P/F ATLANTIC PETROLEUM

Annual and Consolidated Report and Accounts

Year to 31st December 2009

ATLANTIC PETROLEUM

P/F Atlantic Petroleum | Gongin 9 | P.O. Box 1228 | FO-110 Tórshavn | Faroe Islands
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Atlantic Petroleum in brief

Atlantic Petroleum is an independent exploration and production (E&P) company with oil and gas interests in the North Sea, Celtic Sea and on the Faroese Continental Shelf. The Company has interests in 15 licences containing over 30 fields, discoveries, prospects or leads and is in partnerships with 18 international oil companies. Three licences, which contain only a few discoveries, prospects or leads, will be relinquished early in 2010.

Atlantic Petroleum is listed on NASDAQ OMX Iceland, and on NASDAQ OMX Copenhagen.

Our second producing field, Ettrick, commenced production on 15th August 2009 and an offering of new shares was completed in November, providing the Company with DKK 188MM, strengthening the financial position and providing a stronger basis for further development of Atlantic Petroleum. The Group operates through subsidiary undertakings and joint ventures.

Board of Directors
Birgir Durhuus, Chairman
Poul R. Mohr, Deputy Chairman
Mortan H. Johannesen
Jan Edin Evensen
Diana Leo

Management
Sigurð í Jákupsstovu, Managing Director
Mourits Joensen, Financial Manager

Trading in Atlantic Petroleum shares can be done by contacting:

Members of NASDAQ OMX Iceland
Members of NASDAQ OMX Copenhagen
A stockbroker or a financial institution

NASDAQ OMX ticker:	FO-ATLA & FO-ATLA CSE
Bloomberg ticker:	ATLA IR
Reuter’s ticker:	FOATLA.IC

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Milestones

1998	Established in 1998
1999	Agreement with the Faroese Partnership (Amerada Hess, Dong Energy and British Gas) on participation in the first Faroese Licensing Round
2000	Awarded its first licence in the Faroes
2001	Farmed into two exploration licences West of Shetland
2003	Acquired the Chestnut, Ettrick and Perth discoveries
2004	Share offering prior to the listing on NASDAQ OMX Iceland
2005	Awarded Licences 013 and 014 in the Faroe Islands
2005	Included on the main list on NASDAQ OMX Iceland
2005	Started development of the Chestnut field
2006	Started development of the Ettrick field
2006	Obtained dual listing on NASDAQ OMX Copenhagen
2007	Farmed into four discoveries in Ireland
2007	Drilled and tested an appraisal well on Hook Head
2008	Discovery made on the Blackbird prospect adjacent to the Ettrick field
2008	Chestnut field commenced production of oil
2008	South Chestnut appraisal well was successfully drilled, tested and completed
2008	Awarded significant exploration licence in the Faroese 3rd Licensing Round
2009	Ettrick field commenced production of oil and gas
2009	Completed a new share offering with proceeds of DKK 188MM

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2009 Highlights

Operational

- Ettrick field commenced production
- South Chestnut well brought on stream
- Remaining reserves in Chestnut increased by approximately 0.1MM barrels compared to the previous year
- Seismic acquisition on Licence 016 in the Faroe Islands completed
- Licences 013 and 014 in the Faroe Islands extended

Financial

- Capital share increase completed successfully with proceeds of DKK 188MM
- Agreement has been reached with the Company's lenders to extend the majority of the short term debt into a 5 year facility
- First revenues from the Ettrick Field oil production
- Revenues amounted to DKK 219.3MM
- Maintained focus on efficient low cost operation
- EBIT amounted to DKK -75.6MM, after deduction of 109.1MM impairment in UK and Ireland
- Result after tax amounted to DKK -54.9MM, including unrealised inter-group foreign exchange gain of DKK 35.5MM.

2010 Outlook

- Total production for 2010 is estimated to between 725,000 - 850,000 barrels net for the year
- Expected EBIT in the range DKK 70-90MM on a realised oil price of 75 USD/barrel
- Optimise production on Ettrick Field
- Continued strong cash flow from production
- Surplus in net profit after taxation
- Bring the Blackbird discovery closer to development
- Bring the Perth field closer to development
- Further expand the Company's activities in North West Europe
- Evaluate potential asset and corporate transactions

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Chairman's Statement

2009 proved to be a turning point for Atlantic Petroleum. Financially the year was challenging as a consequence of very high leverage in combination with low oil prices and continued delays in the Ettrick field commencing production. However, 2009 was also the year that Atlantic Petroleum produced nearly 700,000 barrels of oil from two fields and, through a successful rights issue and strong year end earnings, reduced the Company's debts by DKK 219MM (46%) to this date.

The disproportionate volume of short term debt prompted the Company's lenders to demand changes to the composition of the Company's Board and the Company to complete necessary measures to influence the balance sheet, including the injection of new capital and tighter controls over operations and debt reduction.

As a result, three new Board members were elected in July and a fully subscribed rights issue was completed in November. The proceeds from the rights issue, amounting to DKK 188MM, were primarily used to reduce debts.

In conjunction with the completion of the capital increase, it had been agreed with the lenders to relax control on the Company and the loan conditions. In the period after year end, an agreement has been entered into with the lenders to extend the existing short term bridge facility, currently at DKK 258MM into a 5 year facility of DKK 194MM while the remaining DKK 64MM will be divided into short term debt and a credit facility.

With the financial situation improving, the Board assessed the management situation at Atlantic Petroleum. After careful evaluation of present and future challenges, the mutual decision was made to release the CEO Wilhelm Petersen and to appoint Sigurð í Jákupsstovu as constituted CEO. The Board expects to announce a permanent solution to the CEO position in April 2010.

Having secured the short term objectives of stabilising the finances of the company, the Board and the management have agreed on a growth plan for Atlantic Petroleum. The main strategic challenge facing Atlantic Petroleum is to increase the daily average production from the current approximately 2,500 barrels to 4,000 to 5,000 barrels per day within the next 2 to 3 years. To accomplish this, Atlantic Petroleum will seek to add new reserves close to existing production and also to pursue opportunities to farm-in to licences where production is estimated to begin in 2012 – 2014. In order to achieve the growth targets, Atlantic Petroleum does not rule out the possibilities of acquisitions and even a merger if this is of value for the Company.

In 2009, Atlantic Petroleum produced oil from two fields, Chestnut throughout the year and Ettrick from August 2009. Although production start up at Ettrick was slower than anticipated, we feel confident that the cash flow from these two fields can act as backbone for the future development of Atlantic Petroleum.

Finally, I wish to thank all the shareholders for their continued support, including participation in the rights issue which was of significant importance for the future development of Atlantic Petroleum. Also the staff deserve applause for their efforts during a trying year for Atlantic Petroleum.

It is my sincere belief that the future of Atlantic Petroleum is bright and that the experiences and steps taken will be valuable cornerstones in the future development of the Company.

Yours sincerely

Birgir Durhuus
Chairman of the Board
Copenhagen 26th February 2010

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Management's Statement

Atlantic Petroleum's second oil field, Ettrick, was brought on stream on 15th August 2009 and marked another major milestone for the Company. A daily production potential of net 2,500 – 3,000 barrels per day from 2 fields provides the Company with strong cashflow and better spread of risks.

The Chestnut field has produced around 4.5MM barrels in total, approximately 675,000 barrels net to Atlantic Petroleum, of which 510,000 barrels were produced in 2009. The net oil reserves in Chestnut as of 1st January 2009 were estimated by the independent consultancy Fugro Robertson Ltd (Fugro) to be 1.5MM barrels. In the updated reserve report from Fugro dated 1st January 2010, the remaining reserves in Chestnut have been estimated at 1.1MM barrels, which equates to an increase of some 0.1MM barrels compared to the previous year.

The Chestnut field is produced via two production wells supported by one water injector. After bringing the second producer on stream in March 2009, production has been optimised such that off-take from the production wells match the injection of water. This field optimisation has led to production at very stable rates and with a reasonably low decline. Currently the field produces between 8,500 and 9,000 barrels per day. During 2010 the Chestnut field is expected to produce between 350,000 and 400,000 barrels. The field is currently expected to produce for 3 to 4 more years.

After bringing the Ettrick field on stream on 15th August 2009, it was confirmed that the reservoir potential exceeded expectations and that with the current wells the field can produce between 25,000 and 30,000 barrels per day, which is close to the full capacity of the production facilities.

The commissioning of the production facilities have unfortunately taken much longer than anticipated, resulting in reduced production. This is mainly due to poor performance of the gas compression equipment and scaling problems within surface facilities caused by poor efficiency of the production water treatment.

Over the last two months an intensive effort has been put into rectifying the problems, bringing the gas compression up to full capacity and establishing suitable treatment of the produced water. These efforts are now showing their effect, and the production is currently stable at between 10 and 12,000 barrels per day, with only one of the potential four wells being produced. As the efficiency of the platform improves and other wells are opened up for production, the daily production will increase towards the potential rates of the field. In the 2010 forecast a conservative average uptime of the facilities of 66% has been budgeted for.

Drilling operations are continuing on the Ettrick field. Currently the 20/2a-E3 well is being sidetracked to a better location within the reservoir. The plan is to drill a further production well in the northern part of the field. The inclusion of these two wells will secure good production rates and recovery from the Ettrick field.

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The total production for 2010 from the Ettrick field is estimated to be between 4.5 and 5.4MM barrels corresponding to around 375,000 to 450,000 barrels net to Atlantic Petroleum.

Within the Faroese area, Atlantic Petroleum is participating in four licences. L016 was awarded in the 3rd Licensing Round in 2008 with Atlantic Petroleum having 10% equity. This is a large area covering the northernmost blocks awarded within the Faroese Continental Shelf. A large anticlinal structure is mapped on the licence and the current work programme is aimed at maturing the understanding of the petroleum system towards a point where a decision can be made to drill an exploration well.

Also in the Faroes, the Company participates in L013 and L014, awarded in the 2nd Licensing Round, with 40% equity in each licence. The licences currently expire in January 2011, with an option to extend to 2013 pending further commitments to seismic acquisition and eventually a decision to drill an exploration well.

The fourth licence is L006, awarded in the 1st Licensing Round. The Company equity is 1% with Statoil as operator with 99%. The licence has recently been extended to January 2013.

In Ireland, SEL 2/07 has been extended into a second term that expires 31st January 2013. The partnership has embarked on an evaluation of how the resources in the Celtic Sea, and in particular Hook Head and Helvick, can be recovered in a commercially viable manner. SEL 3/07 will be relinquished on 31st March 2010.

Financial and Operating Performance

Following the dramatic fluctuations in the oil price in 2008, the prices remained low in the first and second quarter of 2009, but through the second half of the year prices stabilised at around 70 USD/barrel.

Operating profit (EBIT), before deduction of unsuccessful exploration costs, amounted to DKK 33.5MM for the year 2009. This compares to the previous announcement, made in conjunction with 3Q results, where EBIT before deduction of unsuccessful exploration costs was estimated to be at the lower end of the interval between DKK 40-50MM. The main reason for the lower than estimated results relates to the delay in Ettrick field production, but also due to Chestnut total production being less than forecasted. Despite the delays in production from the Ettrick field, the Company is pleased with the performance and has confidence in the future outlook for the field. Production from Chestnut amounted to 510,000 barrels in 2009 and from Ettrick to 164,000 barrels.

Results after taxation for 2009 was DKK –54.9MM (2008: DKK -89.7MM) including net unrealised foreign exchange gains of DKK 35.5MM (2008: -145.7) which have no cash flow effect on the Group. The foreign exchange gains relate to a year-end exchange rate adjustment of an inter-group loan provided by the parent company to the UK and Ireland subsidiaries.

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The DKK/GBP exchange rate at year end 2009 was 8.23 compared to the year end 2008 figure of DKK 7.65 for 1 GBP. The exchange rate at year end 2008 was historically low and the higher rate at year end of 2009 has resulted in the gains for this year. The Group does not hedge its foreign exchange rate risk on inter-group loans, as these do not have a cash flow effect on the Group.

Profit before tax in 2009 was DKK -60.4MM (2008 DKK -145.4MM).

Profit before tax in 4Q 2009 was DKK 24.6MM (4Q 2008 DKK -110.3MM). Net Profit after tax in 4Q 2009 was DKK 11.0MM (4Q in 2008 DKK -54.5MM).

Revenue in 2009 was DKK 219.3MM (2008: DKK 43.3MM). Average realised oil price was 61.7 USD/bbl compared to 54.9 USD/bbl in 2008.

Gross profit was DKK 54.6MM in 2009 (2008: DKK 16.4MM) and DKK 30.5MM for the last quarter of 2009 (4Q in 2008: DKK 16.4MM).

Exploration costs amounted to DKK -109.1MM in 2009 (2008: DKK -2.2MM). The exploration costs relate to impairments of the Irish licences and the UK Crosby and West Lennox licences.

Net cash flow from operating activities in 2009 amount to DKK 54.0MM (2008: DKK -6.3MM).

Total assets of DKK 646.8MM (At year end 2008: DKK 642.9MM).

Investments in oil and gas assets were significantly lower in 2009 than in 2008. The total booked value at year end 2009 amounted to DKK 567.4MM compared to DKK 621.8MM in 2008. Investments were made in Chestnut and Ettrick, but the majority of the Irish assets were impaired and written off and also, following the dry well on Crosby, both the Crosby and West Lennox assets in the UK East Irish Sea were written off in full. Ordinary depreciations of oil producing fields also resulted in lower values. Both Chestnut and Ettrick are now producing and accordingly these assets are depreciated proportionally to reserve depletion.

Cash at 31st December 2009 was DKK 18.8MM (2008: DKK 3.9MM). Short term loans are 283.7MM (2008: 365.3MM). The decrease in bank debt in 2009 is due to the capital share increase, the Company's positive cash flow from two producing oil fields and relatively low exploration, appraisal and development activities. Due to the scope of the Company's investment activities in the forthcoming years, the Board of Directors does not recommend the payment of a dividend for 2009.

Total liabilities amount to DKK 367.9 MM (At year end 2008: DKK 476.1MM) and total shareholder's equity comprise DKK 279.0MM (At year end 2008: DKK 166.8MM)

Atlantic Petroleum completed a fully subscribed rights issue on the 2nd November 2009. A total of 1,500,973 new shares were issued at a subscription price of DKK 125 per share, corresponding to gross proceeds to Atlantic Petroleum of DKK 188MM. Atlantic Petroleum's nominal share capital now amounts to DKK

262,670,300 consisting of 2,626,703 shares each with a nominal value of DKK 100 or multiples hereof.

Outlook for 2010

Financially, the Company is now on a good footing. Debt has been reduced from DKK 478MM to the current level of DKK 259MM (Year end 2009: DKK 284MM), due to the rights issue in October and due to strong earnings.

As a consequence of this, an agreement has been signed with P/F Eik Banki to transfer DKK 194MM of the remaining bridge facility into a five year senior facility, of which DKK 64MM are planned to be paid with the available cash flow expected in 2010. The remaining DKK 65MM debt to P/F Eik Banki and P/F Føroya Banki will be paid down to DKK 35MM or below within the year. An agreement has also been made with P/F Føroya Banki to maintain a credit facility of DKK 35MM. These agreements serve as cornerstones in the transformation of Atlantic Petroleum towards the vision upon which the Company was founded.

During 2010, the Chestnut field is expected to produce between 350,000 and 400,000 barrels and the total production for 2010 from the Ettrick field is estimated to be between 375,000 to 450,000 barrels net to Atlantic Petroleum.

Drilling operations are continuing on the Ettrick field. Currently the 20/2a-E3 well is being sidetracked to a better location within the reservoir. The plan is to drill a further production well in the northern part of the field. The inclusion of these two wells will secure good production rates and recovery from the Ettrick field.

The Blackbird discovery will also be appraised this year and the well is expected to be drilled in May to June. The result will dictate future development of Blackbird as a tie back to the Ettrick field.

Based on a total production of 790,000 barrels net in 2010, an average oil price of 75 USD/barrel and average field operating expenditures of around 30 USD/barrel, the Company expects operating profits of between DKK 70-90MM before deduction of unsuccessful exploration costs. The estimate is based on an exchange rate of DKK/USD 5.2.

The estimates are associated with uncertainties related to production performance and on any changes in the USD/DKK exchange rate.

In 2010 Atlantic Petroleum expects to make investments in field developments of approximately DKK 80MM, while exploration and appraisal costs are budgeted at DKK 4MM. The investments in field developments relate to further development drilling on the Ettrick field and appraisal of the Blackbird discovery.

Last year brought changes to the organisation of the Company. Since the end of November 2009 I have served the Company as CEO and in January we announced the appointment of Mourits Joensen as the new CFO.

The Company is now embarking on an ambitious growth strategy. The strong cash flow combined with our strong financial backing, talented and dedicated staff and a visionary Board and management will be used to create opportunities for the Company in the years to come. We strongly believe and sincerely hope that this will be of benefit to our shareholders.

The growth strategy entails both organic growth through licensing rounds and farm-ins, as well as a motivation to examine opportunities for transactions on an asset or corporate level.

I wish to thank our staff for their excellent effort and endurance during 2009 and our shareholders for their continuing support.

Yours sincerely

Sigurð í Jákupsstovu
CEO
Tórshavn 26th February 2010

Business Model and Strategy

Atlantic Petroleum's business model is anchored on a strategy focused on maintaining a strong cash flow and using this to grow the Company through exploration and acquisitions. Oil markets were extremely volatile in 2009 and Brent Blend fell to its lowest level at USD 39.50/bbl on 18 February and reached its highest level at USD 79.69/bbl on 21 October. The Oil price has essential impact on profitability of Atlantic Petroleum and is considered as the one of the main risk factors of the Company.

Development of existing licences
Atlantic Petroleum operates in the upstream E&P oil market through developing its own existing projects in collaboration with an extensive range of joint venture partner oil companies. Atlantic Petroleum engages in activities ranging from exploration, through appraisal, to development and production according to the traditional value chain of the oil and gas industry.

Acquiring licences and farming into licences
A supplementary part of Atlantic Petroleum's overall business model is to acquire and farm-into licences to increase its reserve portfolio. The ability to do this successfully is dependant on the Company's knowledge of and expertise within the oil and gas industry. Atlantic Petroleum is constantly screening the market in order to identify new high ranking licences which may constitute attractive investment opportunities for the Company and its shareholders.

The foundation of this is solid geological and geophysical expertise and commercial insight, as well as the necessary funding.

Atlantic Petroleum has participated in licence rounds in the UK and the Faroes. Atlantic Petroleum's ideal interest in licences are in the range of 10% to 15% at the time when material investments are being made.

Organisation
Atlantic Petroleum has a relatively small but efficient organisation which at the end of 2009 consisted of 8 full-time employees with key competencies necessary to run the Company. Atlantic Petroleum has, since its foundation, also developed an external network of consultants and advisers providing Atlantic Petroleum with additional flexibility, resources and competences. This network is typically used in peak periods and in connection with evaluation of potential investments or expansion opportunities.

Five Year Summary, Consolidated Figures

Financials		**2009**	**2008**	**2007**	**2006**	**2005**
Accounting basis		**IFRS**	**IFRS**	**IFRS**	**IFRS**	**IFRS***
Sales revenues	DKK	219,252,477	43,267,047	0	0	0
Profit before tax	DKK	-60,442,213	-145,418,901	-76,071,551	-8,088,880	-10,389,362
Net profit for the period after tax	DKK	-54,870,416	-89,657,034	-76,073,976	-8,102,710	-10,397,544
Cash flow from operating activities	DKK	54,035,541	-1,935,056	-12,456,386	-10,451,788	-8,892,594
Shareholders' funds	DKK	278,960,352	166,826,724	227,152,010	296,676,942	99,337,034
Net cash/(debt)	DKK	-264,902,284	-361,284,051	-75,558,047	155,825,655	9,887,274
Per share statistics:						
Revenue per share	(DKK /Share)	139.03	38.43	0	0	0
Earnings per share – basic	(DKK /Share)	-34.79	-79.64	-67.58	-8.92	-13.79
Cash flow from operating activities per share	(DKK /Share)	34.26	-1.72	-11.07	-11.50	-12.02
Issued share – average		1,577,035	1,125,730	1,125,730	908,828	739,978
Operations:						
Production (working interest basis)	(boepd)	1,847	1,570	0	0	0
Drilled exploration/appraisal/development wells	(number)	2	4	2	1	1
Employees – Faroes	(number)	6	5	5	3	3
– Overseas	(number)	3	5	3	3	3
Key indices:						
Average exchange rates	(DKK/GBP)	8.36	9.40	10.90	10.94	10.97
Closing exchange rates	(DKK/GBP)	8.23	7.65	10.15	11.10	10.89

* 2005 numbers have been restated in accordance with International Financial Reporting Standards (IFRS) and revised accounting policy in accordance with FO GAAP.

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Financial Review

Consolidated Income Statement
The result after tax for 2009 was a loss of DKK -54.9MM (2008: DKK -89.7MM). The loss includes a non-cash unrealised foreign exchange gain amounting to DKK 35.5MM (2008: DKK -142.1MM). The net foreign exchange gain relates to a year-end exchange rate adjustment of an inter-group loan provided by the parent company to the UK and Ireland subsidiaries. The foreign exchange gain originates from the increase in the GBP/DKK exchange rate during 2009 from DKK 7.65 at the beginning of the year to DKK 8.23 by the end of 2009.

In 2009, Atlantic Petroleum commenced production of oil and gas from Ettrick and in conjunction with production from Chestnut sold 674,000 barrels of oil (2008: 128,623 barrels) at an average price of 61.7 USD/barrel (2008: 54.9 USD/barrel). The revenue from sale of oil and gas amounted to DKK 219.3MM (2008: DKK 43.3MM).

Cost of sales amounted to DKK 164.6MM, (2008: DKK 26.8MM). Costs of sales relates primarily to the operation of the Hummingbird and Aoka Mizu FPSO vessels, depreciations of the Chestnut and Ettrick field and costs related to the oil sale.

Exploration costs amounted to DKK 109.1MM (2008: 2.3MM). These consist mainly of the impairment of the Irish licences of DKK 89.5MM and the write-off of Crosby and West Lennox in the UK of DKK 15.9MM.

Pre-licence exploration costs amounted to DKK 0.6MM (2008: 1.1MM).

General and administrative costs amounted to DKK 20.7MM in 2009 (2008: DKK 18.8MM).

Other operating income consists of rent of premises, and amounts to DKK 0.1MM (2008: DKK 0.2MM).

Operating profit equalled DKK -75.6MM (2008: DKK –5.6MM).

Interest income and finance gains totalled DKK 41.6MM (2008: DKK 5.9MM). Included here is the unrealised exchange rate gain on intercompany accounts. Interest expenses and other finance costs amounted to 26.4MM (2008: DKK 145.7MM), which in 2008 was related to the unrealised foreign exchange loss as mentioned above. The DKK/GBP exchange rate at year end 2008 was DKK 7.65 for 1 GBP, which is a historically low rate. At year end 2009 the DKK/GBP exchange rate was 8.23. The Group does not hedge its foreign exchange rate risk on inter-company loans, as these do not have a cash flow effect on the Group.

At year end 2009 Atlantic Petroleum took into account a UK net deferred tax asset amounting to DKK 5.6MM (2008: DKK 55.8MM). Recognition of the deferred tax asset is based on the budgeted profit before income tax for the following three years. The deferred tax asset is estimated to be utilised within three years from the balance sheet date.

Profit before taxation totalled DKK –60.4 (2008: DKK –145.4MM).

Basic earnings per share were DKK –34.79 (2008: -79.64).

Consolidated Balance Sheet

Total assets at the end of 2009 amounted to DKK 646.8MM (2008: DKK 642.9MM).

Exploration and evaluation assets amounted to DKK 64.6MM at the end of 2009 (2008: DKK 152.4MM). The largest investment made in 2009 is in the Faroese L016. In Ireland the whole portfolio was impaired in 3Q. In the UK both Crosby and West Lennox were written off, due to the dry well drilled on Crosby.

Development and production assets, which comprise commercial discoveries, amounted to DKK 445.4MM at the end of 2009 (2008: DKK 423.2MM). The increase in booked value reflects the development activities on the Chestnut, South Chestnut and the Ettrick fields. In 2009 the depreciations of the Chestnut and Ettrick fields amounted to DKK 68.2MM.

Property, plant and equipment amounted to DKK 0.5MM at the end of 2009 (2008: DKK 0.8MM).

Deferred tax asset amounted to DKK 54.5MM at the end of 2009 (2008: DKK 45.4MM). In 2009 Atlantic Petroleum took into account in Profit and Loss UK deferred tax amounting to DKK 5.6MM (2008: DKK 55.8MM). The reason for the difference in the amounts is that in the profit and loss accounts the exchange rate used is an average exchange rate for the year, whilst in the balance sheet the exchange rate at year end is used. Recognition of the deferred tax asset is based on the budgeted profit before income tax for the following three years. The deferred tax asset is estimated to be utilised within three years from the balance sheet date.

Inventories are at DKK 4.1MM at year end 2009 (2008: DKK nil MM). This amount is equal to value of production costs associated with oil produced but not sold at year end.

Trade and other receivables were DKK 58.8MM at the end of 2009 (2008: DKK 13.3MM). Trade and other receivables relate to ordinary contracts regarding sale of oil and gas in November and December 2009. All outstanding balances have been paid without delays.

Securities available for sale totalled DKK nil MM at the end of 2009 (2008: DKK 3.8MM).

Cash and cash equivalents were at DKK 18.8MM at the end of 2009 (2008: DKK 3.9MM).

Total liabilities amounted to DKK 367.9MM at the end of 2009 (2008: DKK 476.1MM).

Total current liabilities totalled DKK 319.7MM at the end of 2009 (2008: DKK 436.8MM).

Short term debt amounted to DKK 283.7MM (2008: DKK 365.3MM). The decrease is due to repayment with proceeds from the capital share increase in 2009. Trade and other payables amounted to DKK 36.0MM (2008: DKK 66.9MM). Trade and other payables relate primarily to the development the Ettrick field. Short term provision amount to DKK nil MM at the end of 2009 (2008: DKK 4.6MM). The decrease relates to the payment for deferred acquisition costs for the Ettrick field which was payable upon the first production of oil.

Total non-current liabilities amounted to DKK 48.1MM at the end of 2009 (2008: DKK 39.3MM) and consist primarily of long term provision for abandonment costs for the Chestnut and Ettrick fields in UK and the Hook Head, Helvick and Dunmore wells in Ireland. The amounts provided in UK have been included in development and production assets and in regard to Ireland these amounts have been impaired as per 3Q 2009 Additional amounts since the impairment have been included in exploration and evaluation assets.

Consolidated equity

The total shareholders' equity amounted to DKK 279.0MM at the end of 2009 (2008: DKK 166.8). An increase in share capital took place during 2009. A total of 1,500,973 new shares were issued at a subscription price of DKK 125 per share, corresponding to gross proceeds to Atlantic Petroleum of DKK 188MM. Atlantic Petroleum's nominal share capital amounts now to DKK 262.7MM consisting of 2,626,703 shares each with a nominal value of DKK 100 or multiples thereof.

Cash flow

Net cash provided by operating activities amounted to DKK 54.0MM (2008: DKK –6.3MM).

Capital expenditures in the period were DKK -135.1MM (2008: DKK -278.5MM) relating principally to the cash investments in exploration and development activities undertaken in 2009.

Net cash used in financing activities amounted to DKK 95.7MM (2008: DKK 284.8MM). The amount consists of proceeds from the share capital increase less downpayments of bridge loans.

Cash and cash equivalents totalled DKK 18.8MM at the end of 2009 (2008: DKK 3.9MM).

Investments

The additional capitalised investments in 2009 amounted to DKK 17.5MM (2008: DKK 78.3MM). Total booked value at the end of 2009 amounted to DKK 64.6MM (2008: DKK 152.4MM). The total booked value is after deduction of impairment of DKK 108.8MM in 2009 regarding Irish and UK licences.

The Ettrick well (20/2a-E6) was drilled and completed in the 1st quarter of 2009 and has been added to the development and production assets. One exploration well was drilled in 2009 to test the Crosby prospect. The well encountered only water bearing sandstones and consequently it was decided to write off the total investments in Crosby and the dependent West Lennox discovery.

During 2009 Atlantic Petroleum continued investments in the Perth, Chestnut and Ettrick development projects. The additional investments in development and production assets amounted to DKK 50.3MM in 2009 (2008: DKK 198.6MM). At the end of 2009, the booked value of development and production assets amounted to DKK 445.4MM (2008: DKK 423.2MM). The booked value is after deduction of depreciation.

Atlantic Petroleum's total estimated investments in the Chestnut field, including acquisition costs, development costs, and estimated abandonment costs, amount to approximately DKK 168MM.

Atlantic Petroleum's total estimated investments in the Ettrick field, including acquisition costs, development costs, and estimated abandonment costs, totals approximately DKK 317MM.

Net cash position

At the start of 2009, net cash amounted to DKK -361.3MM. At year-end 2009 this had increased to a net cash position of DKK -264.9MM comprising DKK 18.8MM of cash and cash equivalent balances and a draw on the bridging loan facilities of -283.7MM.

Risk Management

The Atlantic Petroleum Group is exposed to a number of different market and operational risks arising from our normal business activities as an international exploration and production oil and gas company.

Market risks include the possibility of changes in oil and natural gas prices, currency exchange rates and interest rates that will affect the value of the assets, liabilities or expected future cash flows. The Company is in the process of implementing a hedging strategy.

Since the Group reports in DKK, exchange rate exposure relates to USD, GBP and EUR.

Related to the sale of oil, the Group has a risk due to changes in the oil price and USD compared to DKK, as the sale of oil is measured in USD.

On the investment side, the Group is also exposed to fluctuations in USD, GBP and EUR exchange rates as the Group's most material investments in oil and gas assets are paid in these currencies.

Atlantic Petroleum UK Limited, the 100% owned subsidiary, has a separate financial statement which is prepared in GBP, which is the subsidiary's functional and presentation currency. The Group recorded an unrealised foreign exchange rate gain of DKK 36.8MM (2008: DKK -142.1MM) in the income statement. The gain/loss has no cash flow effect on the Group. Atlantic Petroleum (Ireland) Limited, the 100% owned subsidiary, has a separate financial statement prepared in EUR, which is the subsidiary's functional and presentation currency. The Group recorded an unrealised exchange rate loss of DKK 1.3MM (2008: DKK 1.5MM) in the income statement.

The Group does not hedge the exchange rate risk on inter-company loans, as these do not have a cash flow effect on the Group.

The Group has three existing loans at year end amounting to a total of DKK 283.7MM including interest and they were repayable at 31st December 2010 but are now changed and rolled out into 5 years debt facilities. It has though been agreed with lenders that the company shall endeavour to pay down the loans in 2010 until they have reached DKK 165MM. The interest rate on the loans is floating, bearing interest at rates set by reference to DKK CIBOR, exposing the Group to a cash flow interest rate risk.

When the Group has positive cash balances, they are invested in short-term bank deposits, usually in USD and DKK. There can be a currency and a credit risk concentration on these cash balances (bank deposits) as all funds are usually placed in Faroese banks.

Operational risk includes the possibility that Atlantic Petroleum may experience, among other things, a loss in oil and gas production or an offshore catastrophe. The Group undertakes an insurance programme to reduce the potential impact of the physical risks associated with its exploration and production activities.

Significant Events after the Balance Sheet Date

The following significant events have occurred after the end of the financial year and prior to the approval of the financial statement for 2009:

On 8th January 2010 Atlantic Petroleum announced the employment of Mourits Joensen as Chief Financial Officer. Mourits Joensen is 35 years of age and has an MSc in Economics from Copenhagen University. Since 2007, Mr. Joensen has held the position as Finance and Administration Manager of the Faroese Unemployment Service, and prior to that he worked with Eik Bank and Hagstova Føroya (Statistics Faroe Islands). Mr. Joensen will take up his new position with Atlantic Petroleum from 1st March 2010.

On 5th January 2010 the Faroese Ministry of Trade and Industry approved a three year extension of the Faroese licence L006, and the relinquishment of 58% of the L006 licence acreage. Atlantic Petroleum holds 1% in L006, with Statoil Faroes holding the remaining 99% and the operatorship. Prior to the expiration of the licence period in 2013 one exploration well shall be drilled and evaluated in one of the L006, L009, or L011, but it has not yet been decided in which of these licences the well will be drilled. Statoil Faroes holds 100% in the L009 and L011.

On 11th February 2010 the Irish authorities agreed to the progression into the second phase of licence SEL 2/07, and to the relinquishment of part of the licence. The areas to be retained under SEL 2/07 encompasses six part blocks (49/09, 49/18, 49/19, 50/6, 50/7 and 50/11), comprising a total of 107.2349 km^2. The duration of the second phase will be from 1st February 2010 to 31st January 2013.

On 23rd February 2010 an agreement was made to change the terms and conditions for the downpayment of the current debt of DKK 211MM to P/F Eik Banki and DKK 47MM to P/F Føroya Banki. Under the agreement with P/F Eik Banki DKK 194MM will be transferred into a 5 year senior facility expiring 11th December 2014 while DKK 17MM will remain as a short term loan expiring on 31st December 2010. It was further agreed that the Company shall endeavour to pay down the DKK 194MM facility to DKK 130MM within 2010. Under the agreement with P/F Føroya Banki the current DKK 50MM credit facility expiring on 31st December 2010 shall be replaced with a new rolling credit facility of DKK 35MM.The terms and conditions for the credit facility requires that the drawdown on the credit shall be payable within 3 months cashflow at any time. Further, the basis for the credit will be reviewed quarterly.

Apart from these, no significant events have occurred after the end of the financial year.

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Operational Review

Atlantic Petroleum's strategy combines the delivery of new development and production projects as well as acquisition of high quality exploration licences in the Company's focus areas within North West Europe. The short and medium term focus is on production and development of assets in the United Kingdom and Ireland, whilst for the long term the Faroe Islands is expected to provide growth to Atlantic Petroleum's reserves and production.

Reserves

Atlantic Petroleum contracted Fugro Robertson Limited to prepare an independent assessment of the petroleum reserves and resources as of 31st December 2009. The assessment was based on technical data and information provided by Atlantic Petroleum up to that date. The table below shows proven, contingent and prospective resources, on a working interest basis, as of 31st December 2009, based on P50 estimates. Risks and uncertainties are incorporated into the evaluation of prospective resources.

	Proven reserves MMBoe	**Contingent resources MMBoe**	**Prospective resources (risked) MMBoe**
Start of 2009	4	5.1	2
Production	-0.7		
Net additions & revisions	0.1	0	-1.6
End of 2009	3.4	5.1	0.4

Proven reserves have changed due to production of 674,000 barrels from Chestnut and Ettrick and an upgrade in proven reserves in Chestnut of 100,000 barrels net to Atlantic Petroleum.

No changes were attributable to the contingent resources.

Prospective resources have been changed due to the farm down and impairment of the Crosby prospect of 1.6 MMboe.

Hook Head resources and prospective resources from Faroese licenses have not been included in the table above.

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Production and Development

The Chestnut field commenced production on 20th September 2008 and the Ettrick field on 15th August 2009.

Chestnut, Licence P.354, Block 22/2a

In November 2005 the then equivalent of the UK Department of Energy & Climate Change (DECC) approved the field development plan for Chestnut.

Chestnut was discovered in 1986, appraised in 1988 and a further well drilled in 2001 on which an extended production test was carried out, also in 2001. The test reduced uncertainties over connected reservoir volumes and allowed better definition for a development scenario. Atlantic Petroleum farmed into the licence in 2003.

The development of the field commenced in 2005 and an agreement was signed with the Norwegian company, Sevan Marine ASA, to construct the Hummingbird Sevan type 300 FPSO (floating production, storage and off-loading) vessel. The type 300 FPSO is a new type of production facility which was expected to be more cost effective than traditional floating systems and Chestnut was the first field in the North Sea to be developed using this system. The FPSO is contracted for two and a half years, with options to extend in six month increments for a further two years.

In 2006 a second development well for the Chestnut field was drilled and came in as predicted. This well was drilled as a water injector.

In September 2008 a further Chestnut appraisal and production well, South Chestnut, was spudded and successfully drilled, tested and completed. The well was tied-in to the Chestnut production facilities at the beginning of 2009 and has significantly increased recoverable reserves and overall field life. Production from the Chestnut field in 2009 was around 3.4MM barrels, or 510,000 barrels net to Atlantic Petroleum.

Atlantic Petroleum's total investments in the Chestnut field, including South Chestnut, are approximately DKK168MM, including abandonment costs. Operating expenditures per barrels are expected to be around 34 USD /barrel in 2010.

The Chestnut partners are Centrica Energy Upstream (operator) 69.875%, Dana Petroleum (E&P) Limited 15.125% and Atlantic Petroleum UK Limited 15%.

Ettrick, Licences P.317 and P.273, Blocks 20/2a and 20/3a

The Ettrick field is located in Blocks 20/2a and 20/3a in the North Sea. Atlantic Petroleum farmed into the licence in 2003.

The Ettrick field was discovered in 1981 and has, prior to development, been appraised by seven wells drilled between 1982 and 1985. Atlantic Petroleum and its partners received approval for the development of the Ettrick field in July 2006 from the UK Authorities. Since March 2007, six development wells have been drilled on the field, one of them an injector well. The Jarvis field has reserves in the Zechstein underlying the Ettrick sands and is considered as part of the Ettrick development. The latest well to be drilled in 2009, the 20/2a-E6 well, targeted the Jarvis structure and intersected both the Ettrick and Zechstein reservoirs.

In April 2006, the partnership awarded Bluewater Ettrick Production (UK) Limited a contract for the production facilities and operations for the field for an initial term of five years with extension options. The FPSO is designed to handle 30,000 bopd and 35 MMscfpd gas.

Atlantic Petroleum's total development costs related to the Ettrick field are estimated at approximately DKK 317MM and operating expenditures per barrels are expected to be around 25 USD/barrel in 2010.

Ettrick partners are Nexen (Nexen Petroleum U.K. Limited and Nexen Ettrick U.K. Limited) (operator) 79.73%, Dana Petroleum (BV UK) Limited 12% and Atlantic Petroleum UK Limited 8.27%.

Blackbird P.317, P.273 and P.1580, Blocks 20/2a, 20/3a and 20/3f

In the summer of 2008, the 20/2a-8 Blackbird well was drilled immediately to the south of the Ettrick field and oil was discovered in sandstones similar in age to those in the Ettrick field. The Blackbird discovery is promising and is anticipated to be a positive addition to production over the Ettrick field facilities. The well encountered 111 feet of net pay in multiple zones and tested at an average restricted rate of 3,800 bopd through a 34/64 inch choke. The discovery lies around six kilometres south of the Ettrick field and work is ongoing regarding development options. An appraisal well is planned for the first half of 2010. It is expected that Blackbird will have a subsea tie-back to the Aoka Mizu FPSO at Ettrick, with first oil possible in 4Q 2011.

Ettrick partners are Nexen (Nexen Petroleum U.K. Limited and Nexen Ettrick U.K. Limited) (operator) 79.73%, Dana Petroleum (BV UK) Limited 12% and Atlantic Petroleum UK Limited 8.27%.

Perth, Licences P.218 and P.588, Blocks 15/21a, b, c & f

The Perth field, which lies in Licence P.588 and located in Block 15/21c, was discovered in 1983, although the first well that flowed at commercial rates was drilled in 1992. The oil volumes in place are thought to be large, ranging up to 500 MMBbls, including the undrilled North Perth prospect, but development is complicated by the fact that the oil contains significant H_2S. Both stand-alone development and subsea tieback to a platform which has or could have sour facilities are currently being investigated.

Various development scenarios are under consideration, but it is expected that a field development plan will be submitted in the autumn of 2010 allowing for first production in 2012 or 2013.

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Perth partners are Nexen Petroleum UK Ltd (operator) 42.08%, Petro-Canada UK Limited (a wholly owned subsidiary of Suncor Energy Inc.) 43.33%, Maersk Oil UK Limited 10.84%, and Atlantic Petroleum UK Limited 3.75%.

Exploration and Appraisal

Faroe Islands

Atlantic Petroleum was established with the goal of participating in the exploration for oil and gas on the Faroese Continental Shelf. The Company has therefore participated in all three licensing rounds held to date in the Faroes, in strong partnership groups comprising of, among others, major oil and gas companies.

The four Faroese licences that Atlantic Petroleum currently participates in are reviewed in the following section.

Licence 006, Brugdan deep

The Brugdan 6104/21-1 well was plugged and abandoned in 2006, having encountered minor gas shows. The well reached a total depth of 4,225 metres. Technical difficulties prevented the well being drilled further to target potential deeper targets. The well was significant for future oil and gas exploration in the Faroes, as it determined the thickness of the basalt on the East Faroe High and provided significant experience and knowledge of drilling through basalt sequences.

The data from the well is very important for maturing geological understanding in the Faroese area and in particular by Atlantic Petroleum to evaluate Faroes Licences L013, L014 and L016 for further exploration efforts in the area.

The licence has been extended into a third term that expires 17th January 2013. The work programme associated with the licence is that prior to the expiry of the licence in 2013, one well shall be drilled in one of the following Faroes licences L006, L009 or L011. The other licences are 100% owned by Statoil.

Partners are Statoil Færøyene A/S (operator) 99.0% and P/F Atlantic Petroleum 1.0%.

Licences 013 & 014, Stella Kristina and Marselius

During 2006, Atlantic Petroleum and its partner, Sagex Petroleum, acquired 1,245 km of block specific 2D long offset seismic data over Faroes Licences 013 & 014. The seismic data acquired fulfilled the 2D seismic acquisition commitment for the licences. Additional regional 2D seismic lines, which tie key offset wells, were also purchased by the Group to augment the interpretation. The seismic data was processed in 2007, along with reprocessing of 810 km of existing 2D seismic over the blocks. Unfortunately, the results were unsatisfactory and in order to improve the imaging the seismic data set was reprocessed again in 2008 by a different contractor. After receiving the results late in 2008, an interpretation was undertaken. The current dataset has vastly improved definition of structural features and a series of leads have been identified. This has enabled the partnership to prepare a future work programme to move the licence forward and to potentially farm out a share of the equity in the licence.

The second term of the licence expired on 17th April 2009, but the partnership applied for and were granted an additional two years, during which time selected 2D seismic data will be depth migrated and reprocessed, amongst other elements of an agreed work programme. The work programme has to be carried out prior to 17th January 2011. There is also an option to extend the licence to 17th January 2013 if additional 2D seismic data is acquired during this period.

The licence partners are Sagex Petroleum ASA (operator) 60% and P/F Atlantic Petroleum 40%.

Licence 016, Kúlubøkan

Atlantic Petroleum was awarded Licence 016 in the 3rd Faroese Licensing Round in December 2008. The licence is a large exploration area comprising 5,300 sq km in the north-eastern part of the Faroese licence area. It contains a large four-way dip closed structure called Kúlubøkan, with potential at various stratigraphic levels. Atlantic Petroleum and its partners have completed the acquisition of seismic data over the summer 2009. The data is currently being processed and will be analysed to mature the structure in 2010.

The Licence partners are Statoil Færøyene A/S (operator) 50%, DONG Føroyar P/F 30%, Føroyar Kolvetni P/F (Faroe Petroleum) 10% and P/F Atlantic Petroleum 10%.

United Kingdom

The UK sector is the area where Atlantic Petroleum has been most active in exploration to date. Atlantic Petroleum entered into the UK in 2001 and currently holds interests in six licences in the UK, which have exploration or appraisal potential. These licences are described in the following section.

Perth Exploration Area, Licences P.218 and P.588, Blocks 15/21a, b, c & f

In the vicinity of the Perth accumulation, where development plans are being discussed, exploration upside exists. Little work, however, is being carried out with regards to exploration in this area as this is dependant on development decisions to be made for the Perth field. The North Perth prospect may be tested as part of the Perth development plans.

Partners in this licence are Nexen Petroleum UK Ltd (operator) 42.08%, Petro-Canada UK Limited 43.33%, Maersk Oil UK Limited 10.84% and Atlantic Petroleum UK Limited 3.75%.

Blackbird extension, P.1580, Block 20/3f
This licence was awarded in the UK 25th Licensing Round. The licence awards were announced in November 2008. The acreage is adjacent to Licences P.317 and P.273, Blocks 20/2a and 20/3a, on which the Blackbird discovery lies.

Partners in this licence are Nexen (Nexen Petroleum U.K. Limited and Nexen Ettrick U.K. Limited) (operator) 79.73%, Dana Petroleum (BV UK) Limited 12% and Atlantic Petroleum UK Limited 8.27%.

Marten, Licence P.1047, Block 20/3c
This licence was acquired from Shell in August 2007, with final approval from DECC in October 2007. The licence contains the Marten 20/3-4 discovery well, drilled in 1984 by Amoco.

Technical work was carried out in 2009 to evaluate the discovery further and determine the best export route for the hydrocarbons. The current resource base is considered to be sub-economic as a standalone development and would need to be tied back to an existing facility with sour facilities such as Buzzard or developed in conjunction with other sour oil fields in the area such as the Bright and Polecat discoveries.
Options for development are currently being evaluated.

Partners in this licence are Nexen Petroleum U.K. Limited (operator) 40%, Dana Petroleum (BV UK) Limited 25%, Petro Summit Investment UK Limited 17.5% and Atlantic Petroleum UK Limited 17.5%.

West Lennox and Crosby, Licence P.099, Blocks 110/14c & d
Atlantic Petroleum farmed into Licence P.099 in 2005. The licence comprised of the West Lennox discovery and the Crosby prospect.

The West Lennox discovery was appraised in 2005. The reserves for the West Lennox field are currently estimated to be sub-commercial for an independent tie in to the Lennox field so a potential development plan has been abandoned.

An exploration well on the Crosby structure was drilled in the summer 2009 with the Ensco 92 jack-up rig. The well was plugged and abandoned as a dry well. The Triassic Sherwood Sandstone reservoir was encountered but proved to be water wet.

This licence will be relinquished early in 2010.

The partners in the West Lennox part of the licence are Challenger Minerals North Sea Limited (operator) 25%, Dyas UK Limited 20%, First Oil Expro Limited 20%, AFEX Oil and Gas UK Limited 12.5%, Atlantic Petroleum UK Limited 12.5%, and Providence Resources UK Limited 10%.

The partners in the Crosby part of the licence are Challenger Minerals North Sea Limited (operator) 22%, Dyas UK Limited 20%, First Oil Expro Limited 20%, Atlantic Petroleum UK

Limited 7.5%, AFEX Oil and Gas UK Limited 12.5%, Sterling Resources 10% and Palace Exploration Company 8%.

Dee, Licence P.1478, Blocks 110/9c and 110/14e

This licence was awarded in the UK 24th Licence Round in February 2007. The acreage is adjacent to Licence P.099, Blocks 110/14c & d in the East Irish Sea. At the time of application, a lead called Lytham was identified, which was subsequently renamed Dee. 3D seismic survey obtained over the area showed that the structure originally identified does not exist. The licence will be relinquished by 31st March 2010.

The partners in this licence are Challenger Minerals North Sea Limited (operator) (15%), Dyas UK Limited (15%), First Oil Expro Limited (25%), Providence Resources UK Limited (25%), AFEX Oil and Gas UK Limited 12.5% and Atlantic Petroleum UK Limited (7.5%).

Ireland

On 7th February 2007 Atlantic Petroleum, through its 100% owned subsidiary, Atlantic Petroleum (Ireland) Limited, farmed into two offshore Ireland licences including four discoveries and additional exploration prospects and leads.

Licence SEL 2/07, Part Blocks 50/6,7,11, 49/9,13,14,18,19

Partners currently in this licence are Providence Resources Plc (operator) 72.5%, Sosina Exploration Limited 9.1677%, and Atlantic Petroleum (Ireland) Limited 18.333%.

The initial three year licence term ended on 31st January 2010 and the group applied to continue the licences for a further term. Official consent was received in February 2010 to take the licence into a second phase to 31st January 2013, subject to a specific work programme and relinquishment of part of the held acreage.

The work programme consists of reviewing the potential of innovative offshore low production rate scenarios for marginal oil field developments along with technical studies on the licences.

Standard Exploration Licence 2/07 contains the following oil and gas discoveries:

Hook Head

The Hook Head field lies approximately 60 km off the south coast of Ireland and is located in approximately 70 metres of water. In 1971 the then operator, Marathon, drilled the IRL50/11-1 well which encountered four hydrocarbon bearing reservoirs within the Early Cretaceous Wealden Sandstones. Due to operational difficulties at that time, the well was not properly tested, so there was uncertainty whether the reservoirs contained oil, gas or a combination of both. The 50/11-3 appraisal well was spudded by the current partner group in August 2007. The well confirmed the presence of hydrocarbons, with 75 feet of net hydrocarbon bearing reservoir within a 484 feet gross interval. The well was not properly tested due to operational issues, however hydrocarbons recovered from the well confirmed the presence of 30° API oil and associated gas. The well has been suspended for potential re-entry in the future.

The IRL50/11-4 appraisal well was spudded on 5th August 2008 on the north-west flank of the Hook Head structure. The well penetrated Wealden sand packages with oil and gas shows and also a 30 feet net hydrocarbon bearing Lower Cretaceous sand above the primary target. The hydrocarbons encountered were substantially less than anticipated, so the well was plugged and abandoned.

Work is currently being carried out to assess the potential of developing the central panel of the Hook Head Field, where the 50/11-1 and 50/11-3 wells were drilled.

Following the drilling of the Hook Head 50/11-4 well in 2008 a number of studies have been completed by the operator. The outcome of the studies suggested that, due to reservoir and oil quality issues, the potential commerciality of the asset is more uncertain than before. However, innovative ways of developing the field are being considered.

Ardmore

The Ardmore gas field lies approximately 48 km northeast of the Kinsale Head gas field. The Ardmore discovery well, IRL49/14-1, was drilled by the then operator, Marathon, in 1974, and flowed at an aggregate rate of 8.64 MMscfpd. GIIP is estimated by the operator as being up to 130 Bscf.

2D seismic data was acquired in 2006, processed in 2007 and interpreted in 2008. The field is currently not considered to be viable as a stand-alone project. There are, however, potential opportunities in the area that may influence the potential to develop the field.

Helvick

The Helvick oil field is located in the southwest corner of Block 49/9, some 36 km off the south coast of Ireland. It lies approximately 50 km northeast of the Kinsale Head gas field. The Helvick discovery well, IRL49/9-2 was drilled by the then operator, Gulf Oil, in 1983 and flowed at 9,901 bopd and 7.44 MMscfpd from four units. Two further appraisal wells were drilled in the 1980s to delineate the field.

In 2000, the current operator, Providence, drilled the 49/9-6Z well, which was flow tested at 5,064 bopd and 5.8 MMscfpd. This flow confirmed the good reservoir and fluid characteristics seen on the original 49/9-2 discovery well. Further detailed analysis, however, indicated that the Helvick reservoir is compartmentalised and would require further appraisal. Providence concluded that development of Helvick on a stand-alone basis could not be justified given market conditions at that time.

The operator estimates the STOOIP for the Helvick discovery to be around 9.4 MMBbls. Mapping has identified additional leads such as an upthrown terrace play and stratigraphic plays which have potentially higher volumes totalling 52 MMBbls STOOIP.

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Innovative ways to develop this field are being considered.

Dunmore
Block 50/6 is located approximately 20 km north of the Hook Head Field. The discovery well, 50/6-1, was drilled by the then operator, Gulf Oil, in 1985 and flowed at a rate of 2,074 bopd of high quality (40-44° API) oil and associated gas.

The 50/6-4 appraisal well was spudded 5th September 2008, immediately after the Hook Head 50/11-4 well. The well encountered the primary reservoir but it was water bearing. A new hydrocarbon bearing Jurassic carbonate reservoir zone was encountered, which had not been anticipated prior to drilling. This reservoir had about 20 feet gross thickness and porosities of up to 23%. The reservoir zone exhibited good oil and gas shows whilst drilling. The well was suspended so it could be re-entered to test this zone if it was thought viable at a later date.

Following the drilling of the Dunmore 50/6-4 well in 2008 a number of studies have been completed by the operator. The outcome of the studies suggested that, due to reservoir and oil quality issues, and uncertainty related to sufficient volume, the potential commerciality of the asset is more uncertain than before.

Licence SEL 3/07, Part Blocks 48/29,30, 49/22,23,26,27,28
The Blackrock SEL 3/07 licence was farmed into on 28th March 2007 as part of the Providence Celtic Sea deal with SEL 2/07. The licence contains the Blackrock and Rushane prospects.

This licence will be relinquished on 31st March 2010, at the end of the three year term.

Partners currently in this licence are Providence Resources Plc (operator) 72.5%, Sosina Exploration Limited 9.1677%, and Atlantic Petroleum (Ireland) Limited 18.333%.

Corporate Social Responsibility 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.

We are committed to comply with all applicable EHS (Environment, Health and Safety) laws, regulations and standards and to apply responsible standards where legislation is inadequate or does not exist. We monitor and review our CSR (Corporate Social Responsibility) policy and procedures on a regular basis to ensure suitability and effectiveness.

Atlantic Petroleum works to provide training, equipment and facilities necessary to maintain a safe and healthy worksite and is additionally committed to a systematic framework of hazard identification and risk assessment through which safe operations can be managed. We will endeavour that all parties working on Atlantic Petroleum's behalf recognise that they can impact our operation and reputation and that we all share a common responsibility for our safety.

We place utmost attention and priority to protecting and minimising any harm to the environment in our oil and gas activities, and continuously focus on improving our environmental procedures, integrating responsibility throughout our activities.

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Shareholder Information

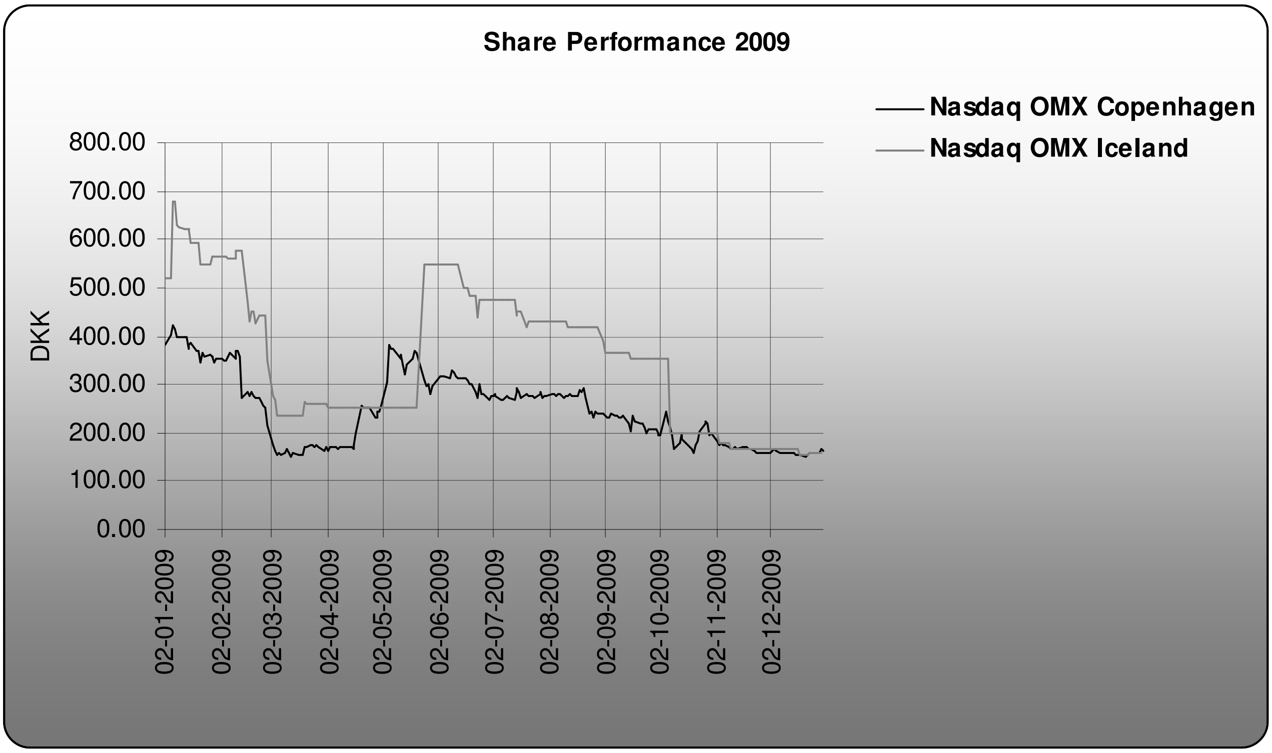
Information to shareholders has high priority at Atlantic Petroleum. Therefore, Atlantic Petroleum aims to maintain a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

Financial calendar

20th March 2010:	Annual General Meeting
19th May 2010:	1st Quarter 2010 interim financial statement
18th August 2010:	2nd Quarter 2010 interim financial statement
3rd November 2010:	3rd Quarter 2010 interim financial statement
25th February 2011:	2010 annual financial statement

Share price

In 2005, Atlantic Petroleum was listed on the main list on NASDAQ OMX Iceland and in 2006 was dual-listed on NASDAQ OMX Copenhagen. The performance of Atlantic Petroleum's shares is shown in the figure below:



The fall in the Company's share price, which started in September 2008, continued during the 1st quarter of 2009, with the lowest price of DKK 154 being reached on 6th March 2009. For the rest of 2009, the share price was relatively stable, with an average price of around DKK 240. The share price peaked on 10th June at DKK 340, then subsequently fell to DKK 167 by year end.

It was a challenging year for the stock markets worldwide. The Company's share price on NASDAQ OMX Iceland was higher than on NASDAQ OMX Copenhagen, but the Icelandic market has been impacted by the financial crisis during 2009. Consequently there was very low trading volumes and a share price that could be misleading.

In spite of difficult market conditions in 2009 a successful rights issue was completed during the last quarter of 2009. A total of 1,500,973 new shares were sold at DKK 125 each.

Compliance Officer

The Compliance Officer for Atlantic Petroleum continuously ensures that relevant persons observe the Group's rules on trading Atlantic Petroleum's shares. The parent company's Board of Directors appoints the Compliance Officer, including his or her deputy. The Compliance Officer's responsibility is to monitor adherence to the Group's internal rules. The Compliance Officer also ensures that the duty of information vis-à-vis the rules of the NASDAQ OMX Iceland and the NASDAQ OMX Copenhagen on the handling of insider information and insider transactions are followed through. The current compliance officer is Regin Hammer.

Contact

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

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Annual General Meeting

The Parent Company's Annual General Meeting is planned for Saturday 20th March 2010.

Auditors

The consolidated accounts for 2009 have been audited by Sp/f Grannskoðaravirkið INPACT, løggilt grannskoðaravirki, who is also the auditor of the parent company.

The financial statements of the subsidiary companies, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited, for the year ended 31st December 2009, will be audited by KPMG.

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Results and Dividends

The Group's result after taxation for the year amounted to DKK –54.9MM (2008: DKK -89.7MM). Payment of dividend is not proposed.

As an oil and gas producing company, Atlantic Petroleum is required to maintain sustained levels of capital investments and reinvestments into the business. So far, Atlantic Petroleum's cash outflows have been funded by equity and short term debt. The Company has agreed with its lenders an extension to the loan facilities and a payment profile which supports bringing down the ratio between debt and equity to a sustainable level within a relatively short time frame.

The Company´s investments will be allocated towards assets on own licenses, as well as on internally generated assets, farm-ins to new licences and acquisitions by utilising free cash flow. Payments of dividends in the forthcoming years are therefore not expected. Shareholders will obtain their return on investment by the accumulation of equity value in Atlantic Petroleum which, over time, is expected to be reflected in the value of the shares of the Company.

Shareholders Capital and Vote

Atlantic Petroleum completed a fully subscribed rights issue on the 2nd November 2009. A total of 1,500,973 new shares were issued at a subscription price of DKK 125 per share, corresponding to gross proceeds to Atlantic Petroleum of DKK 188MM. Atlantic Petroleum's nominal share capital now amounts to DKK 262,670,300, consisting of 2,626,703 shares each with a nominal value of DKK 100 or multiples hereof. Each share holds one vote and all shares have the same rights. According to the articles of associations of the parent company no shareholder can hold more than 20% of the parent company's share capital and no one can vote at the parent company's general meetings with more than 20% of the votes. For more details, please refer to the articles of associations of the parent company.

In October 2005, Atlantic Petroleum commenced dematerialisation of paper shares. All shares issued before 2004 (paper shares) have been called in for electronic registration. After the electronic registration all shares in Atlantic Petroleum will have a nominal value of DKK 100. As at 31st December 2009, there were paper shares in issue with the nominal value of DKK 841,500. The process to convert the shares into electronic registration will continue in 2010.

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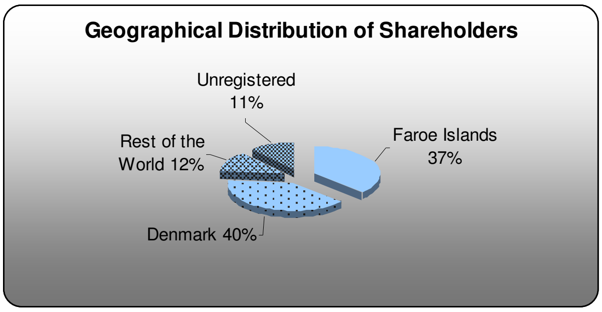
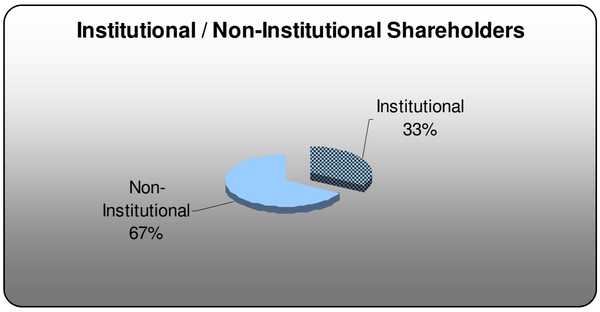
Distribution of Shareholders
Atlantic Petroleum has shareholders in more than 35 countries, with the majority of the share capital represented by Danish and Faroese investors.





The geographical distribution of shareholders, and the distribution between private and institutional shareholders as at 31st December 2009 are shown in the charts above.

The largest investors are established and respected private companies, individuals and institutional investors in Denmark and the Faroes. Some of the largest shareholders, who represent 25% of the shares, at 31st December 2009, are:

SHAREHOLDERS	SHARE CAPITAL DKK	PERCENT
P/F TF Holding	17,325,000	6.60%
P/F Eik Banki	14,485,500	5.51%
Sp/f 14 and related parties	12,527,900	4.77%
HSBC	7,779,000	2.96%
JP Morgan Chase Bank	6,044,100	2.30%
Mortan og Hildigunn Johannesen	5,000,000	1.90%
Føroya Lívstrygging	4,066,600	1.55%
TOTAL	**67,228,100**	**25.59%**

Substantial Shareholders
At 31st December 2009, the following shareholders are listed according to §28 b in the Companies Act:

P/F TF Holding
P/F Eik Banki

The listed shareholders above hold interests in excess of 5 per cent of the issued Ordinary Share capital of the parent company. The shareholders above are incorporated in Tórshavn, Faroe Islands.

Board Meetings
In 2009, the Board of P/F Atlantic Petroleum held 14 board meetings.

Director Profiles

Mr Birgir Durhuus

Position:	Chairman of the Board of P/F Atlantic Petroleum
Date and year of birth:	10th September 1963
Primary occupation:	Head of External Solutions & Risk Management at Danske Capital
Principal work experience:	20 years of managerial experience from the financial sector in Denmark
First elected to the Board:	3rd July 2009
Expiry of current term:	AGM 2011
Current key offices:	None

Mr Poul R. Mohr

Position:	Deputy Chairman of the Board of P/F Atlantic Petroleum
Date and year of birth:	22nd August 1929
Primary occupation:	Managing Director of the investment company SP/F 14
Principal work experience:	25 years as CEO of P/F Tórshavnar Skipasmiðja.
First elected to the Board:	11th February 1998
Expiry of current term:	AGM 2011
Current key offices:	None

Mr Mortan H. Johannesen

Position:	Board member of P/F Atlantic Petroleum
Date and year of birth:	13th July 1937
Primary occupation:	Owner and Chairman of the Board of P/F Farcod
Principal work experience:	Founder of P/F Farcod and Shipmaster of fishing vessels
First elected to the Board:	11th February 1998
Expiry of current term:	AGM 2010
Current key offices:	Board member of P/F Rock

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Mr Jan Edin Evensen

Position:	Board member of P/F Atlantic Petroleum and Atlantic Petroleum UK Limited
Date and year of birth:	5th May 1951
Primary occupation:	Chief Technical Officer at Rock Energy AS
Principal work experience:	33 years international career within the oil and gas industry
First elected to the Board:	3rd July 2009
Expiry of current term:	AGM 2010
Current key offices:	Board member of MoVa AS, Kviknehytta AS (Chairman of the Board) and Rock Energy AS (Chairman of the Board)

Ms Diana Leo

Position:	Board member of P/F Atlantic Petroleum
Date and year of birth:	3rd June 1966
Primary occupation:	Productions Operations Manager with the E&P division of Dong Energy
Principal work experience:	16 years of experience as a production engineer within the oil and gas industry
First elected to the Board:	3rd July 2009
Expiry of current term:	AGM 2010
Current key offices:	None

Mr Richard Hardman

Position:	Board member of Atlantic Petroleum UK Limited
Date and year of birth:	2nd May 1936
Primary occupation:	Consultant in exploration for oil and gas
Principal work experience:	A career in international exploration over the past 41 years in the upstream oil and gas industry. In the United Kingdom, his career encompasses almost the whole history of exploration in history of the North Sea, 1969 to present
First elected to the Board:	12th August 2003
Expiry of current term:	No fixed term
Current key offices:	Director FX Energy Inc, Director Oil Depletion Advisory Centre

As a matter of Corporate Governance the independence of the directors is evaluated yearly. All of the five Board members are independent of the Company.

The Directors, whose current term expires at the Annual General Meeting 2010, are Mr Mortan Johannesen, Mr Jan Edin Evensen and Ms Diana Leo.

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Management Profiles

Managing Director
Mr Sigurð í Jákupsstovu

Position:	Managing Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited
Date and year of birth:	7th January 1963
Primary occupation:	Managing Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited
Principal work experience:	Drilling and petroleum engineering, Ph.D in reservoir modelling and former Managing Director of the Faroese Earth and Energy Directorate
Joined Atlantic Petroleum:	May 2008
Current key offices:	Chairman of the Board of Atlantic Biotechnology P/F

Financial Manager
Mr Mourits Joensen

Position:	Financial Manager of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited
Date and year of birth:	17th April 1974
Principal work experience:	Has held the position as Finance and Administration Manager of the Faroese Unemployment Service, and prior to that he worked with Eik Bank and Hagstova Føroya (Statistics Faroe Islands)
Joined Atlantic Petroleum:	Mr. Joensen will take up his new position with Atlantic Petroleum from 1st March 2010
Current key offices:	None

Directors' Interests and Remuneration

Board of Directors holdings 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:

Board of Directors	Position	Number of Shares	Warrants	Related Parties	Indirect Holdings	Notes	Remuneration 2009	Remuneration 2008
Mr Birgir Durhuus	Chairman of the Board	733	0				72,315	0
Mr Poul R. Mohr	Board Member	1,113	0	233	123,933	Sp/f 14	110,250	220,500
Mr Mortan Johannesen	Board Member	40,000	0	10,000	0		73,500	147,000
Mr Jan Edin Evensen	Board Member						36,157	0
Ms Diana Leo	Board Member						36,157	0
Mr Richard Hardman **	Board Member	0	0	0	0		0	0
Mr Kjartan Hoydal	Former Chairman of the Board	1,030	0	40	0		64,517	294,000
Mr Petur Even Djurhuus *	Former Board Member	900	0	500	0		37,343	147,000
Mr Óli A.M.Hammer	Former Board Member	50	0	50	0		37,343	147,000
Total		**43,826**	**0**	**10,823**	**123,933**		**467,582**	**955,500**

* Mr Peter Even Djurhuus is partner in a law firm, which provides legal services to Atlantic Petroleum
The total fee to the law firm amounts to DKK 1.2 MM (2008: 147,475).

** Mr Richard Hardman is a Director of Atlantic Petroleum UK Limited he is not a Director of Atlantic Petroleum P/F.
Mr Richard Hardman does not receive remuneration from Atlantic Petroleum, but he performs consulting services for the Company.
The fee in 2009 was DKK 84,000 (2008: DKK 90,400).

The directors do not receive any share related compensation from the Group.

Management's Interests and Remuneration

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

Management	Position	Number of Shares	Warrants *	Related Parties	Indirect Holdings	Remuneration 2009	Remuneration 2008
Mr Sigurð í Jákupsstovu	Managing Director	0	0	350	1,400	1,173,490	710,819
Mr Teitur Samuelsen	Former Financial Director**	364	633	88	629	1,118,939	1,144,218
Mr Wilhelm Petersen	Former Managing Director***	1,999	3,692	1,118	0	2,648,506	1,879,500
Total		**2,363**	**4,325**	**1,556**	**2,029**	**4,940,934**	**3,734,537**

* The details af the warrant programme are described below under incentive schemes
** Mr Teitur Samuelsen's employment ended on 31.12.2009
*** Mr Wilhelm Petersen's employment ended on 20.11.2009. The remuneration 2009 includes Mr Petersen's severance pay

Incentive Scheme

The Board of Directors has been authorised to issue up to 10,000 warrants at DKK 100 for subscription of shares in the parent company in the period up to 31st December 2009, under clause 3b in the Articles of Associations.

In 2007, a share warrant scheme was announced, under which warrants to subscribe to the parent company's shares were granted to management, employees and retainers. P/F Atlantic Petroleum is a lean network organisation and the warrant programme is an important part of the Group's business plan to foster loyalty and commitment from staff.

Warrant incentive programme

	Former Managing Director Warrants of nominal value DKK 100	Former Financial Manager Warrants of nominal value DKK 100	Other employees Warrants of nominal value DKK 100	Retainers Warrants of nominal value DKK 100	Total Warrants of nominal value DKK 100
Authorised 1st January 2009	-	-	-	-	10,000
Outstanding 1st January 2009	3,692	633	319	984	5,628
Authorised but not issued 1st January 2009	-	-	-	-	4,372
Issued during the period	0	0	0	0	0
Lapsed during the period	0	0	0	0	0
Exercised during the period	0	0	0	0	0
Outstanding 31 december 2009	3,692	633	319	984	0
Exercisable 31 December 2009	3,384	580	292	902	5,158
Authorised but not issued 31 December 2009	-	-	-	-	4,372

One twelfth of the warrants can be exercised in each of the twelve quarters following the announcement of the result for the first quarter of 2007. All exercise periods last for four weeks. Vested warrants that are not exercised can be carried forward to the following periods. Thus, un-exercised warrants do not forfeit until the end of the last exercise period, which is 1st May 2010. If Atlantic Petroleum has not received a subscription form from the warrant holder by 1st May 2010, the warrants are forfeited.

The warrants can only be exercised if the warrant holder is still employed or provides services to the Atlantic Petroleum Group.

Stock Exchange Announcements

Notice to the stock exchanges in 2009 (most recent first):

Date	Subject
29th December 2009	Financial Calendar of P/F Atlantic Petroleum
9th December 2009	Atlantic Petroleum announces that the stabilisation period has expired
20th November 2009	Atlantic Petroleum announces changes in management
13th November 2009	Resignation of Financial Manager
6th November 2009	3Q: Positive operating profit and strong cash flow in the period
3rd November 2009	Changes in major shareholders holdings
2nd November 2009	Increase in share capital
29th October 2009	Completes fully subscribed rights issue
22nd October 2009	Insider Trading and Related Party Trading
22nd October 2009	CORRECTION: Insider Trading and Related Party Trading
21st October 2009	Insider Trading and Related Party Trading
21st October 2009	Related Party Trading
21st October 2009	Related Party Trading
21st October 2009	Related Party Trading
20th October 2009	Insider Trading and Related Party Trading
20th October 2009	Related Party Trading
20th October 2009	Insider Trading and Related Party Trading
20th October 2009	Related Party Trading
19th October 2009	Related Party Trading
19th October 2009	Related Party Trading
15th October 2009	Related Party Trading
14th October 2009	Related Party Trading
14th October 2009	Insider Trading and Related Party Trading
2nd October 2009	Atlantic Petroleum publishes prospectus
1st October 2009	Atlantic Petroleum to publish prospectus in connection with rights issue to raise Gross Proceeds of up to DKK 188 million
30th September 2009	Atlantic Petroleum announces revised oil production forecast and financial guidance for 2009
27th September 2009	Change in the Board of Directors for the subsidiaries Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited
27th September 2009	Improved loan conditions
16th September 2009	Atlantic Petroleum comments on media analysis of debt situation
21st August 2009	Forecast for 2009 unchanged and positive net cash flow from operating activities of DKK 28.1MM for 1H 2009
18th August 2009	Ettrick Field commences production
17th July 2009	Impairment of Celtic Sea licence SEL 2/07
4th July 2009	Election of Chairman and Deputy Chairman
3rd July 2009	Result of Extraordinary General Meeting held 3rd July 2009
24th June 2009	Results of Crosby well announced
22nd June 2009	New Board Members to be proposed at upcoming Extraordinary General Meeting

18th June 2009	Summons for an Extraordinary General Meeting of P/F Atlantic Petroleum
11th June 2009	Response to questions raised related to whether the extensions of the bridge loans are final or conditional. The extensions are final
10th June 2009	Crosby exploration well spudded
9th June 2009	First stage of planned refinancing in place and proposed internationalisation of the Board of Directors
3rd June 2009	Aoka Mizu FPSO vessel arrives at the Ettrick field location
22nd May 2009	EBIT for 1Q 2009 of DKK -15.4MM and positive net cash from operating activities of DKK 2.7MM despite low oil price in 1Q 2009
21st March 2009	Result of Annual General Meeting 21st March 2009
19th March 2009	Production from second Chestnut Production well
4th March 2009	P/F Atlantic Petroleum – Summons for the Annual General Meeting
3rd March 2009	Atlantic Petroleum to maintain its 8.27% equity in Blackbird block 20/2a
27th February 2009	EBIT for 4Q 2008 of DKK 8.3MM and full-year EBIT 2008 of DKK -5.6MM. Increasing oil production expected to lift EBIT to DKK 20-25MM in 2009.
16th February 2009	Operations update on the Chestnut Field
13th February 2009	Relinquishment of UK Licence P.1211
12th February 2009	Matching resumed with the shares of Atlantic Petroleum
12th February 2009	Update on Ettrick Field
12th February 2009	Matching halted with the shares issued by Atlantic Petroleum

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 the NASDAQ OMX Iceland and NASDAQ OMX Copenhagen, P/F Atlantic Petroleum is obliged to comply with Faroese, Icelandic and Danish securities law and Stock Exchange rules. The Stock Exchange rules require listed companies to take a position to 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 follow both the rules on NASDAQ OMX Iceland and on NASDAQ OMX Copenhagen.

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.

The tasks and responsibilities of the Supervisory Board:

Procedures

The recommended items are part of the Supervisory Board's Rules of Procedure, with the exception of division of responsibilities between the members of the Supervisory Board. To date this has not been felt necessary and has been dealt with on an ad hoc basis. The Supervisory Board keeps the situation under review.

The composition of the Supervisory Board:

Recruitment and election of Supervisory Board members:

There are no established explicit recruitment criteria, but in the case of election of a new Director of the Supervisory Board the overall competence and experience in the Supervisory Board will be assessed.

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 2 years at the time, 2 members every second year and 3 members every second year which ensures continuity. For the time being there is no limit of how often Board members can be re-elected.

Use of Supervisory Board committees

With the present activity in the parent company it has not been necessary to set up sub-committees of the Supervisory Board to concentrate on specific areas of business. The only exception is the remuneration sub-committee. The need for further sub-committees will be reviewed regularly. The Supervisory Board has not yet drawn up formal terms of reference for any sub-committees.

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Assessment of the Supervisory Board's work

Assessment of the competency and expertise of the Supervisory Board members as well as evaluation of the Supervisory Board's work is made on an ongoing basis and presently does not follow a formal plan. Assessment of the Executive Board's work and results is also made on an ongoing basis and presently does not follow a formal plan. As the Group grows the need for establishing assessment procedures will be considered.

Remuneration of the members of the Supervisory Board and the Executive Board: Remuneration Policy

Atlantic Petroleum has not introduced an explicit remuneration policy, but the Supervisory Board is of the opinion that the 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 and the Executive Board. Benchmarking to secure this has been initiated. The remuneration of the Supervisory Board is reviewed regularly and in the Articles of Associations the maximum yearly remuneration is initiated. The annual report states the remuneration to the members of the Supervisory Board and the Executive Board and all components of it.

Audit:

Audit committee:

Taking the Group's size into consideration, the Board has not seen it necessary to establish an audit committee.

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 2009 to 31st December 2009.

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 Iceland, the financial reporting requirements of the NASDAQ OMX in Copenhagen 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 and Parent's financial positions at 31st December 2009, as well as the results of the Group's and the Parent's activities and cash flows for the financial year 1st January 2009 to 31st December 2009.

Tórshavn 26th February 2010

Management:

Sigurð í Jákupsstovu

Board of Directors:

Birgir Durhuus
Chairman

Poul R. Mohr
Deputy Chairman

Mortan H. Johannesen

Jan Evensen

Diana Leo

Independent Auditor's Report

To the shareholders of Atlantic Petroleum P/F

We have audited the annual report of Atlantic Petroleum P/F for the financial year 1st January – 31st December 2009, which comprises the statement by the Executive and Supervisory Boards on the annual report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and additional Faroese disclosure requirements for annual reports of listed companies.

The Executive and Supervisory Boards' responsibility for the annual report

The Executive and Supervisory Boards are responsible for the preparation and fair presentation of this annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Faroese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material mis-statement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive and Supervisory Boards, as well as evaluating the overall presentation of the annual report.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31st December 2009 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1st January – 31st December 2009 in accordance with International Reporting Standards as adopted by the EU, and additional Faroese disclosure requirements for annual reports of listed companies.

Tórshavn, 26th February 2010

SP/F GRANNSKOÐARAVIRKIÐ INPACT
løggilt grannskoðaravirki

Jógvan Amonsson
State Authorized Public Accountant

Fróði Sivertsen
State Authorized Public Accountant

Accounting Policies

General

P/F Atlantic Petroleum is a limited company incorporated in the Faroe Islands and listed on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen. The principal activities of the Company and its subsidiaries (the Group) are Oil & Gas exploration, appraisal, development and production in the Faroe Islands, UK and Ireland.

These financial statements are presented in DKK, since that is the currency in which the majority of the Group's transactions are denominated.

Accounting Estimates and Judgements

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 Financial Review under Hedging and Risk Management.

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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 64.6MM (2008: DKK 152.4MM) and the Group's development and production assets amounts to DKK 445.4MM at 31st December 2009 (2008: DKK 423.3MM). The Group's abandonment obligations as of 31st December 2009 amounts to DKK 48.2MM (2008: DKK 39.3MM).

Accounting convention

P/F Atlantic Petroleum is a Public Limited Company resident in the Faroe Islands. The Annual and Consolidated Report and Accounts for the period 1st January to 31st December 2009 comprises both the Consolidated Annual Report and Accounts for P/F Atlantic Petroleum and its subsidiaries (Group) and the separate Annual Accounts for the Parent Company according to the requirement in the Faroese Company Accounts Act.

The Annual and Consolidated Report and Accounts 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 Iceland, and the financial reporting requirements of NASDAQ OMX Copenhagen for listed companies.

The accounting policies set out below have been applied consistently to all periods presented in these Annual and Consolidated Report and Accounts, and have been applied consistently by all companies.

The financial information has been prepared using the historical cost and fair value conventions on the basis of the accounting policies set out below.

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.

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.

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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
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 costs 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.

Exploration Expenses
Exploration expenses comprise costs 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. The impairment of exploration and evaluation assets and relinquished licences are also recognised in Exploration expenses.

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

Other Income
Revenue in Parent Company from services rendering to the subsidiaries is recognised in the income statement when the services are rendered.

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

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Taxation

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 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.

Balance Sheet

Intangible Asset

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".

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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, costs of technical services and studies, seismic acquisition, exploratory drilling and testing and other directly attributable costs.

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 profit and loss account.

Costs 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 are 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 profit and loss account under “Exploration Expenses”.

If commercial reserves have been discovered, the carrying value of the relevant E&E asset is reclassified as a tangible asset as a development and production asset. Before the reclassification the asset will be tested for indications of impairment. If however, the commercial reserves have not been found, the capitalised costs 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.

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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, expected derived from 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 profit and loss account 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	3 – 10 years

The residual value is reassessed annually.

Investments in Subsidiary Companies
Investment in subsidiaries are recognised at costs. If the cost-value of the shares exceeds the shares recoverable amount, the shares will be written down to the recoverable amount.

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The recoverable amount is the higher of the shares fair value less costs to sell and the shares value in use. At each reporting date it will be assessed whether there is any indication that the shares may be impaired. If any such indication exists, the recoverable amount will be estimated.

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.

Inventories
Inventories relate to crude oil and are measured at the lower of cost and net realisable value.

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

Receivables from Subsidiary
Company receivables from subsidiary are recognised at amortised costs.

If the nominal value of the receivable exceeds the receivables recoverable amount, the receivable will be written down to the recoverable amount.

The recoverable amount is the higher of the receivables fair value less costs to sell and the receivables value in use. At each reporting date it will be assessed whether there is any indication that the receivable may be impaired. If any such indication exists, the recoverable amount will be estimated.

The receivables from subsidiary are not recognised as a net investment in a foreign operation because the repayment is planned to be as soon as the subsidiary has the funds for repayment. Therefore currency exchange differences are recognised in the income statement under financial income and expenses.

Securities Available for Sale
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

The Groups investments in securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included directly in equity.

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.

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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.

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 director's 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.

Adoption of New and Revised Standards

Standards and interpretations effective in the current and prior periods
The Consolidated Financial Statements is presented in accordance with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC), applicable in 2009. The standards and interpretations to the company are:

IFRS 2 (revised) – Share based payment
IFRS 7 (revised) – Financial Instruments: Disclosures
IFRS 8 – Operating segments
IAS 1 (revised) – Presentations of Financial Statements
IAS 23 (revised) – Borrowing costs
IAS 32 (revised) – Financial Instruments Presentation
IFRIC 16 – Hedges of Net Investments in Foreign Operation

The adoption of the new and revised standard and interpretations has not led to material changes in the accounting policies.

Standards not yet effected
New and revised standards and interpretations have also been approved but are not yet effective. Following is an overview of those which the management believe are relevant for the Company:

IFRS 3 (revised) – Business Combinations
IAS 27 (revised) – Consolidated and Separate Financial Statements
Amendments to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues
Amendments to IAS 39 – Financial instruments – Recognition and measurement - Eligible Hedged Items
IFRIC 16 – Hedges of a net investment in a foreign operation

Management believe that implementation of those standards and interpretations do not have a material affect on the Consolidated Financial Statements of the Company.

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Consolidated Income Statement

For the year ended 31st December 2009

	Note	**2009 DKK**	2008 DKK
Revenue		219,252,477	43,267,047
Cost of sales	2	-164,638,988	-26,818,361
Gross profit		**54,613,489**	16,448,686
Exploration expense	3	-109,102,756	-2,261,713
Pre-licence exploration costs		-616,541	-1,147,215
General and administration costs	*4,5,7,19*	-20,682,242	-18,770,027
Other operating income	*6*	167,026	107,210
Operating profit		**-75,621,024**	-5,623,059
Interest revenue and finance gains	8	41,598,170	5,893,990
Interest expenses and other finance costs	8	-26,419,360	-145,689,833
Profit before taxation		**-60,442,213**	-145,418,901
Taxation	9	5,571,797	55,761,867
Profit after taxation		**-54,870,416**	-89,657,034
Earnings per share (DKK):			
Basic	10	**-34.79**	-79.64

Statement of Total Recognised Income and Expenses

For the year ended 31st December 2009

	2009 DKK	2008 DKK
Profit for the period	-54,870,416	-89,657,034
Exchange rate differences	-10,152,567	31,921,546
Warrant based payments	115,541	378,533
Fair value adjustment on securities available for sale for the period	3,758,795	-2,968,331
Total recognised income	**-61,148,647**	-60,325,286

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Consolidated Balance Sheet

As at 31st December 2009

	Note	**2009 DKK**	2008 DKK
Non-current assets			
Intangible exploration and evaluation assets	11	64,625,118	152,372,520
Development and production assets	12	445,426,063	423,227,716
Property plant and equipment	13	514,690	774,893
Deferred tax asset	23	54,491,384	45,422,324
		565,057,255	621,797,453
Current assets			
Inventories		4,138,906	0
Trade and other receivables	16	58,833,822	13,259,109
Securities available for sale		16,025	3,846,069
Cash and cash equivalents	18,22	18,802,488	3,976,820
		81,791,240	21,081,998
Total assets		**646,848,496**	642,879,451
Current liabilities			
Short term debt	18, 22	118,704,771	365,260,871
Trade and other payables	17	36,024,238	66,936,486
Short term provisions	20	0	4,588,740
		154,729,009	436,786,097
Non current liabilities			
Long-term debt	22	165,000,000	0
Long-term provisions	21	48,159,135	39,266,629
		213,159,135	39,266,629
Total liabilities		**367,888,144**	476,052,726
Net assets		**278,960,352**	166,826,724
Equity			
Share capital	24	262,670,300	112,573,000
Share premium account		231,154,090	207,969,117
Translation reserves		26,357,345	36,626,177
Retained earnings		-241,221,383	-190,341,569
Total equity shareholders' funds	25	**278,960,352**	166,826,724

Consolidated Cash Flow Statement

For the year ended 31st December 2009

	Note	2009 DKK	2008 DKK
Operating activities			
Operating profit		-68,470,793	-5,399,399
Impairment on non-current assets		105,413,702	354,349
Disposal of licence		0	1,907,364
Depreciation, depletion and amortisation		69,593,990	13,741,220
Warrant based payment		105,940	341,951
Inventories		-4,138,906	0
Decrease/(increase) in receivables		-32,677,096	2,015,513
(Increase)/decrease in trade and other payables		1,703,011	-1,849,321
Interest revenue and finance gains received		4,231,521	5,893,990
Interest expenses and other finance costs paid		-21,606,803	-23,227,085
Income taxes paid		-119,023	-61,295
Net cash provided by operating activities		**54,035,541**	**-6,282,712**
Investing activities			
Capital expenditure		-135,116,003	-278,452,402
Net cash used in investing activities		**-135,116,003**	**-278,452,402**
Financing activities			
Increase in share capital		150,097,300	0
Increase in share premium account		37,524,325	0
Transactions costs		-14,339,351	0
Increase in short-term debt		-246,556,099	335,988,583
Increase in long-term debt		165,000,000	-51,151,469
Realised securities		3,971,702	0
Net cash used in financing activities		**95,697,876**	**284,837,114**
Increase/Decrease in cash and cash equivalents		**14,617,414**	**102,000**
Cash and cash equivalents at the beginning of the period		3,976,820	4,865,710
Currency translation differences		208,254	-990,890
Cash and cash equivalents at the end of the period	22	**18,802,488**	**3,976,820**

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Notes to the Consolidated Accounts

For the year ended 31st December 2009

1 Geographical segmental analysis

Group

Segmental reporting follows the Group's internal reporting structure, and accordingly its primary segment reporting is geographical. In the opinion of the directors the operations of the Group comprise one class of business; the production and sale of hydrocarbon.

	Faroe Islands		United Kingdom		Republic of Ireland		Total	
	2009 DKK	2008 DKK	**2009 DKK**	2008 DKK	**2009 DKK**	2008 DKK	**2009 DKK**	2008 DKK
Revenues								
External customers	**0**	0	**219,252,477**	43,267,047	**0**	0	**219,252,477**	0
Results								
Operating profit	**-3,225,774**	-1,678,532	**22,969,094**	-2,300,909	**-95,364,344**	-1,643,618	**-75,621,024**	-5,623,059
Interest revenue and finance gains	**37,031**	365,784	**41,556,899**	1,535,959	**4,240**	3,992,247	**41,598,170**	5,893,990
Interest expenses and other finance costs	**-23,478,281**	-2,568,168	**-640,546**	-142,134,427	**-2,300,533**	-987,238	**-26,419,360**	-145,689,833
Profit /(loss) before tax	**-26,667,024**	-3,880,916	**63,885,448**	-142,899,377	**-97,660,637**	1,361,392	**-60,442,213**	-145,418,901
Taxation	**-19,574**	-8,914	**5,619,294**	55,812,341	**-27,923**	-41,559	**5,571,797**	55,761,867
Net profit/(loss)	**-26,686,598**	-3,889,830	**69,504,742**	-87,087,036	**-97,688,561**	1,319,832	**-54,870,416**	-89,657,034
Assets and liabilities								
Segment assets	**26,682,216**	16,742,262	**605,989,799**	532,138,244	**14,176,481**	93,998,945	**646,848,496**	642,879,451
Total segments assets	**26,682,216**	16,742,262	**605,989,799**	532,138,244	**14,176,481**	93,998,945	**646,848,496**	642,879,451
Total segment liabilities	**287,022,537**	366,701,470	**66,908,765**	103,050,175	**13,956,841**	6,301,081	**367,888,144**	476,052,726
Other segment information								
Capitalised additions to intangible and tangible assets	**6,696,497**	1,909,142	**67,886,342**	226,519,003	**1,942,196**	58,764,596	**76,525,035**	287,192,741
Depreciations and amortisation	**-189,601**	-129,601	**-68,094,597**	-11,301,342	**0**	0	**-68,284,198**	-11,430,943
Disposal and exploration expenditures written off	**0**	0	**-15,688,437**	-1,888,198	**-93,107,812**	0	**-108,796,249**	-1,888,198

The Group manages its operations on a geographical basis. During 2009 the Group's operations were based in three main geographical areas being Faroe Island, UK and Ireland.

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2 Costs of sales

	2009 DKK	2008 DKK
Operating costs	-91,873,942	-13,067,664
Amortisation and depreciation, plant and equipment:		
Oil and gas properties	-72,765,045	-13,750,697
Impairment of Oil and gas properties	0	0
	-164,638,988	-26,818,361

3 Exploration expenses

	2009 DKK	2008 DKK
Exploration expense	0	0
Disposal of licences	0	-1,965,760
Exploration expenditures written off	-109,102,756	-295,952
	-109,102,756	-2,261,713

Due to the dry well on Crosby, both Crosby and West Lennox were impaired. The write-off was approximately DKK 16MM. In 3Q 2009 the Irish assets were impaired. The write-off was approximately DKK 89.5MM. The directors have reviewed the carrying amounts for the intangible exploration and evaluation assets and consider that an impairment provision of DKK 3MM should be made against some exploration licences where it is estimated to be no prospectivity.

4 Auditors' remuneration

	2009 DKK	2008 DKK
Audit services:		
Statutory and group audit	703,840	1,630,603
Review of interim financial statements	350,000	279,906
Audit-related regulatory reporting	0	0
	1,053,840	1,910,509
Tax services:		
Compliance and advisory services	111,803	97,915
	111,803	97,915
Other services:		
Consultancy, warrant scheme and other services	42,500	30,612
	42,500	30,612

DKK 816,140 for the Audit services for 2009 relates to the Statutory and Group audit 2008.

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5 Employee costs

	2009 DKK	2008 DKK
Staff costs, including executive directors:		
Wage and salaries		
Board of Directors*	467,582	955,500
Managing Director***	3,346,997	1,796,625
Financial Manager	1,123,939	1,144,218
Technical Manager	383,191	612,775
Other Employees	1,329,535	1,617,422
	6,651,244	6,126,539
* The Board of Directors' remuneration by person is disclosed in the section regarding shareholders information.		
Warrant based payment		
Board of Directors	0	0
Managing Director	75,795	248,318
Financial Manager	12,998	42,585
Technical Manager	0	0
Other Employees	26,747	87,630
	115,541	378,533
Warrant based payment regarding technical employees capitalised in the period	**-10,289**	-36,582
Expensed off in profit and loss account	**105,252**	**341,951**
Pension costs:		
- defined benefit	0	0
- defined contribution		
Board of Directors	0	0
Managing Director	183,540	82,875
Financial Manager	0	0
Technical Manager	60,480	98,044
Other Employees	168,347	123,587
	412,367	304,506
Social security costs	185,112	265,537
	185,112	265,537
	7,353,974	7,038,533

	2009	2008
Average number of employees during the year*:		
Technical and operations (retainers)**	5	4
Management and administration	4	6
	9	10

* Staff numbers include managers.

** Fee to retainers is not included in the employee costs above, except for DKK 20,196 (2008: DKK 66,168) which is included in warrant based payment for other employees.

***The remuneration 2009 includes the former Managing Director's severance pay.

6 Other operating income

	2009 DKK	2008 DKK
Other operating income is related to rent of premises	167,026	107,210
	167,026	107,210

7 Depreciations

	2009 DKK	2008 DKK
Depreciations included in general and administrations costs	290,121	214,183
	290,121	214,183

NOTES TO THE CONSOLIDATED ACCOUNTS

8 Interest revenue and finance costs

	2009 DKK	2008 DKK
Interest revenue and finance gains:		
Short-term deposits	381,867	200,988
Exchange differences	41,216,303	5,571,146
Realised gains on securities	0	121,855
Other finance income	0	0
Dividend	0	0
	41,598,170	5,893,990

	2009 DKK	2008 DKK
Finance expenses and other finance costs:		
Bank loan and overdrafts	32,768,537	18,640,668
Realised loss on securities	3,617,138	0
Unwinding of discount on decommissioning provision	656,867	59,149
Long-term debt arrangement fees	2,072,378	3,442,896
Others	49,342	99,796
Exchange differences	2,641,227	143,062,516
Gross finance costs and other finance expenses	**41,805,489**	165,305,025
Interest and debt arrangement fee capitalised during the year	-15,386,129	-19,615,192
	26,419,360	145,689,833

9 Tax

	2009 DKK	2008 DKK
Current tax:		
Faroese corporation tax on dividend	0	0
Overseas tax on interest income	-99,449	-41,559
Overseas tax on dividend	-19,574	-8,914
Total Current tax	**-119,023**	-50,473
Deferred tax:		
UK Deferred tax (asset)	5,690,820	55,812,341
Faroese petroleum tax	0	0
Overseas tax	0	0
Total deferred tax	**5,690,820**	55,812,341
Tax on profit on ordinary activities	**5,571,797**	55,761,867

As at 31st December 2009, the Group has a net deferred tax asset of DKK 14,061,836 (2008: DKK 12,769,984) which has not been recognised in the Group's accounts. This is made up of the following amounts:

Effect of capital allowances in excess of depreciation: DKK 4,074,873 (2008: DKK 2,132,380)
Effect of tax losses available: DKK 18,136,709 (2008: DKK 14,902,364)
The losses can be carried forward indefinitely.

The charge for the year can be reconciled to the result per the income statement as follows:

	2009 DKK	2008 DKK
Group result on ordinary activities before tax	-60,442,213	-145,418,901
Capitalised interests	-8,235,898	-19,391,532
	-68,678,111	-164,810,433
Corporation tax	-14,471,436	-47,372,363
Corporation tax - adjustments in respect of prior years	0	-9,364
Corporation tax - adjustments in respect of current years	0	-3,656
Supplementary charge	22,911,633	-28,535,144
	8,440,197	-75,920,527
Tax effect off:		
Tax on interest income	27,925	41,559
Income not taxable for tax purposes – fixed assets	-3,358,233	-1,781,675
Expenses not deductible for tax purposes	24,031,613	72,591,614
Income not taxable for tax purposes - tax adjustments	-316,993	5,064,487
Ring fence expenditure supplements	-14,158,768	-16,397,480
Capital allowances in excess of depreciation	2,182,856	-113,112,534
Unrelieved tax losses and other deductions arising in the period	6,086,384	129,565,029
Income not taxable for tax purposes	-16,219,656	0
Tax credits	-98,771	0
Depreciation in excess of capital allowances	8,244,771	0
Utilisation of tax losses and other deductions	-14,742,302	0
Tax expense for the year	**119,024**	**50,473**

10 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:

	Profit after tax		Weighted average number of shares		Earnings per share	
	2009 DKK	2008 DKK	**2009**	2008	**2009 DKK**	2008 DKK
Basic	**-54,870,416**	-89,657,034	**1,577,035**	1,125,730	**-34.79**	-79.64

11 Intangible exploration and evaluation (E&E) assets

	Oil and gas properties			
	Faroe Islands DKK	**United Kingdom DKK**	**Republic of Ireland DKK**	**Total DKK**
Costs				
At 1st January 2008	6,512,402	32,426,254	35,107,962	74,046,618
Exchange movements	0	-7,925,872	-28,068	-7,953,940
Additions during the year	1,869,884	27,533,560	58,764,596	88,168,040
Disposal of licences	0	-1,599,815	0	-1,599,815
Exploration expenditures written off	0	-288,383	0	-288,383
At 31st December 2008	8,382,286	50,145,744	93,844,490	152,372,520
Exchange movements	0	3,636,772	-110,114	3,526,658
Additions during the year	6,696,497	8,883,494	1,942,196	17,522,187
Disposal of licences	0	0	0	0
Explorations expenditures written off	0	-15,688,437	-93,107,812	-108,796,249
At 31st December 2009	**15,078,783**	**46,977,573**	**2,568,760**	**64,625,116**

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.

12 Development and production assets

	Oil and gas properties			
	Faroe Islands DKK	**United Kingdom DKK**	**Republic of Ireland DKK**	**Total DKK**
Costs				
At 1st January 2008	0	312,689,287	0	312,689,287
Exchange movements	0	-76,799,273	0	-76,799,273
Additions during the year	0	198,570,208		198,570,208
Disposals	0	0	0	0
Disposal of fully written down assets	0	0	0	0
At 31st December 2008	0	434,460,222	0	434,460,222
Exchange movements	0	32,031,506	0	32,031,506
Additions during the year	0	59,002,848	0	59,002,848
Disposals	0	0	0	0
Disposal of fully written down assets	0	0	0	0
At 31st December 2009	**0**	**525,494,575**	**0**	**525,494,575**
Amortisation and depreciation				
At 1st January 2008	0	0	0	0
Exchange movements	0	0	0	0
Charge for the year	0	-11,232,506	0	-11,232,506
Disposal of fully written down assets	0	0	0	0
At 31st December 2008	0	-11,232,506	0	-11,232,506
Exchange movements	0	-840,357	0	-840,357
Charge for the year	0	-67,995,650	0	-67,995,650
Disposals	0	0	0	0
Disposal of fully written down assets	0	0	0	0
At 31st December 2009	**0**	**-80,068,513**	**0**	**-80,068,513**
Net book value				
At 31st December 2008	0	423,227,716	0	423,227,716
At 31st December 2009	**0**	**445,426,062**	**0**	**445,426,062**

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 underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry 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.

13 Property, plant and equipment

	Faroe Islands DKK	United Kingdom DKK	Republic of Ireland DKK	Total DKK
Costs				
At 1st January 2008	843,061	33,081	0	876,142
Exchange movements	0	-8,150	0	-8,150
Additions during the year	39,259	415,235		454,494
At 31st December 2008	882,320	440,166	0	1,322,486
Exchange movements	0	33,600	0	33,600
Additions during the year	0	0	0	0
Disposals	-300,000	0	0	-300,000
At 31st December 2009	**582,320**	**473,767**	**0**	**1,056,086**
Amortisation and depreciation				
At 1st January 2008	-349,156	0	0	-349,156
Charge for the year	-129,601	-68,836	0	-198,437
At 31st December 2008	-478,757	-68,836	0	-547,593
Exchange movements	0	-5,255	0	-5,255
Charge for the year	-189,601	-98,947	0	-288,548
Disposals	300,000	0	0	300,000
At 31st December 2009	**-368,358**	**-173,037**	**0**	**-541,395**
Net book value				
At 31st December 2008	403,563	371,331	0	774,893
At 31st December 2009	**213,962**	**300,729**	**0**	**514,691**

14 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 UK Limited	Exploration, development and production, UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production, Ireland	Republic of Ireland

* Held through subsidiary undertaking.

15 Inventories

	2009 DKK	2008 DKK
Chestnut	3,353,298	0
Ettrick	785,608	0
Net assets	**4,138,906**	**0**

Production costs associated with oil produced but not sold at year end.

16 Trade and other receivables

	2009 DKK	2008 DKK
Trade receivables	42,906,552	6,123,886
Prepayments	2,038,346	3,155,761
Other taxes and vat receivable	2,097,071	901,979
Other receivables	11,791,852	3,077,484
	58,833,822	13,259,109

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.

17 Trade and other payables

	2009 DKK	2008 DKK
Trade payables	24,268,730	15,658,139
Accruals	11,738,430	51,261,270
Other payables	17,077	17,077
	36,024,238	66,936,486

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.

18 Cash, short and long term debt

	2009 DKK	2008 DKK
Amounts falling due within one year:		
Bank loans	118,704,771	365,260,871
Total borrowings	**118,704,771**	365,260,871
Cash:		
Cash at bank and in hand	18,802,488	3,976,820
Short-term deposits	0	0
Total cash	**18,802,488**	3,976,820

At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

The borrowings are repayable as follows:

	2009 DKK	2008 DKK
Bank loans analysed by maturity:		
In one to five years	165,000,000	0
Over five years	0	0
Total borrowings	**165,000,000**	0

The Group had no long term facility at year end 2009 (2008 DKK nil). At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

19 Obligations under leases:

	2009 DKK	2008 DKK
Minimum lease payments under operating leases recognised in the income statement for the year	23,298,639	3,403,314
	23,298,639	3,403,314
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	38,358,434	42,326,694
In one to five years	101,723,460	122,209,721
Over five years	0	5,081,831
	140,081,894	169,618,246

Outstanding operating lease commitments represent the Group’s share of rentals payable by the Group for production facilities, and for certain of its office properties.

In accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group is party to a two and a half year charter contract for the use of a floating production, storage and offloading platform. Payments under the contact began approx 1st October 2008 with the Group's annual commitment being estimated at USD 4MM.

Also, in accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group is party to a five year charter contract for the use of a floating production, storage and offloading platform. Payments under the contact began in 3rd quarter 2009, with the Group's annual commitment being estimated at USD 3.5MM.

The lease commitments have been discounted at a discount rate of 7 %.

20 Provision for short-term liabilities and charges

	2009 DKK	2008 DKK
Deferred provision:		
At 1st January	4,588,740	12,177,360
Exchange movements	350,280	-2,999,880
Transferred from long term provision	0	0
Paid during the year	-4,939,020	-3,059,160
Reduced during the year	0	-1,529,580
At 31st December	**0**	4,588,740
Total provision	**0**	4,588,740

The deferred provision represents a deferred payment for the acquisition of certain licences. The licences have had development plans approved and consequently a provision has been made for the potential deferred consideration that is expected to be paid in respect of these licences. These amounts have been included in tangible assets.

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21 Provision for long-term liabilities and charges

	2009 DKK	2008 DKK
Deferred provision:		
At 1 January	**0**	0
Exchange movements	**0**	0
Transferred to short term provision	**0**	0
Provided during the year	**0**	0
At 31 December	**0**	0
Decommissioning costs:		
At 1 January	39,266,629	26,248,381
Exchange movements	2,728,915	-6,209,857
Addition of future decommissioning costs during the year	5,516,660	19,523,629
Change in estimates of future decomissioning costs	0	0
Unwinding of discount on decomissioning provision	646,931	48,631
Decommissioning	0	-344,156
At 31 December	**48,159,134**	39,266,629
Total provision	**48,159,134**	39,266,629

The deferred provision represents a deferred payment for the acquisition of certain licences. The licences have had development plans approved and consequently a provision has been made for the potential deferred consideration that is expected to be paid in respect of these licences. These amounts have been included in tangible assets. A deferred provision for one certain licence has been transferred to short term deferred provisions.

The decommissioning provision represents the present value of decommissioning costs relating to the oil and gas interests, which are expected to be incurred between 2009 and 2021. 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.

22 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 does not currently use derivative financial instruments to hedge certain of these risk exposures. The Group plans to use derivatives in the future. Accordingly there will be established policies.

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

	Fixed rate DKK	Floating rate DKK	Total DKK
2009			
DKK	0	283,704,771	283,704,771
Total	**0**	**283,704,771**	**283,704,771**
2008			
DKK	0	365,260,871	365,260,871
Total	0	365,260,871	365,260,871

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 3.2MM on the result and equity.
In 2009, 44% of this interest has been allocated to assets and therefore the effect on the result and equity would have been DKK 1.8MM (2008: DKK 0.4MM).

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

	Fixed rate DKK	Floating rate DKK	Total DKK
2009			
Cash and short-term deposits:			
Held in DKK	0	10,457,945	10,457,945
Held in GBP	0	460,114	460,114
Held in USD	0	7,884,429	7,884,429
Total	**0**	**18,802,488**	**18,802,488**
2008			
Held in DKK	0	1,256,216	1,256,216
Held in GBP	0	2,720,604	2,720,604
Total	0	3,976,820	3,976,820

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

Borrowing facilities
The Group had borrowing facilities of which the undrawn amount available at the year-end was:

	2009 DKK	2008 DKK
Expiring within one year	0	63,000,000
In one to five years	0	0
Over five years	0	0
	0	63,000,000

At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

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

	2009 Carrying amount DKK	**2009 Estimated fair value DKK**	2008 Carrying amount DKK	2008 Estimated fair value DKK
Primary financial instruments held or issued to finance the Group's operations:				
Cash and short-term deposits	18,802,488	18,802,488	3,976,820	3,976,820
Bank loans (overdraft facility)	118,704,771	118,704,771	365,260,871	365,260,871
Long term debt	165,000,000	165,000,000	0	0
Derivative financial instruments held or issued to hedge the Group's exposure on expected future sales:				
Forward commodity contracts – net	0	0	0	0

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.

Credit risk

The Group's credit risk is primarily attributable to its bank deposits, securities and other receivables. The risk on securities is relative low, as the investments in securities comprises investments in listed unit trusts. The risk on trade and other receivables is limited, as trade and other receivables comprises receivables from different suppliers, tax receivables and accrued income.

Currency risk

No currency exposures were hedged during the year and thus there is a currency risk.
The Increase in the exchange rate between DKK and GBP during 2009 of 7.6% has resulted in a exchange gain in the profit and loss statement of approx DKK 44MM.
The gain has no cash flow effect on the Group as it relates to intercompany balances.

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23 Deferred tax

	2009 DKK	2008 DKK
Deferred tax liabilities	0	0
Deferred tax assets*	54,491,384	45,422,324
	54,491,384	45,422,324

	Faroese hydrocarbon tax DKK	Faroese Corporation tax DKK	Overseas tax DKK	Total DKK
At 1 January 2008	0	0	0	0
Charge to income	0	0	55,812,341	55,812,341
At 1 January 2009	0	0	55,812,341	55,812,341
Charge to income	0	0	5,690,820	5,690,820
Exchange movements	0	0	-7,011,776	-7,011,776
At 31 December 2009	**0**	**0**	**54,491,384**	**54,491,384**

*See note 9 for net defered tax assets not provided for.

24 Share capital

	2009 DKK	2008 DKK
Balance at 1st January	112,573,000	112,573,000
Shares repurchased	0	0
Shares issued	150,097,300	0
Balance at 31st December	262,670,300	112,573,000

Ordinary Shares:

	2009 100 DKK shares	2009 DKK	2008 100 DKK shares	2008 DKK
Ordinary Shares:				
Authorised	3,240,951	324,095,100	1,739,978	173,997,800
Called up, issued and fully paid	2,626,703	262,670,300	1,125,730	112,573,000

Warrant plan

The parent company has share warrant schemes under which warrants have been granted to management, employees and retainers, for shares in the company. One twelfth of the warrants can be exercised in each of the forthcoming twelve quarters from the announcement of the result for 1st quarter of 2007. Vested warrants that are not exercised can be carried forward to the following period. Thus, un-exercised warrants do not forfeit until the end of the last exercise period, which is 1st May 2010.

The Board of Directors of the parent company has been authorised to issue up to 10,000 warrants at DKK 100 up to 31st December 2009, for subscription of shares in the parent company for the period up to 31st May 2010, according to clause 3b in the Articles of Associations. Up to 31st December 2009 the board had issued 5,628 warrants.

Issued warrants:

	2009		2008	
	Warrants of nominal value DKK 100	Weighted average exercise price DKK	Warrants of nominal value DKK 100	Weighted average exercise price DKK
Authorised 1st January	10,000	0	10,000	0
Outstanding 1st January	5,628	0	0	0
Authorised but not issued 1st January	**4,372**	**0**	10,000	0
Granted during the period	0	625	5,628	625
Lapsed during the period	0	0	0	0
Exercised during the period	0	0	0	0
Outstanding 31st December	**0**	**625**	5,628	625
Exercisable 31st December	**5,158**	**625**	3,283	625
Authorised but not issued 31st December	**4,372**		4,372	

The total market value of the warrants issued is estimated to be DKK 1,510,985 provided that all the warrants are exercised by 1st May 2010.
The market value is calculated on the basis of Black-Scholes and on the following assumptions:
In connection with th share capital increase a new strike price was calculated.

All the warrants assumed exercised by 1st May 2010.
Exercise price: DKK 345.80
Market price on the day of issue: DKK 345.80
Volatility: 82.14 per cent.
Risk-free interest: 1.58 per cent
Yearly dividend: DKK 0.00

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25 Consolidated statement of changes in equity

	Share capital DKK	Share premium account DKK	Retained earnings DKK	Translation reserves DKK	Total DKK
At 1st January 2008	112,573,000	207,969,117	-98,094,803	4,704,697	227,152,011
Issuance of warrants	0	0	378,533	0	378,533
Shares issued	0	0	0	0	0
Transaction costs	0	0	0	0	0
Fair value adjustment on securities available for sale	0	0	-2,968,331	0	-2,968,331
Translation reserves	0	0	66	31,921,480	31,921,546
Loss for the year	0	0	-89,657,034	0	-89,657,034
At 1st January 2009	112,573,000	207,969,117	-190,341,569	36,626,177	166,826,724
Issuance of warrants	0	0	115,541	0	115,541
Shares issued	150,097,300	37,524,325	0	0	187,621,625
Transaction costs	0	-14,339,351	0	0	-14,339,351
Fair value adjustment on securities available for sale for the period	0	0	3,758,795	0	3,758,795
Translation reserves	0	0	-4,647	-10,147,920	-10,152,567
Loss for the year	0	0	-54,870,416	0	-54,870,416
At 31st December 2009	**262,670,300**	**231,154,091**	**-241,342,296**	**26,478,257**	**278,960,351**

26 Own shares

	2009 DKK	2008 DKK
At 1st January	0	0
Acquired in the period	0	0
At 31st December	**0**	0

Atlantic Petroleum has not acquired any of its own shares during 2009 (2008: DKK nil)

27 Analysis of changes in net (debt)/cash

	Note	**2009 DKK**	2008 DKK
a) Reconciliation of net cash flow to movement in net (debt)/cash:			
Movement in cash and cash equivalents		14,825,668	0
Proceeds from short-term loans		246,556,099	0
Proceeds from long-term loans	17	-165,000,000	0
Increase/(decrease) in net cash in the period		**96,381,768**	0
Opening net cash		-361,284,051	155,825,655
Closing net cash/(debt)		**-264,902,284**	155,825,655
b) Analysis of net cash/(debt):			
Cash and cash equivalents	17	18,802,488	3,976,820
Short-term debt	17.21	-118,704,771	-365,260,871
Long-term debt	17	-165,000,000	0
Total net cash/(debt)		**-264,902,284**	-361,284,051

28 Capital commitments and guarantees

In connection with Atlantic Petroleum UK Ltd.'s assets in the UKCS, Atlantic Petroleum P/F has provided the following security towards the UK Department for Business, Enterprise and Regulatory Reform:

1. A security is provided that Atlantic Petroleum P/F can always provide the necessary finance to enable Atlantic Petroleum UK Ltd. to fulfil its obligations in the UK area.

2. A security is provided that Atlantic Petroleum P/F will not change Atlantic Petroleum UK Ltd.'s legal rights, so that this company can not fulfil its obligations

3. A security is provided that if Atlantic Petroleum UK Ltd. fails to fulfil its financial obligations, Atlantic Petroleum P/F will undertake to do so.

Atlantic Petroleum P/F answers for all obligations which Atlantic Petroleum UK Limited has in connection with purchase of assets from Premier Oil in accordance with the "Sales and Purchase Agreement".

In its participation in Joint Ventures, Atlantic Petroleum and Joint Venture Partners are jointly liable to all commitments made by the Joint Venture.

The Group had capital expenditure committed to, but not provided for in these accounts at 31st December 2009 of approximately DKK 84MM. The capital expenditure is in respect of the Group's interests in its exploration and development production licences.

P/F Atlantic Petroleum has two loan facilities. At year end 2009 they were bridge loans but the Company and lenders, P/F Eik and P/F Føroya Banki have agreed to change part of the loans into long term debt. Under the agreement with P/F Eik Banki DKK 194MM will be transferred into a 5 year senior facility expiring 11th december 2014 while DKK 17MM will remain as a short term loan expiring on 31st december 2010. It has further been agreed that the Company shall endeavour to pay down the DKK 194MM facility to DKK 130MM within 2010. The Company has further agreed with Føroya Banki that the current DKK 50MM credit facility in 2011 shall be replaced with a new rolling credit facility of DKK 35MM.

In connection with the loan facilities, P/F Atlantic Petroleum has charged the following security to the lenders:

(i) its shares in its wholly owned subsidiary Atlantic Petroleum UK Limited; and
(ii) its inter-company receivables from Atlantic Petroleum UK Limited
(iii) that Atlantic Petroleum UK Limited shall ensure that liquidity income into the company is only used for payments with consent from the lenders
(iv) P/F Atlantic Petroleum has provided the lenders with a negative pledge.
(v) The terms and conditions for the new rolling credit facility from P/F Føroya Banki of DKK 35MM requires that that the drawdown on the credit shall be payable within 3 months cashflow at any time. Further the basis for the credit will be reviewed quarterly.

In acquiring its interests in certain UK petroleum production licences, the Group has entered into agreements whereby there is an option for the seller to back into 5.515% of the Group's interest in Block 20/2a. The consideration payable would equate to the Group's total exploration costs incurred to the date when the option is exercised. The terms of the agreement also state that the Group cannot dispose of more than 5.515% of its interest in the Ettrick exploration licence without first obtaining the consent of the seller.

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29 Contingent consideration

Intra-group related party transactions, which are eliminated on consolidation, are not required to be disclosed in accordance with IAS 24.
(GBP400,000) is payable contingent on first hydrocarbons being achieved from these licences.

30 Related party transactions

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

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Parent Company Income Statement

For the year ended 31st December 2009

	Note	**2009 DKK**	2008 DKK
Revenue		0	0
Cost of sales		0	0
Gross profit		**0**	0
Exploration expense	1	0	58,396
Pre-licence exploration costs		-34,430	-208,225
General and administration costs	*2,3,5,14*	-14,520,079	-12,328,146
Other operating income	*4*	11,328,736	10,799,443
Operating profit		**-3,225,774**	-1,678,532
Interest revenue and finance gains	6	37,031	365,784
Interest expenses and other finance costs	6	-38,864,410	-22,183,360
Profit before taxation		**-42,053,153**	-23,496,108
Taxation	7	-19,574	-8,914
Profit after taxation		**-42,072,727**	-23,505,022

Parent Company Statement of Total Recognised Gains and Losses

For the year ended 31st December 2009

	2009 DKK	2008 DKK
Profit for the period	-42,072,727	-23,505,022
Warrant based payments	115,541	378,533
Fair value adjustment on securities available for sale for the period	3,758,795	-2,968,331
Total recognised income	**-38,198,390**	-26,094,820

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Parent Company Balance Sheet

As at 31st December 2009

	Note	2009 DKK	2008 DKK
Fixed assets			
Intangible exploration and evaluation assets	9	15,078,783	8,382,286
Property plant and equipment	10	213,962	403,563
Investment in subsidiaries	8	21,493,753	21,481,804
		36,786,499	30,267,653
Current assets			
Receivables	11	925,605	2,861,698
Receivables from subsidiaries	11	660,822,649	615,369,603
Securities available for sale		16,025	3,846,069
Cash and cash equivalents	15	10,447,841	1,248,646
		672,212,119	623,326,015
Total assets		**708,998,618**	653,593,668
Current liabilities			
Short-term debt	13,15	118,704,771	365,260,871
Trade and other payables	12	3,317,766	1,440,600
		122,022,537	366,701,470
Non current liabilities			
Long-term debt	15	165,000,000	0
		165,000,000	0
Total liabilities		**287,022,537**	366,701,470
Net assets		**421,976,081**	286,892,198
Capital and reserves			
Share capital	17	262,670,300	112,573,000
Share premium account		231,154,090	207,969,117
Retained earnings		-71,848,309	-33,649,918
Total equity shareholders' funds	18,19	**421,976,081**	286,892,198

Parent Company Cash Flow Statement

For the year ended 31st December 2009

	Note	**2009 DKK**	2008 DKK
Operating activities			
Operating profit		-3,225,774	-1,678,532
Impairment on non-current assets		0	-58,396
Depreciation, depletion and amortisation		189,601	129,601
Warrant based payments		96,033	312,417
(Increase)/decrease in other receivables		1,936,093	-2,505,600
(Increase)/decrease in trade and other payables		1,877,166	-1,842,056
Interest revenue and finance gains received		37,031	365,784
Interest expenses and other finance costs paid		-35,247,273	-22,183,360
Income taxes paid		-19,574	-8,914
Net cash provided by operating activities		**-34,356,696**	**-27,469,056**
Investing activities			
Capital expenditure		-6,700,888	-1,885,173
Investment in subsidiary		11,949	50,271
Net cash used in investing activities		**-6,688,938**	**-1,834,901**
Financing activities			
Increase in share capital		150,097,300	0
Increase in share premium account		37,524,325	0
Transactions costs		-14,339,351	0
Increase in short-term debt		-246,556,099	335,988,583
Increase in long-term debt		165,000,000	-51,151,469
Increase in loan to subsidiary companies		-45,453,046	-255,127,914
Realised securities		3,971,702	0
Net cash used in financing activities		**50,244,830**	**29,709,200**
Increase/Decrease in cash and cash equivalents		**9,199,195**	**405,243**
Cash and cash equivalents at the beginning of the period		1,248,646	843,403
Cash and cash equivalents at the end of the period	15	**10,447,841**	**1,248,646**

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Parent Company Notes to the Accounts

For the year ended 31st December 2009

1 Exploration expenses

	2009 DKK	2008 DKK
Exploration expense	0	0
Disposal of licences	0	0
Explorations expenditures written off	0	58,396
	0	58,396

No licence was disposed off in 2009. The directors have reviewed the carrying amounts for the intangible exploration and evaluation assets and have decided that no impairment provision shall be made in 2009.

2 Auditors' remuneration

	2009 DKK	2008 DKK
Audit services:		
Statutory audit	165,500	217,807
Review of interim financial statements	350,000	279,906
Audit-related regulatory reporting	0	0
	515,500	497,713
Tax services:		
Compliance and advisory services	32,500	15,900
	32,500	15,900
Other services:		
Consultancy, warrant scheme and other services	42,500	30,612
	42,500	30,612

3 Employee costs

	2009 DKK	2008 DKK
Staff costs, including executive directors:		
Wage and salaries		
Board of Directors*	467,582	955,500
Managing Director***	3,346,997	1,796,625
Financial Manager	1,123,939	1,144,218
Technical Manager	383,191	612,775
Other Employees	1,304,158	1,519,495
	6,625,867	6,028,613
* The Board of Directors' remuneration by person is disclosed in the section regarding shareholders information.		
Warrant based payment		
Board of Directors	0	0
Managing Director	75,795	248,318
Financial Manager	12,998	42,585
Technical Manager	0	0
Other Employees	14,798	37,359
	103,592	328,262
Pension costs:		
- defined benefit	0	0
- defined contribution		
Board of Directors	0	0
Managing Directors	183,540	82,875
Financial Manager	0	0
Technical Manager	60,480	98,044
Other Employees	168,347	123,587
	412,367	304,506
Social security costs	176,629	229,108
	176,629	229,108
	7,318,454	6,890,488

	2009	2008
Average number of employees during the year*:		
Technical and operations (retainers)**	5	4
Management and administration	4	5
	9	9

* Staff numbers include Managers.
** Fees to retainers is not included in the employee costs above, except for DKK 8,247 (2008: DKK 15,845) which is included in warrant based payment for other employees.
***The remuneration 2009 includes the former Managing Director's severance pay.

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4 Other operating income

	2009 DKK	2008 DKK
Service rendering to subsidiaries	11,223,759	10,756,443
Other operating income	104,976	43,000
Total	**11,328,736**	10,799,443

5 Depreciations

	2009 DKK	2008 DKK
Depreciations included in general and administrations costs	189,601	129,601
	189,601	129,601

6 Interest revenue and finance costs

	2009 DKK	2008 DKK
Interest revenue and finance gains:		
Short-term deposits	37,031	92,955
Exchange differences	0	150,973
Realised gains on securities	0	121,855
Other finance income	0	0
Dividend	0	0
	37,031	365,784

	2009 DKK	2008 DKK
Finance costs and other finance expenses:		
Bank loan and overdrafts	32,768,537	18,640,668
Realised loss on securities	3,617,138	0
Long-term debt arrangement fees	2,072,378	3,442,896
Others	39,681	99,796
Exchange differences	366,677	0
Gross finance costs and other finance expenses	**38,864,410**	22,183,360
Interest capitalised during the year	0	0
	38,864,410	22,183,360

7 Tax

	2009 DKK	2008 DKK
Current tax:		
Faroese corporation tax on dividend	0	0
Overseas tax on dividend	19,574	8,914
Total Current tax	**19,574**	8,914
Deferred tax:		
Faroese corporation tax	0	0
Faroese petroleum tax	0	0
Overseas tax	0	0
Total deferred tax	**0**	0
Tax on profit on ordinary activities	**19,574**	8,914

As at 31st December 2009, the Company has a net deferred tax asset of DKK 12,940,970 (2008: DKK 6,039,888), which has not been recognised in the Company's accounts. This is made up of the following amounts:

Effect of capital allowances in excess of depreciation: DKK 4,074,873 (2008: DKK 2,132,380)
Effect of tax losses available: DKK 17,015,842 (2008: DKK 8,172,268)
The losses can be carried foreward indefinitely.

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8 Investment in subsidiary

	2009 DKK	2008 DKK
Cost and net book value		
At 1st January	21,481,804	21,431,533
Exchange movements	0	0
Additions during the year*	11,949	50,271
Disposals	0	0
At 31st December	**21,493,753**	21,481,804

* Allocation of warrant based payments issued by the Parent Company.

The principal subsidiary undertakings of the Company, which are 100 per cent owned, are as follows:

Name of Company	Business and area of operation	Country of incorporation or registration
Atlantic Petroleum UK Limited	Exploration, development and production in UK	England and Wales
Atlantic Petroleum (Ireland) Limited*	Exploration, development and production in Ireland	Republic of Ireland

*Held through subsidiary undertaking.

In connection with the bridge loan facilities, P/F Atlantic Petroleum has charged a security to the lenders in the shares in the wholly owned subsidiary Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

9 Intangible exploration and evaluation (E&E) assets

	Faroe Islands DKK
Costs	
At 1st January 2008	6,512,402
Additions during the year	1,869,884
Disposals	0
Exploration expenditures written off	0
At 31st December 2008	8,382,286
Additions during the year	6,696,497
Disposals	0
Explorations expenditures written off	0
At 31st December 2009	**15,078,783**

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.

10 Property, plant and equipment

	Faroe Islands DKK
Costs	
At 1st January 2008	843,061
Adjustment to opening balace at 1st January 2008	0
Additions during the year	39,259
Disposals	0
Disposal of fully written down assets	0
At 31st December 2008	882,320
Additions during the year	0
Disposals	0
Disposal of fully written down assets	-300,000
At 31st December 2009	**582,320**
Amortisation and depreciation	
At 1st January 2008	-349,156
Adjustment to opening balace at 1st January 2008	0
Charge for the year	-129,601
Disposal of fully written down assets	0
At 31st December 2008	-478,757
Charge for the year	-189,601
Disposals	0
Disposal of fully written down assets	300,000
At 31st December 2009	**-368,358**
Net book value	
At 31st December 2008	403,563
At 31st December 2009	**213,962**

11 Receivables

	2009 DKK	2008 DKK
Trade receivables	0	0
Prepayments and accrued income	0	150,000
Other taxes and vat receivable	719,251	390,021
Other receivables	206,354	2,321,678
Receivables from subsidiaries	660,822,649	615,369,603
	661,748,253	618,231,301

Receivables are due within one year.
The amount due from subsidiary undertakings relates to a balance, which bears no interest. In connection with the bridge loan facilities, P/F Atlantic Petroleum has charged the security to the lenders in the inter-company receivables from Atlantic Petroleum UK Limited. See note regarding capital commitments and guarantees.

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12 Trade and other payables

	2009 DKK	2008 DKK
Trade payables	1,896,264	1,010,984
Accruals	1,404,424	412,538
Other payables	17,077	17,077
	3,317,766	1,440,600

13 Cash, short and long term debt

	2009 DKK	2008 DKK
Amounts falling due within one year:		
Bank loans	118,704,771	365,260,871
Total borrowings	**118,704,771**	365,260,871
Cash:		
Cash at bank and in hand	10,447,841	1,248,646
Short-term deposits	0	0
Total cash	**10,447,841**	1,248,646

At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

The borrowing are repayable as follows:

	2009 DKK	2008 DKK
Bank loans analysed by maturity:		
In one to five years	165,000,000	0
Over five years	0	0
Total borrowings	**165,000,000**	0

The Group had no long term facility at year end 2009 (2008 DKK nil). At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

14 Obligations under leases:

	2009 DKK	2008 DKK
Minimum lease payments under operating leases recognised in the income statement for the year	251,242	200,207
	251,242	200,207
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	206,026	165,893
In one to five years	68,277	223,554
Over five years	0	0
	274,303	389,447

Outstanding operating lease commitments represent the Company's rentals payable for certain of its office properties.
The lease commitments have been discounted at a discount rate of 7 %.

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15 Financial instruments

The Company's activities expose it to financial risks of changes, primarily in oil and gas prices, but also foreign currency exchange and interest rates. The Company does not use derivative financial instruments to hedge certain of these risk exposures. The Company plans to use derivatives within the fore seeable future. Accordingly there will be established policies.

Interest rate risk profile of financial liabilities
The interest rate profile of the financial liabilities of the Company as at 31st December 2009 was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2009			
DKK	0	283,704,771	283,704,771
Total	**0**	**283,704,771**	**283,704,771**
2008			
DKK	0	365,260,871	365,260,871
Total	0	365,260,871	365,260,871

The floating rate comprises bank borrowings bearing interest at rates set by reference to DKK CIBOR, exposing the Company 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 3.2MM (2008: DKK 3.7MM) on the result and equity.

Interest rate risk profile of financial assets
The interest rate profile of the financial assets of the Company as at 31st December 2009 was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2009			
Cash and short-term deposits:			
Held in DKK	0	10,446,932	10,446,932
Held in GBP	0	909	909
Total	**0**	**10,447,841**	**10,447,841**
2008			
Held in DKK	0	1,248,622	1,248,622
Held in GBP	0	24	24
Total	0	1,248,646	1,248,646

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

Borrowing facilities
The Company had borrowing facilities of which the undrawn amount available at the year-end was:

	2009 DKK	2008 DKK
Expiring within one year	0	63,000,000
In one to five years	0	0
Over five years	0	0
	0	63,000,000

At year end 2009 the loans amounted to DKK 284MM. In February 2010 the loan terms were changed, so that DKK 165MM was moved from short term to long term debt.

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

	2009 Carrying amount DKK	**2009 Estimated fair value DKK**	2008 Carrying amount DKK	2008 Estimated fair value DKK
Primary financial instruments held or issued to finance the Company's operations:				
Cash and short-term deposits	10,447,841	10,447,841	1,248,646	1,248,646
Bank loans (overdraft facility)	118,704,771	118,704,771	365,260,871	365,260,871
Long term debt	165,000,000	165,000,000	0	0
Derivative financial instruments held or issued to hedge the Company's exposure on expected future sales:				
Forward commodity contracts – net	0	0	0	0

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.

Credit risk

The company's credit risk is primarily attributable to its bank deposits, securities and other receivables. The risk on securities is relative low, as the investments in securities comprises investments in listed unit trusts. The risk on trade and other receivables is limited, as trade and other receivables comprises receivables from different suppliers, tax receivables and accrued income.

Currency risk

No currency exposures were hedged during the year and thus there is a currency risk.

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16 Deferred tax

	2009 DKK	2008 DKK
Deferred tax liabilities	0	0
Deferred tax assets*	0	0
	0	0

See note 7 for net defered tax assets not provided for.

17 Share capital – Company

	2009 DKK	2008 DKK
Balance at 1st January	112,573,000	112,573,000
Shares repurchased	0	0
Shares issued	150,097,300	0
Balance at 31st December	**262,670,300**	112,573,000

Ordinary Shares:

	2009 100 DKK shares	**2009 DKK**	2008 100 DKK shares	2008 DKK
Authorised	3,240,951	324,095,100	1,739,978	173,997,800
Called-up, issued, and fully-paid	2,626,703	262,670,300	1,125,730	112,573,000

Warant plan

The Company has share warrant schemes under which warrants have been granted to management, employee's and retainers, for shares in the company. One twelfth of the warrants can be exercised in each of the forthcoming twelve quarters from the announcement of the result for 1 quarter of 2007. Vested warrants that are not exercised can be carried forward to the following period. Thus, un-exercised warrants do not forfeit until the end of the last exercise period, which is 1st May 2010.

The Board of Directors has been authorised to issue up to 10,000 warrants at DKK 100 up to 31st December 2009, for subscription of shares in the Company for the period up to 31st May 2010, according to clause 3b in the Articles of Associations. Up to 31st December 2009 the Board of Directors had issued 5,628 warrants.

Issued warrants:

	2009		2008	
	Warrants of nominal value DKK 100	Weighted average exercise price DKK	Warrants of nominal value DKK 100	Weighted average exercise price DKK
Authorised 1st January	10,000	0	10,000	0
Outstanding 1st January	5,628	0	0	0
Authorised but not issued 1st January	**4,372**	**0**	10,000	0
Granted during the period	0	625	5,628	625
Lapsed during the period	0	0	0	0
Exercised during the period	0	0	0	0
Outstanding 31st December	**0**	**625**	5,628	625
Exercisable 31st December	**5,158**	**625**	3,283	625
Authorised but not issued 31st December	**4,372**		4,372	

The total market value of the warrants issued is estimated to be DKK 1,510,985 provided that all the warrants are exercised by 1st May 2010.
The market value is calculated on the basis of Black-Scholes and on the following assumptions:
In connection with th share capital increase a new strike price was calculated.

All the warrants assumed exercised by 1st May 2010.
Exercise price: DKK 345.80
Market price on the day of issue: DKK 345.80
Volatility: 82.14 per cent.
Risk-free interest: 1.58 per cent
Yearly dividend: DKK 0.00

18 Share capital and reserves

	Share capital DKK	Share premium account DKK	Profit and loss reserves DKK	Total DKK
Balance at 1st January 2008	112,573,000	207,969,117	-7,555,099	312,987,018
Shares issued	0	0	0	0
Transaction costs	0	0	0	0
Issuance of warrants	0	0	378,533	378,533
Fair value adjustment on securities available for sale	0	0	-2,968,331	-2,968,331
Loss for the year	0	0	-23,505,022	-23,505,022
At 1st January 2009	**112,573,000**	**207,969,117**	**-33,649,919**	**286,892,198**
Shares issued	150,097,300	37,524,325	0	187,621,625
Transaction costs	0	-14,339,351	0	-14,339,351
Issuance of warrants	0	0	115,541	115,541
Fair value adjustment on securities available for sale for the period	0	0	3,758,795	3,758,795
Loss for the year	0	0	-42,072,727	-42,072,727
Balance at 31st December 2009	**262,670,300**	**231,154,091**	**-71,848,309**	**421,976,081**

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PARENT COMPANY NOTES TO THE ACCOUNTS

19 Reconciliation of movements in shareholders' funds

	2009 DKK	2008 DKK
Opening shareholders' funds	**286,892,198**	312,987,018
Shares issued	150,097,300	0
Transaction costs/adjustment to transaction costs	23,184,974	0
Fair value adjustment on securities available for sale for the period	3,758,795	-2,968,331
Issuance of warrants	115,541	378,533
Loss for the year	-42,072,727	-23,505,022
Net increase in shareholders' funds	**135,083,883**	-26,094,820
Closing shareholders' funds	**421,976,081**	**286,892,198**

20 Own shares

	2009 DKK	2008 DKK
At 1st January	0	0
Acquired in the period	0	0
At 31st December	**0**	0

Atlantic Petroleum has not acquired any of its own shares during 2009 (2008:DKK nil)

21 Analysis of changes in net (debt)/cash

	Note	**2009 DKK**	2008 DKK
a) Reconciliation of net cash flow to movement in net (debt)/cash:			
Movement in cash and cash equivalents		9,199,195	0
Proceeds from short-term loans		246,556,099	0
Proceeds from long-term loans	13	-165,000,000	0
Increase/(decrease) in net cash in the period		**90,755,295**	0
Opening net cash		-364,012,225	155,599,832
Closing net cash/(debt)		**-273,256,930**	155,599,832
b) Analysis of net cash/(debt):			
Cash and cash equivalents	13	10,447,841	1,248,646
Short-term debt	13, 15	-118,704,771	-365,260,871
Long-term debt		-165,000,000	0
Total net cash/(debt)		**-273,256,930**	-364,012,225

22 Capital commitments and guarantees

In connection with Atlantic Petroleum UK Ltd.'s assets in the UKCS, Atlantic Petroleum P/F has provided the following security towards the UK Department for Business, Enterprise and Regulatory Reform:

1. A security is provided that Atlantic Petroleum P/F can always provide the necessary finance to enable Atlantic Petroleum UK Ltd. to fulfil its obligations in the UK area.

2. A security is provided that Atlantic Petroleum P/F will not change Atlantic Petroleum UK Ltd.'s legal rights, so that this company can not fulfil its obligations

3. A security is provided that if Atlantic Petroleum UK Ltd. fails to fulfil its financial obligations, Atlantic Petroleum P/F will undertake to do so.

Atlantic Petroleum P/F answers for all obligations which Atlantic Petroleum UK Limited has in connection with purchase of assets from Premier Oil in accordance with the "Sales and Purchase Agreement".

In its participation in Joint Ventures, Atlantic Petroleum and Joint Venture Partners are jointly liable to all commitments made by the Joint Venture.

The Company had capital expenditure committed to but not provided for in these accounts at 31st December 2009 of approximately DKK 3.5MM. The capital expenditure is in respect of the Company's interests in its exploration licences.

P/F Atlantic Petroleum has two loan facilities. At year end 2009 they were bridge loans but the Company and lenders, P/F Eik and P/F Føroya Banki have agreed to change part of the loans into long term debt. Under the agreement with Eik Banki DKK 194MM will be transferred into a 5 year senior facility expiring 11th december 2014 while DKK 17MM will remain as a short term loan expiring on 31st december 2010. It has further been agreed that the Company shall endeavour to pay down the DKK 194MM facility to DKK 130MM within 2010. The Company has further agreed with Føroya Banki that the current DKK 50MM credit facility in 2011 shall be replaced with a new rolling credit facility of DKK 35MM.

In connection with the loan facilities, P/F Atlantic Petroleum has charged the following security to the lenders:

(i) its shares in its wholly owned subsidiary Atlantic Petroleum UK Limited; and
(ii) its inter-company receivables from Atlantic Petroleum UK Limited
(iii) that Atlantic Petroleum UK Limited shall ensure that liquidity income into the company is only used for payments with consent from the lenders
(iv) P/F Atlantic Petroleum has provided the lenders with a negative pledge.
(v) The terms and conditions for the new rolling credit facility from P/F Føroya Banki of DKK 35MM requires that that the drawdown on the credit shall be payable within 3 months cashflow at any time. Further the basis for the credit will be reviewed quarterly.

In acquiring its interests in certain UK petroleum production licences, the Group has entered into agreements whereby there is an option for the seller to back into 5.515% of the Group's interest in Block 20/2a. The consideration payable would equate to the Group's total exploration costs incurred to the date when the option is exercised. The terms of the agreement also state that the Group cannot dispose of more than 5.515% of its interest in the Ettrick exploration licence without first obtaining the consent of the seller.

23 Related party transactions

During the year the Company received income of DKK 11,223,759 (2008: DKK 10,756,443) from wholly owned subsidiary undertakings in respect of management charges. Amounts due to the Company by subsidiaries amounts to DKK 660,822,649 (2008: DKK 615,369,603). No interest is calculated on intercompany balances.

Apart from the fact that no interest has been calculated on the intercompany balances, all transaction between related parties are based on arms length.

The parent company has provided guarantees on behalf of Atlantic Petroleum UK Ltd. See note regarding capital commitments and guarantees.

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North West European Licence Interests

North West European Licence Interests at 31st December 2009

	Licence	Block	Operator	AP Equity %	Field/Prospects/Leads
United Kingdom					
	P.099	110/14c, d	Challenger Minerals	12.5% - 7.5%	West Lennox & Crosby
	P.218 & P.588	15/21a, b, c, f	Nexen	3.75%	Perth
	P.317 & P.273	20/2a, 20/3a	Nexen	8.27%	Ettrick
	P.354	22/2a	Centrica	15%	Chestnut
	P.1047	20/3c	Nexen	17.5%	Marten discovery
	P.1478	110/9c & 110/14e	Challenger Minerals	7.5%	Dee prospect
	P.1580	20/3f	Nexen	8.27%	Blackbird extension
Ireland					
	SEL 2/07	49	Providence Resources	18.333%	Helvick
		49/13, 14, 18, 19	Providence Resources	18.333%	Ardmore
		50/6, 7	Providence Resources	18.333%	Dunmore
		50/11	Providence Resources	18.333%	Hook Head
	SEL 3/07	48/29, 30 & 49/22, 23, 26, 27, 28	Providence Resources	18.333%	Blackrock
Faroe Islands					
	L 006	6105/25, 6005/5a, 6104/16a, 21	Statoil	1%	Brugdan
	L 013	6103/7b, 8b, 12, 13, 17	Sagex	40%	Stella Kristina
	L 014	6104/9b,10b,14	Sagex	40%	Marselius
	L 016	6201/1, 2,6, 6202/4, 5, 6, 7, 8, 9,10, 11, 12, 13a, 14, 15, 16, 17, 18, 21, 22, 6203/13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25	Statoil	10%	Kúlubøkan

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