



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

# CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 6 MONTHS ENDED 30<sup>th</sup> JUNE 2015

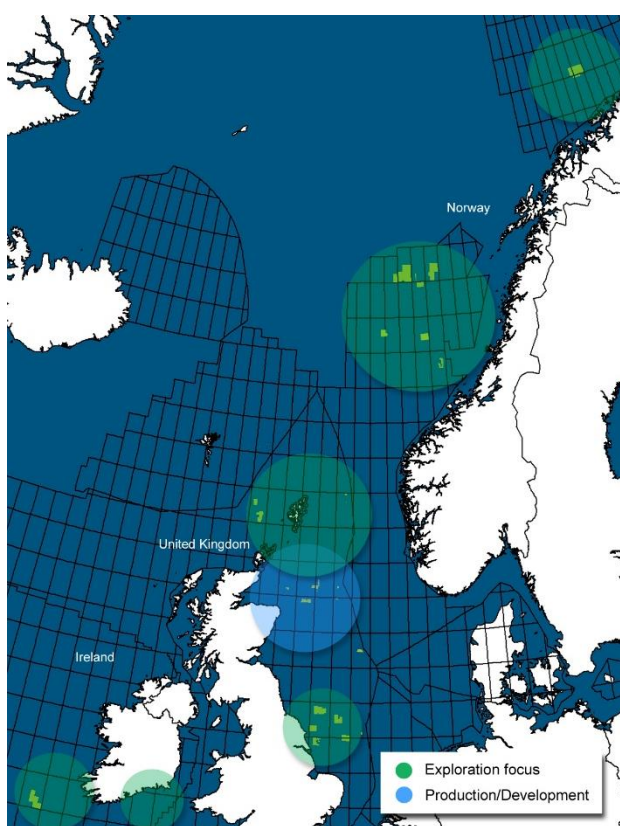
## OPERATIONS IN PROLIFIC AREAS

# NORTH WEST EUROPE

## FOCUSED

Atlantic Petroleum is a full cycle E&P company. Our portfolio of assets spans the full-cycle E&P value chain of exploration, appraisal, and development through to production and is located in some of the world's most prolific hydrocarbon basins. Our main focus is on offshore North West Europe where we can provide steady growth from the existing asset base and be prepared to acquire new assets.

### OUR PORTFOLIO



**A total of 34 oil & gas licences at report which will deliver organic growth for the company portfolio.**

#### UK

3 licences in UK Central North Sea with fields in production. 21 exploration, appraisal & development licences in the UK sector of the North Sea, Central North Sea, Southern North Sea & West of Shetland. One UK field has been sanctioned for development, and two are near development

#### NORWAY

8 exploration & appraisal licences in Norwegian Sea, the Barents Sea and the Norwegian sector of North Sea. Potential to increase significantly through licensing rounds and deals.

#### IRELAND

2 exploration & appraisal licences

More information on our licences and projects on [WWW.PETROLEUM.FO](http://WWW.PETROLEUM.FO)

**Steady organic growth from development of existing asset base**

Cash flow from producing assets and expl. facility fund exploration activities  
Low risk profile  
Attractive asset base with exploration opportunities

**Growth by farm-ins and acquisitions**

Access through broad industrial network  
Ability to quickly screen and evaluate opportunities  
Proven ability to close farm-in deals  
Proven ability to successfully acquire and integrate companies

**Strong partnerships**

Partnerships with over 30 reputable international oil companies  
Diversification and risk sharing  
Sharing of geological and operational knowledge

**Strong team of professionals**

Efficient organisation with proven track record  
Core in-house technical and commercial skills  
Network of qualified external advisers and technical consultants

SECURING THE LONG TERM SUCCESS

# HIGHLIGHTS & OUTLOOK

## Production, Gross Profit, EBITDAX increased from 1Q 2015 to 2Q 2015. Gross Profit and EBITDAX back in black.

Production for 2Q was 134,200 boe (1Q 2015: 106,000 boe) corresponding to an average of 1,475 boepd net (1Q 2015: 1,178 net) which results in an average of 1,327 boepd net for the first six months.

EBITDAX for 2Q was positive with DKK 7.7MM and contributed to reduce the total negative EBITDAX down to negative DKK 20.5MM for the first half of the year.

Gross profit also went from negative in 1Q 2015 to positive in 2Q 2015. Gross profit in 2Q 2015 was DKK 9.7MM (DKK -14.1MM in 1Q 2015).

Revenue for 2Q 2015 was DKK 76.5MM and this was impacted by the lower than expected production and lower oil price. Net loss for 2Q 2015 was DKK 15.4MM. Cash and cash equivalents at end of 2Q 2015 was DKK 15.2MM and net assets/shareholders equity DKK 450.4MM. Bank debt excluding exploration finance facility was DKK 68.5MM the debt includes an overdraft of DKK 10MM which has been repaid in 3Q.

G&A costs have been reduced and are DKK 9.1MM in 2Q 2015 (DKK 12.1 in 1Q 2015).

The Pegasus West transaction with Third Energy Offshore Limited for the sale of Atlantic Petroleum's interests in P1724 (UK Block 43/13b which contains the Pegasus West Gas Discovery), P1727 (UK Blocks 43/17b and 43/18b) and P2128 (Block 43/12) completed 31<sup>st</sup> July and Atlantic Petroleum received GBP 7.5MM (DKK 77.3MM). This transaction will be accounted for in 3Q 2015 and will result in an extraordinary income of GBP 5.6MM (DKK 57.8MM) in 3Q 2015.

On the 3<sup>rd</sup> August Atlantic Petroleum announced that its Board of Directors has authorized the Company's management team to explore a broad range of strategic alternatives to further enhance shareholder value. Pareto Securities AS has been engaged as the Company's financial advisors in this process.

As part of the strategic review. Atlantic Petroleum will consider a full range of options in order to unlock the value underlying the Company's assets, including:

- A sale or merger of the Company;
- A sale, joint venture or partnership in respect of the Company's activities in the United Kingdom and/or Norway; or
- Continuing to execute on the Company's strategy as an independent company.

The process is currently ongoing, and Atlantic Petroleum does not expect to update the market with any further information on the process unless and until its Board of Directors has approved a specific transaction or otherwise deems disclosure appropriate or necessary.

## 2015 TARGETS



# PERFORMANCE SUMMARY

## ► KEY METRICS

DKK 1,000	3 months to 30 <sup>th</sup> June 2015	3 months to 30 <sup>th</sup> June 2014	6 months to 30 <sup>th</sup> June 2015	6 months to 30 <sup>th</sup> June 2014	Full year 2014
<b>Income statement</b>					
Revenue	76,496	85,472	115,639	198,178	343,146
Impairment on producing assets	0	0	0	0	-209,085
Gross profit	9,696	23,572	-4,407	62,384	-186,856
Exploration expenses	-27,354	-22,781	-28,788	-104,114	-214,862
EBITDAX	7,666	33,721	-20,499	81,172	124,358
Operating loss (EBIT)	-36,418	-17,964	-80,016	-81,984	-454,073
Depreciations	-16,730	-28,903	-30,729	-59,042	-154,484
Loss before taxation	-46,426	-31,424	-101,559	-99,908	-484,215
Loss after taxation	-15,397	-23,287	-27,097	-35,974	-218,257
<b>Financial position</b>					
Non-current assets	867,652	954,427	867,652	954,427	698,261
Current assets	268,621	418,390	268,621	418,390	374,808
Total assets	1,136,273	1,372,816	1,136,273	1,372,816	1,073,068
Current liabilities	258,298	168,984	258,298	168,984	262,080
Non-current liabilities	427,586	617,310	427,586	617,310	387,807
Total liabilities	685,884	786,294	685,884	786,294	649,887
Net assets/Equity	450,389	586,522	450,389	586,522	423,181
<b>Cash flow and cash</b>					
Cash provided by operating activities	-14,755	51,716	-88,616	19,105	96,795
Change in cash and cash equivalents	-47,832	16,114	-103,258	6,244	-69,426
Cash and cash equivalents	15,180	194,608	15,180	194,608	111,989
Bank debt – excluding drawdown on the exploration finance facility	68,500	78,000	68,500	78,000	58,500
<b>Financial statement related key figures</b>					
Gross Margin	12.7%	27.6%	-3.8%	31.5%	-54.5%
EBIT Margin	-47.6%	-21.0%	-69.2%	-41.4%	-132.3%
EBITDAX Margin	10.0%	39.5%	-17.7%	41.0%	36.2%
Return on Equity	-3.4%	-3.9%	-6.2%	-6.1%	-42.8%
<b>Share related key figures</b>					
Earnings per share Basic	-4.16	-6.30	-7.33	-9.73	-59.03
Earnings per share Diluted	-4.16	-6.30	-7.33	-9.73	-59.03
Share price in DKK on OMX CPH/IS and Oslo Stock Exchange	35/35	85/83	35/35	85/83	42/45
<b>Other key numbers</b>					
Production boepd – net to the Group	1,475	1,538	1,327	1,762	1,605
Average realised oil price USD/bbl	65.0	108.3	65.5	108.3	101.0
Full time equivalent positions	25	28	25	28	27
Full time equivalent positions less staff that has been given notice of termination of their employment.	23	28	23	28	27



A ROBUST PROGRAMME GOING FORWARD

# STATUS ON KEY LICENCES

Our portfolio of assets spans across all four stages of exploration, appraisal, development and production. The following section presents the status on some key licences at end of 2Q 2015.

## DEVELOPMENT & PRODUCTION

### UNITED KINGDOM

#### CHESTNUT (15%)

##### P354, Block 22/2a

Chestnut production was slightly above expectation in 2Q 2015. Remedial work on one of the production wells to remove scaling was successfully undertaken. Studies to update the existing reservoir models to produce improved forecasts and reserve estimates have neared completion and the joint venture is looking at potential infill well targets.

#### ETTRICK (8.27%)

##### P273 & P317, Blocks 20/3a,2a

Ettrick field production was slightly behind expectation in 2Q 2015 due to a well work-over not delivering the expected production increment. A project is ongoing to allow the FPSO to import gas for improved production efficiency.

#### BLACKBIRD (9.39773%)

##### P273, P317 & P1580, Blocks 20/3a,2a,3f

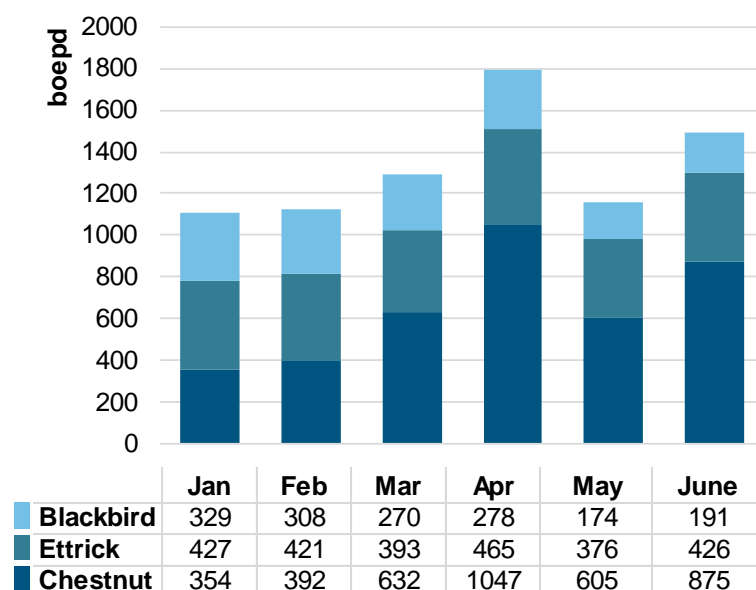
Blackbird production was slightly below expectation in 2Q 2015.

#### ORLANDO (25%)

##### P1606 Block 3/3a

Development activities are progressing with contracts being awarded for several packages and work continuing on the Ninian Host modifications. The Operator, Iona Energy, has been working to reduce the development costs, with savings being forecast on drilling and subsea installation activities. The project remains on track for first oil at the end of Q4 2016. Also, Iona Energy has announced several updates to its financing arrangements which improve the likelihood of achieving the first oil date.

## NET BARRELS PRODUCED PER DAY



## NEAR DEVELOPMENT

**UNITED KINGDOM**

**KELLS (25%)**

**P1607, Block 3/8d**

Atlantic Petroleum holds a 25% interest in this licence which contains the Kells discovery. Due to the delays with Orlando, work is now on-going to determine the optimum time for Kells sanction and development. A licence extension has been granted by OGA.

**PERTH (13.35%)**

**P218 & P588, Blocks 15/21a,b,c,f**

Joint studies have been completed to determine the feasibility of a joint Perth/Dolphin/Lowlander development. Work continues on finalizing the commercial agreements necessary to allow the joint venture to launch a marketing exercise for the assets.

**Producing and developing assets**

Licence	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
P354 Chestnut				P3 well			
P317 <a href="#">Blackbird</a>							
P273 <a href="#">Ettrick</a>							
P1606 Orlando		OP1		★ First oil			
P1607 <a href="#">Kells</a>			FDP				
P218 & P588 Perth			FDP				

## EXPLORATION & EVALUATION

### UNITED KINGDOM – SELECTED LICENCES

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#### **MAGNOLIA (20%)**

##### **P1610 & P1766, Blocks 13/23a,22d**

Work is on-going and the partnership is looking at further exploration on the blocks, especially in the light of the announcement by Dana of the Liberator discovery in the block adjacent to 13/23a.

#### **GREATER YORK AREA (10%)**

##### **P1906, Blocks 47/2b,3g,7a,8d**

These blocks lie adjacent to the Centrica operated York field which came on stream in March 2013. A 3D seismic survey was acquired in 2013 and the data is has been interpreted. The partnership is deciding whether a well on the identified prospects is warranted.

#### **ORCHARDS/AURORA (10%)**

##### **P2126, Blocks 42/2(part),3(part),7,8b,9b, 43/3b**

New 3D seismic data has been acquired over this licence and has been interpreted, with several significant prospects identified. The licence has a contingent well commitment. A well is likely to be drilled in late 2016 or more probably early 2017

#### **SKERRYVORE (30.5%)**

##### **P2082, Blocks 30/12c,13c,18c**

This licence has a firm well commitment and drilling planning has started but the pace has been reduced due to the impact of commodity prices A well could be drilled at the end of 2016 and the company is marketing some of its equity to reduce exposure in the licence.

#### **POLECAT (50%)P 2218, Block 20/3c & 20/4a**

This licence was awarded to Atlantic Petroleum as part of the 28<sup>th</sup> licence round awards and contains the Polecat and Marten discoveries. Parkmead is the operator and the group is undertaking work to examine development options for these stranded discoveries nearby to Ettrick and Blackbird.

### NORWAY

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#### **SCHILLER (30%)**

##### **PL704, Blocks 6704/12, 6705/10(part)**

PL704 was awarded in the 22<sup>nd</sup> Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. The technical work is ongoing.

#### **STORDAL (30%)**

##### **PL705, Blocks 6705/7(part),8,9,10(part)**

PL705 was awarded in the 22<sup>nd</sup> Licensing Round on the Norwegian Continental Shelf (NCS). The licence contains multiple high potential prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field. The licence has committed to a firm well to be drilled in Q2-Q3 2016.

#### **KARIUS (30%)**

##### **PL763, Blocks 6606/2(part), 6606/3(part)**

PL763 was awarded in APA 2013 (Awards in predefined areas) 7<sup>th</sup> February 2014. The licence contains multiple prospects and given a discovery the reserves could be tied in to the Aasta Hansteen Field located 10-15 km away. The technical work is ongoing.

#### **LANGLITINDEN (10%)**

##### **PL659, Blocks/part blocks 7121/3, 7122/1,2, 7221/10,12, 7222/11,12**

PL659 was awarded in February 2012 (APA 2011). New seismic has been acquired over untested areas and interpretation of these data is in progress.

#### **IVORY (9%)**

##### **PL528/528B, Blocks 6707/8,9,11,10**

As announced in December 2014 a gas discovery was made in the Ivory Prospect and the operator's latest estimate is that the discovery contains 3-8 BSM<sup>3</sup> recoverable gas (112-265 bcf) and is likely to be commercial.

#### **ROALD RYGG (7.5%)**

##### **PL602, Blocks 6706/10,11,12**

Due to the current market conditions and other financial commitments, Atlantic Petroleum has decided to leave the PL602 license and redirect its focus on adjacent licenses. This work is in progress.

## EXPLORATION & EVALUATION

**NORWAY - CONTINUED**

**BLEKKSPRUT (10%)**

**PL601, Blocks 6609/3 & 6610/1**

In January 2015 Atlantic Petroleum entered into the PL 601 licence after taking over Ithaca Petroleum’s equity. The licence is located in the Træna Basin (Norwegian Sea). The license contains several high potential prospects, and evaluation is ongoing.

**BELUGA (20%)**

**PL796, Blocks 6407/3,5,6**

PL796 was awarded in February 2015 as a result of a successful application in the APA 2014 round on the Norwegian Continental Shelf (NCS). PL796 is located in the Norwegian Sea on the Halten Terrace, and the licence is surrounding the Mikkel Field. 3D seismic data have been used to interpret the area, and the main prospectivity has been identified in Upper Jurassic sandstones. In addition to several prospects and leads identified the licence contains the 6407/5-2 S discovery that has been re-evaluated. Evaluation is ongoing.

**GANSKE (20%)**

**PL802, Blocks 6705/11,12**

PL802 was awarded in February 2015 (APA 2014 award). The licence is sitting just north east of the Asterix discovery, and contains several prospects within the Upper Cretaceous play system that has been proven successful in this area. In February 2015 Atlantic Petroleum entered in to a farm-down option deal with Statoil Petroleum, allowing Statoil to take over up to 10 % of the ownership. The option for 10% has been exercised and the farm-down to 10% ownership is in progress.

**IRELAND**

**SEL 2/07 (18.3333%)**

**Part Blocks 50/6,7,11, 49/9**






The licence group is in the process of application with the PAD to convert the licence into a Lease Undertaking where development options will be studied. In November 2013, it was announced that the joint venture had agreed a phased farm-in by ABT Oil & Gas into the Helvick and Dunmore oil discoveries. Under the agreed terms of the farm-in, ABT Oil & Gas will carry out a work programme which will include an assessment of commerciality and, as appropriate, submission of plans for field development to first oil, using ABT Oil & Gas’ low cost development solutions. Upon completion of agreed work programme ABT Oil & Gas will earn a 50% interest in the discoveries.




**DUNQUIN (4%)**

**FEL 3/04, Blocks 44/18, 44/23, 44/24, 44/29, 44/30**

Dunquin North well was drilled in 2013. The well has indicated a working hydrocarbon system in the region but there was insufficient encouragement for Atlantic Petroleum to continue investment. The company is in the process of disposing of its interest to Providence Resources plc.

**Upcoming wells exploration and appraisal assets**

Licence	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
PL 705 <a href="#">Stordal S</a>							
PL 763 <a href="#">Karius</a>							
P1610 Magnolia/ Liberator							
P2082 <a href="#">Skerryvore</a>							
P2126 <a href="#">Orchards/Aurora</a>							

 Firm well    
  Possible well    
  Contingent well



# SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

## THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 30<sup>th</sup> JUNE 2015:

- **On 27<sup>th</sup> July 2015** the UK Oil and Gas Authority announced that Atlantic Petroleum had been offered for award 5 additional licences in the UKCS 28th Licensing Round. The formal acceptance process with Joint Venture partners is in progress.

The licence details are as follows:

Licences with new prospects.

- Block 48/8b, Atlantic Petroleum 50% operator, Parkmead 50%

Licences that are extensions to currently held licences.

- Block 42/10b, Centrica 45% operator, GdF Suez 45%, Atlantic Petroleum 10%
- Block 43/19b (part), Centrica 55% operator, Third Energy 35%, Atlantic Petroleum 10%
- Block 205/13, Parkmead 56% operator, Atlantic Petroleum 30%, Dyas 14%
- Block 205/19b, Parkmead 43% operator, Atlantic Petroleum 43%, Dyas 14%

- **On 31<sup>st</sup> July 2015** Atlantic Petroleum announced that its subsidiary Atlantic Petroleum UK Limited had completed on the sale and purchase agreement with Third Energy Offshore Limited for the sale of Atlantic Petroleum's interests in P1724 (UK Block 43/13b which contained the Pegasus West Gas Discovery), P1727 (UK Blocks 43/17b and 43/18b) and P2128 (Block 43/12). Third Energy purchased Atlantic Petroleum's 10% working interests in the above Licences for a total potential consideration of £16.5 million of which £7.5 million was paid on completion. Remaining payments are conditional on production from Pegasus West and further development in the blocks. The Pegasus West well (43/13b-7) was drilled and tested at a combined rate of 91 MMscfpd (million standard cubic feet per day) in late 2014. The well is approximately 7 km WSW of the 43/13b-6Z Pegasus North discovery well. Both wells are in P1724, close to the producing Cavendish Field. The licences are operated by Centrica North Sea Gas which holds 55% equity. Prior to the sale, Atlantic Petroleum held 10% equity with the remaining equity 35% held by Third Energy Offshore.
- **On 3<sup>th</sup> August 2015** Atlantic Petroleum announced that its Board of Directors had authorized the Company's management team to explore a broad range of strategic alternatives to further enhance shareholder value. Pareto Securities AS has been engaged as the Company's financial advisors in this process. As part of the strategic review, Atlantic Petroleum will consider a full range of options in order to unlock the value underlying the Company's assets, including:
  - A sale or merger of the Company;
  - A sale, joint venture or partnership in respect of the Company's activities in the United Kingdom and/or Norway; or
  - Continuing to execute on the Company's strategy as an independent company.

"The initiation of a review of strategic alternatives will allow us to explore options that can accelerate the realization of value for the benefit of our shareholders," said Ben Arabo, Chief Executive Officer of Atlantic Petroleum. There is no assurance that the review of strategic alternatives will result in Atlantic Petroleum completing any such transaction as described above. In the event a transaction is not completed, Atlantic will continue to execute on the Company's strategy and operational plan as an independent company. Based on its current portfolio and activities, including the completion of the Orlando field development in the UK, Atlantic Petroleum is not financed for its planned activities in 2016. In order to close such funding gap the company will consider different ways of strengthening its financial position. This includes raising new equity financing, new debt financing or asset sales or a combination of these measures. Atlantic does not expect to update the market with any further information on the process unless and until its Board of Directors has approved a specific transaction or otherwise deems disclosure appropriate or necessary.

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

The Condensed Consolidated Interim Report for the first six months of 2015 comprises the Consolidated Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30<sup>th</sup> June 2015, and of the results of the Group's operations and cash flow for the period 1<sup>st</sup> January – 30<sup>th</sup> June 2015

The rapid decline in the commodity price environment over the last twelve months has had a significant impact on the upstream sector and Atlantic Petroleum is no exception. The Group expects to have an additional funding requirement not covered under the current arrangements in particular to cover its development funding requirements in 2016. The Group has instigated closure of the Faroese office and is considering various further options including farm-down or sales of certain assets, negotiation of reductions in capital and operating budgets, further G&A

reductions and exploring debt or equity re-financing opportunities to cover the funding shortfall. The recently completed sale of the Pegasus discovery is the first step in addressing the funding requirement with the receipt of £7.5 million on the 31<sup>st</sup> July.

On August 3<sup>rd</sup> 2015 the Board of Directors authorized the Company's management team to explore a broad range of strategic alternatives to address the future of the Group. Pareto Securities AS has been engaged as the Company's financial advisors in this process. As part of the strategic review. Atlantic Petroleum will consider a full range of options in order to unlock the value underlying the Company's assets, including: the sale or merger of the Company, the sale, joint venture or partnership in respect of the Company's activities in the United Kingdom and/or Norway; or continuing to execute on the Company's strategy as an independent company which will require debt and/or further equity injection.

Through these initiatives, Management and the Board intend to address the funding shortfall and stabilize the business and therefore continue to adopt the going concern basis in preparing the interim report.

Tórshavn 27<sup>th</sup> August 2015

## **Management:**

Ben Arabo  
CEO

## **Board of Directors:**

David A. MacFarlane  
Chairman

Jan E. Evensen  
Deputy Chairman

Teitur Samuelsen

Jan Müller

Knud H. Nørve

# AUDITOR'S REVIEW REPORT

## TO THE SHAREHOLDERS OF P/F ATLANTIC PETROLEUM

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries as of 30<sup>th</sup> June 2015, and the related condensed consolidated statements of income and cash flows and notes for the six months ended 30<sup>th</sup> June 2015.

These condensed consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

### Basis of Opinion

We conducted our review in accordance with generally accepted review standard ISA 2410 as applied in the Faroe Islands. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the preliminary financial information is free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion

Tórshavn 27<sup>th</sup> August 2015

## JANUAR

State Authorized Public Accountants P/F

Heini Thomsen

State Authorized Public Accountant

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 30<sup>th</sup> June 2015, and of the results of its operations and its cash flows for the six months ended 30<sup>th</sup> June 2015 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

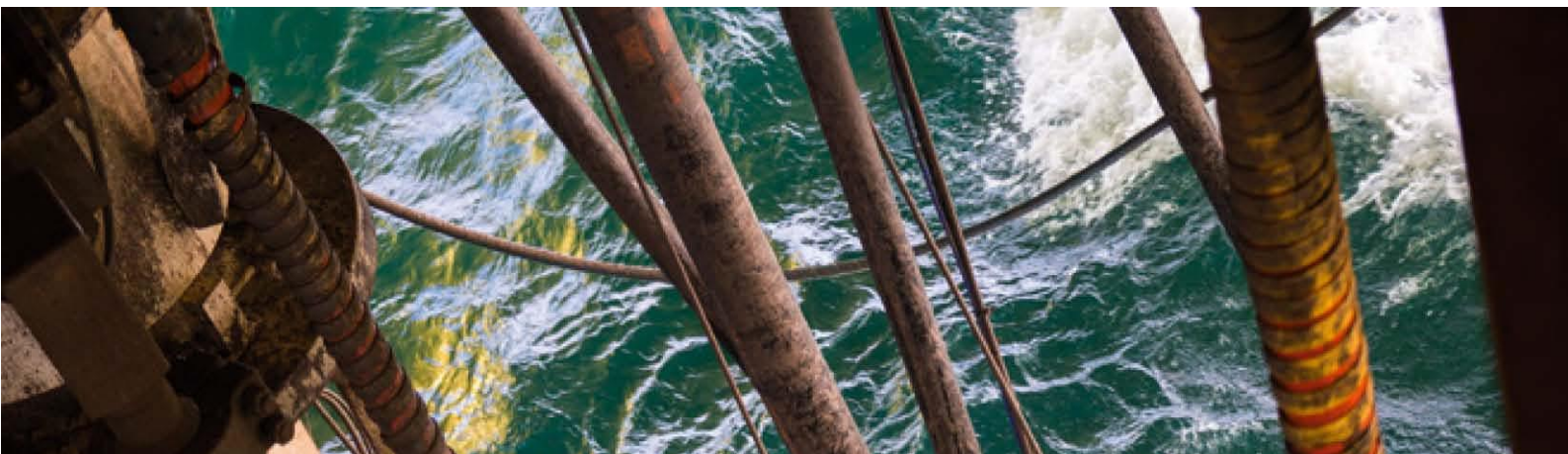
### Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 "Going Concern" where the Board of Directors and Management describe the impact, the decline in oil prices has had on the group's financial situation, and the strategic options being contemplated in order to secure the going concern status. The considerations are not concluded, and remain uncertain.

We refer to note 1 "Going Concern" for further description

# **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE 6 MONTHS ENDED  
30<sup>th</sup> JUNE 2015**







# CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 30 <sup>th</sup> June 2015	3 months to 30 <sup>th</sup> June 2014	6 months to 30 <sup>th</sup> June 2015	6 months to 30 <sup>th</sup> June 2014	Full year 2014
Revenue	4	76,496	85,472	115,639	198,178	343,146
Costs of sales	5	-66,800	-61,900	-120,046	-135,794	-530,002
<b>Gross loss/profit</b>		<b>9,696</b>	<b>23,572</b>	<b>-4,407</b>	<b>62,384</b>	<b>-186,856</b>
Exploration expenses		-27,354	-22,781	-28,788	-104,114	-214,862
Pre-licence exploration cost		-2,026	-3,255	-2,680	-6,706	-12,631
General and administration cost		-9,076	-11,164	-21,191	-25,352	-41,548
Depreciation PPE and intangible assets		-2,804	-4,335	-5,638	-8,195	-16,675
Other operating cost/income		-4,854	0,0	-17,312	0,0	18,500
<b>Operating loss</b>	4	<b>-36,418</b>	<b>-17,964</b>	<b>-80,016</b>	<b>-81,984</b>	<b>-454,073</b>
Interest income and finance gains		24	232	25	232	
Interest expenses and other finance costs	6	-10,032	-13,693	-21,568	-18,156	-30,142
<b>Loss before taxation</b>		<b>-46,426</b>	<b>-31,424</b>	<b>-101,559</b>	<b>-99,908</b>	<b>-484,215</b>
Taxation	7	31,029	8,137	74,462	63,933	265,958
<b>Loss after taxation</b>		<b>-15,397</b>	<b>-23,287</b>	<b>-27,097</b>	<b>-35,974</b>	<b>-218,257</b>
Earnings per share (DKK):						
Basic	14	-4.16	-6.30	-7.33	-9.73	-59.03
Diluted	14	-4.16	-6.30	-7.33	-9.73	-59.03

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 30 <sup>th</sup> June 2015	3 months to 30 <sup>th</sup> June 2014	6 months to 30 <sup>th</sup> June 2015	6 months to 30 <sup>th</sup> June 2014	Full year 2014
Items that may be recycled in P/L:					
Loss for the period	-15,397	-23,287	-27,097	-35,974	-218,257
Exchange rate differences	11,823	18,773	52,951	25,508	37,880
Value of Futures contracts	0	-4,458	0	-4,284	914
<b>Total comprehensive loss in the period</b>	<b>-3,574</b>	<b>-8,972</b>	<b>25,854</b>	<b>-14,750</b>	<b>-179,464</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 30 <sup>th</sup> June 2015	At 30 <sup>th</sup> June 2014	At 31 <sup>st</sup> December 2014
<b>Non-current assets</b>				
Goodwill	8	56,403	56,015	51,917
Intangible assets	9	12,096	24,685	16,576
Intangible exploration and evaluation assets	10	307,888	235,098	258,653
Tangible development and production assets	11	446,086	636,241	369,079
Property plant and equipment	12	1,751	2,387	2,036
Tax repayable		43,428	0	0
		<b>867,652</b>	<b>954,427</b>	<b>698,261</b>
<b>Current assets</b>				
Inventories		13,418	30,999	17,019
Trade and other receivables		87,024	60,067	81,398
Tax repayable		149,860	132,715	145,374
Financial assets		3,140	0	19,027
Cash and cash equivalents		15,180	194,608	111,989
		<b>268,621</b>	<b>418,390</b>	<b>374,808</b>
<b>Total assets</b>		<b>1,136,273</b>	<b>1,372,816</b>	<b>1,073,068</b>
<b>Current liabilities</b>				
Exploration finance facility		149,860	43,598	146,238
Short term bank debt		29,500	19,500	19,500
Short term liabilities		0	0	40
Trade and other payables		78,938	99,524	92,198
Financial liabilities		0	5,198	0
Current tax payable		0	1,165	4,104
		<b>258,298</b>	<b>168,984</b>	<b>262,080</b>
<b>Non-current liabilities</b>				
Exploration finance facility		33,259	73,097	0
Long term bank debt		39,000	58,500	39,000
Long term provisions		209,054	181,054	187,381
Deferred tax liability		146,273	304,659	161,426
		<b>427,586</b>	<b>617,310</b>	<b>387,807</b>
<b>Total liabilities</b>		<b>685,884</b>	<b>786,294</b>	<b>649,887</b>
<b>Net assets</b>		<b>450,389</b>	<b>586,522</b>	<b>423,181</b>
<b>Equity</b>				
Share capital		369,786	369,786	369,786
Share premium account		233,444	233,444	233,444
Share based bonus schemes - LTIP	15	7,120	4,394	5,766
Futures Contracts Value		0	-5,198	0
Translation reserves		103,267	37,944	50,316
Retained earnings		-263,228	-53,847	-236,131
<b>Total equity shareholders' funds</b>		<b>450,389</b>	<b>586,522</b>	<b>423,181</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Futures contracts value	Translation reserves	Retained earnings	Total
<b>At 1<sup>st</sup> January 2014</b>	<b>367,670</b>	<b>232,903</b>	<b>3,123</b>	<b>-914</b>	<b>12,435</b>	<b>-17,873</b>	<b>597,345</b>
Capital raise	2,116	541	0	0	0	0	2,657
Changes in Futures contracts value	0	0	0	-4,284	0	0	-4,284
LTIP awarded in the period	0	0	1,271	0	0	0	1,271
Change in translation reserves	0	0	0	0	25,508	0	25,508
Result for the period	0	0	0	0	0	-35,974	-35,974
<b>At 30<sup>th</sup> June 2014</b>	<b>369,786</b>	<b>233,444</b>	<b>4,394</b>	<b>-5,198</b>	<b>37,944</b>	<b>-53,847</b>	<b>586,522</b>
LTIP and bonus awarded i the period	0	0	1,372	0	0	0	1,372
Changes in Futures contracts value	0	0	0	5,198	0	0	5,198
Change in share premium account cost of capital raise	0	0	0	0	0	0	0
Translation reserves	0	0	0	0	12,372	0	12,372
Result for the period	0	0	0	0	0	-182,284	-182,284
<b>At 1<sup>st</sup> January 2015</b>	<b>369,786</b>	<b>233,444</b>	<b>5,766</b>	<b>0</b>	<b>50,316</b>	<b>-236,131</b>	<b>423,181</b>
LTIP awarded in the period	0	0	1,354	0	0	0	1,354
Translation reserves	0	0	0	0	52,951	0	52,951
Result for the period	0	0	0	0	0	-27,097	-27,097
<b>At 30<sup>th</sup> June 2015</b>	<b>369,786</b>	<b>233,444</b>	<b>7,120</b>	<b>0</b>	<b>103,267</b>	<b>-263,228</b>	<b>450,389</b>

# CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	6 months to 30 <sup>th</sup> June 2015	6 months to 30 <sup>th</sup> June 2014	Full year 2014
<b>Operating activities</b>			
Operating loss	-80,016	-81,984	-454,073
Allocated consolidated capitalised interest	1,037	1,129	2,291
Unrealised cost/gain on futures contracts – oil price hedging	17,325	0	-18,493
Impairment on exploration and evaluation assets	28,599	103,884	144,284
Relinquishment and disposal of licences	188	102	70,578
Depreciation, depletion and amortisation	29,691	57,913	152,193
Impairment on producing licences	0	0	209,085
Change in inventories	5,188	9,205	23,644
Change in trade and other receivables	-52,247	-93,324	-127,768
Change in trade and other payables	-65,404	-50,455	-28,101
Interest revenue and finance gain received	25	232	1,181
Interest expenses and other finance cost	-21,568	-18,156	-31,323
Income taxes	48,566	90,558	153,297
<b>Net cash flow provided by operating activities</b>	<b>-88,616</b>	<b>19,105</b>	<b>96,795</b>
<b>Investing activities</b>			
Capital expenditure	-57,010	-107,103	-272,318
<b>Net cash used in investing activities</b>	<b>-57,010</b>	<b>-107,103</b>	<b>-272,318</b>
<b>Financing activities</b>			
Change in share capital	0	2,116	2,116
Change in share premium cost/cost of capital raise	0	541	541
Change in short term debt	9,110	18,489	122,940
Change in long term debt	33,259	73,097	-19,500
<b>Net cash flow provided from financing activities</b>	<b>42,368</b>	<b>94,242</b>	<b>106,097</b>
<b>Change in cash and cash equivalents</b>	<b>-103,258</b>	<b>6,244</b>	<b>-69,426</b>
Cash and cash equivalents at the beginning of the period	111,989	184,613	184,613
Currency translation differences	6,449	3,751	-3,198
<b>Total cash and cash equivalents at the beginning of the period</b>	<b>118,438</b>	<b>188,364</b>	<b>181,415</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,180</b>	<b>194,608</b>	<b>111,989</b>

# NOTES TO THE ACCOUNTS

## ACCOUNTING POLICY

## GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (the Group) are oil and gas exploration, appraisal, development and production in the UK, Ireland, Norway, Netherlands and the Faroe Islands.

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31<sup>st</sup> December 2014 are available upon request from the Company's registered office at Yviri við Strond 4, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at [www.petroleum.fo](http://www.petroleum.fo).

This Condensed Consolidated Interim Report is presented in DKK.

## 1 GOING CONCERN

The rapid decline in the commodity price environment over the last twelve months has had a significant impact on the upstream sector and Atlantic Petroleum is no exception. The Group expects to have an additional funding requirement not covered under the current arrangements in particular to cover its development funding requirements in 2016. The Group has instigated closure of the Faroese office and is considering various further options including farm-down or sales of certain assets, negotiation of reductions in capital and operating budgets, further G&A reductions and exploring debt or equity re-financing opportunities to cover the funding shortfall. The recently completed sale of the Pegasus discovery is the first step in addressing the funding requirement with the receipt of £7.5 million on the 31<sup>st</sup> July.

On August 3<sup>rd</sup> 2015 the Board of Directors authorized the Company's management team to explore a broad range of strategic alternatives to address the future of the Group. Pareto Securities AS has been engaged as the Company's financial advisors in this process. As part of the strategic review, Atlantic Petroleum will consider a full range of options in order to unlock the value underlying the Company's assets, including: the sale or merger of the Company, the sale, joint venture or partnership in respect of the Company's activities in the United Kingdom and/or Norway; or continuing to execute on the Company's strategy as an independent company which will require debt and/or further equity injection.

Through these initiatives, Management and the Board intend to address the funding shortfall and stabilize the business and therefore continue to adopt the going concern basis in preparing the interim report.

## 2 STATEMENT OF COMPLIANCE

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> December 2014.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31<sup>st</sup> December 2014.



**4 GEOGRAPHICAL SEGMENTAL ANALYSIS**

<b>DKK 1,000</b>	<b>6 months to 30<sup>th</sup> June 2015</b>	6 months to 30 <sup>th</sup> June 2014	Full year 2014
<b>Revenues by origin:</b>			
Faroe Islands	0	0	0
United Kingdom	115,148	197,331	342,306
Norway	491	847	0
Other	0	0	0
	<b>115,639</b>	198,178	342,306
<b>Operating loss/profit by origin:</b>			
Faroe Islands	-4,530	-19,545	-30,145
United Kingdom	-33,893	44,048	-245,418
Norway	-26,782	-106,119	-173,987
Other	-14,811	-368	-4,522
	<b>-80,016</b>	-81,984	-454,073

**5 COST OF SALE**

<b>DKK 1,000</b>	<b>6 months to 30<sup>th</sup> June 2015</b>	6 months to 30 <sup>th</sup> June 2014	Full year 2014
Operating costs	89,767	75,743	159,465
Produced oil in inventory at market value	5,188	9,205	23,644
Amortisation and depreciation, PPE:			
Oil and gas properties	25,091	50,846	137,809
Impairment	0	0	209,085
	<b>120,046</b>	135,794	530,002

**6 INTEREST INCOME & EXPENSE AND FINANCE GAIN & COST**

<b>DKK 1,000</b>	<b>6 months to 30<sup>th</sup> June 2015</b>	6 months to 30 <sup>th</sup> June 2014	Full year 2014
<b>Interest income and finance gain:</b>			
Short term deposits	25	232	1,181
	<b>25</b>	232	1,181
<b>Interest expense and other finance cost:</b>			
Bank loan and overdrafts	5,097	5,653	12,073
Creditors	2	0	1
Unwinding of discount on decommissioning provision	2,412	1,602	4,238
Others	141	220	385
Exchange differences	13,916	10,679	14,626
	<b>21,568</b>	18,156	31,323

**7 TAXATION**

<b>DKK 1,000</b>	<b>6 months to 30<sup>th</sup> June 2015</b>	6 months to 30 <sup>th</sup> June 2014	Full year 2014
<b>Current tax :</b>			
Tax payable in UK	4,394	0	-4,013
Tax repayable in Norway	44,171	90,558	157,323
Tax payable in Ireland	0	0	-12
<b>Total current tax</b>	<b>48,565</b>	90,558	153,297
<b>Deferred tax:</b>			
Deferred tax cost in UK	0	-28,512	0
Deferred tax income in UK	42,515	6,796	155,708
Deferred tax cost in Norway	-16,618	-4,909	-43,047
<b>Total deferred tax</b>	<b>25,897</b>	-26,625	112,661
<b>Tax credit/tax on loss/profit on ordinary activities</b>	<b>74,462</b>	63,933	265,958

As at 30<sup>th</sup> June 2015, the Group has a net deferred tax asset of DKK 44.0MM (31<sup>st</sup> December 2014: DKK 59.4MM).

This is made up of the following amounts: Effect of capital allowances in excess of depreciation: DKK 0.1MM (31<sup>st</sup> December 2014: DKK 0.1MM) and effect of tax loss available: DKK 44.1MM (31<sup>st</sup> December 2014: DKK 59.6MM).

The loss can be carried forward indefinitely.

**8 GOODWILL**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> June 2015</b>	At 30 <sup>th</sup> June 2014	At 31 <sup>st</sup> December 2014
At 1 <sup>st</sup> January	51,917	54,354	54,354
Impairment	0	0	-3,817
Exchange movements	4,486	1,661	1,379
<b>At end of period</b>	<b>56,403</b>	56,015	51,917

**9 INTANGIBLE ASSETS**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> June 2015</b>	At 30 <sup>th</sup> June 2014	At 31 <sup>st</sup> December 2014
<b>Costs</b>			
At 1 <sup>st</sup> January	38,178	33,834	33,834
Exchange movements	1,423	187	-1,873
Additions	30	5,654	6,218
<b>At end of period</b>	<b>39,631</b>	39,674	38,178
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	21,602	7,351	7,351
Exchange movements	716	-58	-1,461
Charge this period	5,217	7,696	15,712
<b>At end of period</b>	<b>27,535</b>	14,989	21,602
<b>Net book value at end of period</b>	<b>12,096</b>	24,685	16,576

**10 INTANGIBLE EXPLORATION AND EVALUATION (E&E) ASSETS**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> June 2015</b>	<b>At 30<sup>th</sup> June 2014</b>	<b>At 31<sup>st</sup> December 2014</b>
<b>Costs</b>			
At 1 <sup>st</sup> January	258,653	216,682	216,682
Exchange movements	18,178	6,648	11,187
Additions	59,865	115,891	239,361
Disposal/relinquishment of licences	0	0	-40,799
Explorations expenditures written off	-28,808	-103,893	-167,548
Consolidated interest written off	0	-230	-230
<b>At end of period</b>	<b>307,888</b>	<b>235,098</b>	<b>258,653</b>

Following our exit from Dunquin FEL 3/04 in Ireland and PL602 in Norway DKK13.7MM and DKK12.6MM were written off respectively.

**11 TANGIBLE DEVELOPMENT AND PRODUCTION (D&P) ASSETS**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> June 2015</b>	<b>At 30<sup>th</sup> June 2014</b>	<b>At 31<sup>st</sup> December 2014</b>
<b>Costs</b>			
At 1 <sup>st</sup> January	1,353,864	1,211,488	1,211,488
Exchange movements	135,137	50,656	78,824
Additions	65,813	40,490	63,553
<b>At end of period</b>	<b>1,554,814</b>	<b>1,302,634</b>	<b>1,353,864</b>
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	984,785	589,984	589,984
Exchange movements	98,854	25,564	47,908
Charge	25,090	50,846	137,809
Impairment	0	0	209,085
<b>At end of period</b>	<b>1,108,728</b>	<b>666,394</b>	<b>984,785</b>
<b>Net book value at end of period</b>	<b>446,086</b>	<b>636,241</b>	<b>369,079</b>

**12 PROPERTY, PLANT AND EQUIPMENT**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> June 2015</b>	<b>At 30<sup>th</sup> June 2014</b>	<b>At 31<sup>st</sup> December 2014</b>
<b>Costs</b>			
At 1 <sup>st</sup> January	5,410	5,914	5,914
Exchange movements	274	122	72
Additions	-10	68	-576
<b>At end of period</b>	<b>5,674</b>	<b>6,104</b>	<b>5,410</b>
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	3,374	3,133	3,133
Exchange movements	185	84	64
Charge this period	364	499	177
<b>At end of period</b>	<b>3,923</b>	<b>3,717</b>	<b>3,374</b>
<b>Net book value at end of period</b>	<b>1,751</b>	<b>2,387</b>	<b>2,036</b>

**13 DIVIDENDS**

No interim dividend is proposed. (30<sup>th</sup> June 2015: DKK nil)

**14 EARNINGS PER SHARE**

	Profit after tax		Weighted average number of shares		Earnings per share	
	2Q 2015 DKK 1,000	2Q 2014 DKK 1,000	2Q 2015 1,000	2Q 2014 1,000	2Q 2015 DKK	2Q 2014 DKK
<b>Basic</b>						
<b>3 months to 30<sup>th</sup> June</b>	<b>-15,397</b>	-23,287	<b>3,698</b>	3,698	<b>-4.16</b>	-6.30
<b>Diluted</b>						
<b>3 months to 30<sup>th</sup> June</b>	<b>-15,397</b>	-23,287	<b>3,698</b>	3,698	<b>-4.16</b>	-6.30
<b>Basic</b>						
<b>6 months to 30<sup>th</sup> June</b>	<b>-27,097</b>	-35,974	<b>3,696</b>	3,698	<b>-7.33</b>	-9.73
<b>Diluted</b>						
<b>6 months to 30<sup>th</sup> June</b>	<b>-27,097</b>	-35,974	<b>3,696</b>	3,698	<b>-7.33</b>	-9.73

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 period.

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

	At 30 <sup>th</sup> June 2015		At 31 <sup>st</sup> December 2014	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
<b>1<sup>st</sup> January</b>	67,897	135.75	44,156	163.57
Granted during the period	0	0	23,741	84.00
Lapsed during the period	0	0	0	0.00
Exercised during the period	0	0	0	0.00
<b>Outstanding at end of period</b>	<b>67,897</b>	<b>135.75</b>	67,897	135.75
<b>Exercisable at end of period</b>	<b>0</b>	<b>0</b>	0	0

The total fair value of the options granted in 2012 is estimated to be DKK 4.1MM provided that all the options are exercised by 24<sup>th</sup> March 2015. The total fair value of the options granted in 2013 is estimated to be DKK 3.1MM provided that all the options are exercised by 26<sup>th</sup> April 2016 and the total fair value of the options granted in 2014 is estimated to be DKK 1.1MM provided that all options are exercised by 7<sup>th</sup> April 2017.

**16 CAPITAL COMMITMENTS 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.

**16 CAPITAL COMMITMENTS AND GUARANTEES - CONTINUED**

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 guarantees on behalf of Atlantic Petroleum Norge AS to SEB the lender of the bank credit facility established in January 2015 to finance the Company's growth plans in Norway.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations Atlantic Petroleum UK Limited has in connection with the farm-in agreement with Summit Petroleum Ltd regarding UK Licence P1556, block 29/1c.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations Atlantic Petroleum UK Limited has in connection with the purchase of assets from Premier Oil.

P/F Atlantic Petroleum has provided a guarantee dated 30<sup>th</sup> October 2014 in favour of Centrica North Sea Gas 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 24<sup>th</sup> May 2013 in respect of the Licences.

P/F Atlantic Petroleum has provided a guarantee dated 30<sup>th</sup> 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 24<sup>th</sup> May 2013 in respect of the Licences.

P/F Atlantic Petroleum has provided a guarantee dated 11<sup>th</sup> November 2014 in favour of Centrica North Sea Oil 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 Licence P354 and under the Joint Operating Agreement dated 27<sup>th</sup> August 1982 in respect of the Licence.

P/F Atlantic Petroleum has provided a guarantee dated 11<sup>th</sup> November 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 Licence P354 and under the Joint Operating Agreement dated 27<sup>th</sup> August 1982 in respect of the Licence.

P/F Atlantic Petroleum has provided a guarantee dated 16<sup>th</sup> 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 7<sup>th</sup> 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.

The Group had capital expenditure committed to, but not provided for in these accounts at 30<sup>th</sup> June 2015 of approximately DKK 56.4MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.



## 17 CONTINGENT CONSIDERATIONS

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

- (i) USD 1.25MM upon Kells FDP approval
- (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.

## 18 RELATED PARTY TRANSACTIONS

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

# GLOSSARY

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

# CONTACTS

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## **SUBSIDIARIES**

- **Atlantic Petroleum UK Ltd**
- **Atlantic Petroleum North Sea Ltd**
- **Volantis Netherlands BV**
- **Atlantic Petroleum (Ireland) Ltd**
- **Atlantic Petroleum Norge AS**

For subsidiary's contact details please see company website