

21 July 2014

Faroe Petroleum plc

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

Njord and Hyme fields recommence production

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 that production has recommenced at the Njord and Hyme fields (Faroe 7.5%) in the Norwegian Sea.

Highlights

- The Njord and Hyme fields have been successfully brought back onto production following the shut-in period used to carry out structural reinforcement work
- Average production from Njord and Hyme prior to the 2013 shut-in was approximately 48,000 boepd (gross) and 3,600 boepd (net to Faroe)
- The Njord and Hyme fields are expected to be on production until mid-2016, when the plan is that modifications to the facility will be undertaken in a yard to enable future drilling operations and an extended lifetime of the Njord field
- In parallel, the partnership is carrying out a number of studies aimed at creating maximum value and extending Njord's life by many years
- Group production guidance for 2014 remains at 4,000-6,000 boepd (with a further 3,000-4,000 boepd of economic production from the acquisition of interests in Schooner and Ketch, expected to complete in Q4 2014)

The Njord and Hyme fields have been successfully brought back onto production following a structural reinforcement project, carried out on location, which has been completed by operator Statoil, on time and on budget. In July 2013, production from the Njord and Hyme fields was shut in for a period of scheduled repair and maintenance. During this period, and as a result of the introduction of a new structural integrity model, it was concluded that the deck structure of the Njord A floating facility needed to be reinforced before production could recommence.

Average production from Njord and Hyme prior to the 2013 shut-in was approximately 48,000 boepd (gross) and 3,600 boepd (net to Faroe). During the production shut-in period, water injection introduced at the Hyme field has returned the reservoir pressure to the levels seen during pre-production for the field. Production at the fields is now expected to continue without significant further structural work until mid-2016, after which time further modifications are expected to be undertaken on the facility. However, as a result of continued weight restrictions, Njord A will not be able to operate its drilling facility to drill further development wells until such modifications have been made.

Considerable resources remain in the Greater Njord Area (currently encompassing Njord, Hyme and Snilehorn) with estimated 2P and 2C Resources of over 170 mmboc (gross) within Faroe's licences (PL107 and PL348) adjacent to the Njord field. As well as the developed volumes that can be produced from the existing wells on Njord and the adjacent Hyme fields, further resources can be developed by in-fill drilling in the Njord field, development of the North West Flank and development of the significant Snilehorn oil discovery. In addition, significant exploration potential has been identified in licence PL348 following the Snilehorn discovery, which is also being pursued.

The Njord partnership is evaluating a number of scenarios for the long term further development of this area with the potential to extend Njord's life by many years and to generate maximum reserves exploitation and value in the field. Following a full scenario evaluation, the partnership will undertake

front-end engineering studies with the final concept selection expected in 2015. For this long term development, the operator's current base case assumes that, following a period of production to mid-2016, the Njord A facility will be brought to a yard to carry out modifications to the hull. Faroe's share of the costs of modifications is expected to be met substantially from bank debt.

The nearby Pil discovery in Licence PL586, announced on 6 March 2014, is located within potential tie-back distance of Njord. It was further announced on 11 July 2014 that, following the successful drilling of two side-track wells from the Pil discovery well, the gross preliminary resource range for Pil and Bue is currently estimated to be between 80 and 200 mmbob. The potential development concept for Pil and Bue depends upon the outcome of the two planned follow-up Pil wells, scheduled for H1 2015. If sufficient additional volumes are found, Pil and Bue may become a stand-alone development.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

"We are very pleased to have successfully brought Njord and Hyme back on stream, and that the work has been completed on schedule and within budget. With net production from these two fields at around 3,600 boepd prior to shut-in, they are important sources of production and cash flow for the Group, and they are expected to remain on production until mid-2016 before any further modifications are carried out on the facility. Once our recently announced Schooner and Ketch field acquisitions have completed later this year Group production will increase further.

"The Halten Terrace area is proving to be a significant core area for Faroe Petroleum. We have interests in Njord, Hyme and Snilehorn as well as the recent significant Pil and Bue discoveries. The discovered resources across our licences in this area are now very material and also offer the potential for significant resource additions from the Pil follow-up wells in 2015 giving us the capacity to deliver substantial shareholder value going forward."

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Bjørn Berntsen, Asset Manager Norway for Faroe Petroleum and a Petroleum Engineer (MSc degree from the University of Trondheim), who has been involved in the energy industry for more than 15 years, has read and approved the content and 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 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. Subject to completion of the recently announced acquisition of operated interests in the Schooner and Ketch gas fields, full year average economic production for 2014 is estimated to be between 7,000 boepd and 10,000 boepd.

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 in the Norwegian Sea. In July 2014 the Company announced the successful drilling of the Bue side-track well, and provided an update of the resource range for the Pil and Bue discoveries of between 80 and 200 mmboc (gross).

Norway operates a tax efficient system which incentivises exploration, through reimbursement of 78% of costs in the subsequent year. Faroe has built an extensive portfolio of high potential exploration licences in Norway which, together with its established UK west of Shetlands and North Sea positions provides the majority of prospects targeted by the Company's sustainable four to five well per annum drilling programme.

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 a \$250m borrowing base facility, with a fully funded drilling programme through 2014 and 2015. 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.

Notes and glossary of abbreviations

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

2C	the best technical assessment of projected volumes for Contingent Resources, being those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies
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2P	the best technical assessment of projected volumes for Reserves, being 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
"mmboe"	millions of barrels of oil equivalent
"net"	the portion that are attributed to the equity interests of Faroe
"preliminary resource estimate"	preliminary quantification of hydrocarbons estimated to be potentially recoverable from a known accumulation