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Faroe Petroleum and Petoro Asset Swap Deal

Faroe Petroleum plc, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in the Atlantic Margin, the North Sea and Norway, is pleased to provide an operational update following completion of the transaction with Petoro AS (Petoro), to swap Faroes interest in the Maria discovery for Petoros interests in a number of high quality oil and gas production assets in Norway. Highlights The Petoro asset swap (Norway) represents - Producing 2P reserves of 14.2 mmboe net to Faroe as at 1 January 2011 with anticipated greater reserves replaced than have been produced since that date; Associated net average production over 2011 estimated at 7,600 boepd*; and Eliminates requirement to fund over £250 million of development costs on Maria field Faroe self-funded from cash flow, cash reserves and debt facilities for current planned high impact exploration programme and the committed field investment plan Fulla discovery (UK) proves producible oil, de-risks neighbouring Freya discovery and takes project forwards to a work programme to mature reserve estimates and development solutions Petoro Asset Swap The Company is pleased to announce that the Petoro asset swap transaction has now been completed. The transaction (which had an effective date of 1 January 2011) took the form of an asset for asset swap, comprising Petoros interests in the Brage, Hyme, Njord, Ringhorne East and Jotun fields (the Petoro Assets) and Faroes 30% interest in the Maria discovery. There was no cash consideration from either party, although Faroe will receive the net benefit of production sales from the Petoro Assets for the 11 months to 30 November 2011 in cash. The 2P reserves of the Petoro Assets were calculated by Senergy to be 14.2 mmboe at 1 January 2011 and it is expected that additional reserves have been added over 2011 in excess of those produced over the same period, as a result of development projects and improved field performance. Production from the Petoro Assets over 2011 is estimated to be approximately 7,600 boepd* net to Faroe. A description of the Petoro Assets and further details of the transaction were announced by the Company on 11 April 2011 and 12 July 2011 and a summary is set out at the end of this announcement. Group Production Update The Petoro Assets are expected to average production of 7,600 boepd* over 2011, with production from Faroes existing production assets estimated to average 2,500 boepd* over the same period. For 2012, the Company expects that average net Faroe Group production will be in the range of 6,000 to 8,000 boepd** reflecting reduced production primarily from the Njord field due to a riser replacement programme currently underway and continuing into 2012, and the tie in of the new Hyme field to Njord. The Njord riser replacement programme has necessitated the shutting in of production wells on the Njord field and as the risers are replaced the wells are progressively being brought back on stream. The Hyme field development (Faroe 7.5%) is scheduled for installation in 2012, and will necessitate the shutdown of the entire Njord field for approximately three months while the field is tied in to the Njord platform. As a consequence, average 2012 production from Njord will not reflect full field capacity, however 2013 production is expected to benefit from the Njord wells being back on stream as well as the new Hyme production wells. * In its 2011 financial statement Faroe will only account for production from the completion dates of 1 December 2011 for the Petoro Assets and 16 May 2011 for the Blane field interest, but will receive the full net economic benefit of production revenues for the full year. ** Estimates sourced from the respective field Operators. Freya and Fulla Update On 24 August 2011, Faroe announced an oil discovery in well 206/5a-3 drilled on the Fulla prospect, neighbouring the existing Freya discovery in P.1161 (Faroe Petroleum 50% and operator) in the west of Shetland area. Detailed analysis of the data obtained from the exploration well has been conducted indicating that the oil quality was towards the upper end of expectations whilst the oil volume within the Fulla structure was lower than pre-drill estimates. The Fulla crude oil has been measured at 19 degree API and is further characterized by a gas oil ratio of 360 scf/stb and an oil viscosity at reservoir conditions in the range 5 to 6 cP. The results indicate that the Fulla oil is of a related quality to the crude oil in the giant Clair field, located approximately 31 kilometres to the south west. Faroe has conducted a post drill analysis of the licence area which indicates a most likely discovered oil in place figure of 166 million barrels and initial estimated recovery factor ranges of between 15% and 25%. The majority of this volume sits within the Freya structure which has been considerably de-risked by the 206/5a-3 well due to the proximity of the discoveries. The forward work programme on the licence is to shoot a 3D seismic survey with the objective of optimising placement of future production wells, whilst embarking on a work programme aiming at maturing development solutions and reserve estimates. Graham Stewart, Chief Executive of Faroe Petroleum plc, commented - "We are very pleased to announce the completion of the transformational Petoro transaction, which is an excellent example of value creation from exploration success. Within 18 months of discovering the Maria field we have, through this swap deal, become the owners of material interests in a high quality production portfolio operated by Statoil and ExxonMobil, with significant reserves, revenues and upside potential. The deal increases considerably the Company's cash flows and debt capacity and, in line with our strategy, allows us to finance our current planned high impact exploration programme, as well as our committed field investment plan. Furthermore the transaction eliminates the requirement for Faroe to fund over £250 million of appraisal and development costs on the Maria field. Meanwhile, drilling operations on the Butch and T-Rex wells, both in Norway, continue according to schedule. We look forward to providing further updates on the progress of these wells over the coming period, as we prepare to commence our very active 2012 exploration drilling programme which will include Kalvklumpen (Norway), North Uist (UK, west of Shetlands), Clapton (Norway), Cooper (Norway) and Santana (Norway).