P/F Atlantic Petroleum

Annual and Consolidated Report and Accounts

Year to 31 December 2006

Content

Highlights

Operational

- Received approval of the Ettrick Field Development Plan, which is the company's largest asset and the company's second Field Development Plan to be approved
- Signed contract for the production facilities and operations on the Ettrick field with Bluewater
- Continued the development of the Chestnut field
- Completed the 2D seismic on Faroese licences Stella Kristina and Marselius (licence 013 and 014)
- Drilled the Brugdan well on licence 006
- Awarded an exploration licence in 24th UK round in the Morecambe Bay area, adjacent to the West Lennox discovery
- Farmed into four discoveries in Ireland in February 2007

Financial

- Healthy low cost operation
- Strong balance sheet with improved liquidity and improved credit facilities
- Two successful share capital increases in 2006
- Listed on OMX Copenhagen Stock Exchange

2007 Outlook

- Continue high development activities on the Chestnut and Ettrick fields
- Chestnut field on stream and thus cash in-flows
- Drilling two firmed exploration wells in 2007 and potentially others as well
- Further expansion of the company's activities in North West Europe
- Participation in the 3rd Faroese licensing round

Management Statement

Atlantic Petroleum's Annual Accounts for 2006 reflect the high development activities of our Chestnut and Ettrick fields and our strong financial position after two share offerings in 2006, followed by a listing on OMX Copenhagen Stock Exchange. Atlantic Petroleum was the first 'pure' Oil and Gas Company listed on OMX Copenhagen Stock Exchange and has an excellent base from which to meet our strategic growth goals.

Financial and Operating Performance
The financial statements for 2006 have been prepared according to FO GAAP and International Financial Reporting Standards (IFRS), including the adoption of the successful efforts method of accounting for oil and gas assets. In the section "Reconciliation between IFRS and new FO GAAP transition reconciliation's " a reconciliation of the Income Statement and Balance Sheet prepared in accordance with IFRS and the new Faroese GAAP, compared to the previously applied FO GAAP respectively is presented. It also includes the effect of the adoption of the successful efforts method of accounting for oil and gas companies.

The result after taxation for the year was DKK –8,102,710 (2005: DKK -10,397,544), reflecting a slim low cost administration. The results for 2006 are better than the results for 2005, due to higher interest revenue and capital gains in 2006.

General and administrative costs amount to DKK 7,198,064, compared to DKK 5,611,906 in 2005. The General and administrative costs are higher in 2006, due to higher activities and the listing on OMX Copenhagen Stock Exchange.

Investments in Oil and Gas assets increased significantly in 2006 and total investments amounted to DKK 180,227,831 at 31 December 2006 (2005: DKK 93,342,117)

Net Cash at 31 December 2006 was DKK 173,017,845 (2005: DKK 9,887,275). The reason for the increase in the net cash in 2006 compared to 2005 is due to two successful share capital increases in 2006. The plan is to increase the available funds further by raising senior debt to partly fund Atlantic Petroleum's planned exploration and development activities, and also to finance the planned increase in acquisition and farm-in activities. The distribution between senior debt and equity has not yet been decided.

Strategy
The development of Atlantic Petroleum up to now has been in two phases: The first phase running from 1998 to 2001, where we got our first Faroese license and access to the industry. The second phase, lasting from 2001 to the end of last year where we also expanded outside the Faroes. The company has built up an international balanced portfolio of Oil and Gas assets. At this point in time the Company is prepared and ready to go into the third phase of its development.

Phase One
The idea behind the establishment of Atlantic Petroleum was to use the upcoming Faroese Licensing Round as a basis for building up a Faroese oil and gas company and become a partner in a strong group of international oil and gas companies. In that way the necessary skills and knowledge to run

a professional, competitive, and independent oil and gas company could be achieved. Furthermore, the company could get access to the industry and to more opportunities. From the start the intention was that the early development of the Company should be based on the activities on the Faroese Continental Shelf. The shareholder base should be very strong and 100% Faroese in order to receive goodwill.

The first phase was a success for Atlantic Petroleum. The Company signed a very favourable agreement with an international consortium consisting of the companies Amerada Hess, British Gas and DONG. This agreement gave Atlantic Petroleum the opportunity to participate in Oil exploration in the Faroes with minimum risk, but with a huge upside. Furthermore, our partners were committed to pave the way for the Company into oil exploration in UK waters.

This partnership was successful in the first Faroese licensing round and was awarded licence number 001.

Phase Two
On the back of phase one the second phase was planned. A Business Plan was formulated in 2001 for the time period 2001 to 2006. A Mission Statement and a Vision Statement were formulated.

Vision
The leading Faroese independent oil and gas company, financially strong and well-respected in the industry, and prudently managed to provide a robust return to its shareholders, a focus for business integration and development in the Faroes, and benefits to the community as a whole.

The key components of this vision are as follows:

- Be active in exploration and production on the Faroese continental shelf
- Faroese-based independent upstream oil and gas company
- Vehicle for development and diversification of Faroes business sector as a whole
- Use this situation to grow beyond the Faroes
- Financially strong with focus on Risk Management

The start of the second phase went as planned. The first UK exploration assets were acquired in 2001 and a new world of opportunities opened up for the Company. Relations to new international players were established. The Company participated in 22nd UK Round and in 2003 a major step was taken. Atlantic Petroleum managed to acquire part in tree oilfields from Premier Oil, of which two fields now are under development. Also in this phase the Company managed to raise the necessary funds to build up the Company as well as to list the Company on two markets. In June 2005 Atlantic Petroleum was listed on OMX Nordic Exchange in Iceland, and in October 2006 on OMX Copenhagen Stock Exchange.

Phase Three
The third phase will be based on the back of the previous phases, in a straight line. The building blocks are different today compared to the previous phases, but these are of course still valid and existing. The main building blocks or instruments we have today are:

- A diversified portfolio spanning from exploration to development, and soon also production

- A solid capital base
- Access to capital for further growth, both in terms of equity and senior dept
- Strong cash flow from own production the coming years

What do we then want to achieve in the coming years? Because the Company will now have its own cash flow it is possible to increase the exploration activities, and offset the exploration cost against the income. It is also possible to take larger steps now in terms of exploration asset acquisitions and corporate acquisitions because of the solid capital base.

So the main elements of the third phase will be to use the instruments achieved in the previous phases to accelerate the growth to become a middle sized oil and gas company with activities in North West European region.

We continue to focus on preparing the Company for further risk-balanced growth and thus adding value to our shareholders.

Shareholder Returns
During 2006 Atlantic Petroleum shares increased in value by 32 per cent on the OMX Nordic Exchange in Iceland. The Company was the top performer on the OMX Nordic Exchange in Iceland in 2006. Since the listing on the OMX Nordic Exchange in Iceland on 15 June 2005, to year-end 2006, Atlantic Petroleum's share price has increased by approx 200 per cent. Atlantic Petroleum is part of the Main List on OMX Nordic Exchange in Iceland ICEX15.

Outlook

The Company's activities increased considerable in 2006, compared to previous years. The company's strategy is to increase its exploration and farm-in activities by taking larger steps in terms of exploration asset acquisitions and corporate acquisitions because of the solid capital base provided for in 2006.

The company expects to produce its first oil in second half of 2007, and is currently committed to drill two exploration wells in 2007. The company expects that it will have a positive result in 2007, disregard unsuccessful exploration costs. But this is very uncertain. A positive result is dependent on the current oil prices level, date of commencement of oil production from the Chestnut field, USD/DKK exchange rate and other factors.

Atlantic Petroleum's investments in field developments in 2007 are estimated to be approximately DKK 125 millions and the exploration costs in 2007 are budgeted to approximately DKK 30 millions. These investments include the drilling of two exploration wells and the maturing of other prospects. The investments in field developments relates to the Chestnut and Ettrick field.

The firmed budgeted investments are purely based on licences in Atlantic Petroleum's existing portfolio. These figures might change, which we expects, as the Company is for the time being considering various farm-in possibilities.

In addition to the farm-in possibilities the Faroese authorities have announced that the third licensing round will take place in the autumn of 2007. Atlantic Petroleum intends to participate in this licensing round and establishment of a partnership is under way.

Five year summary, consolidated figures

Financials		2006	2005	2004	2003	2002
Accounting basis		**IFRS*** **	**IFRS***	**FO GAAP**	**FO GAAP****	**FO GAAP****
Sales revenues	DKK	**0**	0	0	1.035.383	260.149
Profit before tax	DKK	**-8.088.880**	-10.389.362	-2.542.636	425.678	-2.119.515
Net profit for the period after tax	DKK	**-8.102.710**	-10.397.544	-2.546.355	413.694	-2.057.508
Cash flow from operating activities	DKK	**10.010.489**	-8.892.594	-1.940.992	-3.650.480	-5.684.846
Shareholders' funds	DKK	**296.676.942**	99.337.034	107.801.271	42.949.747	42.536.052
Net cash/(debt)	DKK	**155.825.655**	9.887.274	(1.111.662)	3.353.998	16.727.373
Per share statistics:						
Revenue per share	(DKK /Share)	**0,00**	0	0	0	0
Earnings per share – basic	(DKK /Share)	**-8,92**	-13,79	-5,40	0,88	-4,36
Earnings per share – diluted	(DKK /Share)	**-8,92**	-13,79	-5,40	0,88	-4,36
Cash flow from operating activities per share	(DKK /Share)	**11,01**	-12,02	-4,20	-7,89	-12
Issued share – average	(thousands)	**908.828**	739.978	462.500	462.500	462.500
Operations:						
Production (working interest basis)	(mboepd)	**0**	0	0	0	0
Drilled exploration/appraisal wells		**1**	1	1	0	1
Employees – Faroes	(number)	**3**	3	2	3	3
– Overseas	(number)	**3**	3	2	2	2
Key indices:						
Average exchange rates	(DKK/£)	**10,94**	10,97	10,98	10,68	11,74
Closing exchange rates	(DKK/£)	**11,10**	10,89	10,49	10,58	11,40

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

** 2004 was the first year the company prepared consolidated financial statements for the group. Therefore the financial statements for 2002 and 2003 comprise only the parent company.

*** In accordance with IFRS and the new applied accounting policy n accordance with FO GAAP.

Atlantic Petroleum in brief

Atlantic Petroleum is an independent exploration and production company with Oil and Gas interests in the North Sea, the Irish Sea and in the Faroes. Atlantic Petroleum is listed on OMX Nordic Exchange in Iceland and OMX Copenhagen Stock Exchange. Our strategy is to add significant value to our shareholders through exploration, development and production of oil and gas assets in North West Europe.

Activities

The principal activities of the group are oil and gas exploration, development and production. The group operates through subsidiary undertakings and joint ventures, details of which are shown in the section called World Wide licence interests. A review of major activities, developments during the year and prospects for the future is included in the Management statement, the Financial Review and the Operational Review.

Milestones

1998	Established in 1998
1999	Agreement with The Faroes Partnership (Amerada Hess, Dong, British Gas)
2000	Award of Faroese License 001
2001	Farmed in to two exploration licences West of Shetland
2003	Acquired the Chestnut, Ettrick and Perth oil fields
2004	Major share offering prior to the Listing on OMX Nordic Exchange in Iceland
2005	Awarded licences 013 and 014 in the Faroes
2005	Listed on the main list on OMX Nordic Exchange in Iceland
2005	Farm-in to The West Lennox discovery
2005	Approval of Chestnut Field Development Plan
2005	Farmed-in to licence L006 exploration licence
2006	Became member of the ICEX 15 index
2006	Rental of a FPSO for the Chestnut field for 2½ years
2006	Approval of The Ettrick Field Development Plan
2006	Rental of FPSO for the Ettrick Field for 5 years
2006	Dual Listed on OMX Copenhagen Stock Exchange
2006	Foreign institutional investors entered Atlantic Petroleum
2006	Drilling of the Brugdan Prospect on the Faroese licence 006
2007	Expanded into Ireland and farmed-in to discoveries and exploration licences in Ireland

Board of Directors

Mr. Kjartan Hoydal (Chairman)
Mr. Poul R. Mohr
Mr. Mortan H. Johannesen
Mr. Petur Even Djurhuus
Mr. Óli A.M. Hammer

Management
Managing Director Wilhelm E. Petersen
Financial Manager Teitur Samuelsen

Organisation
Lean virtual network organisation with 6 employees.

Dealing information on stock exchanges
Trading in Atlantic Petroleum shares (Ticker: FO-ATLA, ISIN Code: FO000A0DN9X4) can be done by contacting:

- one of the members of OMX Nordic Exchange in Iceland.
- one of the members of OMX Copenhagen Stock Exchange.
- by contacting a stockbroker.
- or by contacting a financial institution.

Bloomberg ticker:	ATLA IR
Reuter's ticker:	FOATLA.IC

Financial review

Economic environment

Oil prices continued to be high during 2006. The price was driven by strong economic growth, as well as a series of disruptions on the supply side. The Brent oil price, which began the year at US$ 61,5 per barrel (bbl), averaged US$ 65.2/bbl, reached a peak of US$78.3/bbl at the 9th August.

Strong oil prices have led to increased industry activity on both the exploration and development side. On the exploration side, rig rates rose due to increased demand for drilling rigs and a shortage of available rigs. On the development side strong demand for supply and services to field development projects has led to increased industry prices.

The strong commodity prices have also resulted in high activities on merger and acquisitions and licence farm-in's and farm-out in the oil industry.

Consolidated Income Statement

Atlantic Petroleum previously announced its restated financial results for 2005 in accordance with International Financial Reporting Standards (IFRS). We also published a new set of group accounting policies which included the adoption of the successful efforts method of accounting for oil and gas assets which the Board believes provide a more transparent view of the performance of the group's exploration and development activities.

The result after tax for 2006 was a loss of DKK –8,102,710 (2005: DKK -10,397,544). Following the change to the successful efforts method of accounting, the loss takes into account a write-off of DKK 3,069,307 (2005: DKK 5,848,556) due to the relinquishment of the licence 001 in the Faroes and the unsuccessful Brugdan well drilled in the Faroes. In addition, we charged DKK 1,109,540 (2005: DKK 80,000) of pre-licence exploration expenditure to the income statement.

There was no revenue from oil and gas sales in 2006, as Atlantic Petroleum's oilfields have not commenced production.

Cost of sales was DKK 0 in 2006, (2005: DKK 0).

General and Administrative costs amounted to DKK –7,198,064 in 2006 (2005; DKK -5,611,906). They thus rose by DKK 1.6 million, reflecting certain one-off charges in respect of the listing on OMX Copenhagen Stock Exchange. The Operating profit was DKK –11,466,685 (2005: DKK –11,805,224).

Other operating income consists of rent of premises and amounts to DKK 25,800 (2005: DKK 0).

Net Interest revenue and finance gains totalled to DKK 3,377,805 (2005: DKK 1,415,862), reflecting the exchange rate income from the investments in UK, interest income and continuing low level of debt and hence a strong balance sheet. The profit before taxation was DKK –8,088,880, (2005: DKK –10,389,362). The taxation charge totalled DKK –13,831 (2005: DKK -8,182).

Basic earnings per share amounted to DKK –8,92 (2005: -13,79).

Consolidated Balance Sheet
Total assets at the end of 2006 amounted to DKK 361.416.965 (2005: DKK 109,925,934).

Consolidated Assets
Exploration and evaluation assets amounted to DKK 23,932,256 at the end of 2006 (2005: DKK 21,477,717). The largest investment in 2006, has been made in licence 013 and 014, where seismic has been acquired. In 2006 the investments in Licence 001 and the unsuccessful Brugdan exploration well on licence 006 have been expensed off.

Development and production assets, which comprise commercial and potential commercial discoveries, amounted to DKK 156.295.575 at the end of 2006 (2005: DKK 71,864,057). The increase in the booked value reflects the high development activities on the Chestnut and the Ettrick field.

Property, plant and equipment amounted to DKK 332,777 at the end of 2006 (2005: DKK 19,658).

Trade and other receivables amounted to DKK 1,427,336 at the end of 2006 (2005: DKK 624,155).

Securities available for sale amounted to DKK 6,411,176 at the end of 2006 (2005: DKK 6,052,730).

Cash and cash equivalents amounted to DKK 173,017,845 at the end of 2006 (2005: DKK 9,887,275). The reason for the increase in the cash and cash equivalent reflects the two share capital increases made in 2006. Some of the cash funds, from the share capital increases, have already been invested in the development projects.

Consolidated Liabilities
Total liabilities amounted to DKK 64,740,023 at the end of 2006 (2005: DKK 10,588,900).

Total current liabilities amounted to DKK 45,598,877 at the end of 2006 (2005: DKK 4,057,000). The increase relates to an increase in trade and other payables due to the development activities on Chestnut and Ettrick, and a bank overdraft facility, which at the year-end amounted to DKK 17,192,190 (2005: DKK nil). Also classified, as a current liability is a deferred payment for the Chestnut field.

Total non-current liabilities amounted to DKK 19,141,146 at the end of 2006 (2005: DKK 6,531,900). The non-current liability relates to a deferred payment for the Ettrick field amounting to DKK 8.882.800 and decommissioning costs for the Chestnut field amounting to DKK 10,258,346 (2005: nil). The amounts have been included in Development and Production Assets.

Consolidated Equity
The total shareholders' equity amounted to DKK 296,676,942 at the end of 2006 (2005: DKK 99,337,034). Atlantic Petroleum carried out two share capital increases during 2006. The result of the share offering was that a total number of 385,752 new shares were subscribed for. At the

subscription price of DKK 550, this equals a value of DKK 212,163,600. The share capital was increased from DKK 73,997,800 to 112,573,000. The shares were subscribed at a share price of DKK 550 for DKK 100 nominal.

Cash flow
Net Cash provided by operating activities amounted to DKK 10,395,914, (2005: DKK –8,892,594).

Capital expenditure in the period was DKK 69,420,026 (2005: DKK 27,839,920) relating principally to the development programme of the Chestnut and Ettrick fields.

Net cash outflow, before movements relating to financing activities amounted to DKK 59,024,112 (2005: DKK 36,732,514). Cash and cash equivalents at the end of 2006 was DKK 173,017,845 (2005: DKK 9,887,275). The increase in net cash relates primarily to the proceeds form the share capital increases during 2006.

Investments

During 2006 Atlantic Petroleum have invested heavily in the development projects Chestnut and Ettrick. In Chestnut the investment in 2006 amounts to DKK 39,977,530 including abandonment provisions. Atlantic Petroleum's total investment in the Chestnut field amounted to DKK 78,508,052 including the deferred payment and abandonment costs at year-end 2006. In Ettrick the investment in 2006 was DKK 42,427,118 including provision deferred payment. Total investments amounted to DKK 56,158,139 in the Ettrick filed. In Perth the investment in 2006 was DKK 594,059 and total investments amounted to DKK 21,629,384. No provision has yet been provided for a deferred payment for the Perth field.

The investments in exploration have been low compared to the development investments, and amounted only to DKK 5.177.040 (2005: DKK 19.253.356) as Atlantic Petroleum participated in the drilling of only one exploration well. The exploration well was the Brugdan well on the Faroes. The investment in 2006 covers primarily the collection of seismic data on Licence 013 and 014 in the Faroes.

Net cash position
At the start of the year, net cash amounted to DKK 9,887,275. At year-end this has increased to a net cash position of DKK 155.825.655 comprising DKK 173,017,845 of cash and cash equivalent balances and a draw from bank credit facilities of DKK -17.192.190. In May 2006 the company entered into a new DKK 30,000,000 overdraft facility with a Faroese bank. Together with cash flow from the share capital increases, this facility together with other offered facilities puts the company in a strong position to fund its ongoing exploration and development programme and to finance an increase in the acquisition and farm-in activities.

Hedging and risk management
Atlantic Petroleum is exposed to a number of different market and operational risks arising from our normal business activities as an international Exploration & Production Oil and Gas Company.

Market risk is the possibility that changes in currency exchange rates, interest rates and oil and natural gas prices will affect the value of the assets, liabilities or expected future cash flows. Atlantic Petroleum does not use derivative financial instruments to hedge certain of these risk exposures, as the company has not yet commenced oil and gas production and has no debt.

Since the group reports in DKK, an exchange rate exposure relates to GBP, USD and EUR as the group's most material investments in the Oil and Gas Assets are paid in these currencies. The 100% owned subsidiary Atlantic Petroleum UK Limited' separate financial statement is prepared in GBP which is the company's functional currency and presentation currency. The group recorded an exchange rate gain of DKK 1,937,403 in 2006 in the income statement.

Cash balances are invested in short-term bank deposits and are in DKK. There is a credit risk concentration on cash balances (bank deposits), as all funds are placed in one Faroese bank. The company is about to reconsider this policy.

The company plans to use derivatives when oil and gas production commences and debt will be undertaken. There will be established policies, which will be approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The Board will consider hedging policies where it is attractive economically to lock-in oil and gas prices at a level, which protects the cash flow of the company and the business plan. All transactions will be related directly to expected cash flows; and no speculative transactions will be undertaken.

Operational risk comprises the possibility that Atlantic Petroleum may experience, among others, 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
After the end of the financial year, the following significant events have occurred:

On 7th February 2007 Atlantic Petroleum announced that it had signed a 10% farm-in agreement with Providence Resources Plc. on its Celtic Sea interests, held under Standard Exploration Licence No. 2/07 off the south coast of Ireland. The farm-in terms consist of a payment of 13.333% of the 2006 seismic costs over the licence, to earn 10% equity in the licence. Future licence, drilling and development costs will be at the 10% equity. The farm-in is subject to approval from the Irish Minister for Communications, Marine and Natural Resources and the Petroleum Affairs Division (PAD). The Company estimated this new area to have significant growth potential.

On 1st February 2007 Atlantic Petroleum was awarded a Licence in the Morecambe Bay Area in the UK 24th Licence Round. The licence awarded was a traditional licence and consisted of Blocks 110/9b and 110/14b. Atlantic Petroleum holds 20% in this licence. For more details see the Operational review. The licence is adjacent to the West Lennox discovery.

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

Operational review

The strategy of the company combines the delivery of new development and production projects and acquisition of high quality exploration licences in the company's focus areas in the North West Europe. In the short- and medium-term, the two geographical segments (United Kingdom and Ireland) will provide material growth in our reserves base and production. In the long term the third geographical segment (Faroe Islands), is expected to provide growth to Atlantic Petroleum's reserves and production.

Production and reserves

Atlantic Petroleum had no production in 2006, but expects to commence oil production for the first time late in second half of 2007, when the production from the Chestnut field commences.

In the Prospectus dated 9th June 2006, which was prepared in connection with the share capital increases in 2006, Atlantic Petroleum had an independent Petroleum Consultant Reserve Report prepared. The evaluation in the independent Petroleum Consultant Reserve Report was as per 1st January 2006 and based on technical data and information available up to 10th May 2006. To our knowledge no material changes have occurred, other than those described below.

The reserve report from the Prospectus dated 9th June 2006 stated the following.

	P90	**P50**	**P10**
Commercial Reserves (MMboe)			
Chestnut	0.6	1.0	2.5
Potentially Commercial Reserves (MMboe)			
Ettrick	2.3	4.1	6.1
Perth	0.7	1.0	1.5
Aggregated total	**3.6**	**6.1**	**10.1**

In the Petroleum Consultants Reserve Report only the Chestnut reserves was classified in the commercial category. The reason was that the Chestnut development was the only development being sanctioned. Since then also the Ettrick development has been sanctioned.

The discoveries acquired in Ireland in 2007 have not been recorded in the reserves in the table above.

It is Atlantic Petroleum's intention to prepare an independent Petroleum Consultant Reserve Reports annually in the future.

Development

Two out of three of Atlantic Petroleum's commercial discoveries are under development and have had their Field Development Plans approved by the authorities. These are both located in the United Kingdom. The fields under Development are Ettrick and Chestnut. The Field Development Plan for the Perth field has not yet been submitted to the authorities for approval.

Ettrick P.317 and P.273, Block 20/2a and 20/3a
In July 2006 the UK Department of Trade and Industry approved the development plan for the Ettrick oil field, which is located in blocks 20/2a and 20/3a in the North Sea.

The Ettrick field was discovered in 1981 and has been appraised by seven wells drilled between 1982 and 1985. Field development will be on a phased basis, with the first phase consisting of three producing wells and one water injection well. The second phase will consist of one or two additional water injection wells, dependent upon field performance. The phased development is proposed in order to mitigate the risks of connectivity and compartmentalisation, well-connected volumes, aquifer influx and capital exposure.

The wells will be tied back to the leased floating production storage and offloading vessel (FPSO) “Aoka Mizu”.

In April 2006 the partnership awarded Bluewater Ettrick Production (UK) Limited a contract for the production facilities and operations for the Ettrick field. The agreement calls for Bluewater to provide and operate a floating production, storage and off-loading (FPSO) vessel for an initial term of five years with extension options. Bluewater’s scope comprises the design, supply and operation of the FPSO including topsides and a disconnectable turret mooring system. Modifications to the “Aoka Mizu” FPSO hull are ongoing and development drilling will begin in early 2007.

The Ettrick development is progressing as planned, and was approximately 40% completed at the end of 2006. The drilling operation of the first phase wells is expected to start in the beginning of March 2007, and will be carried out by the submersible drilling rig Borgsten Dolphin. First production is expected in the first half of 2008. Peak production from the field is expected to be 20,000 bopd (gross); 1,650 bopd (net) to Atlantic Petroleum, plus associated natural gas production.

Atlantic Petroleum’s total development costs comprising first and second phase of the development are expected to be approx DKK 210 million.

Ettrick partners are Nexen (Operator) 79.73%, Bow Valley 12%, and Atlantic Petroleum 8.27%.

Chestnut P.354, Block 22/2a
In November 2005 the UK Department of Trade and Industry approved the development plan for the Chestnut oil field, which will be one of the smallest stand-alone fields in the North Sea. Chestnut is located in block 22/2a.

Chestnut was discovered in 1986 and an extended production test was made in 2001. The test reduced uncertainties over connected reservoir volumes and allowed better definition of a development scenario.

The development of the field commenced in 2005 and is planned to end in second half of 2007.

In 2006 a second development well for the Chestnut Field was drilled and came in as predicted.

The oil from the field will be processed on a rented floating production facility, Hummingbird SSP300, owned by the Norwegian company Sevan Marine ASA. This FPSO is a new type of production platform that uses a new technology which is more cost effective than the traditional platforms, but which was not profitable only a short while ago.

The construction of Hummingbird FPSO will be completed during the first quarter of 2007. The unit will then be moved to Rotterdam for installation of the processing equipment and commissioning prior to installation in the field. The Chestnut Field is expected to come in to production in the second half of 2007, at an initial rate of 10,000 boe/d (gross), with Atlantic Petroleum's share reaching approximately 1,500 boe/d.

Atlantic Petroleum's development costs for the Chestnut Field are expected to be approximately DKK 58 million compared to previously expected costs of DKK 45 million.

When the first oil is produced from Chestnut, it will be historic. Not only it will be Atlantic Petroleum's first oil, but also the first oil ever produced by a Faroese company.

The Chestnut partners are Venture (Operator) 69.88%, Bow Valley 15.12% and Atlantic Petroleum 15%.

Perth P.218 and P.588, Blocks 15/21a, b, c & d
The Perth field in Licence P.588, located in Block 15/21c, was discovered in 1992.

Development of the Perth Field is being investigated, and several development alternatives are under consideration. One alternative is a sub-sea tie-back to the Scott platform. First oil from the Perth Field is expected to be at the earliest in 2009.

Perth partners are Nexen (Operator) 42.09%, Petro-Canada 43.33%, Maersk Oil 10.83% and Atlantic Petroleum 3.75%.

Exploration and evaluation
A core part of Atlantic Petroleum's business growth strategy is the exploration programme. Each year the company will drill exploration wells on prospects from the company's portfolio of prospects in the company's focus area, North West Europe. Success on any of these prospects is capable of bringing significant and rapid growth to the company. The portfolio of exploration properties also has the potential to add incremental value to existing commercial Oil and Gas Assets, to open up new plays and to provide large prospects for the future.

In the short term Atlantic Petroleum's strategy is to focus on Exploration and Appraisal opportunities in matured exploration areas in North West Europe with primary focus on the UK sector and Ireland. In the long-term as the Faroese area becomes more matured and chances of success of drilling increases, higher investments will be made in this area.

The strong network of world wide and local oil and gas company's in Atlantic Petroleum's focus areas, offers Atlantic Petroleum new opportunities for exploration, from time to time.

The exploration budget for 2007 amounts to approx DKK 30 million including the drilling of two exploration wells and the planning part of drilling another 2 wells, which are expected to be drilled in 2008. Compared to the past years, the company's strategy is to increase the exploration activities, and thus take a higher risk, to add reserves to the company's portfolio and expand the growth of the company. As the risk of drilling dry wells is high, but a part of the business of running a Exploration and Production oil and gas company, investors shall be aware of this risk and that it will increase in the future. But the Board is convinced that if the company shall grow in the future it is necessary to increase activities and take higher risk than in the past.

The budgeted exploration costs may increase, as the company is continuously evaluating a number of good quality farm-in opportunities. These are actively under consideration as part of Atlantic Petroleum's portfolio management.

Faroe Islands
Atlantic Petroleum was established with the goal to participate in the exploration for oil and gas in the Faroes. Therefore the company has participated in the two licensing rounds in the Faroes so far. The partnerships Atlantic Petroleum has participated in have been very strong and have comprised, among others, global major oil and gas companies.

The Faroese authorities have announced that the third licensing round will take place in the autumn of 2007. Atlantic Petroleum intends to participate in this licensing round and establishment of a partnership is under way.

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

Licence 006
In 2006 Atlantic Petroleum participated in the drilling of one exploration well in the Faroes area. The well, which was operated by Statoil, was drilled on the Brugdan prospect in licence 006, with the Stena Don rig. The well was plugged and abandoned, having encountered minor gas shows. The drilling operations, through thick basalt layers, were successful and the partnership achieved better rates of penetration than anticipated.

The well was drilled in a water depth of 478 metres and reached a total depth of 4,201 metres below sea level. The original commitment depth was 3,780 metres, but the partnership requested and was given permission to deepen the well. The intended deepening was to a depth of 4,400 metres, but technical difficulties caused the partnership to cease drilling at a depth of 4,201 metres.

It is believed that there is remaining potential for hydrocarbons at deeper levels than the total depth reached by the well.

The well is significant for future oil and gas exploration in the Faroes, as the well determined the thickness of the basalt on the East Faroe High and has provided significant experience and knowledge of drilling through basalt.

The data from the well is very important for maturing geological understanding in the Faroese area. It will be used by Atlantic Petroleum's technical team and applied to Faroese licences 013 and 014 for further exploration efforts in the area.

Technical work and evaluation of the samples from the well are ongoing. Once results are received, the partnership will discuss the future strategy for the licence. No well is planned for 2007.

Atlantic Petroleum holds only 0.025% in licence 006. As the well did not encounter oil and gas reserves Atlantic Petroleum's investment in the Brugdan well has been expensed off in 2006 and amounts to DKK 440 thousand.

Stella Kristina and Marselius

During the summer 2006 Atlantic Petroleum and its partner Geysir Petroleum acquired 1089km of block specific 2D long offset seismic data over Faroes licences 013 & 014. The 2D grid was acquired by Inseis AS, using a single source and single streamer from the Bergen Surveyor vessel. The seismic lines cover two identified leads (Stella Kristina and Marselius) and fulfil the main part of the seismic commitment for the licenses.

This acquisition program, together with other geological information, which the company has, will enhance the understanding of the exploration potential of Blocks 013 and 014. For the time being the seismic information is being interpreted together with the data from the Brugdan well on licence 006. Atlantic Petroleum's strategy with these two licences is to mature the understanding of the geology and then farm-out a portion of the company's share.

The seismic data processing project is progressing, and expected to be finalized in 2007.

Participants and interests in Blocks 013 & 014: Geysir Petroleum (operator) 60%, Atlantic Petroleum 40%.

Licence 001

Atlantic Petroleum's first licence, licence 001, expired 17th August 2006, as the partnership did not apply for an extension of the licence period. Consequently Atlantic Petroleum's investments in the licence, approx DKK 2,6 million, were expensed of in 2006. Even though the partnership made a discovery on the licence, it was not considered commercial.

United Kingdom

The company's exploration activities will continue and will increase in the UK sector in 2007 and the following years.

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

In the Ettrick exploration area, the plan is to drill one exploration well in late 2007. The well will be drilled on the Blackbird prospect, to the south of the Ettrick Field. The Blackbird prospect extends over both Block 20/2a (Licence P.317) and 20/3a (Licence P.273). If this well finds commercial reserves these will add incremental value to the Ettrick field, as this will extend the lifetime of the Ettrick field.

Atlantic Petroleum and the other partners in these licences have made an agreement to equalise partner interests in both blocks. The swap is based on a no gain and no loss agreement. Prior to the swap, Atlantic Petroleum held 11.025% in Block 20/2a and 0% in Block 20/3a. After the swap Atlantic Petroleum holds 8.27% in both blocks. Atlantic Petroleum estimates, that even if the agreement is a no gain or loss for the individual partners, it is a win win situation for the partnership.

Partners in these licences are Nexen (Operator), 79.73%, Bow Valley 12%, Atlantic Petroleum 8.27% (following the equalisation).

Perth Exploration Area P.218 and P.588, Blocks 15/21a, b, c & d
Exploration in the Perth area will continue in 2007 with minor geological studies. It is not planned to drill a well in 2007. The whole of Block 15/21d was included in a partial relinquishment within the P.588 licence. The 15/21d block was not considered prospective and the relinquishment will reduce the partnerships licence fees.

West Lennox and Crosby P.099, Blocks 110/14 c & d
Licence P.099, in which Atlantic Petroleum purchased an equity share in 2005, comprises the West Lennox field and the Crosby prospect in Block 110/14d and c.

The West Lennox discovery was appraised in the fall of 2005 by the drilling of an appraisal well. The results from the well are classified as "tight-hole". The partnership has decided to put the development of the West Lennox field on hold, until the Crosby prospect has been drilled. A site survey with additional seismic acquisition is planned for 2007 on Crosby and an exploration well is expected to be drilled in 2008.

The reason for putting the development of West Lennox on hold is that the oil reserves are now estimated to be sub-commercial for an independent tie-in to the Lennox field, but commercial as a joint development. Prior to the drilling of the appraisal well it was estimated that the discovery contained between 1 and 6.5 million barrels of oil. The most likely volume was thought to be 3.5 million barrels. But the result from the appraisal well, and the further interpretation, is that the reserves are lower.

In the 24th UK licensing round, the same partnership as on West Lennox, was awarded one block next to the West Lennox field. On this new block, there was a prospect identified and named Lytham (described below). The partnership sees the area comprising West Lennox, Crosby and Lytham as one area that can be developed as a joint development. But exploration wells first have to be drilled on Crosby and Lytham. If these come out positive, a development of West Lennox will be carried out.

The partners in this licence are Challenger Minerals (Operator) 25%, Atlantic Petroleum 25%, Dyas 20%, First Oil Expro 20% and Providence Resources 10%.

Blocks 110/9b and 110/14b
Atlantic Petroleum was in February 2007, awarded a Licence in the Morecambe Bay Area in the UK 24th Licence Round. The licence awarded was a traditional licence and consisted of Blocks 110/9b and 110/14b. On the licence is a prospect named Lytham. The group plan to obtain 3D seismic over

the area and integrate it into the current geological understanding of the area, prior to deciding whether to drill an exploration well within a four-year period.

The awarded acreage is adjacent to Licence P099, Blocks 110/14c & d (West Lennox discovery and Crosby prospect) in the East Irish Sea, which is held by the same partners.

For more details visit http://www.og.dti.gov.uk/upstream/licensing/24_rnd/index.htm

The partners in this licence are Challenger Minerals (operator) 15%, Dyas (UK) 15%, First Oil Expro 25%, Providence Resources 25% and Atlantic Petroleum 20%.

Ireland

On 7 February 2007 Atlantic Petroleum announced that it had farmed in for 10% equity in offshore Ireland Licences comprising four discoveries. The farm-in agreement was made with Providence Resources Plc. on its Celtic Sea interests, held under Standard Exploration Licence No. 2/07 off the south coast of Ireland. Atlantic Petroleum estimates this agreement to be of significant value to Atlantic Petroleum and its' shareholders as the agreement includes four discoveries. In addition Atlantic Petroleum sees the area offshore Ireland as very prospective, with an attractive tax regime. These discoveries fit very well into Atlantic Petroleum's portfolio of oil and gas assets as we expects production from some of these discoveries within 2-5 years

The farm in terms consisted of a payment of 13.333% of the 2006 seismic costs over the licence, to earn 10% equity in the licence. Future licence, drilling and development costs will be at the 10% equity. The farm-in is subject to approval from the Irish Minister for Communications, Marine and Natural Resources and the Petroleum Affairs Division (PAD).

This is the first investment made by Atlantic Petroleum in the Irish offshore and the investment is to be carried out through the 100% owned subsidiary Atlantic Petroleum (Ireland) Limited.

In this Operational review the Irish licences have been classified as exploration and appraisal licences as they are pending completion of Atlantic Petroleum's in-house technical work including appraisal and commercialisation work.

The Petrolia Rig has been secured for drilling in the summer of 2007 and the drilling plans are about to be finalised. This is the second confirmed exploration well in Atlantic Petroleum's budget for 2007.

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

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 1975, and flowed at an aggregate rate of 8 MMSCFGPD.

In 1997, Providence (the current Operator) completed a high-resolution 2D seismic survey over Ardmore and reprocessed this data using seismic inversion techniques. The Ardmore structure was mapped using this improved data set and the volume of gas-in-place was independently estimated at 150 BSCF. Considering it's size and lack of proximate infrastructure, Ardmore is considered as an incremental gas project in terms of Atlantic Petroleum's Celtic Sea asset portfolio.

Helvick

The Helvick oil field is located in the southwest corner of Block IRL49/9, 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 9,900 BOPD and 7.5 MMSCFGPD. Three further appraisal wells were drilled in the late 1980's to delineate the field.

In 2000 Providence (the current Operator) drilled the IRL49/9-6Z well, which was flow tested at rates of approximately 5,200 BOPD. This flow confirmed the good reservoir and fluid characteristics seen on the original IRL49/9-2 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.

More recent reservoir engineering analysis of well test data from the Helvick field suggests that wells could produce significant volumes of oil under primary depletion.

This, together with improved commodity prices, indicate that Helvick could provide an incremental oil development project in the future

Hook Head

The Hook Head prospect lies approximately 60 km off the south coast of Ireland and is in some 70 metres of water. In 1971 the then operator, Marathon drilled a well which encountered four hydrocarbon bearing reservoirs. Due to operational difficulties at that time, the well was not tested, so there is some uncertainty whether the reservoirs contain oil, gas or a combination of each. In July 1998, Providence (the current Operator), acquired a high-resolution 2D seismic survey. The results of this survey confirmed the existence of a 4-way dip closure and also demonstrated that the original discovery well was drilled some way off the crest of the structure. The discovery well, IRL50/11-1, has been independently re-analysed using modern petrophysical techniques, which when combined with the re-mapping of the structure, indicate that the reservoirs could contain up to 350 MMBBL STOIIP, with a potential gas cap.

Dunmore

Block IRL50/6 is located approximately 20 km north of the Hook Head prospect (IRL50/11-C). The discovery well, IRL50/6-1, was drilled by the then Operator, Gulf Oil in 1985/86, and flowed at a rate of approximately 2,100 BOPD of high quality (44° API) oil. The Operators current work programme, which involves the re-analysis of existing seismic data together with a re-evaluation of the petrophysics and drill stem test data from the discovery well, suggest that the structure contains potential recoverable reserves of 12MMBO. Considering its size and lack of proximate infrastructure, Prospect IRL50/6-B is considered as an incremental oil project in terms of Atlantic Petroleum's Celtic Sea asset portfolio.

Social performance summary

Being socially responsible is an area in which Atlantic Petroleum is proud to be counted as one of the leaders.

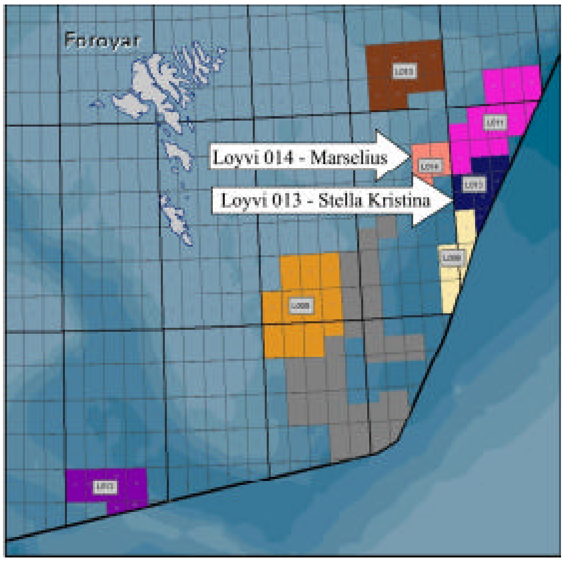
In 2006 the Board of Atlantic Petroleum decided to sponsor the first ever Faroese Opera, which premiered in Tórshavn on 12 October 2006. This sponsorship was made, as the company has decided to focus on culture in its sponsorship policy. The first ever Faroese opera, by award-winning composer Sunleif Rasmussen, was an obvious choice.

Because Atlantic Petroleum expects to produce oil from the Chestnut oil field in 2007, the company's support for the opera was equivalent to a day's production from the Chestnut field, or a thousand barrels of oil, equivalent to DKK 400,000.

The opera, entitled "In the Madman's Garden" is based on a short story by renowned Faroese writer William Heinesen. Two prospects in the Faroese area, where Atlantic Petroleum will also be participating in exploratory activity, will be named after the opera's two main characters, Stella Kristina and Marselius.

While corporate sponsorship is not a foreign concept in the Faroes, culture more often than not loses out in the battle for funding. Since its establishment in 1998, Atlantic Petroleum, the only Faroese oil company, has benefited greatly from a well-run administrative framework, and has grown in just a few years to become one of the largest public limited companies in the Faroes.

Against this background it is only natural for Atlantic Petroleum to give something back to the Faroese society. With our strong roots in the Faroes, we see corporate support for Faroese culture as a highly appropriate way to make our contribution. The first Faroese opera was a unique cultural event and was an obvious choice for the company.



Upon formally accepting the support, composer Sunleif Rasmussen welcomed the decision with gratitude and was very encouraged to see that the oil sector shared the same goals as art – to break new ground and explore new fields.

Atlantic Petroleum also made a donation to the children at Kvinnuhúsinum this year. Kvinnuhúsið is a crisis centre for women.

Health, safety, environment summary

The management of Health, Safety and Environment is the foundation on which our business conduct and role in society are built upon. Atlantic Petroleum is committed to comply with all applicable HSE laws, regulations and standards and to apply responsible standards where legislation is inadequate or does not exist. We monitor and review our HSE policies and procedures on a regular basis to ensure suitability and effectiveness.

Health

The Health of company and contracting staff is a valuable asset and vital to our success. Atlantic Petroleum is committed to provide training, equipment and facilities necessary to maintain a safe and healthy worksite.

Safety

Safety is fundamental to our business and it is recognised that no task takes precedence over safety. Atlantic Petroleum is 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.

Environment

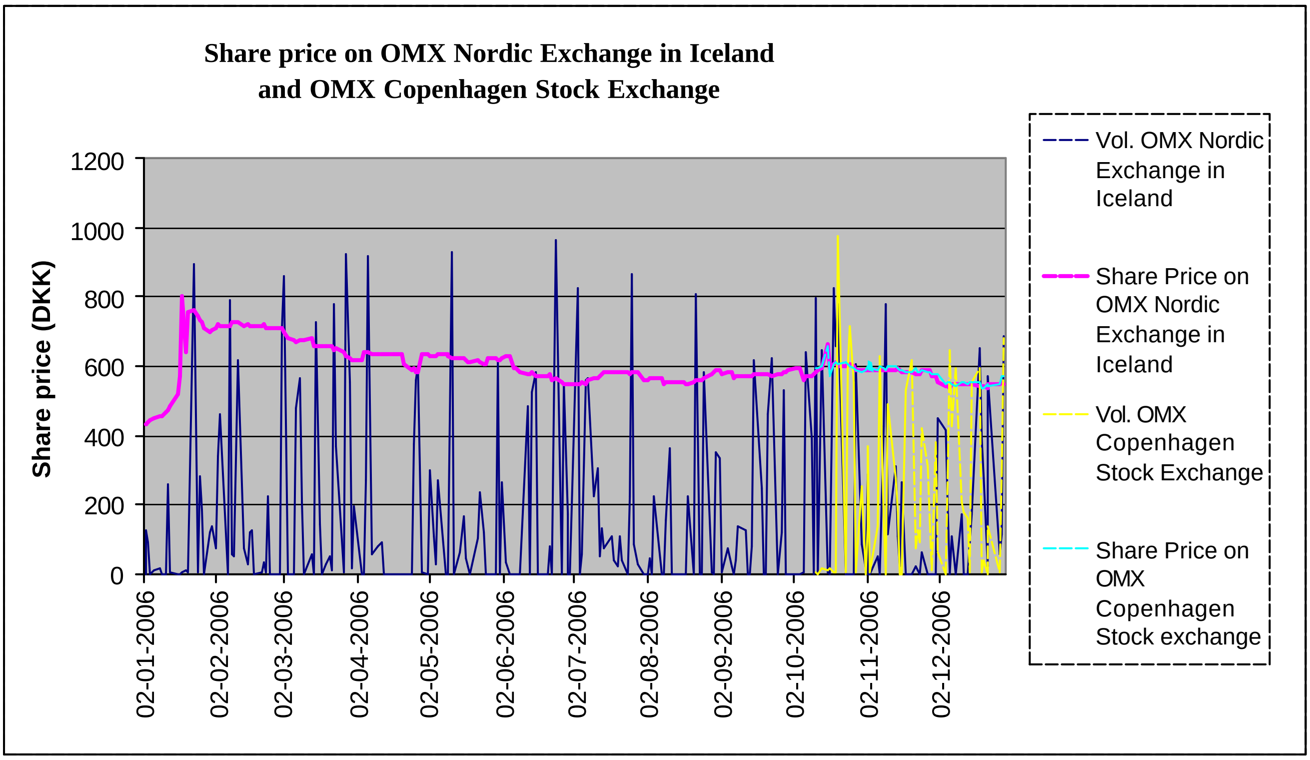
Atlantic Petroleum is committed to the protection of our natural environment and resources in the areas where we conduct business. The implementation and continuous improvement of this goal is a primary management objective and a responsibility of every employee.

Shareholders Information
Information to shareholders has very high priority in Atlantic Petroleum. Therefore Atlantic Petroleum's aim is to maintain a regular dialogue with the company's shareholders through the formal channel of stock exchange announcements, Interim Reports, Annual Reports, Annual General Meetings and investor presentations.

Financial Calendar

17 March 2007	Annual General Meeting
18 May 2007	1st quarter interim financial statement issued
24 August 2007	2nd quarter interim financial statement issued
16 November 2007	3rd quarter interim financial statement issued

Share Price
In 2005 Atlantic Petroleum was listed on the Main list on OMX Nordic Exchange in Iceland, and in October 2006 the Company was dual listed on OMX Copenhagen Stock Exchange. The performance of the share is shown in the figure below.



During 2006 Atlantic Petroleum shares increased in value by 32 per cent on the OMX Nordic Exchange in Iceland. The Company was the top performer on the OMX Nordic Exchange in Iceland in 2006. Since the listing on the OMX Nordic Exchange in Iceland on 15 June 2005, Atlantic Petroleum's share price has increased by approx 200 per cent to year-end 2006.

Insider Register

Approximately 80 persons are registered in the insider register, and the Compliance Officer continuously ensures that these persons observe the Company's rules on trading Atlantic Petroleum's shares. The company's Board of Directors appoints the Compliance Officer of Atlantic Petroleum and his deputy. The Compliance Officer's function is to monitor adherence to the company's internal rules. He also sees to it that the duty of information vis -à - vis the OMX Nordic Exchange in Iceland and OMX Copenhagen Stock Exchange rules on the handling of insider information and insider transactions are followed up. The current compliance officer is Regin Hammer, and his deputy is Teitur Samuelsen, Financial Manager.

Contact

On Atlantic Petroleum's website www.petroleum.fo, further information about the Company is available. Please address enquiries about share market and investor relations to:

Atlantic Petroleum
Tel.: + 298 350100
Fax: + 298 350101
e-mail: petroleum@petroleum.fo

Annual General Meeting

The company's Annual General Meeting will be held on Saturday, 17 March 2007 at 10.00am.

Auditors

A proposal to re-appoint P/F Grannskoðaravirkið *INPACT* statsaut. revisorar and SPEKT statsaut. revisorar Sp/f as auditors will be presented to shareholders at the forthcoming Annual General Meeting.

The Consolidated Accounts for 2006 have been audited by P/F Grannskoðaravirkið *INPACT* statsaut. revisorar and SPEKT statsaut. revisorar Sp/f, which are the company's auditors. The subsidiary company's (Atlantic Petroleum UK Limited) auditor is HLB Vantis Audit plc (formerly Audit Assure). The auditors are not members of the same accounting firm co-operation.

Results and Dividends

The group's profit after taxation for the year amounted to DKK –8,102,710 (2005: DKK -10,397,544). A dividend is not proposed.

Atlantic Petroleum was founded in 1998. Part of the company's strategy was to establish an oil and gas company at low costs, which has happened. In 2007 Atlantic Petroleum first oil field is expected to commence production. Therefore 2007 will be the first year where positive cash flow will be generated.

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 has only had cash outflows. These outflows have been funded by equity. In the future, a combination of equity and debt will be used. As the company's strategy is to grow to a medium size oil and gas producing company, investments in the forthcoming years are anticipated to be higher than the cash inflows.

By utilising free cash flows generated in the future, the company will invest in internally generated assets, farm-ins to new licences and acquisitions.

Therefore a repayment of capital to shareholders through dividends in the forthcoming years is not expected.

Shareholders capital and vote
At the balance sheet date Atlantic Petroleum's share capital constituted DKK 112,573,000 consisting of 1,125,730 shares of DKK 100 each. Each share holds one vote and all shares have the same rights. The share capital is fully paid in.

During 2006 two share capital increases were made in the company. The purpose of the share capital increases was first and foremost to partly finance the Ettrick field development in the UK and secondly to finance further expansion of the company.

Share capital increase in Atlantic Petroleum in 2006					
Date	Share price DKK	Number of new shares subscribed	Gross proceed DKK	Nominal increase DKK	Total nominal Share Capital DKK
15 June to 29 June	550	220,752	121,413,600	22,075,200	96,073,000
22 September	550	165,000	90,750,000	16,500,000	112,573,000

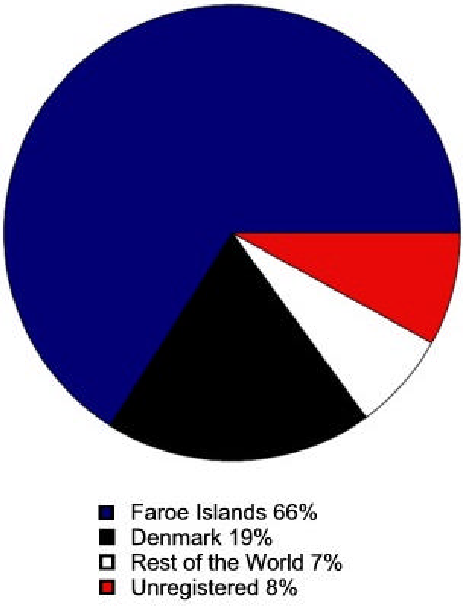
The share capital increase from 15 June to 29 June 2006 was a public share offering, where existing shareholder had pre-emption right. 63% of the capital subscribed was subscribed by use of pre-emption rights. However, the offer was not oversubscribed and thus all subscribers were allocated their respective subscribed amount.

The second share capital increase was a private placement, directed towards qualified investors. Together with the share offering in June the required capital was raised.

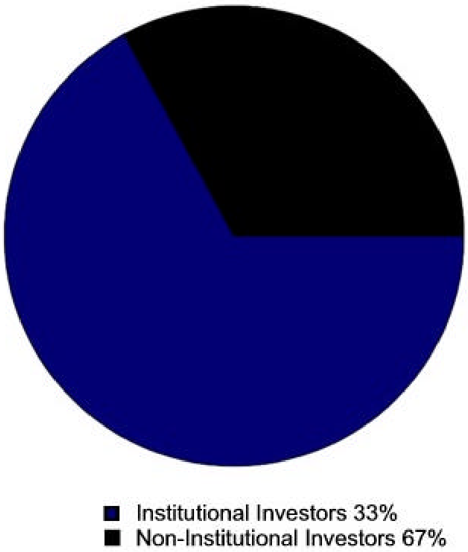
During 2005 and 2006 P/F Atlantic Petroleum has called in all shares issued before 2004 (paper shares) for electronic registration. After the electronic registration all shares in P/F Atlantic Petroleum will have a nominal value of DKK 100.

As at 15th February 2007, there were paper shares in issue with the nominal value of DKK 1,507,000. The process to convert the shares into electronic registration will continue in 2007.

Distribution of shareholders
Atlantic Petroleum has shareholders in 25 countries, with the majority of the share capital represented by Faroese, Danish and Icelandic investors.



After the private placement towards qualified investors, institutional investors represent a far higher share of the total share capital in the company. Below is the distribution between private and institutional investors as at 15 February 2007.



The largest investors are established and respected private companies, individuals and institutional investors on the Faroes and in Denmark. The largest shareholders who represent 53.77 % of the shares on 15 February 2007 are:

Date	Share capital	Per cent of total sharecapital
Sp/f 14 and related companies	9.213.800	8,18%
P/F TF Holding	7.425.000	6,60%
P/F Føroya Sparikassi	6.703.400	5,95%
PKA	5.100.000	4,53%
Føroya Lívstrygging	4.935.000	4,38%
Finanssektorens Pensionskasse	4.830.000	4,29%
Hr Mortan og Hildigunn Johannesen	4.309.600	3,83%
P/F Føroya Banki	3.810.800	3,39%
ATP invest	2.100.000	1,87%
P/F Smyril Line	2.000.000	1,78%
P/F Hvilvtenni	2.000.000	1,78%
P/F JFK	2.000.000	1,78%
P/F 5 (Havnar Timburhandil)	1.900.000	1,69%
Bikubenfonden	1.500.000	1,33%
P/F Føroya Bjór	1.500.000	1,33%
P/F Farodane	1.200.000	1,07%
Total	**60.527.600**	**53,77%**

Substantial shareholders
At 5 March 2007 the following shareholders are listed, according to §28 b in the Companies Act:

Sp/f 14
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 company.

Board Meetings
In 2006 the Board of P/F Atlantic Petroleum held 26 board meetings.

Director profiles

Director:	***Mr. Kjartan Hoydal (Chairman)***
Position:	Chairman of the board in P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	12 September 1941
Primary occupation:	Executive Secretary of the North East Atlantic Fisheries Commission (NEAFC)
Principal work experience:	35 years of industry experience; obtained an extensive knowledge of all aspects of fisheries and marine culture.
First elected to the board:	11 February 1998
Expiry of current term:	AGM 2008
Other key offices held:	Permanent Secretary for Fisheries in the Faroese Government.

Director:	***Mr. Poul R. Mohr***
Position:	Board member in P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	22 August 1929
Primary Occupation:	Managing Director of the investment company SP/F 14
Principal work experience:	25 years CEO of P/F Tórshavnar Skipasmiðja.
First elected to the board:	11 February 1998
Expiry of current term:	AGM 2007
Other key offices held:	Icelandic general consul in the Faroes

Director:	***Mr. Mortan H. Johannesen***
Position:	Board member in P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	13 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:	11 February 1998
Expiry of current term:	AGM 2008
Other key offices currently held:	Chairman of the board of P/F Enniberg. Board member of P/F Rock

Director:	***Mr. Petur Even Djurhuus***
Position:	Board member in P/F Atlantic Petroleum, Atlantic Petroleum UK Limited, and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	13 August 1963
Primary Occupation:	Partner in the law firm Advokatfelagið.
Principal work experience:	18 years of legal experience including 9 years as partner.
First elected to the board:	11 February 1998
Expiry of current term:	AGM 2007
Other key offices held:	Chairman of the board of P/F frá 13. Februar 1997, Managing Director of Smápartafelagið Petur Even Djurhuus. Norway’s general consul in the Faroes

Director:	***Mr. Óli A.M. Hammer***
Position:	Board member of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited, and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	04 July 1944
Primary Occupation:	Chairman of The board of P/F Smyril Blue Water
Principal work experience:	32 years of Managerial experience. One of the founders and former CEO of P/F Smyril Line, the largest Faroese transportation company.
First elected to the board:	11 February 1998
Expiry of current term:	AGM 2008
Other key offices held:	Chairman of the board of P/F Smyril Blue Water.

Director:	***Mr. Richard Hardman***
Position:	Board member of Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Date and year of birth:	02 May 1936
Primary Occupation:	Consultant in Exploration for Oil and Gas. Principal work experience: Has built up a career in international exploration over the past 40 years in the upstream oil and gas industry in Libya, Kuwait, Columbia and Norway. 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:	12 August 2003
Expiry of current term:	No fixed term
Other key offices held:	Director FX Energy Inc Director, Oil Depletion Advisory Centre

As a matter of Corporate Governance the independence of the directors are evaluated yearly. Of the 5 board members the majority are independent of the Company. Only Peter Even Djurhuus can be counted in the group of board members that are dependent of the company, as he is Atlantic Petroleum's legal consultant and married the Managing Directors sister.

The Directors with expire of current term at the Annual general Meeting in 2007, are proposed by the Board to be reappointed at the forthcoming Annual General Meeting. The Directors are Mr. Poul R. Mohr and Mr. Peter Even Djurhuus.

Management profiles

Group Managing Director	***Wilhelm E. Petersen***
Position:	Managing Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited
Date and year of birth:	03 February 1962
Primary occupation:	Managing Director of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Principal work experience:	13 years managerial experience, including eight years in the Oil and Gas industry.
Joined Atlantic Petroleum:	August 1998
Other key offices held:	Chairman of the Board of P/F Tórshavnar Skip asmiðja Board member of P/F Bitland.

Group Financial Manager	***Teitur Samuelsen***
Position	Financial Manager of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Atlantic Petroleum (Ireland) Limited
Date and year of birth:	03 February 1972
Primary occupation:	Financial Manager of P/F Atlantic Petroleum, Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
Principal work experience:	4 years of financial management experience in the Oil and Gas industry. 3 years of experience as an accountant.
Joined Atlantic Petroleum:	April 2005
Other key offices held:	None

Directors' interests and remuneration

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

Board of Directors holdings and remuneration.

Board of Directors	Position	Numbers of shares	Share options	Related parties	Indirect holdings	Notes	Remuneration DKK 2006	Remuneration DKK 2005
Mr. Kjartan Hoydal	Chairman of the board	835	0	50	0		96.000	72.000
Mr. Poul R. Mohr	Board member	105	0	100	91.933	Holdings of P/F 14	48.000	36.000
Mr. Mortan H. Johannesen	Board member	33.096	0	10.000	0		48.000	36.000
Mr. Petur Even Djurhuus*	Board member	100	0	500	0		48.000	36.000
Mr. Óli A.M. Hammer	Board member	50	0	50	0		48.000	36.000
Mr. Richard Hardman**	Board member	0	0	0	0		0	0
Total		34.186	0	10.700	91.933		288.000	216.000

* Mr. Petur Even Djurhuus is partner in a law firm, which provide legal services to Atlantic Petroleum.
The total fee to the law firm amounts to DKK 319,000 (2005: DKK 156,000).

**Mr. Richard Hardman is only Director in Atlantic Petroleum UK Limited and Atlantic Petroleum (Ireland) Limited.
All other Directors are also Directors in P/F Atlantic Petroleum.
Mr. Richard Hardman performs consulting services for Atlantic Petroleum. The yearly fee is DKK 110,000 (2005:DKK 110,000).

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

Management's interests and remuneration

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

Managements holdings and remuneration.

Management	Position	Numbers of shares	Share options	Related parties	Indirect holdings	Remuneration DKK 2006	Remuneration DKK 2005
Mr. Wilhelm M. Petersen*	Managing Director	457	0	480	0	1.038.000	967.813
Mr. Teitur Samuelsen	Financial Manager	364	0	38	629	511.610	274.000
Total		821	0	518	629	1.549.610	1.241.813

*During the year the company acquired a car from the Managing Director for DKK 306,000.
The car was purchased on a arm length.

The management does not receive any share related compensation from the company.

Incentive scheme

There are no warrants issued or options granted on the Company's shares. However, the board is considering implementing schemes for involving the staff in the capital of the Company by issuing warrants. The board of directors has been authorised to issue up to 10,000 warrants at DKK 100 for subscription of shares in the Company in the period up to 31 May 2010, under clause 3b in the Articles of Associations.

Stock exchange announcements

Notice to the stock exchanges in the financial year 2006 and until 5 March 2007 (recent first).

Date	Subject
28. Februar 2007	Summons for Annual General Meeting
7. February 2007	Farm-in to Ireland
3. February 2007	Result of Extraordinary General Meeting in P/F Atlantic Petroleum
1. February 2007	Atlantic Petroleum Awarded Licence in the 24th Licencing Round in UK
26. January 2007	Financial Calendar 2007
19. January 2007	Summons for Extraordinary General Meeting of P/F Atlantic Petroleum
1 December 2006	Market Making Agreement on ICEX Terminated
17. November 2006	3Q 2006 Interim Financial Statement
17. October 2006	Result from the Brugdan Well on Faroese Licence 006
16. October 2006	Notice – webcast
09. October 2006	New Shares Listed
03. October 2006	Application for listing on OMX Copenhagen Stock Exchange Approved
02. October 2006	Supplement to the Prospectus of 9 June 2006
02. October 2006	Supplement to Prospectus of 9 June 2006 Approved
22. September 2006	Result from the share capital increase
22. September 2006	Share Capital Increase Through Private Placement
6. September 2006	Insider Trading Notification
5. September 2006	New Share Capital Increase
1. September 2006	Insider Trading Notification
31. August 2006	Completion of 2D Seismic Acquisition over Faroes Blocks 013 & 014
22. August 2006	2Q 2006 Interim Financial Statement
20. August 2006	Listing of P/F Atlantic Petroleum's Shares on OMX Copenhagen Stock Exchange
26. July 2006	Atlantic Petroleum - New Shares Listed
26. July 2006	Insider Trading Notification
21. July 2006	Merging of Temporary Codes from the Offering
13. July 2006	Approval of the Ettrick Field Development Plan
07. July 2006	Result of the Share Offering
03. July 2006	Insider Trading Notification
03. July 2006	Insider Trading Notification - Related Parties
30. June 2006	Dual Listing of Atlantic Petroleum's Shares
12. June 2006	Offering Prospectus 2006
12. June 2006	Public Offering for Subscription of New Shares
12. June 2006	Trading without pre-emptive rights from 12 June 2006
09. June 2006	Atlantic Petroleum Member of the ICEX-15 index
06. June 2006	Details of Imminent Capital Increase
19. May 2006	Impact of IFRS including Adoption of Auccessful Effort Based Accounting Policy
19. May 2006	Reconciliation between IFRS and FO GAAP
19. May 2006	1Q Interim Financial Statement 2006
19. May 2006	Condensed Consolidated Interim Report 1Q 2006
20. April 2006	Public Offering of Shares
03. April 2006	Important Contract Signed for the Development and Production from the Ettrick Oil Field
20. March 2006	Presentation at the Annual General Meeting
20. March 2006	Result from the Annual General Meeting
17. March 2006	Proposal for the Annual General Meeting
27. February 2006	Annual Result 2005
23. February 2006	Early relinquishment of P.1029 and P.1027
21. February 2006	Atlantic Petroleum will publish Annual Results 27 February 2006

Please refer to www.petroleum.fo on where the announcements to the Stock exchanges can be read at full length.

Corporate Governance Report
As a Faroese registered Company listed on the OMX Nordic Exchange in Iceland and OMX Copenhagen Stock Exchange, Atlantic Petroleum is obliged to comply with Faroes, 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 it's Corporate Governance policy on highest standard and thus follow both the rules on OMX Copenhagen Stock Exchange and OMX Nordic Exchange on Iceland.

In the Annual Report is a summery of Atlantic Petroleum's compliance with the recommendations. Further information is available on the Company's website, www.petroleum.fo

The role of the shareholders and their interaction with the management of the Company
It is of vital importance for Atlantic Petroleum to ensure an effective communication to its shareholders through investor meetings, the Annual General Meeting and through the Company's website.

The Annual General Meeting is announced with not less than 14 days notice, containing the agenda. The Annual General Meeting is open for the press.

The role of the stakeholders and their importance to the Company
Atlantic Petroleum's aim is to look after the long-term interests of the Company, and it is the Board's opinion that this implies a good and constructive dialogue with all the Company's stakeholders. The Board has not adopted a formal policy on this area.

Openness and transparency
All relevant and price-sensitive information is published without delay in announcements to OMX Nordic Exchange in Iceland and OMX Copenhagen Stock Exchange. This information, together with other news about Atlantic Petroleum are available on the Company's website. Atlantic Petroleum has a mailing service where anyone can subscribe to receive news on e-mail.

Atlantic Petroleum regularly holds investor meetings. The investor presentations are available on the Company's website. Webcasts are used occasionally and are presented on the Company's website.

The Company complies with the International Accounting Standards (IFRS) and FO GAAP and issues quarterly interim financial statements.

The tasks and responsibilities of the Board of Directors
The Board of Directors lays down the general guidelines and goals each year in a long-term strategy and budget for the coming year. An annual calendar has been established to ensure timely reporting from the managing team to the Board.

The composition of the board of Directors
The Board consists of 5 members who have been members of the Board since the Company was founded in 1998. All Board members are elected at the Annual General Meeting for a period of two years. Only one Board member can be seen as dependent of the Company. The Board has not found it necessary to lay down a retirement age for the members of the Board. Atlantic Petroleum has not set a limit to how often a Board member can be re-elected.

With the present activity in the Company it has not been desirable to create sub-committees of the Board to concentrate on specific areas of business. The necessity of any sub-committee will be evaluated as the business grows.

Assessment of the competency and expertise of the Board members as well as evaluation of the Board's work is made on an ongoing basis and presently does not follow a formal plan.

Remuneration to the members of the Board of Directors and managing director.
The Board of Directors strives to ensure that the remuneration paid to the Board of Directors and managing director is set at a competitive and reasonable level and reflects the individual input and value creation of the Board of Directors and managing director. The remuneration is presented in the annual accounts.

At present there are no incentive schemes or other bonus schemes established for the Directors of the Board or any employees of Atlantic Petroleum. However, an incentive scheme is planned established shortly for the managing director and other employees.

Risk management
An element of risk is central to the activities of oil and gas exploration and development and it is the Board's objective to be aware of the risks and mitigate them where possible. The Board has identified a number of different market and operational risks. (See the sub-section Hedging and risk management in the Financial Review)

The Directors of the Board believe that the frequency of the board meetings and the information presented at these meetings provides the appropriate process to identify, evaluate and manage the risk factors on an ongoing basis. As the Company's activities develop, this procedure will be reviewed.

Atlantic Petroleum uses external independent consultants to evaluate the Company's investments in exploration and development activities.

Audit
The Board of Directors has to ensure competent and independent audit. The contractual basis is agreed between the Chairman of the Board and the auditors. When the Board reviews the annual reports the auditors attend the board meeting.

Taking the Company'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 1 January 2006 to 31 December 2006.

The Annual and Consolidated Report and Accounts have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, the financial reporting requirements of the OMX Nordic Exchange in Iceland, the financial reporting requirements of the OMX Copenhagen Stock Exchange and in accordance with the current Faroese Accounting Act.

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 31 December 2006, as well as the results of the Group's and the Parent's activities and cash flows for the financial year 1 January 2006 to 31 December 2006.

Tórshavn 5 March 2005

Management:

Wilhelm E. Petersen

Board of Directors:

Kjartan Hoydal
Chairman

Poul R. Mohr

Z. Óli A. M. Hammer

Mortan H. Johannesen

Petur Even Djurhuus

Auditors report

To the shareholder of P/F Atlantic Petroleum

We have audited the annual- and consolidated reports of P/F Atlantic Petroleum for the financial year 1 January – 31 December 2006. The annual- and consolidated reports have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, the financial reporting requirements of the OMX Nordic Exchange in Iceland, the financial reporting requirements of the OMX Nordic Exchange in Copenhagen and in accordance with the current Faroese accounting act.

The annual- and consolidated reports are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the annual- and consolidated reports based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Faroese standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual- and consolidated reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual- and consolidated reports. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors, as well as evaluating the overall annual- and consolidated reports presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual- and consolidated reports give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2006 in accordance with the International Financial Reporting Standards, as adopted by the EU, the financial reporting requirements of the OMX Nordic Exchange in Iceland, the financial reporting requirements of the OMX Nordic Exchange in Copenhagen and in accordance with the current Faroese accounting act

Tórshavn, 5 March 2007

P/F Grannskoðaravirkið *INPACT*
State Authorized Public Accountants

Jógvan Amonsson
State Authorized Public Accountant

SPEKT SP/F
State Authorized Public Accountants

Mirjam Haraldsen
State Authorized Public Accountant

Accounting policies

General

P/F Atlantic Petroleum is a limited company incorporated 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 & Gas exploration, appraisal, development and production in the UK and Faroe Islands.

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.

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 23,932,256 and the Group's Development and production assets amounts to DKK 156,295,575 at 31. December 2006. The Group's abandonment obligations as per 31. December 2006 amounts to DKK 10.258.346 (2005: DKK 0).

Accounting convention

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

As this is the first time these standards have been applied, special rules apply in converting the comparatives and opening the consolidated balance sheet of the group. A basis of preparation, as given below, details all the mandatory and optional exemptions, which the group has adopted.

The Group has applied IFRS for the year ended 31 December 2006 and has prepared 2005 comparative figures on the same basis. The Group's date of transition to IFRS is 1 January 2005. This report contains the consolidated financial results for these periods under the basis of preparation set out below.

To assist with the understanding of the impact of transition from the previously adopted Faroese Generally Accepted Accounting Principles ("FO GAAP") to IFRS, the Group has presented a reconciliation of the previously adopted FO GAAP to IFRS as required by IFRS 1 " First time adoption of International Financial Reporting Standard" for 1 January 2005 and 31 December in another section of this report.

The accounts are prepared under the historical cost convention except that the financial instruments "available for sale" are stated at their fair value.

Basis of preparation of results and reconciliation

In preparing these financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Exemptions from full retrospective application elected by the Group

The Group has made the following choices in respect of the optional exemptions from full retrospective application, as set out in IFRS1.

(a) *Business combinations exemption*

The Group has not been involved in any business combinations; this exemption is not applicable.

(b) *Fair value as deemed cost exemption*

The Group has elected not to measure any fixed assets at fair value at 1 January 2005; this exemption is therefore not applied.

(c) *Employee benefits exemption*

The Group has only short-term employee benefits and defined contribution plans. Therefore no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Short-term employee benefit obligations are measured on an undiscounted basis. This exemption is therefore not applied.

(d) *Cumulative translation differences exemption*
All the translation differences have under the previously adopted FO GAAP been charged to the income statement (both the translation differences from the intercompany account and from translating the results and financial position of foreign operations that are included in the financial statements by consolidation). Therefore there is no previously accumulated cumulative translation differences at 1 January 2005 recognised as a separate component of equity. From 1 January 2005 the translation differences from translating a subsidiary's financial statements with another functional currency than DKK will be recognised as a separate component of equity.

(e) *Compound financial instruments exemption*
The Group has not issued any compound instruments; this exemption is therefore not applicable.

(f) *Assets and liabilities of subsidiaries, associates and joint ventures exemption*
This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.

(g) *Designation of previously recognised financial instruments*
The only item in the financial statements of The Group, which this exemption comprises, is Securities. This item was under the previously adopted FO GAAP in the opening balance measured as a financial asset at fair value through profit and loss. The Group's investment in securities represents investments in listed equity securities and bonds that present the Group with opportunity for return through dividend income, interests and trading gains. Except from the bonds, they have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices. These securities are now classified as "Available-for-sale". The Group's other financial assets and liabilities are threaded as "Loans and receivables".

(h) *Share-based payment transaction exemption*
This exemption is not applicable, as there is no use of share-based payment in the Group.

(i) *Insurance contracts exemption*
The Group does not issue insurance contracts; this exemption is not applicable.

(j) *Decommissioning liabilities included in the cost of property, plant and equipment exemption* The Group has no existing decommissioning obligations and has therefore not recognised any provision in accordance with IAS 37 in respect of decommissioning liabilities relating to its share in operated and non operated production facilities. The exemption is not applicable.

(k) *Leases* There are no arrangement's existing at the date of transition to IFRSs containing a lease and therefore this exemption is not applicable.

(l) *Fair value measurement of financial assets or liabilities at initial recognition*
This exemption is not applicable to the financial information since the Group does not have financial assets or liabilities measured at fair value through profit and loss where there is no active market.

Exceptions from full retrospective application followed by the Group
Atlantic Petroleum has applied the following mandatory exceptions from retrospective application.

(a) *Derecognition of financial assets and liabilities exception*
There were no financial assets and liabilities derecognised before 1 January 2005. The exception is therefore not applicable.

(b) *Hedge accounting exception*
The Group has no hedge-contracts. Therefore the exception is not applicable.

(c) *Estimates exception*
Estimates under IFRS at 1 January 2005 are consistent with estimates made for the same date under previous FO GAAP, unless there is evidence that those estimates were in error.

(d) *Assets held for sale and discontinued operations exception*
The Group had no assets that met the held-for-sale criteria in previous periods, and consequently this exception had no effect on the financial information.

Implementation of Successful effort
In making the transition to IFRS, Atlantic Petroleum is proactively adopting a successful effort based accounting policy ensuring that future performance is transparently reflected within financial statements. Successful efforts is widely adopted by the oil companies and from Atlantic Petroleum's point of view more in line with IFRS, than the previous adopted Full costs accounting. These important accounting changes do not impact the fundamentals of the business.

Income statement by function
The company have also decided, simultaneously with the implementation of IFRS, to present its Income Statement by function instead of by nature as under the previously adopted FO GAAP. Presenting the Income Statement by function, instead of by nature, is widely used by E&P Oil companies, and in Atlantic Petroleum's opinion, this will make the financial statement more transparent and give the user of the financial statements a better understanding of the companies activities.

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.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup 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 contingent liabilities 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, at the date of the transaction.

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

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

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

- assets and liabilities are translated at the closing rate at the date of the balance sheet.
- income and expenses are translated at exchange rates at the dates of the transactions.
- all resulting exchange differences are recognised directly in equity as a separate component of equity.

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

Income Statement

Revenue
Sales of hydrocarbons is recognised when transfer of risk to the buyer has taken place. Sales 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 comprises 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 license. The impairment of exploration- and evaluation assets and relinquished licenses 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 company.

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

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

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

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

The amounts capitalised include payments to acquire the legal right to explore, license 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.

Costs incurred prior to having obtained the legal rights to explore an area (pre-license 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 then 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.

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 accure. 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 company
If the cost-value of the shares exceeds the shares recoverable amount, the shares will be written down to the recoverable amount.

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.

Trade and other receivables
Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Receivables from subsidiary
Company receivables from subsidiary are stated at their nominal value.

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 an equivalent includes cash in hand and deposits held at call with banks with maturity dates of less than three months.

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

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 would 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 for oil and gas production.

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 who 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.

New standards and interpretations not applied
The following relevant standards (IFRS) and interpretations (IFRIC) with an effective date after the date of these financial statements have been published before year-end:

- IFRS 7 Financial instruments - Disclosures (effective date 1 January 2007)
- IAS 1 Amendment - Capital disclosures (effective date 1 January 2007)
- IFRS 8 Operation Segments (effective date 1 January 2009) - yet to be adopted by the EU

The adoption of these standards will not have effect on reported income or net assets, although they may result in changes in future disclosures.

Consolidated income statement
For the year ended 31December 2006

	Note	2006 DKK	2005 restated KDKK
Revenue		**0**	0
Cost of sales		**0**	0
Gross profit		**0**	0
Exploration expense	2	**-3.184.881**	-6.113
Pre-licence exploration costs		**-1.109.540**	-80
General and administration costs	*3,4,6,17*	**-7.198.064**	-5.612
Other operating income	*5*	**25.800**	0
Operating profit		**-11.466.685**	-11.805
Interest revenue and finance gains	7	**3.997.000**	1.983
Interest expenses and other finance costs		**-619.195**	-567
Profit before taxation		**-8.088.880**	-10.389
Taxation	8	**-13.831**	-8
Profit after taxation		**-8.102.710**	-10.398
Earnings per share (DKK):			
Basic	9	**-8,92**	-13,79
Diluted		**-8,92**	-13,79

Statement of total recognised income and expenses
For the year ended 31December 2006

	2006 DKK	2005 restated KDKK
Profit for the period	**-8.102.710**	-10.398
Exchange rate differences	**125.948**	733
Fair value adjustment on securities available for sale for the period	**358.446**	1.428
Changes in comprehensive income in the period	**-7.618.317**	-8.237

Consolidated balance sheet
As at 31 December 2006

	Note	2006 DKK	2005 restated KDKK
Non-current assets			
Intangible exploration and evaluation assets	10	**23.932.256**	21.478
Development and production assets	11	**156.295.575**	71.864
Property plant and equipment	12	**332.777**	20
		180.560.607	93.362
Current Assets			
Trade and other receivables	14	**1.427.336**	624
Securities available for sale		**6.411.176**	6.053
Cash and cash equivalents	16,20	**173.017.845**	9.887
		180.856.357	16.564
Total assets		**361.416.965**	109.926
Current liabilities			
Short term debt	16, 20	**17.192.190**	0
Trade and other payables	15	**21.744.587**	4.057
Short term provision	18	**6.662.100**	0
		45.598.877	4.057
Non current liabilities			
Long-term provisions	19	**19.141.146**	6.532
		19.141.146	6.532
Total liabilities		**64.740.023**	10.589
Net assets		**296.676.942**	99.337
Equity			
Share capital	22	**112.573.000**	73.998
Share premium account		**207.969.117**	41.586
Translation reserves		**68.725**	-57
Retained earnings		**-23.933.899**	-16.190
	23	**296.676.942**	99.337

Consolidated cash flow statement
For the year ended 31 December 2006

	Note	**2006 DKK**	2005 restated KDKK
Operating activities			
Operating profit		**-11.466.685**	-11.805
Impairment on non-current assets		**3.069.307**	5.600
Depreciation, depletion and amortisation		**72.306**	7
Decrease/(increase) in trade and other receivables		**-803.181**	-375
(Increase)/decrease in trade and other payables		**17.687.587**	-2.454
Interest revenue and finance gains received		**2.058.634**	689
Interest expenses and other finance costs paid		**-595.649**	-95
Currency exchange differences		**387.427**	-451
Income taxes paid		**-13.831**	-8
Net cash provided by operating activities		**10.395.914**	-8.893
Investing activities			
Capital expenditure		**-88.561.172**	-27.840
Deferred provisions		**19.141.146**	0
Net cash used in investing activities		**-69.420.026**	-27.840
Financing activities			
Increase in share capital		**38.575.200**	73.532
Increase in share premium account		**173.588.400**	0
Transactions costs		**-7.205.375**	-227
Increase in short term debt		**17.192.190**	0
Repayment of long term financing		**0**	-26.778
Net cash used in financing activities		**222.150.415**	46.527
Increase/Decrease in cash and cash equivalents		**163.126.303**	9.794
Cash and cash equivalents at the beginning of the period		**9.887.275**	135
Currency translation differences relating to cash and cash equivalents		**4.268**	-42
Cash and cash equivalents at the end of the period	16	**173.017.845**	9.887

Notes to the consolidated accounts
For the year ended 31December 2006

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		Total	
	2006 DKK	2005 restated KDKK	2006 DKK	2005 restated KDKK	2006 DKK	2005 restated KDKK
Revenues						
External customers	0	0	0	0	0	0
Results						
Operating profit	-5.396.503	-2.447	-6.070.182	-9.359	-11.466.685	-11.805
Interest revenue and finance gains	2.058.634	1.983	1.938.365	0	3.997.000	1.983
Interest expenses and other finance costs	-595.705	-567	-23.489	0	-619.195	-567
Profit /(loss) before tax	-3.933.574	-1.031	-4.155.306	-9.359	-8.088.880	-10.389
Taxation	-13.831	-8	0	0	-13.831	-8
Net profit/(loss)	-3.947.404	-1.039	-4.155.306	-9.359	-8.102.710	-10.398
Assets and liabilities						
Segment assets	184.869.477	20.027	176.547.488	89.899	361.416.964	109.926
Total segments assets	184.869.477	20.027	176.547.488	89.899	361.416.964	109.926
Total segment liabilities	19.034.142	475	45.705.881	10.114	64.740.023	10.589
Other segment information						
Capitalised additions to intangible and tangible assets	4.497.362	1.728	84.063.810	32.643	88.561.172	34.372
Deprecations and amortisation	-72.306	-7	0	0	-72.306	-7
Disposal and exploration expenditures written off	-3.069.307	0	0	-5.804	-3.069.307	-5.804

The Group manages its operations on a geographical basis. During 2006 the Group's operations were based in two main geographical areas being UK and Faroe Islands

3 Auditors' remuneration

	2006 DKK	2005 restated KDKK
Audit services:		
Statutory and group audit	**308.085**	190
Review of interim financial statements	**216.530**	159
Audit-related regulatory reporting	**291.621**	105
	816.235	453
Tax services:		
Compliance and advisory services	**57.802**	39
	57.802	39
Other services:		
Remuneration, pension and share option scheme assurance services	**0**	0
Corporate finance, training and consultancy	**86.000**	35
	86.000	35

The other services relate to corporate finance and consultancy services provided in relation to commercial activities.
Amounts payable to P/F Grannskoðaravirkið *INPACT* statsaut. revisorar, HLB Vantis Audit Plc. and SPEKT statsaut. revisorar Sp/f by the group, in respect of non-audit services were DKK 143,802 (2005 DKK 74,000)

4 Employee costs

	2006 DKK	2005 restated KDKK
Staff costs, including executive directors:		
Wage and salaries		
Board of Directors*	**288.000**	216
Managing Director	**928.800**	858
Financial Manager	**511.610**	274
Other Employees	**385.754**	280
	2.114.164	1.627
Pension costs:		
- defined benefit	**0**	0
- defined contribution		
Managing Director	**109.200**	109
Other Employees	**46.800**	43
	156.000	152
Social security costs	**50.138**	43
	0	0
	4.590.465	3.385

* The Board of Directors remuneration by person is disclosed in the section regarding shareholders information.

All employee costs are included in General and administration costs in the income statement.

	2006	2005
Average number of employees during the year*:		
Technical and operations (retainers)**	**3**	3
Management and administration	**3**	3
	6	6

* Staff numbers include Managers.
** Fees to retainers is not included in the employee costs above.

5 Other operating income

Other operating income of DKK 25,800 is related to rent of premises.

6 Depreciations

Depreciations of DKK 72,306 (2005: DKK 6,553) are included in general and administrations costs in the income statement.

7 Investment revenue and finance costs

	2006 DKK	2005 restated KDKK
Interest revenue and finance gains:		
Short-term deposits	**1.964.760**	873
Exchange differences	**1.956.293**	1.055
Dividend	**75.947**	55
	3.997.000	1.983

	2006 DKK	2005 restated KDKK
Finance expences and other finance costs:		
Bank loan and overdrafts	**576.364**	94
Others	**23.489**	0
Exchange differences	**19.342**	473
	619.195	567

8 Tax

	2006 DKK	2005 restated KDKK
Current tax:		
Faroese corporation tax on dividend	**2.727**	0
Overseas tax on dividend	**11.104**	8
Total Current tax	**13.831**	8
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	**13.831**	8

As at 31 December 2006, the company has a net deferred tax asset of DKK 13,810,179, 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 52,137,824
Effect Tax losses available: 65,948,802
The losses can be carried foreward indefinitely.

9 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**	
	2006 DKK	2005 restated DKK	**2006**	2005	**2006 DKK**	2005 restated DKK
Basic	**-8.102.710**	-10.397.544	**908.828**	739.978	**-8,92**	-13,79
Diluted	**-8.102.710**	-10.397.544	**908.828**	739.978	**-8,92**	-13,79

10 Intangible exploration and evaluation (E&E) assets

	Oil and gas properties		
	Faroe Islands DKK	**United Kingdom DKK**	**Total DKK**
Costs			
At 1 January 2005 (restated)	2.350.797	5.473.209	7.824.006
Exchange movements	0	204.765	204.765
Additions during the year	1.728.323	17.525.033	19.253.356
Exploration expenditures written off	0	-5.804.410	-5.804.410
At 31 December 2005 (restated)	4.079.120	17.398.597	21.477.717
Exchange movements	0	346.805	346.805
Additions during the year	4.111.937	1.065.103	5.177.040
Disposal of Licences	-2.629.104	0	-2.629.104
Explorations expenditures written off	-440.203	0	-440.203
At 31 December 2006	**5.121.750**	**18.810.506**	**23.932.256**

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.

11 Development and production assets

	Oil and gas properties		
	Faroe Islands DKK	**United Kingdom DKK**	**Total DKK**
Costs			
At 1 January 2005 (restated)	0	54.699.506	54.699.506
Exchange movements	0	2.046.429	2.046.429
Additions during the year	0	15.118.464	15.118.464
Disposal of fully written down assets	0	0	0
At 31 December 2005 (restated)	0	71.864.399	71.864.399
Exchange movements	0	1.432.469	1.432.469
Additions during the year	0	82.998.707	82.998.707
Disposals	0	0	0
Disposal of fully written down assets	0	0	0
At 31 December 2006	**0**	**156.295.575**	**156.295.575**
Amortisation and depreciation			
At 1 January 2005 (restated)	0	0	0
Exchange movements	0	0	0
Charge for the year	0	0	0
Disposal of fully written down assets	0	0	0
At 31 December 2005 (restated)	0	0	0
Exchange movements	0	0	0
Charge for the year	0	0	0
Disposals	0	0	0
Disposal of fully written down assets	0	0	0
At 31 December 2006	0	0	0
Net book value			
At 31 December 2005 (restated)	0	71.864.399	71.864.399
At 31 December 2006	**0**	**156.295.575**	**156.295.575**

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.

12 Property, plant and equipment

	Faroe Islands DKK	United Kingdom DKK	Total DKK
Costs			
At 1 January 2005 (restated)	209.131	0	209.131
At 31 December 2005 (restated)	209.131	0	209.131
Additions during the year	385.425	0	385.425
At 31 December 2006	**594.556**	**0**	**594.556**
Amortisation and depreciation			
At 1 January 2005 (restated)	-182.920	0	-182.920
Charge for the year	-6.553	0	-6.553
At 31 December 2005 (restated)	-189.473	0	-189.473
Charge for the year	-72.306	0	-72.306
At 31 December 2006	-72.306	0	-72.306
Net book value			
At 31 December 2005 (restated)	19.658	0	19.658
At 31 December 2006	**332.777**	**0**	**332.777**

13 Investments and associates

Principal subsidiary undertakings of the 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, UK	Republic of Ireland

* Held through subsidiary undertaking.

14 Trade and other receivables

	2006 DKK	2005 restated KDKK
Trade receivables	**0**	0
Other receivables	**884.905**	444
Prepayments and accrued income	**80.000**	79
Other taxes and vat receivable	**462.432**	101
	1.427.336	624

All trade and other receivables are due within one year

15 Trade and other payables

	2006 DKK	2005 restated KDKK
Trade payables	**1.366.356,27**	2.637
Accrued expenses	**12.257.402**	1.398
Other payables	**8.120.829**	22
	21.744.587	4.057

All trade and other payables are due within one year

16 Short term debt

	2006 DKK	2005 restated KDKK
Amounts falling due within one year:		
Bank loans	**17.192.190**	0
Total borrowings	**17.192.190**	0
Cash:		
Cash at bank and in hand	**173.017.845**	9.887
Short-term deposits	**0**	0
Total cash	**173.017.845**	9.887

The Group's total overdraft facility is DKK 30 million (2005: 0) and shall be renewed every year.

The borrowing are repayable as follows:

	2006 DKK	2005 restated KDKK
Bank loans analysed by maturity:		
In the third year	**0**	0
In the fifth year	**0**	0
Total borrowings	**0**	0

17 Obligations under leases:

	2006 DKK	2005 restated KDKK
Minimum lease payments under operating leases recognised in the income statement for the year	**151.321**	105
	151.321	105
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	**5.510.700**	72
In two to five years	**125.483.661**	54.245
Over five years	**23.469.501**	0
	154.463.862	54.317

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 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 contact are expected to begin in mid 2007 with the Group's annual commitment being estimated at $4million.

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 contact are expected to begin in 2008, with the Group's annual commitment being estimated at $3.5 million.

The lease commitments have been discounted at a discount rate of 7,5%..

18 Provision for short term liabilities and charges

	2006 DKK	2005 restated KDKK
Deferred provision:		
At 1 January	**0**	0
Transferred from long term provision	**6.662.100**	0
At 31 December	**6.662.100**	0
Total provision	**6.662.100**	0

The deferred provision represents a deferred payment for the acquisition of a certain licence. The licence has had its development plan approved and consequently there is made a provision for the potential deferred consideration that is expected to be paid in respects of this licence. The amount has been included in tangible assets.
The short term provision has been transferred from long term provisions, as it is expected to be due within 12 months from the balance sheet day.

19 Provision for long term liabilities and charges

	2006 DKK	2005 restated KDKK
Deferred provision:		
At 1 January	**6.531.900**	0
Exchange movements	**130.200**	
Transferred to short term provision	**-6.531.900**	0
Provided during the year	**8.882.800**	6.532
At 31 December	**8.882.800**	6.532
Decommissionering costs:		
At 1 January	**0**	0
Addition of future decommissioning costs during the year	**10.258.346**	0
At 31 December	**10.258.346**	0
Total provision	**19.141.146**	6.532

The deferred provision represents a deferred payment for the acquisition of a certain licence. The licence has had its development plan approved and consequently there is made a provision for the potential deferred consideration that is expected to be paid in respects of this licence. The amount has been included in tangible assets.
A deferred provision for another certain licence has been transferred to short term deferred provisions.
The decommissioning provision represents the present value of decommissioning costs relating to the UK, oil and gas interests, which are expected to incur between 2006 and 2010.
These provisions have been created based on operator's 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 marked 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.

20 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 use derivative financial instruments to hedge any of these risk exposures, as the group has not yet has commenced oil and gas production.
The group plans to use derivatives when oil and gas production commences. 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 31 December was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2006			
DKK	0	17.192.190	17.192.190
Total	**0**	**17.192.190**	**17.192.190**
2005 (restated)			
DKK	0	0	0
Total	0	0	0

The floating rate financial liabilities comprise bank borrowings bearing interest at rates set by reference to DKK CIBOR, exposing the group to a cash flow interest rate risk.

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

	Fixed rate DKK	Floating rate DKK	Total DKK
2006			
Cash and short-term deposits:			
Held in DKK	0	172.795.022	172.795.022
Held in other currencies	0	222.822	222.822
Total	**0**	**173.017.845**	**173.017.845**
2005 (restated)			
KDKK	0	9.706	9.706
Other	0	181	181
Total	0	9.887	9.887

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 has one committed borrowing facility of which the undrawn amount available to it at the year-end was:

	2006 **DKK**	2005 restated KDKK
Expiring within one year.	**12.807.810**	0

The borrowing facility is an overdraft facility which has to be re-newed every year.

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

	2006 Carrying amount DKK	**2006 Estimated fair value DKK**	2005 restated Carrying amount KDKK	2005 restated Estimated fair value KDKK
Primary financial instruments held or issued to finance the group's operations:				
Cash and short-term deposits	**173.017.845**	**173.017.845**	9.887	9.887
Bank loans	**17.192.190**	**17.192.190**	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.
There is a credit risk concentration on liquid funds (bank deposits), as all funds are placed in one Faroese bank.
The risk on securities is relative low, as the investments in securities comprises investments in listed bonds and listed unit trusts.
The risk on trade and other receivables is limited, as trade and other receivables comprises receivables from different suppliers,

21 Deferred tax

	2006 DKK	2005 restated KDKK
Deferred tax liabilities	**0**	0
Deferred tax assets*	**0**	0
	0	0

See note 8 for net defered tax assets not provided for.

22 Share capital

	2006 DKK	2005 restated KDKK
Balance at 1 January	**73.997.800**	73.998
Shares repurchased	**0**	0
Shares issued	**38.575.200**	0
Balance at 31 December	**112.573.000**	73.998

Ordinary Shares:

	2006 100 DKK shares	2006 DKK	2005 100 DKK shares	2005 DKK
Ordinary Shares:				
Authorised	**1.739.978**	**173.997.800**	1.739.978	173.997.800
Called up, issued and fully paid	**1.125.730**	**112.573.000**	739.978	73.997.800

Warrants:

	2006 100 DKK warrants	2006 DKK	2005 100 DKK warrants	2005 DKK
Authorised	**10.000**	**1.000.000**	10.000	1.000.000

There are no warrants issued or options granted on the Company’s shares. However, the board is considering implementing schemes for involving the staff in the capital of the Company, by issuing warrants. The board of directors has been authorized until the 31 December 2009 to issue up to 10,000 warrants at DKK 100 for subscription of shares in the Company in the period up to 31 May 2010, according to clause 3b in the Articles of Associations

Details of changes in share capital during the period

Two share capital increases have taken place in 2006. The first share capital increase was a public offering with pre-emptive right for existing shareholders. The second sharecapital increase was a private placement without pre-emptive right.

The result of the first share offering was that a total number of 220,752 new shares were subscribed for, at the subscription price of DKK 550, corresponding to a value of DKK 121,413,600.

The second share offering was that a total number of 165,000 new share of DKK 10, were subscribed for, at the subscription price of DKK 550, corresponding to a value of DKK 90,750,000

At the end of 2006 the share capital of P/F Atlantic Petroleum amounts to nominal DKK 112,573,000 (1,125,730 shares of DKK 100). All shares have equal rights.

23 Consolidated statement of changes in equity

	Share capital DKK	Share premium account DKK	Retained earnings DKK	Translation reserves DKK	Total DKK
At 1 January 2005 (restated)	73.997.800	41.813.283	-8.009.813	0	107.801.270
Shares issued	0	0	0	0	0
Additional costs for share premium issuance	0	-227.191	0	0	-227.191
Fair value adjustment on securities available for sale	0	0	1.427.897	0	1.427.897
Resulting translation reserves	0	0	0	-57.223	-57.223
Translation reserves	0	0	789.825	0	789.825
Total recognised income	0	0	-10.397.544	0	-10.397.544
At 1 January 2006 (restated)	73.997.800	41.586.092	-16.189.635	-57.223	99.337.034
Shares issued	38.575.200	173.588.400	0	0	212.163.600
Transaction costs	0	-7.205.375	0	0	-7.205.375
Fair value adjustment on securities available for sale for the period	0	0	358.446	0	358.446
Translation reserves	0	0	0	125.948	125.948
Total recognised income	0	0	-8.102.710	0	-8.102.710
At 31 December 2006	**112.573.000**	**207.969.117**	**-23.933.899**	**68.725**	**296.676.942**

24 Own shares

	2006 DKK	2005 restated KDKK
At 1 January	0	0
Acquired in the period	0	0
At 31 December	**0**	0

Atlantic Petroleum has not acquired any own share during 2006 (2005: nil)

25 Analysis of changes in net (debt)/cash

	Note	2006 DKK	2005 restated KDKK
a) Reconciliation of net cash flow to movement in net (debt)/cash:			
Movement in cash and cash equivalents		**163.130.570**	36.530
Proceeds from short term loans		**-17.192.190**	0
Repayment of short-term loans		**0**	-26.778
Increase/(decrease) in net cash in the period		**145.938.380**	9.752
Opening net cash		**9.887.275**	135
Closing net cash/(debt)		**155.825.655**	9.887
b) Analysis of net cash/(debt):			
Cash and cash equivalents		**173.017.845**	9.887
Short-term debt	15	**-17.192.190**	0
Total net cash/(debt)		**155.825.655**	9.887

26 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 Department of Trade and Industry:

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.

P/F Atlantic Petroleum 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 31 December 2006 of approximately DKK 170 million. The capital expenditure is in respect of the Group's interests in its exploration and development licences.

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 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.

27 Deferred consideration

The Group holds interests in certain UK petroleum production licences which it acquired in 2003. Deferred cash consideration of up to a maximum amount of approx DKK 25 million (£2.2 million) is payable contingent on first hydrocarbons being achieved from these licences.

Development plans for two of the licences have been approved and, consequently, the directors have made a provision for DKK 15,544,900 (£1.400 million) for the potential deferred consideration that it expects to pay in respect of these licences. The amount has been included in development and production assets (note 9). DKK 6,662100 (£600,000) of this amount is expected to be payable in 2007 and has been classified as a current liability at the balance sheet date. The balance of DKK 8,882800 (£800,000) is classified as a long-term provision.

No provision has been made for the remaining amount of deferred consideration of DKK 8.882.800 (£800,000) as, in the opinion of the directors, it does not yet meet the conditions set out in International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets for when a provision can be recognised.

On the grounds of immateriality, the deferred consideration has not been discounted.

28 Related party transactions

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

Consolidated IFRS and new FO GAAP transition reconciliation's

The following consolidated reconciliation's provide a quantification of the effect of Atlantic Petroleum's group's transition to IFRS. As the accounting policy applied under IFRS is in accordance with the Faroese Company Accounts Act, the reconciliation also provides quantification of the new accounting policy adopted under Faroese GAAP.

The following reconciliation's provide details of the impact of the transition on:

- Consolidated Income Statement for the year ended 31 December 2005;
- Reconciliation of Consolidated equity and net assets at 31 December 2005;
- Consolidated Cash flows for the year ended 31 December 2005; and
- Reconciliation of Consolidated equity and net assets at 1 January 2005.

The impact of the adoption of IFRS on the consolidated results and the financial position of Atlantic Petroleum is addressed separately for each reconciliation's.

Notes have been prepared to explain the key changes from the previously adopted FO GAAP to IFRS.

The basis of preparation and accounting policies for these statements is the same as given in the section Accounting policies.

Income statement reconciliation

For the year ended 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	(b) Reclassification of Exploration expenditures	(c) Reversal exchange differences	(d) Resulting exchange differences	(e) Securities available for sale	Year to 31 December 2005 (restated)
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Revenue	0						0
Cost of sales	0						0
Pre-license costs	0	-80.000					-80.000
Exploration expense	0		-6.113.318				-6.113.318
Gross profit	**0**	**-80.000**	**-6.113.318**	**0**	**0**	**0**	**-6.193.318**
General and administration costs	-11.668.004		6.113.318		-57.223		-5.611.906
Operating profit	**-11.668.004**	**-80.000**	**0**	**0**	**-57.223**	**0**	**-11.805.224**
Interest revenue and finance gains	3.410.597					-1.427.897	1.982.700
Interest, exchange and other finance expence	-1.507.253			940.415			-566.838
Profit before taxation	**-9.764.660**	**-80.000**	**0**	**940.415**	**-57.223**	**-1.427.897**	**-10.389.362**
Taxation	-8.182						-8.182
Profit after taxation	**-9.772.842**	**-80.000**	**0**	**940.415**	**-57.223**	**-1.427.897**	**-10.397.544**
Earnings per share							
Basic:	-13,21						-14,05
Diluted:	-13,21						-14,05

Movements in shareholders' equity under IFRS	DKK
At 31 December 2004	107.801.271
Adoption to IFRS (please refer to opening balance)	0
As restated at 1 January 2005	107.801.271
Profit for the period	-10.397.544
Translation to closing exchange rate from foreign entity	1.615.794
Resulting exchange differences from foreign entity	57.223
Reversal of exchange rate differences from foreign entity	-940.415
Fair value adjustment on securities available for sale	1.427.897
Changes in comprehensive income	-8.237.045
Additional costs for share premium issuance	-227.191
Shareholders' equity at 31 December 2005	99.337.034

Notes to the Income Statement Reconciliation
For the year ended 31 December 2005:

a) Pre-License costs: IFRS requires that all pre-licence costs are written off in the period that they are incurred. In accordance with the Group's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs was capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, all such costs existing at 31 December 2005 have been written off.

b) Reclassification of Exploration Expenditures: The Company has decided, simultaneously with the implementation of IFRS, to present its Income Statement by function instead of by nature. The change requires some costs to be re-classified from General and Administrative costs to Exploration expenses. For the period 1 January to 31 December 2005, these costs amounted to DKK 6,113,318. The reclassifications will however not has any impact on the Group's result for the period.

c) Reversal of exchange differences: According to previously adopted FO GAAP non-monetary items (Intangible assets, Tangible assets and Equity) in entities, with another functional currency than DKK were, by consolidation, translated at historical exchange rates and the monetary items were recognised at the closing rate at the date of the balance sheet. The financial effect of fluctuations in the exchange rate was recognised in the consolidated income statement. According to IFRS both monetary and non-monetary items in entities, with another functional currency than DKK shall be, by consolidation, translated at the exchange rate at the end of the period (closing exchange rate). This means that in accordance with IFRS, the company has reversed net exchange rate differences in the income statement on non-monetary items (Intangible assets, Tangible assets and Equity) in entities, with another functional currency than DKK, amounting to net DKK 940,415.

d) Resulting exchange differences: According to IFRS, on consolidation, the results and financial position of a Group's individual entities, with different functional currencies than the Group's presentation currency 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 as a separate component of equity.

Atlantic Petroleum has for practical reasons used an average rate for the period that approximates the exchange rates at the dates of the transactions. The amount recognised as a separate component of equity amounts to DKK 57,223 at 31 December 2005.

e) Securities available for sale: Under the previously adopted FO GAAP Gains and losses arising from changes in the value of securities were entered in the Income Statement. Under IFRS and the new accounting policy under FO GAAP, Atlantic Petroleum's 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. Therefore the gains and losses recognised in the Income Statement under the previously adopted FO GAAP are reversed accordingly. In the period from 1 January to 31 December 2005 gains amounting to DKK 1,427,897 have been reversed.

Reconciliation of equity and net assets
As at 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	(b) Translation to closing exchange rate	(c) Resulting exchange differences	IFRS Balance sheet 31 December 2005
	DKK	DKK	DKK	DKK	DKK
Non current assets					
Exploration and evaluation assets	21.592.314	-80.000	-34.597		21.477.717
Property plant and equipment	70.233.666		1.650.391		71.884.057
Investments in associates and joint ventures	0				0
	91.825.980	-80.000	1.615.794	0	93.361.774
Current assets					
Trade and other receivables	624.155				624.155
Securities	6.052.730				6.052.730
Cash and cash equivalent	9.887.275				9.887.275
	16.564.160	0	0	0	16.564.160
Total assets	**108.390.140**	**-80.000**	**1.615.794**	**0**	**109.925.934**
Current Liabilities					
Short term debt	0				0
Trade and other payables	4.057.000				4.057.000
Current tax payables	0				0
	4.057.000	0	0	0	4.057.000
Non current liabilities					
Long term debt	0				0
Deferred tax liabilities	0				0
Long term provisions	6.531.900				6.531.900
	6.531.900	0	0	0	6.531.900
Total liabilities	**10.588.900**	**0**	**0**	**0**	**10.588.900**
Net assets	**97.801.240**	**-80.000**	**1.615.794**	**0**	**99.337.034**
Equity					
Share capital	73.997.800				73.997.800
Share premium account	41.586.092				41.586.092
Currency exchange differences from subsidiary	0			-57.223	-57.223
Retained earnings	-17.782.652	-80.000	1.615.794	57.223	-16.189.637
	97.801.240	**-80.000**	**1.615.794**	**0**	**99.337.034**

Notes to the Reconciliation of Equity and Net Assets As at 31 December 2005:

a) Pre-License costs: IFRS requires that all pre-licence costs are written off in the period that they are incurred. In accordance with the Group's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs was capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, these investments have been written off.

b) Translation to closing exchange rate: According to the previously adopted FO GAAP non-monetary items (Intangible assets, Tangible assets and Equity) in entities, with another functional currency than DKK were, by consolidation, translated at historical exchange rates and the monetary items were recognised at the closing rate at the date of the balance sheet. The financial effect of fluctuations in the exchange rate was recognised in the consolidated income statement. According to IFRS and the new accounting policy under FO GAAP, both monetary and non-monetary items in entities, with another functional currency than DKK shall be, by consolidation, translated at the exchange rate at the end of the period (closing exchange rate). The effect of this IFRS policy is that the non-monetary items in entities, with another functional currency than DKK are written up by 1,615,794 DKK at 31 December 2005.

c) Resulting exchange differences: According to IFRS, on consolidation, the results and financial position of a Group’s individual entities, with different functional currencies than the Group’s presentation currency 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 as a separate component of equity.

Atlantic Petroleum has for practical reasons used an average rate for the period that approximates the exchange rates at the dates of the transactions. The amount recognised as a separate component of equity amounts to DKK 57,223 at 31 December 2005.

Cash flow reconciliation
For the year ended 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	(b) Resulting exchange differences	IFRS 31 December 2005
	DKK	DKK	DKK	DKK
Operating activities				
Operating profit	-11.668.004	-80.000	-57.223	-11.805.224
Impairment of non-current assets	5.599.645			5.599.645
Depreciation, depletion and amortisation	6.553			6.553
Decrease in trade and other receivables	-374.994			-374.994
Decrease in trade and other payables	-2.453.974			-2.453.974
Interest received	689.490			689.490
Interest paid	-94.657			-94.657
Currency exchange differences	-508.471		57.223	-451.249
Income taxes paid	-8.182			-8.182
Net cash provided by operating activities	**-8.812.594**	**-80.000**	**0**	**-8.892.594**
Investing activities				
Capital expenditure	-27.919.920	80.000		-27.839.920
Net cash used in investing activities	**-27.919.920**	**80.000**	**0**	**-27.839.920**
Financing activities				
Increase in share capital	73.531.670			73.531.670
Cost related to capital increase	-227.191			-227.191
Repayment of long term financing	-26.777.670			-26.777.670
Net cash used in financing activities	**46.526.809**			**46.526.809**
(Decrease)/increase in cash and cash equivalents	**9.794.295**			**9.794.295**
Cash and cash equivalents at the beginning of the period	134.528			134.528
Currency translation differences relating to cash and cash equivalents	-41.548			-41.548
Cash and cash equivalents at the end of the period	**9.887.275**			**9.887.275**

Notes to the Cash flow reconciliation
For the year ended 31 December 2005:

a) Pre-License costs: IFRS requires that all pre-licence costs are written off in the period that they are incurred. In accordance with the Group's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs were capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, these investments have been written off. However, as its impact is already reflected in cash flows related to capital expenditure it has been added back to the cash flows from Operating profit.

b) Resulting exchange differences: According to the previously adopted IFRS, on consolidation, the results and financial position of a Group's individual entities, with different functional currencies than the Group's presentation currency 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 as a separate component of equity.

Atlantic Petroleum has for practical reasons used an average rate for the period that approximates the exchange rates at the dates of the transactions. The amount recognised as a separate component of equity amounts to DKK 57,223 at 31 December 2005. As this is a non-cash item the amount has` been deducted from the Profit before taxation and added back to Currency translation differences.

Reconciliation of equity and net assets
As at 1 January 2005 (transition date)

	FO GAAP numbers in IFRS format	IFRS opening balance sheet
	DKK	DKK
Non current assets		
Exploration and evaluation assets	7.824.006	7.824.006
Property plant and equipment	54.725.716	54.725.716
	62.549.722	62.549.722
Current assets		
Trade and other receivables	249.166	249.166
Share capital not paid	73.531.670	73.531.670
Securities	4.624.832	4.624.832
Cash and cash equivalent	134.528	134.528
	78.540.197	78.540.197
Total assets	**141.089.919**	**141.089.919**
Current Liabilities		
Short term debt	26.777.670	26.777.670
Trade and other payables	6.510.978	6.510.978
	33.288.648	33.288.648
Total liabilities	**33.288.648**	**33.288.648**
Net assets	**107.801.271**	**107.801.271**
Equity		
Share capital	73.997.800	73.997.800
Share premium account	41.813.283	41.813.283
Retained earnings	-8.009.813	-8.009.813
	107.801.271	**107.801.271**

Parent company income statement
For the year ended 31December 2006

	Note	2006 DKK	2005 restated KDKK
Revenue		**0**	0
Cost of sales		**0**	0
Gross profit		**0**	0
Exploration expense	1	**-3.069.307**	0
Pre-licence exploration costs		**-56.176**	-80
General and administration costs	*2,3,5,16*	**-6.502.954**	-4.928
Other operating income	*4*	**4.231.934**	2.561
Operating profit		**-5.396.503**	-2.447
Interest revenue and finance gains	6	**2.058.634**	1.983
Interest expenses and other finance costs		**-595.705**	-567
Profit before taxation		**-3.933.574**	-1.031
Taxation	7	**-13.831**	-8
Profit after taxation		**-3.947.404**	-1.039
Earnings per share (DKK):			
Basic	8	**-4,34**	-1,38
Diluted		**-4,34**	-1,38

Parent company statement of total recognised gains and losses
For the year ended 31December 2006

	2006 DKK	2005 restated KDKK
Profit for the period	**-3.947.404**	-1.039
Fair value adjustment on securities available for sale for the period	**358.446**	1.428
Changes in comprehensive income in the period	**-3.588.958**	389

Parent company balance sheet
As at 31 December 2006

	Note	**2006 DKK**	2005 restated KDKK
Fixed assets:			
Intangible exploration and evaluation assets	10	**5.121.750**	4.079
Property plant and equipment	11	**332.777**	20
Investment in subsidiaries	9	**21.285.010**	21.285
Total fixed assets		**26.739.536**	25.385
Current assets:			
Prepayments and other receivables		**211.753**	202
Receivables from subsidiary		**125.444.606**	70.359
Securities available for sale		**6.411.176**	6.053
Cash and cash equivalents	17	**172.792.022**	9.673
Total current assets	12	**304.859.557**	86.287
Short term debt	15,17	**17.192.190**	0
Creditors: amounts falling due within one year	13	**1.841.952**	475
Net current assets		**285.825.415**	85.812
Total assets less current liabilities		**312.564.951**	111.197
Creditors: amounts falling due after one year	14	**0**	0
Net assets		**312.564.951**	111.197
Capital and reserves:			
Called-up share capital	19	**112.573.000**	73.998
Share premium account		**207.969.117**	41.586
Profit and loss account		**-7.977.166**	-4.388
Total equity shareholders' funds	20,21	**312.564.951**	111.196

Parent company cash flow statement
For the year ended 31 December 2006

	Note	2006 DKK	2005 restated KDKK
Operating activities			
Operating profit		**-5.396.503**	-2.447
Depreciation, depletion and amortisation		**72.306**	7
Exploration expense		**3.069.307**	0
(Increase)/decrease in trade and other receivables		**-55.095.532**	-55.980
(Increase)/decrease in trade and other payables		**1.367.341**	-3.742
Interest revenue and finance gains received		**2.058.634**	689
Interest expenses and other finance costs paid		**-595.649**	-95
Currency exchange differences		**0**	0
Income taxes paid		**-13.831**	-8
Net cash provided by operating activities		**-54.533.928**	**-61.575**
Investing activities			
Capital expenditure		**-4.497.361**	-1.728
Disposal of intangible exploration and evaluation costs		**0**	0
Net cash used in investing activities		**-4.497.361**	**-1.728**
Financing activities			
Increase in share capital		**38.575.200**	73.532
Cost related to capital increase		**166.383.024**	-227
Increase in short term debt		**17.192.190**	0
Repayment of long term financing		**0**	-1.246
Net cash used in financing activities		**222.150.414**	**72.058**
Increase/Decrease in cash and cash equivalents		**163.119.125**	**8.755**
Cash and cash equivalents at the beginning of the period		**9.672.952**	97
Currency translation differences relating to cash and cash equivalents		**-56**	821
Cash and cash equivalents at the end of the period	17	**172.792.022**	**9.673**

Parent company notes to the accounts

For the year ended 31December 2006

1 Exploration expenses

	2006 DKK	2005 restated KDKK
Exploration expense	**0**	0
Disposal of Licences	**-2.629.104**	0
Explorations expenditures written off	**-440.203**	0
	-3.069.307	0

Atlantic Petroleum disposed off Licence 001 in 2006. The investment of DKK 2,629,104 has accordingly been written off.

The directors have reviewed the carrying amounts for the intangible exploration and evaluation assets and consider that an impairment provision of DKK 440,203 should be made against the carrying values of the exploration licence with regard to the Brugdan well.

2 Auditors' remuneration

	2006 DKK	2005 restated KDKK
Audit services:		
Statutory audit	**176.800**	124
Review of interim financial statements	**87.980**	96
Audit-related regulatory reporting	**269.700**	90
	534.480	310
Tax services:		
Compliance and advisory services	**8.600**	9
		9
Other services:		
Remuneration, pension and share option scheme assurance services	**0**	0
Corporate finance, training and consultancy	**86.000**	35
	86.000	35

The other services relate to corporate finance and consultancy services provided in relation to commercial activities.
Amounts payable to P/F Grannskoðaravirkið *INPACT* statsaut. revisorar , and SPEKT statsaut. revisorar sp/f by the company, in respect of non-audit services were DKK 92,600 (2005 DKK 44,000)

3 Employee costs

	2006 DKK	2005 restated KDKK
Staff costs, including executive directors:		
Wage and salaries		
Board of Directors*	**288.000**	216
Managing Director	**928.800**	858
Financial Manager	**511.610**	274
Other Employees	**385.754**	280
	2.114.164	1.627
Pension costs:		
- defined benefit	**0**	0
- defined contribution		
Managing Director	**109.200**	109
Other Employees	**46.800**	43
	156.000	152
Social security costs	**135.175**	43
	0	0
	4.675.502	3.385

* The Board of Directors remuneration by person is disclosed in the sectionon regarding shareholders information.
All employee costs are included in General and administration costs in the income statement.

	2006	2005
Average number of employees during the year*:		
Technical and operations (retainers)**	**3**	3
Management and administration	**3**	3
	6	6

* Staff numbers include Managers.
** Fees to retainers is not included in the employee costs above.

4 Other operating income

	2006 DKK	2005 restated KDKK
Service rendering to the subsidiary	**4.206.134**	2.561
Other operating income of DKK 25,800 related to rent of premises.	**25.800**	0
Total	**4.231.934**	2.561

5 Depreciations

Depreciations of DKK 72,306 (2005: DKK 6,553) are included in general and administrations costs in the income statement.

6 Investment revenue and finance costs

	2006 DKK	2005 restated KDKK
Interest revenue and finance gains:		
Short-term deposits	**1.963.798**	873
Exchange differences	**18.890**	1.055
Dividend	**75.947**	55
	2.058.634	1.983

	2006 DKK	2005 restated KDKK
Finance costs and other finance expenses:		
Bank loan and overdrafts	**576.364**	94
Unwinding of discount on decommissioning provision	**0**	0
Premium on commodity hedges and mark-to-market valuation	**0**	0
Long-term debt arrangement fees	**0**	0
Others	**0**	0
Exchange differences	**19.342**	473
Gross finance costs and other finance expenses	**595.705**	567
Interest capitalised during the year	**0**	0
	595.705	567

7 Tax

	2006 DKK	2005 restated KDKK
Current tax:		
Faroese corporation tax on dividend	**2.727**	0
Adjustments in respect of previous periods	**0**	0
Faroese petroleum tax	**0**	0
Overseas tax on dividend	**11.104**	8
Total Current tax	**13.831**	8
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	**13.831**	8

As at 31 December 2006, the company has a net deferred tax asset of DKK 1,596,329, 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 1,061,724
Effect Tax losses available: 2,658,052
The losses can be carried foreward indefinitely.

8 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	
	2006 DKK	2005 restated DKK	2006	2005	2006 DKK	2005 restated DKK
Basic	**-3.947.404**	-1.038.684	**908.828**	739.978	**-4,34**	-1,38
Diluted	**-3.947.404**	-1.038.684	**908.828**	739.978	**-4,34**	-1,38

9 Investment in subsidiary

	2006 DKK	2005 restated KDKK
Cost and net book value		
At 1 January	**21.285.010**	21.285
Exchange movements	**0**	0
Additions during the year	**0**	0
Disposals	**0**	0
At 31 December	**21.285.010**	21.285

The principal subsidiary undertaking's 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.

10 Intangible exploration and evaluation (E&E) assets

	Faroe Islands DKK
Costs	
At 1 January 2005 (restated)	2.350.797
Additions during the year	1.728.323
Exploration expenditures written off	0
At 31 December 2005 (restated)	4.079.120
Additions during the year	4.111.937
Disposals	-2.629.104
Explorations expenditures written off	-440.203
At 31 December 2006	**5.121.750**

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.

11 Property, plant and equipment

	Faroe Islands DKK
Costs	
At 1 January 2005 (restated)	209.131
Additions during the year	0
Disposal of fully written down assets	0
At 31 December 2005 (restated)	209.131
Additions during the year	385.425
Disposals	0
Disposal of fully written down assets	0
At 31 December 2006	**594.556**
Amortisation and depreciation	
At 1 January 2005 (restated)	-182.920
Charge for the year	-6.553
Disposal of fully written down assets	0
At 31 December 2005 (restated)	-189.473
Charge for the year	-72.306
Disposals	0
Disposal of fully written down assets	0
At 31 December 2006	**-261.779**
Net book value	
At 31 December 2005 (restated)	19.658
At 31 December 2006	**332.777**

12 Current assets: amounts falling due within one year

	2006 DKK	2005 restated KDKK
Trade and other receivables	**0**	149
Prepayments and accrued income	**80.000**	53
Other taxes and vat receivable	**131.753**	0
Receivables from subsidiary	**125.444.606**	70.359
Securities	**6.411.176**	6.053
Cash and cash equivalents	**172.792.022**	9.673
	304.859.557	86.287

The amount due from subsidiary undertakings relates to a balance, which bears no interest and is not secured.

13 Creditors: amounts falling due within one year

	2006 DKK	2005 restated KDKK
Trade payables	**1.366.356**	452
Accruals	**469.471**	0
Other payables	**6.125**	22
	1.841.952	475

14 Creditors: amounts falling due after one year

	2006 DKK	2005 restated KDKK
Creditors: amounts falling due after one year	**0**	0

15 Short term debt

	2006 DKK	2005 restated KDKK
Amounts falling due within one year:		
Bank loans	**17.192.190**	0
Total borrowings	**17.192.190**	0
Cash:		
Cash at bank and in hand	**172.792.022**	9.673
Short-term deposits	**0**	0
Total cash	**172.792.022**	9.673

The Company's total overdraft facility is DKK 30 million (2005: 0) and shall be renewed every year.

The borrowing are repayable as follows:

	2006 DKK	2005 restated KDKK
Bank loans analysed by maturity:		
In the third year	**0**	0
In the fifth year	**0**	0
Total borrowings	**0**	0

16 Obligations under leases:

	2006 DKK	2005 restated KDKK
Minimum lease payments under operating leases recognised in the income statement for the year	118.500	72
	118.500	72
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follow:		
Within one year	162.000	72
In two to five years	493.433	0
Over five years	0	0
	655.433	72

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 7,5%..

17 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 as the company not yet has commenced oil and gas production.
The company plans to use derivatives when oil and gas production commences. 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 31 December was:

	Fixed rate DKK	Floating rate DKK	Total DKK
2006			
DKK	0	17.192.190	17.192.190
Total	0	17.192.190	17.192.190
2005 (restated)			
DKK	0	0	0
Total	0	0	0

The floating rate financial liabilities comprise bank borrowings bearing interest at rates set by reference to DKK CIBOR, exposing the company to a cash flow interest rate risk.

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

	Fixed rate DKK	Floating rate DKK	Total DKK
2006			
Cash and short-term deposits:			
Held in DKK	0	172.792.022	172.792.022
Held in other currencies	0	0	0
Total	0	172.792.022	172.792.022
2005 (restated)			
KDKK	0	9.673	9.673
Other	0	0	0
Total	0	9.673	9.673

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

17 Financial instruments (Continued)

Borrowing facilities
The company has one committed borrowing facility of which the undrawn amount available to it at the year-end was:

	2006 DKK	2005 restated KDKK
Expiring within one year.	**12.807.810**	0

The borrowing facility is an overdraft facility which has to be re-newed every year.

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

	2006 Carrying amount DKK	2006 Estimated fair value DKK	2005 restated Carrying amount KDKK	2005 restated Estimated fair value KDKK
Primary financial instruments held or issued to finance the company’s operations:				
Cash and short-term deposits	**172.792.022**	**172.792.022**	0	0
Bank loans	**17.192.190**	**17.192.190**	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.
There is a credit risk concentration on liquid funds (bank deposits), as all funds are placed in one Faroese bank.
The risk on securities is relative low, as the investments in securities comprises investments in listed bonds and 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 DKK/£ sterling exposures was hedged during the year. Atlantic Petroleum's activities are largely conducted in £ and are not hedged.

18 Deferred tax

	2006 DKK	2005 restated KDKK
Deferred tax liabilities	**0**	0
Deferred tax assets*	**0**	0
	0	0

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

19 Share capital – Company

	2006 DKK	2005 restated KDKK
Balance at 1 January	**73.998.000**	73.998
Shares repurchased	**0**	0
Shares issued	**38.575.000**	0
Balance at 31 December	**112.573.000**	73.998

Ordinary Shares:

	2006 100 DKK shares	2006 DKK	2005 100 DKK shares	2005 DKK
Authorised	**1.739.978**	**173.997.800**	1.739.978	173.997.800
Called-up, issued, and fully-paid	**1.125.730**	**112.573.000**	739.978	73.997.800

Warrants:

	2006 100 DKK warrants	2006 DKK	2005 100 DKK warrants	2005 DKK
Authorised	**10.000**	**1.000.000**	10.000	1.000.000

There are no warrants issued or options granted on the Company's shares. However, the board is considering implementing schemes for involving the staff in the capital of the Company, by issuing warrants. The board of directors has been authorized until the 31 December 2009 to issue up to 10,000 warrants at DKK 100 for subscription of shares in the Company in the period up to 31 May 2010, according to clause 3b in the Articles of Associations

Details of changes in share capital during the period

Two share capital increases have taken place in 2006. The first share capital increase was a public offering with pre-emptive right for existing shareholders. The second share capital increase was a private placement without pre-emptive right.

The result of the first share offering was that a total number of 220,752 new shares were subscribed for, at the subscription price of DKK 550, corresponding to a value of DKK 121,413,600.

The second share offering was that a total number of 165,000 new share of DKK 10, were subscribed for, at the subscription price of DKK 550, corresponding to a value of DKK 90,750,000

At the end of 2006 the share capital of P/F Atlantic Petroleum amounts to nominal DKK 112,573,000 (1,125,730 shares of DKK 100). All shares have equal rights.

20 Share capital and reserves

	Share capital DKK	Share premium account DKK	Profit and loss reserves DKK	Total DKK
Balance at 1 January 2006 (restated)	73.997.800	41.586.092	-4.388.208	111.195.684
Prior year adjustment	0	0	0	0
At 1 January 2005 (restated)	73.997.800	41.586.092	-4.388.208	111.195.684
Shares issued	38.575.200	173.588.400	0	212.163.600
Transaction costs	0	-7.205.375	0	-7.205.375
Fair value adjustment on securities available for sale for the period	0	0	358.446	358.446
Loss for the year	0	0	-3.947.404	-3.947.404
Balance at 31 December 2006	**112.573.000**	**207.969.117**	**-7.977.166**	**312.564.951**

21 Reconciliation of movements in shareholders' funds

	2006 DKK	2005 restated KDKK
Opening shareholders' funds	**111.195.684**	111.034
Shares issued	**212.163.600**	0
Transaction costs/adjustment to transaction costs	**-7.205.375**	-227
Fair value adjustment on securities available for sale for the period	**358.446**	1.428
Loss for the year	**-3.947.404**	-1039
Net increase in shareholders' funds	**201.369.267**	162
Closing shareholders' funds	**312.564.951**	**111.196**

22 Own shares

	2006 DKK	2005 restated KDKK
At 1 January	0	0
Acquired in the period	0	0
At 31 December	**0**	0

Atlantic Petroleum has not acquired any own share during 2006 (2005: nil)

23 Analysis of changes in net (debt)/cash

	Note	**2006 DKK**	2005 restated KDKK
a) Reconciliation of net cash flow to movement in net (debt)/cash:			
Movement in cash and cash equivalents		**163.119.069**	10.822
Proceeds from short term loans		**-17.192.190**	0
Repayment of short-term loans		**0**	-1.246
Increase/(decrease) in net cash in the period		**145.926.879**	9.576
Opening net cash		**9.672.952**	97
Closing net cash/(debt)		**155.599.832**	9.673
b) Analysis of net cash/(debt):			
Cash and cash equivalents		**172.792.022**	9.673
Short-term debt	15	**-17.192.190**	0
Total net cash/(debt)		**155.599.832**	9.673

24 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 Department of Trade and Industry:

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.

P/F Atlantic Petroleum 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 but not provided in these accounts at 31 December 2006 of approximately DKK 1 million. The capital expenditure is in respect of the company's interests in its exploration licences.

25 Related party transactions

During the year the Company received income of DKK 4,206,134 (2005: DKK 2,561,439) from wholly owned subsidiary undertaking in respect of management charges. Amounts due to the Company by subsidiary amounts to DKK 125,444,606 (2005: DKK 70,358,753). No interest is calculated on intercompany balances.

During the year the company acquired a car from the managing director for DKK 306,000.

Apart from 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 guaranties on behalf of Atlantic Petroleum UK Ltd. See note regarding capital commitments and guarantees.

Parent company's IFRS and new FO GAAP transition reconciliation's

The following reconciliation's provide a quantification of the effect of Atlantic Petroleum's transition to IFRS. As the accounting policy applied under IFRS is in accordance with the Faroese Company Act, the reconciliation also provides quantification of the new accounting policy adopted under Faroese GAAP

The following reconciliation's provide details of the impact of the transition on:

- Parent Company Income statement for the year ended 31 December 2005;
- Reconciliation of Parent Company equity and net assets at 31 December 2005;
- Parent Company Cash flows for the year ended 31 December 2005; and
- Reconciliation of Parent Company equity and net assets at 1 January 2005.

The impact of the adoption of IFRS on the Parent Company's results and the financial position of Atlantic Petroleum is addressed separately for each reconciliation.

Notes have been prepared to explain the key changes from the previously adopted FO GAAP to IFRS.

The basis of preparation and accounting policies for these statements is the same as given in the section Accounting policies.

Parent Company Income Statement Reconciliation
For the period ended 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	(b) Exchange difference subsidiary	(c) Reversal of results from subsidiary	(d) Securities available for sale	Year to 31 December 2005 (restated)
	DKK	DKK	DKK	DKK	DKK	DKK
Revenue	2.561.439					2.561.439
Cost of sales	0					0
Pre-license costs	0	-80.000				-80.000
Exploration expense	0					0
Gross profit	**2.561.439**	**-80.000**	**0**	**0**	**0**	**2.481.439**
General and administration costs	-4.928.007					-4.928.007
Operating profit	**-2.366.568**	**-80.000**	**0**	**0**	**0**	**-2.446.568**
Income from group company	-10.526.914			10.526.914		0
Interest revenue and finance gains	3.265.026		145.571		-1.427.897,00	1.982.700
Interest, exchange and other finance expence	-136.205		-430.634			-566.839
Profit before taxation	**-9.764.661**	**-80.000**	**-285.063**	**10.526.914**	**-1.427.897**	**-1.030.707**
Taxation	-8.182					-8.182
Profit after taxation	**-9.772.843**	**-80.000**	**-285.063**	**10.526.914**	**-1.427.897**	**-1.038.889**
Earnings per share						
Basic:	-13,21					-1,38
Diluted:	-13,21					-1,38

Movements in shareholders' equity under IFRS	DKK
At 31 December 2004	107.801.272
Adoption to IFRS (please refer to opening balance)	3.232.595
As restated at 1 January 2005	111.033.867
Profit for the period	-1.038.889
Fair value adjustment on securities available for sale	1.427.897
Changes in comprehensive income	389.008
Additional costs for share premium issuance	-227.191
Shareholders' equity at 31 December 2005	111.195.684

Notes to the Parent Company Income Statement Reconciliation for the period ended 31 December 2005*:

*In the income statement for 2006 the 2,561,439 is reclassified from revenue to other income.

a) Pre-License costs: IFRS requires that all pre-licence costs be written off in the period that they are incurred. In accordance with the Company's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs was capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, all such costs existing at 31 December 2005 have been written off.

b) Exchange differences subsidiary: According to the previously adopted FO GAAP, the Temporal Method, non-monetary items (Intangible assets, Tangible assets and Equity) in entities, with another functional currency than DKK were, translated at historical exchange rates and the monetary items were recognised at the closing rate at the date of the balance sheet. The financial effect of fluctuations in the exchange rate was recognised in the consolidated income statement. According to IFRS both monetary and non-monetary items in entities, with another functional currency than DKK shall be translated at the exchange rate at the end of the period (closing exchange rate). This means that in accordance with the previously adopted FO GAAP the company has recognised net exchange rate differences in the income statement on non-monetary items (Intangible assets, Tangible assets, and Equity) in entities, with another functional currency than DKK, amounting to net DKK 285,063.

c) Reversal of results from subsidiary: Under IFRS and the new accounting policy under FO GAAP, Atlantic Petroleum has chosen to recognise shares in the subsidiary at cost. According to the previously adopted FO GAAP, the Group's accounting policy was to recognise shares in a subsidiary in accordance with the Equity Method. This means that the shares in the subsidiary at first will be recognised at cost in the parents Balance Sheet and thereafter written up or down in accordance with the subsidiary's profit or loss. The set-off for this write up or write down is in the parents Income Statement. Therefore on transition to IFRS and the new accounting policy under FO GAAP, DKK 10,526,914, which was the subsidiary's loss in 2005 have been reversed.

d) Securities available for sale: Under the previously adopted FO GAAP gains and losses arising from changes in the value of securities were entered in the Income Statement. Under IFRS and the new accounting policy under FO GAAP, Atlantic Petroleum's 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. Therefore the gains and losses recognised in the Income Statement under previously adopted FO GAAP are reversed accordingly. In the period from 1 January to 31 December 2005 gains amounting to DKK 1,427,897 have been reversed.

Reconciliation of Parent Company's Equity and Net Assets
As at 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	(b) Reversal of results from subsidiary	IFRS Balance sheet 31 December 2005
	DKK	DKK		DKK
Non current assets				
Exploration and evaluation assets	4.159.120	-80.000		4.079.120
Property plant and equipment	19.658			19.658
Investment in subsidiaries	7.810.564		13.474.446	21.285.010
	11.989.341	-80.000	13.474.446	25.383.787
Current assets				
Prepayments and other recieveables	202.074			202.074
Receivables from subsidiary	70.358.753			70.358.753
Securities available for sale	6.052.729			6.052.729
Cash and cash equivalent	9.672.951			9.672.951
	86.286.507	0		86.286.508
Total assets	**98.275.848**	**-80.000**	**13.474.446**	**111.670.295**
Current Liabilities				
Creditors: amounts falling due within one year	474.610			474.610
	474.610	0	0	474.610
Non current liabilities				
Creditors: amounts falling due after one year	0			0
	0	0	0	0
Total liabilities	**474.610**	**0**	**0**	**474.610**
Net assets	**97.801.238**	**-80.000**	**13.474.446**	**111.195.685**
Equity				
Share capital	73.997.800			73.997.800
Share premium account	41.586.092			41.586.092
Uppskrivingar burtur leggingar onnur virðisbrøv				0
Retained earnings	-17.782.654	-80.000	13.474.446	-4.388.208
	97.801.238	**-80.000**	**13.474.446**	**111.195.685**

Notes to the Reconciliation of the Parent Company's Equity and Net Assets at 31 December 2005:

a) Pre-License costs: IFRS requires that all pre-licence costs be written off in the period that they are incurred. In accordance with the Company's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs was capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, these investments have been written off.

b) Reversal of results from subsidiary: Under IFRS and the new accounting policy under FO GAAP, Atlantic Petroleum has chosen to recognise shares in the subsidiary at cost. According to previous adopted FO GAAP the Group's accounting policy was to recognise shares in a subsidiary in accordance with the

Equity Method. This means that the shares in the subsidiary at first will be recognised at cost in the parents Balance Sheet and thereafter written up or down in accordance with the subsidiary’s profit or loss. The set-off for this write up or write down is in the parents Income Statement. At 31 December 2005 the subsidiary has retained earnings, which is a surplus amounting to DKK –13,474,446. Therefore on transition to IFRS and the new accounting policy under FO GAAP, DKK 13,474,446 is recognised in the parent’s balance sheet as a write up of the shares in the subsidiary in 2005.

Reconsiliated Parent Company Cash Flow Statement
For the period ended 31 December 2005

	FO GAAP numbers in IFRS format	(a) Pre-Licence cost	IFRS 31 December 2005
	DKK	DKK	DKK
Operating activities			
Operating profit	-2.366.567	-80.000	-2.446.564
Depreciation, depletion and amortisation	6.553		6.553
(Increase) /decrease in trade and other receivables	-55.979.791		-55.979.791
(Increase)/decrease in trade and other payables	-3.742.018		-3.742.018
Interest received	689.490		689.490
Interest paid	-94.657		-94.657
Income taxes paid	-8.182		-8.182
Net cash provided by operating activities	**-61.495.172**	**-80.000**	**-61.575.172**
Investing activities			
Capital expenditure	-1.808.323	80.000	-1.728.323
Net cash used in investing activities	**-1.808.323**	**80.000**	**-1.728.323**
Financing activities			
Increase in share capital	73.531.670		73.531.670
Cost related to capital increase	-227.191		-227.191
Repayment of long term financing	-1.246.190		-1.246.190
Net cash used in financing activities	**72.058.289**	**0**	**72.058.289**
(Decrease)/increase in cash and cash equivalents	**8.754.794**		**8.754.794**
Cash and cash equivalents at the beginning of the period	97.128		97.128
Currency translation differences relating to cash and cash equivalents	821.029		821.029
Cash and cash equivalents at the end of the period	**9.672.951**	**0**	**9.672.951**

Notes to the Cash flow reconciliation for the period ended 31 December 2005:

a) Pre-License costs: IFRS requires that all pre-licence costs are written off in the period that they are incurred. In accordance with the Company's previously adopted FO GAAP policy, which allowed capitalisation of such costs, DKK 80,000 of pre-license costs were capitalised as part of Intangible exploration and evaluation assets at 31 December 2005. On transition to IFRS and the new accounting policy under FO GAAP, these investments have been written off. However, as its impact is already reflected in cash flows related to capital expenditures it has been added back to the cash flows from Operating profit.

Reconciliation of Parent Company Equity and Net Assets
As at 1 January 2005 (transition date)

	FO GAAP numbers in IFRS format	(a) Reversal of results from subsidiary	Draft IFRS opening balance sheet
	DKK	DKK	DKK
Non current assets			
Exploration and evaluation assets	2.350.797		2.350.798
Property plant and equipment	26.210		26.210
Investment in subsidiaries	18.052.415	3.232.595	21.285.010
	20.429.423	3.232.595	23.662.018
Current assets			
Prepayments and other recieveables	188.915		188.915
Sharecapital no paid in	73.531.670		73.531.670
Receivables from subsidiary	14.392.121		14.392.121
Securities available for sale	4.624.832		4.624.832
Cash and cash equivalent	97.128		97.128
	92.834.667	0	92.834.667
Total assets	**113.264.090**	**3.232.595**	**116.496.685**
Current Liabilities			
Short term debt	1.246.190		1.246.190
Trade and other payables	4.216.628		4.216.628
	5.462.818	0	5.462.818
Total liabilities	**5.462.818**	**0**	**5.462.818**
Net assets	**107.801.272**	**3.232.595**	**111.033.867**
Equity			
Share capital	73.997.800		73.997.800
Share premium account	41.813.283		41.813.283
Retained earnings	-8.009.812	3.232.595	-4.777.217
	107.801.272	**3.232.595**	**111.033.867**

Notes to the Reconciliation of the Parent Company's Equity and Net Assets at 31 December 2004:

a) Reversal of results from subsidiary: Under IFRS and the new accounting policy under FO GAAP, Atlantic Petroleum has chosen to recognise shares in the subsidiary at cost. According to the previously adopted FO GAAP, the Group's accounting policy is to recognise shares in a subsidiary in accordance with the Equity Method. This means that the shares in the subsidiary at first will be recognised at cost in the parents Balance Sheet and thereafter written up or down in accordance with the subsidiary's profit or loss. The set-off for this write up or write down is in the parents Income Statement. At 31 December 2005 the subsidiary has retained earnings, which is a surplus amounting to DKK -3,232,595. Therefore on transition to IFRS and the new accounting policy under FO GAAP, DKK 3.232.595 is recognised in the parent's balance sheet as a write up of the shares in the subsidiary in 2005.

North West European Licence Interests

The licence interests are as per 5 March 2007.

	Licence	Block	Operator	Equity %	Field
United Kingdom					
	P.354	22/2a	Venture Production Plc.	15%	Chestnut
	P.317 & P.273	20/2a, 20/3a	Nexen	8,27%	Ettrick
	P.218 & P.588	15/21a,b,c	Nexen	3,75%	Perth
	P.099	110/14c, 110/d	Challenger Minerals	25,00%	West Lennox
		110/9b & 14b	Challenger Minerals	20,00%	Crosby
Ireland					
	2/07	49/8, 9, 13, 14	Providence Resources	10%	Helvick
	2/07	49/13,14,18,19	Providence Resources	10%	Ardmore
	2/07	50/6, 7	Providence Resources	10%	Dunmore
	2/07	50/11, 12	Providence Resources	10%	Hook Head
Faroe Islands					
	F 013	6103/7,8,11,12,13,17	Geysir Petroleum	40%	Stella Kristina
	F 014	6104/9,10,14	Geysir Petroleum	40%	Marselius
	F 006	6105/25,30, 6005/5, 6104/16,17,21,26, 6004/1	Statoil	0.025% (Option to 1.2905%)	Brugdan

Contacts

Registered Office

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

Telephone: +298 350 100
Fax: +298 350 101
E-mail: petroleum@petroleum.fo
www.petroleum.fo

VAT No. 475.653
Reg. No. Faroes 2695

Atlantic Petroleum UK Limited
15-16 New Burlington Street
W1S E2J London
United Kingdom

VAT No. 815 087 040
Reg. No. 4395761

Atlantic Petroleum (Ireland) Limited
Suite 7
International House
Tara Street
Dublin 2
Ireland

Auditors

P/F Grannskoðaravirkið INPACT statsaut. revisorar
P.O. Box 191
R.C. Effersøesgøta 26
FO-110 Tórshavn
Faroe Islands

Telephone: +298 314 700
Fax: +298 313 815
E-mail: inpact@inpact.fo
www.inpact.fo

SP/F SPEKT statsaut. revisorar Sp/f
P.O. Box 3258
Staravegur 17,
FO-110 Tórshavn

Telephone: +298 343 434
Fax: +298 343 435
E-mail: spekt@spekt.fo
www.spekt.fo