

1 September 2015

**Faroe Petroleum plc**

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

**Acquisition of Interest in UK Producing Blane Field**

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway and the UK, is pleased to announce the conditional acquisition of Roc Oil (GB Holdings) Limited ("Roc GB"), which holds a 12.5006% interest in the Blane Unit in the UK North Sea ("Blane Interest") and a 12.00% interest in the Enoch Unit in the UK North Sea ("Enoch Interest") from Roc Oil (Europe) Limited ("Roc") a subsidiary of Roc Oil Company Limited for a total consideration of \$17m plus a deferred payment of up to \$3m depending on certain performance targets being met (the "Acquisition").

**Highlights**

- Post-Acquisition Faroe will hold in aggregate a 30.5% non-operated interest in the Blane Unit (Pre-Acquisition interest 18.0041%) and a 13.86% non-operated interest in the Enoch Unit (Pre-Acquisition interest 1.86%)
- Initial consideration of \$17million, based on an effective date of 1 January 2015
- The Blane Oil Field (P111-Block 30/3a (Upper), UK North Sea) ("Blane") is an established oil field with considerable upside potential to increase production, grow reserves and extend field life
- In 2014, gross production from Blane was 4,070 boepd and average operating costs were approximately \$17.7/boe
- Roc GB's pre-tax profits in 2014 were \$10.68 million
- Gross production from Blane in H1 2015 averaged at the lower rate of 2,892 boepd, caused largely by unplanned shut-downs, and the field has been producing at approximately 4,100 boepd since it came back on full production on 22 August 2015
- The Enoch field is currently suspended and is planned to be brought back on stream, pending resolution of certain technical and commercial matters
- 2P Reserves at the effective date of 1 January 2015 as estimated by the Company, were 1.60 mmboe and 0.45 mmboe for the Blane Interest and the Enoch Interest respectively, which correspond to an acquisition cost between \$8.3/boe and \$9.8/boe

Blane was discovered in 1989, and is located on the Central Graben of the UK continental shelf, extending into the Norwegian sector. Production commenced in September 2007 from a Tertiary Palaeocene Forties sands reservoir with a structural closure. The oil is of high quality with 42<sup>o</sup> API. The field has been developed as a sub-sea tie-back to the BP-operated Ula platform located in the Norwegian continental shelf (34 kilometres to the north east) and currently comprises two horizontal production wells with gas lift and one water injection well. Blane is a low operating cost producing field with upside potential in the existing reserves and the potential for further in-fill drilling.

The Enoch field has been developed as a single well subsea tie-back to the Marathon operated Brae field. The field was closed in due to a leak at the subsea well-head, which has since been repaired, and the field is currently planned to be brought back on production during H2 2015.

The Acquisition is expected to complete before the year-end and is subject to UK regulatory approval and a waiver of certain conditions by the Blane Unit joint venture partners. The Acquisition consideration is

made up of \$17 million, plus up to a further \$3 million payment deferred contingent upon certain Blane field performance targets being met in the second half of 2015; the consideration is to be funded from cash and bank debt drawn against the Company's borrowing base facility.

**Graham Stewart, Chief Executive of Faroe Petroleum, commented:**

"We are very pleased to announce this acquisition, which increases our stake in the low cost, high quality and long field life Blane asset. Blane offers significant upside potential in the form of increasing reserves and production as well as in extending field life. The transaction is also very tax efficient for us, providing shelter for both past and future tax losses in the UK. We have at this stage chosen not to amend our production guidance for the year but will review this at the time of our Interim Results in September."

"Meantime, drilling operations on the Boomerang and Portrush prospects continue as scheduled, and the Company will announce these results when drilling operations are complete, expected in September 2015."

– Ends –

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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.

**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

“API”	the American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water: if its API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier and sinks. Less dense oil or “light oil” is preferable to more dense oil as it contains greater quantities of hydrocarbons that can be converted to gasoline.
“boe”	barrel of oil equivalent
“boepd”	barrel of oil equivalent per day
“mmboe”	millions of barrels of oil equivalent
“net”	the portion that are attributed to the equity interests of Faroe
“2P Developed Reserves” + “2P Reserves”	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 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, E.ON Ruhrgas, GDF, Maersk, OMV, Repsol, Shell, Statoil, Total, 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). More recently, in April 2015, the Company announced the Shango discovery in the Norwegian North Sea.

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 largely undrawn \$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.

### The Blane Field

