



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 3 MONTHS ENDED 31st MARCH 2021

LOOKING FORWARD

The Orlando field production commenced in March 2019. Initial production proved significantly lower than the expected 10,000 bopd and has been around 3,000 bopd. Therefore the expected cashflow in 2019 did not commence in 2019 or 2020. However, Atlantic Petroleum started to receive a 2% revenue share in deferred consideration in January 2021 and the company is therefore cash generating in 2021.

Under the Sale and Purchase Agreement regarding Orlando, the Group is due to receive deferred considerations of 2% of the sale proceeds after the first USD 50MM in gross field revenue up to the first 5MM barrels of Orlando production. Thereafter the deferred consideration increases to 4.35% of the sales proceeds.

According to the Orlando operator, Decipher, the Orlando reservoir is capable of producing over 10,000 bopd. However, as a result of issues with the upper completion, peak rates have been restricted to around 5,000 bopd.

The deferred consideration receivable is now valued at DKK 38.3MM. Further details on the deferred consideration receivable from the sale of the Orlando Field is included in note 14 to the consolidated accounts.

The Board will prioritise a solution to the company debt. Atlantic Petroleum is in a dialogue with the main creditors. The aim is to restructure the company debt in 2021. This will depend on general market conditions and the performance of the Orlando Field but the board is expecting progress in 2021.

The Group has prepared financial projections for 2021 to quantify available cash to meet the Group's general and administrative costs, interest costs and working capital commitments. The Group expects to be cash positive in 2021.

HIGHLIGHTS & OUTLOOK

Highlights for Q1 2021 were:

G&A cost was DKK 0.5MM

Operating profit was DKK 6.2MM

Net profit was DKK 2.6MM

Net assets/share-holders equity was DKK -97.3MM

Bank debt was DKK 58.0MM

We have reduced our General and administration costs to a minimum level, and we have no exposure to production costs on our assets.

Depending on production from the UK Orlando field and the development in oil prices, Atlantic Petroleum is expecting to be cash generating in 2021.

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 2021	3 months to 31 st Mar 2020	Full year 2020
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	-64	250
Earning before interest, tax, depreciation, amortization and exploration expense (EBITDAX)	6.166	-9.136	-112.770
Operating profit/loss (EBIT)	6.166	-9.200	-112.521
Depreciations	0	0	0
Profit/loss before taxation (EBT)	2.582	-7.037	-112.637
Profit/loss after taxation	2.582	-7.037	-112.637
Financial position			
Non-current assets	30.329	110.422	24.347
Current assets	8.089	23.859	6.409
Total assets	38.418	134.281	30.757
Current liabilities	112.102	81.397	85.173
Non-current liabilities	23.622	47.957	46.940
Total liabilities	135.725	129.354	132.114
Net assets/Equity	-97.307	4.927	-101.357
Cash flow and cash			
Cash provided by operating activities	23.822	1.932	1.363
Change in cash and cash equivalents	-1.688	5.363	6.139
Cash and cash equivalents	7	3	14
Bank debt – excluding drawdown	57.954	55.019	57.218
Share related key figures			
Earnings per share Basic	0,70	-1,90	-30,46
Earnings per share Diluted	0,70	-1,90	-30,46
Share price in DKK on OMX CPH and Oslo Stock Exchange*	5,92/ -	4,70/6,10	4,63/6,52
*Atlantic Petroleum was delisted from Oslo Stock Exchange 11. January 2021			

OUR PORTFOLIO 31TH MARCH 2021

STATUS ON KEY LICENCES

SECURING REMAINING VALUE

Atlantic Petroleum has further rationalized its portfolio in 2020 and will look to further rationalise on best commercial terms for the Group. Nevertheless, the strategy for 2021 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 2021 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 2021 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 2021:

- 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 2021 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 2021, and of the results of the Group’s operations and cash flow for the period 1st January – 31st March 2021.

Tórshavn 31st May 2021

Management:

Mark T. Højgaard
CEO

Board of Directors:

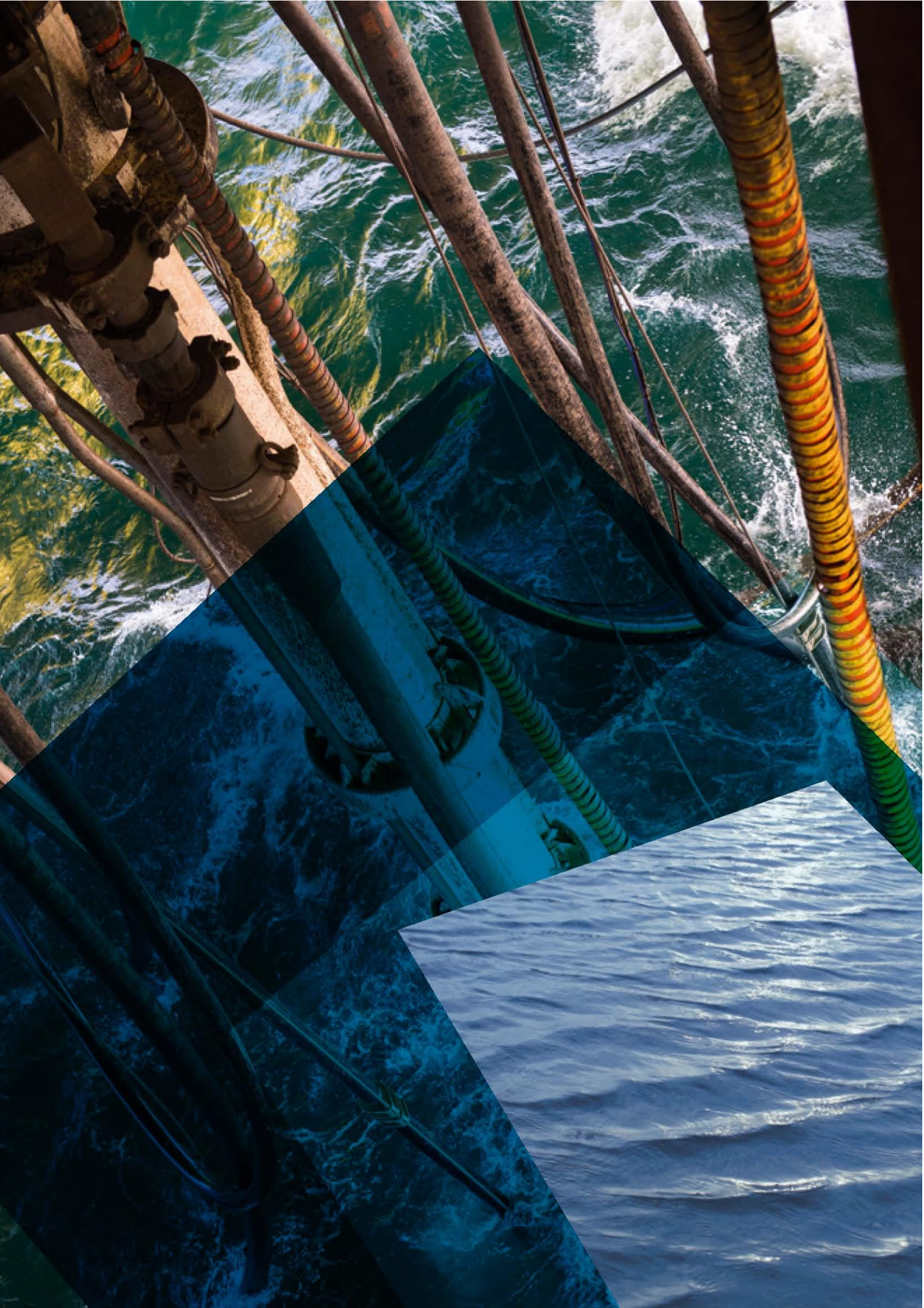
Ben Arabo
Chairman

Mourits Joensen
Deputy Chairman

Mark T. Højgaard
Board member

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE 3 MONTHS ENDED
31st MARCH 2021**



CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months	3 months	Full Year
		to 31 st March	to 31 st March	
		2021	2020	2020
Revenue		0	0	0
Costs of sales	6	0	0	0
Gross profit/loss		0	0	0
Exploration expenses		0	-64	250
Orlando deferred consideration		6.660	-8.503	-110.281
Pre-licence exploration cost		0	-0	0
General and administration cost		-494	-633	-2.490
Depreciation PPE and intangible assets	11	0	0	0
Other operating cost/income		0	0	0
Operating profit/loss	5	6.166	-9.200	-112.521
Interest income and finance gains	7	9.643	5.342	850
Interest expenses and other finance costs	7	-13.227	-3.180	-966
Profit/loss before taxation		2.582	-7.037	-112.637
Taxation	8	0	0	0
Profit/loss after taxation		2.582	-7.037	-112.637
Earnings per share (DKK):				
Basic		0,70	-1,90	-30,46
Diluted		0,70	-1,90	-30,46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months	3 months	Full Year
	to 31 st March	to 31 st March	
	2021	2020	2020
Items that may be recycled in P/L:			
Profit/loss for the period	2.582	-7.037	-112.637
Exchange rate differences	1.468	-5.226	-5.910
Total comprehensive Income/loss in the period	4.050	-12.263	-118.547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	at 31 st March	at 31 st March	at 31st Dec
		2021	2020	2020
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	30.329	110.422	24.347
Deferred tax asset		0	0	0
		30.329	110.422	24.347
Current assets				
Trade and other receivables	14	8.081	23.856	6.395
Cash and cash equivalents		7	3	14
		8.089	23.859	6.409
Total assets		38.418	134.281	30.757
Current liabilities				
Short term bank debt		57.954	55.019	57.218
Trade and other payables	15	50.358	22.720	24.378
Current tax payable		3.790	3.658	3.577
		112.102	81.397	85.173
Non-current liabilities				
Long term bank debt		0	0	0
Convertible loan facility		11.936	36.048	35.251
Long term provisions		11.687	11.909	11.690
Deferred tax liability		0	0	0
		23.622	47.957	46.940
Total liabilities		135.725	129.354	132.114
Net assets		-97.307	4.927	-101.357
Equity				
Share capital	16	3.698	3.698	3.698
Translation reserves		97.871	91.177	90.493
Retained earnings		-198.876	-89.948	-195.548
Total equity shareholders' funds		-97.307	4.927	-101.357

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Translation reserves	Retained earnings	Total
At 1st January 2020	3.698	96.456	-82.911	17.190
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	-5.226	0	-5.226
Result for the period	0	0	-7.037	-7.037
At 31st Mar. 2020	3.698	91.177	-89.948	4.927
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	-684	0	-684
Result for the period	0	0	-105.700	-105.700
At 31st Dec. 2020	3.698	90.493	-195.548	-101.357
LTIP awarded in the period, net	0	0	0	0
Translation reserves	0	1.467	0	1.467
Result for the period	0	0	2.582	2.582
At 31st Mar. 2021	3.698	91.960	-192.965	-97.307

CONSOLIDATED CASH FLOW STATEMENT

	3 months to 31 st March	3 months to 31 st March	Full year
DKK 1,000	2021	2020	2020
Operating activities			
Operating profit/loss	6.166	-9.200	-112.521
Other income	0	0	0
Impairment on exploration and evaluation assets	64	72	0
Relinquishment and disposal of licences	0	0	0
Depreciation, depletion and amortisation	0	86	86
Impairment on producing licences	0	0	0
Change in inventories	0	0	0
Change in trade and other receivables	-7.668	13.030	116.564
Change in trade and other payables	25.980	-1.406	252
Interest revenue and finance gain received	0	0	0
Interest expenses and other finance cost	-721	-649	-3.019
Income taxes	0	0	0
Net cash flow provided by operating activities	23.822	1.932	1.363
Investing activities			
Capital expenditure	-2.927	2.740	2.903
Net cash used in investing activities	-2.927	2.740	2.903
Financing activities			
Change in short term debt	736	583	2.783
Change in long term debt	-23.318	107	-910
Net cash flow provided from financing activities	-22.582	691	1.873
Change in cash and cash equivalents	-1.688	5.363	6.139
Cash and cash equivalents at the beginning of the period	14	15	15
Currency translation differences	1.681	-5.375	-6.140
Total cash and cash equivalents at the beginning of the period	1.695	-5.360	-6.125
Cash and cash equivalents at the end of the period	7	3	14

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 6MM which has not been fully drawn.

A full solution on the debt situation has not been achieved, but it is a main priority in 2021.

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 2021, means that the Board is of the view that the Company can proceed as a going concern business with shareholder value preserved.

The Orlando field production commenced in March 2019. Initial production proved significantly lower than the expected 10,000 bopd and has been around 2,750 bopd. Therefore the expected cashflow in 2020 did not materialise. Atlantic Petroleum is now cash generating.

The financial projections for 2021 indicate that the Company does not require additional funding in 2021. 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 38.3MM.

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

Based on this the reserves are estimated to 6.4 MMBbl.

Further details on the deferred consideration receivable from the sale of Orlando is included in note 14 to the consolidated accounts.

Accordingly, 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.

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 adequate additional funding 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 and Pegasus assets to present the value of these assets 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 2020 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 2020.

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 2020.

5. Geographical segmental analysis

DKK 1,000	3 months to 31 st March 2021	3 months to 31 st March 2020	Full year 2020
Revenues by origin:			
United Kingdom	0	0	0
	0	0	0
Operating loss/profit by origin:			
Faroe Islands	-308	-438	-1.958
United Kingdom	6.475	-8.698	-110.491
Norway	0	0	0
Other	0	-64	-72
	6.166	-9.200	-112.521

6. Cost of sales

DKK 1,000	3 months to 31 st March 2021	3 months to 31 st March 2020	Full year 2020
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 2021	3 months to 31 st March 2020	Full year 2020
Interest income and finance gain:			
Short term deposits	0	0	0
Time Value	0	880	850
Unwinding of discount on decommissioning provision	0	0	0
Exchange differences	-13.227	4.462	0
	-13.227	5.342	850
Interest expense and other finance cost:			
Bank loan and overdrafts	721	596	2.821
Creditors	0	54	198
Time Value	0	69	481
Unwinding of discount on decommissioning provision	0	0	0
Others	0	0	5
Exchange differences	-10.363	2.461	-2.534
	-9.643	3.180	966

8. Taxation

DKK 1,000	3 months to 31 st March 2021	3 months to 31 st March 2020	Full year 2020
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 2020: DKK nil)

10. Intangible assets

DKK 1,000	at 31 st March 2021	at 31 st March 2020	At 31st Dec 2020
Costs			
At 1 st January	0	12.260	12.260
Exchange movements	0	0	0
Additions/Adjustments	0	-12.260	0
At end of period	0	0	12.260
Amortisation and depreciation			
At 1 st January	0	12.260	12.260
Exchange movements	0	0	0
Charge this period	0	-12.260	0
At end of period	0	0	12.260
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 2021	at 31 st March 2020	At 31st Dec 2020
Costs			
At 1 st January	0	0	0
Exchange movements	0	0	0
Additions	64	64	0
Disposal/relinquishment of licences	0	0	0
Explorations expenditures written off/sold	-64	-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 2021	at 31 st March 2020	At 31st Dec 2020
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 2021	at 31 st March 2020	At 31st Dec 2020
Costs			
At 1 st January	0	2.647	2.754
Exchange movements	0	0	-2.754
Additions	0	-2.647	0
At end of period	0	0	0
Amortisation and depreciation			
At 1 st January	0	2.513	2.668
Exchange movements	0	0	-2.668
Charge this period	0	-2.513	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 38.3MM.

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 38.3MM.

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

Based on this the reserves are estimated to 6.4 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 actual production has been around 2,750 bopd.

The valuation is therefore based on a production of 2,750 bopd until the total production equals the total production by the original profile when declined to 2,750 bopd.

Oil price is based on Brent crude futures.

Exchange rates are based on exchange rates at 31st March 2021.

15. Trade and other payables

All trade and other payables are due within one year except for the bridge loan (DKK 5,6MM) and the remaining debt on Ettrick & Blackbird (GBP 1.09MM).

16. Earnings per share

DKK 1,000	3 months	3 months	Full year
	to 31 st March	to 31 st March	
	2021	2020	2020
Basic			
Profit/loss after tax	2.582	-7.037	-112.637
Weighted average number of shares	3.697.863	3.697.863	3.697.863
Earnings per share	0,70	-1,90	-30,46
Diluted			
Profit/loss after tax	2.582	-7.037	-112.637
Weighted average number of shares	3.697.863	3.697.863	3.697.863
Earnings per share	0,70	-1,90	-30,46

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 2021

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations the wholly owned subsidiary Atlantic Petroleum (Ireland) Limited, has in connection with the sale and purchase agreement with ExxonMobil Exploration and Production Ireland (Offshore) Limited and the related Joint Operating Agreement regarding Irish Continental Shelf Petroleum Exploration Licence No. 3/04 (Frontier) relating to Blocks 44/18, 44/23, 44/24, 44/29 and 44/30.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations its wholly owned subsidiary Atlantic Petroleum UK Limited has in connection with the share purchase agreement with the vendors of the entire issued share capital of Atlantic Petroleum North Sea Limited (was known as Volantis Exploration Limited).

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 2020 with the following bank: P/F Betri of DKK 55.4 MM. P/F Atlantic Petroleum has provided a parent guarantee for this loan facility.

The Company has offered security to lender in connection with the loan agreement in receivables from the Pegasus contingent asset.

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 Grannnskoðarastovan Sp/f for at monthly fee of DKK 30.000. Outstanding balance at 31st March 2021 is DKK 690.000

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