

3 November 2015

**Faroe Petroleum plc**

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

**Operational Update**

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway and the UK, is pleased to provide an operational update following completion of its 2015 drilling campaign as follows:

**Highlights**

- Production is continuing to perform above expectations and therefore 2015 full year guidance has increased to 9,500-10,500 boepd
- Blink exploration well 6406/12-5S (Faroe 25%) discovered prognosed reservoir but water wet
- The Pil, Bue and Boomerang discoveries constitute a large oil and gas accumulation and work will now proceed with field development planning
- Faroe's planned E&A drilling programme continues with an exciting programme for 2016 consisting of one frontier exploration well in the Barents Sea and two near field exploration wells, one in the Norwegian North Sea and the other in the Norwegian Sea. The 2016 total exploration programme cost is expected to be significantly lower than the 2015 programme
- The Njord Future Project is progressing to plan with tow-in expected in Q2 2016
- The Butch oil field development project has passed concept selection and will be advanced as a cost effective subsea tie-back to the Ula field
- Faroe has acquired a 75% interest and the operatorship of the South East Tor oil discovery in Norway from Lundin Petroleum
- Faroe's recent Roc Oil UK acquisition, comprising interests in Blane and Enoch, is expected to complete shortly
- Balance sheet remains strong with significant cash position, healthy cash flow, low debt and material undrawn debt capacity to assist in funding growth opportunities

**Production**

Production remains strong averaging approximately 10,350 boepd in the year to date. No significant further shut down periods are expected in any of the Company's largest fields and on that basis, Faroe announces an upward revision of the 2015 full year production guidance to 9,500 to 10,500 boepd average.

**Exploration programme**

Despite the disappointing well results on the Blink prospect, the Pil, Bue and Boomerang discoveries constitute a large oil and gas accumulation and together one of the most significant new discoveries and pending development projects in Norway in recent years. Their location, in close proximity to infrastructure and to Njord and Draugen, represents additional strategic significance. Work will proceed with planning of the Pil area field development (Faroe 25%). A large amount of data has been acquired during this year's drilling campaign, which will be used to revise the recoverable resource ranges, which currently stand at between 80 and 200 mboe for Pil and Bue and between 13 and 21 mboe for Boomerang. The combined discoveries have the potential to be either a standalone development or a tie-back to either the Njord field (Faroe 7.5%) or the Draugen field.

Faroe's drilling programme continues into 2016 with one frontier exploration well and two near field exploration wells currently being planned. The first well in early 2016 will be the giant Kvalross exploration

well (Faroe 40%) in the Barents Sea operated by Wintershall. Kvalross will target a new play of Lower Triassic clinoform reservoirs within a megaclosure. The well will also target the Kvaltann Prospect consisting of channel sandstones in the Middle Triassic Snadd Formation. In addition to this high impact well, Faroe is planning two near field exploration wells, the first of which is the Norwegian North Sea Brasse exploration well (Faroe 50%) expected to be drilled mid next year. Brasse will test a structure immediately to the south of the Brage field and if successful could be tied back to Brage (Faroe 14.3%) or alternatively to Oseberg located a similar distance to the west. In addition, the Njord partnership (Faroe 7.5%) led by operator Statoil is planning to drill a new prospect, on the North Flank of Njord, in close proximity to the main field.

The Dazzler well in the Barents Sea, which was previously expected to be drilled in 2016, is now expected in 2017.

Including the three planned exploration wells, the total exploration programme cost in 2016 is expected to be significantly lower than 2015 reflecting both lower rig rates and the reduced number of wells.

### **Development projects**

Faroe has accumulated and matured a portfolio of several high quality development projects largely as a result of both exploration success and M&A activity.

Work on the Njord Future Project, which is expected to include the Njord, Hyme and Snilehorn fields, is progressing according to plan with concept selection for this significant and important project scheduled for mid-2016. Suspension of production is expected in Q2 2016 and with tow-to-shore of the Njord A facility later in the summer 2016. The Njord future project fields are planned to commence production in 2019.

The Butch oil field (Faroe 15%) in the Norwegian North Sea has passed concept selection and with a field development plan expected towards the end of 2016. The field, which is located in shallow water, will be developed as a subsea tie-back to the Ula oil field. Oil from Butch will be exported via the Ula oil export pipeline to Ekofisk and onwards into Norpipe and then on to Teeside. The produced gas from Butch will be sold to Ula for reinjection for improved oil recovery from the Ula reservoir. Both the Njord Future Project and the Butch field development project will benefit from the lower cost environment triggered by the current low oil price and are expected to deliver healthy economic returns even at low commodity prices.

As demonstrated by recently announced M&A transactions in Norway, and despite low oil prices, the asset market remains buoyant for good quality development projects. Faroe is not expecting to incur material capital expenditure on development related projects in 2016 and will consider trading part of its interests in some of its development projects in order to balance its portfolio and longer term financial exposure.

### **M&A**

Faroe's recent acquisition of Roc Oil's UK interests comprising the Blane and Enoch oil fields, is an example of the potential offered by today's market to acquire good quality assets on attractive terms.

Faroe also recently acquired from Lundin a 75% interest in Production Licence 006C, which contains the South East Tor discovery, taking Faroe's stake to 85% with operatorship (pending authority approvals). The South East Tor discovery well 2/5-3 was drilled in 1972 on the crest of a salt induced anticline. The well encountered oil in both the Tor and Ekofisk formations which were both successfully tested, with 43° API oil quality at 4,525 bopd from the Tor formation and also 4,281 bopd from a separate test in the Ekofisk formation. Faroe is currently assessing the potential of South East Tor and will be studying the feasibility of several different scenarios for how the resource can best be exploited. Alternatives which are being

considered range from appraisal drilling followed by a regular field development plan to a phased approach based on a self-funded low cost early production system ahead of a longer term offtake solution.

### **Balance sheet**

Faroe's balance sheet remains strong with a significant cash position, low debt and good cash flow. A refinancing of the Company's reserve based lending facility is planned for 2016, in order to increase the availability of debt finance further and increase Faroe's financial flexibility.

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

"Faroe Petroleum continues to perform very well despite continuing low oil prices, sector instability and some mixed exploration results. Faroe's consistent strategic focus and prudent approach to financial management have ensured that we have a strong balance sheet, an excellent portfolio of exciting Norwegian exploration prospects, a valuable portfolio of pre-development projects; coupled with a strong performance from our producing fields, this positions the Company well to take advantage of further good quality emerging opportunities."

– Ends –

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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.

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.

## Glossary

"API"	American Petroleum Institute gravity
"boe"	barrel of oil equivalent
"boepd"	barrels of oil equivalent per day
"bopd"	barrels of oil per day
"mmboe"	millions of barrels of oil equivalent

## 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 9,500 boepd and 10,500 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 mmboe (gross). More recently, in 2015, the Company announced the Shango and Boomerang discoveries 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 North Sea positions provides the majority of prospects targeted by the Company's sustainable exploration 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 2016. 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.