

5 February 2016

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.

Graham Stewart, Chief Executive of Faroe Petroleum commented:

“2015 was another year of growth and good progress for Faroe despite a backdrop of significantly lower commodity prices. We delivered our exploration drilling programme safely and under budget, adding further 2C resources, and we doubled our 2P reserves in high quality assets. Our diverse North Sea production portfolio also outperformed expectation, averaging 10,530 boepd with low unit operating costs, and we ended the year with a significant cash position of over £90m and a largely undrawn debt facility.

“Looking ahead at 2016, we are well prepared to face the challenges of a continuing period of low commodity prices, while seeking to capitalise on our strong financial position to pursue consolidation opportunities in our core areas on the UK and Norwegian continental shelves.”

Production

- Total average economic production¹ for the full year 2015 was at the upper end of guidance at approximately 10,530 boepd, of which approximately 58% was liquids and 42% gas. The main fields in Faroe’s portfolio performed above expectations in 2015, which led to the upward adjustment of production guidance announced in November 2015
- Two new infill wells in Brage (Faroe 14.26%) were successfully brought on stream adding new production capacity and contributing to a reduction in unit operating costs. The next drilling campaign at the Brage field is expected to commence in 2017
- The acquisition of interests in the Blane and Enoch fields was completed in November 2015 and boosted oil production and improved tax efficiency by accelerating the utilisation of carried forward tax losses
- In January 2016, Faroe produced on average approximately 10,000 boepd. Average full year 2016 production is forecast to be in the range of 7,000-9,000 boepd from all fields, which includes production from the Njord and Hyme fields until the end of May 2016, in accordance with plans for the Njord Future Project. Production in 2016 is expected to be split approximately 55% liquids and 45% gas
- Average opex per boe in 2015 was approximately \$23/boe. Opex per boe in 2016 expected to be \$27/boe reflecting lower average production levels²
- Faroe continues to seek suitable value-enhancing production acquisitions, taking advantage of consolidation opportunities

Development

- Following excellent performance in 2015, production from the Njord and Hyme fields (Faroe 7.5%) will be suspended at the end of May 2016 after which the Njord A and B facilities are planned to be towed to shore. The Njord Future Project is progressing to plan with concept and yard selection in Q1-Q2 2016 and a final investment decision (FID) and field development (FDP) submission expected in Q4 2016. The Njord Future Project, which includes re-development of the Njord and Hyme fields, development of the Snilehorn field, and potentially further fields in the area, is planned to commence production in 2019.

This important project will seek to take full advantage of the significant cost reductions in the market today to maximize economic value and return on investment

- The Butch oil field (Faroe 15%) passed concept selection stage in 2015 and the Front End Engineering and Design (FEED) project is progressing to plan. The field is planned to be developed as a subsea tie-back to the BP-operated Ula oil field. The FID and FDP submission are currently planned for Q4 2016. Faroe also expects this development to benefit significantly from current low industry costs
- During 2016 work will continue to mature the significant Pil, Bue and Boomerang discoveries (Faroe 25%) towards development, focusing on either satellite development options or a stand-alone development solution, based on an FPSO.

Except for the Njord and Hyme fields, where costs associated with the well suspension and tow-in projects will be incurred, no major capital investments are expected in 2016 in Faroe's principal producing fields, which are all expected to continue to produce at stable rates during the year.

Reserves and Resources

On 6 January 2016 the Company published the 2P year-end reserve numbers from an independent technical report undertaken by Senergy (GB) Limited, where it was reported that Faroe's reserves were materially higher than those reported for the previous period. Faroe has now completed its own internal assessment of reserves and resources at 1 January 2016, which are as follows:

- 2P Reserves increased by 88% with closing reserves at 57.4 mmboe (1 Jan-15: 30.6 mmboe). The significant increase is mainly a result of the transfer from 2C Resources to 2P Reserves on the significant Pil and Butch fields
- 2C Contingent Resources are reduced to 98.3 mmboe (1 Jan-15: 109.1 mmboe), again largely as a result of the transfer of Pil and Butch volumes from 2C Resources to 2P Reserves. The Boomerang exploration discovery (Faroe 25%) and the increased interest in the South East Tor field (Faroe 85% and operator) compensate substantially for the transfer of Pil and Butch from 2C Resources to 2P Reserves.

The table set out below presents the 2P reserves net to Faroe by geographic location and split in oil and liquids reserves and gas reserves. The reserves are reported in accordance with the Petroleum Resources Management System (PRMS), the joint reserves/resources definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Faroe Petroleum - Proven plus Probable (2P) Reserves as at 1 January 2016			
Area	Oil and NGLs mmstb	Gas bscf	Total mmboe
Norway	39.3	63.1	49.8
UK	4.3	19.9	7.6
Total	43.6	83.0	57.4

Exploration

Faroe has an active exploration drilling programme in 2016 with three wells planned – all to be drilled in Faroe's core areas in Norway.

- The Kvalross well (Faroe 40%) in the Barents Sea commenced drilling on 11 January 2016 and is progressing to plan. Results from this well, which is operated by Wintershall, are expected by the end of Q1 2016
- An exploration well on the Brasse prospect (Faroe 50% and operator) is planned for the summer of 2016, for which Faroe has secured, on attractive terms, the Transocean Arctic rig for the drilling operation. The prospect is defined by a structure located immediately to the south of the Brage field and if successful could be tied back to either the Brage or the Oseberg platform, located at similar distances from the prospect
- In H2 2016, 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. If successful, the exploration well will add further volumes to the Njord Future Project.

Faroe continues to build its portfolio of exploration licences organically. Active participation in licensing rounds across core areas led by our exploration team has proven to be a highly successful and cost-effective strategy for Faroe to grow its prospective resource base. On 20 January 2016, Faroe was awarded a further six new prospective exploration licences, including two operatorships, under the 2015 Norwegian APA (Awards in Pre-defined Areas) Licence Round.

Financial

Underpinned by high uptime across the production portfolio and a progressive hedging policy, Faroe has ended 2015 in a robust financial position with significant cash reserves and a largely undrawn credit facility:

- 2015 year-end unaudited cash position was approximately £91 million (net cash position of £68 million³)
- US\$33 million (unchanged over the period) drawn against the Company's US\$225⁴ million Reserve Based Lending facility
- 2015 exploration and appraisal capex was approximately £61 million pre-tax (£15 million post-tax) and development and production capex was approximately £13 million (unaudited)
- 2016 exploration and appraisal capex is estimated to be approximately £50 million pre-tax (£12 million post-tax) and development and production capex approximately £20 million
- 2016 hedging programme in place with approximately 65% of gas production hedged on a post-tax basis at 45-50 pence per therm
- Broad range of targeted cost reduction measures taken and ongoing by Faroe and its joint venture partners across the business and portfolio, such as significant cost efficiencies through logistics sharing on the Faroe-operated Schooner and Ketch fields

An updated presentation is available on our web site (www.faroe-petroleum.com) and a conference call for sell-side analysts will take place at 08.30 a.m. today, for details please contact Emerson Clarke at FTI Consulting: emerson.clarke@fticonsulting.com or tel. 020 3727 1564.

– Ends –

For further information please contact:

Faroe Petroleum plc
Graham Stewart, CEO

Tel: +44 1224 650 920

Stifel Nicolaus Europe Limited
Callum Stewart/Ashton Clanfield

Tel: +44 20 7710 7600

RBC Capital Markets
Matthew Coakes/Daniel Conti/Roland Symonds

Tel: +44 20 7653 4000

FTI Consulting
Edward Westropp/Tom Hufton

Tel: +44 20 3727 1000

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.

¹ Economic production for 2015 includes 12.5% of Blane, where Faroe received the economic benefit from the associated production from 1 January 2015 but can only account for it from the completion of the acquisition on 5 November 2015. Accounting production for 2015 was 10,260 boepd

² Njord and Hyme excluded as from the scheduled shut in date at the end of May-16

³ Reduction over the period includes the cash payment for an additional 12.5% interest in the producing Blane field of £10.3million

⁴ Amortised from \$250 million in accordance with the facility agreement

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"	awards in pre-defined areas
"bscf"	billions of standard cubic feet
"best estimate"	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
"mmstb"	millions of barrels of stock tank oil

“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 be recoverable under appropriate development projects prepared.

"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, ENGIE, E.ON Ruhrgas, Maersk, OMV, Repsol, Shell, Statoil, Total, Tullow and Wintershall.

The Company's substantial licence portfolio provides a 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 production for 2016 is estimated to be between 7,000 boepd and 9,000 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. 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 mmbøe (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 \$225 million reserve base lending facility, with a fully funded committed 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.