

6 December 2016

Faroe Petroleum plc

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

Completion of acquisition of Norwegian production assets

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 that it has completed the previously announced acquisition of interests in five Norwegian North Sea producing oil and gas fields, Ula (20%), Tambar (45%), Tambar East Unit (37.8%), Oselvar (55%) and Trym (50%) (the “Acquisition”) from DONG E&P Norge AS (“Dong”).

The net consideration payable at completion was approximately \$26.7 million, down from the previously announced original consideration of US\$70.2 million, reflecting both Economic Production from 1 January 2016, which has outperformed previous expectations and other working capital adjustments.

Remaining Proved and Probable Reserves from the acquisition as evaluated by the Company as at 1 January 2016 were 19.8mmboe net to Faroe Petroleum, while the preliminary average Economic Production for the eleven months to 1 December 2016 net to the Company was approximately 9,900 boepd. We now take this opportunity to upgrade our 2016 guidance with a narrower range from 17,000 to 18,000 boepd, including Economic Production from the Acquisition.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

“We are pleased to announce the completion of this acquisition, which broadens and strengthens our production base materially and both boosts and diversifies our profitable oil and gas production portfolio. The production from the acquired assets has exceeded our expectations for the year to date in turn reducing the final consideration amount below guidance.

“The acquisition of these producing fields creates a new strategic hub for Faroe, centered around the Ula platform, in one of our core areas offshore Norway; synergies have already been realised with the upcoming development of our Oda field, announced last week, which will be tied back subsea to Ula. This transformational deal paves the way for Faroe’s evolution into a full cycle E&P business fit for the modern industry as we continue to grow the value of the Company through exploration, development and production with a high quality and diverse portfolio of assets.”

– 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 technical disclosure in this regulatory announcement.

The information contained within this announcement is considered to be inside information prior to its release, as defined in Article 7 of the Market Abuse Regulation No. 596/2014, and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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

Boepd	Barrels of oil equivalent per day
Economic Production	Faroe receives the economic benefit of production from the effective date of 1 January 2016 by way of an adjustment to the consideration, but can only account for production from the date of completion
Mmboe	Million barrels of oil equivalent
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 and diversified portfolio of exploration, appraisal, development and production assets in Norway, the UK and Ireland.

Faroe Petroleum is an experienced licence operator having operated several exploration wells successfully in Norway and the UK and is also the production operator of the Schooner and Ketch gas fields in the U.K. Southern Gas Basin and the Trym and Oselvar fields in the Norwegian North Sea. Faroe also has extensive experience working with major and independent oil companies both in Norway and in the UK.

The Company's substantial licence portfolio provides a considerable spread of risk and reward. Faroe has an active E&A drilling programme and has interests in a portfolio of producing oil and gas fields in the UK and Norway, including the Schooner and Ketch gas fields and the Blane oil field in the UK, and interests in the Brage, Ringhorne East, Ula, Tambar, Oselvar and Trym fields in Norway. In July 2016 the Company announced the acquisition of a package of Norwegian producing assets from DONG Energy including interests in the Ula, Tambar, Oselvar and Trym fields. Full year average production for 2016, including economic production from the acquisition of the interest from DONG Energy, is estimated to be between 17,000-18,000 boepd.

In November 2013 and March 2014 Faroe announced the Snilehorn and Pil discoveries in the Norwegian Sea in close proximity to the Njord and Hyme fields. More recently, in July 2016 the Company announced the Brasse discovery, next to the Brage field, and the Njord North Flank discovery, next to the Njord field, both in Norway.

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 \$200 million reserve base lending facility. Faroe has a highly experienced technical team who are leaders in the areas of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.