

16 January 2019

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

Edinburgh Prospect Partnership

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 its partnership with subsidiaries of Royal Dutch Shell plc (“Shell”) and Spirit Energy Limited (“Spirit”) following the award of PL 969 in the recent APA licensing round with the intention to advance the large, cross-border Edinburgh prospect towards a drill decision during 2019.

Through a series of arrangements entered into during 2018, the licence partners have agreed to equalise equity in UK Block 30/14a (Edinburgh Area) and UK Block 30/14b on the same basis as the award in the adjacent Norwegian Blocks 1/6 and 1/9 (PL 969) (together the “Edinburgh Area”) as follows:

Company	30/14a (UK)	30/14b (UK)	1/6, 1/9 (NO)
Faroe	45%	45%	45%
Shell	40%	40%	40%
Spirit	15%	15%	15%

The equity equalisation remains subject to certain terms and conditions between the parties and awaits deal completion of the acquisition related to UK Block 30/14a (Edinburgh Area) from Total Oil UK Limited. It has been agreed by the parties that Faroe will operate the Edinburgh Area licences up until a final well decision is taken by the licence partners, after which Shell will become licence operator.

The Edinburgh Area contains the large Edinburgh prospect, which straddles the UK/Norway border in the Central North Sea at the south eastern end of the prolific Josephine Ridge area. The structure is a large, tilted Mesozoic fault block, and is considered to be one of the largest remaining undrilled structures in the Central North Sea covering an area of over 40 square kilometres. The prospective reservoirs include the Upper Jurassic Ula age-equivalent (Freshney and Fulmar) and Triassic Skagerrak formations.

On a preliminary, unaudited basis, Faroe’s management estimates the Edinburgh prospect to have material volumes with potential for standalone development.

Graham Stewart, Chief Executive of Faroe Petroleum, commented:

“We are pleased to announce the alignment of equity in the Edinburgh Area amongst such a strong partnership, having worked to resolve the commercial impediments in the area for over eight years. The partnership’s combined operating experience in both the UK and Norway represents a distinct advantage in bringing the drilling of this high impact exploration prospect closer to fruition. We look forward to working with the respective UK and Norwegian authorities to progress this exciting cross-border opportunity.”

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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.

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.

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 has extensive experience working closely with major and independent oil companies and is an experienced operator of both exploration and production licences.

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 and in December 2018 announced a transaction with Equinor to swap the Company's interests in Njord, Hyme and Bauge for interests in four producing fields, Alve, Marulk, Ringhorne East and Vilje .

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, with a net cash position of £83 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. 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.