

P/F Atlantic Petroleum

Condensed Consolidated
Interim Report

For the 6 months ended 30 June 2008

DKK

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Endorsement and Signatures of the Board of Directors and the Managing Director

The Condensed Consolidated Interim Report for the first six months of 2008 comprises the Consolidated Financial Statements of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standards 34 “Interim Financial Reporting” as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group’s assets, liabilities and financial position at 30 June 2008, and of the results of the Group’s operations and cash flow for the period 1 January – 30 June 2008.

Tórshavn, 22 August 2008

Kjartan Hoydal, Chairman

Poul R. Mohr

Z. Óli A. M. Hammer

Mortan H. Johannesen

Petur Even Djurhuus

Managing Director:

Wilhelm E. Petersen

Auditor's Review Report

To the shareholders of P/F Atlantic Petroleum

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim balance sheet of P/F Atlantic Petroleum and its subsidiaries as of 30 June 2008, and the related condensed consolidated statements of income and cash flows and notes for the six months then ended 30 June 2008.

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

Basis of opinion

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

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 30 June 2008, and of the results of its operations and its cash flows for the six months ended 30 June 2008 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

Tórshavn, 22 August 2008

P/F Grannskoðaravirkið *INPACT*
State Authorized Public Accountants

Jógvan Amonsson
State Authorized Public Accountant

Consolidated Income Statement

For the period ended 30 June 2008

	Note	3 months to 30 June 2008 DKK	3 months to 30 June 2007 DKK	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Revenue		0	0	0	0
Cost of sales		0	0	0	0
Gross profit		0	0	0	0
Exploration expense		-155,191	-34,369,553	-261,456	-34,373,844
Pre-licence exploration costs		-274,206	-749,819	-469,690	-1,404,157
General and administration costs		-4,190,914	-2,653,948	-8,857,821	-5,085,332
Other operating income		12,900	79,728	30,100	96,388
Operating profit	3	-4,607,411	-37,693,592	-9,558,867	-40,766,945
Interest revenue and finance gains	4	6,902,284	2,525,419	1,249,843	2,155,845
Interest expences and other finance costs		527,278	-43,358	-23,089,655	-702,513
Profit before taxation		2,822,151	-35,211,531	-31,398,679	-39,313,613
Taxation	5	-8,914	0	-8,914	0
Profit after taxation		2,813,237	-35,211,531	-31,407,593	-39,313,613
Earnings per share (DKK):					
Basic	12	2.50	-31.28	-27.90	-34.92

Statement of Total Recognised Income and Expenses

For the period ended 30 June 2008

	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Profit for the period	-31,407,593	-39,313,613
Exchange rate differences	5,276,795	17,827
Fair value adjustment on securities available for sale for the period	-1,369,329	892,585
Changes in comprehensive income in the period	-27,500,127	-38,403,201

Consolidated Balance Sheet

As at 30 June 2008

	Note	At 30 June 2008 DKK	At 31 December 2007 DKK
Non-current assets			
Intangible exploration and evaluation asstes	6	93,869,837	74,046,618
Development and production assets	7	385,986,056	312,689,287
Property plant and equipment	8	713,231	526,986
		480,569,124	387,262,891
Current Assets			
Receivables	9	5,748,098	11,916,511
Securities available for sale		5,445,070	6,814,400
Cash and cash equivalents		5,541,159	4,865,710
		16,734,327	23,596,621
Total assets		497,303,452	410,859,512
Current liabilities			
Short term debt		188,065,516	29,272,288
Trade and other payables	10	73,633,050	64,858,003
Short term provision		11,296,320	12,177,360
		272,994,886	106,307,651
Non current liabilities			
Long term debt		0	51,151,469
Long-term provisions		24,425,027	26,248,381
		24,425,027	77,399,850
Total liabilities		297,419,912	183,707,501
Net assets		199,883,539	227,152,011
Equity			
Share capital		112,573,000	112,573,000
Share premium account		207,969,117	207,969,117
Translation reserves		9,981,492	4,704,697
Retained earnings		-130,640,070	-98,094,803
	13	199,883,539	227,152,011

Consolidated Cash Flow Statement

For the period ended 30 June 2008

	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Operating activities		
Operating profit	-9,558,867	-40,766,945
Impairment on non-current assets	255,727	34,354,618
Depreciation, depletion and amortisation	94,151	56,811
Warrant based payment	231,657	655,577
Decrease/(increase) in trade and other receivables	-331,330	-98,711
(Increase)/decrease in trade and other payables	-1,405,946	3,000,868
Interest revenue and finance gains received	1,247,376	2,148,345
Interest expenses and other finance costs paid	-1,601,833	-96,656
Income taxes paid	-8,914	0
Net cash from operating activities	-11,077,979	-746,093
Investing activities		
Capital expenditure	-96,179,348	-93,498,267
Net cash from investing activities	-96,179,348	-93,498,267
Financing activities		
Increase in short term debt	158,793,229	13,552
Decrease in long term debt	-51,151,469	0
Repayment of short term debt	0	-17,192,190
Realised securities	0	500,000
Net cash from financing activities	107,641,760	-16,678,638
Increase/Decrease in cash and cash equivalents	384,433	-110,922,998
Cash and cash equivalents at the beginning of the period	4,865,710	173,017,845
Currency translation differences	291,016	158,912
Cash and cash equivalents at the end of the period	5,541,159	62,253,760

Notes to the Accounts

Accounting Policy

General information

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

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

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Gongin 9, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at www.petroleum.fo.

This Condensed Consolidated Interim Report is presented in DKK.

1. Statement of compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2007.

2. Significant accounting policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2007.

3 Geographical segmental analysis

	3 months to 30 June 2008 DKK	3 months to 30 June 2007 DKK	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Revenues by origin and destination				
Faroe Island	0	0	0	0
United Kingdom	0	0	0	0
Ireland	0	0	0	0
	0	0	0	0
Operating profit/(loss) by origin				
Faroe Island	86,581	-555,381	-845,361	-786,274
United Kingdom	-4,346,258	-37,078,065	-8,136,336	-39,740,587
Ireland	-347,735	-60,145	-577,171	-240,083
	-4,607,411	-37,693,591	-9,558,867	-40,766,944

4 Interest revenue and finance costs

	3 months to 30 June 2008 DKK	3 months to 30 June 2007 DKK	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Interest revenue and finance gains:				
Short term deposits	22,628	838,333	125,656	2,087,467
Exchange differences	6,757,801	1,673,657	1,002,332	47,449
Realised gains on securities	0	0	0	7,500
Dividend	121,855	13,429	121,855	13,429
	6,902,284	2,525,419	1,249,843	2,155,845
Finance expenses and other finance costs:				
Bank loan and overdrafts	-3,428,370	-635,156	-5,505,219	-667,624
Debt arrangement fees	-487,867	0	-1,216,412	0
Others	-16,755	-7,054	-34,349	-16,206
Exchange differences	-296,326	598,852	-22,549,450	-18,684
Gross finance costs and other finance expenses	-4,229,318	-43,358	-29,305,430	-702,513
Interest and debt arrangement fee capitalised during the period	4,028,050	0	6,215,775	0
Finance expenses and other finance costs before adjustments	-201,268	-43,358	-23,089,655	-702,513
Adjustment to capitalised debt arrangement fee in 1Q 2008	728,545	0	0	0
	527,277	-43,358	-23,089,655	-702,513

5 Taxation

	3 months to 30 June 2008 DKK	3 months to 30 June 2007 DKK	6 months to 30 June 2008 DKK	6 months to 30 June 2007 DKK
Current tax :				
Faroese corporation tax	0	0	0	0
Overseas tax on dividend	-8,914	0	-8,914	0
Total current tax	-8,914	0	-8,914	0
Deferred tax:				
Faroese corporation tax	0	0	0	0
Overseas petroleum tax	0	0	0	0
Overseas tax	0	0	0	0
Total deferred tax	0	0	0	0
Tax on profit on ordinary activities	-8,914	0	-8,914	0

As at 30 June 2008, the company has a net deferred tax assets of DKK 76.3 million 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 172.4 million

Effect tax losses available : DKK 248.7 million

The losses can be carried forward indefinitely.

6 Intangible exploration and evaluation assets

	At 30 June 2008 DKK	At 31 December 2007 DKK
Costs		
At 1 January	74,046,618	23,932,256
Exchange movements	-2,321,682	-1,619,057
Additions	22,400,628	83,243,282
Disposal of licence	0	-953,724
Exploration expenditures written off	-255,727	-30,556,139
At 30 June	93,869,837	74,046,618

7 Development and production assets

	At 30 June 2008 DKK	At 31 December 2007 DKK
Costs		
At 1 January	312,689,287	156,295,575
Exchange movements	-22,555,313	-13,452,666
Additions	95,852,081	169,846,378
At 30 June	385,986,056	312,689,287

8 Property plant and equipment

	At 30 June 2008 DKK	At 31 December 2007 DKK
Costs		
At 1 January	526,986	594,556
Additions	280,396	311,586
Depreciations	-94,151	-379,156
At 30 June	713,231	526,986

9 Receivables

Prepayments	1,726,136	4,556,646
Other taxes and VAT receivables	932,943	763,070
Other receivables	3,089,019	6,596,795
	5,748,098	11,916,511

10 Trade and other payables

Trade payables	20,460,222	28,404,850
Accruals	53,155,751	36,436,076
Other payables	17,077	17,077
	73,633,050	64,858,003

11 Dividends

No interim dividend is proposed. (30 June 2007: DKK nil)

12 Earning 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 period.

Basic earnings per share are calculated as follows:

	Profit after tax		Weighted average number of shares		Earnings per share	
	30 June 2008 DKK	30 June 2007 DKK	30 June 2008 DKK	30 June 2007 DKK	30 June 2008 DKK	30 June 2007 DKK
6 Months to 30 June	-31,407,593	-39,313,613	1,125,730	1,125,730	-27.90	-34.92
3 Months to 30 June	2,813,237	-35,211,531	1,125,730	1,125,730	2.50	-31.28

13 Consolidated statement of changes in equity

	Share capital DKK	Share premium account DKK	Retained earnings DKK	Translation reserves DKK	Total DKK
At 1 January 2007	112,573,000	207,969,117	-23,933,899	68,725	296,676,943
Issuance of warrants	0	0	1,017,348	0	1,017,348
Fair value adjustment on securities available for sale	0	0	895,724	0	895,724
Translation reserves	0	0	0	4,635,972	4,635,972
Total recognised income	0	0	-76,073,976	0	-76,073,976
At 1 January 2008	112,573,000	207,969,117	-98,094,803	4,704,697	227,152,010
Issuance of warrants	0	0	231,657	0	231,657
Fair value adjustment on securities available for sale	0	0	-1,369,329	0	-1,369,329
Translation reserves	0	0	0	5,276,795	5,276,795
Total recognised income	0	0	-31,407,593	0	-31,407,593
At 30 June 2008	112,573,000	207,969,117	-130,640,070	9,981,492	199,883,539

14 Capital commitments and guarantees

In connection with Atlantic Petroleum UK Ltd.'s assets in UK area, 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 but not provided in these accounts at 30th June 2008 of approximately DKK 266 million. The capital expenditure is in respect of the Group's interests in its exploration, development and production licences.

In accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group is a party to a two and a half year charter contract for the use of a floating production, storage and offloading platform. Payments under the contract are expected to begin in 3rd quarter 2008 with the Group's annual commitment being estimated at \$4 million.

Also, in accordance with the Group's participation in joint arrangements with other companies, an agreement has been signed whereby the Group is a party to a five year charter contract for the use of a floating production, storage and offloading platform. Payments under the contract are expected to begin in second half of 2008, with the Group's annual commitment being estimated at \$3.5 million.

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 re-acquire 5.515% of the Group's interest in Block 20/3a in the Ettrick exploration licence. 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.

The Group entered into a participation agreement whereby it acquired a 25% interest in licence P.099. Under the agreement, one of the previous co-venture's of the licence retains the option to re-acquire 5% of the Group's interest in Block 110/14d of the licence; the Crosby exploration prospect. The consideration payable would equate to the Group's total exploration costs incurred to the date when the option is exercised.

In connection with the loan agreement with Eik Banki and Føroya Banki, Atlantic Petroleum is committed to a negative pledge which means that the Company must not incur guarantees or agree to new substantial investment without prior approval from Eik Banki and Føroya Banki.

15 Contingent considerations

The Group holds interests in certain UK petroleum production licences which it acquired in 2003 and 2007. Contingent consideration of up to a maximum amount of approx DKK 5.6 million (£600.000) is payable contingent on first hydrocarbons being achieved from these licences.

16 Events after the balance sheet date

After the end of the interim period, the following significant events have occurred:

The 25th July 2008 Atlantic Petroleum entered into an additional bridge loan facility amounting to DKK 100 million. The total bridge loan facilities entered into by the company now amount to a total of DKK 270 millions. This bridge loan facility shall be paid back at the end of 1st quarter 2009. The providers of the additional bridge loan facility are P/F Eik Banki and P/F Føroya Banki. Also the company stated that as previously announced, it will carry out a share capital increase in 2008.

The 5th August 2008 Atlantic Petroleum announces that it has commenced drilling its multi-well drilling programme on Standard Exploration Licence 2/07 in the North Celtic Sea Basin. Following completion of this well, a further appraisal well, (50/6-4), is planned on the Dunmore oil accumulation, located approximately 20 kilometres to the north of the Hook Head oil accumulation. It is anticipated that the drilling programme will take up to 100 days, including a provision for comprehensive wireline logging and testing.

The 14th August 2008 Atlantic Petroleum announces that it has made a discovery on the Blackbird prospect, located on the UK North Sea Block 20/2a. This discovery is six kilometres south of our Etrick Field. The well encountered 111 feet of net pay in multiple zones, was drill-stem tested and flowed at an average restricted rate of 3,800 bopd through a 34/64 inch choke. Analysis indicates high quality crude oil in good quality reservoir sands. The well has been suspended, for use as a production well, while work is ongoing to fast track development as a sub-sea tie back to the Etrick Field, given the short distance to the Etrick floating production, storage and offloading vessel.

Apart from this no other significant events have occurred which would require disclosure or adjustment to the 30th June 2008 Condensed Consolidated Interim Report.

On 22nd August 2008 the Board of directors reviewed the Condensed Consolidated Interim Report and authorised it for publication.

Offices

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