P/F ATLANTIC PETROLEUM

ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

YEAR TO 31ST DECEMBER 2017

Faroese Company Registration No/VAT No: 2695/475653

PERFORMANCE SUMMARY

KEY METRICS

DKK 1,000	3 months to 31st Dec 2017	3 months to 31st Dec 2016	Full year 2017	Full year 2016	Full year 2015
Income statement					
Revenue	-6,628	-206	0	10,224	186,722
Impairment on producing assets	0	-1,336	0	66,169	-123,606
Gross loss/profit	-6,628	-1,247	0	61,780	-420,729
Exploration expenses	-502	-23,701	-5,762	-62,064	-337,282
EBITDAX	-55,157	-15,486	-54,140	-48,637	-271,685
Operating loss (EBIT)	-55,705	-31,664	-59,996	-39,765	-805,813
Depreciations	-46	8,859	-94	4,767	-73,241
Loss before taxation	--57,608	-35,777	-68,071	-30,465	-833,842
Profit/Loss after taxation	-58,128	-15,804	-67,724	12,390	-563,990
Financial position					
Non-current assets	6,253	123,453	6,253	123,453	124,921
Current assets	56,914	57,304	56,914	57,304	180,869
Total assets	63,167	180,757	63,167	180,757	305,790
Current liabilities	155,353	172,724	155,353	172,724	269,753
Non-current liabilities	58,146	90,706	58,146	90,706	138,051
Total liabilities	213,499	263,430	213,499	263,430	407,804
Net assets/Equity	-150,332	-82,673	-150,332	-82,673	-102,014
Cash flow and cash					
Cash provided by operating activities	31,969	102,214	30,370	48,376	206,104
Change in cash and cash equivalents	4,530	2,309	-4,891	-33,602	-88,628
Cash and cash equivalents	446	4,924	446	4,924	42,049
Bank debt – excluding drawdown on the exploration finance facility	51,697	67,513	51,697	67,513	59,410
Share related key figures					
Earnings per share Basic	-15.72	-4.27	-18.31	3.35	-152.52
Earnings per share Diluted	-15.72	-4.27	-18.31	3.35	-152.52
Share price in DKK on OMX CPH and Oslo Stock Exchange	8/10	12/11	8/10	12/11	6/6

CHAIRMAN'S STATEMENT

2017 continued the previously year's process of restructure, refocus and realisation of asset value.

At the end of 2016 Atlantic Petroleum had managed to develop a solution to its default on a number of producing assets and over the 2017 period continued to work with its licence partners on those associated assets to complete an orderly exit. Due to the complexity of this process, the planned closure of all matters within 2017 did not happen but is expected to take place early in the second quarter of 2018.

The disposal process of Orlando was finalised during 2017 with the Company's 25% of Orlando equity sold to Decipher for a consideration comprising a cash payment and a carry share of earned revenue once production commences. Decipher has confirmed that the development of Orlando is on schedule to enter production by the end of 2018.

As reported previously, Atlantic Petroleum continues to have an economic interest in the Pegasus gas discovery, which when developed has the potential to bring up to GBP 9MM in income over the coming years.

Kells did not close as planned due to the licence expiring and the Company's suggested development scenario not being adopted by partners or the UK Oil and Gas Authority.

The closure of the sale of the Company's Norwegian business commenced in 2017, with the associated tax refunds being included within the Company's results. Finalisation of this process will occur during 2018.

The legacy issues from North Sea activity are mostly resolved, which with the financial support received from London Oil and Gas means the Company has a sound, low cost, base from which to plan and execute new strategies and growth in new regions.

During 2017 Ben Arabo, the Company's Chief Executive throughout the past difficult years, made the decision to resign his position. Ben's sterling work in managing the painful decisions of the past two years has gone a long way to ensure Atlantic Petroleum survived to now be in the position of looking forward once more.

Graeme Fawcett has taken over Ben's role and is now Chief Executive in the interim. Graeme brings significant oil and gas development expertise which is being used to drive the Company's new strategic focus. Along with Graeme, the Company benefits from the wide expertise of Mr Charles Hendry as Deputy Chairman and most recently Mr Yves Paletta who joined the board also adding his own wide industry experience to that of Graeme.

I'd like to thank Ben, Graeme and my Board colleagues for their efforts and support throughout 2017.

Birger Durhuus
Chairman of the Board
29th March 2018

INTERIM CHIEF EXECUTIVE OFFICER'S STATEMENT

The closure of activity in Norway saw the realisation of tax refunds which were applied to settle Norwegian liabilities.

The Company exited most of its UK and Ireland exploration assets and those remaining are being further appraised to determine value opportunity. Depending on the outcome of this process, the Company may continue to participate in those licences or if more beneficial, seek commercial terms to relinquish, realising best value along the way.

On the UKCS, the Company still has negative equity associated with abandonment obligations. However, with the support of London Oil and Gas there is optimism that a strategy of development participation or disposal on best commercial terms is the best way to mitigate liability exposure.

More positively, disposal of the Company's interest in Orlando occurred in 2017 by way of a sale agreement with Decipher and realised both cash and a carry interest from eventual receipt of production revenue of 2% from production until the field has produced 5MM barrels gross and then 4.35% from all production after that. Previously reported reserve estimates have not changed.

The potential to receive revenue from development of the Pegasus field continues and the Company keeps in regular contact with the operator to verify that progress is occurring.

Consequently, the model used for the Orlando and Pegasus disposals is appealing and may be used in the treatment of remaining UK and Irish licences.

This year's results reflect that past hard decisions were necessary to secure the Company's survival and to provide a positive outlook going forward. Since assuming the role of Interim CEO on December 1, 2017, I have been able to consider the Company's future with optimism because of the strength of past decisions. This, as well as the financial support from London Oil and Gas, the low-cost base now in place and stronger Board coupled with an oil and gas arena finally showing some opportunity means the Company is well placed to take advantage of opportunities arising.

The goal for 2018 is to make it the year when all that effort and pain is used as the foundation for growth and success.

Graeme L. FAWCETT
Interim CEO
London 28th March 2018

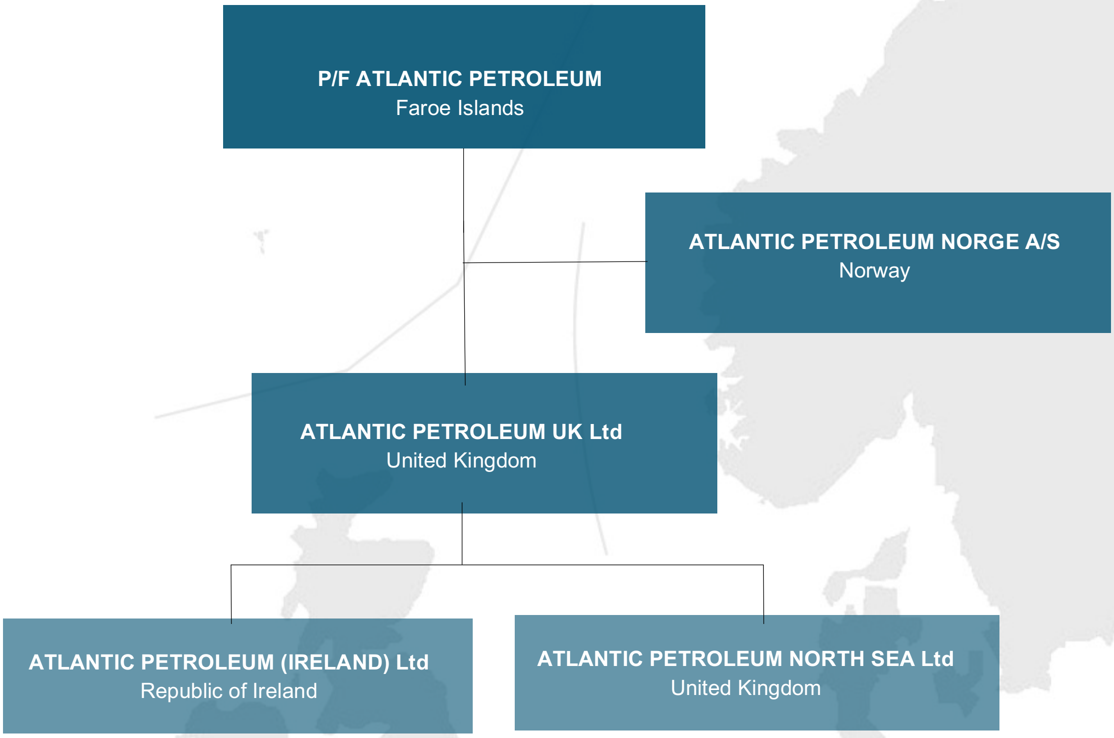
2018 OUTLOOK

The Group expects to see production commence from its sold Orlando licence during the latter part of 2018 and royalty revenues being recognised soon thereafter. The terms of the settlement agreement with the Ettrick and Blackbird partners are agreed and will close within the early part of the second quarter of 2018. The group expects these actions to deliver a positive result in 2018.

ATLANTIC PETROLEUM GROUP STRUCTURE

The Atlantic Petroleum Group comprises the Faroes based parent company P/F Atlantic Petroleum and its four 100% owned subsidiaries in UK, Norway and Ireland. Unless 2018 sees opportunity for the Norwegian region, Atlantic Petroleum Norge AS will be dissolved during the year.

P/F Atlantic Petroleum is listed on NASDAQ OMX Copenhagen under the ticker ATLA DKK and on Oslo Stock Exchange under the ticker ATLA NOK however the Board will investigate the delisting of the Oslo secondary list on the basis of continued cost saving.



PROJECT PORTFOLIO

SECURING REMAINING VALUE

Atlantic Petroleum further rationalised its portfolio in 2018 and will continue with that process on best commercial terms for the Group. Nevertheless the strategy for 2018 will be to pursue international opprtunities that bring low liability and strong upside.

As of January 1st 2018 the Group holds the following assets:

Country	Licence	Field/Discovery/Prospect	Company	Equity	Comments
UK	P.2112	Badger	AP UK	20%	Comerciality being reassessed
UK	P.2126	/Aurora	AP UK	10%	Comerciality being reassessed
UK	P.273	Ettrick	AP NS	8.27%	Forfeiture Terms Agreed
UK	P.317	Ettrick, Jarvis	AP NS	8.27%	Forfeiture Terms Agreed
UK	P.317	Blackbird	AP NS	9.40%	Forfeiture Terms Agreed
UK	P.1580	Blackbird	AP NS	9.40%	Forfeiture Terms Agreed
UK	P.1606	Orlando	AP NS	0%	Sold. Royalty Deferred consideration in place
Ireland	SEL 2/07	Hook Head/Dunmore/Helvick	AP I	18.33%	Comerciality being reassessed

DEVELOPMENT & PRODUCTION

PRODUCING ASSETS

The Group does not hold producing assets.

DEVELOPMENT & NEAR DEVELOPMENT

The Group holds no Development of near Develoment assets, The Group sold its interest in the Orlando licence in 2017 for a US$1m consideration with conditional future revenues from a set royalty payment framework giving a 2% share of revenue from production until the field has produced 5MM barrels gross and thereafter a 4.35% share of revenue until end of field life. Accordingly the Goup's balance sheet is now adjusted to remove Orlando as a tangible assets at a reduction of DKK 62.3MM

EXPLORATION & APPRAISAL

Atlantic Petroleum has no exploration activity planned for 2018. The remaining exploration assets on licences UK.P2112 (Badger) and UK.P 2126 (Aurora) are being evaluated to determine whether equity partners plans of development are commercially attractive to Atlantic Petroleum. To this, end both licences have G&G cost in 2018 and Aurora has a requirement for a firm well drill by end 2019.

DIRECTORS' REPORT

Financial Review

Consolidated Income Statement

The result after tax for 2017 was a net loss of DKK 67.7MM (2016: profit of DKK 12.4MM) and a net loss of DKK 58.1MM for the last quarter of 2017 (4Q 2016: Loss of DKK 15.8MM).

The company had a gross profit of DKK 0MM in 2017 (2016: Gross profit of DKK 61.8MM).

Exploration cost amounted to DKK 5.8MM in 2017 (2016: DKK 62.1MM). The severe trading conditions resulted in the Group writing off all exploration expenditures in 2017.

General and administration costs amounted to DKK 10.0MM in 2017 (2016: DKK 26.9MM). A sale of Norway interests completed on 20th January 2017.

Loss before taxation totaled DKK 68.0MM (2016: Loss of DKK 30.5MM).

Total shareholders' equity amounted to DKK -150.3MM at the end of 2017 (2016: DKK -82.7MM).

Net cash provided from operating activities amounted to DKK 30.4MM (2016: DKK 48.4MM).

Cash and cash equivalents totaled DKK 0.4MM at the end of 2017 (2016: DKK 4.8MM).

Consolidated Statement of Financial Position

Total assets at the end of 2017 amounted to DKK 63.2MM (2016: DKK 180.8MM).

Consolidated Assets

Exploration and evaluation assets amounted to DKK 0 at the end of 2017 (2016: DKK 0MM).

Development and production assets amounted to DKK 0MM at the end of 2017 (2016: DKK 62.3MM).

Trade and other receivables were DKK 56.5MM at the end of 2017 (2016: DKK 52.4MM). All outstanding balances have been settled except for the Ettrick and Blackbird Trust accounts which contain security deposits paid to date for the decommissioning of these fields.

Cash and cash equivalents were at DKK 0.4MM at the end of 2017 (2016: DKK 4.8MM).

Consolidated Liabilities

Total liabilities amounted to DKK 213.5MM at the end of 2017 (2016: DKK 263.5MM).

Total current liabilities totalled DKK 155.4MM at the end of 2017 (2016: DKK 172.8MM).

Short term debt amounted to DKK 51.74MM (2016: DKK 49.4MM). The short term debt increased due to the Group's inability to make the scheduled repayment and interest of the loan with Eik Bank. The Eik Bank debt has however, been successfully refinanced in 2017. Trade and other payables amounted to DKK 103.7MM (2016: DKK 122.9MM). Trade and other payables includes the outstanding portion of the full pre-tax cost of decommissioning of Ettrick and Blackbird fields which would be placed in Decommissioning Security Trust Accounts.

Total non-current liabilities amounted to DKK 58.1MM at the end of 2017 (2016: DKK 90.7MM).

Deferred tax liability has been reduced to zero as it is not clear at the moment whether the Group will have taxable profits in the future to offset the tax losses and allowances currently available to it.

Non-current liabilities also consist of a long term bank loan and of long term provision for abandonment costs of the Ettrick and Blackbird fields and two UK exploration wells and three wells in Ireland.

Consolidated Equity

The total shareholders' equity amounted to DKK -150.3MM at the end of 2017 (2016: DKK -82.7MM).

Cash Flow

Net cash provided from operating activities amounted to DKK 30.4MM (2016: DKK 48.4MM).

Capital expenditures in the period were DKK 4.9MM (2016: DKK 38.1MM).

Net cash proceeds from financing activities amounted to DKK -30.4MM (2016: Proceeds of DKK -43.9MM).

Cash and cash equivalents totaled DKK 0.4MM at the end of 2017 (2016: DKK 4.8MM).

Net Cash Position

At the start of 2017, the net cash position, excluding the exploration finance facility, amounted to DKK -62.7MM. At year end 2017 this had increased to a net cash position of DKK -51.2MM (2016: DKK -62.7MM) comprising DKK 0.4MM (2016: DKK 4.8MM) of cash and cash equivalent balances, short term bank loans of DKK 51.7MM (2016: DKK 47.2MM) and a long term bank loan of DKK 0MM (2016: DKK 120.3MM).

Significant Events after the Balance Sheet Date

No significant events have occurred after the end of the financial year and prior to the approval of the financial statement for 2017.

Risk Management

Evident from the preceding pages of this year's report, the challenges seen since 2015 continue to drive the Board's and Management's efforts. This together with the efforts made to reduce costs and operational liabilities including the disposal of assets continue to make other business risk assessment and consideration secondary in nature and again for the sake of good order are described below.

Atlantic Petroleum is typically exposed to a number of different market and operational risks arising from core business activities. The risks can be internal as well as external in nature.

Market risks also include changes in currency exchange rates and interest rates. The changes can affect the value of the assets, liabilities and future cash flows.

Foreign currency

The Group reports in DKK, which means exchange rate exposure related to USD, GBP, NOK and EUR. Operational currency risks relate to oil sales, gas sales and operating costs. On the investment side, the Group is also exposed to fluctuations in USD, GBP, NOK and EUR exchange rates as the Group's most material investments in oil and gas assets are made in these currencies.

Credit risk

Where Atlantic Petroleum has sums deposited in short-term bank accounts in USD, GBP, NOK and DKK there may be a currency and a credit risk attached to such cash balances (bank deposits).

Operational risk

Through its core business Atlantic Petroleum may become exposed to operational risk including the possibility that the Group may experience, among other things, a loss in oil and gas production or an offshore catastrophe. The Company works with and will monitor operators and partners to ensure that HSE and asset integrity are given the highest priority. The Group also has an insurance programme in place to cover the potential impact of any catastrophic events.

Atlantic Petroleum has traditionally operated in the United Kingdom, the Republic of Ireland, and Norway and the political climate in these countries is perceived as being stable.

Insurance

The Group has in place an insurance package covering equipment, subsurface facilities and operation. In addition, and when required, the Group has insurance cover on offshore pollution and third party liability. The insurance package may also includes business interruption coverage, covering a proportion of the cash flow arising from the producing fields. Atlantic Petroleum has in addition an insurance covering office and staff.

The Group is confident that its insurance policies cover the overall insurance requirement of the current business and provides insurance cover for the Group's general and standard risk exposure in relation to property damage, personal injury and liability.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) Policy

Atlantic Petroleum's culture and operating activities are conducted with a high priority for ethical standards. Being a responsible company in all of our operations is an integral part of Atlantic Petroleum and we continue to implement high ethical and practical standards in all our activities.

Atlantic Petroleum is committed to the review and continuous improvement of corporate social responsibility and environment, health and safety performance. To meet these commitments, we will operate in accordance with the following principles:

- Conduct our business activity in compliance with the law.
- Act openly and honestly in business dealings.
- Comply with best practice in our corporate governance.
- Behave responsibly and with sensitivity to local communities in all areas where we operate.
- Provide sustainable benefits and avoid the creation of a dependency culture.
- Integrate CSR and EHS responsibility throughout our activities.
- Recognise that all parties working on Atlantic Petroleum's behalf can impact our operation and reputation and that we all share a common responsibility.
- Ensure, wherever possible, that our partners' approach to CSR is compliant with our own standards.
- Monitor and review our CSR and EHS policies and procedures as appropriate to ensure suitability and effectiveness.
- Use continuous assessment to ensure our CSR activities meet identified performance objectives.

Environment, Health and Safety (EHS) Policy

Atlantic Petroleum's activities are undertaken with integrity, responsibility and respect for the environment and the community in which these activities take place. This entails conducting operations in an ethically and practically sound manner that minimises risks and places high priority on the safety of those involved in Atlantic Petroleum's oil and gas operations.

Atlantic Petroleum is committed to:

- Comply with all applicable Environment, Health and Safety (EHS) laws, regulations and standards and to apply responsible standards where legislation is inadequate or does not exist.
- A systematic framework of hazard identification and risk assessment through which safe operations can be managed.
- Develop effective EHS management systems to identify and manage risks associated with its activities by focusing on risk avoidance and prevention.
- Establish accountability and responsibility for EHS within organisational line management.

- Provide training, equipment and facilities necessary to maintain a safe and healthy worksite.
- Practice pollution prevention and seek viable ways to minimize the environmental impact of operations, reduce waste, conserve resources and respect biodiversity.
- Protect and minimise any harm to the environment in our oil and gas activities, and continuously focus on improving our environmental procedures.
- Monitor and review our CSR and EHS policies and procedures as appropriate to ensure suitability and effectiveness.
- Ensure that partners and contractors' policies and activities are compliant with our own standards, and recognise that all working on our behalf can impact our operation and reputation and that we all share a common responsibility for our safety.

Shareholder Information

Atlantic Petroleum aims to maintain a regular dialogue with the shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, Annual General Meetings and presentations to investors and analysts.

Group Board

Birgir Duurhus, Chairman
Charles Hendry, Deputy Chairman
Yves Paletta – Board Member

Management

Graeme Fawcett, Interim CEO,

At year end 2017 Atlantic Petroleum was listed on NASDAQ OMX Copenhagen (primary), and on Oslo Stock Exchange (secondary). Trading in Atlantic Petroleum shares can be done by contacting:

- Members of NASDAQ OMX Copenhagen
- Members of Oslo Stock Exchange
- A stockbroker or a financial institution

NASDAQ OMX ticker:	ATLA DKK
OSLO:	ATLA NOK
Bloomberg ticker:	ATLA IR
Reuters ticker:	FOATLA.IC

Financial calendar

- Monday 30th April 2018: Annual General Meeting.
- Thursday 31st May, 2018: 1st Quarter 2018 Condensed Consolidated Interim Report to be issued.
- Friday 31st August 2018: 2nd Quarter 2018 Condensed Consolidated Interim Report to be issued.
- Friday 30th November 2018: 3rd Quarter 2018 Condensed Consolidated Interim Report to be issued.

Share Price 2017

P/F Atlantic Petroleum has its main listing on NASDAQ OMX Copenhagen and secondary listing on Oslo Stock Exchange. The year 2017 started with a share price of DKK 11.80. The closing price at year end was DKK 8.00 – a decreaseof 32.2% compared to the beginning of the year

Further information about the Group is available on Atlantic Petroleum's website www.petroleum.fo.

Please address enquiries related to the stock market and investor relations to:

Atlantic Petroleum
Tel.: + 44 208 879 0524
E-mail: petroleum@petroleum.fo

Auditors

The consolidated accounts for 2017 have been audited by JANUAR State Authorised Public Accountants P/F. The financial statements of the subsidiary companies for the year ended 31st December 2017, Atlantic Petroleum UK and Atlantic Petroleum North Sea were audited by Ernst & Young in Aberdeen and Atlantic Petroleum (Ireland), for the year ended 31st December 2017, were audited by KPMG in Dublin. Atlantic Petroleum Norge AS was audited by Ernst & Young Norway.

Results and Dividends

The Group's result after taxation for the year amounted to a loss of DKK 67.7MM (2016: Loss of DKK 8.1MM). Payment of a dividend is not proposed.

Shareholders Capital and Vote

The issued share capital in Atlantic Petroleum is DKK 3,697,860 consisting of 3,697,860 fully paid shares, each with a nominal value of DKK 1.

Each share holds one vote and all shares have the same rights. For more details, please refer to the articles of associations of the Parent Company which can be found on the Company's website www.petroleum.fo.

Dematerialisation of paper shares

In October 2005, Atlantic Petroleum commenced dematerialisation of paper shares. All shares issued before 2004 (paper shares) have been called in for electronic registration. As at 31st December 2017, there were paper shares in issue with the nominal value of DKK 6,665 The process to convert the shares into electronic registration will continue in 2018.

Distribution of Share capital

By year end 2017 Atlantic Petroleum had around 7,400 shareholders representing more than 30 countries. The majority of the share capital was represented by Danish and Faroese investors.

Substantial Shareholders

At 31st December 2017, the following shareholders are listed according to §28 b in the Companies Act:

TF Holding Group:

- P/F Eik Banki & P/F TF Íløgur

The listed shareholder above holds interests in excess of 5% of the issued ordinary share capital of the Parent Company.

Director Profiles

Birger Durhuus

Chairman of the Board of P/F Atlantic Petroleum

Birgir Durhuus is currently CEO at MOMA Advisors A/S in Copenhagen. He is a proven business developer and investment advisor with experience on both sell-side and buy-side. Having spent his early years as a fixed income and derivatives analyst, the past ten years have been mainly focused on alternative investments. Birgir was the Chairman of the Board for Atlantic Petroleum from 2009 to 2015.

Charles Hendry

Deputy Chairman of P/F Atlantic Petroleum

Charles Hendry was UK Minister of State for Energy from May 2010 until September 2012. Since leaving ministerial office he has undertaken a wide range of roles, including as President of the British Institute of Energy Economics, chair of the Forewind Consortium from 2013-2015, and in 2016 he was appointed by the UK Government to lead a review into the strategic case for tidal lagoons and their role in the UK energy mix. Charles Hendry was nominated for the Atlantic Petroleum Board by London Oil and Gas.

Yves Paletta

Board Member of P/F Atlantic Petroleum

Yves Paletta is a senior executive with a 25-year track record managing businesses in leading global organizations. He is experienced in building businesses and turning around difficult situations across international markets. From 2014 to 2017, Mr. Paletta was the President & Chief Executive Officer of Logstor Group, based in Copenhagen, Denmark. During his tenure, he restructured the Municipal District Energy business and established the company as an important Oil Field Service provider to pipeline owners.

As a matter of Corporate Governance the independence of the Directors is evaluated yearly.

All of the Board members are independent of the Company.

Board Meetings

In 2017, the Board of P/F Atlantic Petroleum held 5 board meetings, including tele meetings.

Management Profiles

Graeme Fawcett

Interim CEO of the Atlantic Petroleum Group

Graeme brings significant expertise and know-how to the Company having worked in the oil and gas industry for over 35 years. Over this time, he has worked throughout the world with major operators, as well as leading EPCI Contractors, gaining wide expertise in a range of commercial, technical and legal activities, both on onshore and offshore oil and gas developments, including the creation, execution and completion of project and investment strategies. He holds Mechanical Engineering and Legal qualifications.

Directors' Interests and Remuneration

Beneficial interests of the Board of Directors holding office at the year-end, related parties and indirect holdings of the Group are set out below:

There are no Board of Director beneficial interest of holding during the period.

The Board of Directors do not receive any share related compensation from the Group.

CEO's Interests and Remuneration

Beneficial interests of the CEO holding office at the year-end, related parties and indirect holdings of the Group are set out below:

There has been no Interim CEO beneficial interest or holding during the period

Stock Exchange Announcements 2017

Please refer to www.petroleum.fo where the announcements to the stock exchanges can be read in full.

CORPORATE GOVERNANCE REPORT

As a Faroese registered company listed on NASDAQ OMX Copenhagen, and on Oslo Stock Exchange, Atlantic Petroleum is obliged to comply with Faroese, Danish, and Norwegian securities law and stock exchange rules. The stock exchange rules require listed companies to take a position on corporate governance recommendations on a "comply or explain" basis. As a dual listed company, Atlantic Petroleum has chosen to base the corporate governance policy on the highest standard and thus follows both the recommendations on

NASDAQ OMX Copenhagen, and Oslo Stock Exchange, with the exemptions summarised below: Atlantic Petroleum has reviewed and implemented recent changes and recommendations on Corporate Governance.

A summary of Atlantic Petroleum's non-compliance procedure and recommendations are stated below. Further information is available on the Company's website, www.petroleum.fo

Openness and Transparency

Information and publication of information:

Because of the Group's international operations, all information is published in English and, where required, Faroese.

Retirement Age

The Supervisory Board has not found it necessary to lay down a retirement age for the Supervisory Board members. The annual report contains information about the age of the Supervisory Board members.

Election Period

The members of the Supervisory Board are elected for 1 year at a time. Re-election is allowed. For the time being there is no limit of how often Board members can be re-elected.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD:

Whilst the undernoted Group remuneration policies remain, they were in effect **suspended** throughout 2017 given the market conditions, the challenges facing the Group and the downsizing activities undertaken. The key actions on remuneration in 2017 were, where-ever possible, to freeze management and staff salaries and board fees, make no bonus award nor make any LTIP awards for 2017.

Remuneration Policy

Remuneration to the members of the Supervisory Board and the Executive Board is on the same level as comparable companies in order to attract, retain and motivate the members of the Supervisory Board.

Remuneration Policy for Senior Executives of Atlantic Petroleum

Overall Aim

The aim of Atlantic Petroleum's (the "Company") Remuneration Policy for senior executives is to provide a reward framework which ensures that key executives are appropriately attracted, retained and motivated and which is fit for purpose in the markets in which the Company operates and where it and its peer groups are listed.

Remuneration Strategy

The Company's remuneration strategy is to provide a competitive remuneration package which rewards Directors and employees fairly and responsibly for their contributions and aims to deliver superior remuneration for superior performance.

The total reward package will consist of elements such as Salary, Annual Performance Bonuses, Long Term Incentives and Pension Contributions and Other Benefits.

The guiding principles behind the setting and implementation of this policy are that:

Balanced

There should be an appropriate balance between fixed and performance-related elements and the provision of equity over the longer-term and which focuses executives on delivering the business strategy;

Competitive

Remuneration packages should be sufficiently competitive taking into account the level of remuneration paid in respect of comparable positions in similar companies within the industry;

Equitable

There should be an appropriate level of gearing in the package to ensure that executives receive an appropriate proportion of the value created for shareholders while taking into account pay and conditions throughout the remainder of the group and where the Company operates and is listed;

Risk-weighted

Remuneration should not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the overall remuneration policy should not encourage inappropriate operational risk; and

Aligned

Executives will be encouraged to build a meaningful holding in the Company to further align their interests with those of shareholders.

The Remuneration Committee will review on an annual basis whether its remuneration policy remains appropriate for the relevant financial year. Factors taken into account by the Remuneration Committee will include:

- overall corporate performance;
- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies.

Base Salary

No salaried staff are employed

Annual Performance Bonus

No bonuses were paid for the 2017 Financial Year.

Long Term Incentive Plans

No Longterm Incentive Plans existed during the 2017 Financial Year

Share Based Payments

No Share Based payments were made during the 2017 Financial Year

Additional Benefits

No additional benefits were applied during the 2017 Financial Year.

Non-Executive Directors Fees

The Non-Executive Director ("NED") fees will be structured as follows:

- A base fee will be paid for carrying out day to day duties as an NED; and
- Additional fees will be provided for extra responsibilities, for example chairing the Audit, Nominations or Remuneration committees.

Fees should be sufficiently competitive taking into account the level of remuneration paid to Non-Executives in similar companies within the industry.

These policies were implemented in 2012.

STATEMENT BY MANAGEMENT ON THE ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

The Management and Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/F Atlantic Petroleum for the financial year 1st January 2017 to 31st December 2017.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU, the financial reporting requirements of NASDAQ OMX in Copenhagen, the financial reporting requirements of the Oslo Stock Exchange and additional Faroese disclosure requirements for annual reports of listed companies.

In our opinion, the accounting policies used are appropriate and the Annual and Consolidated Report and Accounts give a true and fair view of the Group's financial positions at 31st December 2017 as well as the results of the Group's activities and cash flows for the financial year 1st January 2017 to 31st December 2017.

Tórshavn 29th March 2018

Management:

Graeme Fawcett
CEO

Board of Directors:

Birgir Duurhus *Chairman*	Charles Hendry *Deputy Chairman*	Yves Paletta *Board Member*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of P/F Atlantic Petroleum

Our opinion

In our opinion the Annual and Consolidated Financial Statements give a true and fair view of the Parent Company's and the Group's financial position at 31 December 2017 and of the results of the Parent Company's and the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Faroese Financial Business Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Faroese Financial Business Act.

What we have audited

The Consolidated Financial Statements and the Parent Company Financial Statements of Atlantic Petroleum P/F for the financial year 1 January to 31 December 2017 which comprise the income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's) and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements in Denmark and the Faroe Islands. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters are addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Sale of development facilities	
In March 2017, Atlantic Petroleum sold its last remaining production and development asset. Our focus has been on this issue as the consideration payment structure of the transaction is depending on future production volumes from Orlando, as well as carbon hydrate market levels. Accounting for the transaction implies the application of material management assessments and has significant financial	We have assessed the sales agreement, with particular emphasis on assessing the consideration provisions in terms of recognition provisions in IFRS 15. We assessed the management's assumptions in relation whether the recognition criteria of the sales criteria. Further, we tested the management assumption for estimating the sales price, which is dependent estimated oil reservoirs, field development progress and production plans of the purchaser,

consequences for the group in current as well as the coming financial years.	which, combined with future oil price estimates, are the basis for estimates of future payments. We specifically assessed if these assumptions seem to be reasonable, well substantiated and the degree of uncertainty of the above mentioned preconditions with the object of satisfying whether recognition criteria can be considered met, and the sales revenues can be estimated with a reasonable degree of certainty.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Faroese Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Faroese Financial Business Act and for the preparation of Parent Company and Group Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Parent Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in the Faroes Islands, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tórshavn, 28. March 2018

Januar P/F
Iøggilt grannskoðanarvirki
State authorized Public Accountants
Company reg.no. 5821

Heini Thomsen
State Authorised Public Accountant
mne33274

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2017

DKK 1,000	Note	2017	2016
Revenue	3	0	10,224
Costs of sales	4	0	51,556
Gross profit/loss		**0**	**61,780**
Exploration expenses		-5,762	-62,064
Pre-licence exploration cost		-293	-7,847
General and administration cost	6,7,8	-10,025	-26,867
Depreciation PPE and intangible assets	10	-87	-4,767
Other operating cost/income	9	-43,829	0
Operating loss	3	**-59,997**	**-39,765**
Interest income and finance gains	5	0	20,420
Interest expenses and other finance costs		-8,075	-11,120
Loss before taxation		**-68,071**	**-30,465**
Taxation	11	347	42,855
Profit/Loss after taxation		**-67,724**	**12,390**
Earnings per share (DKK):			
Basic	13	-18.31	3.35
Diluted	13	-18.31	3.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

DKK 1,000	**2017**	**2016**
Items that may be recycled in P/L:		
Profit/loss for the period	-67,724	12,390
Exchange rate differences	684	9,507
Total comprehensive Income/loss in the period	**-67,040**	**21,897**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 31st Dec 2017	At 31st Dec 2016
Non-current assets			
Intangible assets	14	0	34
Intangible exploration and evaluation assets	15	0	0
Tangible development and production assets	16	0	62,305
Property plant and equipment	17	159	219
Tax repayable		0	35,566
Deferred tax asset	25	6,094	25,329
		6,253	**123,453**
Current assets			
Trade and other receivables	19	56,468	52,380
Cash and cash equivalents	24	446	4,924
		56,914	**57,304**
Total assets		**63,167**	**180,757**
Current liabilities			
Exploration finance facility	21,24	0	2,196
Short term bank debt	21,24	51,697	47,224
Trade and other payables	20	103,656	122,859
Current tax payable		0	445
		155,353	**172,724**
Non-current liabilities			
Exploration finance facility		0	20.455
Long term bank debt	21	0	20.289
Convertible loan facility		11,936	0
Long term provisions	23	46,123	49,962
Deferred tax liability		87	0
		58,146	**90,706**
Total liabilities		**213,499**	**263,430**
Net assets		**-150,332**	**-82,673**
Equity			
Share capital	26	3,698	3,698
Share based bonus schemes – LTIP		0	619
Translation reserves		101,893	101,209
Retained earnings		-255,923	-188,199
Total equity shareholders´ funds		**-150,332**	**-82,673**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2017

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Futures contracts value	Translation reserves	Retained earnings	Total
At 1st January 2016	**369,786**	**233,444**	**3,174**	**0**	**91,702**	**-800,121**	**-102,017**
Write down shares	-366,088	-233,444				599,532	**0**
LTIP awarded in the period	0	0	-2,556	0	0	0	**-2,556**
Change in translation reserves	0	0	0	0	9,507	0	**9,507**
Result for the period	0	0	0	0	0	12,390	**12,390**
At 1st January 2017	**3,698**	**0**	**619**	**0**	**101,209**	**-188,199**	**-82,673**
LTIP awarded in the period, net	0	0	-619	0	0	0	**-619**
Translation reserves	0	0	0	0	684	0	**684**
Result for the period	0	0	0	0	0	-67,724	**-67.724**
At 31st Dec. 2017	**3,698**	**0**	**0**	**0**	**101,893**	**-255,923**	**-150,332**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2017

DKK 1,000	2017	2016
Operating activities		
Operating loss	-59,997	-39,765
Impairment on exploration and evaluation assets	5,762	61,960
Relinquishment and disposal of licences	-94	104
Depreciation, depletion and amortisation	94	4,767
Impairment on producing licences	61,527	-66,169
Change in inventories	0	7,068
Change in trade and other receivables	-4,088	46,166
Change in trade and other payables	16,363	-10,259
Interest revenue and finance gain received	0	20,420
Interest expenses and other finance cost	-8,075	-11,120
Income taxes	18,877	35,204
Net cash flow provided by operating activities	30,370	48,376
Investing activities		
Capital expenditure	-4,890	-38,106
Net cash used in investing activities	-4,890	-38,106
Financing activities		
Change in short term debt	-2,276	-65,116
Change in long term debt	-32,647	21,244
Net cash flow provided from financing activities	-30,371	-43,872
Change in cash and cash equivalents	-4,891	-33,602
Cash and cash equivalents at the beginning of the period	4,924	42,049
Currency translation differences	413	-3,523
Total cash and cash equivalents at the beginning of the period	5,337	38,526
Cash and cash equivalents at the end of the period	446	4,924

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1 Corporate information

The consolidated financial statements of the Group, which comprise P/F Atlantic Petroleum, as the parent, and all its subsidiaries, for the year ended 31st December 2017 was authorised for issue in accordance with a resolution of the Directors on 28th March 2018.

P/F Atlantic Petroleum is a public limited company incorporated and domiciled in the Faroe Islands and listed on the exchanges on NASDAQ OMX Copenhagen and Oslo Stock Exchange. The principal activities of the Company and its subsidiaries (the Group) are Oil & Gas exploration, appraisal, development and production in the Faroe Islands, United Kingdom, Norway, Netherlands and Ireland. Financial statements for the Group's ultimate parent are presented on the Group's website: www.petroleum.fo.

2.1 Basis of preparation

Accounting Convention

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the Council of the European Union (EU) and the additional Faroese disclosure requirements according to the Faroese Company Accounts Act, the financial reporting requirements of NASDAQ OMX Copenhagen and Oslo Stock Exchange for listed companies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The financial information has been prepared on a historical cost basis and fair value conventions on the basis of the accounting policies set out below. The consolidated financial statements are presented in DKK and all values rounded to the nearest thousand, except where othewise indicated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of P/F Atlantic Petroleum and entities controlled by P/F Atlantic Petroleum (its subsidiaries) made up at the end of each accounting period.

Control is achieved where P/F Atlantic Petroleum has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The interests in the subsidiaries are eliminated with the Parent Company's proportionate ratio of the fair value of the subsidiaries assets, liabilities and provisions measured at the date of acquisition or establishment of the subsidiary.

2.2 Significant accounting judgements, estimates and assumptions

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of the effects of future events on those assets and liabilities at the balance sheet date.

In the opinion of Atlantic Petroleum's management, the following estimates and associated judgements are material for the financial reporting:

• determination of underground oil and gas reserves. The assessment of reserves is a complex process involving various parameters such as analysis of geological data, commercial aspects, etc., each of which is subject to uncertainty. The assessment is material to the determination of the recoverable amount and depreciation profile for oil and gas assets,

• determination of the recoverable amount and depreciation profile for production assets. Determination of the recoverable amount is based on assumptions concerning future earnings, oil prices, interest rate levels, etc., each of which is subject to uncertainty. The depreciation profile has been determined on the basis of the expected use of the production assets, and is consequently subject to the same risks relating to reserves, future earnings, etc., as apply to the determination of the value of the production assets,

• determination of abandonment obligations. Provisions for abandonment obligations are subject to particular uncertainty as far as concerns the determination of the costs associated with removal of the production assets, and the timing of the removal,

• and assessment of contingent liabilities and assets.

The estimates applied are based on assumptions which are sound, in management's opinion, but which, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate and unforeseen events or circumstances may occur. Moreover, the Atlantic Petroleum Group is subject to risks and uncertainties that may cause actual results to differ from these estimates. Special risks for the Atlantic Petroleum Group are described in the section Director's Report under Risk Management.

Assumptions for forward-looking statements and other estimation uncertainties at the balance sheet date that involve a considerable risk of changes that may lead to a material adjustment in the carrying amount of assets or liabilities within the coming financial year are disclosed in the notes.

The Group's intangible exploration and evaluation assets, amounts to DKK 0MM (2016: DKK 0MM) and the Group's development and production assets amounts to DKK 0MM at 31st December 2017 (2016: DKK 62.3MM). The Group's abandonment obligations as of 31st December 2017 amounts to DKK 137.6MM (2016: DKK 144.6MM).

2.3 Summary of significant accounting policies

Interest in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination. Transactions involving the purchases of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involved the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific exploration and evaluation asset or development and production asset disposed of and any surplus is recorded as a gain on disposal in the income statement.

Investments in joint ventures are recognised by proportionate consolidation at the share of the jointly controlled assets and liabilities, classified by nature, and the share of revenue from the sale of the joint product, along with the share of the expenses incurred by the jointly controlled operation. Liabilities and expenses incurred in respect of the jointly controlled operation are also recognised.

Translation of Foreign Currencies

For each individual entity, which is recognised in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency, at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date receivables, payables and other monetary items in foreign currency are translated to the functional currency using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognised in the income statement under financial revenues and expenses.

On consolidation the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at exchange rates at the dates of the transactions.

All resulting exchange differences are recognised directly in equity as a separate component of equity.

For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

Income Statement

Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, excise duties and similar levies. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Sale of hydrocarbons is recognised when transfer of risk to the buyer has taken place. Sale of hydrocarbons is measured at fair value and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Cost of Sales

Cost of sales comprises cost directly related to the operation of oilfields, cost of goods sold, depreciations, lease payments and other costs related to the operation of producing oil fields. Rentals payable for assets under operating leases are charged to the income statement on a straight-line basis over the lease term. Impairment of development and production assets is also recognised here.

Pre-licence Exploration Cost

Pre-licence exploration expenses comprise cost incurred prior to having obtained the legal rights to explore an area and other general exploration costs which are not specifically directed to a licence and economic use is of less than a year.

Exploration Expenses

Exploration expenses comprise the cost of the impairment of exploration and evaluation assets and relinquishment cost.

General and Administration Cost

Administrative expenses comprise employment costs to the management and administration, staff, depreciations and other costs related to the general administration of the Group.

Financial Income and Expenses

Financial income and expenses comprise interests, currency differences, dividend income from investments and amortisation of financial assets and liabilities.

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off corporation tax assets against corporation tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Statement of Financial Position

Intangible Assets

Intangible Assets
Items of intangible assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement under General and Administration costs item on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Office equipment	3 – 10 years

The residual value is reassessed annually.

Exploration and Evaluation Assets
The Group applies the successful efforts method of accounting for Exploration and Evaluation (E&E) costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

Under the successful efforts method of accounting all licence acquisition, exploration and appraisal costs are initially capitalised at cost in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure, incurred during the various exploration and appraisal phases, is then written off unless commercial reserves have been established or the determination process has not been completed.

The amounts capitalised include payments to acquire the legal right to explore, licence fees, cost of technical services and studies, seismic acquisition, exploratory drilling and testing and other directly attributable cost.

Finance costs that are directly attributable to E&E assets are capitalised in accordance with IAS 23. In the Parent Company these costs are expensed to the Income Statement.

Cost incurred prior to having obtained the legal rights to explore an area (pre-licence cost) are expensed directly to the income statement under Pre-licence exploration cost as they have incurred.

E&E assets are not amortised prior to the conclusion of appraisal activities.

Intangible E&E assets related to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined subject to certain limitations including review for indications of impairment. Every year or if there otherwise are indications of impairment the assets will be tested for impairment. Where, in the opinion of the Directors, there is impairment, E&E assets are written down accordingly, through the Income Statement under Exploration Expenses.

If commercial reserves have been discovered and a field development plan has been approved by the authorities, the carrying value of the relevant E&E asset is reclassified as a tangible asset, development and production asset. Before the reclassification the asset will be tested for indications of impairment. If however, commercial reserves have not been found, the capitalised cost are charged to the profit and loss account under Exploration Expenses after conclusion of appraisal activities.

Tangible Assets

Development and Production Assets
Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E

expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in the accounting policy for E&E assets above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning. In the Parent Company finance costs are expensed to the profit and loss account.

The net book values of producing assets are depreciated generally on a field-by-field basis using the unit-of-production (UOP) method by reference to the ratio of production in the period and the related commercial reserves of the field.

An impairment test is performed once a year or whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows, derived from expected production of commercial reserves.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement under the relevant item. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash flows of each field are interdependent. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The depreciation and impairment are charged to the Income Statement under Cost of sales.

Decommissioning

Provision for decommissioning is recognised in full when the liability occurs. The amount recognised is the present value of the estimated future expenditure. A corresponding tangible fixed asset is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement under General and Administration costs item on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Operating assets and office equipment 3 – 10 years

The residual value is reassessed annually.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and Other Receivables

Trade and other receivables are recognised at amortised costs and are reduced by appropriate allowances for estimated irrecoverable amounts.

Bank Deposits (Cash and Cash-Equivalents)
Cash and cash equivalent includes cash in hand and deposits held at call with banks with maturity dates of less than three months.

Equity, Translation Reserve
The translation reserve comprises foreign exchange rate adjustments arising on translation of the financial statements of foreign entities with a functional currency that is different from the presentation currency (DKK) of Atlantic Petroleum Group.

Bank Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other Payables
Other payables are stated at their nominal value.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Included in the item Provisions is provision for decommissioning costs.

Segment Reporting
In the opinion of the directors the operations of the Group comprise one class of business, the production and sale of hydrocarbons. Its primary segment reporting will be by geographical region.

Cash Flow Statement
The cash flow statement is prepared according to the indirect method and presents cash flow from operations, investments and financing activities.

Cash Flow from Operating Activities
Cash flows from operating activities are presented using the indirect method, whereby the net profit or loss for the period is adjusted for the effects of non-cash transactions, accruals, tax-payments and items of income or expense associated with investing or financing cash flows.

Cash Flow from Investment Activities
Cash flows from investment activities comprises cash flows in conjunction with buying and selling entities and activities, buying and selling intangible, tangible and other non-current assets and buying and selling securities which are not recognised as cash and cash equivalents.

Cash Flow from Financing Activities
Cash flows from financing activities comprise the raising of new share capital and loans, amortisation on loans and payment of dividends.

3 Geographical segmental analysis

DKK 1,000	2017	2016
Revenues by origin:		
United Kingdom	0	10,224
	0	10,224
Operating loss/profit by origin:		
Faroe Islands	-6,626	-2,851
United Kingdom	-49,890	28,515
Norway	650	-59,466
Other	-4,131	-6,963
	-59,997	-39,765

4 Cost of sales

DKK 1,000	2017	2016
Operating costs	0	7,545
Produced oil in inventory at market value	0	7,068
Amortisation and depreciation, PPE:		
Oil and gas properties	0	62,119
Impairment	0	-66,169
	0	**-51,556**

5 Interest income & expense and finance gain & cost

DKK 1,000	2017	2016
Interest income and finance gain:		
Short term deposits	0	471
Unwinding of discount on decommissioning provision	0	727
Exchange differences	0	19,222
	0	**20,420**
Interest expense and other finance cost:		
Bank loan and overdrafts	3,346	10,987
Creditors	1	43
Unwinding of discount on decommissioning provision	1,627	0
Others	252	90
Exchange differences	2,849	0
	8,075	**11,120**

6 Auditors' remuneration

DKK 1,000	**2017**	**2016**
Audit services:		
Statutory and Group audit, parent company auditor	320	140
Review of interim Financial Statements	0	217
Audit subsidiaries	550	674
	870	**1,031**
Tax services:		
Consulting and advisory services	103	101
	103	**101**

7 Employee cost

DKK 1,000	**2017**	**2016**
Staff costs, including executive directors:		
Wages and salaries		
Board of directors	**767**	**1,067**
Managing Director – CEO***	**1,764**	**1,930**
Administration, technical staff and other emplyees	**0**	31,624
	2,473	**23,594**
Share based payment – LTIP accounting charge****:		
Managing Director – CEO	**-619**	**-674**
Administration, technical staff and other employees	**0**	**-1,795**
	-619	**-2,469**
Pension costs:		
Managing Director – CEO	**54**	**54**
Administration, technical staff and other employees		**423**
	54	**477**
Social security costs	**126**	**2,957**
Other staff costs	**0**	**999**
	126	**3,956**
Total employee costs	**2,653**	**25,558**

	2017	**2016**
Average number of employees during the year:		
Technical and operations	**0**	**9**
Management and administration	**1**	**5**
	1	**14**

Following the completion of the sale of Atlantic Petroleum Norway's activties to M Vest Energy, there remains one full time employee of Atlantic Petroleum.

* The Board of Directors' remuneration by person and the CEO's remuneration is disclosed in the Director's Report - Directors' Interests and Remuneration.

** Staff numbers include Managers.

*** The notice of termination for the CEO is one year.

**** See also note Share based payments below.

8 Share based payments

	At 31st December 2017		At 31st December 2016	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
1st January	18,526	118.79	45,545	118.79
Lapsed during the period	0	118.79	-2,469	118.79
Expired during the period	-18,526	118.79	-24,550	118.79
Outstanding at end of period	**0**	**0**	**18,526**	**118,79**

9 Other operating cost/income

DKK 1,000	**2017**	**2016**
Other operating loss, sale of Orlando	**-45,182**	0
Other operating income related to sales of licences	**94**	0
Other operating income relaed to sales of activity	**1,259**	0
	-43,829	0

The regogniced loss regarding the sale of Orlando is due to uncertainty in flow rates and volumes from the production on the Orlando field. Decipher have indicated that Orlando is on schedule.

Orlando is expected to commence production in 4th quarter 2018, and Atlantic Petroleum will receive a 2% revenue share from production until the field has produced 5MM barrels gross and a 4.35% revenue share after that. According to the most recent Competent Persons Summary Report announced by Atlantic Petroleum Orlando is expected to contain between 8.5MM and 15.3MM barrels of oil. The initial production rate is expected to be in excess of 10,000 barrels per day

10 Depreciation

DKK 1,000	**2017**	**2016**
Depreciations included in general and administration costs	**87**	**4,767**
	87	**4,767**

11 Tax

DKK 1,000	**2017**	**2016**
Current tax :		
Tax repayable/(payable) in UK	435	0
Tax repayable in Norway	0	35,204
Total current tax	**435**	**35,204**
Deferred tax:		
Deferred tax cost in UK	-88	0
Deferred tax income/cost in Norway	0	7,651
Total deferred tax	**-88**	**7,651**
Tax credit/tax on loss/profit on ordinary activities	**347**	**42,855**

12 Dividend

No dividend is proposed. (2016: DKK Nil)

13 Earnings per share

The calculation of basic earnings per share is based on the profit after tax and on the weighted average number of Ordinary Shares in issue during the year.

Basic and diluted earnings per share are calculated as follows:

DKK 1,000	Profit/loss after tax		Weighted average number of shares		Earnings per share	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Basic	-67,724	12,390	3,697,863	3,697,863	-18.31	3.35
Diluted	-67,724	12,390	3,697,863	3,697,863	-18.31	3.35

14 Intangible assets

DKK 1,000	**2017**	**2016**
Costs		
At 1st January	6,738	39,866
Exchange movements	-240	-277
Additions/Adjustments	5,762	-32,851
At end of period	**12,260**	**6,738**
Amortisation and depreciation		
At 1st January	6,704	30,381
Exchange movements	-202	-1,094

Charge this period	5,758	-22,583
At end of period	**12,260**	**6,704**
Net book value at end of period	**0**	**34**

15 Oil and gas – Intangible exploration and evaluation assets

DKK 1,000	**2017**	**2016**
Costs		
At 1st January	0	27,042
Exchange movements	0	-2,684
Additions	0	37,582
Disposal/relinquishment of licences	0	-104
Explorations expenditures written off/sold	0	-61,836
At end of period	**0**	**0**

The amounts for intangible E&E assets represent the active exploration projects. These amounts will be written off to the income statement as exploration expense unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain.

16 Oil and gas – Tangible development and production assets

DKK 1,000	2017	2016
Costs		
At 1st January	1,098,455	1,559,809
Exchange movements	-35,901	-216,025
Disposal/Additions	-276,508	-245,329
At end of period	**786,046**	**1,098,455**
Amortisation and depreciation		
At 1st January	1,036,150	1,489,026
Exchange movements	-31,354	-194,012
Depreciation, charge	0	-184,389
Impairment, charge	-218,751	-74,475
At end of period	**786,046**	**1,036,150**
Net book value at end of period	**0**	**62,305**

Depreciation and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus production in the period, on a field-by-field basis. Proved and probable reserve estimates are based on a number of techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

17 Property, plant and equipment assets

DKK 1,000	2017	2016
Costs		
At 1st January	2,736	4,738
Exchange movements	-63	-222
Additions	0	-1,780
At end of period	**2,673**	**2,736**
Amortisation and depreciation		
At 1st January	2,517	3,746
Exchange movements	-56	-235
Charge this period	53	-994
At end of period	**2,514**	**2,517**
Net book value at end of period	**159**	**219**

18 Investments and associates

Principal subsidiary undertakings of the Parent Company, all of which are 100 per cent owned, are as follow:

Name of Company	Business and area of operation	Country of incorporation or registration
Atlantic Petroleum Norge AS	Exploration, development and production, Norway	Norway
Atlantic Petroleum UK Limited	Exploration, development and production, UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production, Ireland	Republic of Ireland
Atlantic Petroleum North Sea Limited*	Exploration, development and production, UK	England and Wales
Volantis Netherlands B.V.*	Exploration, development and production, Netherlands	Netherlands

* Held through subsidiary undertaking.

Volantis Netherlands B.V. was liquidated in 2016

19 Trade and other receivables

DKK 1,000	**2017**	2016
Trade receivables	17,421	11,766
Prepayments and accrued income	369	382
Other taxes and VAT receivable	284	462
Other receivables	38,393	39,770
Net assets	56,468	52,380

All trade and other receivables are due within one year except for the Ettrick and Blackbird Trust funds DKK 38.4MM in prepayments. The carrying values of the trade and other receivables are equal to their fair value as at the balance sheet date.

20 Trade and other payables

DKK 1,000	**2017**	2016
Trade payables*	101,791	117,031
Accrued expenses	468	345
Other payables	1,397	5,483
	103,656	122,859

* Trade payables consist partly (DKK91,490) of a demand for funds to be placed in Trust Accounts for the abandonment of Ettrick and Blackbird.
All trade and other payables are due within one year.
The carrying values of the trade and other payables are equal to their fair value as at the balance sheet date.
The London Oil and Gas loan agreement completed in March 2017, and draw downs will be shown on the balance sheet as a separate item.

21 Cash, short and long term debt

DKK 1,000	**2017**	2016
Cash:		
Cash at bank and in hand	446	4,924
Total cash	446	4,924
Short term bank loans	51,697	49,421
Total short term borrowings	51,697	49,421
Long term bank loans	0	20,289
Total long term borrowings	0	20,289

The borrowings are repayable as follows:

DKK 1,000	**2017**	**2016**
Bank loans analysed by maturity		
Within one year	51,697	49,421
In one to five years	0	20,289
	51,697	69,689

At year end 2017 the total short- and long-term loans amounted to DKK 51.7MM (2016: DKK 69.7MM).

22 Obligations under leases

There are no remaining production installation leases that Atlantic Petroleum is a party to.

23 Provisions for long-term liabilities and charges

DKK 1,000	**2017**	2016
Decommissioning costs:		
At 1st January	49,962	118,551
Exchange movements	-1,403	-15,786
Addition of future decommissioning costs during the year	-2,436	-52,804
At 31st December	46,123	49,962
Total provision	46,123	49,962

The decommissioning provision represents the present value of decommissioning costs relating to the oil and gas interests, which are expected to be incurred between 2018 and 2031. These provisions have been created based on operators' estimates. Based on the current economic environment, assumptions have been made which the management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

24 Financial instruments

The Group's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates. The Group use derivative financial instruments to hedge certain of these risk exposures.

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Group as at 31st December was:

DKK 1,000	**Fixed rate**	**Floating rate**	**Total**
2017	**DKK**	**DKK**	**DKK**
DKK		51,697	51,697
Total		**51,697**	**51,697**
2016			
DKK		67,542	67,542
NOK		22,622	22,622
Total		**90,164**	**130,197**

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR exposing the Group to a cash flow interest rate risk.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group as at 31st December was:

DKK 1,000	Fixed rate	Floating rate	Total
2017	**DKK**	**DKK**	**DKK**
Held in DKK		405	405
Held in GBP		29	29
Held in USD		4	4
Held in EUR		1	1
Held in NOK		6	6
Total		**446**	**446**
2016			
Held in DKK		214	214
Held in GBP		72	72
Held in USD		3	3
Held in EUR		11	11
Held in NOK		4,625	4,625
Total		**4,924**	**4,924**

The floating rate cash and short-term deposits consists of cash held in interest-bearing current accounts by reference to DKK CIBOR.

The fair values of the financial assets and financial liabilities are:

DKK 1,000	**2017 Carrying amount DKK**	**2017 Estimated fair value DKK**	2016 Carrying amount DKK	2016 Estimated fair value DKK
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short-term deposits	446	446	4,924	4,924
Bank loans and credit facility	-51,697	-51,697	-49,420	-49,420
Long-term bank loan	0	0	-20,289	-20,289

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are indicative and will not necessarily be realised. Non-interest bearing financial instruments, accounts receivable from customers, and accounts payable are recorded materially at fair value reflecting their short-term maturity and are not shown in the above table.

Currency risk

No currency exposures were hedged during the year and thus there is a currency risk.
Please see risk management section for currency risk exposures.

25 Deferred tax

DKK 1,000	**2017**	2016
Deferred tax assets	6,094	25,329
	6,094	25,329

The Group has DKK128.6MM of tax credits and allowances in its UK companies however in the absence of certainty over the availability of future taxable profits the value of these has been discounted to zero.

The deferred tax asset relates mainly to the carried forward tax losses that will be realized on the closure of the Norway activities .

26 Share capital

DKK 1,000	2017	2016
Balance at 1st January	3,698	369,786
Shares issued		-366,088
Balance at 31st December	3,698	3,698

Ordinary Shares

DKK 1,000	2017 1 DKK shares	2017	2016 1 DKK shares	2016
Ordinary shares				
Authorised	8,626,703	862,670	8,626,703	862,670
Called up, issued and fully paid	3,697,860	3,698	3,697,860	3,698

27 Analysis of changes in net debt/cash

DKK 1,000	2017	2016
a) Reconciliation of net cash flow to movement in net debt/cash:		
Movement in cash and cash equivalents	-4,891	-37,125
Proceeds from long-term loans	28,808	61,276
Proceeds from short-term loans	-2,276	-21,244
Increase/decrease in net cash in the period	**22,054**	**2,907**
Opening net cash	-85,240	-88,148
Closing net cash/debt	-63,186	-85,240
b) Analysis of net cash/debt:		
Cash and cash equivalents	446	4,924
Short-term debt	-51,696	-49,420
Long-term debt	-11,936	-40,744
Total net cash/debt	--63,186	-85,240

28 Capital comittments and guarantees

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 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 guarantees on behalf of Atlantic Petroleum Norge AS to the Norwegian government for liabilities relating to its exploration and appraisal activities.

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 Ettrick 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

P/F 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) 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.

29 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
(ii) Staged payments commencing six months after first production from Orlando of USD 1.8MM, USD 1.8MM, USD 0.925MM and USD 0.925MM made every six months thereafter respectively and
(iii) A proportionate share of royalties payable to the previous owner of the Kells field, Fairfield Energy.

Further to the sale of Pegasus to Third Energy Offshore Limited (TEOL), TEOL are due to make further payments to Atlantic Petroleum UK Limited of up to £9 million if certain events occur.

30 Related party disclosures

Intra-group related party transactions, which are eliminated on consolidation, are not required to be disclosed in accordance with IAS 24.

PARENT COMPANY INCOME STATEMENT

For the year ended 31st December 2017

DKK 1,000	Note	2017	2016
Exploration expenses	2		
Pre-licence exploration cost			
General and administration cost	3,4,5,7,19	-6,342	-6,538
Other income – income from subsidiaries	6	0	3,687
Operating loss		**-6,342**	**-2,851**
Interest income and finance gains	8	0	13
Interest expenses and other finance costs		-1,001	-7,501
Loss before taxation		**-7,343**	**-10,339**
Taxation	9	0	0
Loss after taxation		**-7,343**	**-10,339**
Distribution of profit:			
Retained earnings		-7,343	-10,339
Distribution in total		-7,343	-10,339

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

DKK 1,000	2017	2016
Items that may be recycled in P/L:		
Loss for the period	-7,343	-10,339
Total comprehensive loss in the period	**-7,343**	**-10,339**

PARENT COMPANY FINANCIAL POSITION

31st December 2017

DKK 1,000	Note	At 31st Dec **2017**	At 31st December 2016
Non-current assets			
Intangible assets	12	0	0
Property plant and equipment	13	0	0
Investment in subsidiary	11	51,869	51,869
		51,869	51,869
Current assets			
Trade and other receivables	14	310	374
Receivables from subsidiaries	14	0	11,969
Cash and cash equivalents	16,18	394	212
		704	12,555
Total assets		**52,573**	64,424
Current liabilities			
Short term bank debt	16,18	2,337	47,224
Trade and other payables	15	2,091	6,327
		4,428	53,551
Non-current liabilities			
Long term debt – intercompany		122,497	69,217
Convertible loan facility		11,936	0
Long term bank debt	67,18	0	20,317
		134,433	89,534
Total liabilities		**138,861**	143,085
Net assets		**-86,288**	-78,661
Equity			
Share capital	22	3,698	3,698
Share based bonus schemes – LTIP		0	284
Retained earnings		-89,986	-82,643
Total equity shareholders´ funds		**-86,288**	**-78,661**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2017

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Retained earnings	Total
At 1st January 2016	**369,786**	**233,444**	**958**	**-671,836**	**-67,648**
Write down shares	-366,088	-233,444	0	599,532	**0**
LTIP awarded in the period	0	0	-674	0	**-674**
Result for the period	0	0	0	-10,339	**-10,339**
At 1st January 2017	**3,698**	**0**	**284**	**-82,643**	**-78,661**
LTIP awarded in the period, net	0	0	-284	0	**-284**
Result for the period	0	0	0	-7,343	**-7,343**
At 31st Dec. 2017	**3,698**	**0**	**0**	**-89,986**	**-86,288**

PARENT COMPANY CASH FLOW STATEMENT

For the year ended 31st December 2017

DKK 1,000	**2017**	2016
Operating activities		
Operating loss	-6,342	-2,851
Depreciation, depletion and amortisation	0	190
Change in trade and other receivables	64	-3,030
Change in trade and other payables	-4,236	2,707
Interest revenue and finance gain received	0	13
Interest expenses and other finance cost	-1,001	-7,501
Net cash flow provided by operating activities	**-11,515**	**-10,472**
Investing activities		
Capital expenditure	0	1,528
Net cash used in investing activities	**0**	**1,528**
Financing activities		
Change in short term liabilities	-44,887	7,314
Change in long term debt	-8,381	817
Change in share based payments scheme	-284	-674
Change in intercompany accounts	65,249	1,109
Net cash flow provided from financing activities	**11,697**	**8,566**
Change in cash and cash equivalents	**182**	**-378**
Cash and cash equivalents at the beginning of the period	212	591
Cash and cash equivalents at the end of the period	**394**	**212**

PARENT COMPANY NOTES TO THE ACCOUNTS

1 Corporate information

The financial statements for the Company P/F Atlantic Petroleum for the year ended 31st December 2017, according to the requirement in the Faroese Company Accounts Act, were authorised for issue in accordance with a resolution of the directors on 29th March 2017.

P/F Atlantic Petroleum is a public limited company incorporated and domiciled in the Faroe Islands and listed on the exchanges on NASDAQ OMX Copenhagen and Oslo Stock Exchange. The principal activities of the Company are Oil & Gas exploration, and appraisal in the Faroe Islands.

3 Auditors' remuneration

DKK 1,000	**2017**	2016
Audit services:		
Statutory audit	**320**	140
Review of interim Financial Statements	**0**	217
	320	357

4 Employee cost

DKK 1,000	2017	2016
Staff costs, including executive directors:		
Wages and salaries		
Board of directors	**767**	1,067
Managing Director – CEO*	**1,764**	1,930
Administration, technical staff and other emplyees	**0**	234
	2,531	3,231
Share based payment – LTIP accounting charge***:		
Managing Director – CEO	**-284**	-674
	-284	-674
Pension costs:		
Managing Director – CEO	**54**	53
Administration, technical staff and other employees	**0**	10
	54	63
Social security costs	**127**	138
	127	138
Total employee costs	**2,428**	2,758

	2017	2016
Average number of employees during the year**:		
Management and administration	**1**	1
	1	1

* The Board of Directors' remuneration by person and the CEO's remuneration is disclosed in the Director's Report - Directors' Interests and Remuneration and in Management's Interests and Remuneration.

** Staff numbers include Managers.

*** See also note Share based payments below.

The notice of termination for the CEO is one year.

5 Share based payments

	At 31st December 2017		At 31st December 2016	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
1st January	18,526	118.79	45,545	118.79
Lapsed during the period	0	118.79	-2,469	118.79
Expired during the period	-18,526	118.79	-24,550	118.79
Outstanding at end of period	**0**	**0**	18,526	118,79

6 Other operating income

DKK 1,000	**2017**	2016
Service rendering to subsidiaries	**0**	3,687
Total	**0**	3,687

7 Depreciation

DKK 1,000	**2017**	2016
Depreciations included in general and administration costs	**0**	190
	0	190

8 Interest revenue and expenses & finance gain and cost

DKK 1,000	**2017**	2016
Interest revenue and finance gains:		
Short-term deposits	**0**	13
	0	13

DKK 1,000	**2017**	2016
Interest revenue and finance gains:		
Bank loan and overdrafts	865	7,472
Others	32	29
Exchange differences	104	0
	1,001	7,501

10 Dividend

No interim dividend is proposed. (2017: DKK Nil)

11 Investment in subsidiaries

DKK 1,000	2017	2016
Cost and net book value:		
At 1st January	51,869	51,869
At 31st December	**51,869**	51,869

Principal subsidiary undertakings of the Parent Company, all of which are 100 per cent owned, are as follow:

Name of Company	Business and area of operation	Country of incorporation or registration
Atlantic Petroleum Norge AS	Exploration, development and production, Norway	Norway
Atlantic Petroleum UK Limited	Exploration, development and production, UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production, Ireland	Republic of Ireland
Atlantic Petroleum North Sea Limited*	Exploration, development and production, UK	England and Wales
Volantis Netherlands B.V.*	Exploration, development and production, Netherlands	Netherlands

* Held through subsidiary undertaking.

In connection with the debt facility, P/F Atlantic Petroleum has pledged as security to the lenders the shares in the wholly owned subsidiary Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

Volantis Netherlands B.V. was delisted in 2017.

12 Intangible assets

DKK 1,000	2017	2016
Costs		
At 1st January	1,467	1,467
At end of period	**1,467**	**1,467**
Amortisation and depreciation		
At 1st January	-1,467	-1,291
Charge this period	0	-177
At end of period	**-1,467**	**-1,467**
Net book value at end of period	**0**	**0**

13 Property, plant and equipment

DKK 1,000	2017	2016
Costs		
At 1st January	850	850
At end of period	**850**	**850**
Amortisation and depreciation		
At 1st January	-850	-837
Charge this period	0	-13
At end of period	**-850**	**-850**
Net book value at end of period	**0**	**0**

14 Trade and other receivables

	2017	2016
Trade receivables	229	319
Other taxes and VAT receivable	81	55
Receivables from subsidiaries	0	11,969
	310	12,343

All trade and other receivables are 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.

The amount due from subsidiary undertakings relates to balances, which bears no interest and are payable upon request. In connection with the Company´s debt facility, P/F Atlantic Petroleum has pledged as securitythe intra-company receivables from Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

15 Trade and other payables

DKK 1,000	2017	2016
Trade payables	1,678	1,820
Accrued expenses	220	220
Other payables	193	4,287
	2,091	6,327

All trade and other payables are due within one year.
The carrying values of the trade and other payables are equal to their fair value as at the balance sheet date.

16 Cash, short and long-term debt

DKK 1,000	**2017**	2016
Cash:		
Cash at bank and in hand	394	212
Total cash	394	212
Short term bank loans	2,337	47,224
Other short term loans		
Total short term borrowings	2,337	47,224
Long term bank loans	0	20,317
Other long term loans	11,936	0
Total long term borrowings	11,936	20,317

The borrowings are repayable as follows:

DKK 1,000	**2017**	2016
Bank loans analysed by maturity		
Within one year	2,337	47,224
In one to five years	0	20,317
More than five years	11,936	0
	14,273	67,541

18 Financial instruments

The Group's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates. The Group use derivative financial instruments to hedge certain of these risk exposures.

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Group as at 31st December was:

DKK 1,000	Fixed rate	Floating rate	Total
2017	**DKK**	**DKK**	**DKK**
DKK	0	14,273	14,273
Total	0	**14,273**	**14,273**
2016			
DKK	0	67,541	67,541
Total	**0**	**67,541**	**67,541**

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR exposing the Group to a cash flow interest rate risk.

A 1 per cent point change per annum in the interest would have a hypothetic effect of DKK 0,1MM (2016: DKK 0,7MM) on the result and equity.

Interest rate risk profile of financial assets
The interest rate profile of the financial assets of the group as at 31st December was:

DKK 1,000	Fixed rate	Floating rate	Total
2017	**DKK**	**DKK**	**DKK**
Held in DKK	0	394	394
Total	**0**	**394**	**394**
2016			
Held in DKK	0	212	212
Total	**0**	**212**	**212**

The floating rate cash and short-term deposits consists of cash held in interest-bearing current accounts by reference to DKK CIBOR.

The fair values of the financial assets and financial liabilities are:

DKK 1,000	**2017 Carrying amount DKK**	**2017 Estimated fair value DKK**	2016 Carrying amount DKK	2016 Estimated fair value DKK
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short-term deposits	394	394	212	212
Bank loans and credit facility	2,337	2,337	47,224	47,224
Long-term bank loan	0	0	20,317	20,317

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methodologies. Values recorded are indicative and will not necessarily be realised. Non-interest bearing financial instruments, accounts receivable from customers, and accounts payable are recorded materially at fair value reflecting their short-term maturity and are not shown in the above table.

Currency risk
No currency exposures were hedged during the year and thus there is a currency risk.
Please see risk management section for currency risk exposures.

Glossary

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.
BCF	Billions of cubic feet
Bn	Billion
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
DECC	UK Department of Energy & Climate Change
DKK Danish kroner.	The currency used in the Kingdom of Denmark
EBIT	Earnings before Interest and Taxes (Operating Profit)
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
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 offshore oil and gas industry for the processing of hydrocarbons and for storage of oil.
Gross Margin	% (Gross profit or loss/Sales)
Lead	Areas thought to contain hydrocarbons.
Ltd	A limited liability company
MM	Million
Monte Carlo	The Monte Carlo method approximate solutions to quantitative problems by employing statistical sampling that calculates a representative range of resulting values. Monte Carlo simulation results are pre-determined by the possible values of the underlying input variables, which can encompass multiply source of uncertainties.
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface.
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

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