

ATLANTIC PETROLEUM MOVES TO BOOST PRODUCTION

Announcing a bold growth plan that opens up the possibility of acquisitions and mergers, Atlantic Petroleum is set to turn a profit for the first time—with two fields in production and a new capital structure in place.

FOLLOWING A YEAR of uncertainties over financial turbulence, Faroese oil and gas independent Atlantic Petroleum has unveiled a new business strategy as part of the successful rearrangement of its finances.

Under the new plan, which highlights the possibility of acquisitions and mergers within the next couple of years, the company will use key revenue streams from the Chestnut and Ettrick fields to grow its license portfolio in an effort to become a larger player and to offset future decline related to the deple-

tion of the company's available hydrocarbon resources.

The difficult financial situation in 2009 led the company's main providers of financing to demand infusion of new share capital and changes to the board of non-executive directors. As a result three new board members were elected in July 2009, one of which is Birgir Durhuus, now chairman of Atlantic Petroleum's board.

A fully subscribed 188 million DKK (25.3m EUR) rights issue was completed during second half of 2009, and has largely been used to reduce debt, according to the company's Annual Report.

In November 2009, the former chief executive officer Wilhelm Petersen left the company and Technical Manager Sigurð í Jákupsstovu was constituted as CEO. Mr. í Jákupsstovu has previously held the position of Director at Jarðfeingi (Faroese Earth and Energy Directorate). As this publication went to press, Mr. Durhuus said that a permanent CEO was to be named in April.

One critical point in the new business strategy laid out for Atlantic Petroleum deals with the issue of size or financial muscle—oil and gas is a capital intensive industry and many small com-

panies are seen struggling in the current economic climate.

"Exploration companies with considerable liabilities yet without current income are among those hardest hit as banks tighten their credit policies," Mr. Durhuus told the Faroe Business Report.

"Many such companies are open for mergers and acquisitions but we are rather looking for companies that also have ongoing or near-term production that can complement ours. We need to look beyond the next few years to ensure that current levels of production can be increased and sustained, which will involve acquiring additional acreage either through farm-ins or by other means.

DAVID BERING



Chairman Birgir Durhuus; Atlantic Petroleum's headquarters in Tórshavn (bottom left).

"It's crucial for Atlantic Petroleum to take necessary steps to strengthen the production profile and become a larger company in terms of acreage and revenues at this point, while our production assets are still valuable; but at the same time we have to be prudent about debt, liabilities, and obligations."

10-YEAR ANNIVERSARY: As to the growth plan agreed by Atlantic Petroleum's board and management, one of its major strategic challenges is concerned with how to virtually double daily production, in no less time than two to four years, from the current average of approximately 2,500 barrels to

4,000 to 5,000 barrels per day. "To accomplish this," Mr. Durhuus stated in the company's Annual Report for the financial year ending December 2009, "Atlantic Petroleum will seek to add new reserves close to existing production and also to pursue opportunities to farm-in to licenses where production is estimated to begin in 2012—2014."

He added: "In order to achieve the growth targets, Atlantic Petroleum does not rule out the possibilities of acquisitions and even a merger if this is of value for the Company."

With Atlantic Petroleum holding a 15-percent stake in the P.354 license, the Chestnut field in the United King-

Atlantic Petroleum

PO Box 1228, FO-110 Tórshavn

www.petroleum.fo

E-Mail: petroleum@petroleum.fo

Tel.: +298 350 100

Fax: +298 350 101

Chief Executive Officer:
Sigurð í Jákupsstovu

Founded in 1998; the Faroes' first independent upstream oil and gas company.

Participates in oil and gas exploration and production in the North Sea (UK) and the Celtic Sea (Ireland) and exploration on the Faroese Continental Shelf.

Nine UK production and exploration licenses inc. Chestnut, Ettrick & Blackbird, Perth, Marten, West Lennox & Crosby, Dee.

Two Ireland field development licenses.

Four Faroes exploration licenses.

dom sector of the North Sea came on stream in 2008. The Ettrick field in UK licenses P.272 & P.317, in which Atlantic Petroleum has an 8.27 percent share, commenced production in August 2009.

Revenues coming from Chestnut and Ettrick production mean that Atlantic Petroleum is expected to hit profit in 2010, on the 10-year anniversary of its first license.

"This year it is exactly 10 years since Atlantic Petroleum was awarded its first exploration license in the Faroe Islands," Mr. Durhuus noted.

"During this period the company has experienced highs and lows culminating with first oil in 2008 and financial difficulties in 2009.

"It is my firm belief that the experiences in the past two years eventually will prove valuable for the future development of Atlantic Petroleum, as we seek to add momentum in positioning the company for future growth."

