

22 January 2015

Faroe Petroleum plc

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

Operational Update

Faroe Petroleum, the independent oil and gas company focussing principally on exploration, appraisal and production opportunities in Norway and the UK, is pleased to provide an operational update for the year ended 31 December 2014.

Graham Stewart, Chief Executive of Faroe Petroleum commented:

“On an operational level, 2014 delivered excellent progress for the business with sustained production coming in at the upper end of expectations/guidance, significant exploration success at the Pil and Bue wells and the acquisition of the Schooner & Ketch gas fields. Our Norwegian position is now one of the most significant of any UK independent E&P company and, despite challenging market conditions, the Company is set for 2015 to be another year of growth, with an exciting and fully-funded drilling programme of low cost, high impact exploration wells.

“With the current low oil price environment, there is much focus on both cost and financial strength. Faroe is particularly robust despite low oil prices, due to a combination of factors, including: our significant cash position and substantially undrawn debt facilities; sustained cash flow from Faroe's balanced oil and gas production and, following the sale in 2014 of our interest in Glenlivet, the absence of any substantial development capital commitments in 2015. Faroe is well placed to consider capitalising on potentially attractive asset opportunities which may become available in the period ahead.”

Highlights

Exploration

- Pil oil discovery in Norwegian Sea announced in March 2014, significantly larger than pre-drill expectations, followed by the successful discovery with the Bue side-track (combined 20-50 mmboe net to Faroe)
- Low cost, high impact exploration continues; four wells planned for 2015 including two follow up wells on Pil, targeting a total of between 93-490mmboe gross unrisked Prospective Resources, all of which benefit from Norway's 78% exploration tax rebate
- Continued success in exploration licence rounds with awards of five new exploration licences, including one operatorship, under the 2014 Norwegian APA Licence Round

Production

- Total average economic production for the full year 2014 towards the upper end of guidance at approximately 9,100 boepd^{1,2}
- Acquisition of operated interests in Schooner & Ketch fields boosts gas production and improves tax efficiency by utilising losses
- Average full year 2015 production is forecast to be in the range of 8,000-10,000 boepd from all fields, a split of approximately 58% liquids (oil and condensate) and 42% gas
- Faroe continues to seek value-enhancing production acquisitions, looking to capitalise on market conditions to build value

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Financial

- 2014 year-end unaudited cash position is expected to be approximately £92.5 million (net cash position of £69.5 million)
- US\$35.7 million drawn against the US\$250 million Reserve Based Lending facility
- 2014 exploration and appraisal capex was approximately £85 million pre-tax (£23 million post-tax) and development and production capex was approximately £23 million (unaudited)
- 2015 exploration and appraisal capex is estimated to be approximately £95 million pre-tax (£25 million post-tax) and development and production capex approximately £16 million
- 2015 hedging programme in place with 268,000 bbls of oil hedged with \$90 puts and 52.6 million therms (835,000 boe) of gas hedged with puts at 50 pence per therm
- Average expected opex of \$30 per boe in 2015

A conference call for sell-side analysts will take place at 9.00 a.m. today, for details please contact Emerson Clarke at FTI Consulting: emerson.clarke@fticonsulting.com or tel 020 3727 1564.

Exploration

Faroe has an active drilling programme in 2015 with four wells planned – all to be drilled in Faroe's core areas in Norway.

- Shango (Faroe 20%): Total-operated prospect located in the Norwegian North Sea on the northern part of the prolific Utsira High. The well will be drilled using the contracted Leif Eiriksson drilling rig expecting to spud in the first half of 2015 and will target a large undrilled Jurassic structure with estimated unrisksed Prospective Resources of 30 to 110 mmboe (gross). Shango has been de-risked by the production performance of the nearby Skirne field, suggesting a possible spill-over from Shango to Skirne and if successful, Shango will be a target for fast-track tie-back development across Skirne to the Heimdal facility
- Pil (Faroe 25%): Two exploration wells are planned for the summer of 2015 to follow up on the Pil and Bue discoveries first announced in March 2014. The operator (VNG) estimates that the combined discoveries already contain gross Contingent Resources of 80 to 200 mmboe (20 to 50 mmboe net to Faroe), of which around 80% is estimated to be oil and condensate. The two follow up wells on the Blink and Boomerang prospects, to be drilled using the same rig, the Transocean Arctic, will target additional unrisksed Prospective Resources of 93 to 490 mmboe (gross)
- Bister (Faroe 7.5%): This prospect which lies within the Hyme/Snilehorn licence adjacent to the Njord field in the Norwegian Sea. Building on Snilehorn's success (gross recoverable Contingent Resource range estimate of 57 to 101 mmboe) from late 2013, the drilling of the Bister prospect is being planned for the second half of 2015 and a final commitment to drill is anticipated. Evidence of a pressure barrier between Snilehorn and Hyme contributes towards de-risking the Bister prospect which will target estimated unrisksed Prospective Resources of 20 to 90 mmboe (gross)
- Kvalross (Faroe 40%): Drilling on the Kvalross prospect may be delayed due to rig scheduling, such that the majority of the related capital expenditure is expected to fall within 2016. Located in the Barents Sea to the south of OMV's significant Wisting discovery, the well is planned to test two targets: the Lower Triassic Kvalross Prospect with very significant gas resources potential in Klappmyss clinoform reservoirs within a megaclosure; and the Early Triassic Kvaltann prospect, a Snadd Formation sandstone channel sitting directly above the Kvalross Prospect with substantial oil potential as proven in the Wisting shallow

discovery to the north, collectively targeting estimated unrisked Prospective Resources of 50 - 580 mmboe (gross)

Building on the Company's outstanding results to date, Faroe continues to build its portfolio of exploration licences organically through its highly successful and cost-effective strategy of active participation in licensing rounds across its core areas:

- Norway APA: on 21 January 2015, Faroe announced five new exploration licences in the Norwegian 2014 APA Licensing Round, including one as operator
- Celtic sea: In October 2014, Faroe announced the provisional award of three licences in the Celtic Sea (Faroe 100% and operator) with a low cost work programme involving the reprocessing and interpretation of 2D seismic data for each licence and the preparation of supporting geological studies
- UK 28th Round: In November 2014, Faroe announced the provisional award of two new exploration licences on the UK Continental Shelf in the UK's 28th Offshore Licensing Round adjacent to its existing Perth and Lowlander pre-development assets
- Norway frontier: work has started on the Norwegian 23rd licensing round which will focus on the Barents Sea, where the Company has identified several prospective opportunities

The Company continues to high-grade its exploration portfolio, progressing selected licences for further work and leading to a drilling commitment, and relinquishing other licences which do not meet Faroe's stringent requirements for capital expenditure. As part of this process in 2014, Faroe relinquished 10 licences, including Licence No. 2013/01, offshore Iceland and three licences west of Shetland.

Development

On 25 November 2014 Faroe announced the sale of its ten percent interest in the undeveloped Glenlivet gas field, west of Shetland, in return for a consideration of £10 million (part-deferred). Faroe consequently has no exposure to the significant capital expenditure of this substantial field development programme. Faroe maintains its cautious approach to development capital expenditure exposure.

Production

Total average economic production for 2014 was approximately 9,100 boepd¹ of which approximately 53% was liquids and 47% gas.

In October 2014, Faroe completed the 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 from Tullow Oil SK Limited (taking Faroe's interests in both fields to 60%). These assets contained remaining Proved and Probable Reserves, as evaluated by the Company, of 5.9 mmboe net to Faroe Petroleum as at 1 January 2014 (Faroe will be reporting the year-end reserve and resources estimates for all of its assets when a supporting evaluation by Senergy has been completed).

On 21 July 2014, Faroe reported that the Njord and Hyme fields had successfully been brought back onto production following a structural reinforcement project, carried out on location on time and on budget. Considerable resources remain in the Greater Njord Area (Njord, Hyme and Snilehorn) with estimated 2P and 2C Resources of over 170 mmboe (gross) within Faroe's licences (PL107 and PL348) adjacent to the Njord field.

The Njord partnership is evaluating a number of scenarios for the further long term development of this area with the potential to extend Njord's life by in excess of 10 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.

No major investments are expected in 2015 in Faroe's principal producing fields which are expected to continue to produce at stable rates during the year.

– Ends –

For further information please contact:

Faroe Petroleum plc
Graham Stewart, CEO

Tel: +44 1224 650 920

Oriel Securities Limited
Callum Stewart /Michael Shaw/Ashton
Clanfield

Tel: +44 20 7710 7600

RBC Capital Markets
Matthew Coakes/Jeremy Low

Tel: +44 20 7653 4000

FTI Consulting
Edward Westropp/Tom Hufton

Tel: +44 20 3727 1000

⁽¹⁾Faroe received 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 (October 2014)

⁽²⁾ 6,600 boepd excluding the acquired interests in Schooner and Ketch

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 production and development disclosure in this regulatory announcement.

Andrew Roberts, Group Exploration Manager of Faroe Petroleum and a Geophysicist (BSc. Joint Honours in Physics and Chemistry from Manchester university), who has been involved in the energy industry for more than 25 years, has read and approved the exploration and appraisal disclosure in this regulatory announcement.

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

"APA"

"best estimate"

awards in pre-defined areas

an estimate representing the best technical assessment of projected volumes. Usually the P50 value. For Contingent Resources, the term of best estimate is denoted as 2C

"boe"

barrel of oil equivalent

"Contingent Resources"

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. Contingent Resources are a class of discovered recoverable resources.

"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

Prospective Resources

are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would

"reserves"

be recoverable under appropriate development projects prepared.

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

"unrisked"

without incorporating the probability of failure

Notes to Editors

The Company has, through successive licence applications and acquisitions, built a substantial and diversified portfolio of exploration, appraisal, development and production assets across the Atlantic margin, the UK and Norwegian North Sea, Norwegian Sea, Barents Sea and the Celtic Sea. 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, Maersk, OMV, Repsol, RWE Dea, Statoil, Tullow 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 2015 is estimated to be between 8,000 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 producing Njord and Hyme 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. 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 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.