



ATLANTIC PETROLEUM

P/F ATLANTIC PETROLEUM

# CONDENSED CONSOLIDATED INTERIM REPORT

FOR THE 9 MONTHS ENDED 30<sup>th</sup> SEPTEMBER 2016

## A NEW START

Atlantic Petroleum has been rationalising the portfolio and is securing value from the main assets in a challenging market. The sale and purchase agreement with M Vest for the activities of Atlantic Petroleum Norge announced in March 2016 is expected to complete 4Q 2016, and it will mean that Atlantic Petroleum only retains its UK and Ireland assets in the short term.

The loan agreement with London Oil and Gas announced in May 2016, which is providing the company with cash to cover running costs and new projects, means that the company now has the backing to secure the remaining value in its UK portfolio and to look at new assets in Eastern Europe and the Eurasian Union. Atlantic Petroleum has already embarked upon screening opportunities in the East. This will be the focus of new ventures for the company going forward.

In the North Sea, Atlantic Petroleum made a settlement agreement with partners on the Chestnut asset in 3Q 2016, and the company is currently in discussions with partners in relation to the company's liabilities on the Ettrick and Blackbird fields that ceased production in June 2016. It is anticipated that a solution can be reached in 4Q 2016.

Atlantic Petroleum also holds a key position with regards to the UK Orlando and Kells fields, where an SPA signed 6<sup>th</sup> June with Bridge Petroleum didn't complete. This means that Atlantic Petroleum holds its 25% equity in both fields until further notice, and is in discussions with stakeholders in these assets. The aim is to secure a deal where the company retains value in the project either through participation or through securing a share of the future revenue from Orlando and possibly Kells.

## HIGHLIGHTS & OUTLOOK

In 3Q Atlantic Petroleum reached agreement with the remaining joint venture partners in respect of the Chestnut Licence settling outstanding liabilities including releases from Parent Company Guarantees. The net result of the agreement was an increase in net assets of DKK 67.4MM as a result of a reduction in long and short term liabilities as the Company is no longer responsible for the decommissioning of the Chestnut field. The Ettrick and Blackbird fields remain subject to potential forfeiture but Atlantic Petroleum is seeking to negotiate an orderly withdrawal from these fields. These two fields ceased operations on 1<sup>st</sup> June 2016 and are being decommissioned.

EBITDAX for 3Q was negative DKK 7MM

Gross loss in 3Q 2016, after certain reversal of previous asset impairments and write-offs, was DKK 2.0MM

Revenue for 3Q 2016 was negative DKK 0.3MM. Net loss for 3Q 2016 was DKK 10.8MM. Cash and cash equivalents at end of 3Q 2016 was DKK 10.3MM and net assets/share-holders equity was negative DKK 71.7MM. Bank debt excluding exploration finance facility was DKK 62.7MM.

G&A costs including Norway costs on a pre-tax basis are total DKK 22.7MM for 3Q 2016 (DKK 37.9MM in 2015).

The completion of the Sale and Purchase Agreement ("SPA") between Atlantic Petroleum Norge AS ("APN") and M Vest Energy AS for APN's Norwegian activities (including all of APN's assets and licenses, the liabilities of the licences, the employees and any residual cash balance within the company) is progressing with an anticipated closing 4Q 2016. As a result of the transaction, APN expects to realize the tax value of the tax loss carry forward in December 2017 – currently estimated to be approx. NOK 27MM in cash.

The Management continued to negotiate, sale, withdrawal, and relinquishment in relation to the remaining UK exploration licences.

Atlantic Petroleum signed a loan agreement with London Oil & Gas 25<sup>th</sup> May for GBP 8MM. The loan is a convertible loan with a strike price of DKK 15 per share. The loan will ensure the funds needed to run the company for the next 3 years and will provide funds for expanding the portfolio. As a result of the sale of Pegasus with contingent payments due; Atlantic Petroleum UK Limited expects to receive future cash inflows from the UK North Sea and Atlantic Petroleum North Sea Limited is still targeting realising value from Orlando & possibly Kells. Beyond that the company will re-focus its business and take advantage of the current downturn in the market to principally seek opportunities in Eastern Europe and the Eurasian Economic Union. As part of the agreement the Board and management of Atlantic Petroleum will be strengthened with people with relevant experience in addition to the management being strengthened with corporate finance experience needed to finance future projects.

# PERFORMANCE SUMMARY

## ► KEY METRICS

DKK 1,000	3 months to 30 <sup>th</sup> Sep 2016	3 months to 30 <sup>th</sup> Sep 2015	9 months to 30 <sup>th</sup> Sep 2016	9 months to 30 <sup>th</sup> Sep 2015	Full year 2015
<b>Income statement</b>					
Revenue	-326	47,597	10,430	163,236	186,722
Impairment on producing assets	-2,099	-117,326	67,505	-177,326	-123,606
Gross profit	-1,961	-12,457	63,027	-128,977	-420,729
Exploration expenses	-5,531	-115,807	-38,363	-144,594	-337,282
EBITDAX	-6,977	26,054	-33,151	5,555	-271,685
Operating profit/loss (EBIT)	-14,608	-222,714	-8,101	-302,729	-805,813
Depreciations	-2	-15,634	-4,092	-46,363	-73,241
Profit/Loss before taxation	-10,966	-226,289	5,312	-327,847	-833,842
Profit/Loss after taxation	-10,861	-112,646	28,194	-139,742	-563,990
<b>Financial position</b>					
Non-current assets	114,746	576,228	114,746	576,228	124,921
Current assets	140,881	261,661	140,881	261,661	180,869
Total assets	255,627	837,889	255,627	837,889	305,790
Current liabilities	236,664	205,670	236,664	205,670	269,753
Non-current liabilities	90,762	317,618	90,762	317,618	138,051
Total liabilities	327,426	523,288	327,426	523,288	407,804
Net assets/Equity	-71,799	314,600	-71,799	314,600	-102,014
<b>Cash flow and cash</b>					
Cash provided by operating activities	-24,212	35,868	-53,838	-52,748	206,104
Change in cash and cash equivalents	-10,018	20,198	-35,911	83,060	-88,628
Cash and cash equivalents	10,349	34,038	10,349	34,038	42,049
Bank debt – excluding drawdown on the exploration finance facility	62,791	58,500	62,791	58,500	59,410
<b>Share related key figures</b>					
Earnings per share Basic	-2.94	-30,46	7,62	-37,79	-152,52
Earnings per share Diluted	-2.94	-30,46	7,62	-37,79	-152,52
Share price in DKK on OMX CPH/IS and Oslo Stock Exchange		21/25		21/25	6/6

# OUR PORTFOLIO 30TH SEPTEMBER

**A total of 16 oil & gas licences at report publication date.**

## UK

8 exploration, appraisal & development licences remain in the UK sector of the North Sea, Central North Sea & Southern North Sea. It is expected that the Group will exit most of these licences except the development licenses in the next few months

## NORWAY

6 exploration & appraisal licences in Norwegian Sea, the Barents Sea and the Norwegian sector of North Sea. These licences will transfer to M Vest Energy ASA on completion of the sale announced on the 9<sup>th</sup> March 2016.

## IRELAND

2 exploration & appraisal licences. The Group is in the process of exiting Dunquin and is looking to exit the remaining licence in the near future.

More information on our licences and projects on

**WWW.PETROLEUM.FO**

# STATUS ON KEY LICENCES

**The following section presents the status on some key licences at end of 3Q 2016.**

## DEVELOPMENT & PRODUCTION

### UNITED KINGDOM

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#### **CHESTNUT (15%)**

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

Atlantic Petroleum North Sea Ltd defaulted on certain payments relating to the field in mid-January 2016, which resulted in the loss of rights to petroleum shortly after. The Company examined its options in the time available to remedy the default but was unable to find a solution; the field became liable to forfeiture; the Company and Atlantic Petroleum have reached agreement with Centrica and Dana Petroleum regarding the forfeiture of the asset and the outstanding liabilities. Atlantic Petroleum no longer has any responsibility to decommission the field.

#### **ETTRICK (8.27%) & BLACKBIRD (9.39773%)**

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

On 3rd December 2015 Atlantic Petroleum North Sea Limited announced that the company was in default under the Ettrick and Blackbird Joint Operating Agreement for failing to make payments. The default has not been cured and the asset is, as of the 26th January 2016, subject to forfeiture. Furthermore, operator Nexen has announced the termination of the contact with Bluewater for the Aoka Mizu FPSO. Production from the field ceased on June 1, 2016 and decommissioning of the vessel has commenced. The Company is in discussions with the Joint Venture partners regarding the outstanding and ongoing liabilities with respect to the asset.

#### **ORLANDO (25%) & KELLS (25%)**

##### **P1606 Block 3/3a & P1607, Block 3/8d**

Iona, the operator of the Orlando Field, announced on the 18th November 2015 that their financing for the field had fallen through and that they were likely to enter administration; subsequently confirmed on the 6th January 2016. Discussions on the future of the Orlando & Kells projects continues, and Orlando first oil is now targeted for the end of 2017. Atlantic Petroleum North Sea Limited entered into a Sale and Purchase Agreement with Bridge Petroleum for its 25% interest in the Orlando development. On 17<sup>th</sup> November Atlantic Petroleum was notified by Bridge Petroleum that it was unable to complete on the SPA. This means that Atlantic Petroleum retains its 25% equity in Orlando until further notice. Management is working on securing the value of Orlando either through participation or through securing a share in the sales proceeds

from Orlando field production. Atlantic Petroleum is in dialogue with its funder, London Oil and Gas, on the best way forward on the Orlando asset. Atlantic Petroleum holds a key position as a license holder and participant in the Joint Operating Agreement for the Orlando asset and is engaging with Orlando stakeholders on securing value from the project.

## **EXPLORATION & EVALUATION**

No wells or major activities are currently planned.

# SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

**THE FOLLOWING SIGNIFICANT EVENTS HAVE OCCURRED AFTER 30<sup>th</sup> SEPTEMBER 2016:**

- On the 17<sup>th</sup> November Atlantic Petroleum announced that it had been advised by Bridge Petroleum that Bridge was unable to complete on the SPA on Orlando announced 6<sup>th</sup> June 2016.

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

The Condensed Consolidated Interim Report for the first nine months of 2016 comprises the Consolidated Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30th September 2016, and of the

results of the Group's operations and cash flow for the period 1<sup>st</sup> January – 30th September 2016.

The continual reduction in oil price throughout 2015 and into Q1 2016 when it reached a low of \$30/bbl has had a drastic impact on the Group. The Group has continued to operate at a loss throughout Q3 2016. However, Atlantic Petroleum has signed a loan agreement with London Oil and Gas for GBP 8MM. This agreement will secure the running of P/F Atlantic Petroleum for 3 years and will also enable the company to expand its business in the period. The company is still working with the bank and other creditors to resolve outstanding matters.

Tórshavn 24<sup>th</sup> November 2016

## **Management:**

Ben Arabo  
CEO

## **Board of Directors:**

David A. MacFarlane  
Chairman

Knud H. Nørve  
Deputy Chairman

Jan Müller

# AUDITOR'S REVIEW REPORT

## TO THE SHAREHOLDERS OF P/F ATLANTIC PETROLEUM

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim Statement of Financial Position of P/F Atlantic Petroleum and its subsidiaries as of 30th September 2016, and the related condensed consolidated statements of income and cash flows and notes for the nine months ended 30th September 2016.

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 the International Standard on Review Engagements (ISRE 2410). 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 provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Tórshavn 24<sup>th</sup> November 2016

### JANUAR

State Authorized Public Accountants P/F

Heini Thomsen

State Authorized Public Accountant

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 30th September 2016, and of the results of its operations and its cash flows for the nine months ended 30th September 2016 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

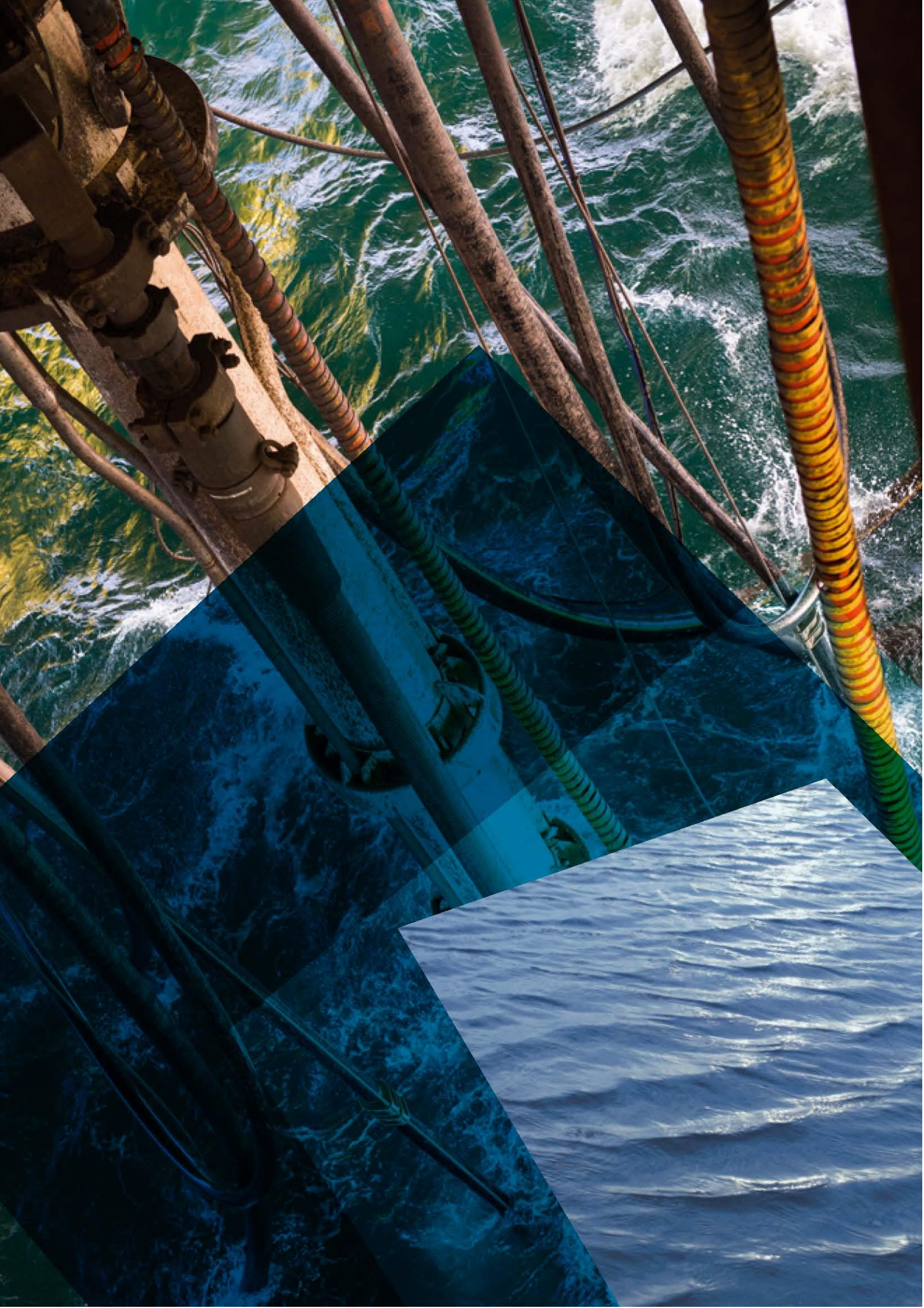
### Emphasis of Matter regarding Accounting matters

Without modifying our opinion, we draw attention to Note 1 "Going Concern", where the Management is describing the Group's Going Concern position and the measures taken to resolve the situation. We refer to Note 1 for further explanation.



# **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE 9 MONTHS ENDED  
30<sup>th</sup> SEPTEMBER 2016**



# CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 30 <sup>th</sup> Sep 2016	3 months to 30 <sup>th</sup> Sep 2015	9 months to 30 <sup>th</sup> Sep 2016	9 months to 30 <sup>th</sup> Sep 2015	Full year 2015
Revenue	4	-326	47,597	10,430	163,236	186,722
Costs of sales	5	-1,635	-172,167	52,597	-292,213	-607,452
<b>Gross loss/profit</b>		<b>-1,961</b>	<b>-124,570</b>	<b>63,027</b>	<b>-128,977</b>	<b>-420,729</b>
Exploration expenses		-5,531	-115,807	-38,363	-144,594	-337,282
Pre-licence exploration cost		-3,746	-3,912	-5,963	-6,592	-7,852
General and administration cost		-3,369	-5,214	-22,710	-26,404	-37,893
Depreciation PPE and intangible assets		-2	-2,639	-4,092	-8,278	-11,122
Other operating cost/income		0	29,428		12,116	9,066
<b>Operating loss</b>	4	<b>-14,609</b>	<b>-222,714</b>	<b>-8,101</b>	<b>-302,729</b>	<b>-805,813</b>
Interest income and finance gains		0	0	1	25	1,816
Interest expenses and other finance costs	6	3,642	-3,575	13,412	-25,143	-29,845
<b>Loss/profit before taxation</b>		<b>-10,967</b>	<b>-226,289</b>	<b>5,312</b>	<b>-327,847</b>	<b>-833,842</b>
Taxation	7	106	113,643	22,882	188,105	269,851
<b>Loss/profit after taxation</b>		<b>-10,861</b>	<b>-112,646</b>	<b>28,194</b>	<b>-139,742</b>	<b>-563,990</b>
Earnings per share (DKK):						
Basic	14	-2.94	-30,46	7.62	-37,79	-152,52
Diluted	14	-2.94	-30,46	7.62	-37,79	-152,52

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 30 <sup>th</sup> Sep 2016	3 months to 30 <sup>th</sup> Sep 2015	9 months to 30 <sup>th</sup> Sep 2016	9 months to 30 <sup>th</sup> Sep 2015	Full year 2015
Items that may be recycled in P/L:					
Profit/loss for the period	-10,861	-112,646	28,194	-139,742	-563,990
Exchange rate differences	-1248	-52,951	4,221	34,146	41,386
Value of Futures contracts	0	0	0	0	0
<b>Total comprehensive profit/loss in the period</b>	<b>-12,109</b>	<b>-165,597</b>	<b>32,415</b>	<b>-105,596</b>	<b>-522,604</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 30 <sup>th</sup> Sep 2016	At 30 <sup>th</sup> Sep 2015	At 31 <sup>st</sup> December 2015
<b>Non-current assets</b>				
Goodwill	8	0	0	0
Intangible assets	9	619	12,160	9,485
Intangible exploration and evaluation assets	10	11,278	189,757	27,042
Tangible development and production assets	11	61,564	318,289	70,783
Property plant and equipment	12	254	1,146	992
Tax repayable		17,261	54,876	0
Deferred tax asset		23,770		16,619
		<b>114,746</b>	<b>576,228</b>	<b>124,921</b>
<b>Current assets</b>				
Inventories		0	7,045	7,849
Trade and other receivables		53,722	79,239	58,993
Tax repayable		76,810	138,318	71,978
Financial assets		0	3,021	0
Cash and cash equivalents		10,349	34,038	42,049
		<b>140,881</b>	<b>261,661</b>	<b>180,869</b>
<b>Total assets</b>		<b>255,627</b>	<b>837,889</b>	<b>305,790</b>
<b>Current liabilities</b>				
Exploration finance facility		75,183	138,318	70,786
Short term bank debt		43,291	19,500	39,910
Short term liabilities		0	0	0
Trade and other payables		117,746	46,809	158,538
Financial liabilities		0	0	0
Current tax payable		444	1,043	519
		<b>236,664</b>	<b>205,670</b>	<b>269,753</b>
<b>Non-current liabilities</b>				
Exploration finance facility		20,608	43,405	0
Long term bank debt		19,500	39,000	19,500
Convertible loan facility		817	0	0
Long term provisions		49,837	195,348	118,551
Deferred tax liability		0	39,865	0
		<b>90,762</b>	<b>317,618</b>	<b>138,051</b>
<b>Total liabilities</b>		<b>327,426</b>	<b>523,288</b>	<b>407,804</b>
<b>Net assets</b>		<b>-71,799</b>	<b>314,600</b>	<b>-102,014</b>
<b>Equity</b>				
Share capital		369,786	369,786	369,786
Share premium account		233,444	233,444	233,444
Share based bonus schemes – LTIP	15	971	2,781	3,174
Futures Contracts Value		0	0	0
Translation reserves		95,927	84,462	91,702
Retained earnings		-771,927	-375,873	-800,121
<b>Total equity shareholders' funds</b>		<b>-71,799</b>	<b>314,600</b>	<b>-102,014</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Share premium account	Share based Payments LTIP and Bonus	Futures contracts value	Translation reserves	Retained earnings	Total
<b>At 1<sup>st</sup> January 2015</b>	<b>369,786</b>	<b>233,444</b>	<b>5,766</b>	<b>0</b>	<b>50,316</b>	<b>-236,131</b>	<b>423,181</b>
LTIP awarded in the period	0	0	-2,985	0	0	0	-2,985
Change in translation reserves	0	0	0	0	34,146	0	34,146
Result for the period	0	0	0	0	0	-139,742	-139,742
<b>At 30<sup>th</sup> Sep. 2015</b>	<b>369,786</b>	<b>233,444</b>	<b>2,781</b>	<b>0</b>	<b>84,462</b>	<b>-375,873</b>	<b>314,600</b>
LTIP and bonus awarded in the period	0	0	-3,946	0	0	0	-3946
Changes in Futures contracts value	0	0	0	0	0	0	0
Change in share premium account cost of capital raise	0	0	0	0	0	0	0
Translation reserves	0	0	0	0	7,240	0	7,240
Result for the period	0	0	0	0	0	-424,248	-424,248
<b>At 1<sup>st</sup> January 2016</b>	<b>369,786</b>	<b>233,444</b>	<b>3,175</b>	<b>0</b>	<b>91,702</b>	<b>-800,121</b>	<b>-102,014</b>
LTIP awarded in the period, net	0	0	-2,204	0	0	0	-2,204
Translation reserves	0	0	0	0	4,225	0	4,225
Result for the period	0	0	0	0	0	28,194	28,194
<b>At 30<sup>th</sup> Sep. 2016</b>	<b>369,786</b>	<b>233,444</b>	<b>971</b>	<b>0</b>	<b>95,927</b>	<b>-771,927</b>	<b>-71,799</b>

# CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	9 months to 30 <sup>th</sup> September 2016	9 months to 30 <sup>th</sup> September 2015	Full year 2015
<b>Operating activities</b>			
Operating profit/loss	-8,101	-302,729	-805,813
Allocated consolidated capitalised interest	0	6,977	1,527
Unrealised cost/gain on futures contracts – oil price hedging	0	17,450	20,560
Impairment on exploration and evaluation assets	38,257	144,381	337,052
Relinquishment and disposal of licences	106	213	230
Depreciation, depletion and amortisation	4,092	44,836	71,714
Impairment on producing licences	-67,505	111,876	389,172
Change in inventories	7,849	11,198	10,409
Change in trade and other receivables	-16,822	-57,638	79,884
Change in trade and other payables	-42,112	-66,958	48,988
Interest revenue and finance gain received	1	25	1,816
Interest expenses and other finance cost	13,412	-25,143	-29,845
Income taxes	16,985	62,764	81,410
<b>Net cash flow provided by operating activities</b>	<b>-53,838</b>	<b>-52,748</b>	<b>206,104</b>
<b>Investing activities</b>			
Capital expenditure	-6,879	-72,903	-228,558
<b>Net cash used in investing activities</b>	<b>-6,879</b>	<b>-72,903</b>	<b>-228,558</b>
<b>Financing activities</b>			
Change in short term debt	3,381	-814	-46,674
Change in long term debt	21,425	43,405	-19,500
<b>Net cash flow provided from financing activities</b>	<b>24,806</b>	<b>42,591</b>	<b>-66,174</b>
<b>Change in cash and cash equivalents</b>	<b>-35,911</b>	<b>-83,060</b>	<b>-88,628</b>
Cash and cash equivalents at the beginning of the period	42,049	111,989	111,989
Currency translation differences	4,211	5,109	18,688
<b>Total cash and cash equivalents at the beginning of the period</b>	<b>46,260</b>	<b>117,098</b>	<b>130,677</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10,349</b>	<b>34,038</b>	<b>42,049</b>

# NOTES TO THE ACCOUNTS

## ACCOUNTING POLICY

### GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (the Group) are oil and gas exploration, appraisal, development and production historically in the UK, Ireland, Norway, Netherlands and the Faroe Islands; but in the future principally in Eastern Europe and the Eurasian Economic Union.

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

This Condensed Consolidated Interim Report is presented in DKK.

### 1 GOING CONCERN

The Group has previously reported the impact of the low oil price throughout 2015 and into Q1 of 2016 when it reached a low of \$30/bbl, on the Group. The Group has since then been rationalising its portfolio and has cut its costs significantly and has secured short term liquidity. Furthermore the Group has worked on securing value from its remaining main assets.

Atlantic Petroleum signed a loan agreement with London Oil & Gas 25<sup>th</sup> May 2016 for GBP 8MM. The loan is a convertible loan with a strike price of DKK 15 per share. The loan will ensure the funds needed to run the company for the next 3 years and will provide funds for expanding the portfolio. The Group expects to receive future income from the contingent payments due under the agreement for the sale of Pegasus and the sale of Orlando. Beyond that the company will re-focus its business and take advantage of the current downturn in the market to primarily seek new opportunities in Eastern Europe and the Eurasian Union. As part of the loan agreement the Board and management of Atlantic Petroleum will be strengthened with people with relevant experience in those areas and with corporate finance experience needed to finance future projects.

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

### 2 STATEMENT OF COMPLIANCE

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> December 2015.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31<sup>st</sup> December 2015.

**4 GEOGRAPHICAL SEGMENTAL ANALYSIS**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2016</b>	<b>9 months to 30<sup>th</sup> September 2015</b>	<b>Full year 2015</b>
<b>Revenues by origin:</b>			
Faroe Islands	0	0	0
United Kingdom	10,430	160,010	183,376
Norway	0	3,226	3,346
Other	0	0	0
	<b>10,430</b>	<b>163,236</b>	<b>186,722</b>
<b>Operating loss/profit by origin:</b>			
Faroe Islands	-1,485	-3,526	-4,153
United Kingdom	43,014	-235,507	-579,440
Norway	-42,669	-48,055	-206,420
Other	-6,961	-15,641	-15,800
	<b>-8,101</b>	<b>-302,729</b>	<b>-805,813</b>

**5 COST OF SALE**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2016</b>	<b>9 months to 30<sup>th</sup> September 2015</b>	<b>Full year 2015</b>
Operating costs	7,697	125,604	155,070
Produced oil in inventory at market value	7,435	7,211	11,198
Amortisation and depreciation, PPE:	0		
Oil and gas properties	0	38,085	62,119
Impairment	-67,505	117,326	389,172
	<b>-52,597</b>	<b>292,213</b>	<b>607,452</b>

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

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2016</b>	<b>9 months to 30<sup>th</sup> September 2015</b>	<b>Full year 2015</b>
<b>Interest income and finance gain:</b>			
Short term deposits	1	25	1,816
	<b>1</b>	<b>25</b>	<b>1,816</b>
<b>Interest expense and other finance cost:</b>			
Bank loan and overdrafts	5,995	8,148	10,732
Interest on convertible loan	7	0	0
Creditors	44	2	7
Unwinding of discount on decommissioning provision	-743	3,551	4,509
Others	63	191	215
Exchange differences	-18,771	13,251	14,382
	<b>-13,412</b>	<b>25,143</b>	<b>29,845</b>



**7 TAXATION**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2016</b>	9 months to 30 <sup>th</sup> September 2015	Full year 2015
<b>Current tax :</b>			
Tax repayable/(payable) in UK	0	3,365	3,907
Tax repayable in Norway	16,985	59,398	77,503
Tax payable in Ireland	0	0	0
<b>Total current tax</b>	<b>16,985</b>	<b>62,763</b>	<b>80,876</b>
<b>Deferred tax:</b>			
Deferred tax cost in UK	0	0	0
Deferred tax income in UK		151,561	110,402
Deferred tax income/cost in Norway	5,897	-26,219	78,040
<b>Total deferred tax</b>	<b>5,897</b>	<b>125,342</b>	<b>188,441</b>
<b>Tax credit/tax on loss/profit on ordinary activities</b>	<b>22,882</b>	<b>188,105</b>	<b>269,851</b>

As at 30<sup>th</sup> September 2016, the Group has a net deferred tax asset of DKK 23.8MM in respect of Norway.

The loss can be carried forward indefinitely.

**8 GOODWILL**

<b>DKK 1,000</b>	<b>At 30<sup>st</sup> September 2016</b>	At 30 <sup>th</sup> September 2015	At 31 <sup>st</sup> December 2015
At 1 <sup>st</sup> January	0	51,917	51,917
Impairment	0	-53,854	-53,800
Exchange movements	0	1,937	1,883
<b>At end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>

**9 INTANGIBLE ASSETS**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2016</b>	At 30 <sup>th</sup> September 2015	At 31 <sup>st</sup> December 2015
<b>Costs</b>			
At 1 <sup>st</sup> January	39,866	38,178	39,866
Exchange movements	-633	-1,334	-633
Additions	-34,009	3,303	-34,009
<b>At end of period</b>	<b>5,224</b>	<b>40,146</b>	<b>5,224</b>
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	30,381	21,602	30,381
Exchange movements	-536	-1,301	-536
Charge this period	-25,240	7,685	-25,240
<b>At end of period</b>	<b>4,605</b>	<b>27,986</b>	<b>4,605</b>
<b>Net book value at end of period</b>	<b>619</b>	<b>12,160</b>	<b>619</b>

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

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2016</b>	At 30 <sup>th</sup> September 2015	At 31 <sup>st</sup> December 2015
<b>Costs</b>			
At 1 <sup>st</sup> January	27,042	258,653	258,653
Exchange movements	-2,290	6,483	16,836
Additions	19,190	7,517	26,773
Disposal/relinquishment of licences	-108	-213	-230
Explorations expenditures written off/sold	-32,556	-82,683	-274,990
Consolidated interest written off	0	0	0
<b>At end of period</b>	<b>11,278</b>	189,757	27,042

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

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2016</b>	At 30 <sup>th</sup> September 2015	At 31 <sup>st</sup> December 2015
<b>Costs</b>			
At 1 <sup>st</sup> January	1,559,809	1,353,864	1,353,864
Exchange movements	-241,273	81,522	82,996
Additions	-255,070	80,001	122,949
<b>At end of period</b>	<b>1,063,466</b>	1,515,387	1,559,809
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	1,489,026	984,785	984,785
Exchange movements	-214,824	56,901	52,950
Depreciation, charge	-193,960	38,086	62,119
Impairment, charge	-78,340	117,326	389,172
<b>At end of period</b>	<b>1,001,902</b>	1,197,098	1,489,026
<b>Net book value at end of period</b>	<b>61,564</b>	318,289	70,783

**12 PROPERTY, PLANT AND EQUIPMENT**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2016</b>	At 30 <sup>th</sup> September 2015	At 31 <sup>st</sup> December 2015
<b>Costs</b>			
At 1 <sup>st</sup> January	4,738	5,410	5,410
Exchange movements	-267	51	38
Additions	-1,741	-710	-710
<b>At end of period</b>	<b>2,730</b>	4,751	4,738
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	3,746	3,374	3,374
Exchange movements	-254	41	31
Charge this period	-1,016	190	341
<b>At end of period</b>	<b>2,476</b>	3,605	3,746
<b>Net book value at end of period</b>	<b>254</b>	1,146	992

**13 DIVIDENDS**

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

**14 EARNINGS PER SHARE**

	Profit or loss after tax		Weighted average number of shares		Earnings per share	
	3Q 2016 DKK 1,000	3Q 2015 DKK 1,000	3Q 2016 1,000	3Q 2015 1,000	3Q 2016 DKK	3Q 2015 DKK
<b>Basic</b>						
<b>3 months to 30<sup>th</sup> Sep</b>	<b>-10.861</b>	-112,646	<b>3,698</b>	3,698	<b>-2,94</b>	-30,46
<b>Diluted</b>						
<b>3 months to 30<sup>th</sup> Sep</b>	<b>-10.861</b>	-112,646	<b>3,698</b>	3,698	<b>-2,94</b>	-30,46
<b>Basic</b>						
<b>9 months to 30<sup>th</sup> Sep</b>	<b>28.194</b>	-139,742	<b>3,698</b>	3,698	<b>7,62</b>	-37.79
<b>Diluted</b>						
<b>9 months to 30<sup>th</sup> Sep</b>	<b>28.194</b>	-139,742	<b>3,698</b>	3,698	<b>7,62</b>	-37.79

The calculation of basic earnings per share is based on the profit or loss after tax and on the weighted average number of ordinary shares in issue during the period.

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

	At 30 <sup>th</sup> Sep 2016		At 31 <sup>st</sup> December 2015	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
<b>1<sup>st</sup> January</b>	67,897	135,75	44,156	135,75
Granted during the period	0	0	23,741	0
Lapsed during the period	-1,620	130,05	0	130,05
Exercised during the period	0	0	0	0
Expired during the period	-22,352	169,5	0	169,5
<b>Outstanding at end of period</b>	<b>45,545</b>	<b>118,79</b>	<b>67,897</b>	<b>118,79</b>
<b>Exercisable at end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**16 CAPITAL COMMITMENTS AND GUARANTEES AT 30<sup>th</sup> September 2016**

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations the wholly owned subsidiary Atlantic Petroleum (Ireland) Limited, has in connection with the sale and purchase agreement with ExxonMobil Exploration and Production Ireland (Offshore) Limited and the related Joint Operating Agreement regarding Irish Continental Shelf Petroleum Exploration Licence No. 3/04 (Frontier) relating to Blocks 44/18, 44/23, 44/24, 44/29 and 44/30.

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations its wholly owned subsidiary Atlantic Petroleum UK Limited has in connection with the share purchase agreement with the vendors of the entire issued share capital of Atlantic Petroleum North Sea Limited (was known as Volantis Exploration Limited).

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

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

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

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

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

P/F Atlantic Petroleum has provided a parent guarantee to the UK Department for Energy and Climate Change in connection with Atlantic Petroleum UK Limited assets in the UKCS:

- (i) the parent will always provide necessary finance to enable Atlantic Petroleum UK Limited to fulfil its obligations in the UK area
- (ii) the parent will not alter Atlantic Petroleum UK Limited legal rights, so that the Company cannot fulfil its obligations
- (iii) the parent will undertake Atlantic Petroleum UK Limited financial obligations if the Company fails to do so

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

- (i) shares in Atlantic Petroleum UK Limited and Atlantic Petroleum North Sea Limited
- (ii) receivables from Atlantic Petroleum UK Limited
- (iii) charge over proceeds from insurance coverage

The Company has provided lender with a negative pledge and investment in new ventures shall be endorsed by the lender. Pursuant to the Loan Agreement with London Oil & Gas announced 25<sup>th</sup> May, the company is in co-operation with Eik and London Oil and Gas proceeding with re-drafting securities in accordance with the new agreement. This is expected to complete in Q4 2016.

## 17 CONTINGENT CONSIDERATIONS

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

- (i) USD 1.25MM upon Kells FDP approval
- (ii) Staged payments commencing six months after first production from Orlando of USD 1.8MM, USD 1.8MM, USD 0.925MM and USD 0.925MM made every six months thereafter respectively and
- (iii) A proportionate share of royalties payable to the previous owner of the Kells field, Fairfield Energy.

The commitments above depend on the outcome of the Iona UK administration process.

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

## 18 RELATED PARTY TRANSACTIONS

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

# GLOSSARY

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

# CONTACTS

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## **SUBSIDIARIES**

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

For subsidiary's contact details please see company website