

8 August 2018

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

Mid-year 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 ahead of its half yearly results which will be released on 18 September 2018.

Highlights

- Iris Hades success adds 42 mboe¹ 2C resources net to Faroe - 2019 appraisal well committed
- Production averaged 12,402 boepd for H1, with current production at approximately 15,200 boepd²
- Full year guidance range narrowed to 12,000 - 14,000 boepd
- Fully-funded, multi field development programme on schedule, with Oda development drilling underway
- High quality E&A drilling programme continues with six wells committed – Rungne next
- Net cash position of £84 million (unaudited) at 30 June 2018, up from £75 million at 31 December 2017
- Unaudited EBITDAX in H1 2018 of c. £76 million

Graham Stewart, Chief Executive of Faroe Petroleum commented:

"We have continued to deliver shareholder value in the first six months of the year, as we benefit from investment in our high quality asset base. The very significant Iris Hades discovery in April alone adds an estimated 42 million barrels of 2C oil equivalent net to the Company, substantially increasing our resource base. We remain one of the most active and successful explorers in the sector with six further committed wells over the coming months with the Faroe-operated Rungne exploration well due to spud in September.

"The period to date has seen us deliver significant progress from an operational perspective and our exploration and appraisal programme continues to deliver material success. Faroe's production portfolio has seen a very active period of technical and investment driven activity. Although this reduced first half average production it will lead to increased productivity in the second half as well as the years ahead, as we invest heavily in our existing fields as well as several new fields. Our field development and infill programme has progressed apace and on schedule, capturing the material cost savings available as a result of the fall in oil prices.

"We continue to actively manage our portfolio in order to optimise shareholder returns. One notable transaction in the period was the sale of a 17.5% stake in the Fenja field development, generating over £40 million and freeing up capital for investment in the pending Brasse development at our full 50% equity position.

"Our focus on maintaining balance sheet health has combined well with improved oil prices to deliver a stronger net cash position as well as markedly improved liquidity. With a fully funded programme ahead, investing across our business, and at the bottom of the cycle, I remain confident in our ability to deliver our

stated production growth target of 35,000 boepd by 2021/22, designed to generate material increase in cash-flow and shareholder value.”

2018 operational update detail:

Exploration and appraisal - 44% increase in 2C Contingent Resources and multiple wells ahead

- The results from the Iris Hades exploration well (Faroe 20%) have been evaluated and have led to a substantial increase in the contingent resources estimates for this new discovery. Faroe estimates gross contingent resources for Iris Hades¹ at 63 mmboe (1C), 210 mmboe (2C) and 322 mmboe (3C). The Iris Hades resources estimates include condensate, which based on preliminary fluid analysis makes up c. 25% of the contingent resource. After adjusting for the divestment of 13.3% of Fogelberg to Dyas³, the Company's total 2C resources has increased by approximately 44% to 113 mmboe. The Iris Hades partnership has contracted the Deep Sea Bergen drilling rig to drill an appraisal well on the structure to target the substantial upside to the south of the discovery well. The appraisal well is expected to spud in H1 2019
- Well planning is progressing according to plan on the Faroe operated Rungne exploration well (Faroe 40%) which is expected to spud in September 2018 using the Transocean Arctic semi-submersible rig. The unrisks gross resources targeted are c. 70 mmboe
- The Faroe operated Brasse East well (50%) will be drilled back-to-back following the Rungne well, again using the Transocean Arctic. Success could add further incremental reserves to the existing 2P reserves of 30.7 mmboe (net to Faroe) for the planned Brasse field development. The unrisks gross resources targeted are 12.5 mmboe
- A further exploration well is expected to spud towards the end of 2018 on the Equinor operated Pabow prospect (Faroe 20%) in the Stord basin to the east of the Utsira High. The primary target in the Lower Jurassic Statfjord Group has unrisks gross gas resources potential of c. 70 mmboe
- The Cassidy exploration well (Faroe 15%) is expected to be drilled in Q1 2019, back-to-back with the production wells in Oda. Cassidy sits within the PL405 Oda licence to the north of Oda and will target a prospect with the same Jurassic Ula formation level as the Oda field with gross unrisks potential of c. 50 mmboe
- Yoshi is expected to be drilled in 2019. The prospect is located in licence PL 836 S immediately to the south-west of the Smørbukk South Field and will target the Jurassic Fangst Group reservoirs with a gross unrisks resources potential of c. 30 mmboe

Production – within guidance with narrowed range for 2018

- Group production averaged 12,402 boepd for the period from 1 January to 30 June 2018
- The Tambar field was off line for much of Q1 whilst the two new infill wells were brought on stream since when significant new production has been added. As previously announced, there was a temporary loss of production from the Trym field in Q1 caused by a fault in the downstream export system, and production was re-established in early March. Production in H1 was also impacted by planned temporary shut downs of the Ula hub and the Brage field during Q2 for maintenance
- With all the main fields back on line, production is currently approximately 15,200 boepd² As previously announced, the Schooner and Ketch gas fields in the UK are scheduled to cease production at the end of August 2018
- On that basis, and reflecting all known movements in the production assets, the full year guidance range has been narrowed to 12,000-14,000 boepd

- The average operating cost per barrel of oil equivalent for producing fields for the period was approximately \$27/boe, reflecting slightly lower production throughput. Unit operating cost is expected to decline in H2 with higher average production

Development and projects – multiple projects on track and capturing lower costs

The Ula Hub Area

- On Tambar (Faroe 45%) the two new infill production wells are performing on expectation. Preparations are underway for the gas-lift installation to be completed in Q4, boosting production further
- Oda development drilling (Faroe 15%) commenced on schedule on 15 July 2018. Three top hole sections have already been completed and the drilling of the first of three development wells is underway. The Oda field is on track for production start-up in mid-2019 as planned
- On Ula (Faroe 20%) a number of significant upgrades to the field facilities are also underway, which will support future infill drilling and long term production. Three new infill wells have been committed for drilling in 2019-20 based on the promising results of the recent time lapse 3D seismic survey. This will include new injection wells to extend the Water Alternating Gas pattern for the Ula field, together with infill production targets
- Oselvar (Faroe 55%) ceased production in April 2018 as planned, and has now received the final compensation payment from the Oda field joint venture partners (Faroe 15%) which, due to its formulaic nature, has resulted in a higher payment than expected, amounting to a total of £35 million net to Faroe (including the £7.4 million net received in June 2017)

Brage

- The three new Brage wells (Faroe 14.3%) are performing in line with expectation. An additional long reach development well into the Sognefjord reservoir has been committed and is expected to commence drilling in H2 2018. A number of additional attractive infill targets have been identified and are currently being planned

Brasse

- Brasse (Faroe 50%) is progressing to plan and the next key project milestone will be Concept Selection including the reservoir drainage plan and the selection of a host facility for fluid processing and onwards transportation. Field development sanction is scheduled for H2 2019

Greater Njord Area

- The Njord Future Project (Faroe 7.5%) is progressing on schedule and within budget. In 2018, key milestones on the Njord A facility include installation of blisters to enhance stability on all four columns, installation of column top extensions and deck boxes. Truss work reinforcement is also ongoing. Njord B FSO entered the dry dock in Haugesund in July and upgrade work has commenced according to plan
- The Fenja development (Faroe 7.5%) is progressing on schedule and within budget

Fogelberg

- Following the successful appraisal well and associated drill stem test announced on 29 June 2018, preparations are underway to start development studies in H2 2018 for the Fogelberg field (Faroe 15%) subsea tie-back to the Åsgard B host

Finances and balance sheet – net cash and strong liquidity

- Gross and net cash increased from £149 million and £76 million respectively at 31 December 2017 to £158 million and £84 million (unaudited) at 30 June 2018. Faroe's cash balances grew despite the ongoing investment programme, primarily focused on its Norwegian asset base, as a result of a combination of factors notably higher commodity prices and the sale of a 17.5% interest in the Fenja development for cash consideration of £40.4 million (\$54.5 million equivalent)

- Faroe generated EBITDAX (unaudited) of approximately £76 million in H1 2018. This includes £28 million compensation payment from Oselvar/Oda. The gain resulting from the Fenja divestment of £26 million post tax is not included in the EBITDAX
- H1-2018 exploration and appraisal capex was £39 million pre-tax (£9 million post tax), with full year forecasts reduced from £80 million (£20 million post tax) to £70 million pre-tax (£15 million post-tax) primarily reflecting the reduction in Fogelberg equity. 2018 Capex is weighted towards the second half of the year where H1-2018 development and production capex was £59 million, with full year forecast being £155 million
- Faroe has a \$100 million unsecured Norwegian bond whilst the reserve based lending credit facility of \$250 million (plus \$100 million accordion) remains undrawn. The NOK 1 billion revolving Norwegian Exploration Financing Facility (which in turn is funded by the Norwegian tax rebate system) is utilised for E&A expenditure in Norway

For further information please contact:

Faroe Petroleum plc
Graham Stewart, CEO
Tel: +44 (0) 1224 650 920

Stifel Nicolaus Europe Limited
Callum Stewart / Nicholas Rhodes / Ashton
Clanfield
Tel: +44 (0) 20 7710 7600

BMO Capital Markets
Tom Rider / Jeremy Low
Tel: +44 (0) 207 236 1010

FTI Consulting
Ben Brewerton / Emerson Clarke
Tel: +44 (0) 20 3727 1000

Foot notes

1. Internal estimate – difference in CPR resources estimate <10%
2. On 5 August 2018
3. The Fogelberg assignment to Dyas completed on 31 July 2018

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.

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.

The Company's internal estimates of resources contained in this announcement were prepared in accordance with the Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers.

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.

Glossary

"1C"	low estimate of Contingent Resources
"2C"	best estimate of Contingent Resources
"3C"	high estimate of Contingent Resources
"boe"	barrel of oil equivalent
"boepd"	barrels of oil equivalent per day
"capex"	capital expenditure
"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
"E&A"	exploration and appraisal
"FSO"	Floating Storage and Offloading vessel
"mmboe"	millions of barrels of oil equivalent
"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
"PDO"	the Plan for Development and Operation
"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 has extensive experience working closely with major and independent oil companies both in Norway and in the UK.

The Company's substantial licence portfolio provides a diverse 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 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 2018, is estimated to be between 12-14,000 boepd.

In November 2013 and March 2014 Faroe announced the Snilehorn (Bauge) and Pil (Fenja) discoveries in the Norwegian Sea in close proximity to the Njord and Hyme fields. In July 2016, the Company announced the Brasse discovery, close to the Brage field, and the Njord North Flank (Bauge) discovery, close to the Njord field, both in Norway. In February 2018, the Company announced the sale of part of its interest in the Fenja field and in April 2018 announced the significant Iris and Hades discoveries.

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 has had significant success in exploration on the Norwegian continental shelf, and the great majority of the Company's 2P reserves have been generated directly from Faroe's exploration success.

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 \$250 million reserve base lending facility, with a further US\$100million available on an uncommitted "accordion" basis. The Company has also raised a \$100m senior unsecured bond. 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.