



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 3 MONTHS ENDED 31st MARCH 2017

UNAUDITED

TOWARDS PRODUCTION REVENUE

Atlantic Petroleum has been continuing to rationalise the portfolio and has succeeded in securing potentially significant value from the Orlando asset. The sale and purchase agreement with M Vest for the activities of Atlantic Petroleum Norge announced in March 2016 completed in January 2017. This has had a positive impact on Atlantic Petroleum's shareholders equity, and it is the reason for being able to show a profit for the first quarter of 2017.

The sale of Orlando completed in May. This means that Atlantic Petroleum received USD 1MM in cash to be accounted for in Q2, and that the company will receive a 2% revenue share from Orlando production until Orlando has produced 5 million barrels of oil and 4.35% of the gross field revenue after that. This should secure a strong cashflow to Atlantic Petroleum from the second half of 2018 when Orlando is expected to start production and in the years to follow.

The loan agreement with London Oil and Gas was completed in March 2017. This means that the company has the means to expand into new areas and assets.

The new board looks forward to securing further value from the remaining assets and to grow the company by adding new projects and assets to the portfolio in the near future.

HIGHLIGHTS & OUTLOOK

In Q1 Atlantic Petroleum completed on the sale of the Norwegian activities. This improved the Q1 result by DKK 9.5MM. The sale of the Norwegian activity has also reduced the company G&A significantly. As a result of the transaction, Atlantic Petroleum expects to realise the tax value of the tax loss carry forward in December 2017 – currently estimated to be approx. NOK 25MM in cash.

The company also refinanced its bank debt in Q1 and completed on the convertible loan from London Oil and Gas. The bank debt is now repayable between December 2017 and December 2019.

Net profit in Q1 2017 was DKK 5.4MM

EBITDAX for Q1 was DKK 6.8MM

Operating profit in Q1 2017 was DKK 6.8MM

Net assets/share-holders equity was negative DKK 77.9MM. An improvement from year end 2016 of DKK 5.4MM.

Bank debt was DKK 68.7MM.

G&A cost was DKK 2.7MM.

Atlantic Petroleum completed the loan agreement with London Oil & Gas 13th March 2017 for GBP 8MM. The loan is a convertible loan with a strike price of DKK 15 per share. The loan will ensure the funds needed to run the company for the next 2 years and will provide funds for expanding the portfolio. As a result of the sale of Pegasus with contingent payments due; Atlantic Petroleum UK Limited expects to receive future cash inflows from the UK North Sea and Atlantic Petroleum North Sea Limited has realised value from a sale of Orlando. The company seeks to secure further value from the remaining assets in the UK and Ireland. Beyond that the company will re-focus its business and take advantage of the current downturn in the market to seek new opportunities in Europe and the Eurasian Economic Union.

Atlantic Petroleum expects to show a net profit for the full year 2017.

► KEY METRICS

DKK 1,000	3 months to 31 st Mar 2017	3 months to 31 st Mar 2016	Full year 2016
Income statement			
Revenue	0	-206	10,224
Impairment on producing assets	0	-1,336	66,169
Gross loss/profit	0	-1,247	61,780
Exploration expenses	-6	-23,701	-62,064
EBITDAX	6,848	-15,486	-48,637
Operating profit (EBIT)	6,796	-31,664	-39,765
Depreciations	-46	8,859	4,767
Profit/loss before taxation	5,364	-35,777	-30,465
Profit/loss after taxation	5,364	-15,804	12,390
Financial position			
Non-current assets	98,042	116,093	123,453
Current assets	55,162	160,524	57,304
Total assets	153,204	276,618	180,757
Current liabilities	123,140	276,493	172,724
Non-current liabilities	107,959	132,886	90,706
Total liabilities	231,099	409,379	263,430
Net assets/Equity	-77,895	-134,240	-82,673
Cash flow and cash			
Cash provided by operating activities	8,647	102,214	48,376
Change in cash and cash equivalents	-4,542	2,309	-33,602
Cash and cash equivalents	54	4,924	4,924
Bank debt – excluding drawdown on the exploration finance facility	68,830	67,513	67,513
Financial statement related key figures			
Gross Margin	0%	-605.34%	604.26%
EBIT Margin	0%	15,370.87%	-388.94%
EBITDAX Margin	0%	7,517.48%	-475.71%
Return on Equity	-6.86%	20.46%	-13.42%
Share related key figures			
Earnings per share Basic	1.45	-4.27	3.35
Earnings per share Diluted	1.45	-4.27	3.35
Share price in DKK on OMX CPH and Oslo Stock Exchange	11/10	12/11	12/11
Other key numbers			
Full time equivalent positions	1	14	14

OUR PORTFOLIO 31ST MARCH

A total of 6 oil & gas licences at report publication date.

UK

5 exploration, appraisal & development licences remain in the UK sector of the North Sea, Central North Sea & Southern North Sea.

IRELAND

1 exploration & appraisal licence.

More information on our licences and projects on
WWW.PETROLEUM.FO

STATUS ON KEY LICENCES

The following section presents the status on some key licences at end of 1Q 2017.

DEVELOPMENT & PRODUCTION

UNITED KINGDOM

ETTRICK (8.27%) & BLACKBIRD (9.39773%)
P273 & P317, Blocks 20/3a,2a & P273, P317 & P1580, Blocks 20/3a,2a,3f

Production from the fields ceased on June 1, 2016 and decommissioning of the vessel has commenced. The Company is in discussions with the Joint Venture partners regarding the outstanding and ongoing liabilities with respect to the assets.

KELLS (25%)
P1607, Block 3/8d

Atlantic Petroleum believes that Kells is an attractive project, and will seek to secure value from the asset.

EXPLORATION & EVALUATION

No wells or major activities are currently planned.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 31ST MARCH 2017:

- At the AGM on the 28th April Birgir Durhuus, Charles Hendry and Ben Arabo were elected to the board of Atlantic Petroleum. The board constituted itself with Birgir Durhuus as Chairman and Charles Hendry as Deputy Chairman.
- On the 5th May Atlantic Petroleum issued convertible instruments to London Oil and Gas and updated its Articles of Association. As per 5th May the company had drawn GBP 979,903 or DKK 8.611.504,69 of the London Oil and Gas loan facility.
- On the 15th May Atlantic Petroleum completed the Sale and Purchase Agreement with Decipher Energy for its 25% interest in the Orlando development.

The consideration is a 2% revenue share of the total Orlando production revenue until the field has produced 5 million barrels of oil. After that the revenue share to Atlantic Petroleum increases to 4.35% of the total Orlando field revenue.

USD 1MM of the initial 2% revenue has been prepaid to Atlantic Petroleum.

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

The Condensed Consolidated Interim Report for the first three months of 2017 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 2017, and of the results of the Group's operations and cash flow for the period 1st January – 31st March 2017.

Tórshavn 26th May 2017

Management:

Ben Arabo
CEO

Board of Directors:

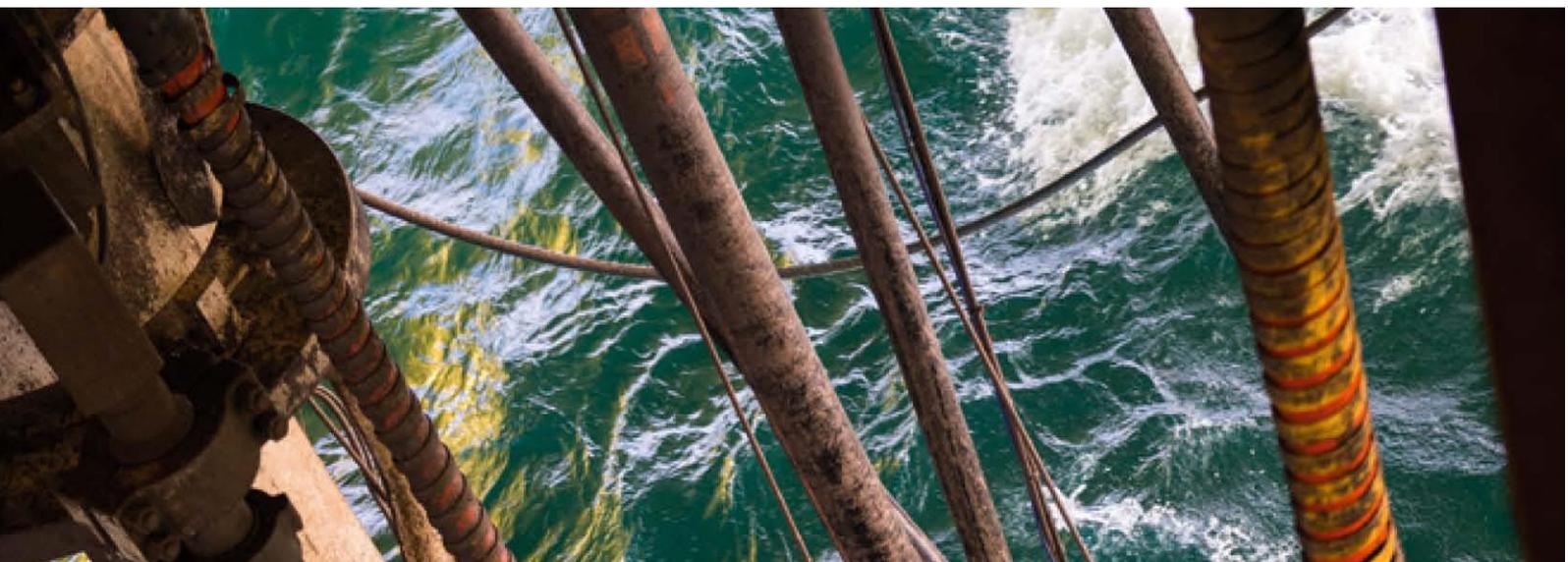
Birgir Durhuus
Chairman

Charles Hendry
Deputy Chairman

Ben Arabo

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE 3 MONTHS ENDED
31st MARCH 2017**



CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 31 st Mar 2017	3 months to 31 st Mar 2016	Full year 2016
Revenue	4	0	10,883	10,224
Costs of sales	5	0	-27,972	51,556
Gross loss/profit		0	-17,088	61,780
Exploration expenses		-6	-23,482	-62,064
Pre-licence exploration cost		0	-1,661	-7,847
General and administration cost		-2,701	-8,129	-26,867
Depreciation PPE and intangible assets		-46	-2,056	-4,767
Other operating cost/income		9,549	0	0
Operating loss/profit	4	6,796	-52,416	-39,765
Interest income and finance gains	6	5	4,053	20,420
Interest expenses and other finance costs		-1,437	0	-11,120
Loss before taxation		5,364	-48,363	-30,465
Taxation	7	0	9,667	42,855
Profit/loss after taxation		5,364	-38,696	12,390
Earnings per share (DKK):				
Basic	14	1.45	-10.46	3.35
Diluted	14	1.45	-10.46	3.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 31 st Mar 2017	3 months to 31 st Mar 2016	Full year 2016
Items that may be recycled in P/L:			
Profit/loss for the period	5,364	-38,696	12,390
Exchange rate differences	-251	6,187	9,507
Value of Futures contracts	0	0	0
Total comprehensive loss/gain in the period	5,113	-32,509	21,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 31 st Mar 2017	At 31 st Mar 2016	At 31 st December 2016
Non-current assets				
Goodwill	8	0	0	0
Intangible assets	9	2	7,616	34
Intangible exploration and evaluation assets	10	0	14,075	0
Tangible development and production assets	11	62,569	66,825	62,305
Property plant and equipment	12	205	859	219
Tax repayable		35,266	9,634	35,566
Deferred tax asset		0	17,084	25,329
		98,042	116,093	123,453
Current assets				
Inventories		0	0	0
Trade and other receivables		55,108	69,495	52,380
Tax repayable		0	73,407	0
Financial assets		0	0	0
Cash and cash equivalents		54	17,623	4,924
		55,162	160,524	57,304
Total assets		153,204	276,618	108,757
Current liabilities				
Exploration finance facility		0	72,191	2,196
Short term bank debt		19,500	41,494	47,224
Short term liabilities		0	0	0
Trade and other payables		103,194	163,804	122,859
Financial liabilities		0	0	0
Current tax payable		446	483	445
		123,140	277,972	172,724
Non-current liabilities				
Exploration finance facility		0	0	20,455
Long term bank debt		49,330	19,500	20,289
Convertible loan facility		8,612	0	0
Long term provisions		50,017	113,386	49,962
Deferred tax liability		0	0	0
		107,959	132,886	90,706
Total liabilities		231,099	410,858	263,430
Net assets		-77,895	-134,240	-82,673
Equity				
Share capital		3,698	369,786	3,698
Share premium account		0	233,444	0
Share based bonus schemes – LTIP	15	284	3,458	619
Futures Contracts Value		0	0	0
Translation reserves		100,958	97,889	101,209
Retained earnings		-182,835	-838,817	-188,199
Total equity shareholders' funds		-77,895	-134,240	-82,673

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Translation reserves	Retained earnings	Total
At 1st January 2016	369.786	233.444	3.174	91.702	-800.121	-102.015
LTIP awarded in the period	0	0	284	0	0	284
Change in translation reserves	0	0	0	6.187	0	6.187
Result for the period	0	0	0	0	-38.696	-38.696
At 31st Marts. 2016	369.786	233.444	3.458	97.889	-838.817	-134.240
LTIP and bonus awarded i the period	0	0	-2.840	0	0	-2.840
Write down share capital	-366.088	-233.444	0	0	599.532	0
Translation reserves	0	0	0	3.320	0	3.320
Result for the period	0	0	0	0	51.086	51.086
At 1st January 2017	3.698	0	618	101.209	-188.199	-82.674
LTIP awarded in the period, net	0	0	-334	0	0	-334
Translation reserves	0	0	0	-251	0	-251
Result for the period	0	0	0	0	5.364	5.364
At 31st Marts. 2017	3.698	0	284	100.958	-182.835	-77.895

CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	3 months to 31 st March 2017	3 months to 31 st March 2016	Full year 2016
Operating activities			
Operating loss	6,796	-52,416	-39,765
Allocated consolidated capitalised interest	0	0	0
Unrealised cost/gain on futures contracts – oil price hedging	0	0	0
Impairment on exploration and evaluation assets	0	23,463	1,960
Relinquishment and disposal of licences	0	19	104
Depreciation, depletion and amortisation	46	2,056	4,767
Impairment on producing licences	0	2,189	-66,169
Change in inventories	0	7,524	7,068
Change in trade and other receivables	-2,428	-20,347	46,166
Change in trade and other payables	-19,664	2,181	-10,259
Interest revenue and finance gain received	5	0	20,420
Interest expenses and other finance cost	-1,437	4,053	-11,120
Income taxes	25,329	9,533	35,204
Net cash flow provided by operating activities	8,647	-21,745	48,376
Investing activities			
Capital expenditure	-2,663	-4,085	-38,106
Net cash used in investing activities	-2,663	-4,085	-38,106
Financing activities			
Change in share capital	0	0	0
Change in share premium cost/cost of capital raise	0	0	0
Change in short term debt	-27,724	1,584	-65,116
Change in long term debt	17,198	0	21,244
Net cash flow provided from financing activities	-10,526	1,584	-43,872
Change in cash and cash equivalents	-4,542	-24,247	-33,602
Cash and cash equivalents at the beginning of the period	4,924	42,049	42,049
Currency translation differences	-328	-179	-3,523
Total cash and cash equivalents at the beginning of the period	4,596	41,870	38,526
Cash and cash equivalents at the end of the period	54	17,623	4,924

NOTES TO THE ACCOUNTS

ACCOUNTING POLICY

GENERAL INFORMATION

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

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; but in the future principally in Eastern Europe and the Eurasian Economic Union.

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31st December 2015 are available upon request from the Company's registered office at Yviri við Strond 4, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at www.petroleum.fo.

This Condensed Consolidated Interim Report is presented in DKK.

1 GOING CONCERN

Atlantic Petroleum has completed a loan agreement with London Oil & Gas 13th March 2017 for GBP 8MM. The loan is a convertible loan with a strike price of DKK 15 per share. The loan will ensure the funds needed to run the company for the next 2 years and will provide funds for expanding the portfolio. The Group expects to receive future income from the contingent payments due under the agreement for the sale of Pegasus and the sale of Orlando. Beyond that the company will re-focus its business and take advantage of the current downturn in the market to seek opportunities in Europe and the Eurasian Union. As part of the loan agreement the Board and management of Atlantic Petroleum has been strengthened with people with relevant experience.

For the above reasons, the Management and the Board of Directors have decided to prepare the Financial Report on a going concern basis.

2 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 2015.

3 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 2015.

4 GEOGRAPHICAL SEGMENTAL ANALYSIS

DKK 1,000	3 months to 31st March 2017	3 months to 31st March 2016	Full year 2016
Revenues by origin:			
Faroe Islands	0	0	0
United Kingdom	0	10,883	10,224
Norway	0	0	0
Other	0	0	0
	0	10,883	10,224
Operating loss/profit by origin:			
Faroe Islands	-1,617	-613	-2,851
United Kingdom	-1,135	-29,784	-28,515
Norway	9,548	-15,251	-59,466
Other	0	-6,768	-6,963
	6,796	-52,416	-39,765

5 COST OF SALE

DKK 1,000	3 months to 31st March 2017	3 months to 31st March 2016	Full year 2016
Operating costs	0	18,259	7,545
Produced oil in inventory at market value	0	7,524	7,068
Amortisation and depreciation, PPE:			
Oil and gas properties	0	0	0
Impairment	0	2,189	-66,169
	0	27,972	-51,556

6 INTEREST INCOME & EXPENSE AND FINANCE GAIN & COST

DKK 1,000	3 months to 31st March 2017	3 months to 31st March 2016	Full year 2016
Interest income and finance gain:			
Others			471
Unwinding of discount on decommissioning provision			727
Short term deposits	5	0	19,222
	5	0	20,420
Interest expense and other finance cost:			
Bank loan and overdrafts	972	2,606	10,987
Creditors	0	43	43
Unwinding of discount on decommissioning provision	0	1,949	0
Others	23	38	90
Exchange differences	442	-8,689	0
	1,437	-4,053	11,120

7 TAXATION

DKK 1,000	3 months to 31st March 2017	3 months to 31st March 2016	Full year 2016
Current tax :			
Tax repayable/(payable) in UK	0	0	0
Tax repayable in Norway	0	9,533	35,204
Tax payable in Ireland	0	0	0
Total current tax	0	9,533	35,204
Deferred tax:			
Deferred tax cost in UK	0	0	0
Deferred tax income in UK	0	0	0
Deferred tax income/cost in Norway	0	134	7,651
Total deferred tax	0	134	7,651
Tax credit/tax on loss/profit on ordinary activities		9,667	42,855

8 GOODWILL

DKK 1,000	At 31st March 2017	At 31st March 2016	At 31st December 2016
At 1 st January	0	0	0
Impairment	0	0	0
Exchange movements	0	0	0
At end of period	0	0	0

9 INTANGIBLE ASSETS

DKK 1,000	At 31st March 2017	At 31st March 2016	At 31st December 2016
Costs			
At 1 st January	6,738	39,866	39,866
Exchange movements	0	372	-277
Additions	0	0	-32,851
At end of period	6,738	40,238	6,738
Amortisation and depreciation			
At 1 st January	6,704	30,381	30,381
Exchange movements	0	302	-1,094
Charge this period	32	1,939	-22,583
At end of period	6,736	32,622	6,704
Net book value at end of period	2	7,616	34

10 INTANGIBLE EXPLORATION AND EVALUATION (E&E) ASSETS

DKK 1,000	At 31st March 2017	At 31st March 2016	At 31st December 2016
Costs			
At 1 st January	0	27,042	27,042
Exchange movements	0	-1,283	-2,684
Additions	0	11,790	37,582
Disposal/relinquishment of licences	0	-19	-104
Explorations expenditures written off/sold	0	-23,455	-61,836
Consolidated interest written off	0	0	0
At end of period	0	14,075	0

11 TANGIBLE DEVELOPMENT AND PRODUCTION (D&P) ASSETS

DKK 1,000	At 31st March 2017	At 31st March 2016	At 31st December 2016
Costs			
At 1 st January	1,098,455	1,559,809	1,559,809
Exchange movements	-29,540	-105,616	-216,012
Additions	187	3,058	-245,329
At end of period	1,069,102	1,457,251	1,098,455
Amortisation and depreciation			
At 1 st January	1,036,150	1,489,026	1,498,026
Exchange movements	-29,617	-100,789	-194,012
Depreciation, charge	0	0	-184,389
Impairment, charge	0	2,189	-74,475
At end of period	1,006,533	1,390,426	1,036,150
Net book value at end of period	62,569	66,825	62,305

12 PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	At 31st March 2017	At 31st March 2016	At 31st December 2016
Costs			
At 1 st January	2,739	4,738	4,738
Exchange movements	2	-120	-222
Additions	0	-17	-1,780
At end of period	2,738	4,601	2,736
Amortisation and depreciation			
At 1 st January	2,517	3,746	3,746
Exchange movements	2	-109	-235
Charge this period	14	104	-994
At end of period	2,533	3,742	2,517
Net book value at end of period	205	859	219

13 DIVIDENDS

No interim dividend is proposed. (31st March 2017: DKK nil)

14 EARNINGS PER SHARE

	Profit or loss after tax		Weighted average number of shares		Earnings per share	
	1Q 2017 DKK 1,000	1Q 2016 DKK 1,000	1Q 2017 1,000	1Q 2016 1,000	1Q 2017 DKK	1Q 2016 DKK
Basic						
3 months to 31st March	5,364	-38,696	3,698	3,698	1.45	-10.46
Diluted						
3 months to 31st March	5,364	-38,696	3,698	3,698	1.45	-10.46
Basic						
3 months to 31st March	5,364	-38,696	3,698	3,698	1.45	-10.46
Diluted						
3 months to 31st March	5,364	-38,696	3,698	3,698	1.45	-10.46

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.

**15 SHARE BASED PAYMENT SCHEMES
- LONG TERM INCENTIVE PLAN (LTIP)**

	At 31 st March 2017		At 31 st December 2016	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
1st January	43,925	118.79	45,545	118.79
Granted during the period	0	0	0	0
Lapsed during the period	0	0	-2,469	118.79
Exercised during the period	0	0	0	0
Expired during the period	0	0	-24,550	118.79
Outstanding at end of period	43,925	118.79	18,526	118.79
Exercisable at end of period	0	0	0	0

The total fair value of the options granted in 2013 is estimated to be DKK 3.1MM provided that all the options are exercised by 26th April 2016 and the total fair value of the options granted in 2014 is estimated to be DKK 1.1MM provided that all options are exercised by 7th April 2017. Some of the options granted in 2013 and 2014 have lapsed leading to a total value of DKK 0.1MM being entered as gain in the 2015 result.

16 CAPITAL COMMITMENTS AND GUARANTEES AT 31st March 2017

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 fulfil all obligations the wholly owned subsidiary of Atlantic Petroleum UK Limited, Atlantic Petroleum North Sea Limited (was known as Volantis Exploration Limited), has in connection with the sale and purchase agreement with Iona Energy Company (UK) Ltd regarding UK licence P1606, block 3/3b and P1607, block 3/8d.

P/F Atlantic Petroleum has provided a guarantee dated 30th October 2014 in favour of Third Energy Offshore Limited for the due and punctual payment of all sums which Atlantic Petroleum UK Limited is obliged to pay from time to time under Licences P1724 and P1727 and under the Joint Operating Agreement dated 24th May 2013 in respect of the Licences.

P/F Atlantic Petroleum has provided a guarantee dated 16th December 2014 in favour of Dana Petroleum (BVUK) Limited for the due and punctual payment of all sums which Atlantic Petroleum North Sea Limited is obliged to pay from time to time under Licences P273, P317 and P1580 and under the Etrick Field Area Operating Agreement dated 7th February 2006 in respect of the Licences in so far as they relate to the Rest of Block Sub-Areas.

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

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

- (i) security in payments from the UK Pegasus sale
- (ii) Security in payments to Atlantic Petroleum Norge AS

London Oil and Gas has security in the assets of P/F Atlantic Petroleum, Atlantic Petroleum North Sea Limited, and certain assets in Atlantic Petroleum UK Limited.

17 CONTINGENT CONSIDERATIONS

In addition to the payments to Iona Energy Ltd for 25% equity in Orlando and Kells, pursuant to the agreement, Atlantic Petroleum North Sea Limited has committed to pay:

- (i) USD 1.25MM upon Kells FDP approval and
- (ii) A proportionate share of royalties payable to the previous owner of the Kells field, Fairfield Energy.

Further proceeds are expected to arise from the Pegasus Sale and Purchase Agreement with Third Energy if and when certain milestones in the development and exploration of the Pegasus area occur. It should be noted that in the current market conditions that there is a higher than normal credit risk with oil and gas companies in general however, the Group has absolutely no reason to doubt or question the financial well-being of Third Energy.

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.

GLOSSARY

APA	Awards in Predefined Areas
Appraisal well	A well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
Brown Field Allowance	A UK tax allowance for certain mature fields, known as brown fields, will shield a portion of income from the Supplementary Charge, encouraging companies to invest in getting the very most out of existing fields and infrastructure in the UK Continental Shelf
DECC	UK Department of Energy & Climate Change
DKK	Danish kroner. The currency used in the Kingdom of Denmark
EBIT	Operating Profit - Earnings before Interest and Taxes
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
E&P	Exploration & Production
Exploration	A general term referring to all efforts made in the search for new deposits of oil and gas
Exploration well	A well drilled in the initial phase in petroleum exploration
Farm out	A contractual agreement with an owner who holds a working interest in an area to assign all or part of that interest to another party in exchange for payment or fulfilling contractually specified conditions
FDP	Field Development Plan
FPSO	A Floating Production, Storage and Offloading unit used by the oil and gas industry for the processing of hydrocarbons and for storage of oil
Gross Margin	% (Gross profit or loss/Sales)
ISA	International Standard on Auditing
IFRS	International Financial Reporting Standards
Lead	Areas thought to contain hydrocarbons.
Lease Undertaking	When a discovery is made in a licensed area and the licensee is not in a position to declare the discovery commercial during the period of the licence but expects to be able to do so in the foreseeable future, the licensee may apply for a Lease Undertaking. This is an undertaking by the Minister, subject to certain conditions, to grant a Petroleum Lease at a stated future date. The holder of a Lease Undertaking is required to hold a Petroleum Prospecting Licence which will govern activities under the Lease Undertaking
Ltd	A limited liability company
MM	Million
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface
PPE	Property, Plant and Equipment
Prospect	An area of exploration in which hydrocarbons have been predicted to exist in economic quantity
Return on Equity	(ROE) (%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)
ROE	Return on Equity
Spud	To start drilling a well
TSR	Total Shareholder Return
Water injector well	A well into which water is pumped in order to increase the yield of adjacent wells
2D/3D	2D and 3D seismic is an acoustic measuring technology which generates a cross-section of the deep seabed and is used primarily when initially reconnoitring for the presence of oil or gas reservoirs. 3D has a narrower grid, which gives a better map of the area
Wildcat	An exploration well drilled in an unproven area to find out whether petroleum exists in a prospect

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SUBSIDIARIES

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- **Atlantic Petroleum North Sea Ltd**
- **Atlantic Petroleum (Ireland) Ltd**
- **Atlantic Petroleum Norge AS**

For subsidiary's contact details please see company website