5 December 2018

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

Norwegian Asset Swap with Equinor

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 it has signed a binding agreement with Equinor Energy AS (a wholly owned subsidiary of Equinor ASA) ("**Equinor**") to swap its interests in the Njord, Hyme redevelopment and Bauge development assets (the "**Divested Assets**") in return for interests in four production assets on the Norwegian Continental Shelf: Alve, Marulk, Ringhorne East and Vilje (together the "**Acquired Assets**") on a cashless basis (the "**Transaction**"). The Transaction has an effective date of 1 January 2019 and is subject only to consent from the Norwegian authorities.

Strategic Highlights

- Accelerates targeted production growth adding 7-8,000 boepd in 2019;
- Provides better portfolio balance between production and development with no material impact on reserves;
- Expands footprint through two new core areas (Alvheim and Norne), with near-term catalysts including a firm dual-target exploration well in the Alve licence and an approved development well on Marulk in 2019;
- Significantly reduces Faroe's capital expenditure by eliminating expenditure on the Divested Assets from 2019;
- Materially reduces Faroe's operating expenditure per barrel of oil equivalent;
- Creates material tax synergies by accelerating Faroe's utilisation of its Norwegian tax loss position; and
- Intention to give careful consideration to the optimal mix of reinvestment in the existing portfolio, potential M&A opportunities and returning capital to shareholders following Transaction completion.

A conference call regarding the Transaction will be held for sell-side analysts at 8.30am today. Analysts should contact FTI Consulting at the details below to obtain the dial in details. An accompanying presentation to this press release will be available on the Company website (www.fp.fo) from 8:00 a.m. today.

Graham Stewart, Chief Executive of Faroe commented:
"I am pleased to announce this significant swap transaction which is in line with our stated strategy of delivering shareholder value through active portfolio management. It immediately rebalances our asset mix towards production after a series of exploration successes and resultant development projects. The Transaction will accelerate delivery of our fully-funded production target, while strengthening further our financial position in advance of reaching investment decisions on our new Iris/Hades and Agar discoveries. We are now confident in our ability to deliver in excess of 50,000 boepd in the medium term.

"The increased cash flow, reduction in capital expenditure and reduction in unit operating cost resulting from the Transaction will further strengthen our already robust balance sheet. This will enable us to give careful consideration to a potential return of capital to our shareholders, as an additional element in our capital deployment mix."

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 / Tom Hughes	Tel: +44 (0) 207 236 1010
FTI Consulting Ben Brewerton / Sara Powell / Toby Chidavaenzi	Tel: +44 (0) 20 3727 1000 SCfaroe@fticonsulting.com

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.

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.

In accordance with Rule 26 of the Takeover Code, a copy of this announcement will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Faroe' website at https://www.fp.fo/ by no later than 12 noon on the Business Day following the date of this announcement. For the avoidance of doubt, the content of the website is not incorporated into and does not form part of this announcement.

Transaction Rationale

Accelerated Production Growth

The Transaction is anticipated to add 7-8,000 boepd net to Faroe during 2019 with the potential for further upside through reservoir outperformance. On a preliminary basis, Faroe estimates its 2019 production will rise to between 18,000 – 22,000 boepd representing up to 83% year-on-year growth from the current 2018 forecast full year production of ~12,000 boepd. The net effect of the Transaction is to accelerate the benefit of production that would otherwise have been provided by the Njord area by roughly two years while having only a small impact on the Company's near-to-medium term growth target of 35,000 boepd. Further, the recent significant discoveries at Iris/Hades (Norway) and Agar (UK) in 2018, are expected to be appraised and progressed to field development sanction within the next few years.

Swapping Development for Producing Reserves

In addition to accelerating growth by almost two years, the Transaction has been agreed on a reserves neutral basis. Faroe estimates the net 2P reserves associated with the Acquired Assets to be 17.6 mmboe (9.1 mmbbl oil) which is materially in-line with the net 2P reserves associated with the Njord, Hyme and Bauge assets of 18.4 mmboe (6.6 mmbbl oil) as at 31 December 2017. Faroe's internal estimates are, in part, based on the Revised National Budget figures provided annually by operators of oil and gas fields to the Norwegian authorities. A full update on Faroe's 2019 guidance, including reserves and contingent resources, will be provided during the first quarter of 2019 in line with the Group's historic practice.

Expanded Footprint Adding Two New Core Areas

The Transaction gives Faroe equity interests in assets in two new core areas, Alvheim and Norne. The Alvheim FPSO is a core area for operator AkerBP where it has continued to discover and develop additional satellite fields (e.g. Skogul and Frosk). The Alvheim FPSO is located near to the Norway/UK median line and within tie-back distance some ~13 km away from Faroe's recently announced Agar discovery in the UK (gross recoverable resources of 15-50 mmboe). The Norne FPSO is a key operated area for Equinor which is currently in the process of extending the life of the asset until 2036, in part to accommodate incremental hydrocarbons including the large Cape Vulture discovery made earlier in 2018. A firm well on the Alve licence is planned for Q1 2019 to test the dual-target Snadd Outer Outer/Black Vulture prospects and a development well into Marulk will be drilled in the summer of 2019, with the potential to prove up material upside in the asset and further unlock the Lange formation play in the area.

Significant Increase in Financial Liquidity

It is anticipated that Faroe's financial position will be further strengthened following completion of the Transaction through increased cash flow, a significant reduction in capital expenditure associated with the Njord Area and lower unit operating costs. The Acquired Assets are all subsea tie-backs with low operating costs that are expected to reduce the Company's operating expenditure per barrel of oil equivalent. The Transaction also brings material tax synergies, notably accelerating the utilisation of carried forward tax losses in Norway.

Due to the significant increase in Faroe's liquidity and financial flexibility beyond its currently committed production growth profile, resultant from this Transaction, the Company intends to give careful consideration to the optimal mix of reinvestment in the existing portfolio, potential M&A opportunities and returning capital to shareholders following Transaction completion (anticipated during the first quarter of 2019).

Transaction Details

Under the terms of the Transaction, Faroe will exchange its entire 7.50% interest in Njord, Bauge and Hyme, but excluding Fenja (Faroe 7.5%), in return for the following interests in the Acquired Assets:

Area	Asset	Licence	Equity	Operator
Norne Area	Alve	PL159 B	32.0%	Equinor
	Marulk	PL122, B, C, D	17.0%	ENI
Alvheim Area	Vilje	PL036 D	28.853%	AkerBP
Balder/Ringhorne	Ringhorne East Unit	-	14.82%	Point

Following the Transaction, Equinor will retain a 53.0% interest in Alve and a 33.0% interest in Marulk and Faroe's total equity interest in Ringhorne East Unit will increase to 22.62% through the acquisition of a 57.0% interest in PL169 E.

The Transaction has been agreed on a cashless, value-neutral basis assuming a 1 January 2019 effective date. Although no audited turnover or profits data are available for the Acquired Assets for the year ended 31 December 2017, Faroe has estimated, based on its own assumptions, that they may have generated in that period turnover of £165 million and profits before tax of £100 million (noting that the marginal tax rate for offshore assets in Norway is 78%). This statement has been included in accordance with the AIM Rules and is not intended to be a forecast for a future period. The Transaction has been under discussion with Equinor for several months and was approved, subject to final documentation, by Faroe's Board of Directors on 23 November 2018.

As part of the Transaction, Equinor will retain the current abandonment obligations in relation to the Alve and Marulk interests.

Acquired Assets Description*

Alve (Equinor 53.0% and operator, Faroe 32.0%, INEOS 15.0%)

The Alve Field is a single-template subsea tie-back to the Norne FPSO located in the Norwegian Sea. The reservoir consists of Jurassic age sands with production from three dedicated gas/condensate wells in the Garn/Not, Ile and Tilje Formations which came on stream in 2009. The Alve licence also contains the Jurassic Gjøk discovery (6507/3-8).

An exploration well on the Alve licence will be drilled in the first quarter of 2019 targeting both the Snadd Outer Outer prospect in the Lysing Formation and the deeper Black Vulture prospect in the Lange Formation. Both prospects are supported by seismic anomalies partly calibrated in nearby wells and follow recent discoveries at the nearby Snadd Outer/Ærfugl well (6507/3-9S) and Cape Vulture well (6608/10-17S).

Marulk (ENI 20.0% and operator, Equinor 33.0%, INEOS 30%, Faroe 17.0%)

The Marulk field is a single-template subsea tie-back to Norne FPSO located in the Norwegian Sea. The field is currently producing gas/condensate from two horizontal wells in the Cretaceous age Lysing Formation which came on stream in 2012. An additional horizontal development well has been approved by the joint venture for drilling in 2019 into the deeper Cretaceous Lange Formation.

Ringhorne East Unit (Point Resources 77.38% and operator, Faroe 22.62%)

Ringhorne Øst (East) Unit is an oil field in the central part of the North Sea. The field started production in 2006 from Jurassic age reservoir rock of excellent quality and is developed by four producers drilled from the

Ringhorne facility with pressure support from a natural aquifer. Oil is transported to the Balder FPSO for processing, storage and export. Two new infill wells are in the planning stages as part of the 2019-2021 Ringhorne/Ringhorne East drilling programme. The Ringhorne East infill targets are supported by recently acquired 4D seismic, which indicate further infill targets beyond the initial two-well work programme.

Vilje (AkerBP 46.904% and operator, Faroe 28.853%, PGNiG 24.243%)

The Vilje oil field is located in the Alvheim area in the Norwegian North Sea near the UK/Norway median line. The reservoir is of Paleocene age with excellent reservoir quality sandstones in the Heimdal formation. Production commenced in 2008 from three producers, one of these being a multilateral. The producers are supported by natural aquifer drive and are tied-back through a subsea template to the Alvheim FPSO. The oil is loaded to tankers and the gas is transported into the SAGE pipeline system.

Divested Assets Description*

Njord, Hyme and Bauge (Blocks 6407/7 and 6407/8)
The Njord field, operated by Equinor (27.5%), with DEA (50.0%) and Neptune (22.5%) as partners, is located in the Norwegian Sea in Jurassic age reservoir sandstones. The field was developed with a floating production facility, Njord A, and a storage vessel, Njord B. Due to structural integrity issues on Njord A, the field was shut down in 2016, and Njord A was subsequently towed to shore for major modifications and upgrades. A new PDO for a Njord re-development was approved during 2017 and production is expected to restart in Q3 2020.

The Hyme field, operated by Equinor (42.5%) with partners DEA (27.5%), Point Resources (17.5%) and Neptune (12.5%) is a tie-back to Njord and was also shut down due to the removal of Njord A. The Jurassic age field will restart after Njord is back on production. The field started production in 2013 from a subsea template with one producer and one injector.

The Bauge development, operated by Equinor (42.5%) with partners DEA (27.5%), Point Resources (17.5%) and Neptune (12.5%), received PDO approval in 2017 and will be tied back to Njord via a subsea template. Two Jurassic age reservoirs will be drained by two producers, supported by a water injector drilled from the Hyme subsea template.

**Equity interests quoted with effect from Transaction completion*

Foreign exchange rate assumptions used in this release are: USD/GBP (1.35), NOK/GBP (10.46)

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 Norway and the UK, including interests in the Brage, Ringhorne East, Ula, Tambar and Trym fields in Norway and the Blane oil field in the UK. 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.

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 and the Agar discovery in the UK in November.

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, with a net cash position of £84 million (unaudited) at 30 June 2018, up from £75 million at 31 December 2017 and in addition has access to a $350 million reserve base lending facility with a maturity in December 2025. The Company has also raised a $100 million senior unsecured bond which is listed on the Oslo Børs. 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.

Glossary	
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
Boe	Barrels of oil equivalent
boepd	barrels of oil equivalent per day
FPSO	Floating Production, Storage and Offloading unit
mmbbls	millions of barrels
mmboe	millions of barrels of oil equivalent
PDO	Plan of Development and Operations
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