

20 June 2017

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

2017 Annual General Meeting Operational Update

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway, the UK and Atlantic Margin, is pleased to provide an operational update ahead of its Annual General Meeting later today.

HIGHLIGHTS

Production

- **Strong Production:** averaged 15,100 boepd for the period from 1 January to 31 May 2017

Finances and balance sheet

- **Cash increased:** to £113.8 million (unaudited) at 19 June 2017 from £96.8 million 31 December 2016
- **Undrawn RBL facility:** Faroe has an undrawn reserves based lending credit facility ("RBL") of \$250 million (plus \$100 million accordion)

Development and projects

- **Oda PDO approved:** Plan for the Development and Operation ("PDO") for Oda approved by the Norwegian Ministry of Petroleum triggering cash compensation payments to Faroe estimated to be £14 million net in 2017 and 2018
- **Njord Future and Bauge PDOs:** PDO approval from the Norwegian Ministry of Petroleum expected shortly; projects progressing to plan
- **Tambar infill and gas lift project on track:** in-fill drilling and gas lift installation project was approved in March; main contracts awarded and the project is underway to boost production from 2018 onwards
- **Brage infill drilling underway:** the drilling of the first of two production wells has commenced

Exploration and appraisal

- **Brasse appraisal progressing well:** drill stem production test underway and results expected shortly
- **Two additional E&A wells committed:** drilling programme progressing / developing with two new E&A wells, both benefit from 78% Norwegian tax rebate
 - **Goanna exploration well committed with full carry to Faroe at 30% WI ("Working Interest"):** committed to drill the Goanna exploration well; spud expected Q4 2017
 - **Fogelberg appraisal well committed:** appraisal well to be drilled on Fogelberg with 33% WI; spud expected late 2017 or early 2018
- **East Corrib farm out for full carry at 20% WI:** Irish Ministerial approval granted for a farmout to Nexen of licence 16/23, West of Ireland

Production

Group production averaged approximately 15,100 boepd in the period from 1 January to 31 May 2017, with better than forecast performance from the main producing fields in the portfolio. The average operating cost per barrel of oil equivalent for producing fields for the same period was approximately US\$25.

Average production guidance for the year remains at 13,000 to 15,000 boepd reflecting various forecast shutdowns to enable production enhancing work to be undertaken. A review of this guidance will be undertaken following the summer maintenance period.

Finances and balance sheet

Cash: cash increased to £113.8 million (unaudited) at 19 June 2017 from £96.8 million at 31 December 2016.

Credit facilities: other than the revolving Norwegian credit facility, funded by the tax rebate, Faroe remains debt-free: Faroe has an undrawn RBL credit facility of \$250 million plus a \$100 million accordion.

Committed projects financed: prudent financial management combined with strong production and improved commodity prices ensures that the Company remains fully financed for its committed projects.

Development and projects

Oda: in May 2017, the Partners in the Oda development received PDO approval of the Oda field (licence PL 405) from the Norwegian Ministry of Petroleum and Energy. The Oda field (Faroe 15%) in the Norwegian North Sea, will be developed via a four-slot seabed template with two production wells, and one water injection well, which will tie back to the Ula platform (Faroe 20%), located approximately 13 kilometres to the east.

The Oda subsea tie-in will connect to the existing pipeline between Oselvar (Faroe 55% and operator) and Ula and reuse the existing Oselvar facilities at the Ula platform. Production from Oselvar is scheduled to cease in 2018 to allow the Oda tie in works to be undertaken and the Oselvar owners will be financially compensated accordingly. The net compensation payment to Faroe as an Oselvar and Ula joint venture partner, is estimated to be approximately £14 million due to Faroe in 2017 & 2018 (this takes into account the payment it makes as an Oda joint venture partner and the final tariff compensation payable to Ula). An initial payment to Faroe of £7.4 million is due later this month.

Njord and Bauge: approval of the PDO for the Njord Future Project and Bauge field (Faroe 7.5%) is expected shortly from the Norwegian Ministry of Petroleum and Energy. In the meantime the works on the Njord A Facility in the Stord dry dock are continuing on time and on budget, with the pre-fabrication of new pontoons progressing on schedule. In parallel, the project to refurbish the Njord B storage tanker is also progressing to plan. The planning for the Bauge subsea tie-back continues with the finalisation of the contract strategy for project execution.

Tambar infill and gas lift project: in-fill drilling and gas lift installation project, to boost production from 2018 onwards, is now underway and on track. The main scope for this project is the installation of gas lift for up to five wells, and the drilling of two infill wells. The installation of gas lift is expected to allow for long term robust flow rates as water cut starts to increase. The Mærsk Interceptor rig will arrive on location between October and December 2017 to be used to drill the infill wells and provide accommodation.

Brage infill drilling: the Brage drilling rig has been remobilised as planned for the drilling of three wells, with one producer-injector pair in the Statfjord horizon and one producer in the Fensfjord. The first Statfjord producer is scheduled to come on stream in September. Continued further infill drilling beyond the current three wells will be subject to the results from the ongoing drilling campaign.

Exploration and appraisal

Brasse: Licence PL740/B (Faroe 50% and operator) - following the successful appraisal well results announced last week, the Drill Stem Test ("DST") is now underway to provide further confirmation of well productivity, investigation of reservoir distribution and important additional information for development

project planning. The results are expected shortly together with a decision on the commitment of a side-track.

Goanna: Licence PL881 (Faroe 30%) was awarded in February 2017 as part of the APA16 licence round and is operated by Wellesley Petroleum (70%). The Goanna licence is located in the Northern North Sea, near the border with the UK and east of the very large producing Statfjord and Snorre fields, which offer the potential for alternative export routes upon success. The Goanna prospect straddles the border between PL881 and PL037, the Statfjord group. The PL881 joint venture expects to drill a well on this licence in Q4 2017 targeting a structural and stratigraphic prospect of Upper Jurassic age sandstones, using the Deepsea Bergen rig on favourable market rates. Faroe's associated costs of drilling this well will be fully carried at 30% WI by its joint venture partner up to the budgeted dry hole cost.

Fogelberg: In February 2017, the PL433 joint venture was awarded a licence extension with a deadline to submit a PDO by July 2019. To make sure a robust development plan can be proposed with a well justified 2P reserves base and production profile, and before committing to the Front End Engineering and Design (FEED) project, the licence group has committed to drill an appraisal well. The well will be drilled in a down-dip location with the objective of adding additional 2P reserves, and dependent on the results, drill a side-track on the crest of the structure to conduct a production test on this 2010 discovery. Faroe is increasing its working interest to 33.3% in this Centrica-operated (66.7%) licence. The drilling operations, again utilising the Deep Sea Bergen rig, are expected to commence in late 2017 or early 2018, back-to-back after the Goanna well. The objectives of the appraisal well are to increase reserves and reduce volume uncertainty by establishing the Free Water Level (FWL) or the Gas Down To (GDT) and verify reservoir quality and productivity by conducting a DST, which will allow optimisation of well count and design (and potential cost savings).

East Corrib: Faroe recently executed a farm out of its Irish licence option 16/23 (Faroe 100%) to Nexen Petroleum UK. Under the terms of the farm-out agreement, which has received Ministerial approval, Nexen has taken over operatorship of this licence and an 80% working interest (Faroe 20%) and in return will meet the full costs of the associated work programme, including any acquisition of seismic data and the possible drilling of an exploration well, if a positive drilling decision is made after the seismic work phase has been completed.

Graham Stewart, Chief Executive of Faroe Petroleum commented:

"I am pleased to report that Faroe Petroleum is performing very well across its range of activities, with strong production performance in the first five months averaging 15,100 boepd, appraisal success on the Brasse discovery, a growing low cost exploration and appraisal programme and significant progress on our development projects.

"The Company has also delivered good financial performance with strong cash flow, improved cash reserves and an undrawn Reserve Based Lending facility of \$250 million - this ensures we have significant financial flexibility going forward.

"I am particularly encouraged, that as we enter the second half of 2017, alongside the excellent progress made across our production and development portfolio, we have been able to increase further the level of low cost and high impact activity in our exploration and appraisal portfolio, with the addition of the Goanna and Fogelberg wells later this year, as well as the farm-out to Nexen, for a full cost carry, on the East Corrib licence west of Ireland.

“With our focused strategy, centered principally around realising value from both our considerable exploration success and M&A success, Faroe is now in position for a major growth phase as we take advantage of low industry costs and invest across our core assets in 2017 and beyond. We believe that we now have the asset base to reach our stated goal of increasing production to over 40,000 boepd organically within the next five years, with robust economics even at low commodity prices.

“Looking ahead, while we actively pursue our organic programme, we will also continue to seek to capitalise on our strong strategic and financial position to pursue further consolidation opportunities on the Norwegian and UK continental shelves.”

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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 30 years, has read and approved the exploration and appraisal disclosure in this regulatory announcement.

John Wood, UK Asset Manager of the Company with over 15 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

"APA"	awards in pre-defined areas
"bscf"	billions of standard cubic feet
"boe"	barrel of oil equivalent
"boepd"	barrels of oil equivalent per day
"PDO"	Field Development Plan
"mmboe"	millions of barrels of oil equivalent
"net"	the portion that are attributed to the equity interests of Faroe
"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 UK 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 December 2016 the Company completed 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 2017, is estimated to be between 13,000-15,000 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 \$250million reserve base lending facility, with a further US\$100million available on an uncommitted "accordion" basis. 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.

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.