30 April 2014

Faroe Petroleum plc ("Faroe", "Faroe Petroleum", the "Company")

Acquisition of Operated Interests in UK Producing Ketch and Schooner Fields

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway, the Atlantic margin and the North Sea, is pleased to announce the conditional acquisition of a 60% operated interest in the Ketch Field and a 53.1% operated interest in the Schooner Field in the UK Southern North Sea gas basin (the "Interests") from Tullow Oil SK Limited ("Tullow Oil"), a subsidiary of Tullow Oil plc (the "Acquisition") for an initial consideration of £35m.

Highlights

- Faroe to hold a 60% operated interests in the Ketch and Schooner fields by acquiring
  - 60% operated interest in the Ketch Field
  - 53.1% operated interest in the Schooner Unit (Faroe currently 6.9%)
- Estimated net production to Faroe from the Interests in 2014 of 3,000 - 4,000 boepd taking estimates of the Company average economic production for 2014 to 7,000 - 10,000 boepd
- 2P Reserves at effective date of 1 January 2014 estimated at 5.9 mmboe, net to Faroe, taking total net reserves to 33.1 mmboe
- Initial consideration of £35 million
- Ketch and Schooner are established gas fields each with considerable upside potential to increase production, grow reserves and extend field life
- Establishes Faroe as an operator of producing assets in the UK North Sea
- Acquisition anticipated to complete before year-end, with initial consideration reduced for net income attributable to the Interests since the effective date of 1 January 2014
- 2013 pre-tax profits of £18.6 million attributable to the Interests

The Ketch and Schooner Fields are located in Block 44/28b, and Blocks 44/26a and 43/30a in the UK sector of the Southern North Sea, 150 kilometres from the Theddlethorpe Gas Terminal on the Lincolnshire coast. The Ketch Field was discovered in 1984 and the Schooner Field in 1987, with first gas from Schooner in 1996 and Ketch in 1999. Both fields, developed by then-operator Shell, are multi-well developments with 'normally unmanned' platforms, currently managed by a third party Duty Holder. Gas is exported via the Caister Murdoch facilities to the Conoco-operated Theddlethorpe Gas Terminal where it is sold into the National Grid.

At 1 January 2014 the remaining Proven and Probable Reserves for the Interests were estimated by the Company to be 34 Bcf of gas and 0.3 mmbbl of condensate, equating to 5.9 mmboe in total, net to Faroe.

The initial consideration for the Acquisition, is £35 million payable to Tullow Oil in cash, which is to be funded from the Company's existing reserve based lending debt facility. The actual sum payable at completion will be reduced to take into account net income attributable to the Interests from the effective date of 1 January 2014. Further consideration of up to £10 million will be paid to Tullow if up to 10 Bcf gross (6 Bcf net to Faroe) of incremental gas is produced from a specific reservoir compartment on the Schooner field recently developed by the 2013 SA11 well. In addition, Faroe has identified several potential areas for investment in these assets, in order to further enhance reserves and value and to extend field life, certain of which are the subject of contingent royalties. In the event that the Schooner joint venture pursues the exploration and subsequent development of the Schooner C and Schooner Far NW targets, royalty payments will become due to Tullow Oil as to 50p/mscf on the first 250 Bcf gross production from the Schooner C area and 50p/mscf on the first 100 Bcf of gross production from Schooner Far NW area, up to a maximum potential £92.2million. For such royalty payments to be paid in full, approximately 35mmboe net to Faroe would have to be produced from the Schooner C and Schooner Far NW areas, compared to the current 5.9mmboe of net Proven and Probable reserves.

The estimated average 2014 production from the Interests is expected to be between 3,000 and 4,000 boepd net to Faroe. This raises the Company's guidance for full-year Economic Production for the year ended 31 December 2014 to between 7,000 and 10,000 boepd.

The Acquisition is expected to complete before year end and is subject to UK regulatory approval.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

"We are very pleased to announce this acquisition, funded entirely from existing resources and debt facilities, which significantly boosts and diversifies our oil and gas cash flow generation.

"Ketch and Schooner are good quality producing fields, well known to the Company as they are located in one of our core areas and offer significant upside potential in the form of increasing reserves, production and field life. The transaction is highly tax efficient for us, providing shelter for both past and future tax losses in the UK and is in line with our strategy to grow our production portfolio to continue the efficient funding of Faroe's busy and highly successful exploration programme.

"This is our first move into operating producing assets. This transaction gives us the opportunity to add value to these fields over time, and both assets offer numerous possibilities and options to grow. Nevertheless, our clear strategic focus on exploration will remain unchanged going forward.

"Elsewhere, drilling activities continue in our exploration and appraisal programme with the drilling of the Pil side-track (Faroe 25%) in the Norwegian Sea, following the significant Pil discovery and associated successful production test. In addition drilling continues at the Butch East exploration well (Faroe 15%), located adjacent to the Butch Main discovery (Faroe 15%) in the Norwegian North Sea, with results expected in the coming weeks."

- Ends -

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John Wood, Asset Manager for Faroe Petroleum has read and approved the content of this announcement. Mr Wood is a graduate of Imperial College, London with an M.Sc in Petroleum Engineering (1997). He has practiced in the energy industry and has been a member of the Society of Petroleum Engineers for 17 years.

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 substantial licence portfolio provides considerable spread of risk and reward. 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 6,059 boepd (economic production) in 2013. Full year economic production for 2014 is estimated to be between 7,000 boepd and 10,000 boepd following the extended shut in of the Njord platform.

In November 2013 and March 2014 Faroe announced the Snilehorn and Pil discoveries in the Norwegian Sea in close proximity to the Hyme and Njord fields and in April 2014 the Company announced the Solberg discovery.

Norway operates a tax efficient system which incentivises 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 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.

Definitions and glossary of abbreviations

The above preliminary reserve estimates have been estimated in accordance with the Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers.

"Bcf"	billions of cubic feet of gas
"boepd"	barrels of oil equivalent per day
"DST"	drill stem test
"Economic Production"	Faroe receives the economic benefit for the production from 1 January 2014 from the Interests, but will only account for production from the date of completion of the transaction
"mmbbl"	millions of barrels
"mmboe"	millions of barrels of oil equivalent
"net"	the portion that are attributed to the equity interests of Faroe

“Proved + Probable Reserves” or “2P”	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

Ketch and Schooner Fields