

P/F Atlantic Petroleum

Condensed Consolidated Interim Report

For the 3 months ended 31 March 2008

DKK

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

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

We consider the accounting policies used to be appropriate, such that the interim report gives a true and fair view of the Group’s assets, liabilities and financial position at 31 March 2008, and of the results of the Group’s operations and cash flow for the period 1 January – 31 March 2008.

Tórshavn, 23 May 2008

Kjartan Hoydal, Chairman

Poul R. Mohr

Z. Óli A. M. Hammer

Mortan H. Johannesen

Petur Even Djurhuus

Managing Director:

Wilhelm E. Petersen

Auditor's Review Report

To the shareholders of P/F Atlantic Petroleum

According to agreement with the Company's Board of Directors, we have reviewed the accompanying condensed consolidated interim balance sheet of P/F Atlantic Petroleum and its subsidiaries as of 31 March 2008, and the related condensed consolidated statements of income and cash flows and notes for the three months then ended 31 March 2008.

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

Basis of opinion

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

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Report does not give a true and fair view of the financial position of the Group as of 31 March 2008, and of the results of its operations and its cash flows for the three months ended 31 March 2008 in accordance with International Financial Reporting Standards 34 "Interim Financial Reporting" as adopted by the European Union.

Tórshavn, 23 May 2008

P/F Grannskoðaravirkið *INPACT*

State Authorized Public Accountants

Jógvan Amonsson

State Authorized Public Accountant

Consolidated Income Statement

For the period ended 31 March 2008

		3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
	Note		
Revenue		0	0
Cost of sales		0	0
Gross profit		0	0
Exploration expense		-106,265	-4,291
Pre-licence exploration costs		-195,484	-654,338
General and administration costs		-4,666,907	-2,431,384
Other operating income		17,200	16,660
Operating profit	3	-4,951,456	-3,073,353
Interest revenue and finance gains		178,717	1,259,088
Interest expenses and other finance costs	4	-29,448,091	-2,287,817
Profit before taxation		-34,220,830	-4,102,082
Taxation	5	0	0
Profit after taxation		-34,220,830	-4,102,082
Earnings per share (DKK):			
Basic	12	-30.40	-3.64

Statement of Total Recognised Income and Expenses

For the period ended 31 March 2008

	3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
Profit for the period	-34,220,830	-4,102,082
Exchange rate differences	6,422,315	69,056
Fair value adjustment on securities available for sale for the period	-1,087,275	274,186
Changes in comprehensive income in the period	-28,885,791	-3,758,840

Consolidated Balance Sheet

As at 31 March 2008

		At 31 March 2008 DKK	At 31 December 2007 DKK
	Note		
Non-current assets			
Intangible exploration and evaluation asstes	6	74,767,092	74,046,618
Development and production assets	7	318,071,461	312,689,287
Property plant and equipment	8	759,021	526,986
		393,597,575	387,262,891
Current Assets			
Receivables	9	6,258,319	11,916,511
Securities available for sale		5,727,124	6,814,400
Cash and cash equivalents		4,358,326	4,865,710
		16,343,769	23,596,621
Total assets		409,941,344	410,859,512
Current liabilities			
Short term debt		123,869,350	29,272,288
Trade and other payables	10	52,116,036	64,858,003
Short term provision		11,244,240	12,177,360
		187,229,626	106,307,651
Non current liabilities			
Long term debt		0	51,151,469
Long-term provisions		24,317,080	26,248,381
		24,317,080	77,399,850
Total liabilities		211,546,706	183,707,501
Net assets		198,394,639	227,152,011
Equity			
Share capital		112,573,000	112,573,000
Share premium account		207,969,117	207,969,117
Translation reserves		11,127,012	4,704,697
Retained earnings		-133,274,490	-98,094,803
	13	198,394,639	227,152,011

Consolidated Cash Flow Statement

For the period ended 31 March 2008

	3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
Operating activities		
Operating profit	-4,951,456	-3,073,353
Impairment on non-current assets	101,180	0
Depreciation, depletion and amortisation	47,008	28,006
Warrant based payment	128,420	125,998
Decrease/(increase) in trade and other receivables	-1,166,932	-2,407,509
(Increase)/decrease in trade and other payables	6,684,108	4,273,856
Interest revenue and finance gains received	177,808	2,739
Interest expenses and other finance costs paid	-2,971,882	-36,723
Income taxes paid	0	0
Net cash from operating activities	-1,951,746	-1,086,986
Investing activities		
Capital expenditure	-42,309,450	-24,660,443
Net cash from investing activities	-42,309,450	-24,660,443
Financing activities		
Increase in short term debt	94,597,063	-17,192,190
Decrease in long term debt	-51,151,469	0
Realised securities	0	500,000
Net cash from financing activities	43,445,594	-16,692,190
Increase/Decrease in cash and cash equivalents	-815,603	-42,439,619
Cash and cash equivalents at the beginning of the period	4,865,710	173,017,834
Currency translation differences	308,219	-255,473
Cash and cash equivalents at the end of the period	4,358,326	130,322,743

Notes to the Accounts

Accounting Policy

General information

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

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

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

This Condensed Consolidated Interim Report is presented in DKK.

1. Statement of compliance

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

2. Significant accounting policies

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

3 Geographical segmental analysis

	3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
Revenues by origin and destination		
Faroe Island	0	0
United Kingdom	0	0
Ireland	0	0
	0	0
Operating profit/(loss) by origin		
Faroe Island	-931,942	-230,893
United Kingdom	-3,790,078	-2,662,522
Ireland	-229,436	-179,938
	-4,951,456	-3,073,353

4 Interest revenue and finance costs

	3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
Interest revenue and finance gains:		
Short term deposits	103,028	1,249,730
Exchange differences	75,689	1,858
Realised gains on securities	0	7,500
Other finance income	0	0
Dividend	0	0
	178,717	1,259,088
Finance expenses and other finance costs:		
Bank loan and overdrafts	-2,076,849	-18,750
Unwinding of discount on decommissioning provision	0	0
Long-term debt arrangement fees	-728,545	0
Others	-17,594	-9,209
Exchange differences	-28,084,282	-2,259,857
Gross finance costs and other finance expenses	-30,907,271	-2,287,817
Interest and debt arrangement fee capitalised during the period	1,459,180	0
	-29,448,091	-2,287,817

5 Taxation

	3 months to 31 March 2008 DKK	3 months to 31 March 2007 DKK
Current tax :		
Faroese corporation tax	0	0
Overseas tax on dividend	0	0
Total current tax	0	0
Deferred tax:		
Faroese corporation tax	0	0
Overseas petroleum tax	0	0
Overseas tax	0	0
Total deferred tax	0	0
Tax on profit on ordinary activities	0	0

As at 31 March 2008, the company has a net deferred tax assets of DKK 58.2 million which has not been recognised in the company's accounts.

This is made up of the following amounts:

Effect of capital allowances in excess of depreciation: DKK 132.3 million

Effect tax losses available : DKK 190.5 million

The losses can be carried forward indefinitely.

6 Intangible exploration and evaluation assets

	At 31 March 2008 DKK	At 31 December 2007 DKK
Costs		
At 1 January	74,046,618	23,932,256
Exchange movements	-2,465,362	-1,619,057
Additions	3,287,017	83,243,282
Disposal of licence	0	-953,724
Exploration expenditures written off	-101,180	-30,556,139
At 31 March	74,767,092	74,046,618

7 Development and production assets

	At 31 March 2008 DKK	At 31 December 2007 DKK
Costs		
At 1 January	312,689,287	156,295,575
Exchange movements	-23,888,601	-13,452,666
Additions	29,270,776	169,846,378
At 31 March	318,071,461	312,689,287

8 Property plant and equipment

Costs		
At 1 January	526,986	594,556
Additions	279,043	311,586
Depreciations	-47,008	-379,156
At 31 March	759,021	526,986

9 Receivables

Prepayments	1,175,120	4,556,646
Other taxes and VAT receivables	905,292	763,070
Other receivables	4,177,907	6,596,795
	6,258,319	11,916,511

10 Trade and other payables

Trade payables	28,834,375	28,404,850
Accruals	23,264,583	36,436,076
Other payables	17,077	17,077
	52,116,036	64,858,003

11 Dividends

No interim dividend is proposed. (31 March 2007: DKK nil)

12 Earning per share

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

Basic earnings per share are calculated as follows:

	Profit after tax		Weighted average number of shares		Earnings per share	
	31-mar 2008 DKK	31-mar 2007 DKK	31-mar 2008	31-mar 2007	31-mar 2008 DKK	31-mar 2007 DKK
3 Months to 31 March	-34,220,830	-4,102,082	1,125,730	1,125,730	-30.40	-3.64

13 Consolidated statement of changes in equity

	Share capital DKK	Share premium account DKK	Retained earnings DKK	Translation reserves DKK	Total DKK
At 1 January 2007	112,573,000	207,969,117	-23,933,899	68,725	296,676,943
Issuance of warrants	0	0	1,017,348	0	1,017,348
Fair value adjustment on securities available for sale	0	0	895,724	0	895,724
Translation reserves	0	0	0	4,635,972	4,635,972
Total recognised income	0	0	-76,073,976	0	-76,073,976
At 1 January 2008	112,573,000	207,969,117	-98,094,803	4,704,697	227,152,010
Issuance of warrants	0	0	128,420	0	128,420
Fair value adjustment on securities available for sale	0	0	-1,087,275	0	-1,087,275
Translation reserves	0	0	0	6,422,315	6,422,315
Total recognised income	0	0	-34,220,830	0	-34,220,830
At 31 March 2008	112,573,000	207,969,117	-133,274,490	11,127,012	198,394,639

14 Capital commitments and guarantees

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

1. A security is provided that Atlantic Petroleum P/F can always provide the necessary finance to enable Atlantic Petroleum UK Ltd. to fulfil its obligations in the UK area.
2. A security is provided that Atlantic Petroleum P/F will not change Atlantic Petroleum UK Ltd.'s legal rights, so that this company can not fulfil its obligations
3. A security is provided that if Atlantic Petroleum UK Ltd. fails to fulfil its financial obligations, Atlantic Petroleum P/F will undertake to do so.

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

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

The Group had capital expenditure committed but not provided in these accounts at 31st March 2008 of approximately DKK 265 million. The capital expenditure is in respect of the Group's interests in its exploration, development and production licences.

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

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

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

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

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

15 Contingent consideration

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

16 Events after the balance sheet date

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

The 21st April 2008 Atlantic Petroleum announced that it had spudded the 20/2a-8 Blackbird exploration well on Licence P.317. The well lies approximately 5 km south of the Ettrick Field in a water depth of 371 feet and is being operated by Nexen Inc.

The well will test an Upper Jurassic Ettrick sandstone target. The well will also test a deeper Upper Jurassic Buzzard aged sandstone target. The well is being drilled by the Glomar Arctic IV semisubmersible rig.

The drilling operation, on a dry hole basis, is expected to take approximately two months.

Partners in the licence are Nexen (operator) 79.73%, Bow Valley 12% and Atlantic Petroleum 8.27%.

The 16th May 2008 Atlantic Petroleum announced that it had employed Sigurð í Jákupsstovu as Technical Manager with responsibility for the Company's production and exploration activities. Until the end of 2007, Sigurð í Jákupsstovu was the Managing Director of Jarðfeingi, the Faroese Directorate of Geology and Energy. Prior to this he was employed by Maersk Oil and Gas from 1994 to 1998 and by Atlantic Petroleum from 2001 to 2003. His educational background is civil engineering and he has a Ph.D. in reservoir modelling.

Apart from this no other significant events have occurred which would require disclosure or adjustment to the 31st March 2008 Condensed Consolidated Interim Report.

On 23rd May 2008 the Board of directors reviewed the Condensed Consolidated Interim Report and authorised it for publication.

Offices

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