



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 3 MONTHS ENDED 31st MARCH 2022

LOOKING FORWARD

Since commencement of production from the UK Orlando field in March 2019, production has proved to be lower and more unstable than the initially expected 10,000 barrels of oil per day. The field is not producing at the moment. Production is expected to recommence in Q3 2022 following a planned workover. Once production recommences, the production rate is expected to be 4,000 to 5,000 barrels of oil per day.

Atlantic Petroleum receives a 2% revenue share in deferred consideration from the Orlando field production up to the first 5MM barrels of Orlando production. Thereafter the deferred consideration increases to 4.35% of the sales proceeds.

The deferred consideration receivable is now valued at DKK 43.3MM. Recommencement of oil production from the Orlando field will be an important milestone in 2022 for Atlantic Petroleum, and it is a pre-requisite to achieve a solution to the Company debt, which is still the board's main priority.

There is considerable uncertainty in the oil market at the moment due to the war in Ukraine. It is difficult to form a firm view of the oil price going forward due to the geopolitical unrest at the moment, but, in any case, Atlantic Petroleum believes that production from UK fields like Orlando will be important to secure a stable and reliable oil supply in Europe.

There is uncertainty regarding the going concern status of the Group. The ability of the Group to continue as a going concern is dependent on a debt solution on the bank debt and the convertible debt. Although the outcome on a potential debt solution is uncertain, the Board believes that a solution is possible. For this reason, the accounts have been prepared on a going concern basis.

In the event that the Group is unable to continue to trade, significant downward adjustments would be required to the fair value of the Group's economic interest in the Orlando asset to present the value of these assets on a break up basis.

HIGHLIGHTS & OUTLOOK

Highlights for Q1 2022 were:

G&A cost was DKK 0.3MM

Operating profit was DKK 2.4MM

Net profit was DKK 2.8MM

Net assets/share-holders equity was DKK -93.7MM

Bank debt was DKK 59.4MM

The Board will prioritise a solution to the company debt. Pending a debt solution, the Group will be actively pursuing growth through participation in production or near production assets in low political risk countries in the Northern Hemisphere.

PERFORMANCE SUMMARY

▶ KEY METRICS	3 months to 31 st Mar 2022	3 months to 31 st Mar 2021	Full year 2021
DKK 1,000			
Income statement			
Revenue	0	0	0
Impairment on producing assets	0	0	0
Gross loss/profit	0	0	0
Exploration expenses	0	0	0
Earning before interest, tax, depreciation, amortization and exploration expense (EBITDAX)	2,384	6,166	8,955
Operating profit/loss (EBIT)	2,384	6,166	8,955
Depreciations	0	0	0
Profit/loss before taxation (EBT)	2,838	2,582	3,149
Profit/loss after taxation	2,838	2,582	3,149
Financial position			
Non-current assets	37,725	30,329	39,192
Current assets	5,728	8,089	2,268
Total assets	43,453	38,418	41,460
Current liabilities	87,805	112,102	88,033
Non-current liabilities	49,311	23,622	49,600
Total liabilities	137,116	135,725	137,633
Net assets/Equity	-93,663	-97,307	-96,173
Cash flow and cash			
Cash provided by operating activities	264	23,822	-3,603
Change in cash and cash equivalents	432	-1,688	-2,303
Cash and cash equivalents	92	7	17
Bank debt – excluding drawdown	59,438	57,954	59,438
Share related key figures			
Earnings per share Basic	0.77	0.70	0.85
Earnings per share Diluted	0.77	0.70	0.85
Share price in DKK on OMX CPH	13.25	5.92	4.51

OUR PORTFOLIO 31TH MARCH 2022

STATUS ON KEY LICENCES

SECURING REMAINING VALUE

Atlantic Petroleum has further rationalized its portfolio in 2021 and will look to further rationalise on best commercial terms for the Group. Nevertheless, the strategy for 2022 will be to pursue near or at production opportunities in low political risk countries in the Northern Hemisphere that bring low liability and strong upside.

As of March 31st 2022 the status of Group assets is:

Country	License	Field/Discovery/Prospect	Company	Equity	Comments
Ireland	SEL 2/07	Hook Head/Dunmore/Helvick	AP I	18.33%	Commerciality being reassessed

Development & Production

PRODUCING ASSETS

The Group does not hold producing assets.

DEVELOPMENT & NEAR DEVELOPMENT

The Group holds no Development or near Development assets.

Exploration & Appraisal

Atlantic Petroleum has no exploration activity planned for 2022 and does not consider exploration a fiscally acceptable risk for the Group in the near future.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 31st MARCH 2022:

- No significant events after the Balance Sheet Date

ENDORSEMENT AND SIGNATURES OF THE MANAGING DIRECTOR AND THE BOARD OF DIRECTORS

The Condensed Consolidated Interim Report for the first three months of 2022 comprises the Consolidated Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group’s assets, liabilities and financial position at 31st March 2022, and of the results of the Group’s operations and cash flow for the period 1st January – 31st March 2022.

Tórshavn 31st May 2022

Management:

Mark T. Højgaard
CEO

Board of Directors:

Ben Arabo
Chairman

Mourits Joensen
Deputy Chairman

Mark T. Højgaard
Board member

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE 3 MONTHS ENDED
31st MARCH 2022**



CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months	3 months	Full Year
		to 31 st March	to 31 st March	
		2022	2021	2021
Revenue		0	0	0
Costs of sales	6	0	0	0
Gross profit/loss		0	0	0
Exploration expenses		0	0	0
Orlando deferred consideration		2,703	6,660	10,908
Pre-licence exploration cost		0	0	0
General and administration cost		-319	-494	-1,954
Depreciation PPE and intangible assets	11	0	0	0
Other operating cost/income		0	0	0
Operating profit/loss	5	2,384	6,166	8,955
Interest income and finance gains	7	4	9,643	-1
Interest expenses and other finance costs	7	457	-13,227	-5,805
Profit/loss before taxation		2,838	2,582	-3,149
Taxation	8	0	0	0
Profit/loss after taxation		2,838	2,582	-3,149
Earnings per share (DKK):				
Basic		0.77	0.70	0.85
Diluted		0.77	0.70	0.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months	3 months	Full Year
	to 31 st March	to 31 st March	
	2022	2021	2021
Items that may be recycled in P/L:			
Profit/loss for the period	2,838	2,582	3,149
Exchange rate differences	-328	1,468	2,035
Total comprehensive Income/loss in the period	2,510	4,050	5,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	at 31 st March	at 31 st March	at 31st Dec
		2022	2021	2021
Non-current assets				
Intangible assets	10	0	0	0
Intangible exploration and evaluation assets	11	0	0	0
Tangible development and production assets	12	0	0	0
Property plant and equipment	13	0	0	0
Other receivables	14	37,725	30,329	39,192
Deferred tax asset		0	0	0
		37,725	30,329	39,192
Current assets				
Trade and other receivables	14	5,636	8,081	2,251
Cash and cash equivalents		92	7	17
		5,728	8,089	2,268
Total assets		43,453	38,418	41,460
Current liabilities				
Short term bank debt		59,438	57,954	59,438
Trade and other payables	15	24,549	50,358	24,748
Current tax payable		3,818	3,790	3,848
		87,805	112,102	88,033
Non-current liabilities				
Long term bank debt		0	0	0
Convertible loan facility		37,624	11,936	37,915
Long term provisions		11,688	11,687	11,685
Deferred tax liability		0	0	0
		49,311	23,622	49,600
Total liabilities		137,116	135,725	137,633
Net assets		-93,663	-97,307	-96,173
Equity				
Share capital	16	3,698	3,698	3,698
Translation reserves		92,200	97,871	92,528
Retained earnings		-189,561	-198,876	-192,399
Total equity shareholders' funds		-93,663	-97,307	-96,173

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Translation reserves	Retained earnings	Total
At 1st January 2021	3,698	96,403	-82,911	17,190
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	1,468	0	1,468
Result for the period	0	0	2,582	2,582
At 31st Mar. 2021	3,698	97,871	-80,329	21,240
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	-5,343	0	-5,343
Result for the period	0	0	-112,070	-112,070
At 31st Dec. 2021	3,698	92,528	-192,399	-96,173
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	-328	0	-328
Result for the period	0	0	2,838	2,838
At 31st Mar. 2022	3,698	92,200	-189,561	-93,663

CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	3 months	3 months	Full year
	to 31 st March	to 31 st March	
	2022	2021	2021
Operating activities			
Operating profit/loss	2,384	6,166	8,955
Other income	0	0	0
Impairment on exploration and evaluation assets	0	64	0
Relinquishment and disposal of licences	0	0	0
Depreciation, depletion and amortisation	0	0	0
Impairment on producing licences	0	0	0
Change in inventories	0	0	0
Change in trade and other receivables	-1,918	-7,668	-10,701
Change in trade and other payables	-199	25,980	369
Interest revenue and finance gain received	0	0	-1
Interest expenses and other finance cost	-3	-721	-2,226
Income taxes	0	0	0
Net cash flow provided by operating activities	264	23,822	-3,603
Investing activities			
Capital expenditure	457	-2,927	-3,579
Net cash used in investing activities	457	-2,927	-3,579
Financing activities			
Change in short term debt	0	736	2,220
Change in long term debt	-289	-23,318	2,660
Net cash flow provided from financing activities	-289	-22,582	4,880
Change in cash and cash equivalents	-432	-1,688	-2,303
Cash and cash equivalents at the beginning of the period	17	15	14
Currency translation differences	-357	1,681	2,305
Cash and cash equivalents at the end of the period	92	3	17

NOTES TO THE ACCOUNTS

1. Going Concern

It was advised on the 22nd of March 2019 that LOG has entered into administration (an insolvency term within the United Kingdom) and will not advance further funds under the facility agreement.

The terms of the LOG facility restrict the Company from seeking alternate funding means, however it can be reported that these restrictions were lifted by LOG's administrators. Atlantic Petroleum has subsequently secured a bridging loan of DKK 7.5MM which has not been fully drawn. The Bridging loan DKK 5.0MM was secured in 2019, increased to DKK 6.0MM in 2020 and increased again after year-end 2021.

A full solution on the debt situation has not been achieved, but it remains priority in 2022.

The Orlando field production commenced in March 2019. Initial production proved significantly lower than the expected 10,000 bopd and has been around 2,500 bopd. Due to issues with the completion equipment in the Orlando well, production has been unstable and is currently shut in. A workover is planned in third quarter 2022, there will be no production until then.

The Board is of the opinion that a resolution on debt is the first step to address the deficiency in shareholders' funds. The Board intends to assess the need for additional equity once the debt situation is clearer, or potentially do so in combination with a debt resolution.

Nevertheless, the Company, its Board and Management are confident that a solution with regards to the facility provided by LOG and a solution on the bank debt can be achieved. This, combined with the expectation of positive cash flow from Orlando in 2022, means that the Board is of the view that the Company can proceed as a going concern business with shareholder value preserved.

The financial projections for 2022 indicate that the Company, dependant on a successful workover of Orlando, does not require additional funding in 2022. However, a solution on the bank debt and the convertible debt is required.

The deferred consideration receivable on the Orlando field is currently valued at DKK 43.3MM.

Reserves are based on the information in Tailwind Energy Chinook Ltd (the operators) annual accounts 2020.

Based on this the reserves are estimated to 6.1 MMBbl.

Further details on the deferred consideration receivable from the sale of Orlando is included in note 19 to the consolidated accounts.

There is material uncertainty regarding the going concern status of the Group. The ability of the Group to continue as a going concern is dependent on getting a solution on the debt, and the success of the workover.

Dialogue with LOG and Betri Banki is ongoing and although the outcome is uncertain, the Directors believe that the matter can be resolved so that the Group will be able to meet its obligations. For this reason, the accounts have been prepared on a going concern basis.

In the event that a debt solution is not forthcoming, and the Group is unable to continue to trade, significant downward adjustments would be required to the fair value of the Group's economic interest in the Orlando asset to present the value of the asset on a break up basis.

2. GENERAL INFORMATION

P/F Atlantic Petroleum is a limited company incorporated and domiciled in the Faroe Islands and listed on NASDAQ OMX Copenhagen.

The principal activities of the Company and its subsidiaries (the Group) are oil and gas exploration, appraisal, development and production historically in the UK, Ireland, Norway, Netherlands and the Faroe Islands.

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31st December 2021 are available upon request from the Company's registered office at Lucas Debesargøta 8, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at www.petroleum.fo.

This Condensed Consolidated Interim Report is presented in DKK.

3. STATEMENT OF COMPLIANCE

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31st December 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31st December 2021.

5. Geographical segmental analysis

DKK 1,000	3 months to 31 st March 2022	3 months to 31 st March 2021	Full year 2021
Revenues by origin:			
United Kingdom	0	0	0
	0	0	0
Operating loss/profit by origin:			
Faroe Islands	-141	-308	-1,469
United Kingdom	2,525	6,475	10,702
Norway	0	0	0
Other	0	0	-279
	2,384	6,166	8,955

6. Cost of sales

DKK 1,000	3 months to 31 st March 2022	3 months to 31 st March 2021	Full year 2021
Operating costs	0	0	0
Produced oil in inventory at market value	0	0	0
Amortisation and depreciation, PPE:			
Oil and gas properties	0	0	0
Impairment	0	0	0
	0	0	0

7. Interest income & expense and finance gain & cost

DKK 1,000	3 months to 31 st March 2022	3 months to 31 st March 2021	Full year 2021
Interest income and finance gain:			
Short term deposits	0	0	-1
Time Value	0	0	0
Unwinding of discount on decommissioning provision	0	0	0
Exchange differences	457	-13,227	0
	457	-13,227	-1
Interest expense and other finance cost:			
Bank loan and overdrafts	2	721	2,225
Creditors	0	0	0
Time Value	0	0	0
Unwinding of discount on decommissioning provision	0	0	0
Others	2	0	0
Exchange differences	0	-10,363	3,579
	4	-9,643	5,805

8. Taxation

DKK 1,000	3 months to 31 st March 2022	3 months to 31 st March 2021	Full year 2021
Current tax :			
Tax repayable/(payable) in UK	0	0	0
Tax repayable/(payable) in NO	0	0	0
Tax repayable/(payable)	0	0	0
Total current tax	0	0	0
Deferred tax:			
Deferred tax cost in UK	0	0	0
Deferred tax	0	0	0
Total deferred tax	0	0	0
Tax credit/tax on loss/profit on ordinary activities	0	0	0

9. Dividends

No interim dividend is proposed. (31st March 2021: DKK nil)

10. Intangible assets

DKK 1,000	at 31 st March 2022	at 31 st March 2021	At 31st Dec 2021
Costs			
At 1 st January	0	12,260	12,260
Exchange movements	0	0	0
Additions/Adjustments	0	-12,260	-12,260
At end of period	0	0	0
Amortisation and depreciation			
At 1 st January	0	12,260	12,260
Exchange movements	0	0	0
Charge this period	0	-12,260	-12,260
At end of period	0	0	0
Net book value at end of period	0	0	0

11. Oil and gas – Intangible exploration and evaluation assets

DKK 1,000	at 31 st March 2022	at 31 st March 2021	At 31st Dec 2021
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
Additions	0	64	0
Disposal/relinquishment of licences	0	0	0
Explorations expenditures written off/sold	0	-64	0
At end of period	0	0	0

12. Oil and gas – Tangible development and production assets

DKK 1,000	at 31 st March 2022	at 31 st March 2021	At 31st Dec 2021
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
Disposal/Additions	0	0	0
At end of period	0	0	0
Amortisation and depreciation			
At 1 st January	0	0	0
Exchange movements	0	0	0
Depreciation, charge	0	0	0
Impairment, charge	0	0	0
At end of period	0	0	0
Net book value at end of period	0	0	0

13. Property, plant and equipment assets

DKK 1,000	at 31 st March 2022	at 31 st March 2021	At 31st Dec 2021
Costs			
At 1 st January	0	2,647	2,647
Exchange movements	0	0	0
Additions	0	-2,647	-2,647
At end of period	0	0	0
Amortisation and depreciation			
At 1 st January	0	2,513	2,513
Exchange movements	0	0	0
Charge this period	0	-2,513	-2,513
At end of period	0	0	0
Net book value at end of period	0	0	0

14. Trade and other receivables

All trade and other receivables are due within one year except for the Orlando deferred consideration DKK 37.7MM.

The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

Under the Sale and Purchase Agreement regarding Orlando, APNS is due to receive deferred considerations equalling 2% of the sale proceeds from the first 5,000,000 barrels of Orlando petroleum and an amount equalling 4.35% of the Orlando petroleum in excess of the first 5,000,000 barrels.

The deferred consideration receivable on the Orlando field is currently valued at DKK 43.3MM.

Reserves are based on the information in the operators' latest annual accounts.

Based on this the reserves are estimated to 6.1 MMBbl.

Production rates are based on a 21% decline profile with initial production at 10,000 bopd, however as a result of issues with the upper completion, peak rates have been restricted to around 5,000 bopd. The Well is currently shut-in, A workover of the existing well is being planned in 3Q 2022 to replace one of the failed ESP's and increase production to an estimated 4-5,000 bopd.

The valuation is therefore based on a production of 4,000 bopd until the total production equals the total production by the original profile when declined to 4,000 bopd.

Oil price is based on Brent crude futures.

Exchange rates are based on exchange rates at 31st March 2022.

15. Trade and other payables

All trade and other payables are due within one year except for the bridge loan (DKK 6.35MM) and the remaining debt on Etrick & Blackbird (GBP 0.95MM).

16. Earnings per share

DKK 1,000	3 months	3 months	Full year
	to 31 st March	to 31 st March	
	2022	2021	2021
Basic			
Profit/loss after tax	2,838	2,582	3,149
Weighted average number of shares	3,697,863	3,697,863	3,697,863
Earnings per share	0.77	0.70	0.85
Diluted			
Profit/loss after tax	2,838	2,582	3,149
Weighted average number of shares	3,697,863	3,697,863	3,697,863
Earnings per share	0.77	0.70	0.85

The calculation of basic earnings per share is based on the profit or loss after tax and on the weighted average number of ordinary shares in issue during the period.

17. CAPITAL COMMITMENTS AND GUARANTEES AT 31st March 2022

P/F Atlantic Petroleum has provided a parent guarantee to the UK Department for Energy and Climate Change in connection with Atlantic Petroleum UK Limited assets in the UKCS:

- I. the parent will always provide necessary finance to enable Atlantic Petroleum UK Limited to fulfil its obligations in the UK area
- II. the parent will not alter Atlantic Petroleum UK Limited legal rights, so that the Company cannot fulfil its obligations
- III. the parent will undertake Atlantic Petroleum UK Limited financial obligations if the Company fails to do so

P/F Atlantic Petroleum has a senior secured loan agreement with P/F Betri Banki. The Company has offered the following security to lender in connection with the loan agreement:

- I. shares in Atlantic Petroleum UK Limited and Atlantic Petroleum North Sea Limited
- II. receivables from Atlantic Petroleum UK Limited
- III. charge over proceeds from insurance coverage

The Company has provided lender with a negative pledge and investment in new ventures shall be endorsed by the lender.

Atlantic Petroleum UK Limited had a loan facility at 31st March 2022 with the following bank: P/F Betri of DKK 54.7 MM. P/F Atlantic Petroleum has provided a parent guarantee for this loan facility.

The Company has provided lender with a negative pledge and investment in new ventures shall be endorsed by the lender.

18. RELATED PARTY TRANSACTIONS

Intra-group related party transactions, which are eliminated on consolidation, are not required to be disclosed in accordance with IAS 24.

Atlantic Petroleum has a key management personnel service agreement with Grannskoðarastovan Sp/f for at monthly fee of DKK 30.000. Outstanding balance at 31st March 2022 is DKK 1.09MM

CONTACTS

P/F Atlantic Petroleum

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SUBSIDIARIES

- **Atlantic Petroleum UK Ltd**
- **Atlantic Petroleum North Sea Ltd**
- **Atlantic Petroleum (Ireland) Ltd**

For subsidiary's contact details please see company website