for Faroe Petroleum and its Atlantic margin portfolio.

The Company's second Atlantic margin exploration well scheduled to be drilled in UK waters in 2009, is on the Tornado exploration prospect (Faroe 7.5%). Tornado is scheduled to be drilled by operator OMV in the coming weeks. Tornado is a substantial, amplitude-supported, oil prospect, located adjacent to the undeveloped BP-operated Suilven oil field, and within tie-back distance of the producing Schiehallion oil field.

The third exploration well scheduled to be drilled in the current campaign is the Faroese Anne Marie exploration well (Faroe 12.5%). This significant oil prospect is scheduled to be drilled by operator ENI in 2010 using the contracted West Phoenix drilling rig. The Anne Marie exploration well is designed to test multiple objectives. This target is particularly exciting as it shares a similar geological setting to that of Chevron's significant Rosebank oil discovery, and like Rosebank, is potentially a very large structure.

The fourth and fifth exploration wells in the campaign are scheduled to be drilled in UK licences North Uist/Cardhu (Faroe 6.25%) and Lagavulin (Faroe 10%) respectively. Both of these licence groups have committed to drill exploration wells and both are located on the highly prospective Corona Ridge. The North Uist/Cardhu licence, operated by BP, has an exciting high-impact prospect, which contains multiple reservoir objectives and is located near Chevron's Rosebank discovery, also located on the Corona Ridge. Drilling has been committed to but the exact timing has yet to be confirmed. The Lagavulin exploration well is a significant sub-basalt opportunity situated in the deeper waters of the prospective Corona Ridge, with very substantial upside. The well is scheduled to be drilled by operator Chevron towards the end of 2010 using the Stena Carron drilling rig. Faroe has secured a significant carry of costs on each of these scheduled Atlantic margin wells, through farm-out arrangements.

In addition to the committed exploration wells, good progress has been made in all other Faroe Petroleum licences in the Atlantic margin, with technical studies ongoing in order to mature prospects towards drilling.

Appraisal activity by other oil companies in the west of Shetland region in 2009, ahead of development decisions, continues to have a positive impact on Faroe's own exploration portfolio. This activity includes the completion of the third appraisal well on the Hess-operated Cambo discovery in block 204/10, the completion of the Chevron operated 213/27-3 and 213/27-3z Rosebank North/Lochnagar appraisal wells and the spudding by Chevron of the Rosebank 213/27-4 appraisal well. In addition, Total revealed plans for the development of the Laggan and Tormore gas discoveries using subsea facilities and a new pipeline for gas export to the UK mainland. Faroe's new Glenlivet gas discovery could become a significant part of this development. These appraisal projects bode well for significant development activity and investment in the region together with the installation of important new oil and gas production and export infrastructure, ultimately benefiting the Group's exploration strategy in the Atlantic margin.

Norway

Faroe now has a significant portfolio of interests in Norway, maintaining a total of 18 licences. The risk-diversified portfolio contains a good range of exploration and appraisal licences, with several planned wells, a variety of opportunities with differing risk-reward profiles, and includes some very large exploration prospects. Following the maturing of prospects awarded in the APA (Awards in Pre-defined Areas) Licensing Rounds, the Group has now committed to the drilling of four wells in Norway: PL475BS Maria (Faroe 30%), PL433 Fogelberg (Faroe 15%), PL431 T-Rex (Faroe 30%) and PL405 Butch (Faroe 15%). Faroe's equity stakes in wells in Norway tend to be larger than outside Norway, as the Norwegian State funds 78% of all exploration costs. This financial support reduces significantly the requirement on the Company to farm out costs to third parties.

In January 2009, Faroe was awarded three new Norwegian licences from three applications in the APA 2008 Licence Round. PL475BS Maria (Faroe 30%) in the Norwegian Sea licence is an extension of Faroe's existing licence PL475 and is located between the Trestakk and Smørbukk Sør fields on the Halten Terrace. The work programme includes one firm well and the operator (Wintershall) has secured the Songa Delta rig for drilling this well early in 2010. PL510 Glinda (Faroe 20%) is located to the south of the Company's PL431 T-Rex licence. The work commitment includes reprocessing of the existing 3D seismic data and a drill-or-drop decision within two years. PL507 Tetrao (Faroe 30%) is located to the north east of the Frigg Field and immediately adjacent to the recent Fulla Discovery in the North Sea and has a work commitment to reprocess the existing 3D seismic data with a drill or drop decision to be taken within three years.

In March 2009, the Hyme exploration well tested a high risk stratigraphic trap on the western flank of South East Tor. The well did not prove up hydrocarbons in the main Chalk target, but found good indications of oil in Palaeocene sandstone reservoirs. The new Palaeocene play has potential to add significant further resources to the South East Tor discovery which contains contingent oil reserves of approximately 19 million barrels (mmbbls) (1.9 mmbbls net to Faroe). An appraisal well was planned to be drilled on the northern part of the South East Tor discovery back-to-back with, and from the same location as, the Hyme well but the operator, Lundin, decided to defer the well. The deferral will facilitate a review of the new data and provide an opportunity to choose an optimal new well trajectory to test both the Chalk and the newly discovered Palaeocene. The high risk/high reward Grosso well 35/6-2, operated by Statoil, was also completed in March. The well was drilled within the PL376 licence and unfortunately did not encounter hydrocarbons.

In May 2009, Faroe was awarded its first licence in the Barents Sea in the highly competitive Norwegian 20th Licencing Round. This license is located to the north east of the Snøhvit field and just to the east of two recent discoveries. Faroe has a 20% interest, partnering BG (operator), Statoil and Wintershall. The work commitment includes a new 3D seismic survey with a drill or drop decision to be taken within three years. The award demonstrates Faroe's continuing ability to carry out its own original technical work and to win highly prized licences together with major oil companies.

Also in May, Faroe agreed to swap its 10% interest in Trym with DONG E&P Norge AS for production from the Glitne and Enoch fields together with up to £4 million. The 9.3% share in the producing Glitne oil field and a 1.9% share in the producing Enoch field amount to approximately 800 barrels of oil per day (bopd) of current production. DONG will retain the abandonment liability for the Glitne field.

The Glitne oil field was brought on stream in 2001 and was developed with sub-sea completed wells tied back to a leased FPSO facility. Production was originally expected to last for around three years, but better than expected performance and in-fill drilling has resulted in extended field life. Current gross production is around 7,000 bopd (650 bopd net to Faroe). A new 4D seismic survey was acquired last year to identify remaining oil and possible new in-fill well locations. The 4D seismic data has revealed a number of possible in-fill drilling candidates which currently are being evaluated as possible targets for drilling in 2010. In addition, options are being evaluated which combine these in-fill targets with an exploration test of the Glitne West prospect.

The Enoch oil field is located close to Glitne on the UK/Norway median line. The field is very familiar to the Company as it was developed by Paladin Resources (acquired by Talisman Energy in 2005) and came on-stream in May 2007. The field has been delivering at a stable rate of around 8,000 bopd during 2008 after the introduction of gas lift towards the end of 2007. Enoch will contribute approximately 150 boepd net to Faroe with potential for increased production with further field investment.

In August, Faroe committed to the drilling of two further wells in Norway. The first well is on the PL431 T-Rex prospect, where 70% of the interest was successfully farmed-out to Maersk Oil, with Faroe retaining a 30% interest. Maersk Oil will take over the operatorship and the firm well, its first in Norway. The second well is on the PL405 Butch prospect, where Faroe farmed-down a 15% interest to Spring Energy in exchange for a cost carry on drilling the well. Faroe retains a 15% interest in this licence. In addition, a detailed 2D seismic site survey over both the Fogelberg (PL433) and Maria (PL475 BS) well locations was successfully completed during August. Both of these surveys will be analysed in order to further optimise the final well locations.

UK North Sea

Faroe's UK North Sea portfolio is composed mainly of minority interests in gas fields at various stages of development and production. The Company also has a small number of exploration licences.

The Wissey field is located in the UK Southern North Sea, 10 kilometres east of the Horne & Wren field facility and 25 kilometres south east of the Thames field platform. The field is operated by Tullow Oil UK Limited and consists of a single sub-sea well tied back to the Horne and Wren platform. The field came on stream in August 2008 as planned at an initial production rate of 70 million standard cubic feet per day (mmscfd). Current production has stabilized at around 30-35 mmscfd with a recent analysis of the production behaviour indicating an aquifer that potentially could increase the recovery of the field. As more production data is collected, a revised reservoir model and production profile will be established.

The Schooner field (Faroe 4.83%), also operated by Tullow Oil, is located approximately 34 kilometres south east of the Murdoch Field. The field has been on production since 1996 and is expected to continue producing into 2019. A total of 10 wells have been drilled from the Schooner platform, and current gross production from Schooner is at around 15 mmscfd. There is considerable scope for increased production on Schooner with further field investment.

The Topaz gas field (Faroe 7.5%) is located 14 kilometres south east of Schooner. A single subsea production well was drilled and tested by the Nobel Al White rig in September 2008. The field development involves a single sub sea well tied back to Schooner and the CMS system by a 15 kilometre, 8 inch pipeline. Installations of pipelines and umbilical, including modifications at Schooner to accommodate Topaz gas production have been carried out successfully this summer, and production start up is expected in Q4 2009.

The Minke and Orca gas fields (both Faroe 5.89%) were acquired from ConocoPhillips in 2006. The Minke field was put on production in June 2007 and whilst the initial rates were 60 mmscfd, production performance decreased much more rapidly than predicted, most likely caused by mechanical problems in the well, and the field has since been producing only small quantities of gas. A decision on the way forward has been postponed for a period pending review of the cost plan of the remedial works. The significantly larger Orca field, also operated by Gaz de France Suez, straddles the border between the UK and Holland. In 2008, the partners agreed on a unitisation of 55/45 UK/Ned split and the FDP to develop the field by installing a two well-head platform producing gas through a pipeline to the D15 platform on the Dutch side is currently being prepared.

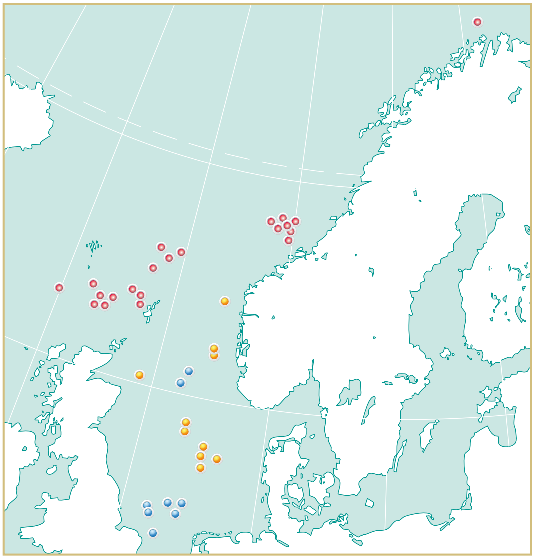
Updated Competent Persons Report

In order to provide the directors and shareholders with an up to date view of the potential value of the portfolio, independent engineers Senergy Limited prepared an updated competent persons report (CPR) for the Company in April 2009. The net present value (NPV) of the Company's two year drilling programme was assessed to have increased from £168 million to £189 million. The CPR assessed the resource potential to be 166 million barrels of oil equivalent (mmboe) risked, and 1,116 mmboe un-risked, while the economic valuation placed upon the Company's long term asset portfolio was assessed to be £536 million risked, and over £3 billion un-risked. The CPR will be updated in the near future to reflect recent developments and the Glenlivet drilling results.

Outlook

Faroe Petroleum is in a very active period of significant firm exploration drilling, which is fully funded, with one well currently being drilled, a further well to be drilled this year, five wells scheduled for 2010, and two wells programmed for drilling in 2011. In addition, Faroe has the opportunity to draw upon its resources, in the forms of cash reserves, production revenues and undrawn facilities to commit to further attractive drilling activity as well as participate in new licensing rounds, which in time will add more drilling targets to the programme. Further, the Group is well placed to strengthen its cash generating production base by acquiring additional producing interests on relatively attractive terms. Such acquisitions would be designed to move towards self-financing, underpinning the drilling programme, achieving greater tax efficiencies and leveraging debt facilities.

Having laid solid foundations for this exciting programme and our continuing growth, we look forward to making major progress and are confident of delivering exceptional value for shareholders.



ATLANTIC MARGIN & BARENTS SEA
High impact exploration

NORTH SEA
Exploration/appraisal

NORTH SEA
Development/production

Group income statement

	Unaudited Six months to 30 June 2009 £000	Unaudited Six months to 30 June 2008 £000	Audited Year to 31 December 2008 £000
Revenue	2,941	687	2,283
Cost of sales	(3,636)	(518)	(5,656)
Asset impairment	–	–	(3,356)
Gross (loss)/profit	(695)	169	(6,729)
Exploration and evaluation expenses	(3,122)	(2,331)	(19,971)
Administrative expenses	(1,620)	(1,098)	(3,122)
Operating loss	(5,437)	(3,260)	(29,822)
Finance revenue	592	1,630	2,789
Finance costs	(1,210)	(428)	(1,727)
Loss on ordinary activities before tax	(6,055)	(2,058)	(28,760)
Tax credit	1,868	1,722	8,151
Loss for the period	(4,187)	(336)	(20,609)
Basic and diluted loss per share (pence)	(4.00)	(0.3)	(19.7)

Statement of other comprehensive income

	Unaudited Six months to 30 June 2008 £000	Unaudited Six months to 30 June 2008 £000	Audited Year to 31 December 2008 £000
Loss for the financial period	(4,187)	(336)	(20,609)
Cash flow hedges:			
– Gains on cash flow hedges taken to equity net of tax	(132)	–	329
Exchange differences on retranslation of foreign operations	(2,437)	927	4,008
Total comprehensive (loss)/income for the period	(6,756)	591	(16,272)

Group balance sheet

	Unaudited 30 June 2009 £000	Unaudited 30 June 2008 £000	Audited 31 December 2008 £000
Non-current assets			
Intangible assets	77,368	39,376	66,513
Property, plant and equipment: development & production	18,317	24,967	20,855
Property, plant and equipment: other	154	363	273
Financial assets	13	12	15
	95,852	64,718	87,656
Current assets			
Trade and other receivables	5,203	2,917	6,954
Current tax receivable	38,304	10,319	30,454
Financial assets	196	–	329
Cash and cash equivalents	11,468	41,888	16,706
	55,171	55,124	54,443
Total assets	151,023	119,842	142,099
Current liabilities			
Trade and other payables	(4,866)	(7,028)	(6,902)
Financial liabilities	(41,809)	(9,763)	(30,830)
	(46,675)	(16,791)	(37,732)
Non-current liabilities			
Deferred tax liabilities	(29,295)	(5,687)	(23,083)
Provisions	(1,784)	(1,405)	(1,736)
Defined benefit pension plan deficit	(226)	(190)	(178)
	(31,305)	(7,282)	(24,997)
Total liabilities	(77,980)	(24,073)	(67,729)
Net assets	73,043	95,769	79,370
Equity attributable to equity holders			
Equity share capital	10,475	10,475	10,475
Share premium account	91,573	91,573	91,573
Cash flow hedge	196	–	329
Cumulative translation reserve	2,377	1,732	4,813
Retained earnings	(31,578)	(8,011)	(27,820)
Total equity	73,043	95,769	79,370

These interim results were approved by the Board of directors on 23 September 2009 and were signed on its behalf by:

Iain M Lanaghan
Finance Director

Group cash flow statement

	Unaudited Six months to 30 June 2009 £000	Unaudited Six months to 30 June 2008 £000	Audited Year to 31 December 2008 £000
Operating activities			
Cashflow from operations	(935)	(3,448)	(4,384)
Tax rebate	–	–	4,301
Net cashflow from operating activities	(935)	(3,448)	(83)
Investing activities			
Expenditure on intangible assets and tangible assets	(17,781)	(25,446)	(75,539)
Prepayment of expenditure on intangible assets	1,179	–	(770)
Interest received	592	1,373	2,418
Net cashflow from investing activities	(16,010)	(24,073)	(73,891)
Financing activities			
Borrowing	10,979	6,333	27,403
Issue of ordinary share capital	–	–	432
Issue costs	–	(57)	(58)
Interest paid	(1,017)	(197)	(1,164)
Net cashflow from financing activities	9,962	6,079	26,613
Net decrease in cash and cash equivalents	(6,983)	(21,442)	(47,361)
Cash and cash equivalents at the beginning of the year	16,706	63,388	63,388
Exchange differences	1,745	(58)	679
Cash and cash equivalent at the end of the year	11,468	41,888	16,706

Group statement of changes in equity

	Unaudited Six months to 30 June 2009 £000	Unaudited Six months to 30 June 2008 £000	Audited Year to 31 December 2008 £000
Loss for the period	(4,187)	(336)	(20,609)
Other comprehensive (loss)/income	(2,569)	927	4,337
Total comprehensive (loss)/income for period	(6,756)	591	(16,272)
Share based payments	429	408	873
Issue costs	–	(57)	(58)
Net movement in shareholders' funds	(6,327)	942	(15,457)
Opening shareholders' funds	79,370	94,827	94,827
Closing shareholders' funds	73,043	95,769	79,370

Notes

1. Basis of preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2009 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IFRS.

An unqualified audit opinion was expressed for the year ended 31 December 2008, as delivered to the Registrar.

The accounting policies adopted in the preparation of the financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the adoption of the following:

IAS 1 'Presentation of Financial Statements'

The Group has adopted amendments to IAS 1 'Presentation of Financial Statements', with effect from 1 January 2009. This requires separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income. Certain minor changes in the presentation of the statement of changes in equity were also made to comply with the revised standard. There was no effect on the Group's reported profit for the period or net assets.

IFRS 8 'Operating Segments'

IFRS 8 replaces IAS 14 'Segmental Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented. Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision-maker.

2. Loss per share

The calculation of loss per share is based on the weighted average number of ordinary shares in issue during the period of 104,745,161 (30 June 2008: 104,745,161; 31 December 2008: 104,745,161). All of the potential ordinary shares are anti-dilutive and as a result the diluted earnings per share is equal to the basic earnings per share for 2009.

3. Dividend

The Directors do not recommend payment of a dividend.

4. Foreign currencies

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

5. Reconciliation of loss on ordinary activities to net cashflow from operating activities

	Unaudited Six months to 30 June 2009 £000	Unaudited Six months to 30 June 2008 £000	Audited Year to 31 December 2008 £000
Loss before tax	(6,055)	(2,058)	(28,760)
Unrealised hedging (gain)/loss	(589)	94	–
Depreciation charges	3,694	407	8,690
Exploration asset write off	1,781	448	19,971
Fair value of share based payments	443	408	873
Decrease/(increase) in trade and other receivables	1,160	(987)	(4,454)
(Decrease)/increase in trade and other payables	(1,987)	(331)	921
Foreign exchange movements	194	(123)	(230)
Interest received	(592)	(1,503)	(2,559)
Interest paid	1,016	197	1,164
Net cash flow from operating activities	(935)	(3,448)	(4,384)

Independent review report to Faroe Petroleum plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Consolidated Income Statement, Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Changes in Equity and the related notes (i) to (v). We have read the other information contained in the half yearly financial report, comprising the Highlights summary, Chairman's and Chief Executive's Review and Review of Activities, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules issued by the London Stock Exchange which require that it is presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note (i), the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the AIM Rules issued by the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the accounting policies outlined in Note (i), which comply with IFRS's as adopted by the European Union and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP
Aberdeen
23 September 2009

“Having laid solid foundations for our exciting programme and continuing growth, we look forward to making major progress and are confident of delivering exceptional value for shareholders.”

Faroe Petroleum plc
24 Carden Place
Aberdeen
AB10 1UQ

www.faroe-petroleum.com

designed & produced by Communiqué Associates Limited, +44 (0) 131 476 5532