

P/F ATLANTIC PETROLEUM

# **CONDENSED CONSOLIDATED INTERIM REPORT**

FOR THE 9 MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2013





## FINANCIAL CALENDAR 2013 & 2014

Wednesday 13 <sup>th</sup> November 2013:	3 <sup>rd</sup> Quarter 2013 Condensed Consolidated Interim Report
Friday 14 <sup>th</sup> March 2014:	Annual Financial Statement 2013
Friday 11 <sup>th</sup> April 2014:	Annual General Meeting
Wednesday 21 <sup>st</sup> May 2014:	1 <sup>st</sup> Quarter 2014 Condensed Consolidated Interim Report
Wednesday 27 <sup>th</sup> August 2014:	2 <sup>nd</sup> Quarter 2014 Condensed Consolidated Interim Report
Wednesday 12 <sup>th</sup> November 2014:	3 <sup>rd</sup> Quarter 2014 Condensed Consolidated Interim Report

# CONTENTS

About Atlantic Petroleum .....	4
Report for 3Q 2013.....	5
Key Metrics .....	5
3Q 2013 Highlights.....	6
2013 Outlook.....	7
Focus on North West Europe.....	8
Status on Key Licences .....	9
Post Balance Sheet Events .....	11
Endorsement and Signatures of the Managing Director and the Board of Directors .....	12
Auditor's Review Report.....	13
Consolidated Income Statement.....	15
Consolidated Statement of Comprehensive Income .....	15
Consolidated Statement of Financial Position.....	16
Consolidated Statement of Changes in Equity.....	17
Consolidated Cash Flow Statement.....	18
Notes to the Accounts .....	19
Glossary .....	26

# ABOUT ATLANTIC PETROLEUM

## THE ATLANTIC PETROLEUM GROUP IN BRIEF

Atlantic Petroleum is a full cycle Exploration & Production (E&P) company. Our portfolio of assets spans the E&P value chain of exploration, appraisal, development through to production and is located in some of the world's most prolific hydrocarbon basins.

Our main focus is offshore North West Europe where we can provide steady growth from the existing asset base and be prepared to acquire new assets.

At the report date Atlantic Petroleum held a total of 40 oil and gas licences in the UK, Faroe Islands, Ireland, Norway & the Netherlands, producing oil & gas from three fields in the UK North Sea. One field is under development. We participate in joint ventures containing more than 30 high quality partners.

With a strong operating cash flow Atlantic Petroleum is well positioned for further growth.

## BUSINESS MODEL FOR LONG TERM GROWTH

- Atlantic Petroleum is a balanced company where exploration and development is underpinned by production base
- Broad exposure to NW Europe exploration in existing portfolio – balanced between high and moderate risk opportunities
- Partnerships with major international partners
- Strong management team with proven track-record and a strong technical team
- Strong balance sheet with low debt

Atlantic Petroleum is continuously screening and identifying new farm-in and acquisition opportunities and assessing the viability of possible investments.



# REPORT FOR 3Q 2013

## KEY METRICS

DKK 1,000	9 months to 30 <sup>th</sup> September 2013	9 months to 30 <sup>th</sup> September 2012	Full year 2012
<b>Profit and loss:</b>			
Revenue	328,295	437,312	596,745
Gross profit	169,703	180,024	321,857
EBITDAX	184,038	317,984	412,452
Exploration expense	-113,775	-17,356	-27,209
Operating profit (EBIT)	-2,896	132,943	246,771
Profit before taxation	-7,775	115,627	227,659
Profit after taxation	-24,025	37,749	66,661
<b>Financial position:</b>			
Non-current assets	923,722	584,759	733,982
Current assets	186,565	380,276	387,834
Total assets	1,110,286	965,034	1,121,816
Current liabilities	87,484	94,578	149,479
Non-current liabilities	533,256	379,190	435,196
Total liabilities	620,740	473,768	584,676
Net assets/Equity	489,546	491,267	537,140
<b>Cash flow and net cash:</b>			
Cash generated from operations	124,725	318,926	367,561
Change in cash and cash equivalents	-185,775	186,463	127,018
Cash and cash equivalents	53,052	298,518	242,521
Bank debt	119,824	97,500	78,000
<b>Financial statement related key figures:</b>			
Gross Margin	51.7%	41.2%	53.9%
EBIT Margin	-0.9%	30.4%	41.4%
EBITDAX Margin	56.1%	72.7%	69.1%
Return on Equity	-4.7%	8.2%	13.8%
<b>Share related key figures:</b>			
Earnings per share Basic in DKK	-9.15	15.12	26.68
Earnings per share Diluted in DKK	-9.15	15.07	26.54
Share price in DKK on NASDAQ OMX CPH/IS	149/155	188/190	184/184
<b>Other key numbers/figures:</b>			
Production boepd – net to the Group	2,068	2,516	2,536
Average realised oil price USD/bbl	109.5	108.4	112.3
Full time equivalent positions	25	15	16

## 3Q 2013 HIGHLIGHTS

Atlantic Petroleum had an operating profit in 3Q 2013 of DKK 18.9MM and a pre-tax profit of DKK 7.2MM. Production in 3Q 2013 was in line with the guidance. The Chestnut field continues to perform above expectations and a contract extension on the Hummingbird FPSO was agreed at the end of August. A production well is currently being drilled on Etrick and production from the well is planned to commence in early November.

The Orlando development work is progressing and the Kells field is moving towards FDP submission in 2014. These two fields represent significant value for Atlantic Petroleum and will according to plan form the bulk of Company oil production beyond 2015.

On the 22<sup>nd</sup> July it was announced that the Irish Dunquin well has been plugged and abandoned with residual hydrocarbons. Studies are still ongoing on Dunquin.

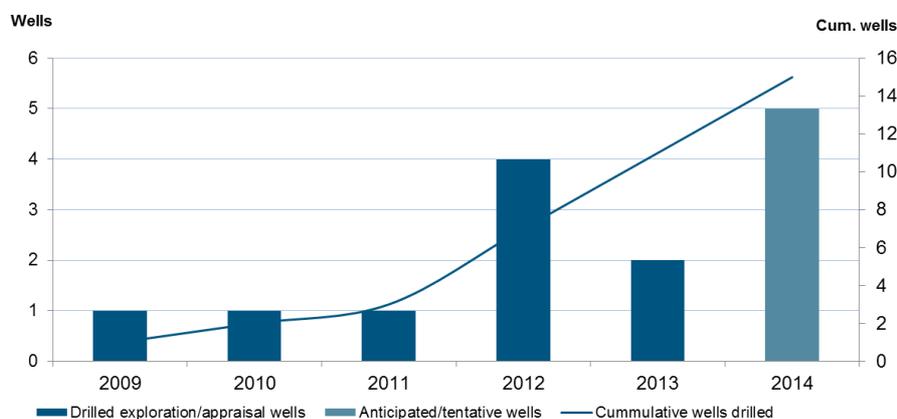
The exploration and appraisal programme for Atlantic Petroleum has been slightly delayed due to rig scheduling, with the UK Pegasus well now planned to spud at the end of 1Q 2014. The Faroes Brugdan 2 re-entry exploration well will be drilled in 2014 by operator Statoil using the West Hercules rig. The Perth partnership is examining the potential synergies of a joint Perth / Lowlander development whilst working on rig options for a 2014 appraisal well. The company is also considering options for accelerating activity on the Norwegian shelf.

- Revenue in the first nine months 2013 was DKK 328.3MM (First nine months of 2012 was DKK 437.3MM). Average realised oil price per barrel was USD 109.5 per boe
- EBIT for the first nine months of 2013 was DKK -2.9MM (First nine months of 2012 was DKK 132.9MM)
- EBITDAX for the first nine months of 2013 was DKK 184.0MM (First nine months of 2012 was DKK 318.0MM)
- Exploration expense for the first nine months of 2013 was DKK 113.8M (First nine months of 2012 was DKK 17.4MM). During the period the Polecat licence was relinquished and the Magnolia well was drilled but did not encounter hydrocarbons. Further the Dunquin North well was drilled and found residual oil however the accumulation was not deemed as being commercial. The unsuccessful exploration cost were expensed during the period
- General and administration cost for the first nine months of 2013 was DKK 50.2MM (First nine months of 2012 was DKK 25.1MM). The cost increase reflects the new office in Bergen on a pre-tax basis. In Norway there is a tax refund of 78%
- Finance gain the first nine months of 2013 was DKK 4.2MM (First nine months of 2012 was DKK 1.5MM) increase is due to exchange rate gains in USD/GBP
- Norwegian tax refund for the first nine months of 2013 was DKK 22.0MM (First nine months of 2012 was Nil) and relates to Norwegian tax refund on expenditure related to exploration activity. At end 3Q 2013 the total repayable amount relating to Norwegian tax refund was DKK 45.2MM (At year end 2012: DKK 27.1MM)
- Cash generated from operations in the first nine months of 2013 was DKK 124.7MM (First nine months of 2012 was DKK 318.9MM)
- Cash and cash equivalents at end 3Q 2013 was DKK 53.1MM (end 2012 DKK 242.5MM) decrease reflects acquisition of significant development assets
- Production in 3Q 2013 amounted to 190,000 boe corresponding to an average of 2,068 boepd net to the Group
- The Chestnut field produced at stable rates at the high end of expectation. A contract extension and reserve upgrade were announced on the 9<sup>th</sup> September
- Production from the Etrick field was relatively stable towards the higher end of expectation
- Blackbird field production has been stable throughout the period with the field production responding to water injection
- The Orlando field development has been approved by partners and subsequently been sanctioned by DECC (17<sup>th</sup> April 2013). Orlando development continues with key contracts being finalised and placed
- The Dunquin North well was plugged and abandoned as per the pre-drill plan on 30<sup>th</sup> July 2013. The well penetrated around 249m of the massive carbonate Cretaceous target within prognosis and was drilled to a total depth of 5000m. Petrophysical analysis of the well logs indicates an upper zone of 44m which has residual hydrocarbon saturations in a porous reservoir. Work is now ongoing to evaluate the impact of these data on the Dunquin South prospect
- Gaffney, Cline & Associates prepared a Competent Person's Report on Atlantic Petroleum interests as at 31<sup>st</sup> August 2013. A summary version of the report has been issued with these accounts

## 2013 OUTLOOK

Atlantic Petroleum maintains its guidance on production 725,000 – 800,000 boe and EBITDAX DKK 225MM – 275MM. Focus will be on the new production from the Ettrick production well and development of the Orlando field. Atlantic Petroleum also looks forward to continue its exploration/appraisal programme with the Pegasus appraisal well which is expected to spud end 1Q 2014 and with the potentially high impact Faroes Brugdan 2 re-entry. Later in 2014 Operator Centrica has decided not to drill the UK Endymion/Selene exploration well due to the commercial risks associated with the project. Atlantic Petroleum will look at options for participating in further development and production opportunities and at options to increase footprint in Norway and accelerate exploration on the Norwegian shelf.

- Production for the year is expected to be in the current guidance range of 725,000 – 800,000 boe
- EBITDAX for the year is expected to be in the guidance range of DKK 225MM – DKK 275MM
- The Chestnut fields' performance continues to exceed expectation. Studies are currently underway to fully evaluate the potential impact of the good performance and the possibility of further field life extension beyond the current FPSO contract end in March 2016
- The Ettrick E9 infill production well spudded in 2Q 2013 is expected to come on-stream imminently after the annual Aoka Mizu shut-down in November 2013
- On Blackbird a 2<sup>nd</sup> production well will be drilled in 1Q 2014 to increase production and extend field life of the Ettrick and Blackbird fields
- Development of the Orlando field continues with the finalization and award of key contracts. The field will add significant production to Atlantic Petroleum
- The Kells FDP has been agreed and is being held by DECC pending final submission in 2014. First oil is expected in 2016. When sanctioned, the Kells development will add significant reserves to Atlantic Petroleum
- Atlantic Petroleum has participated in APA 2013 and expect results to be announced 1Q 2014
- The UK Pegasus West appraisal well will be drilled in end 1Q 2014
- The Perth JV is evaluating options for a joint development of Perth and the similar sour oil discovery Lowlander. At the same time, rig options for 2014 drilling are being evaluated
- Dunquin post well studies will be carried out to ascertain the impact of the oil shows and the proven working hydrocarbon system on other prospects in the area



Planned Activities 2014				2014			
				1Q	2Q	3Q	4Q
Exploration & Appraisal	UK	P218 & P588 Perth (Tentative)					
		P1724 Pegasus West (Committed)					
	Norway	PL559 (Tentative)					
		Other well (Tentative)					
Faroe Islands	L006 Brugdan II (Committed)						
Production	UK	P317, P273, & P1580 Blackbird (Committed)					

## FOCUS ON NORTH WEST EUROPE

### A Total of 40 Licences at Report Date

#### UK

28 licences in the UK sector of the North Sea, Central North Sea, Southern North Sea & West of Shetland. There are 3 licences with fields in production. One licence is in the development phase, two are near development and 22 are exploration and appraisal licences

#### Faroe Islands

2 exploration licences with significant potential

#### Ireland

2 exploration & appraisal licences with several identified prospects

#### Netherlands

4 exploration licences

#### Norway

4 exploration & appraisal licences in Norwegian Sea and Norwegian sector of North Sea. Potential to increase significantly through licensing rounds and farm-ins



Please visit our website for a full assets overview

### PROJECT PORTFOLIO

LICENCE	BLOCK	AREA FIELD/PROSPECT/LEAD	OPERATOR	AP %	EXPLORATION	APPRAISAL	DEVELOPMENT	PRODUCTION
P354	22/2a	UK Chestnut Field	Centrica	15.00	██████████	██████████	██████████	██████████
P273 & P317	20/2a,3a	UK Ettrick Field	Nexen	8.27	██████████	██████████	██████████	██████████
P273, P317 & P1580	20/2a,3a,3f	UK Blackbird Field	Nexen	9.40	██████████	██████████	██████████	██████████
P1606	3/3b	UK Orlando Field	Iona	25.00	██████████	██████████	██████████	██████████ Est. 2015
P1607	3/8d	UK Kells Field	Iona	25.00	██████████	██████████	██████████	██████████ Est. 2016
P218 & P588	15/21a,c	UK Perth Field <sup>1</sup>	Parkmead	13.35	██████████	██████████	██████████	██████████ Est. TBA
P218 & P1655	15/21a Gamma subarea & 15/21g	UK Gamma Central Discovery	Premier	3.24	██████████	██████████	██████████	
P218	15/21a	UK North East Perth Discovery	Parkmead	13.35	██████████	██████████	██████████	
P218	15/21a	UK Dolphin Discovery	Parkmead	13.35	██████████	██████████	██████████	
P273	20/3a	UK Bright Discovery	Nexen	8.27	██████████	██████████	██████████	
P1556	29/1c	UK Orchid Discovery	Trap Oil	10.00	██████████	██████████	██████████	
P1655	15/21g,a (part)	UK Spariards	Premier	3.24	██████████	██████████	██████████	
P1673	44/28a	UK Fulham & Arrol Discoveries	Centrica	5.00	██████████	██████████	██████████	
P1724	43/13b	UK Pegasus North Discovery	Centrica	10.00	██████████	██████████	██████████	
P1727	43/17b,18b	UK Harmonia Flank & Browney Discoveries	Centrica	10.00	██████████	██████████	██████████	
P1933	205/23	UK Bombardier Discovery	Parkmead	43.00	██████████	██████████	██████████	
PL 270	35/9	NO Agat Discovery	VNG Norge	15.00	██████████	██████████	██████████	
SEL 2/07	50/11 (part)	IR Hook Head Discovery	Providence	18.33	██████████	██████████	██████████	
SEL 2/07	49/9 (part)	IR Helvick Main Discovery	Providence	18.33	██████████	██████████	██████████	
SEL 2/07	50/5 (part) & 50/7 (part)	IR Dunmore Discovery	Providence	18.33	██████████	██████████	██████████	
FEL 3/04	44/24,29	IR Dunquin South	ExxonMobil	4.00	██████████	██████████	██████████	
P588	15/21c	UK North West Perth Prospect	Parkmead	13.35	██████████	██████████	██████████	
P218	15/21a	UK East Perth Prospect	Parkmead	13.35	██████████	██████████	██████████	
P1610	13/23a	UK Albacora	Dana	20.00	██████████	██████████	██████████	
P1610	13/23a	UK Minos	Dana	20.00	██████████	██████████	██████████	
P1724	43/13b	UK Pegasus West Prospect	Centrica	10.00	██████████	██████████	██████████	
P1724	43/13b	UK Pegasus Flanks Prospect	Centrica	10.00	██████████	██████████	██████████	
P1734	48/8c	UK Selene Prospect	Centrica	10.00	██████████	██████████	██████████	
P1734	48/8c	UK Endymion Prospect	Centrica	10.00	██████████	██████████	██████████	
P1766	13/22d	UK Magnolia West / Ensign	Dana	20.00	██████████	██████████	██████████	
P1767	14/9,14a	UK Anglesey Prospect	Bridge Energy	30.00	██████████	██████████	██████████	
P1767	14/15	UK Wines Prospects	Bridge Energy	30.00	██████████	██████████	██████████	
P1791	21/30e	UK Cracker Lead	Bridge Energy	20.00	██████████	██████████	██████████	
P1791	21/30e	UK Jaffa Lead	Bridge Energy	20.00	██████████	██████████	██████████	
P1828	36/23a, 24a, 27, 28	UK Area Y Leads	Centrica	10.00	██████████	██████████	██████████	
P1899	44/4a,5,45/1	UK Lead B	Centrica	10.00	██████████	██████████	██████████	
P1905	44/30b	UK Pilot	Centrica	10.00	██████████	██████████	██████████	
P1906	47/2b,3g,7a,8d	UK A,B,C,E, W of York & Westminster Leads	Centrica	10.00	██████████	██████████	██████████	
P1924	44/17e	UK Ketch Wedge Lead A	Atlantic Petroleum	100.00	██████████	██████████	██████████	
P1927	48/13c,14b,18e,19d	UK Eldon Prospect	Atlantic Petroleum	100.00	██████████	██████████	██████████	
P1933	205/24,25	UK Eddystone Prospect	Parkmead	43.00	██████████	██████████	██████████	
P1993	15/16e	UK Binnam Prospect	Parkmead	33.00	██████████	██████████	██████████	
P2069	205/12	UK Davaar	Parkmead	30.00	██████████	██████████	██████████	
P2082	30/12c,13c,18c	UK Skerryvore	Parkmead	30.50	██████████	██████████	██████████	
PL 270	35/9	NO Turitella Prospect	VNG Norge	15.00	██████████	██████████	██████████	
PL 559	6608/10, 6008/11	NO Hendricks Prospect	Rocksourc	10.00	██████████	██████████	██████████	
PL 704	6704/12, 6705/10 (part)	NO	E.ON Ruhrgas	30.00	██████████	██████████	██████████	
PL 705	6705/7 (part),6,9,10 (part)	NO	Repsol	30.00	██████████	██████████	██████████	
E4		NL Hals Prospect	Centrica	6.00	██████████	██████████	██████████	
E1 & E2		NL Maes Prospect	Centrica	6.00	██████████	██████████	██████████	
E1 & E4		NL Vermeer Prospect	Centrica	6.00	██████████	██████████	██████████	
E1		NL Rembrandt & Steen Prospects	Centrica	6.00	██████████	██████████	██████████	
E4 & E5		NL Metsu Prospect	Centrica	6.00	██████████	██████████	██████████	
E5		NL Van Goyen Prospect	Centrica	6.00	██████████	██████████	██████████	
L006	6104/16a,21, 6105/25	FO Brugdun Deep Prospect	Statoil	1.00	██████████	██████████	██████████	
L016	6202/6a,7,8,9,10a,11,12,13,14,15 FO 16,17,18,21a,22a, 6203/14a,15a 16,17,18,19,20,21,22,23,24a,25a	FO Kúlubekun Prospect	Statoil	4.00	██████████	██████████	██████████	

<sup>1</sup> Perth Field Development plan submitted to the Authorities

## STATUS ON KEY LICENCES

Our portfolio of assets spans across all four stages of exploration, appraisal, development and production. The following section presents the status on some key licences at end of 3Q 2013.

### DEVELOPMENT & PRODUCTION

#### UNITED KINGDOM

##### **UK Licence P354, Block 22/2a, Chestnut (15.00%)**

The Chestnut field produced on average net 1,000 bopd to Atlantic Petroleum in 3Q. As the field's production performance has been better than predicted the JV decided to extend the Hummingbird FPSO contract to end March 2016. The operator is evaluating several options to further increase production and increase field life to maximise field recovery.

##### **UK Licences P273 & P317, Blocks 20/3a & 20/2a, Ettrick (8.27%)**

During 3Q 2013 the Ettrick field has produced on average 820 boepd net to Atlantic Petroleum. A new production well, E9 was approved through an FDP addendum and has been completed. The well is expected to come on-stream in November 2013 and benefits from the UK brown-field allowance.

##### **UK Licences P273 & P317 & P1580, Blocks 20/3a, 20/2a & 20/3f, Blackbird (9.40%)**

The field produced around 250 boepd net to Atlantic Petroleum in 3Q 2013. Water injection has been commissioned and a positive response in production and reservoir pressure has been observed. The JV is working towards the approval of a second production well.

##### **UK Licence P1606, Block 3/3a, Orlando (25.00%)**

The Orlando field development was sanctioned by both Iona and Atlantic Petroleum and has subsequently been sanctioned by DECC (17<sup>th</sup> April 2013). Key contracts are being finalised and placed.

#### NEAR DEVELOPMENT

##### **UK Licence P1607, Block 3/8d Kells (25.00%)**

The acquisition of this asset was completed in February 2013. First oil is expected in 2016.

##### **UK Licences P218 & P588, Blocks 15/21a, b, c & f, Perth Field (13.35%)**

At the same time as looking at options to drill an appraisal / development well in the northern area of the field, the partnership is evaluating joint development options with the Lowlander field.

### OUR PRODUCTION FACILITIES



#### **CHESTNUT FIELD**

**Central UK sector North Sea**

Water depth: 120 m

Production startup: September 2008

Overall length: 66 m

Accommodation: 44 persons

Liquid production capacity: 30,000 bbl/day

Crude storage capacity: 270,000 bbls/43,000 m<sup>3</sup>

#### **ETTRICK & BLACKBIRD FIELDS**

**Central UK sector North Sea**

Water depth: 115 m

Production startup: August 2009 Ettrick, November 2011 Blackbird

Overall length: 248 m

Accommodation: 90 persons

Liquid production capacity: 35,000 bbl/day

Crude storage capacity: 618,000 bbls/98,000 m<sup>3</sup>

## EXPLORATION & EVALUATION

### UNITED KINGDOM

#### **UK Licence P1724, Block 43/13b, Pegasus (10.00%)**

Long lead items have been approved for a well expected to be drilled on the Pegasus West structure at end 1Q 2014.

#### **UK Licence P1734, Block 48/8, Endymion/Selene (10.00%)**

Operator Centrica has decided that the Endymion/Selene licence does not meet its criteria for drilling, so no well will be drilled.

#### **UK Licence P1899, Blocks 44/4a, 44/5 & 45/1 Lead B (10.00%)**

Acquisition of new 3D seismic data has been carried out.

#### **UK Licence P1906, Blocks 47/2b, 47/3g, 47/7a & 47/8d Greater York area (10.00%)**

Acquisition of new 3D seismic data has been carried out.

### FAROE ISLANDS

#### **Licence 006, Blocks 6104/16a, 21 & 6105/25, Brugdan Deep (1.00%)**

Following the suspension of the Brugdan II well in November 2012, planning is underway to re-enter the well. On 4<sup>th</sup> June it was announced that the group would return to resume drilling operations in the first half of 2014. On 4<sup>th</sup> November 2013, it was announced that OMV AG will farm-into Statoil's equity in L006 and L016. OMV will take up 15% equity in L006

#### **Licence 016, Blocks 6202/6a, 7, 8, 9, 10a, 11, 12, 13, 14, 15, 16, 17, 18, 21a, 22a, 6203/14a, 15a, 16, 17, 18, 19, 20, 21, 22, 23, 24a, 25a, Kúlubøkan (4.00%)**

Processing and analysis of the 3D seismic survey shot in 2012 over part of the licence is on-going. On 3<sup>rd</sup> June it was announced that Exxon-Mobil had acquired a 6% interest in the licence from Atlantic Petroleum and that AP would continue in the licence with a 4% working interest. In the farm-in agreement where OMV AG will farm-into Statoil's equity in L006 and L016 4<sup>th</sup> November 2013 it was announced that OMV will take up a 10% equity in L016.

### NETHERLANDS

#### **Blocks E1, E2, E4 & E6, (6.00%)**

Work continues on these licences to high-grade areas of prospectivity.

### IRELAND

#### **Licence FEL 3/04, Blocks 44/18, 23, 24, 29, 30, Dunquin (4.00%)**

On 21<sup>st</sup> May it was announced that Atlantic Petroleum had acquired a 4% interest in Irish Frontier Exploration Licence FEL 3/04 from Exxon Mobil. The licence contains two major prospects, Dunquin North and Dunquin South. Well 44/23-1 has been P&A with oil shows as announced on the 22<sup>nd</sup> July 2013. Work will focus now on evaluating the potential of the Dunquin south prospect.

### NORWAY

#### **Licence PL270, Block 35/3 (15.00%)**

The work program in the licence is fulfilled. Three gas discovery wells have been drilled in the licence and the licence partners are currently evaluating new seismic data prior to deciding the next step forward.

#### **Licence PL559, Blocks 6608/10 and 6608/11 (10.00%)**

The work program in the licence is fulfilled. The licence partners are currently evaluating data to aid deciding whether to drill a well.

#### **Licence PL704, Blocks 6704/12 & 6705/10 (part) (30.00%)**

The licence is located immediately south of PL705, and immediately west of the Asterix discovery. Work program for years 1-2 includes G&G work followed by a decision on 3D seismic purchase or drop.

#### **Licence PL705, Blocks 6705/7 (part), 6705/8, 6705/9, 6705/10 (part) (30.00%)**

The licence is located on the northern part of the Gjallar Ridge in the Vøring Basin (Norwegian Sea), immediately north of the Asterix discovery and south west of the Naglfar Discovery. Work program for years 1-2 includes purchase of 3D seismic in all awarded acreage that has 3D seismic coverage followed by a decision to drill well or drop.

## POST BALANCE SHEET EVENTS

- **On 13<sup>th</sup> November** it was announced that ABT Oil & Gas (ABTOG) had farmed into Helvick and Dunmore Oil discoveries. Under the agreed terms of them farm-in ABTOG will carry out a phased three stage work programme which will include an assessment of commerciality and as appropriate the submission of plans for field development to first oil using ABTOG's low cost development solutions.
- **On 13<sup>th</sup> November** it was announced that P/F Atlantic Petroleum has applied for delisting on the Nasdaq OMX in Iceland.
- **On 13<sup>th</sup> November** it was announced that P/F Atlantic Petroleum has made preparations for listing on the Oslo Stock Exchange in December and at the same time to raise equity with expected proceeds of DKK 150MM -200MM.



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

The Condensed Consolidated Interim Report for the first nine months of 2013 comprises the Consolidated Financial Statements of P/F Atlantic Petroleum and its subsidiaries. The Condensed Consolidated Interim Report is prepared in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30<sup>th</sup> September 2013, and of the results of the Group's operations and cash flow for the period 1<sup>st</sup> January – 30<sup>th</sup> September 2013.

Tórshavn 13<sup>th</sup> November 2013

***Management:***

Ben Arabo  
CEO

***Board of Directors:***

Birgir Durhuus  
Chairman

Jan Edin Evensen  
Deputy Chairman

Diana Leo

David Archibald MacFarlane

Barbara Yvonne Holm

# AUDITOR'S REVIEW REPORT

## TO THE SHAREHOLDERS OF P/F ATLANTIC PETROLEUM

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim balance sheet of P/F Atlantic Petroleum and its subsidiaries as of 30<sup>th</sup> September 2013, and the related condensed consolidated statements of income and cash flows and notes for the nine months ended 30<sup>th</sup> September 2013.

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

### Basis of Opinion

We conducted our review in accordance with generally accepted review standards as applied in the Faroe Islands. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the preliminary financial information is free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical.

procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 30<sup>th</sup> September 2013, and of the results of its operations and its cash flows for the nine months ended 30<sup>th</sup> September 2013 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

Tórshavn 13<sup>th</sup> November 2013

## JANUAR

State Authorized Public Accountants P/F

Jógvan Amonsson

State Authorized Public Accountant

Fróði Sivertsen

State Authorized Public Accountant

# **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE 9 MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2013**

# CONSOLIDATED INCOME STATEMENT

DKK 1,000	Note	3 months to 30 <sup>th</sup> September 2013	3 months to 30 <sup>th</sup> September 2012	9 months to 30 <sup>th</sup> September 2013	9 months to 30 <sup>th</sup> September 2012	Full year 2012
Revenue	3	114,063	157,872	328,295	437,312	596,745
Cost of sales	4	-35,189	-89,768	-158,592	-257,288	-274,888
<b>Gross profit</b>		<b>78,874</b>	<b>68,104</b>	<b>169,703</b>	<b>180,024</b>	<b>321,857</b>
Exploration expenses		-39,272	-2,117	-113,775	-17,356	-27,209
Pre-licence exploration cost		-2,588	-2,409	-8,656	-4,605	-7,962
General and administration cost		-18,152	-7,871	-50,167	-25,135	-39,930
Other operating income		0	0	0	14	14
<b>Operating loss/profit</b>	3	<b>18,861</b>	<b>55,707</b>	<b>-2,896</b>	<b>132,943</b>	<b>246,771</b>
Interest income and finance gain		-8,834	462	4,217	1,535	2,587
Interest expenses and other finance cost	5	-2,779	-7,282	-9,096	-18,851	-21,700
<b>Loss/profit before taxation</b>		<b>7,248</b>	<b>48,887</b>	<b>-7,775</b>	<b>115,627</b>	<b>227,659</b>
Taxation	6	-28,815	-32,893	-16,251	-77,878	-160,998
<b>Loss/profit after taxation</b>		<b>-21,567</b>	<b>15,994</b>	<b>-24,025</b>	<b>37,749</b>	<b>66,661</b>

Earnings per share (DKK):

Basic	13	-8.21	6.41	-9.15	15.12	26.68
Diluted	13	-8.21	6.36	-9.15	15.07	26.54

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK 1,000	3 months to 30 <sup>th</sup> September 2013	3 months to 30 <sup>th</sup> September 2012	9 months to 30 <sup>th</sup> September 2013	9 months to 30 <sup>th</sup> September 2012	Full year 2012
Items that may be recycled in Income statement:					
Loss/Profit for the period	-21,567	15,994	-24,025	37,749	66,661
Exchange rate differences	11,587	6,361	-18,281	22,127	10,267
Value of Futures contracts	-4,616	-5,251	-6,504	1,369	5,914
<b>Total comprehensive loss/profit in the period</b>	<b>-14,596</b>	<b>17,104</b>	<b>-48,811</b>	<b>61,245</b>	<b>82,841</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	At 30 <sup>th</sup> September 2013	At 30 <sup>th</sup> September 2012	At 31 <sup>st</sup> December 2012
<b>Non-current assets</b>				
Goodwill	7	54,985	39,731	57,693
Intangible assets	8	12,360	536	16,589
Intangible exploration and evaluation assets	9	217,462	128,968	215,777
Tangible development and production assets	10	636,089	411,827	440,842
Property plant and equipment	11	2,824	1,892	2,555
Deferred tax asset		0	1,805	526
		<b>923,722</b>	584,759	733,982
<b>Current assets</b>				
Inventories		33,229	22,469	14,004
Trade and other receivables		55,043	57,970	98,356
Tax repayable		45,240	0	27,091
Financial assets		0	1,318	5,863
Cash and cash equivalents		53,052	298,519	242,521
		<b>186,565</b>	380,276	387,834
<b>Total assets</b>		<b>1,110,286</b>	965,035	1,121,816
<b>Current liabilities</b>				
Short term bank debt		19,500	19,500	19,500
Trade and other payables		67,333	68,945	109,004
Financial liabilities		641	0	0
Current tax payable		10	6,133	20,975
		<b>87,484</b>	94,578	149,479
<b>Non-current liabilities</b>				
Long term debt		100,324	78,000	58,500
Long term provisions		184,536	162,220	160,986
Deferred tax liability		248,396	138,970	215,710
		<b>533,256</b>	379,190	435,196
<b>Total liabilities</b>		<b>620,740</b>	473,768	584,676
<b>Net assets</b>		<b>489,546</b>	491,267	537,140
<b>Equity</b>				
Share capital		262,670	262,670	262,670
Own shares	14	0	-27,306	0
Share premium account		227,542	231,154	227,527
Share based bonus scheme - LTIP	15	2,516	715	1,314
Futures Contracts Value		-641	1,318	5,863
Translation reserves		13,684	53,131	31,966
Retained earnings		-16,225	-30,415	7,801
		<b>489,546</b>	491,267	537,140

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Own Shares	Share premium account	Share based Payments LTIP and Bonus	Futures contracts value	Translation reserves	Retained earnings	Total
<b>At 1<sup>st</sup> January 2012</b>	<b>262,670</b>	<b>-27,306</b>	<b>231,154</b>	<b>0</b>	<b>-51</b>	<b>21,699</b>	<b>-58,860</b>	<b>429,306</b>
Changes in Futures contracts value	0	0	0	0	1,369	0	0	1,369
LTIP awarded in the period	0	0	0	715	0	0	0	715
Change in translation reserves	0	0	0	0	0	31,432	0	31,432
Result for the period	0	0	0	0	0	0	28,445	28,445
<b>At 30<sup>th</sup> September 2012</b>	<b>262,670</b>	<b>-27,306</b>	<b>231,154</b>	<b>715</b>	<b>1,318</b>	<b>53,131</b>	<b>-30,415</b>	<b>491,267</b>
Own shares bought (52,500 shares)	0	-9,450	0	0	0	0	0	-9,450
Own shares sold (183,014 shares)	0	36,756	0	0	0	0	0	36,756
Capital gains/losses on shares bought/sold	0	0	-3,627	0	0	0	0	-3,627
LTIP and bonus awarded in the period	0	0	0	599	0	0	0	599
Changes in Futures contracts value	0	0	0	0	4,545	0	0	4,545
Translation reserves	0	0	0	0	0	-21,165	0	-21,165
Result for the period	0	0	0	0	0	0	38,216	38,216
<b>At 1<sup>st</sup> January 2013</b>	<b>262,670</b>	<b>0</b>	<b>227,527</b>	<b>1,314</b>	<b>5,863</b>	<b>31,966</b>	<b>7,801</b>	<b>537,140</b>
Own shares bought (1,521 shares)	0	-263	0	0	0	0	0	-263
Own shares sold (1,521 shares)	0	263	0	0	0	0	0	263
Capital gains/losses on shares bought/sold	0	0	15	0	0	0	0	15
Changes in Futures contracts value	0	0	0	0	-6,504	0	0	-6,504
Change in share based bonus schemes	0	0	0	1,202	0	0	0	1,202
Translation reserves	0	0	0	0	0	-18,281	0	-18,281
Result for the period	0	0	0	0	0	0	-24,025	-24,025
<b>At 30<sup>th</sup> September 2013</b>	<b>262,670</b>	<b>0</b>	<b>227,542</b>	<b>2,516</b>	<b>-641</b>	<b>13,684</b>	<b>-16,225</b>	<b>489,546</b>

# CONSOLIDATED CASH FLOW STATEMENT

DKK 1,000	9 months to 30 <sup>th</sup> September 2013	9 months to 30 <sup>th</sup> September 2012	Full year 2012
<b>Operating activities</b>			
Operating profit/loss	-2,896	132,943	246,771
Allocated consolidated capitalised interest	1,963	6,223	-3,735
Impairment on exploration and evaluation assets	76,152	15,728	24,261
Relinquishment/Disposal of licences	37,623	379	1,973
Depreciation, depletion and amortisation	71,196	163,438	138,472
Change in inventories	-19,178	-20,423	-12,004
Change in trade and other receivables	15,817	35,988	-13,124
Change in trade and other payables	-72,985	1,966	24,776
Interest income and finance gain	4,217	17,192	2,681
Interest expenses and other finance cost	-9,096	-34,508	-21,427
Income taxes	21,912	0	-21,083
<b>Net cash inflow from operating activities</b>	<b>124,725</b>	<b>318,926</b>	<b>367,561</b>
<b>Investing activities</b>			
Capital expenditure	-352,324	-124,995	-213,574
<b>Net cash outflow from investing activities</b>	<b>-352,324</b>	<b>-124,995</b>	<b>-213,574</b>
<b>Financing activities</b>			
Change in short term debt	0	-20,468	-20,468
Change in long term debt	41,824	13,000	-6,500
<b>Net cash outflow from financing activities</b>	<b>41,824</b>	<b>-7,468</b>	<b>-26,968</b>
<b>Change in cash and cash equivalents</b>	<b>-185,775</b>	<b>186,463</b>	<b>127,018</b>
Cash and cash equivalents at the beginning of the period	242,521	114,313	114,312
Currency translation differences	-3,694	-2,257	1,190
<b>Total cash and cash equivalents at the beginning of the period</b>	<b>238,827</b>	<b>112,056</b>	<b>115,502</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>53,052</b>	<b>298,519</b>	<b>242,521</b>

# NOTES TO THE ACCOUNTS

## ACCOUNTING POLICY

### GENERAL INFORMATION

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

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

The Annual and Consolidated Report and Accounts of the Group as at and for the year ended 31<sup>st</sup> December 2012 are available upon request from the Company's registered office at Yviri við Strond 4, 3<sup>rd</sup> Floor, P.O. Box 1228, FO-110 Tórshavn, Faroe Islands or at [www.petroleum.fo](http://www.petroleum.fo).

This Condensed Consolidated Interim Report is presented in DKK.

### 1 STATEMENT OF COMPLIANCE

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. It does not include all of the information required for full Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> December 2012.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31<sup>st</sup> December 2012.

**3 GEOGRAPHICAL SEGMENTAL ANALYSIS**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2013</b>	<b>9 months to 30<sup>th</sup> September 2012</b>	<b>Full year 2012</b>
<b>Revenues by origin and destination:</b>			
United Kingdom	328,295	437,312	596,745
Norway	0	0	0
Faroe Islands	0	0	0
Other	0	0	0
	<b>328,295</b>	<b>437,312</b>	<b>596,745</b>
<b>Operating profit/loss by origin:</b>			
United Kingdom	78,403	145,444	264,010
Norway	-25,523	0	-2,789
Faroe Islands	-15,231	-11,708	-12,633
Other	-40,544	-793	-1,817
	<b>-2,896</b>	<b>132,943</b>	<b>246,771</b>

**4 COST OF SALE**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2013</b>	<b>9 months to 30<sup>th</sup> September 2012</b>	<b>Full year 2012</b>
Operating cost	110,696	109,198	147,837
Amortisation and depreciation, plant and equipment:			
Oil and gas properties	67,074	167,686	141,134
Produced oil in inventory	-19,178	-19,596	-14,083
	<b>158,592</b>	<b>257,288</b>	<b>274,888</b>

**5 INTEREST INCOME & EXPENSE AND FINANCE GAINS & COSTS**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2013</b>	<b>9 months to 30<sup>th</sup> September 2012</b>	<b>Full year 2012</b>
<b>Interest income and finance gains:</b>			
Short term deposits	64	1,459	2,587
Unwinding of discount on decommissioning provision	0	76	0
Exchange differences	4,153	0	0
	<b>4,217</b>	<b>1,535</b>	<b>2,587</b>
<b>Interest expense and other finance cost:</b>			
Bank loan and overdrafts	6,216	5,199	6,666
Creditors	7	0	9
Unwinding of discount on decommissioning provision	2,501	2,545	7,307
Unwinding of discount on liabilities	258	0	366
Others	114	91	148
Exchange differences	0	11,016	7,204
	<b>9,096</b>	<b>18,851</b>	<b>21,700</b>

**6 TAXATION**

<b>DKK 1,000</b>	<b>9 months to 30<sup>th</sup> September 2013</b>	9 months to 30 <sup>th</sup> September 2012	Full year 2012
<b>Current tax :</b>			
Tax payable in UK	-78	6,016	-23,973
Tax repayable Norway	21,990	0	2,890
<b>Total current tax</b>	<b>21,912</b>	6,016	-21,083
<b>Deferred tax:</b>			
Deferred tax cost in UK	-40,355	-75,190	-143,605
Deferred tax income in UK	0	3,328	4,969
Deferred tax cost in Norway	0	0	-1,279
Deferred tax income in Norway	2,192	0	0
<b>Total deferred tax</b>	<b>-38,163</b>	-71,862	-139,915
<b>Tax on profit on ordinary activities</b>	<b>-16,251</b>	-77,878	-160,998

As at 30<sup>th</sup> September 2013, the Group has a net deferred tax asset of DKK 19.2MM (31<sup>st</sup> December 2012: DKK 15.3MM).

This is made up of the following amounts: Effect of capital allowances in excess of depreciation: DKK 5.1MM (31<sup>st</sup> December 2012: DKK 8.5MM) and effect of tax loss available: DKK 24.3MM (31<sup>st</sup> December 2012: DKK 23.9MM).

The loss can be carried forward indefinitely

**7 GOODWILL**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2013</b>	At 30 <sup>th</sup> September 2012	At 31 <sup>st</sup> December 2012
At 1 <sup>st</sup> January	57,693	37,851	37,851
Additions	0	0	18,856
Exchange movements	-2,708	1,880	987
<b>At end of period</b>	<b>54,985</b>	39,731	57,693

**8 INTANGIBLE ASSETS**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2013</b>	At 30 <sup>th</sup> September 2012	At 31 <sup>st</sup> December 2012
<b>Cost</b>			
At 1 <sup>st</sup> January	17,227	929	929
Additions	2,440	40	16,284
Exchange movements	-1,563	27	14
<b>At end of period</b>	<b>18,104</b>	996	17,227
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	638	244	244
Charge this period	5,404	207	389
Exchange movements	-298	9	5
<b>At end of period</b>	<b>5,744</b>	460	638
<b>Net book value at end of period</b>	<b>12,360</b>	536	16,589

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

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2013</b>	<b>At 30<sup>th</sup> September 2012</b>	<b>At 31<sup>st</sup> December 2012</b>
<b>Cost</b>			
At 1 <sup>st</sup> January	215,777	90,432	90,432
Additions	147,111	53,810	99,359
Additions from Business Combinations	0	0	51,341
Additions moved to development and production assets	-22,310	0	0
Impairment of exploration and evaluation assets	-76,152	0	-23,736
Relinquishment/disposal of licences	-37,550	-17,355	-1,963
Consolidated interest written off	-73	-1,249	-1,410
Exchange movements	-9,340	3,330	1,753
<b>At end of period</b>	<b>217,462</b>	<b>128,968</b>	<b>215,777</b>

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

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2013</b>	<b>At 30<sup>th</sup> September 2012</b>	<b>At 31<sup>st</sup> December 2012</b>
<b>Cost</b>			
At 1 <sup>st</sup> January	943,017	799,633	799,633
Additions	251,208	114,632	123,344
Additions moved from exploration and evaluation assets	22,310	0	0
Exchange movements	-21,126	38,188	20,040
<b>At end of period</b>	<b>1,195,409</b>	<b>952,453</b>	<b>943,017</b>
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	502,175	353,012	353,012
Charge this period	67,074	170,839	140,360
Exchange movements	-9,929	16,775	8,803
<b>At end of period</b>	<b>559,320</b>	<b>540,626</b>	<b>502,175</b>
<b>Net book value at end of period</b>	<b>636,089</b>	<b>411,827</b>	<b>440,842</b>

**11 PROPERTY PLANT AND EQUIPMENT**

<b>DKK 1,000</b>	<b>At 30<sup>th</sup> September 2013</b>	<b>At 30<sup>th</sup> September 2012</b>	<b>At 31<sup>st</sup> December 2012</b>
<b>Cost</b>			
At 1 <sup>st</sup> January	4,993	3,039	3,039
Additions from business combinations	0	0	1,148
Additions	1,044	983	752
Exchange movements	-134	102	54
<b>At end of period</b>	<b>5,903</b>	<b>4,124</b>	<b>4,993</b>
<b>Amortisation and depreciation</b>			
At 1 <sup>st</sup> January	2,437	1,660	1,660
Charge this period	678	531	755
Exchange movements	-36	41	21
<b>At end of period</b>	<b>3,079</b>	<b>2,232</b>	<b>2,437</b>
<b>Net book value at end of period</b>	<b>2,824</b>	<b>1,892</b>	<b>2,555</b>

## 12 DIVIDENDS

No interim dividend is proposed. (30<sup>th</sup> September 2012: DKK nil)

## 13 EARNINGS PER SHARE

	Profit after tax		Weighted average number of shares		Earnings per share	
	30 <sup>th</sup> Sep. 2013 DKK 1,000	30 <sup>th</sup> Sep. 2012 DKK 1,000	30 <sup>th</sup> Sep. 2013 1,000	30 <sup>th</sup> Sep. 2012 1,000	30 <sup>th</sup> Sep. 2013 DKK	30 <sup>th</sup> Sep. 2012 DKK
<b>Basic</b>						
<b>3 months to 30<sup>th</sup> Sep.</b>	<b>-21,567</b>	15,994	<b>2,627</b>	2,496	<b>-8.21</b>	6.41
<b>Diluted</b>						
<b>3 months to 30<sup>th</sup> Sep.</b>	<b>-21,567</b>	15,871	<b>2,627</b>	2,496	<b>-8.21</b>	6.36
<b>Basic</b>						
<b>9 months to 30<sup>th</sup> Sep.</b>	<b>-24,025</b>	37,749	<b>2,627</b>	2,496	<b>-9.15</b>	15.12
<b>Diluted</b>						
<b>9 months to 30<sup>th</sup> Sep.</b>	<b>-24,025</b>	37,626	<b>2,627</b>	2,496	<b>-9.15</b>	15.07

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

## 14 OWN SHARES

	At 30 <sup>th</sup> Sep. 2013	At 30 <sup>th</sup> Sep. 2012	At 31 <sup>st</sup> December 2012
<b>DKK 1,000</b>			
At 1 <sup>st</sup> January	0	27,306	27,306
Acquired in the period	263	0	9,450
Sold in the period	-263	0	-36,756
<b>At end of period</b>	<b>0</b>	<b>27,306</b>	<b>0</b>

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

The companies have share option schemes under which options have been granted to the CEO and members of employees and management, for shares in the parent company. The options are capable of vesting after a three year period subject to continued employment and meeting stretching corporate performance conditions.

	At 30 <sup>th</sup> September 2013		At 31 <sup>st</sup> December 2012	
	Number of options	Weighted average exercise price DKK	Number of options	Weighted average exercise price DKK
Movements during the period				
<b>Outstanding at 1<sup>st</sup> January</b>	22,352	169.50	0	0
Granted during the period	21,804	157.50	22,352	169.50
Forfeited during the period	0	0	0	0
Exercised during the period	0	0	0	0
Expired during the period	0	0	0	0
<b>Outstanding at end of period</b>	<b>44,156</b>	<b>163.57</b>	<b>22,352</b>	<b>169.50</b>
<b>Exercisable at end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The range of exercise prices for options outstanding at the end of the year was DKK 157.50 to DKK 169.50.

The weighted average contractual life for the share options outstanding as of 30<sup>th</sup> September 2013 is 2.53 years (2012: 2.23 years).

The weighted average fair value of the options granted during the year is DKK 146.00.

The fair value of one of these LTIP awards awarded in 2012 is DKK 184.24 and in 2013 it is DKK 146.00. Please note that the fair value is more than 100% for the 2012 awards accordingly 93% for the 2013 awards of the share at grant as a result of the LTIP Schemes share price multiplier potentially permitting up to three times the number of initial awards to vest. This results in a total charge of DKK 7,241,101, which will be accounted for as follows:

Charges to the income statement DKK 1,000	LTIP awarded 2013	LTIP awarded 2012	Total
2012 Charges	-	1,061	1,061
2013 Charges	709	1,373	2,082
2014 Charges	1,040	1,373	2,413
2015 Charges	1,040	312	1,352
2016 Charges	333	-	333
<b>Total</b>	<b>3,123</b>	<b>4,118</b>	<b>7,241</b>

Inputs to the models	LTIP awarded 2013	LTIP awarded 2012
Dividend yield in %	0.00	0.00
Expected volatility in %	34.50	39.63
Risk-free interest rate in %	0.24	0.43
Date of grant	26 <sup>th</sup> April 2013	24 <sup>th</sup> March 2012
Expected life of share options in years	3	3
Share price at grant in DKK	157.50	169.50
Model used	Monte Carlo	Monte Carlo
Number of options awarded	21,804	22,352

## 16 CAPITAL COMMITMENTS AND GUARANTEES

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

P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations its wholly owned subsidiary Atlantic Petroleum UK Ltd has in connection with the share purchase agreement with the vendors of the entire issued share capital of Volantis Exploration Ltd.

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

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

P/F Atlantic Petroleum has provided guarantees on behalf of Atlantic Petroleum Norge AS to DnB the lender of the bank credit facility established in March 2013 to finance the Company's growth plans in Norway. P/F Atlantic Petroleum has provided a parent guarantee to fulfil all obligations Atlantic Petroleum UK Ltd has in connection with the farm-in agreement with Summit Petroleum Ltd regarding UK Licence P1556, block 29/1c.

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

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

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

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

- (i) shares in Atlantic Petroleum UK Ltd
- (ii) receivables from Atlantic Petroleum UK Ltd
- (iii) charge over proceeds from insurance coverage

The Company has provided lender with a negative pledge and investment in new ventures shall be endorsed by the lender.

The Group had capital expenditure committed to in 2013, but not provided for in these accounts at 30<sup>th</sup> September 2013 of approximately DKK 24MM. The capital expenditure is in respect of the Group's interests in its exploration and evaluation licences.

The Group had capital expenditure committed to in 2013, but not provided for in these accounts at 30<sup>th</sup> September 2013 of approximately DKK 21MM. The capital expenditure is in respect of the Group's interests in its development and production licences.

## 17 CONTINGENT CONSIDERATIONS

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

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

## 18 RELATED PARTY TRANSACTIONS

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

# GLOSSARY

Appraisal well	A well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field.
BOEPD	Barrels of Oil Equivalent per Day
BOE	Barrels of Oil Equivalent
BOPD	Barrels of Oil per Day
DECC	UK Department of Energy & Climate Change
DKK	Danish kroner. The currency used in the Kingdom of Denmark
EBIT	Earnings before Interest and Taxes (Operating Profit)
EBITDAX	Earnings before Interest, Taxes, Depreciation, Amortizations and Exploration Expenses
EBIT Margin	% (Operating Margin) (EBIT/Sales)
EBITDAX Margin	% (EBITDAX/Sales)
Exploration	A general term referring to all efforts made in the search for new deposits of oil and gas.
Exploration well	A well drilled in the initial phase in petroleum exploration
Farm out	A contractual agreement with an owner who holds a working interest in an area to assign all or part of that interest to another party in exchange for payment or fulfilling contractually specified conditions.
FDP	Field Development Plan
FPSO	A Floating Production, Storage and Offloading unit used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil.
Gross Margin	% (Gross profit or loss/Sales)
Lead	Areas thought to contain hydrocarbons.
Ltd	A limited liability company
MM	Million
Monte Carlo	The Monte Carlo method approximate solutions to quantitative problems by employing statistical sampling that calculates a representative range of resulting values. Monte Carlo simulation results are pre-determined by the possible values of the underlying input variables, which can encompass multiply source of uncertainties.
NCS	Norwegian Continental Shelf
Net Cash	Cash and cash equivalents less Short & Long Term Debt
Oil field	An accumulation of hydrocarbons in the subsurface.
Prospect	An area of exploration in which hydrocarbons have been predicted to exist in economic quantity.
Return on Equity	(ROE) (%) (Profit for the period excl. Minorities/Average Equity excl. Minorities)
ROE	Return on Equity
Spud	To start drilling a well
TSR	Total Shareholder Return
Water injector well	A well into which water is pumped in order to increase the yield of adjacent wells
Wildcat	An exploration well drilled in an unproven area to find out whether petroleum exists in a prospect.

# CONTACTS

## HEADQUARTER

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## SUBSIDIARIES

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

For subsidiary's contact details please see company website