

Sale of 17.5% of Fenja (PL586) to Suncor Energy

12 February 2018

Faroe Petroleum plc

("Faroe", the "Company")

Sale of 17.5% Interest in PL586 (Fenja) to Suncor Energy Norge AS

Faroe Petroleum plc, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway and the UK, is pleased to announce that it has executed a transaction with Suncor Energy Norge AS ('Suncor') for the sale of a 17.5% working interest in the Fenja development located in PL586 in the Norwegian Sea (the "**Transaction**"). Highlights of the Transaction are as follows:

- Faroe to sell 17.5% stake in the Fenja development to Suncor for cash consideration of \$54.5 million (including tax balances);
- Faroe to retain 7.5% stake in Fenja, underlining Faroe's support for the project, and fully aligning Faroe's equity at 7.5% across the Greater Njord Area (Njord, Fenja, Bauge and Hyme);
- Transaction is expected to reduce Faroe's future capital expenditure on Fenja to approximately £70 million (based on the operator's gross projected development cost of NOK 10.2 billion);
- Maintains Faroe's strong balance sheet and fully funded position across its portfolio of Norwegian field developments.

Faroe remains fully committed to the Fenja development and believes the entry of Suncor further demonstrates the attractiveness of the project on a stand-alone basis and Faroe's remaining interest in Fenja will now be fully aligned with its existing 7.5% working interest in the Greater Njord Area. As detailed in the Plan for Development and Operation (PDO) submitted on 19 December 2017, the operator, VNG Norge AS, expects total gross recoverable reserves from the Fenja development of approximately 97 million barrels of oil equivalent (72% of which is oil).

The Transaction has a 1 January 2018 effective date and remains subject to the usual and customary conditions including regulatory approval of the transfer and approval of the Fenja PDO by the Norwegian Ministry of Petroleum and Energy. The Transaction is anticipated to complete during H1 2018.

Graham Stewart, CEO, commented:

"I am very pleased to welcome Suncor, a significant global integrated energy company, into the Fenja joint venture. Suncor's acquisition of a 17.5% stake in Fenja from Faroe confirms our belief in the attractiveness of this project. We look forward to working together with Suncor as the Fenja project progresses to first oil.

"This transaction marks a major milestone for Faroe, which has taken Fenja through exploration and appraisal drilling to predevelopment work and validates Faroe's business model of generating tangible shareholder returns from its exploration portfolio. Having held a significant interest in PL586 from its discovery, Faroe has now generated cash returns through a partial-monetisation while still giving shareholders exposure to future cash flows from a continuing interest in this high quality project."

- Ends -

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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 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 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 and 15,000boepd. The investment programme to increase production from the Company's existing fields continues, with the planned installation of gas lift and drilling of two infill wells on Tambar (Faroe 45%) and the recommencement of infill drilling on the Brage field (Faroe 14.3%).

In November 2013 and March 2014 Faroe announced the Snilehorn 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, 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 \$250 million reserve base lending facility, with a further US\$100 million available on an uncommitted "accordion" basis. The Company has also raised a \$100 million 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.

This information is provided by RNS

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