

1 February 2012

The Board of Directors  
Atlantic Petroleum  
Gongin 9  
FO-110 Tórshavn  
Faroe Islands

Dear Sirs

### **Evaluation of the Petroleum Assets of Atlantic Petroleum & its Subsidiary Companies**

In response to your request, Fugro Robertson Limited (FRL) have reviewed and valued the petroleum interests of Atlantic Petroleum P/F (AP) and its subsidiary companies offshore the United Kingdom Continental Shelf (UKCS), offshore southern Eire (Celtic Sea) and The Faroe Islands Offshore Area. The evaluation is at 1 January 2012 and is based on technical data and information available and provided by AP up to 12 January 2012. This report documents the review and valuation of AP and comprises a Competent Persons Report (CPR) for Danish and Icelandic stock market purposes.

#### **1. Professional Qualifications**

FRL is a geological and petroleum reservoir consultancy that provides a specialist service in the assessment and valuation of upstream petroleum assets. In preparing this report FRL have also used the services of a number of independent petroleum consultants. In line with Chapter 19 Section 12 (b) of the Listing Rules of the London Stock Exchange, the key personnel in each technical and commercial discipline who have supervised the evaluation and writing of this report each have in excess of five years professional experience in the estimation, assessment and evaluation of hydrocarbon reserves.

FRL have reviewed and valued the assets of AP on a number of occasions. The last valuation was dated January 2011 and also took the form of a CPR.

Except for the provision of professional services on a fee basis, FRL have no commercial arrangement or interest with the company or the assets that are the subject of this report or any other person or company involved in the interests.

#### **2. Introduction and Licence Descriptions**

##### **2.1 History**

AP was formed in February 1998 as an independent Faroese upstream oil and gas company. Since that time it has been awarded exploration licences in the Faroe Islands and the UK. Additionally the company has completed several UK asset acquisitions and farmed into UK and Eire exploration and appraisal acreage. AP is listed on the Nasdaq OMX on Iceland and in Copenhagen.

The Chestnut field came on stream on 20 September 2008. The Etrick field came on stream on 15 August 2009. The nearby 20/2a-8 Blackbird prospect was drilled and declared an oil discovery in mid August 2008. The Blackbird discovery was successfully tied back to the Etrick production facilities and came on stream 13 November 2011.

## **2.2 AP Activity in 2011**

The development of the Blackbird field proceeded as planned in 2011 with first oil being achieved in November. A replacement water injector well was drilled on the Chestnut field and brought online in December. The acquisition of Volantis Exploration was announced in May with completion in June. This augments considerably the acreage position of AP, especially in the Southern North Sea gas basin and includes a number of discoveries. A farm-in to the Orchid prospect in Block 29/1c was concluded in April and an exploration well is scheduled for the first quarter of 2012.

The Chestnut field produced at an average rate of 3,810 BOPD in 2011. The Etrick field produced at an average rate of 15,130 BOPD in 2011. The Blackbird field produced at an annual average rate of 1,110 BOPD in 2011.

### 2.3 AP Current Licence Interests

The current licence interests held by AP in the UK, Eire and the Faroes are summarised below.

Country	Licence	Blocks	AP Interest (%)
Faroe Islands	L014	6104/14	40%
Faroe Islands	L006	6104/16a, 6104/21, 6105/25	1%
Faroe Islands	L016	6201/1, 2, 6, 6202/4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 21, 22, 6203/13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25	10%
UK	P218 & P588	15/21a, b, c & f	13.35%/10.79904% (Note 1)
UK	P273, P317 & P1580	20/2a, 20/3a & 20/3f	8.27%/9.4% (Note 2)
UK	P354	22/2a	15%
UK	P1047	20/3c	17.5%
UK	P1556	29/1c	10%
UK	P1655	15/21g & 15/21a Gamma sub area	3.24% (Note 3)
UK	P1673	44/28a	5%
UK	P1716	49/29e, 49/30b	35%
UK	P1724	43/13b	10%
UK	P1727	43/17b, 43/18b	10%
UK	P1729	43/23	10%
UK	P1730	44/7, 44/8, 44/9	100%
UK	P1734	48/8c	10%
UK	P1747	49/2c	10%
UK	P1748	49/4d, 49/9d	10%
UK	P1767	14/9, 14/14a, 14/15	30%
UK	P1791	21/30e	20%
UK	P1827	36/20, 36/25, 37/16, 37/21	10%
UK	P1828	36/23, 24, 26, 27, 28, 29	10%
UK	P1857	49/30f	50%
UK	P1858	42/24a, 42/25c	100%
UK	P1860	47/9d, 47/10d	100%
UK	P1883	37/5, 37/10a, 38/1, 38/6a	100%
Ireland	SEL 2/07	49/9, 13, 14, 18, 19, & 50/6, 7, 11	18.333% / 13.75%

1. AP has 13.35% in the Perth field and 10.79904% in other parts of the licence.
2. AP has a 8.27% interest in the Ettrick field and in the licences, but a 9.39773% interest in the Blackbird field.
3. The formal cross assignment of the licence around the Gamma/Spaniards discovery has not yet occurred.

### **3. Data and Evaluation Basis**

#### **3.1 History**

FRL have evaluated the assets of AP on a number of occasions from 2003 onwards. These evaluations have been used for stock rights issues and flotations on the Icelandic and Danish stock exchanges. The last evaluation was effective at 1 January 2011 and was presented as a CPR and also a Reserves Report within the AP Annual Report and Accounts.

#### **3.2 Data**

In undertaking this evaluation FRL have relied solely upon data supplied by AP. In particular FRL have relied upon AP for the accuracy and completeness of the data set provided. This data included recent partner meeting presentations, meeting minutes, related notes and commercial documentation, budgets and field development plans. In some instances the data also comprised raw or interpreted geological and engineering data.

In estimating petroleum in place and recoverable, FRL have used the standard techniques of petroleum engineering. There is uncertainty inherent in both the measurement and interpretation of basic geological and petroleum data. FRL have estimated the degree of this uncertainty to calculate the potential range of petroleum initially in place and recoverable. There is no guarantee that the ultimate volumes of petroleum recovered from the respective fields and prospects will fall within the ranges quoted in this report. FRL have used the guidelines of Chapter 19 of the Listing Rules of the London Stock Exchange as a guide for the reporting standard but has also included the estimated value of exploration prospects.

FRL have independently assessed the proposed development schemes and validated estimates of capital, operating and decommissioning costs, modifying these where it is judged appropriate. For discoveries and prospects where possible development schemes have not been presented FRL have assessed the location and field characteristics in order to define potential production methods based upon conventional technology.

FRL have carried out economic modelling of all of the assets where sufficient data exists, based on our forecasts of costs and production. The capital and operating costs have been combined with production forecasts based on the resources or reserves and the other economic assumptions outlined in this report in order to develop an economic assessment for these petroleum interests. Our valuations do not take into account any outstanding debt, nor future indirect corporate costs such as general and administrative costs.

FRL have valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets FRL have used extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters, notably the future price of crude oil, are uncertain and a range of values has been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

When evaluating the prospective and contingent resources comprising the exploration and appraisal prospects, FRL have estimated the geological and development chance of success and the expected monetary value outcome of each prospect. Those with a positive outcome are deemed to be viable to drill and their estimated risked reserve and values have been included in the valuation. There is no guarantee that any of the exploration prospects will contain hydrocarbons. There is also no guarantee that if the exploration prospects do hold hydrocarbons that they will be commercially viable or will have any value.

The resource and reserve definitions and nomenclature used in this evaluation and report are detailed in Appendices A and B respectively.

#### 4. Summary of Resources and Reserves

The UKCS Chestnut field came on production in September 2008. The Chestnut South discovery was announced in November 2008 and tied back to the Chestnut field in early 2009. The Ettrick development came on production in August 2009. The Blackbird field is now on production and has been added to the reserves portfolio. FRL consider these assets to contain petroleum reserves and estimate the remaining economically recoverable volumes attributable to AP by asset and in aggregate to be as follows:

<b>Petroleum Reserves Remaining at 1 January 2012 (MMBOE)</b>			
<b>Field</b>	<b>P90</b>	<b>P50</b>	<b>P10</b>
Chestnut	0.2	0.5	1.0
Ettrick	0.6	1.1	2.3
Blackbird	0.3	1.0	2.6
<b>Aggregated Total</b>	<b>1.1</b>	<b>2.6</b>	<b>5.9</b>

Note: In all tables the numbers have been rounded

The UKCS Perth, Marten, Bright, Dolphin, and Gamma Central wells in addition to wells in the Perth area, the Southern North Sea gas basin and the Celtic Sea Hook Head, Helvick and Nemo (Ardmore) discoveries have all established the existence of petroleum. However, commerciality of the assets may not have been established, development plans have not been sanctioned, and consequently FRL consider these assets to contain contingent resources.

FRL estimate the volumes attributable to AP by asset and in aggregate to be as presented in the following table. Where a figure is not stated this is generally due to insufficient data to fully evaluate the asset.

Contingent Resources at 1 January 2012 (MMBOE)			
Discovery	P90	P50	P10
Nemo (previously known as Ardmore)	0.1	0.4	0.8
Bright	0.2	0.5	1.7
Dolphin	---	0.9	---
Gamma Central (Spaniards)	0.1	0.5	2.2
Helvick	---	0.3	---
Hook Head	---	---	---
Marten	0.4	1.1	1.8
North East Perth Terrace	---	0.4	---
Perth	2.0	2.9	4.6
Fulham & Arrol	---	0.8	---
Pegasus North	---	0.3	---
<b>Aggregated Total</b>	---	<b>8.1</b>	---

Of the exploration and appraisal prospects that FRL have evaluated, thirteen are deemed to be economically viable to drill. FRL estimate the prospective resources of the exploration and appraisal prospects attributable to AP by asset and in aggregate to be as presented in the following table.

Prospective Resources at 1 January 2012 (MMBOE)			
Prospect	P50 Un-Risked	P50 Risked	Economically Viable to Drill?
Brugdan Deep (Faroes Licence L006)	9.2	1.2	Yes
East Perth (UKCS 15/21a)	0.5	0.3	Yes
North West Perth Terrace (UKCS 15/21a)	1.2	0.6	Yes
Kúlubøkan (Faroes Licence L016)	160.0	11.5	Yes
Anglesey (UKCS 14/9 & 14/14a)	5.7	1.1	Yes
Cracker (UKCS 21/30e)	10.2	2.1	Yes
Wafer (UKCS 21/30e)	3.4	0.4	Yes
Orchid (UKCS 21/30e)	3.3	0.5	Yes
Pegasus West (UKCS 43/13b)	1.6	0.3	Yes
Pegasus Flanks (UKCS 43/13b)	1.7	0.3	Yes
Dory (UKCS 43/13b)	0.9	0.3	Yes
Endymion (UKCS 48/8c)	3.4	0.7	Yes
Trent West (UKCS 43/23)	1.9	0.6	Yes
<b>Aggregated Total of Viable Prospects</b>	<b>202.9</b>	<b>20.0</b>	

Note: In all tables the numbers have been rounded