10 October 2014

Faroe Petroleum plc

(“Faroe”, “Faroe Petroleum”, the “Company”)

Completion of acquisition of operated interests in UK producing Schooner and Ketch fields

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in the Atlantic margin, the North Sea and Norway, is pleased to announce that it has completed the previously announced acquisition of a 53.1% operated interest in the Schooner Field and a 60% operated interest in the Ketch Field in the UK Southern North Sea gas basin (the “Interests”) from Tullow Oil SK Limited (“Tullow Oil”).

Remaining Proved and Probable Reserves, as evaluated by the Company, as at 1 January 2014 were 5.9 million barrels of oil equivalent (“mmboe”) net to Faroe Petroleum. Average economic production(1) for the first six months net to the Company was approximately 3,700 boepd.

A description of the Interests was announced by the Company on 30 April 2014 and a summary is set out below.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

“We are very pleased to announce the completion of this acquisition, which broadens our production base further and both boosts and diversifies our oil and gas production portfolio.

“Schooner and Ketch are good quality producing fields, well known to the Company and which offer upside potential in the form of increasing reserves, production and field life. The transaction is 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 ongoing exploration and appraisal programme.”

– Ends –

.

For further information please contact:

Faroe Petroleum plc — Tel: +44 1224 650 920
Graham Stewart, CEO

Oriel Securities Limited — Tel: +44 20 7710 7600
Michael Shaw/Ashton Clanfield

RBC Capital Markets — Tel: +44 20 7653 4000
Matthew Coakes/Jeremy Low

FTI Consulting Tel: +44 20 3727 1000
Edward Westropp/Tom Hufton

(1) Faroe receives the economic benefit of production from the effective date of 1 January 2014 by way of an adjustment to the consideration, but can only account for production from the date of completion

John Wood, UK Asset Manager of the Company with over fifteen years' experience of the oil and gas industry and who holds an M.Sc in Petroleum Engineering from Imperial College, has read and approved the technical disclosure in this regulatory announcement.

Summary

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 payable for the acquisition of the Interests is £35 million prior to adjustment for Net Income Receivable by the Company from the sale of hydrocarbons from the field from the effective date of 1 January 2014 to completion. 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 50 pence/mscf on the first 250 Bcf gross production from the Schooner C area and 50 pence/mscf on the first 100 Bcf of gross production from Schooner Far NW area, up to a maximum potential £92.2 million. For such royalty payments to be paid in full, approximately 35 mmboe net to Faroe would have to be produced from the Schooner C and Schooner Far NW areas, compared to the current Company estimate of 5.9 mmboe 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. Faroe receives the economic benefit of production from the effective date of 1 January 2014, but can only account for production from the date of completion.

Reserves Assessment

To assess the reserves, the Company has used the definitions and guidelines set out in the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

Glossary

Bcf	Billion cubic feet
Boepd	Barrels of oil equivalent per day
Mmbbl	Millions of barrels
Mscf	thousand standard cubic feet
Net Income Receivable	The net amount of income receivable from gas and condensate sales attributable to the Interests less associated expenditure and working capital movements from 1 January 2014 to the date of completion in an amount of approximately £11.9 million
Proved Reserves	Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Probable Reserves	Probable Reserves are 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.

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, the Celtic 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 six principal producing oil and gas fields in the UK and Norway, including interests in the Schooner and Ketch gas fields and Blane oil field in the UK, and interests in the producing Njord, Brage and Ringhorne East fields in Norway. 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 mmboe (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.