

28 July 2017

**Faroe Petroleum plc**

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

**Acquisition of a further 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 a further 13.9935% interest in the Blane Field in the UK North Sea ("Blane Interest") from JX Nippon Exploration and Production (U.K.) Limited ("JXN") for a total consideration of \$5.25 million (the "Acquisition").

**Highlights**

- **Value accretive:** consideration of \$5.25 million corresponds to approximately \$5.0/boe; value synergies include greater profitability, tax efficiency and enhanced debt capacity
- **Strategic fit:** deal consolidates Faroe's existing Blane position to in aggregate a 44.5% non-operated interest; high quality 42<sup>o</sup> API oil, tied-back to Ula (Faroe 20%), one of Faroe's key hubs
- **High margin field:** Blane is a low operating cost field and the derived 2016 EBITDAX attributable to the Blane Interest was \$5.4 million
- **Upside potential:** Blane had 2016 gross production of approx.2,900 boepd and has potential to grow reserves, extend field life and reduce unit opex

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 field has been developed as a sub-sea tie-back to the Ula platform (Faroe 20%), located on 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.

The 13.9935% interest in the Blane Field is derived from a 17.0653% interest in UK Licence P111 covering Block 30/3a (upper).

The Acquisition is expected to complete before the year-end and is subject to UK regulatory approval, the approval of the Blane joint venture partners and the resumption of production after the completion of certain scheduled sub-sea works this summer. The Acquisition consideration of \$5.25 million, prior to working capital adjustments from the effective date of 1 January 2017, is to be funded from existing cash resources.

The Blane Field is operated by Repsol Norge AS and the other joint venture partners are Dana Petroleum (BVUK) Limited and Repsol Sinopec Resources UK Limited.

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

"We are pleased to announce this Acquisition, which further increases our stake in this low cost, high quality and long life asset and at a fair value of \$5.0 per boe. Raising our stake again in Blane, offers significant upside potential as we realise synergies through Blane's use of our key Ula hub; increasing net production, reducing average operating costs, increasing profitability and providing access to further reserves potential from the field. The transaction is also very tax efficient for us, providing shelter for both

past and future tax losses in the UK. Faroe continues to advance a number of key projects in and around the Ula hub area, all of which will serve to extract greater value from this particular deal through improved operating synergies.”

– Ends –

For further information please contact:

**Faroe Petroleum plc**  
Graham Stewart, CEO

Tel: +44 1224 650 920

**Stifel Nicolaus Europe Limited**  
Callum Stewart / Nicholas Rhodes / Ashton  
Clanfield

Tel: +44 20 7710 7600

**BMO Capital Markets**  
Neil Haycock/ Tom Rider/ Jeremy Low

Tel: +44 (0) 207 236 1010

**FTI Consulting**  
Edward Westropp/ Emerson Clarke

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.

### **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

“EBITDAX”	earnings before interest, depreciation, depletion, amortization and exploration expenses
“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 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.