



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 3 MONTHS ENDED 31st MARCH 2023

LOOKING FORWARD

Following a successful workover performed by the operator production on the UK Orlando field recommenced in Q3 2022.

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 45.3MM.

Recommencement of oil production from the Orlando field was an important milestone for Atlantic Petroleum. The expectation is that the field will produce at stable rates in 2023. A steady source of revenue is a pre-requisite to achieve a solution to the Company debt, which is still the Board's main priority.

The activity level in Atlantic Petroleum has been kept to a minimum in the period without cashflow to limit costs as much as possible. The G&A cost for 1Q in 2023 was DKK 0.9MM.

The Company expects to be cash generating in 2023 if operations on the Orlando field proceed as planned. The total debt is expected to decrease in 2023.

There is still 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 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 2023 were:

G&A cost was DKK 0.9MM

Operating loss was DKK 5.4MM

Net loss was DKK 6.1MM

Net assets/share-holders equity was DKK -104.0MM

Bank debt was DKK 59.4MM

The Board will prioritize 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 2023	3 months to 31 st Mar 2022	Full year 2022
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)	-5,359	2,384	15,404
Operating profit/loss (EBIT)	-5,359	2,384	15,404
Depreciations	0	0	0
Profit/loss before taxation (EBT)	-6,111	2,838	348
Profit/loss after taxation	-6,111	2,838	348
Financial position			
Non-current assets	30,519	37,725	36,498
Current assets	15,001	5,728	16,680
Total assets	45,520	43,453	53,178
Current liabilities	98,298	87,805	127,893
Non-current liabilities	51,215	49,311	23,621
Total liabilities	149,514	137,116	151,514
Net assets/Equity	-103,994	-93,663	-98,336
Cash flow and cash			
Cash provided by operating activities	-27,235	264	-148
Change in cash and cash equivalents	-388	432	2,766
Cash and cash equivalents	168	92	65
Bank debt – excluding drawdown	59,438	59,438	59,438
Share related key figures			
Earnings per share Basic	-1.65	0.77	0.09
Earnings per share Diluted	-1.65	0.77	0.09
Share price in DKK on OMX CPH	5.60	13.25	6.96

PORTFOLIO 31TH MARCH 2023

STATUS ON KEY LICENCES

PURSUING POTENTIAL VALUE

Atlantic Petroleum has further rationalized its portfolio in 2023 and will look to further rationalize on best commercial terms for the Group. Nevertheless, the strategy for 2023 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 31st March 2023 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 2023 and does not consider exploration a fiscally acceptable risk for the Group in the imminent future.

SIGNIFICANT EVENTS

AFTER THE BALANCE SHEET DATE

THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 31st MARCH 2023:

- No significant events after the Balance Sheet Date

ENDORSEMENT AND SIGNATURES OF THE MANAGING DIRECTOR AND BOARD OF DIRECTORS

The Condensed Consolidated Interim Report for the first three months of 2023 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 2023, and of the results of the Group’s operations and cash flow for the period 1st January – 31st March 2023.

Tórshavn 31st May 2023

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 2023**



CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months	3 months	Full Year
		to 31 st March	to 31 st March	
		2023	2022	2022
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		-4,432	2,703	17,051
Pre-licence exploration cost		0	0	0
General and administration cost		-928	-319	-1,647
Depreciation PPE and intangible assets	11	0	0	0
Other operating cost/income		0	0	0
Operating profit/loss	5	-5,359	2,384	15,404
Interest income and finance gains	7	0	4	0
Interest expenses and other finance costs	7	-752	457	-15,055
Profit/loss before taxation		-6,111	2,838	348
Taxation	8	0	0	0
Profit/loss after taxation		-6,111	2,838	348
Earnings per share (DKK):				
Basic		-1.65	0.77	0.09
Diluted		-1.65	0.77	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months	3 months	Full Year
	to 31 st March	to 31 st March	
	2023	2022	2022
Items that may be recycled in P/L:			
Profit/loss for the period	-6,111	2,838	348
Exchange rate differences	453	-328	-2,512
Total comprehensive Income/loss in the period	-5,658	2,510	-2,163

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	at 31 st March	at 31 st March	at 31 st Dec
		2023	2022	2022
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	30,519	37,725	36,498
Deferred tax asset		0	0	0
		30,519	37,725	36,498
Current assets				
Trade and other receivables	14	14,832	5,636	16,615
Cash and cash equivalents		168	92	65
		15,001	5,728	16,680
Total assets		45,520	43,453	53,178
Current liabilities				
Short term bank debt		59,438	59,438	59,438
Trade and other payables	15	35,181	24,549	64,814
Current tax payable		3,679	3,818	3,641
		98,298	87,805	127,893
Non-current liabilities				
Long term bank debt		0	0	0
Convertible loan facility		39,528	37,624	11,936
Long term provisions		11,688	11,688	11,685
Deferred tax liability		0	0	0
		51,215	49,311	23,621
Total liabilities		149,514	137,116	151,514
Net assets		-103,994	-93,663	-98,336
Equity				
Share capital	16	3,698	3,698	3,698
Translation reserves		90,470	92,200	90,016
Retained earnings		-198,162	-189,561	-192,050
Total equity shareholders' funds		-103,994	-93,663	-98,336

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Translation reserves	Retained earnings	Total
At 1st January 2022	3,698	92,528	-192,399	-96,173
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
Translation reserves	0	-2,184	0	-2,184
Result for the period	0	0	-2,489	-2,489
At 31st Dec. 2022	3,698	90,016	-192,050	-98,336
Translation reserves	0	454	0	454
Result for the period	0	0	-6,112	-6,112
At 31st Mar. 2023	3,698	90,470	-198,162	-103,994

CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	3 months	3 months	Full year
	to 31 st March	to 31 st March	
	2023	2022	2022
Operating activities			
Operating profit/loss	5,359	2,384	15,404
Other income	0	0	0
Impairment on exploration and evaluation assets	0	0	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	7,762	-1,918	-11,670
Change in trade and other payables	-29,633	-199	14,088
Interest revenue and finance gain received	0	0	0
Interest expenses and other finance cost	-5	-3	-17,970
Income taxes	0	0	0
Net cash flow provided by operating activities	-27,235	264	-148
Investing activities			
Capital expenditure	-747	457	2,914
Net cash used in investing activities	-747	457	2,914
Financing activities			
Change in short term debt	0	0	0
Change in long term debt	27,594	-289	0
Net cash flow provided from financing activities	27,594	-289	0
Change in cash and cash equivalents	-388	-432	2,766
Cash and cash equivalents at the beginning of the period	65	15	17
Currency translation differences	491	-357	-2,718
Cash and cash equivalents at the end of the period	168	3	65

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 2023.

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 a workover was planned for 3Q in 2022. The workover performed by the operator on the UK Orlando field was successful and production recommenced in Q3 2022.

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 2023, 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 2023 indicate that the Company, following the successful workover of Orlando, does not require additional funding in 2023. 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 45.4MM. Reserves are based on the information in Tailwind Energy Chinook Ltd (the operators) annual accounts 2020.

Based on this the reserves are estimated to 6.1MMBbl.

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 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.

Provided 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, and the Faroe Islands.

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31st December 2022 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 2022.

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 2022.

5. Geographical segmental analysis

DKK 1,000	3 months to 31 st March 2023	3 months to 31 st March 2022	Full year 2022
Revenues by origin:			
United Kingdom	0	0	0
	0	0	0
Operating loss/profit by origin:			
Faroe Islands	-481	-141	-1,445
United Kingdom	-4,610	2,525	16,863
Norway	0	0	0
Other	-268	0	-13
	-5,359	2,384	15,404

6. Cost of sales

DKK 1,000	3 months to 31 st March 2023	3 months to 31 st March 2022	Full year 2022
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 2023	3 months to 31 st March 2022	Full year 2022
Interest income and finance gain:			
Short term deposits	0	0	0
Time Value	0	0	0
Unwinding of discount on decommissioning provision	0	0	0
Exchange differences	0	457	0
	0	457	0
Interest expense and other finance cost:			
Bank loan and overdrafts	0	2	11
Creditors	0	0	17,955
Time Value	0	0	0
Unwinding of discount on decommissioning provision	0	0	0
Others	5	2	0
Exchange differences	747	0	-2,914
	752	4	15,055

8. Taxation

DKK 1,000	3 months to 31 st March 2023	3 months to 31 st March 2022	Full year 2022
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 2022: DKK nil)

10. Intangible assets

DKK 1,000	at 31 st March 2023	at 31 st March 2022	At 31st Dec 2022
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
Additions/Adjustments	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
Charge this period	0	0	0
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 2023	at 31 st March 2022	At 31st Dec 2022
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
Additions	0	0	0
Disposal/relinquishment of licences	0	0	0
Explorations expenditures written off/sold	0	0	0
At end of period	0	0	0

12. Oil and gas – Tangible development and production assets

DKK 1,000	at 31 st March 2023	at 31 st March 2022	At 31st Dec 2022
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 2023	at 31 st March 2022	At 31st Dec 2022
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
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
Charge this period	0	0	0
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 45.3MM of which 14.7MM is expected to be due within one year.

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 45.3MM.

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. A workover has been carried out in the third quarter of 2022. Production has recommenced in Q3 2022. Production rates were expected to be 4,000 – 5,000 bopd for the remainder of the year.

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 2023.

15. Trade and other payables

All trade and other payables are due within one year except for the bridge loan (DKK 9.0MM) and the remaining debt on Etrick & Blackbird (GBP 0.6MM).

16. Earnings per share

DKK 1,000	3 months	3 months	Full year
	to 31 st March	to 31 st March	
	2023	2022	2022
Basic			
Profit/loss after tax	-6,111	2,838	348
Weighted average number of shares	3,697,863	3,697,863	3,697,863
Earnings per share	-1.65	0.77	0.09
Diluted			
Profit/loss after tax	-6,111	2,838	348
Weighted average number of shares	3,697,863	3,697,863	3,697,863
Earnings per share	-1.65	0.77	0.09

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 2023

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 2023 with the following bank: P/F Betri of DKK 56,8MM. 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 2023 is DKK 1.39MM

CONTACTS

P/F Atlantic Petroleum

Lucas Debesargøta 8
P.O.Box 1228
FO-110 Tórshavn
Faroe Islands
Telephone +298 59 16 01
E-mail: petroleum@petroleum.fo
www.petroleum.fo

VAT/Tax No. Faroes 475.653
Reg. No. Faroes 2695

SUBSIDIARIES

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

For subsidiary's contact details please see company website