Opportunities for Growth

Annual Report & Accounts
Year Ended 31 December 2013
We are Bahamas Petroleum Company

An oil and gas exploration company with a substantial offshore licence position exclusively in the Commonwealth of The Bahamas that we believe has the potential to deliver world-class multi-billion barrel fields.

Attractive Fundamentals

World-scale prospects: Multi-billion barrel potential based on 2D and 3D seismic, modest water depth.

Technically derisked: Extensive database, Competent Persons’ Report (CPR) and exploration well designed.

Advantageous geography: Proximate to US markets/infrastructure, contractors and suppliers.

Fiscal terms and regulatory regime: Royalty regime with stable regulatory framework, 100% owned.

Forging Relationships

We continue to work closely with the people of The Bahamas to give a clear understanding of the integrity of the Company’s operations and the potential benefits a commercial oil discovery could bring the country and its people.

Read more pages 12-15

Ready Technically

The geological and geophysical studies are substantially complete; from a G&G standpoint we are “drill ready”.

Read more pages 16-25

Sustainable Processes

We are intent on utilising international best practices in our exploration and drilling operations and are committed to conducting an environmentally responsible and safe exploration drilling programme.

Read more pages 26-31

Exploration and Operations

- Competent Persons’ Report (CPR) and Company review confirm numerous play systems with multiple billion barrel potential.
- Over > 8,000 km 2D seismic data on workstation underpins lead identification.
- > 3,000 km² 3D seismic data drives prospect definition.
- Risk reduction work on seal, reservoir and well execution.
- Well costing reworked and substantially reduced.
- Work programme largely defined, multiple potential well locations now defined – “drill ready”.

3,075 km²

3D data defines prospect inventory
The Bahamas is an enchanting archipelago of 700 islands and cays, which Ernest Hemingway called ‘Islands in the Stream’. The nearest to our operations are the uninhabited Guinchos Cay and the islands that constitute Cay Sal. The island of Andros lies some 80 miles to the north-east of the most likely well location, with the closest inhabited land being that of Cuba, some 25 miles away.

Government and Environment
- Strengthened and modernised industry regulations now before cabinet.
- Bahamas Government decision to enable exploratory drilling to proceed without a referendum.
- All licenses renewed through 2016/7.
- Obligation to commence exploration well reiterated.
- Licence boundaries extended to Bahamian international boundary with Cuba.
- All licence applications consolidated as 100% BPC.
- Environmental impact assessment accepted.
- Environmental sensitivity maps completed.

Financial and Corporate
- Total aggregate cash spent to date of over US$80 million (US$46.4 million capitalised exploration).
- Cash balance at year end US$15.0 million. A substantial cash balance projected to remain at end 2014.
- Appointment of new Non-Executive Chairman – Bill Schrader, seasoned oil industry veteran.
- Appointment of former Finance Minister of State for The Bahamas, James Smith as Non-Executive Director.
- BISX listing sought through Bahamian Depository Receipts (BDR) prospectus submitted.
- Interest from potential partners, active data room process.

Licences
Renewed and second exploration period begins

US$15.1 million
Cash balance at year end – prudent financial management
At a Glance

Bahamas Petroleum Company is focused on evaluating and realising the potential of a wide range of carbonate reservoir systems contained in operated leases in Bahamian waters.

Our Strategy

Maximise value growth from oil/gas potential in Bahamian licences:
- **Technical**: Maximise reserves declaration, exploit carbonate expertise regionally.
- **Costs**: Leverage equity position to minimise future demands on shareholders.
- **Commercial**: Maintain maximum access to upside whilst retaining adequate control of licences. Ensure wealth and opportunity creation for Bahamian people and nation.

Highlights

- **World-scale prospects**: Multi-billion barrel potential based on 2D and 3D seismic, analogue data and offset wells.
- **Technically derisked**: Extensive database, Competent Persons’ Report (CPR) and exploration well designed. Drill-ready.
- **Advantageous geography**: Proximate to US markets/infrastructure, contractors and suppliers. Modest water depth.
- **Fiscal terms and regulatory regime**: Royalty regime with stable regulatory framework, 100% owned. Leverages value upside.

Asset Base

- Total acreage >4 million acres (16,000 km²), or equivalent to 682 Gulf of Mexico OCS lease blocks.
- 5 offshore licenses (one in north – Miami; four co-joined in the south – Bain, Cooper, Donaldson and Eneas).
- 12 year exploration period commenced 2007 (now with extensions); 30 year production lease entitlement on discovery.
- Initial three-year period (extended to 5 years - 2011) obligation exceeded with 2D and 3D seismic.
- Second exploration period requires well to be drilled.
- Miami licence exhibited gas potential, roughly 100 miles offshore city of Miami.
- Southern licences targeting adjacent working analogues (with existing production) in Florida (Sunniland trend), Northern Cuba and Mexico (Golden Lane).

World-Class Prospects

- All historical data/reports, geochemistry, core, cuttings and thin—sections (3 most recent wells); all historic 2D (8,000 km) collated/acquired – equivalent current-day acquisition cost c. $0.5 billion.
- Data established hydrocarbons in historic wells throughout the Bahamas, focused through the Aptian and Albian sections associated with viable seals.
- Extensive technical work undertaken focused on the four southern licences; established the provenance of the petroleum systems, assessing individually source, maturity and migration, reservoir and seal.
- Stacked play systems exist from Jurassic clastics, to megabank and reef systems throughout the entire Cretaceous with later talus structures and stratigraphies – totaling over 20,000 feet (6,000 m) of section.
- Modern day 2D seismic (1,100 line km) led to a CPR by RyderScott in 2011, concluding risked potential in excess of a billion barrels at between 25% and 33% CoS – excluding deeper potential (pre-mid Aptian).
- Subsequent 3D in 2012-2013 (3,000 km²) further improved technical derisking, prospect definition, delivered a FEED study by Transocean based on a Fold B crestal well location targeting stacked play systems.
- Specific structures have been mapped at over 70 km long, with vertical relief up to 1,000m and areal extents between ~300 and 400 km² – equivalent in scale/play type to Middle East accumulations.
- The modest water depths at 500m (1,500 feet) mean lower cost, shallow water drilling rigs can be used.
- Environmental requirements have been discharged with completion and approval of an extensive EIA.
Islamorada
Zapata
Falcones
Andros
Bain
Cooper
Donaldson
Eneas
Santaren
Miami

U.S. EEZ Maritime Boundary

Historic Wells in Bahamas

Anticipated Bahamas Petroleum Company well location

Image: © Google Maps

CUBA
FLORIDA

50 ml
100 km

100% Bahamas Petroleum Company granted licences
100% Bahamas Petroleum Company applications: Pending
Licence area adjusted – equivalent area to be relinquished to be determined

Historic Wells in Bahamas

Historic Wells in Bahamas

Historic Wells in Bahamas
I am very pleased to take this opportunity to introduce myself to the shareholders of Bahamas Petroleum Company and to have a chance to share my thoughts on BPC’s potential, why I made the decision to join the board, and what I intend to contribute to the Company.

I will start with the geology. Over 30 years in the oil & gas business has convinced me that if the ‘rocks’ are not right, the business will struggle. In any frontier exploration situation there will always be a residual level of technical risk that can only be mitigated through drilling – and the Bahamas is no exception. If the technical risk was much smaller, the prospects identified would probably have been drilled many years ago and we would not be presented with such an opportunity. There have been previous petroleum exploration wells drilled in the Bahamas – all drilled safely, and all of them, to varying degrees, encountering hydrocarbons. Each of these previous wells, however, was drilled in much shallower water than our current focus, being limited at the time by the exploration tools and rig technology available. Our Company believes that, due to these constraints, none of the historic wells were drilled on valid structures and therefore the true viability of the hydrocarbon potential of the Bahamas was not tested.

By contrast, BPC is taking advantage of modern technology by acquiring 3D seismic over areas that previously could not have been drilled by the then available rigs. We are using the results to target what appear to be valid hydrocarbon prospects. We know the rocks in Cuban waters are generating oil; the rocks onshore Florida are generating oil; the same rock types are present in the Bahamas, and potentially viable structures have been located within the Company’s licensed acreage. The structures revealed are potentially huge, and await our proving the presence of commercial hydrocarbons by drilling of the first well.

As professionals and observers of the oil & gas business know, the political environment in which one operates is as critical as the resource base. Having met Prime Minister Christie on my first trip to Nassau I am confident of his commitment to the full assessment and subsequent delivery of the hydrocarbon potential of the Bahamas. Indicative of support from the current administration is the progress made within the last year with the renewal of our licenses, the obligation to commence drilling, and the extension of the license boundaries. Some have suggested that progress could have been faster, but this is a new industry, in a tourist-based economy, living in almost the direct shadow of the tragic Gulf of Mexico incident.

It is no small wonder people demand things be done properly, and take the time required to ensure that. As an inevitable consequence, our industry asks questions about the pace and ability to do business in such a cautious context. This is one of our priority tasks – achieving an industry partnership to help finance the first exploration well targeted on a valid structure in the Bahamas. My full support is behind the efforts of management to bring this about.

Our focused strategy combined with good assets, a supportive government, and skilled people, will combine to realise true value.
It takes experienced, capable and motivated people to make it all come together. There is no substitute for a team that has ‘been there before’. The technical staff involved today, and indeed through the Company’s history, have had the right balance of entrepreneurial determination and specialist technical insight to not get carried away by ‘believing their own story’. I met Alan Burns, the founder of the Company, a number of years ago, and I worked for many years with the current CEO, Simon Potter. Whilst Alan is no longer with us, he established a solid footing for the company and both he and Simon have an enviable track record of professional delivery. This combined with the young, enthusiastic and well-qualified Bahamian team I met in the Nassau office, leave me confident that the Company has a strong foundation and a good mix of experience, ability and enthusiasm to face the current and future challenges with both professionalism and fortitude. I am privileged to have been involved at the outset of a number of nation-building projects in Africa and Asia. My view is that there is no more stimulating or challenging place to be in this industry than in at the beginning, ensuring that exploration potential truly realises value both for shareholders as well as for the national populations; today, and for generations yet to come.

Our focused strategy combined with good assets, a supportive government, and skilled people, will combine to realise true value. In concentrating our resources on assets in the Bahamas, there will be no diversion of the attention of management or diminution of the cash base by other projects; everyone is singularly focused on the job before us. There is no wondering whether the grass is greener on the other side. Our team have ‘hit’, and decided to ‘stay’. The asset base that we have already accessed is global in scale, risk tested, and drill ready, and I agree with management that attempting to access anything else even remotely competitive in scale, potential or maturity would be expensive, dilutive, and ultimately threaten delivery of today’s core assets.

In joining the BPC board, it was important for me to satisfy myself that I can add value for you as shareholders through my contributions.

Notwithstanding all of the above; the world-class assets, the focused strategy, the experienced management, the strong team, and the stable and supportive government context, the Company still has to deliver a cost-effective, technically robust and funded exploration well program. My commitment to you as shareholders is that I will seek to bring this about by applying my experience in the support of the management, by providing robust challenge of their assumptions, systems and processes and ensuring, with the rest of the Board, that we maintain an appropriate system of governance essential in managing the combination of technical, commercial and execution risks we have before us.

I have every confidence that we will be successful and I look forward to the next year working on your behalf.

Thank you,

Bill Schrader
Non-Executive Chairman
July 2014

“This is one of our priority tasks – achieving an industry partnership to help finance the first exploration well targeted on a valid structure in the Bahamas. My full support is behind the efforts of management to bring this about.”
Oil & Gas Activity in The Bahamas is not new

Five deep oil exploration wells have been previously drilled in The Bahamas, safely and without major incident. Numerous other wells have been drilled in adjacent territorial waters.

Over the past years Bahamas Petroleum Company has accumulated all the available core samples and chippings from the Great Isaac and Doubloon Saxon wells. New petrophysics have been run and new log interpretations have been generated using modern techniques. All other available regional data has been purchased including gravity, magnetics and detailed geochemical analysis from piston core samples of the seabed. Historic 2D seismic has been reprocessed, and new 3D acquired.

All wells shown on the section (see map bottom right) indicate the presence of hydrocarbons, and most demonstrate live oil shows. The Doubloon Saxon well, where the Company has obtained the drilled core sections, has significant evidence of hydrocarbons, especially in the deeper section of the well.

Further, in this well there is good evidence of high energy oolitic limestone and fractured dolomite potential reservoir units displaying good porosity in both the logs and the recovered core samples. These units are repeatedly interbedded with anhydrite potential seal intervals. As many as 20 individual reservoir units have been identified from the Doubloon Saxon well with many as thick as 200 feet over a total gross interval of some 1,400 feet.

Logs from the wells indicate that they are normally pressured although distinct zones of lost circulation were experienced as might have been anticipated from wells drilling these lithologies. Whilst there is clear evidence of a working hydrocarbon system no wells were flowed, thus to date there has been no assessment of the commercial viability of these accumulations.

“All historic wells indicate the presence of hydrocarbons and live oil shows.”

The extensive historic work, including that undertaken by The Company has enabled the identification of a number of world-class, multi-billion barrel plays and advanced us to a position of being ready to drill.

This is a section across the region showing major rock types and oil shows derived from wells drilled in The Bahamas as well as the Cayo Coco well drilled in Cuba and a historic well drilled in the Florida Keys.

Previous Wells Drilled – Core and Log Interpretation.
In Bahamian waters the incremental risk associated with new drilling is modest in the context of the risk profile that already exists.

The region is crossed by many international shipping lanes, the Old Bahama Channel alone carrying three million barrels (over 120 million gallons) a day, which is likely to increase. Regular inter-island transport carries fuel through narrow, shallow seaways. There is considerable existing oil production activity nearby in Florida and Cuba and associated refining and terminal capacity. There is also considerable storage and trans-shipment facilities in The Bahamas, most notably the BORCO facility in Grand Bahama, which is the largest in the Caribbean region, and global in scale.

Each of these major activities are heavily regulated in Cuba, the United States and The Bahamas. The Bahamas Government is a signatory to many international codes of practice, conventions and cooperative agreements including MARPOL, OPRC and OSPR, as well as specific maritime legislation. The Bahamas has its own oil spill contingency planning coordination group and is a member of the regional Caribbean coordinated response group. Bahamas Petroleum Company is already a member of the Oil Spill Response Group (formerly CCA), with access to their global resources.

Over and above this The Bahamas Government has recently announced that it has placed before Cabinet modernised and strengthened regulations to govern oil exploration activity. It is anticipated that these regulations will combine best practices identified in a variety of leading jurisdictions – including new procedures and equipment requirements adopted post the Gulf of Mexico incident – to reflect the most up-to-date risk management practices and mandate the use of the best technology suitable – including capping stack and/or top hat technologies. A recent Bahamian Government delegation to Havana highlights the level of cooperation between the respective regional governments and the premium placed on the coordination of regulatory regimes and response activities.

“Extensive oil activity and infrastructure in the region; modernised and strengthened regulatory regime; global best practice.”

The Bahamas is a globally competitive location for oil-related activities. It has considerable experience, a strong regulatory environment, appropriate oversight and existing infrastructure.

Bahamas Oil Refining Company International Limited (BORCO) at Freeport Industrial Port, Bahamas, is the largest oil storage facility in the Caribbean.
We have a singular objective at Bahamas Petroleum Company – to commence drilling on our exciting, highly prospective licences located in the southern waters of The Bahamas, adjacent to the Cuban border. Your Company believes it has access to what could potentially be a world-class, multi-billion barrel petroleum resource. The first step in realising that potential will be to responsibly and safely drill an off-shore exploration well – the first in The Bahamas in nearly 30 years and thus the first to harness the benefits of modern technology.

This might sound simple, but activity of this type is complex and costly, and, most especially after the Gulf of Mexico tragedy, requires the simultaneous management and coordination of a number challenging regulatory, operational, commercial and financial factors. The extent of progress towards our objective is not always immediately obvious to shareholders, and certainly the pace of progress towards initiating drilling has been slower than management envisioned, or than shareholders expect.

Nevertheless, the last year has been one of considerable progress for Bahamas Petroleum Company, on many fronts.

**Regulatory:**

At the start of 2013, the Company faced a number of regulatory challenges: (i) the Government of The Bahamas had previously announced it might seek a referendum on industry activities, (ii) the Company's existing licences needed to be renewed, and (iii) Bahamian regulations as they pertain to petroleum exploration had been identified by the Company (and the Government) as needing strengthening in order for this opportunity in the Bahamas to remain a globally attractive proposition.

The ability to undertake any drilling activity in the future was entirely dependent on a resolution of these matters – none of which are directly in the control of the Company. Seeking an unambiguous mandate on these matters has thus been a top priority for the Company, and it is pleasing to report significant progress in this regard:

(i) In March 2013, the Government of The Bahamas announced it would not pursue a referendum, deciding instead to first acquire the data required to make an informed decision on energy development, prior to any form of public consultation (if any). This decision removed crucial uncertainties and provided clarity and direction for future decisions by the Government, the Company and potential partners.

(ii) In July 2013, BPC received notification that the statutory term for the five licences held by the Company had each been renewed and extended for at least a further three years, with an obligation to commence the drilling of an exploration well by April 2015. As a further part of this renewal the southern boundary of the four southern licences are to be adjusted to conform to the maritime boundary between The Bahamas and Cuba, thus providing clear tenure over the full extent of the existing mapped structures.

“Business fundamentals are sound; the Company is well funded; a Competent Person’s Report and Company analysis highlight a substantial resource base; licences have been renewed; regulations are to be strengthened; and, our Environmental Impact Assessment is accepted.”
(iii) The Company has been co-operating with, and continues to work closely with, the Government on updating the Bahamas petroleum industry environmental and safety regulations. It has recently been reported that these regulations, which will provide a modern framework to manage and govern industry activities, are now before Cabinet for consideration, and it is hoped that these will soon be available for public consultation and adopted soon thereafter.

These milestones now provide a very clear mandate for the Company and our planned activities going forward.

**Operational:**

Over the course of several years your Company has undertaken a huge body of technical and environmental work. This has included having located and obtained all relevant geological, geochemical and geophysical data related to the hydrocarbon potential of The Bahamas as well as having completed and had accepted a comprehensive Environmental Impact Assessment. The end-product is a coherent picture sufficiently defined to identify individual drill-ready prospects which, in the success case, would be capable of supporting significant commercial hydrocarbon production. This prospect definition and risk mitigation work continued during 2013, and remains ongoing in 2014.

In totality, the work completed has substantially de-risked technical aspects of the project. In particular, we have established that the source, faulted migration pathways, reservoir and seal in the (deeper) targeted sections of the early Cretaceous are in close juxtaposition – key components for successful exploration. A Competent Persons’ Report (CPR) was obtained that indicates the scale of the structures and the multi-billion barrel resource potential of the stacked plays, all of which has been reinforced through the 3D seismic interpretation work completed in 2013.

“During 2013 work continued to ensure that the company will be in a strong operational position to commence drilling as soon as possible. Prospects of global scale are drill-ready.”

In order to ensure that prospects are drill-ready a FEED study has been completed for a well location at the crest of Fold B at the southern end of the structure. More recently, the Company has comprehensively reworked anticipated drilling costs. These have now been substantially reduced, through adjusting the well location so as to optimise well execution and thus casing design, as well as reductions in daily rig rates based upon increased rig availability.

During 2013 work also continued to ensure that the Company will be in a strong operational position to commence drilling as soon as possible. The Company continued its detailed preparation of the required Environmental Management Plan (EMP), which includes preparation of the Oil Spill Contingency Plan, the Emergency Response Plan (both based upon a simulated worst-case discharge calculation – viewed as international best practice) and in particular a series of environmental sensitivity index maps identifying areas of high potential impact. Preparation of these maps has required extensive and wide public consultation including numerous visits to the ‘family’ islands to consult with fishing, environmental and community groups.
Review by Chief Executive Officer
(continued)

Commercial:
As the Company looks to move into an active operations phase, the opportunity has been taken to reshape the Board of the Company.

Bill Schrader joined the Board as Non-Executive Chairman, succeeding Adrian Collins who becomes a non-executive director. Bill brings over 30 years’ experience in the oil and gas industry, having served as Chief Executive Officer of several country operations at BP plc, as the President of the Azerbaijan International Operating Company and as Chief Operating Officer of TNK-BP. This wide-ranging career has given Bill an extensive industry network and proven ability to manage the interface with governments around the world.

Alongside Bill, James Smith joined the Board as Deputy Chairman. James is a former Bahamas Minister of State in the Ministry of Finance, and member of the Bahamas’ Senate.

James is widely acknowledged as a leading expert on monetary policy and is a respected member of the greater Bahamas community.

Both additions to the Board bring wide ranging contacts and familiarity with both operating and economic factors relevant to our business. Overall, the reshaped Board comes at a time when the Company is seeking to accelerate activity through to the next stage in its development, and to realise full value for shareholders.

Financial:
In financial terms our objectives have been twofold: (i) to operate on a cost effective and prudent basis, so as to preserve cash and therefore options whilst remaining focused solely on progressing operations in The Bahamas; and (ii) to seek a financing solution for the cost of exploration drilling, which will require the Company to access approximately US$100 million of additional capital.

In terms of the first objective, our overall operating loss for the year to end 2013 was down 17% on the comparative year to December 2012, notwithstanding a considerable exchange rate gain in that prior year. Employee benefits expense reduced 17% compared to December 2012 figures, and overall ‘burn’ has been reduced by >30%. The retained cash balance at the end of the period amounts to $15.0 million. On this basis, the Company expects to have a substantial retained cash balance as at end 2014.

I would stress, however, that careful management of cash reserves has not compromised ongoing technical work, that is both necessary and essential to progressing the project and secure potential partners. Rather, we believe we have been successful in finding a balanced approach: all work is carried out cost-effectively so that even given the current run-rate of expenditures we expect the Company can continue to operate effectively for several years. This situation will remain under constant review.

In terms of the second objective, our preference remains to secure a farm-in partner for the project. With the greater regulatory clarity and technical de-risking achieved during 2013, we were able to focus attention on this all-important task during the second half of the year. To-date a comprehensive data-room has been assembled, and contact initiated in 2014 with a large number of companies to ascertain levels of interest, including hosting a number of visits to the data room from interested parties.

Based on initial feedback, a structured farm-in process has been delineated which is being refreshed and will be further reinforced and pursued in the second half of 2014. These processes typically take many months to complete, and by their very nature are required to remain confidential, although shareholders will be apprised of developments as soon as is possible and appropriate. Our objective however is clear: to secure a farm-in partner, so as to enable exploration drilling to commence as soon as possible.
Summary:
This last year, 2013, was a year of many challenges for our Company, and progress has undoubtedly been slower than expected. Nonetheless, as CEO I can report to shareholders that the company achieved a number of significant milestones in this period. We continued to mitigate the technical risks associated with the venture, whilst strengthening our views on the technical scale of the resource. We obtained a refreshed mandate and timeline from the Government to proceed with exploration drilling, including reinforced well obligations, revised licence boundaries and the continued efforts of Government to bring modernised and strengthened guiding regulations to bear. We restructured the Board and executive, and maintained a financially disciplined cost base. And we initiated a process of seeking potential new farm-in partner(s) to the opportunity.

Our employees have continued to work diligently, singularly focused on delivery of an exploration well as soon as possible, through realising all the enablers that will ensure this activity can be carried out safely and in a timely manner. I thank them all for their efforts.

Outlook:
The outlook for 2014 and beyond has the Company progressing towards several clear targets, including a Bahamian listing and working on the Environmental Management Plan with continued engagement in the communities. But the primary focus, on the back of the clear mandate for exploration drilling from the Government, is on successfully securing the financing needed to commence drilling activities, ideally in the form of a farm-out partner.

So, costs are under control and reducing, the technical case is continually revised and refreshed, discussions remain ongoing with various potential farm-in partners, and the sentiment towards the opportunity can only be significantly enhanced as Government continues to reveal and clarify their plans and support.

“Future exploration success could underpin a successful economy for generations to come, but the people of the Bahamas need a better appreciation of the company’s operations, the potential opportunities it provides and the education and training that will be necessary to harness the full benefits.”

I look forward to brighter and successful days ahead.

Yours sincerely,

Simon Potter
Chief Executive Officer
July 2014
Forging Relationships

We continue to work closely with the people of The Bahamas to give a clear understanding of the integrity of the Company’s operations and the potential benefits a commercial oil discovery could bring the country and its people.
Community and People

Community Liaison
It is an important aspect of the Company’s work to liaise and consult extensively with all communities likely to be impacted by its activities and forge appropriate relationships across all aspects of business dealings with local contractors, regional authorities and Government. An important part of that communication is an anticipation of the future benefits to be derived from exploration success and subsequent oil development as well as being transparent and open about the plausible associated risks. The Company commits to continuing transparency involving all of its activities, believing that demonstrating such clarity concerning all of its operations shows a commitment to safeguarding the environment, and the interests of its employees, broader communities and wider stakeholders.

Community Engagement
Separate presentations have been given to such varied audiences as:
• The Central Bank of The Bahamas.
• The Securities Commission and Bahamas International Stock Exchange.
• Bahamas Financial Services Board.
• Chamber of Commerce and individual branches on many islands.
• Bahamas National Trust.
• Other party political representatives and members of the civil service.
• Representatives of the technical and contractor community.
• Hotelier associations.
• Government Ministers and ministry officials.
• Prominent members of the business community.
• Chartered Engineers and Chartered Accountants associations.
• Bahamas Christian Council.
• Church representatives and various individual parishes, denominations, assemblies and communities.
• Members of the house, Government and official opposition.
• Retiree groups.
• Trade Union representatives various officials and unions.

• Staff associations.
• College of The Bahamas in various locations, staff and students.
• Schools on many different Islands.
• Consular groups and Ambassadors.
• Rotarian and Kiwanian groups in different communities.
• ‘Open evenings’ at the Nassau office.
• Community engagement on the Family Islands.
• Liaison for data collection for Environmental Sensitivity Maps.

We are open to presenting to any interested groups.

Broader Community
Other Governments, both within the Commonwealth and across the Caribbean as well as the Commonwealth Secretariat, have considerable experience and history of resources development, emerging regulations, vocational training and skills development, relevant standards and monitoring of operations. It is important to be able to consult with and draw on the broader knowledge base available in order to assure that the most suitable technologies are being harnessed, the most up-to-date international best practices are being followed and incorporated into emerging industry activities. Broad technical and commercial discussions have been held with the British, Australian, Canadian, Cuban and Trinidadian authorities in order to facilitate cooperative working, shared knowledge and experience. International organisations also offer vast amounts of equipment knowledge and experience. Bahamas Petroleum Company is also a member of the domestic Bahamas Oil Spill Response Committee and has attended regional Caricom meetings designed to address many of these issues.

“The economic case for petroleum exploration can be compelling but Bahamas Petroleum Company is committed to environmentally responsible and safe exploration activities ensuring full consultation with the broader communities and stakeholders throughout The Bahamas.”
## Benefits to the Economy

| Royalty payments: a long-term source of Government revenue | • Increase with oil price and production levels.  
|• Availability to secure wealth for future generations. |
| Diversification of the economy | • Less susceptible to slumps/seasonal effects in other sectors.  
|• Less exposed to fluctuations in other North American economies. |
| New employment opportunities associated with offshore oil production | • Direct employment in the industry.  
|• Indirect employment with contractors, suppliers and service companies. |
| Workforce development | • Before oil production begins there will be opportunities for Bahamians to receive vocational & technical training.  
|• Upgraded education facilities to supply industry. |
| Greater energy security | • Broader options on the choice of energy supply.  
|• Options to reduce prices of fuel and electricity. |
| A chance for Bahamian shareholders to share in the profits if oil is discovered | • Bahamas Petroleum Company is working to make shares of the Company available through a listing on BISX.  
|• There is no Company limit to the number of shares made available. |

---

### An Economic Opportunity for The Bahamas

If commercial quantities of oil are discovered in offshore waters, the construction and production activities to bring the oil to market as well as the royalties earned by the Government will bring significant benefits to the economy of The Bahamas – detailed opposite.

For over 25 years no other company has shown the interest, insight nor the commitment of Bahamas Petroleum Company in bringing to the attention of the Government, at no financial risk or cost to it or its people, the potential wealth that may reside in Bahamian waters. The Company will continue to emphasise the direct benefits of Government royalty income from the very first day, indeed the first barrel of production. This Government income is modelled at the level in excess of US$20 billion from a 1 billion barrel discovery, whilst it is the oil company that bears the entire cost and financing of development and operations, as well as the risk that production is sustained over time as projected. Such an income stream and new industry would make the national economy less susceptible to slumps in other sectors, less exposed to the vagaries of other nations’ economies and afford a greater level of energy security whilst providing options for reduced prices of fuel and power. The Government has announced its intention to establish a Sovereign Wealth fund in the event of commercial success. This will hopefully give the people of The Bahamas an indication of the decisions of the Government as to how such potential wealth is likely to be distributed.

It is also clear that the creation of such an industry will have multiple additional benefits. Success will offer considerably wider opportunities through infrastructure investment, direct foreign investment and the development of new and established companies in industries involved directly and indirectly in oil development and associated activities. New employment opportunities will be created with a requirement for new vocational training and skills development. It will be an important consideration in the future that local firms are well represented in this new sector. Such firms will need to be supported in the ability...
Focus Group Testing in The Bahamas

Bahamas Petroleum Company previously commissioned focus group testing to help determine Bahamian attitudes towards exploration and the general level of knowledge about the upstream oil and gas industry. Ten focus groups were conducted in total, four focus groups were conducted in Nassau, two in Freeport, two in Nicholls Town, Andros and two in Marsh Harbour, Abaco. The groups ranged in size and composition with each group session running over two hours in length.

The presence of an active upstream oil and gas industry is a relatively new consideration for most Bahamians as The Bahamas has not seen an oil and gas exploration well drilled in over 25 years – most people do not know that five exploration wells in total have already been drilled in The Bahamas.

Thus given their potential lack of familiarity Bahamas Petroleum Company felt it was important to gain a better understanding concerning what Bahamians know about the industry and how they feel towards the prospect of offshore exploration and, in the event of success, an oil development.

The focus groups showed that Bahamians generally view the opportunity for oil development as positive and that they have a thirst for more knowledge about the industry and Bahamas Petroleum Company. In particular – the experience of the staff, the people and their track record. Many respondents felt that potential revenue from oil royalties could have a transformational impact on the country’s economy, infrastructure and services. When residents were informed that The Bahamas’ regional neighbours were already exploring for and producing oil they felt strongly that The Bahamas should also pursue this opportunity.

However, when respondents recalled the Gulf of Mexico oil spill of 2010 they wanted reassurance that oil activities would be conducted in a safe and responsible manner.

In regards to Bahamas Petroleum Company, most Bahamians indicated that they have some familiarity with the Company, although many respondents were unable to offer specific information about Bahamas Petroleum Company.

As the Company has matured and grown its international expertise and experience of management in each of its disciplines.

Overview Business Review Corporate Governance Accounts Other Information

to demonstrate that they can meet, and better, prequalification standards associated with international industry health, safety and the environment requirements.

People: In The Bahamas

As the Company has matured and grown the focus of its operations has moved significantly towards The Bahamas. To that end the board has three directors permanently based in The Bahamas experienced in the local and broader communities of the country.

The Company office in Nassau is where executive management is based and is the centre of operations for all technical, legal, commercial and environmental work. It is important that major decisions are made by management embedded in the communities closest to the resource base. The Company has room for the expansion of its local office, commensurate with expanding activities, and is committed to continued training and development for all of our national staff to ensure the highest standards of operation competitive with international standards.

People: In the UK

The Company domicile is the Isle of Man, whilst the Company’s shares trade publicly on the London Stock Exchange’s Alternative Investment Market.

As a consequence there are specific contracted staff governance obligations to be discharged within the United Kingdom for which the Company maintains a small office to manage administrative and compliance tasks associated with the Company charter, domicile, the capital markets and various domestic legal requirements.

In addition to these two main offices, the Company contracts individuals, companies and education institutions consistent with the needs of the business. Currently contracted staff operate out of numerous locations in the United States, The Bahamas and the United Kingdom. Further, the Company draws on the services of many advisory companies who themselves have international offices. The ability to draw on experienced staff across various global locations, familiar with all aspects of the Company business is important in ensuring consistent, quality service delivery.

Governance and Disclosure

As a Bahamian International Business Company (IBC) and being admitted to trading on the London Stock Exchange’s Alternative Investment Market, Bahamas Petroleum Company is required to manage its business in compliance with all laws of The Bahamas, the Isle of Man and the United Kingdom.

The Company has defined a strict Anti-Bribery and Corruption Policy consistent with these legal regimes and is committed to enabling staff to receive all necessary training to ensure full compliance with all procedures therein. Further, as a UK traded stock, Bahamas Petroleum Company is compelled to comply with all the strict disclosure and transparency rules applied to public companies in the United Kingdom. In accordance with these rules, the Company has developed governance processes to assure the disclosure of all information that could be deemed material to the performance of the business and the interests of shareholders.

The Company is committed to seeking a listing on The Bahamas International Stock Exchange to ensure options for Bahamians to share in the potential wealth to be created by any future capital growth of the Company. This potential growth is based upon the enormous upsides associated with the extensive mapped prospectivity derived from 3D seismic coverage anticipating an extension of the existing, proven Cuban play types into Bahamian waters, albeit at significantly deeper stratigraphic horizons. Such a new investment option would represent a unique value proposition in The Bahamas.
Ready Technically

The geological and geophysical studies are substantially complete; from a G&G standpoint we are “drill ready”.

Operational Review

Summary
Both before and subsequent to renewal of all of the Company exploration licences and entry into the second exploration period, Bahamas Petroleum Company has seen a continuation of much of the work commenced and noted in the 2012 Annual Report. This work covered the following main themes:

1) **Environmental**: programmes to discharge all obligations under the Licence and undertaken as precursors to drilling of commitment wells compliant with international standards and best practices in excess of the requirements of the current Regulations.

2) **Seismic interpretation**: following the accumulation of the huge seismic data base, processing and interpretation of the 3D seismic survey, more detailed and focused studies towards structural, stratigraphic and reservoir/seal modeling.

3) **Prospect definition and risk reduction**: utilising the seismic interpretation to refine prospect definition, identify primary locations for accessing stacked play types and overall risk reduction have been undertaken given the requirement to identify and prioritise drilling targets and follow-on potential.

4) **Well planning and preparation work studies**: studies required to ensure safe and compliant carrying out of well obligations consistent with the Act, Regulations and Licence and consistent with international standards and best practices.

5) **Licences**: realising a renewal of all of the Company licences, as well as a realignment of the southern boundaries of the most southerly licences to align with the maritime boundary between The Bahamas and Cuba, thus ensuring title to the full extent of mapped structures.

Highlights:
- The 3,074 km² of 3D seismic data which provides high resolution picture of a portion of the Southern Licence area was utilised by consultants at the University of Texas Bureau of Economic Geology (BEG) Reservoir Characterisation and Research Lab (RCRL) to construct a detailed seismic facies analysis for the Southern Licence area. This work has been refined and continued during the period.
- Bahamas Petroleum contracted with Applied Drilling Technology Inc. (ADTI) to complete an initial well plan and Front End Engineering and Design (FEED) study for a 22,500 feet vertical well to test the southern end of the ‘B’ structure. This study is under constant reappraisal and reevaluation as the optimal location to locate the first well – both from a prospectivity and drilling hazards perspective.
- As the world’s international rig market has become constrained more rigs are coming on to the market capable of executing a well consistent with the prepared drill plans and discharge of the current licence obligations. This has significantly impacted the day rates rig companies seem prepared to accept. Bahamas Petroleum Company keeps updating its reports on the provision of and anticipated costs of available rigs by continual investigation of the rig market.
- As the world’s international rig market has become constrained more rigs are coming on to the market capable of executing a well consistent with the prepared drill plans and discharge of the current licence obligations. This has significantly impacted the day rates rig companies seem prepared to accept. Bahamas Petroleum Company keeps updating its reports on the provision of and anticipated costs of available rigs by continual investigation of the rig market.
- Discussions with potential partners has meant the need to create, maintain and extend a database on detailed play types within the licence boundaries, individual reservoirs and their production potential, specific individual prospects and the volumetrics associated with each individual play. This work bears the need for continual updating.
- Industry interest in the area, which saw three (3) wells drilled in northwestern Cuban waters during 2012, saw continued activity during the year with drilling, operated by the Russian company Zarubezhneft, ultimately suspended having only reached a depth of approximately 2,000 metres. This depth was well short of their target depth of a minimum of 6,000 metres and a long way short of any horizons considered by the Company as prospective in the southern licence area.
Subsurface
Bahamas Petroleum Company, since prior to licensing in 2007, has engaged in a dedicated effort to locate and secure all available geological, geochemical and geophysical data related to the hydrocarbon potential of The Bahamas. This dataset now comprises three essential parts (i) the physical core material (rock matter) and cuttings (rock particles), (ii) the accumulated electronic data (mainly comprising seismic surveys), and (iii) the paper data, comprising reports, analysis, maps, interpretations and conclusions. The physical core material (rock matter) and cuttings (rock particles) are appropriately stored in secure company premises.

The major asset of the Company and that which comprises the majority of the $46.4 million capitalised exploration spend to date is the acquisition and processing of 3,074 km² of 3D seismic data in the Southern Licence area. These data were collected by CGGVeritas using their ‘BroadSeis’ technology – the first time 3D seismic has been acquired and this technique was used in The Bahamas. Two data volumes were delivered, ‘Fast Track’ and the final Pre-Stack Depth Migration (PSDM). Sample spacing on the PSDM volume is 12.5 meters in the x, y direction and 4 meters vertically. The data are of high quality and being used to advance understanding of the hydrocarbon systems.

The 3D (Figure 1) confirms and better defines the prospective structures (Folds B and C) previously mapped on the 2D and evaluated in the Competent Person’s Report (CPR), whilst removing structures mapped on the 2D underneath Trend A, which were confirmed as velocity artefacts. Significantly, the new data provides insight into the residual risks with encouragement regarding source potential and fetch area, indicating the basement to be deeper than previously mapped implying a thicker, deeper Upper Jurassic (source rock) interval. Furthermore, the interpretation shows a uniform south west dip under the Cretaceous platform (Trend A) indicating access to a larger than previously mapped fetch area toward the Cuban mainland under the North Cuban basin. Faulting continues to display a distinct overthrust character potentially turning horizontal in the interpreted organic-rich facies of the late Jurassic, though there is also clear evidence of reverse faulting penetrating deep into the Jurassic section. The seismic displays good correlation across faults giving high confidence in the fault picks.

The folding shows distinct rollover above the fault plane creating significant attic volumes above any migration entry or exit point to the structure.

Figure 1:
3D structure maps displayed at different stratigraphic horizons and related directly to the 3D section. The considerable dimensions of these structures both shallow and deep in the section are denoted recognising their aggregate global scale.
Discussion of Potential Reservoirs, Prospectivity and Analogues

As in any frontier exploration province where there is inadequate well control, geological and reservoir properties that lead to prospect definition must be estimated or inferred using detailed models and regional data, as much local data as possible and analogues. The Company has integrated the seismic facies interpretation undertaken by the University of Texas, Bureau of Economic Geology reservoir Characterisation Research Lab (RCRL), the petrophysical data from the Doubloon Saxon (DS) well, various internal reports on the cuttings and core descriptions, the tie of the DS to the 3D seismic volume completed by iReservoir, the reservoir summary in the CPR, and the C & C Reservoirs DigitalAnalogue Knowledge System (DAKS) of world wide oil fields.

This synthesis allows the Company to report on its understanding of five (5) gross prospective intervals from deepest (oldest) to shallowest (youngest):

1) Lower Cretaceous anhydrite–dolomite interval, Main play target.
2) Lower Albian and Aptian Megabank, Main play target.
3) Albian reef and platform, Main play target.
4) Mid-Cenomanian reef and platform, Analogue play target.
5) ‘Pre-MCU’ Albian and Cenomanian basinal and forereef, Analogue play target.

Intervals 1 and 2 can be directly tied to the Doubloon Saxon well and the reservoir data is based on the petrophysical interpretation from that well. Intervals 3, 4 and 5 are not directly tied to the Doubloon Saxon well as much of this drill section is either missing or subject to significant drilling problems – due to collapse.

Figure 2 summarises the regionally significant stratigraphic events. As the continental margin subsided following the breakup of the continents in the Jurassic the initial sediments were deposited in a restricted marine environment (gray and purple). It is in the first layer (gray) and possibly below that the company believes source rocks were potentially deposited. The purple layer records a regionally extensive evaporite basin where anhydrite (seal) and dolomite (reservoir) were deposited sequentially. As the water depth deepened an extensive carbonate platform, or ‘megabank’, was created (green through light blue – Aptian through lower Albian). As the water depth continued to deepen the megabank divided into distinct reef and platform areas separated by deeper water channels. This lasted until mid-Cenomanian (top of the light orange) when the water depth became too deep for the reef and platform facies and the shallow water carbonates were buried by a pelagic drape. During the overall trend of deepening water depth there were times when sea level dropped and the reef and platform areas were exposed and caves and caverns (karst) developed (dark orange). This seismic facies framework is used to help better interpret rock types from the seismic and apply the appropriate geologic models for estimating reservoir properties.
Lower Cretaceous anhydrite-dolomite interval
The deepest interval anticipated to contain reservoir facies in the mapped structures is the lower Cretaceous anhydrite dolomite interval. This play type is the primary focus of the Company in the Southern licence area. Seismically this interval is characterised by continuous high frequency high amplitude reflections as shown below in Figure 3. The peaks (blue) are interpreted as anhydrite the troughs (yellow) are interpreted as porous dolomite. This section/interval also contained oil shows in the previously drilled wells and is considered the Company primary target for exploration. This interpretation is based not only on the seismic character, but also on regional geology and synthetic tie to the Doubloon Saxon well (interpreted from various reports by RCRL and iReservoir).

In the Doubloon Saxon well the interbedded anhydrite-dolomite interval extends from 17,000 feet to well TD at over 21,000 feet; a gross interval in excess of 3,400 feet. In the Competent Person’s Report (CPR), Ryder Scott calculated 1,220 feet of gross reservoir over this interval but did not include any potential resource volumes for these horizons in its analysis.

Lower Albian and Aptian ramp (Megabank)
Geologically this interval is expected to be similar to the interval for most of the Doubloon Saxon well across an 8,000 feet gross interval. Depositional environments throughout this interval range from restricted to semi restricted to open low to high-energy environments. Due to the shallow water nature through this interval there were likely times of sub-areal exposure. Ryder Scott calculated 13 gross reservoir intervals in the Doubloon Saxon well denoted as ‘megabank’ facies.

Figure 3
Barremian Anhydrite/Dolomite interval. Shows the high amplitude high frequency nature of the deeper section. The peaks (blue) are interpreted as anhydrite the troughs (yellow) are interpreted as porous dolomite. It is this section that contained the oil shows in the previously drilled wells. This interval is the Company primary target for exploration drilling.
Upper Albian Platform and Mid Cenomanian Platform

The Upper Albian platform represents the first segmentation of the megabank represented by an east-facing reef separated from the Great Bahamas Bank and the site of the Doubloon Saxon well by a deeper water channel. The Mid Cenomanian platform steps to the southwest and represents the last platform facies in the southern portion of the Old Bahamas Channel. While similar facies intervals may be present in the Doubloon Saxon well there is no direct connection of this margin to the rocks seen in that well.

In Figure 4 the smooth contours to the north east (top) represent the deeper water sediments in front of the platform. The irregular contours to the south west are an expression of the karsted surface on the platform – shown in section in Figure 5. The total length of Fold B is some 78 kilometres. The trap at the Albian level is created by the structural dip to the southwest and the stratigraphic change from reef and platform to basinal sediments to the north east. The trap occurs off structure at the north end of Fold B and reaches a culmination on the crest of Fold B to the south.

Figure 4

Upper Albian karsted platform. Horizon image of the top Albian.

Pre-MCU Cenomanian and Albian foreslope and basinal reservoirs

This is the shallowest reservoir interval evaluated. This section would not have been seen in the previously drilled wells and control for reservoir parameters comes primarily from analogue fields. Analogue reservoirs are concentrated in the North Sea and Mexico; depositional environments and lithology ranges from pelagic chalks to debris flow and turbidites, limestones and dolomites.

Structurally the in Mexican Campeche Basin is very similar to Folds B and C. These 3 fields produce from the Cantarell reservoir interval and have a combined estimated ultimate recovery (EUR) of close to six billion barrels.

Figure 5

Shows the onlap of deeper water facies onto the Albian reef. Note the very high quality of the seismic data and the younger Cenomanian reef and platform shallower and to the left.
Operational Review
(continued)

Prospect Definition
All of this stratigraphic information has been integrated with the latest geophysical interpretation to derive a series of prospect maps defined by stratigraphic horizon, shown in Figure 6.

Utilising a specialist software package various reservoir parameters and rock properties were input including analysis by Ryder-Scott of the Doubloon Saxon well and analogue data from similar dolomitic reservoirs and global platform carbonates to derive deterministic volumetric scenarios. This then allows comparison of the merits of different play types across the 3D acquisition area. The key determining variable in cases run is the degree of fill – the extent to which the individually identified structures are full of oil (as a percentage). It remains the conclusion though that billion barrel reserve potential is present.

Large upside cases exist in the Megabank where Fold B North and South can combine into a single, large structure at Aptian/Pre-MCU (BMAX in Figure 6), and Folds B and C can converge into a giant closure at the Pre-MCU level (BCMAX in Figure 6). There is potential in these scenarios for multiple billion barrel reserves. In most cases, for individual reservoirs, a 30% fill scenario is potentially commercial.

Licence Review
In March, the Government of The Bahamas announced a cancellation of any need for a referendum allowing exploration drilling to proceed, deciding to first acquire data required to make an informed decision on energy development prior to any public consultation. This decision removed crucial uncertainties and provided clarity for future decisions by the Government, the Company, and potential partners closely watching the timing of operations.

In July, BPC received notification that the statutory term for the five licences held by the Company had each been renewed and that the new licences term would be for a further three years with an obligation to commence drilling of an exploration well by April 2015. It is anticipated that this obligation will be met with an exploration well in the southern licences. A second exploration well is required to be commenced nominally by April 2017. Significantly, as a further part of this renewal, the southern boundaries of the four southern licences are to be adjusted to conform to the maritime boundary between The Bahamas and Cuba, thus providing clear tenure over the full extent of the existing mapped structures.
Together, these milestones paint a very clear mandate for the Company to proceed with drilling preparations and funding plans. Notably, the mandate will be carried out within full compliance of updated environmental and safety regulations developed by the Government with continued support from the Company. These regulations, which will provide a modern framework to manage and govern industry activities consistent with current attitudes, recent experiences and technologies are now before Cabinet for consideration by the government. It should therefore be anticipated that these will soon be available to both the company and for public consultation.

**New Licence Applications**
The company has applied for two additional licenses in the Santaren Channel and had also applied for a further three licences in joint partnership with Statoil. In the joint-venture with Statoil an Environmental Feasibility Study (EFS) has already been submitted and is currently under review by The Bahamas Environmental, Science and Technology (BEST) Commission and their consultants. Statoil, in February 2014, decided not to continue with the new joint applications and therefore they have reverted into BPC’s sole name. A decision on all the applications is expected post the release of new regulations.

**Competitor Activity**
The previous three offshore wells, drilled by Repsol, Petronas and PDVSA during 2012, on the Western side of Cuba were plugged and abandoned as dry holes though each reportedly encountered hydrocarbon shows in both the Tertiary and the Cretaceous sections. It is important to note the geology where these wells were drilled is considerably different from the geology in Bahamian waters, with the Mesozoic carbonate rocks buried beneath a deep Tertiary basin. A 15,000 feet exploratory well at these locations would need to drill through as much as 13,000 feet of Tertiary cover in order to simply penetrate the uppermost portion of the carbonate platform rocks. Additionally, the trap styles are considerably different and considered higher risk than the structures found in The Bahamas. The Company has a sound understanding of why these wells did not find commercial hydrocarbons and is confident that these well results do not reflect negatively on the assessment of the hydrocarbon exploration potential within Bahamian waters.

Immediately adjacent to the Company’s Licences the Russian company, Zarubezhneft, completed drilling an exploration well in 2013. The rig was drilling in Block L, the easternmost of four blocks the company leased in 2009. Located approximately 15 miles from The Bahamas – Cuba border, 45 miles from Bahamas Petroleum’s proposed well location and 50 miles from the last well drilled in the waters of The Bahamas in 1987. Drilling was expected to reach depths of over 21,000 feet; the deepest well to be drilled during the recent spate of drilling offshore Cuba, though similar depths have been drilled previously in The Bahamas in 1987 and comparable to those to be targeted by Bahamas Petroleum Company in its obligation well. The drilling campaign, in 500m of water located off the keys of Villa Clara province, near Cayo Santa María – an expanding beach tourism destination Cuba has been developing over the past 10 years – emphasising the belief that active tourism and safe exploration can responsibly co-exist. Bahamas Petroleum Company staff were able to visit Cuba to ensure effective liaison.
Operational Review (continued)

The rig being used, the Songa Mercur, chartered from the Norwegian-owned drilling operator Songa Offshore, despite being under contract for 200 days was unable to come even close to its objectives. Zarubezhneft is not a listed company and therefore is under no obligation to make public announcements concerning progress and outcome, though it is believed Zarubezhneft reached a depth of about 2,000 meters before experiencing problems with the blowout preventer (‘BOP’) and cancelled the drilling contract significantly short of their target depth and well above any potential reservoirs likely to be of commercial interest. Rumours continue that having released the rig they intend to return to complete drilling in 2014 possibly after the hurricane season.

Data Room
Bahamas Petroleum continues to seek an industry partner to join in the drilling and opened a data room where selected, potential industry partners were invited to view the extensive paper as well as online database. Discussions remain ongoing with a number of interested parties, but the basis for these discussions has benefited significantly from the renewed clarity provided by the Government regarding a clear mandate to carry out an exploratory drilling programme.

Drilling
Utilising the 3D data, the seismic facies mapping, detailed prospect inventory work, the multibeam data collected in 2011 and incorporating data from previous drilling in the area, Advanced Drilling Technologies (ADTI) have provided initial well designs and drilling plans, as well as specifically identified long lead time items to discharge licence obligations. For this initial well design, these long lead items are identified as the large bore wellhead with H₂S resistant metallurgy (and appropriate running tools). The plan has safety and environmental components consistent with international waste and emissions standards as well as response plans for emergency situations.

This initial well plan – named Perseverance – is designed to target the Jurassic at or around a TD of 22,500 feet located on the crest of Fold B at the south-eastern end of the structure. This location would fully evaluate those resources identified in the Competent Person’s Report at the late Cretaceous, Albian and late Aptian horizons but significantly is also designed to target the additional prospectivity now the focus of the Company’s attention in the inter bedded anhydrite, dolomite and limestone reservoir sequences in the Early Aptian and below.

Drilling is anticipated to be in approximately 1,500 feet of water, which by modern standards is relatively modest (Figure 8) and to take 120 days to execute and log. The ultimate well cost is highly dependent on spread rates but the anticipated well cost is being dramatically impacted by the current falling rig rates and a significant reduction in the estimated well cost is being targeted.

Figure 8
Bahamas Petroleum Company drilling location in the context of the progression of drilling and production technical limits over time.

2014 – 2015
Technical studies and projects currently underway or the Company expects to detail in the next annual report are:

1) Site specific exploration well design.
2) Detailed drilling plans for obligation well.
3) Procurement plans for drilling execution.
4) Contracting strategies.
5) Emergency Management Plans (EMP) for possible drill sites.
6) Exploration economics for desired well.
7) Health, safety and security programmes for safe, responsible drilling.
8) Pre-drilling inspections (as necessary).
9) Lay-down, support and logistics plans.
10) Training requirements.
Chapter 219 Petroleum Act, 1971. As refined by 1978 Petroleum Regulations

<table>
<thead>
<tr>
<th>Production Level</th>
<th>Royalty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil production, up to 75,000 bopd</td>
<td>12.5%</td>
</tr>
<tr>
<td>Oil production, up to 75,000 to 150,000 bopd</td>
<td>15.0%</td>
</tr>
<tr>
<td>Oil production, up to 150,000 to 250,000 bopd</td>
<td>17.5%</td>
</tr>
<tr>
<td>Oil production, up to 250,000 to 350,000 bopd</td>
<td>20.0%</td>
</tr>
<tr>
<td>Oil production, in excess of 350,000 bopd</td>
<td>25.0%</td>
</tr>
<tr>
<td>Gas production</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Rentals: Likely to increase during next exploration phase. In the event the Company is granted a production lease, rentals will be at a rate of US$0.92 per acre, per annum for the area subject to the lease, deductible from royalty payments.

Income taxes: Nil in The Bahamas.

Corporation taxes: Nil in The Bahamas.

Capital Gains tax: Nil in The Bahamas.

### Exploration Licences and Applications

**Asset** | **Holder** | **Licence Area** |
--- | --- | --- |
The Bahamas | Bahamas Petroleum Company | 775,468 acres, 3,138 km² |
  - Bain Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 777,934 acres, 3,148 km² |
  - Cooper Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 778,855 acres, 3,152 km² |
  - Donaldson Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 780,316 acres, 3,158 km² |
  - Eneas Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 760,973 acres, 3,080 km² |
  - Miami Licence (offshore) |  |  |

**Application** | **Applicant** | **Licence Area** |
--- | --- | --- |
The Bahamas | Bahamas Petroleum Company | 777,900 acres, 3,148 km² |
  - Islamorada Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 776,200 acres, 3,141 km² |
  - Zapata Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 774,600 acres, 3,135 km² |
  - Falcons Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 760,100 acres, 3,076 km² |
  - Santaren Licence (offshore) |  |  |
The Bahamas | Bahamas Petroleum Company | 774,500 acres, 3,134 km² |
  - Andros Licence (offshore) |  |  |

* Interest for all licences: 100%.
** July 2010 applications with 100% working interest.
Sustainable Processes

We are intent on utilising international best practices in our exploration and drilling operations and are committed to conducting an environmentally responsible exploration and safe drilling programme.
Environment and Safety

Environment Highlights:

- Following acceptance of The Environmental Impact Assessment (EIA) by the Bahamas Environment, Science and Technology (BEST) Commission and publication on the Commission’s website (http://www.best.bs/index.html), the Company has continued its environmental studies required ahead of the drilling of a well. These studies are extensive and have formed the basis for considerable community engagement meetings throughout the Bahamas including the ‘Family Islands’.

- As continued preparation for an Environmental Management Plan and having completed preliminary ‘worst case discharge’ calculations in the prior year, preparation for completion of an Oil Spill Response Plan was furthered during the course of the year.

- A study of the surface and shallow subsurface conditions around potential drill sites, completed by Geoscience Earth and Marine Services (‘GEMS’) identified no potential drilling hazards and led to ‘Site Clearance Letters’ being issued. The Company has however investigated further additional likely drill sites.

- Interpretation of the multibeam survey collected over a portion of the southern Licences. This has been further utilised during the course of the year to identify potential sinkholes, gas and oil seeps to the surface and into the seabed.

- The Company, as part of its environmental management plan, has collected detailed data through consultation with local islanders, scientific experts, local fishermen, government agencies, local environmental non-governmental organisations and local research organisations highlighting critical and natural wildlife communities, their activities and habitats all to be combined into Environmental Sensitivity Maps. Showing such things as the turtle nesting beaches, blue holes, important birding areas, coral reefs, sea grass beds and wetlands etc., generation of comparative indices is depicted on a series of Environmental Sensitivity Maps and Environmental Sensitivity Index Maps.

- The existing study ‘Transport and Fate of Water and Oil Particles Released in the Straits of Florida’ is specific to a defined area. Additional, alternate well locations were and are being investigated to provide different geological, drilling and cost options. This requires that the original study be revisited to ascertain validity and currency.

- The Company was a member of the Clean Caribbean and Americas Association to ensure adequate access to oil spill response capabilities, equipment and expertise. In the year this association was taken over by the larger entity, the Oil Response Group, and the company elected to continue with membership of this enlarged group. Considerable ongoing planning has sourced a level of emergency and remedial equipment that would be available in support of an exploration well and in the unlikely event of an associated incident or threat.

The Company has also continued its focus on environmental and safety related studies. The EIA (http://www.best.bs/index.html) previously submitted included an extensive particle transport simulation study illustrating the potential distribution of any particulate matter derived from a simulated well site. This comprehensive study shows that virtually no spilled oil would reach The Bahamas’ beaches nor Marine Protected Areas and preparedness will need to be focused on intervention between the potential well site and Cuba. These results were presented during a visit to Cuba to appreciate their response capabilities and processes.

Studies/work completed or underway include:

1) Assessment of support available from Oil Spill Response Limited – a joint industry group established to provide emergency response and equipment in the unlikely event of an accident – and integration into planning.

2) Completed calculation of ‘Worst Case Discharge’.

3) An evaluation of sea bottom and shallow subsurface drilling hazards in the vicinity of possible drill sites using multibeam and 3D seismic data was completed.

4) An evaluation of the sea bottom over a large portion of the Company’s Southern Licence area based on the multibeam data.

5) External consultants to begin Environmental Management Plan (EMP).

6) Contracted with international company to prepare Oil Spill Response Plan.

7) Contracted with ADTI to provide initial well planning. This plan incorporates previous drilling in the area along with the 3D and multibeam data collected previously.

8) Developed methodology for the collection of data to aggregate as Environmental Sensitivity Maps to delineate critical and natural wildlife communities, their activities and habitats throughout focus areas.

9) More detailed classification of coastlines on a 5 km by 5 km grid to provide an index of priorities for the marshalling of resources and prioritisation of response in the event of a threat or incident.
Focus on Safe Exploratory Drilling
The industry and Government response to the 2010 incident in the Gulf of Mexico, in order to assure safe exploratory drilling, has focused on three main areas shown in the diagram below: regulations, equipment and spill response. Regulated operations with appropriate standards to prevent an incident, equipment and procedures to manage foreseeable scenarios and, in the unlikely event of a loss of containment, a vigorous response plan to contain exposure.

Whilst all data collected to date in The Bahamas shows unambiguously that, compared to the Gulf of Mexico, there is different geology, reservoir pressures and shallower water depths it is most important the industry shares and then applies the learnings from such tragic occurrences.

Regulations and Standards
In compliance with licence obligations and in close collaboration with a number of Government agencies and departments across a multitude of disciplines, Bahamas Petroleum Company has produced an Environmental Impact Assessment (EIA) that systematically identifies predicts and evaluates as many of the potential environmental impacts as is reasonably possible associated with the drilling of an exploratory well at a simulated well location in the Donaldson block. Once a detailed location is identified and a rig contracted an Environmental Management Plan (EMP) will be completed identifying all plans to mitigate identified potential impacts.

Bahamas Petroleum Company, in its forward work programmes, is looking to integrate best practices with the already established safe drilling of the previous wells in The Bahamas. Thus over and above existing current regulatory requirements the Company is examining the extent to which upgraded new equipment, additional spill preparedness and higher standards may help further mitigate any future risk and thus incident. In addition, the Government of The Bahamas has placed before cabinet modernised and strengthened regulations to ensure risks to the environment and safe operations do not become manifest.

Environmental Impact Assessment
The EIA was reviewed and accepted by The Bahamas Environment Science & Technology Commission in March 2012 and posted for public viewing on their website in October 2012 (www.best.bs). To ensure the well is drilled safely while safeguarding the environment and protecting workers the Company has committed to using best practices and standards from jurisdictions such as Norway, the United States (as pertains post the Gulf of Mexico incident), Australia, the United Kingdom and from international organisations such as International Oil and Gas Producers Forum (OGP – www.ogp.org.uk), International Association of Drilling Contractors (IADC – www.iadc.org), and the International Petroleum Industry Environmental Conservation Association (IPIECA – www.ipieca.org). The significant findings from the EIA were as follows:

• The results of the high resolution sea bottom survey showed that there are no sensitive environments in the immediate vicinity of the first proposed drill site – archaeological, fauna, flora or existing infrastructure or usage;

Safety Case
The ‘Safety Case’ for an operation or installation is defined as a structured argument, supported by a body of evidence that provides a compelling, comprehensible and valid case that a system is safe for a given application in a given operating environment.

The two elements – argument and evidence – are mutually supporting. The evidence is needed to justify that the argument holds true. The argument is needed to show that the evidence is sufficient and relevant. A key part of the Safety Case will be to demonstrate that all credible risks have been identified and suitable methods have been identified to ensure these risks can be effectively managed.

Such an evidence-based, ‘performance’ oriented approach can be contrasted with a prescriptive approach which requires safety to be justified using a prescribed process. Such an approach has not typically, explicitly, required evidence of safe practises and instead relies on the premise that following the prescribed process will ensure safety.

Integrated into an overall safety management system or plan such a methodology is widely regarded as industry best practice.
Modernised and strengthened regulations in The Bahamas

Each of the present day activities highlighted on page 7 are heavily regulated in the neighbouring nations of Cuba, the United States and The Bahamas. The Bahamas Government is a signatory to many international codes of practice, conventions and cooperative agreements including MARPOL and OPRC, as well as specific maritime legislation (illustrated below). The Bahamas has its own oil spill contingency planning coordination group and is a member of the regional Caribbean coordinated response group. With such activities ongoing daily Tier III responder (where a response capability is international in both scale and quality) capability is mandated – Bahamas Petroleum Company is already a member of the Oil Spill Response Group, with access to their extensive global reach and resources. Over and above this The Bahamas Government has placed before Cabinet modernised and strengthened regulations to govern oil exploration activity. It is anticipated that these regulations will combine best practices identified in a variety of leading jurisdictions – including new procedures adopted post the Gulf of Mexico incident – to reflect the most up-to-date risk management practices. Bahamian Government delegations to Havana highlight the level of cooperation between the respective Governments and the premium placed on the coordination of regulatory regimes and response activities. It is the adoption of an updated regulatory regime reflecting the attitudes of modern society, the lessons learned at great human cost and the access to modern technologies that are helping pave the way for safe future operations in Bahamian waters.

- The drilling environment is one of low/normal pressure reservoirs, thereby reducing the probability of an incident as fluids will not be sufficiently pressurised to free flow to the surface without the aid of pumps; and
- The impacts identified were deemed normal or acceptable with proper controls as part of the standard operating practices.

Environmental Management Plan
To complement the EIA, and in fulfilment of further licence requirements an Environmental Management Plan (EMP) is currently being produced and will be completed and approved prior to drilling operations going ahead. The EMP is a site-specific plan outlining agreed performance criteria and all measures that are necessary to minimise and mitigate potential impacts to the environment while complying with all aspects of environmental legislation. The EMP will provide information on the design, construction and operation of the drill rig and its associated facilities and services and highlight the means by which identified potential risks and impacts will be mitigated. The EMP is already designed to include an Oil Spill Contingency Plan and a Waste Management Plan but may be expanded in compliance with any new standards or requirements the Minister may impose.

Local and International Regulations
The main legislation that governs the oil and gas industry in The Bahamas is the Petroleum Act promulgated in 1971 and qualified by regulations from 1978 and complimented by a series of other local and international regulations, codes of practise and policies to which the Government is a signatory. This Act provides for the exploration, boring and extraction of petroleum through a permitting, licensing and leasing system for the exploration, prospecting and mining of petroleum. These regulations are currently being reviewed by the Government of The Bahamas with a view to modernising and strengthening them.
Environment and Safety (continued)

Offshore Equipment Procedures and Plans
Minimising and Mitigating Risk
A major success factor for the safe drilling of a well is to ensure adequate control and management of well fluid pressures whilst drilling. Good well control ensures the appropriate level of pressure in the wellbore fluids necessary to counter-balance the pressures experienced in the rocks being drilled – whether they contain oil and gas or not – all being managed through the application of proper safety procedures and the use of calibrated equipment. Various mechanisms are routinely used to ensure well control and balancing of the pressures in the wellbore.

Therefore, well control is customarily managed using the onboard systems. Additionally, every well is fitted with a Blow Out Preventer (BOP), normally situated on the seabed, which can seal off fluid flow from the well through multiple devices activated by multiple systems.

Well Plan
Before operations commence, a final well plan will define the life of a well, from initial drilling to plugging and abandonment. The plan will describe in detail how the well will be drilled including all procedures associated with the drilling and dimensions (i.e. hole size, casing specifications, cement etc). A preliminary well plan has already been completed as a part of the FEED study described on page 24. High quality 3D seismic data, a shallow hazard survey, a geologic and stratigraphic assessment, historical well data detailing potential reservoir conditions (e.g. temperature and pressure) have all been used in the planning of the well and will continue to assist in the final plan. All this information will assist with the minimisation of possible risks and identify key mitigation processes and procedures.

Qualified International Operator
A drilling rig with advanced safety equipment, significant system redundancy and qualified/trained staff will be utilised to drill the well. Personnel on the rig must undergo intensive training and be certified and experienced in adequate well control procedures. Personnel will be certified by passing a mandatory exam every two years known as the IWCF (International Well Control Forum). Persons without the certification or who fail renewals are not allowed to work in a position of significance relating to the drilling operation.

Emergency Response Plan
The Emergency Response Plan will identify and address potential emergency scenarios inclusive of well control problems, evacuations, security, spills, natural disasters, property loss, fire and/ or explosions, hazardous releases, public relations, personnel, transportation and any public impacts. Regular training exercises are mandated to ensure the adequacy and relevance of the plan and the proficiency of staff in compliance with its regular implementation. Such exercises are often coordinated regionally to engage responders, the authorities and support services.

Preparedness, Preparation and Response
Spill Prevention and Response
An Oil Spill Response Plan (OSRP) is the last link in the chain for exploring safely and responsibly. The creation and maintenance of a viable spill plan adheres to international standards and complies with licence requirements. The OSRP will provide procedures and protocols on how to deal with an emergency situation involving an oil spill and will identify priorities and methods of protection. Ultimately it is a tool to condition any organisation to an effective response, defining the key actions to be implemented, by who and when. Key components of the Oil Spill Response Plan will be educated by the results of oil spill simulation studies of the worst case outcomes.

The Company has focused on environmental and safety related studies to support its response priorities. The long-term oil spill simulation already carried out by Bahamas Petroleum Company and contained in the EIA, illustrated the potential distribution of oil in the unlikely event a spill were to occur, quantifying the probability and impact of potential oil particle landings on specific locations surrounding the project area.

Areas of direct and indirect impact studied for the EIA.
The model incorporated the prevailing weather conditions each day over a seven-year period from January 2004 to December 2010 inclusive of ocean currents, prevailing winds, seafloor bathymetry and oil properties to predict the movement of oil particles in these all-embracing conditions. This comprehensive study concludes categorically that taking into account conceivable ambient conditions virtually no spilled oil would reach Bahamas beaches and the main focus of preparedness would need to be biased towards intervention between well site, the Cuban mainland and Cuban barrier islands. This information is invaluable for pre-planning of potential cleanup response activities.

A major requirement of the OSRP is the creation of Environmental Sensitivity (ES) Maps and Environmental Sensitivity Index (ESI) Maps. The ES and ESI maps provide a concise summary of coastal resources that may be at risk if a spill were to occur having already identified biological resources, sensitive shorelines, human use resources and support infrastructure such as ports and airports. Normally, these maps are provided by Government but in this instance, Bahamas Petroleum Company has created these maps for the areas that are assessed as highly sensitive within the immediate area of the proposed drill site. The ESI maps are used to plan ahead of time by identifying vulnerable locations, establish protection priorities and identify clean-up strategies to be used by responders to meet the main objectives of reducing the environmental impacts of any spill and best directing clean-up efforts.

There is a long-standing, internationally recognised system employed for categorising and structuring levels of oil spill preparedness and response. It has been developed as a means to ensure that an appropriate response capability is available to deal with oil spills commensurate with assessed risks.

To ensure an immediate and effective response in the event of a major oil spill, Bahamas Petroleum Company is already a member of a Tier III responders’ organisation (Oil Spill Response Group – formerly Clean Caribbean Americas) that provides direct expertise, specialist personnel, equipment delivery – support and maintenance – as well as required training. The personnel and equipment can be mobilised immediately. Additionally, each of the available vessels will be equipped with response equipment and staff trained in its use.

Environmental Sensitivity Index Map for Joulter Cays, Andros.
1. Bill Schrader
Non-Executive Chairman
Bill Schrader has over 30 years’ experience in the oil and gas industry, having served as Chief Executive Officer of several country operations at BP plc, as the President of the Azerbaijan International Operating Company and as Chief Operating Officer of TNK-BP. Characterised as a strong leader by his peers, Bill has an extensive industry network and proven ability to manage complex operating environments and liaise with governments around the world. Bill is currently a Non-Executive Director of Hess listed on the New York Stock Exchange and Ophir Ltd listed on the London Stock Exchange AIM registry.

2. James Smith CBE
Non-Executive Deputy Chairman
James Smith is widely acknowledged as a leading expert on monetary policy. He is best known in The Bahamas as a former senator and government Minister of State in the Ministry of Finance. He served for a decade as the governor of the Central Bank of The Bahamas; as ambassador for Trade in the Office of the Prime Minister; and as Chairman of the Bahamas Maritime Authority, The Paradise Island Bridge Company and The Bahamas Development Bank. He has also held a number of board positions at both private and public companies including the Bahamas Stock Exchange. As a much respected member of the greater Bahamas’ community, James was often the choice of governments and businesses to lead numerous Bahamian delegations to more than 24 countries for investment promotion and trade missions.

3. Simon Potter
Chief Executive Officer and Managing Director
Simon Potter qualified as a geologist with an M.Sc in Management Science, has over 30 years oil and gas industry and mining sector experience. From the Zambian Copperbelt to a 20-year career with BP he has held executive roles in companies managing oil and gas exploration, development and production; gas processing, sales and transport; LNG manufacture, marketing and contracting in Europe, Russia, America, Africa and Australasia. On leaving BP, having helped create TNK-BP, he took up the role of CEO at Hardman Resources where he oversaw growth of the AIM and ASX listed company into an oil producer and considerable exploration success ahead of executing a corporate sale to Tullow Oil. After running his own consultancy he joined Arrow Energy International as CEO and following the sale of Arrow Energy to Shell and PetroChina launched their international assets onto the ASX as the separately listed Dart Energy. He was appointed Chief Executive Officer on 17 October 2011.
4. Ross McDonald  
Non-Executive Director  
Ross McDonald served 35 years with Royal Bank of Canada (RBC) and was most recently Senior Vice President & Head of Caribbean Banking for RBC. Until his recent retirement, and since 2003, Ross led RBC’s commercial and retail banking operations throughout the Caribbean and was instrumental in the acquisition of Royal Bank of Trinidad and Tobago (RBTT), which expanded RBC’s operations to 19 countries and territories across the region and established it as the second-largest commercial bank in the Caribbean. Ross is currently a director of RBC Financial (Caribbean) Limited, RBC’s group holding Company in the Caribbean, RBC Royal Bank (Bahamas) Limited, RBC’s commercial bank in The Bahamas, RBC FINCO, which is a public Company, and RBC’s mortgage banking Company in The Bahamas and RBC Royal Bank (Cayman) Limited, RBC’s commercial bank in the Cayman Islands. He also serves as a director of Royal Fidelity Merchant Bank & Trust which provides investment and corporate advisory services in The Bahamas and Barbados.

5. Edward Shallcross  
Non-Executive Director  
Eddie Shallcross is a Fellow of the Chartered Institute of Bankers and has had over 40 years of experience in the financial sector predominantly at Barclays PLC where he retired in 1998 as Isle of Man Director and also a Senior Executive Director of the bank. Since then he has held non-executive directorships in a number of major international companies.

6. Adrian Collins  
Non-Executive Director  
Adrian Collins has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management plc where, latterly, he was managing director. He is chairman of Liontrust Asset Management plc and is also on the boards of City Natural Resources High Yield Trust plc, New City High Yield Fund plc and a number of other companies. He served as Non-Executive Chairman of the Company from 2011 to 2014.

Steve Weyel  
Non-Executive Director  
Steve Weyel, is currently Chairman, Chief Executive Officer and Director of Enven LLC (formerly Pisces Energy LLC) a privately-held U.S. Gulf of Mexico exploration and production company. Additionally, Mr. Weyel is Founder and Chairman of Equigen LLC focused on equity investments in emerging market energy infrastructure and services. Mr. Weyel has thirty-plus years of entrepreneurial growth and operating experience across all continents and every major energy basin in the world including billions in successful energy related transactions and financings. Steve will leave the Company board after the 2014 AGM.
Chairman’s Statement

Adrian Collins
Non-Executive Director (former Non-Executive Chairman)

I need hardly remind shareholders that the past year has not been financially rewarding. It has been a challenging time not only for Bahamas Petroleum, but also the E&P industry as a whole – a trend that has continued into the first half of 2014. Although progress has been made in recent months, regulatory delays in The Bahamas have nonetheless taken their toll on our share price, while at the same time the exploration sector is attempting to manage falling investor appetite and an overall global decline in standing.

Following a period of expansive exploration activity over many years including much success, industry focus has moved from expenditure and reserve replacement to capital efficiency, discipline and divestment. This trend towards capital rationalisation has been driven in part by a shift in the appetite of both oil majors and institutional investors away from more risk prone activities towards the more certain phases of appraisal, development and production – thus more immediate and tangible returns.

This re-focus of the industry, coupled with a bountiful choice of global exploration projects requiring investment, has compounded the challenges faced by small-cap E&P’s around the world, including increasing competition for exploration capital. That’s not to say that exploration is ceasing to take place, as evidenced by recent licencing rounds in the Gulf of Mexico which enjoyed an enthusiastic uptake of exploration acreage by a range of major and independent industry operators. But major operators in such slower times will invest primarily in world class assets with significant prospectivity, scale potential, political stability and commercial up sides. Bahamas Petroleum has a robust technical case underpinning the southern licence assets and now with clearer support from the Government we believe that we are well placed in that category to attract prospective industry partners.

The economic slowdown has also taken its toll on the Bahamian economy. With an unemployment rate of 15 per cent, sluggish growth and an increasing debt burden, the Government of The Bahamas continues to explore ways of restoring the country to financial health through the expansion of existing industries and creation of new ones.

Given this context, it is with pleasure then that I note recent significant movement by the Government in the provision of a suite of oil, environmental and health and safety regulations that have been presented to the cabinet for review ahead of implementation. The Bahamas already has an active downstream oil sector, standing as a global leader in maritime activities and a regional force in storage and transportation of petroleum products. These new, modernised and strengthened regulations will provide the leadership, assurance and protection afforded by the adoption of modern global best practices which will allow the fledgling exploration industry to responsibly expand activities. The management of Bahamas Petroleum is committed as ever to operating responsibly and the lengths to which the Government has gone to overhaul governing regulations indicates not only the shared commitment to responsible exploration but also a commitment to promoting activity and investment as a whole.

From the Company perspective, 2013 was another difficult year which saw externally imposed delays from 2012 continue into the year. However, significant progress has been made and there is a sense of forward momentum building following reinforcement of the regulations, re-establishment of our drilling mandate and obligation, confirmation of licence tenure, extension of timeframes thereto, expansion of the licence boundaries to the recently ratified Cuban maritime border and Government commitment to fully exploring the potential of its waters. Following the removal of hurdles and the impetus received, the process of negotiating a partnership to finance our first exploration well resumed afresh. The Company continues to make progress in this regard.

As we prepare for the rapid expansion of the Company’s operations that will follow a farm in and the start of drilling, the onus is on the Board to ensure the Company’s corporate governance framework is up to task. To this end we have determined to expand the Board to include the new and significant appointments of Mr James Smith and Mr William Schrader.

Mr Smith, a former minister of State in the Ministry of Finance and member of The Bahamas’ Senate, is widely acknowledged as a leading expert on monetary policy and is a respected member of the greater Bahamas community. He has served as the Country’s ambassador for Trade in the Office of the Prime Minister, as the Governor of the Central Bank of The Bahamas for a decade, as well as a variety of other public service and private roles. The addition of Mr Smith to the Board not only greatly augments the governance and reputation of the Company but is also a further step in our continuing goal to make ourselves a truly Bahamian institution.

Mr Schrader brings with him a wealth of industry experience having worked in all sectors of the oil industry for over 30 years, currently serving as a Non-Executive Director of Ophir and Hess, and I am delighted to welcome him as the new Chairman of our Board. Having served as Chief Executive Officer of several country operations at BP plc, as the President of the Azerbaijan International Operating Company and as Chief Operating Officer of TNK-BP, Mr Schrader’s appointment heralds a transformation in the Company, bolstering our technical oversight abilities as we approach the next phase of our exploration programme and company development.
Chairman’s Statement (continued)

Progress during the year towards completion of the proposed BDR programme to list on BISX has been frustrated by a number of prerequisite approvals which remain outstanding. Given the offshore regulatory environment has been under review and revision, the delay in approval for investment into our industry by those charged with governance of the economy, and therefore the public good, is understandable. We have every confidence that all such approvals shall be received once the enhanced regulations have been emplaced and we remain as committed as ever to ensuring Bahamians are able to directly participate in the potential gains of oil exploration in their waters through representation on the Company’s register of shareholders.

The Company has continued during the year with its endeavour to become a more active member of the Bahamian community. The Company continues to meet with numerous local stakeholder groups throughout the archipelago to ensure that the community understands how we operate, the extent of our commitment to safety and the environment and the role that we as a company may play in the Bahamian economy and society at large. These meetings also provide a crucial opportunity for us to hear the concerns and observations of community members, allowing us to understand and adapt to the specific needs of the people of The Bahamas. Through employment of young Bahamians in our Nassau office we both facilitate the development of understanding local issues as well as demonstrating our commitment to being a contributing member of Bahamian society.

During the year the Company overhauled its group structure to conform to the current alignment of operations, thus removing legacy components that had become redundant. Subsequently, we created new Bahamian holding companies that both increase our footprint in the country and ensure a structure that is more coherent for asset delineation.

Looking forward, and despite industry challenges, we see 2014 as a pivotal year for the Company as we seek to bring our long planned drilling programme into fruition. With a renewed mandate and clear support from the Government, a revitalised board, strong management team and encouraging progress towards completion of an industry partnership, we remain as confident as ever of the prospects of the Company and the future of oil exploration in the Commonwealth of The Bahamas.

With Mr Schrader having taken the chair, this is my last report to you. I have found stewarding your Company through the last few difficult years enormously satisfying and it is with delight that I pass this role onto Mr Schrader who, with such a long and distinguished career in the global petroleum industry, is ideally placed to meet the new challenges the Company faces in developing its operations in The Bahamas. As a continuing Non-Executive Director I shall remain available to support both our new Chairman and the rest of my fellow Directors through the exciting times ahead.

Following increasing demands from his growing executive duties elsewhere, Mr Steve Weyel has decided to stand down as a Non-executive Board member by not presenting himself for re-election at the next AGM. Steve has been with the Company for the last three years and has brought increased integrity and robustness to the Board during what has been a difficult period. I would like to thank him for all of his contributions to the Company and wish him the best in his other endeavours.

Finally, I would like to thank all of our staff and Directors for their tireless efforts to progress this exciting project and our shareholders for their enduring patience, which we hope will be rewarded in the coming year.

Yours sincerely,

Adrian Collins
Non-Executive Director and former Non-Executive Chairman
9 May 2014
In my capacity as CEO, I can confidently say that Bahamas Petroleum continues to mitigate the technical risks associated with the venture, to introduce potential new farm in partners to the opportunity, to refresh the project for already interested parties whilst deepening the understanding and appreciation of risk management processes and the project benefits throughout the broader Bahamian community. This activity against a backdrop of having obtained a refreshed mandate and timeline from the Government to proceed with exploration drilling, including reinforced well obligations, revised licence boundaries and the continued efforts of Government to bring modernised and strengthened guiding regulations to bear – an effort the company entirely supports. However, the pace of progress towards initiating drilling is slower than what management envisioned, and shareholders expect.

Our employees are focused on delivery in the form of spudding an exploration well as soon as possible and realising all the enablers that will ensure this activity can be carried out safely and in a timely manner. Yet it is the timeliness of our drilling prospects that has disappointed, due in part because the determining factors are largely under the control of third parties. The Government – although it has demonstrated signs of recent progress – holds ultimate responsibility for the passage of drilling regulations, whilst discussions with potential farminees must remain confidential. Overall, this limits the extent to which the Company can communicate effectively with shareholders how far along we really are in the timeline toward drilling our first well.

Activities in the first half of the year were driven by gaining clarity from the Government of The Bahamas on the removal of the previously announced referendum on industry activities, the renewal of the Company’s existing licences and finally, the strengthening of regulations as they pertain to petroleum exploration. On each of these matters the Company was seeking an unambiguous mandate in order to ensure progress towards exploration drilling in 2015 and to underpin the commercial basis for discussions with a significant number of potential farm in partners who continue to show interest in the project.

In March 2013, the Government of The Bahamas announced that it would no longer proceed with a referendum on exploration drilling in country, deciding first to acquire the data required to make an informed decision on energy development. This decision removed crucial uncertainties and provided clarity and direction for future decisions by the Government, the Company and potential partners closely watching the timing of operations.

In July 2013, BPC received notification that the statutory term for the five licences held by the Company had each been renewed and extended for at least a further three years until 2016, with an obligation to commence the drilling of an exploration well by April 2015. As previously noted, it is anticipated that this obligation will be met with an exploration well in the southern licences.

A second exploration well is required to be commenced nominally by April 2017. Significantly, as a further part of this renewal, the southern boundaries of the four southern licences are to be adjusted to conform to the maritime boundary between The Bahamas and Cuba, thus providing clear tenure over the full extent of the existing mapped structures.

Together, these milestones paint a very clear mandate for the Company to proceed with drilling preparations and funding plans. Notably, the mandate will be carried out in full compliance of updated environmental and safety regulations developed by the Government with continued support from the Company. It has recently been reported that these regulations, which will provide a modern framework to manage and govern industry activities consistent with current attitudes, recent experiences and current technologies are now before Cabinet for consideration. It should therefore be anticipated that these will soon be available to both the Company and for public consultation.

The Company has continued its detailed preparation of the required Environmental Management Plan, which includes preparation of the Oil Spill Contingency Plan, the Emergency Response Plan (both based upon a simulated worst-case discharge calculation) and in particular a series of environmental sensitivity index maps identifying areas of high potential impact. Preparation of these maps has required extensive and wide public consultation including numerous visits to the ‘family’ islands to consult with fishing, environmental and community groups.

During the second half of the year the focus fell on the demanding activities required to maintain the data room and present interested parties with the extensive and comprehensive information available. In addition to new, interested parties, a number of companies have returned for subsequent visits, but by the very nature of these activities the extent and detail of these visits and discussions are required to remain confidential. However, shareholders will be apprised of the situation and developments as soon as is possible and appropriate. For reference, farm-outs on average can take many, many months in this industry and thus the timeline has not been unreasonably long nor does it impact our ability to complete either technical work or preparation activities for the well itself.
Chief Executive Officer’s Report
(continued)

It has been observed that potential farmees could be waiting for final publication of new industry regulations prior to seriously considering final farm in negotiations. However, all preparations for drilling undertaken so far have been compiled on the basis of international best practices, thus the introduction of new regulations is not expected to materially impact any of the work conducted to date. This work already includes Government acceptance (via the Bahamas Environmental, Science and Technology Commission) of our Environmental Impact Assessment, a Front End Engineering and Design study for the well and much of the work for the Environmental Management Plan. The learning from the tragic incident in the Gulf of Mexico has already been incorporated as the correct thing to do rather than waiting until the company is obliged to do so by Government legislation. So whilst the revised regulations are required before drilling, they are not on the critical path.

Some have worried that this ‘delay’ is somehow indicative of a lack of support by the Government for the project. But in reality, the Government has seen fit in the period under review to renew and extend the company licences, retain the extended obligation to drill a well, realign the licence boundaries and withdraw a referendum on exploration drilling - all matters directly encouraging of drilling operations by the company. As to whether these matters directly impact the timing or content of farm out discussions, the oil companies engaged in discussions do not pick and choose individual standards to apply locally but rather apply a global standard of operation to match their equally global footprint. So whilst it is necessary to know what the specific regulations are in order to ensure compliance, international standards and best practices will apply regardless. What has been directly impacted by the lack of regulations is the company’s plan to seek a listing through the issue of BDR’s in the local BISX register. It is not anticipated that the Securities Commission or the Central Bank of The Bahamas will be satisfied to allow consideration of this facility until the new regulations are published.

The upside of these timing issues is that a wane in global exploration activities has exerted commercial pressures on industry service companies and drilling rig operators who are finding rig utilisation in a contracting market increasingly challenging. This has the effect of opening up rig availability to explorers, and places ever greater pressure on rig and services pricing, such that the Company expects to move faster on rig contracting and deployment at more competitive prices, post financing, than would have previously been assumed. Indeed, additional work is ongoing to assess whether a further optimisation of the well location from a well execution standpoint, in combination with these dramatically declining rig rates, might yield a further significant reduction in ultimate well costs.

But whilst we may not be operating at an ideal pace, these favourable market conditions contribute to our overall confidence that we will remain in compliance with all licence requirements, will discharge our obligations according to the licence and continue to progress discussions with potential partners.

To a large extent BPC’s planned technical work has been accomplished and has revealed the ingredients for successful commercial oil exploration, with the source, faulted migration pathways, reservoir and seal in deeper targeted sections of the early Cretaceous in close juxtaposition. Most of this deeper section is below, and therefore in addition to, the intervals assessed in the previously released CPR which was based upon the 2D seismic. Having interpreted the 3D seismic the company has decided there is no need to refresh this CPR based on the similarity in the scale of the structures and improved, though consistent, technical risk assessment, thus the essential conclusions remaining the same or intact. We have determined that the maximum value is to be realised by a third party verification of the technical case through farm out, which will remain the Company’s core focus.

With regard to the specific risking of the resources contained in the CPR it can also be concluded that significant additional charge and seal encouragement exists with the identification of deeper water Albian mudstones draped over much of the structures designated Folds B and C and access to a deeper and wider fetch area below the Cuban mainland. As currently mapped the closure of the overall Fold B structure extends some 78 kilometres along strike with a vertical closure of over 850 metres, emphasising the global scale of the targeted structures.

Zarubezhneft, the Russian oil company, aborted its drilling efforts in May 2013, having commenced in December 2012 at a location 15 miles from the Bahamas – Cuban border. Progress was communicated as slow due to ‘hard rocks’ and various mechanical failures, with reports suggesting that progress only reached 2,000 metres towards the 6,000 metres target. The Company is quoted as seeking to return to finish the well in 2014, although there has been no evidence so far of their resumption.

In welcoming new directors Bill and James to the Board I look forward to their contribution and support in driving Bahamas Petroleum through to the next stage in its development. Their wide-ranging contacts and familiarity with both operating and economic factors are a welcomed addition and will further challenge the executives to deliver.
In financial terms the overall operating loss for the year to end 2013 was down 17 per cent on the comparative year to December 2012, despite a considerable exchange rate gain in the prior year. The retained cash balance at the end of the period amounts to $15 million, whilst creditors in the period from December 2012 were reduced by 70 per cent, demonstrating how a substantial amount of the current period cash consumption went towards settlement of 2012 expenditure. Employee benefits expense is down 17 per cent on the year compared to December 2012 figures.

The outlook for the remainder of the year has the Company progressing towards several clear targets, including a Bahamian listing and working on the Environmental Management Plan with continued engagement in the communities. But the primary focus, on the back of the clear mandate for exploration drilling from the Government, is on the data room and farm-out activities. I look forward to brighter and successful days ahead.

Yours sincerely,

Simon Potter
Non-Executive Director and former Chairman
9 May 2014
Corporate Governance

The UK Corporate Governance Code
Bahamas Petroleum Company plc's shares are traded on the Alternative Investment Market of the London Stock Exchange and as such
the Company is not subject to the requirements of the UK Corporate Governance Code, nor is it required to disclose its specific policies
in relation to corporate governance. The Quoted Companies' Alliance has issued a guidance booklet setting out a code of best practice
and via the framework described below, the Board of Directors of Bahamas Petroleum Company plc seeks to apply the principles within
that code and within the UK Corporate Governance Code to the extent it is practicable for a company of its size and complexity.

The workings of the Board and its Committees

The Board of Directors
The Board meets regularly to discuss and consider all aspects of the Company’s activities. A Charter of the Board has been
approved and adopted which sets out the membership, roles and responsibilities of the Board. The Board is primarily responsible
for formulating, reviewing and approving the Group’s strategy, budgets, major items of capital expenditure and acquisitions.

The Board currently consists of the Chairman, the Chief Executive Officer, and five Non-Executive Directors. All Directors have
access to the Company Secretary and the Company’s professional advisors.

Record of Board Meetings
There were five board meetings of the parent entity of the Group during the financial year.

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of board meetings attended</th>
<th>Number of board meetings eligible to attend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Potter</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>William Schrader (appointed post year end)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>James Smith (appointed post year end)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adrian Collins</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Edward Shallcross</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Steven Weyel</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Ross McDonald</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Audit Committee
The Audit Committee comprises Edward Shallcross (Chairman) and Ross McDonald. The Audit Committee is primarily responsible
for ensuring that the financial performance of the Company is properly reported on and monitored, for reviewing the scope and
results of the audit, its cost effectiveness and the independence and objectivity of the auditor. The Audit Committee has oversight
responsibility for public reporting and the internal controls of the Company. A Charter of the Audit Committee has been approved
and adopted which formally sets out the membership, roles and responsibilities of the Audit Committee.

Remuneration Committee
The Remuneration Committee comprises Adrian Collins (Chairman) and Edward Shallcross. The Remuneration Committee is
responsible for making recommendations to the Board of Directors regarding executive remuneration packages, including
bonus awards and share options.

Nomination Committee
The Nomination Committee comprises Adrian Collins, Simon Potter and Edward Shallcross, and is chaired by Adrian Collins. The role of
the Nomination Committee is to assist the Board in fulfilling its responsibilities in the search for and evaluation of potential new Directors
and ensuring that the size, composition and performance of the Board is appropriate for the scope of the Company’s activities. It is
recognised that shareholders of the Company have the ultimate responsibility for determining who should represent them on the Board.

Health, Safety, Environmental and Security Committee
The Company has established a Health, Safety, Environmental and Security Committee which comprised during the year Simon
Potter, the Chief Operating Officer (Non-Board) and the Group Environmental Scientist (Non-Board). The committee purpose is
to assist the Directors in reviewing and reporting the company performance, to assess compliance with applicable regulations,
internal policies and goals and to contribute to the Company’s risk management processes.
Corporate Governance
(continued)

Internal Control
The Directors acknowledge their responsibility for the Company’s system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Company’s strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

Going Concern
The Directors consider that the Company has adequate financial resources to enable it to meet its financial obligations through to the end of 2015 from existing liquid cash resources. For this reason they continue to adopt the going concern basis of preparing the Financial Statements. Further information regarding the appropriateness of the use of the going concern assumption in the basis of preparation can be found in note 4 to the Financial Statements.
Contents

**Accounts**

41-75

42 Directors' Report

44 Statement of Directors' Responsibilities

45 Independent Auditor's Report

47 Consolidated Statement of Comprehensive Income

48 Consolidated Balance Sheet

49 Consolidated Statement of Changes in Equity

50 Consolidated Cash Flow Statement

51 Notes to the Consolidated Financial Statements

67 Parent Company Independent Auditor's Report

69 Parent Company Balance Sheet

70 Parent Company Statement of Changes in Equity

71 Parent Company Cash Flow Statement

72 Notes to the Parent Company Financial Statements

**Other Information**

76-IBC

76 Glossary of Terms

IBC Corporate Directory
Directors’ Report

Your Directors present their report and audited Financial Statements of the Company and the consolidated Group (referred to hereafter as the Group) consisting of Bahamas Petroleum Company plc (the ‘Company’) and the entities it controlled at the end of, or during, the year ended 31 December 2013.

Directors
The following persons were Directors of the Company during the financial year and to date:

Simon Potter
Adrian Collins
Edward Shallcross
Steven Weyel
Ross McDonald
William Schrader (appointed 24 April 2014)
James Smith (appointed 24 April 2014)

Further details of the above Directors can be found on the Company's website: www.bpcplc.com.

Principal activity

Results and dividends
The results of the Group for the year are set out on page 47 and show a loss for the year ended 31 December 2013 of $5,193,412 (2012: loss of $6,299,686). The total comprehensive loss for the year of $5,193,412 (2012: loss of $6,299,686) has been transferred to reserves.

The Directors do not recommend payment of a dividend (2012: $nil).

Review of operations
On 10 March 2013, the Government of The Bahamas announced its intentions to proceed with oil and gas exploration drilling in Bahamian waters. In addition, revised environmental regulations are being finalised and adopted which, at the time of this report, the responsible minister is reported as indicating are before the country’s cabinet for final review. Additionally, the Government clarified its intentions for a public consultation on the creation of an oil and gas extraction and production industry, noting that any such consultation process would only take place in the event that commercial reserves of hydrocarbons are discovered in Bahamian waters.

On 19 July 2013 the Government of The Bahamas confirmed the renewal and extension of the Group’s exploration licences in Bahamian waters for at least a further three years. As part of this renewal, the southern boundaries of the four southern licences were adjusted to conform to the maritime boundary between The Bahamas and Cuba, providing tenure over the full extent of the existing mapped structures. Under the terms of the renewed licences, the Group is obliged to commence drilling activities by 26 April 2015 for the execution of one well in its four southern licence areas and one well in its Miami licence area.

During the year, the Company has continued the advancement of farm in negotiations over its 100% owned licence areas with the completion of the 3D seismic results interpretation being made available to prospective partners in an expanded data room opened during the year.

Post year-end, the Company announced that William (Bill) Schrader will join the Board as non-executive Chairman and James Smith C.B.E. will join as non-executive Deputy Chairman. Steven Weyel will retire from the Board due to growing demands of his existing and new executive roles and will not seek re-election at the Company’s 2014 AGM. Bill will succeed Adrian Collins who will remain a non-executive director.

Bill Schrader has over 30 years’ experience in the oil and gas industry and James Smith C.B.E. is a former minister of State in the Ministry of Finance and member of The Bahamas’ Senate and widely respected member of the greater Bahamas community.
Substantial shareholdings
The following table represents shareholdings of 3% or more notified to the Company as at 31 December 2013:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares</th>
<th>% of shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>TD Waterhouse</td>
<td>113,729,495</td>
<td>9.24%</td>
</tr>
<tr>
<td>Hargreaves Landsdown</td>
<td>98,247,667</td>
<td>7.98%</td>
</tr>
<tr>
<td>HSDL Stockbrokers</td>
<td>86,353,855</td>
<td>7.02%</td>
</tr>
<tr>
<td>Barclays Stockbrokers</td>
<td>67,544,148</td>
<td>5.49%</td>
</tr>
<tr>
<td>Interactive Investor</td>
<td>43,334,475</td>
<td>3.52%</td>
</tr>
<tr>
<td>Majedie Asset Management</td>
<td>38,590,886</td>
<td>3.14%</td>
</tr>
<tr>
<td>HSBC Private Bank</td>
<td>37,587,638</td>
<td>3.05%</td>
</tr>
</tbody>
</table>

Directors’ interests
The interests in the Company at the balance sheet date of all Directors who held office on the Board of the Company at the year-end are stated below.

Shareholding and options

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares 31 December 2013</th>
<th>Number of Share Options 31 December 2013</th>
<th>Number of Shares 31 December 2012</th>
<th>Number of Share Options 31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Potter</td>
<td>1,000,000</td>
<td>39,000,000</td>
<td>1,000,000</td>
<td>39,000,000</td>
</tr>
<tr>
<td>Adrian Collins</td>
<td>200,000</td>
<td>1,000,000</td>
<td>200,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Edward Shallcross</td>
<td>320,000</td>
<td>1,500,000</td>
<td>120,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Steven Weyel</td>
<td>–</td>
<td>1,000,000</td>
<td>–</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Ross McDonald</td>
<td>250,000</td>
<td>1,000,000</td>
<td>250,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

No options were exercised during the year. See note 18 to the consolidated Financial Statements for further details.

Independent auditor
PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to continue in office and will be reappointed without resolution in accordance with section 12(2) of the Companies Act 1982.

By order of the Board

Benjamin Proffitt
Company Secretary
9 May 2014
Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Isle of Man law.

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union. The Financial Statements are required by law to give a true and fair view of the financial position of the Group and Parent Company and the financial performance of the Group and Parent Company for that period.

In preparing these Financial Statements the Directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgments and estimates that are reasonable and prudent; and
• prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the Financial Statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Parent Company’s website. Legislation in the Isle of Man governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

By order of the Board

Simon Potter
Director
9 May 2014
Independent Auditor’s Report
To the Members of Bahamas Petroleum Company plc

Report on the Financial Statements
We have audited the consolidated Financial Statements of Bahamas Petroleum Company plc and its subsidiaries (the ‘Group’) which comprise the consolidated balance sheet as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these consolidated Financial Statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these consolidated Financial Statements based on our audit. This report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion:

• the consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
• the consolidated Financial Statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Emphasis of Matter
We draw attention to note 4(b) to the consolidated Financial Statements which describes the uncertainty related to the future recoverability of the Group’s intangible assets. Our opinion is not qualified in respect of this matter.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

• we have not received all the information and explanations necessary for the purposes of our audit; and
• certain disclosures of Directors’ loans and remuneration specified by law have not been complied with.
Independent Auditor’s Report
(continued)

Other Matters
We have reported separately on the parent company Financial Statements of Bahamas Petroleum Company plc for the year ended 31 December 2013. That report includes an emphasis of matter.

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
9 May 2014
### Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Employee benefit expense</td>
<td>(2,041,607)</td>
<td>(2,468,680)</td>
</tr>
<tr>
<td>12</td>
<td>Depreciation expense</td>
<td>(86,641)</td>
<td>(153,492)</td>
</tr>
<tr>
<td>8</td>
<td>Other expenses</td>
<td>(3,140,068)</td>
<td>(3,721,786)</td>
</tr>
<tr>
<td></td>
<td><strong>Operating loss</strong></td>
<td>(5,268,316)</td>
<td>(6,343,958)</td>
</tr>
<tr>
<td></td>
<td>Other income</td>
<td>51,208</td>
<td>–</td>
</tr>
<tr>
<td>6</td>
<td>Finance income</td>
<td>23,696</td>
<td>44,272</td>
</tr>
<tr>
<td></td>
<td><strong>Loss before tax</strong></td>
<td>(5,193,412)</td>
<td>(6,299,686)</td>
</tr>
<tr>
<td>9</td>
<td>Taxation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>(5,193,412)</td>
<td>(6,299,686)</td>
</tr>
</tbody>
</table>

**Loss per share for loss attributable to owners of the Company:**

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2013 Group</th>
<th>2012 Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Basic and diluted loss per share (expressed in cents per share)</td>
<td>(0.42)</td>
<td>(0.51)</td>
</tr>
</tbody>
</table>

The notes on pages 51 to 66 form part of these consolidated Financial Statements.
Consolidated Balance Sheet
As at 31 December 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible exploration and evaluation assets</td>
<td>13</td>
<td>46,369,976</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12</td>
<td>109,135</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>11</td>
<td>165,040</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>46,644,151</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>15</td>
<td>888,451</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14</td>
<td>14,863,287</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>62,395,889</td>
</tr>
</tbody>
</table>

| LIABILITIES | |
| **Current liabilities** | |
| Trade and other payables | 16 | 378,319 | 1,278,152 |
| **Total liabilities** | | 378,319 | 1,278,152 |

| EQUITY | |
| Share capital | 17 | 37,253 | 37,253 |
| Share premium reserve | 17 | 78,185,102 | 78,185,102 |
| Merger reserve | 17 | 77,130,684 | 77,130,684 |
| Reverse acquisition reserve | | (53,846,526) | (53,846,526) |
| Share-based payment reserve | 18 | 1,781,098 | 1,705,753 |
| Retained earnings | | (41,270,041) | (36,076,629) |
| **Total equity** | | 62,017,570 | 67,135,637 |
| **Total equity and liabilities** | | 62,395,889 | 68,413,789 |

The Financial Statements on pages 47 to 66 were approved and authorised for issue by the Board of Directors on 9 May 2014 and signed on its behalf by:

Adrian Collins
Director

Simon Potter
Director
## Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital $</th>
<th>Share premium reserve $</th>
<th>Merger reserve $</th>
<th>Reverse acquisition reserve $</th>
<th>Share-based payment reserve $</th>
<th>Retained earnings $</th>
<th>Total equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2012</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
<td>(53,846,526)</td>
<td>1,424,164</td>
<td>(29,776,943)</td>
<td>73,153,734</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,299,686)</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share options – value of services</td>
<td>18</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>281,589</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>281,589</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 December 2012</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
<td>(53,846,526)</td>
<td>1,705,753</td>
<td>(36,076,629)</td>
<td>67,135,637</td>
</tr>
<tr>
<td>Balance at 1 January 2013</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
<td>(53,846,526)</td>
<td>1,705,753</td>
<td>(36,076,629)</td>
<td>67,135,637</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(5,193,412)</td>
<td>(5,193,412)</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share options – value of services</td>
<td>18</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>75,345</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>75,345</td>
<td>–</td>
</tr>
<tr>
<td>Balance at 31 December 2013</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
<td>(53,846,526)</td>
<td>1,781,098</td>
<td>(41,270,041)</td>
<td>62,017,570</td>
</tr>
</tbody>
</table>

The notes on pages 51 to 66 form part of these consolidated Financial Statements.
Consolidated Cash Flow Statement  
For the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>Note</th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash used in operations</td>
<td>19</td>
<td>(5,849,231)</td>
<td>(5,542,651)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td></td>
<td>(5,849,231)</td>
<td>(5,542,651)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>12</td>
<td>(15,782)</td>
<td>(97,640)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td></td>
<td>42,357</td>
<td>32,966</td>
</tr>
<tr>
<td>Payments for exploration and evaluation assets</td>
<td>13</td>
<td>(653,474)</td>
<td>(8,646,839)</td>
</tr>
<tr>
<td>Decrease/(increase) in restricted cash</td>
<td>11</td>
<td>–</td>
<td>318,735</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>51,208</td>
<td>–</td>
</tr>
<tr>
<td>Interest received</td>
<td>6</td>
<td>23,696</td>
<td>44,272</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td></td>
<td>(551,995)</td>
<td>(8,348,506)</td>
</tr>
</tbody>
</table>

| Net decrease in cash and cash equivalents |      | (6,401,226)  | (13,891,157) |

| Cash and cash equivalents at the beginning of the year |      | 21,311,937   | 34,976,049   |

| Effects of exchange rate changes on cash and cash equivalents |      | (47,424)     | 227,045      |

| Cash and cash equivalents at the end of the year | 16   | 14,863,287   | 21,311,937   |

The notes on pages 51 to 66 form part of these consolidated Financial Statements.
Notes to the Consolidated Financial Statements

1 General information
Bahamas Petroleum Company plc (‘the Company’) and its subsidiaries (together ‘the Group’) is the holder of several oil & gas exploration licences issued by the Government of the Commonwealth of The Bahamas.

The Company is a limited liability company incorporated in the Isle of Man. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. The Company’s review of operations and principal activities is set out in the Directors’ Report.

Following simplification of the Group structure during the year to remove legacy holding companies in the Falklands and Jersey, the Company has four directly and eleven indirectly 100% owned subsidiaries as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Incorporation</th>
<th>Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPC (A) Limited – Formerly BPC (Cooper) Limited</td>
<td>Isle of Man</td>
<td>100% Direct</td>
</tr>
<tr>
<td>BPC (B) Limited – Formerly BPC (Bain) Limited</td>
<td>Isle of Man</td>
<td>100% Direct</td>
</tr>
<tr>
<td>BPC (C) Limited – Formerly BPC (Donaldson) Limited</td>
<td>Isle of Man</td>
<td>100% Direct</td>
</tr>
<tr>
<td>BPC (D) Limited – Formerly BPC (Eneas) Limited</td>
<td>Isle of Man</td>
<td>100% Direct</td>
</tr>
<tr>
<td>BPC Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>BPC (A) Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>BPC (B) Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>BPC (C) Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>BPC (D) Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Bahamas Offshore Petroleum Ltd</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Island Offshore Petroleum Ltd</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Sargasso Petroleum Ltd</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Privateer Petroleum Ltd</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Columbus Oil &amp; Gas Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
<tr>
<td>Island Petroleum Limited</td>
<td>Bahamas</td>
<td>100% Indirect</td>
</tr>
</tbody>
</table>

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated Financial Statements of Bahamas Petroleum Company plc (the ‘Financial Statements’) reflect the results and financial position of the Group for the year ended 31 December 2013, have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union (‘EU’) and IFRIC (International Financial Reporting Interpretations Committee) interpretations. These Financial Statements have been prepared under the historical cost convention and the requirements of the Isle of Man Companies Acts 1931 to 2004.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

Going concern
The Directors have, at the time of approving these Financial Statements, determined that the Group has more than adequate financial reserves and therefore these Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as and when they fall due. See note 4 for further information.

Adoption of new and revised Standards
a) New and amended standards adopted by the Group
The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013.
2 Summary of significant accounting policies (continued)

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group has adopted the new IFRS and it has no material impact on the Group.

Amendments to IFRSs 10, 11 and 12 on transition guidance provides additional transition relief to IFRS’s 10,11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments have no impact on the Group.

b) Standards, amendments and interpretations to existing standards that are in issue and relevant to the Group but not yet effective or adopted by the EU and have not been early adopted

At the date of authorisation of these Financial Statements the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective, or in some cases not yet adopted by the EU.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

IFRS 10, Consolidated Financial Statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated Financial Statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group does not expect IFRS 10 to impact the Group and the Group will adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014, the date it has been endorsed for by the EU.

IFRS 11, ‘Joint arrangements’, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. IFRS 11 is not expected to impact the Group and the Group intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014, the date it has been endorsed for by the EU.

IFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group does not expect IFRS 12 to impact the Group and the Group will adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014, the date it has been endorsed for by the EU.

IAS 27 (revised 2011), ‘Separate Financial Statements’, effective 1 January 2013, includes the requirements relating to separate Financial Statements, following the issue of IFRS 10. The Group is yet to fully assess IAS 27’s impact and intends to adopt IAS 27 no later than the accounting period beginning on or after 1 January 2014, the date it has been endorsed for by the EU.

IAS 28 (revised 2011), ‘Associates and joint ventures’ effective 1 January 2013, includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Group is yet to fully assess IAS 28’s impact and intends to adopt IAS 28 no later than the accounting period beginning on or after 1 January 2014, the date it has been endorsed for by the EU.
2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation
The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company 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 statement of comprehensive income 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 in line with those used by the Group.

All intra-group transactions, balances, income and expenses (including unrealised gains and losses on transactions between group companies) are eliminated on consolidation.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

The Financial Statements consolidate the results, cash flows and assets and liabilities of the Company and its wholly owned subsidiary undertakings.

2.3 Operating segments
All of the Group’s business activities relate to oil & gas exploration activities in the Commonwealth of The Bahamas. The business is managed as one business segment by the chief operating decision maker (‘the CODM’), who has been identified as the Chief Executive Officer (‘the CEO’). The CODM receives reports at a consolidated level and uses those reports to assess business performance. It is not possible to assess performance properly using the financial information collected at the subsidiary level.

2.4 Foreign currency translation
(i) Functional and presentation currency
Items included in the Financial Statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated Financial Statements are presented in United States Dollars, which is the functional currency of the Company and all of the Group’s entities, and the Group’s presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denoted in foreign currency are translated into the functional currency at exchange rates ruling at the year end. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.5 Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful economic lives, as follows:
- Computer equipment: 3 years
- Furniture, fittings and equipment: 4 years
- Motor vehicles: 5 years
- Leasehold improvements: Over the life of the lease
2 Summary of significant accounting policies (continued)

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount with any impairment charge being taken to the consolidated statement of comprehensive income.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2.6 Intangible assets – exploration and evaluation assets

Exploration and evaluation expenditure incurred which relates to more than one area of interest is allocated across the various areas of interest to which it relates on a proportionate basis. Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. The area of interest adopted by the Group is defined as a petroleum title.

Expenditure in the area of interest comprises direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not linked to a particular area of interest.

As permitted under IFRS 6, exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another entity, is carried forward as an asset at cost provided that one of the following conditions is met:

• the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
• exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure which fails to meet at least one of the conditions outlined above is taken to the consolidated statement of comprehensive income.

Intangible exploration and evaluation assets in relation to each area of interest are not amortised until the existence (or otherwise) of commercial reserves in the area of interest has been determined.

2.7 Impairment

In accordance with IFRS 6, exploration and evaluation assets are regularly reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

2.8 Financial instruments

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The classification of financial assets is determined at initial recognition.

At 31 December 2013 and 2012 the Group did not have any financial assets held at fair value through profit or loss or classified as available for sale. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in any active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are stated initially at their fair value and subsequently at amortised cost using the effective interest rate method. The Group’s loans and receivables consist of ‘cash and cash equivalents’ at variable interest rates, ‘restricted cash’ and ‘other receivables’ excluding ‘prepayments’.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
2 Summary of significant accounting policies (continued)
The Group classifies its financial liabilities in the following categories: at fair value through profit or loss and other liabilities. As at 31 December 2013 and 2012 the Group did not have any financial liabilities at fair value through profit or loss. Other liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Other liabilities consist of ‘trade and other payables’. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2.9 Cash and cash equivalents
Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with original maturities of three months or less. For the purposes of the cash flow statement, restricted cash is not included within cash and cash equivalents.

2.10 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are deducted, net of tax, from the proceeds. Net proceeds are disclosed in the statement of changes in equity.

2.11 Employee benefits
(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees’ services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments
Where equity settled share options are awarded to employees or Directors, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees or Directors, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

(iii) Bonuses
The Group recognises a liability and an expense for bonuses. Bonuses are approved by the Board and a number of factors are taken into consideration when determining the amount of any bonus payable, including the recipient’s existing salary, length of service and merit. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Pension obligations
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(v) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination and when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.12 Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

2.13 Leases
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.
3 Financial risk management in respect of financial instruments

3.1 Financial risk factors
The Group’s activities expose it to a variety of financial risks: liquidity, market and credit risk. The Group’s overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Group.

Risk management is carried out by the CEO under policies approved by the Board of Directors. The CEO identifies, evaluates and addresses financial risks in close co-operation with the Group’s management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

(i) Liquidity risk
The Group monitors its rolling cashflow forecasts and liquidity requirements to ensure it has sufficient cash to meet its operational needs. Surplus cash is invested in interest bearing current accounts and money market deposits.

No profit to date
The Group has incurred losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. Since the Group intends to continue investing in the exploration licences it currently holds an interest in, the Directors anticipate making further losses. There can be no certainty that the Group will achieve or sustain profitability or achieve or sustain positive cash flows from its activities.

Future funding requirements
The Group intends to raise funding through the placing of ordinary shares and farm-outs of its licences. There is no certainty that the Company will be able to raise funding on the equity markets or that the raising of sufficient funds through future farm outs will be possible at all or achievable on acceptable terms. This could substantially dilute the Group’s interest in the licences, however, given the size of the Group’s existing holding it would be expected, although there is no guarantee, that the Group will retain a significant equity interest in the licences.

Financial liabilities
The Group’s financial liabilities comprise entirely its trade and other payables which all fall due within 1 year. The Group’s payment policy is to settle amounts in accordance with agreed terms which is typically 30 days.

(ii) Market risk

Foreign exchange risk
The Group operates internationally and therefore is exposed to foreign exchange risk arising from currency exposures, primarily with regard to UK Sterling. The exposure to foreign exchange risk is managed by ensuring that the majority of the Group’s assets, liabilities and expenditures are held or incurred in US Dollars, the functional currency of all entities in the Group. At 31 December 2013 the Group held $1,784,266 of cash in UK Sterling (December 2012: $4,178,400) and had an immaterial amount of trade and other payables denominated in UK Sterling.

At 31 December 2013, if the US Dollar currency had weakened/strengthened by 10% against UK Sterling with all other variables held constant, post-tax losses for the year would have been reduced/increased by approximately $178,000 (31 December 2012: reduced/increased by $418,000), mainly as a result of foreign exchange gains/losses on translation of UK Sterling denominated bank balances.

The Group also has operations denominated in the Bahamian dollar. As the Bahamian dollar is pegged to the US dollar on a one for one basis these operations do not give rise to any currency exchange exposures.

Interest rate risk
The Group’s exposure to interest rate risk relates to the Group’s cash deposits which are linked to short term deposit rates and therefore affected by changes in bank base rates. At 31 December 2013 and 2012 short term deposit rates were in the range of 0% to 1% and therefore the interest rate risk is not considered significant to the Group. An increase in interest rate of 0.25% in the year would have had an immaterial effect of the Group’s loss for the year.

(iii) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted. In order to mitigate credit risk arising from cash balances the Group holds cash reserves with more than one counterparty.
3 Financial risk management in respect of financial instruments (continued)

3.2 Capital risk management
Capital is defined by the Group as all equity reserves, including share capital and share premium. The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to support the Group’s business operations and maximise shareholder value. The Group is not subject to any externally imposed capital requirements.

4 Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern
These Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as and when they fall due.

The Directors are of the opinion that the Group has more than adequate financial resources to meet its working capital needs through to the end of 2015 based on cash flow forecasts and the Group’s existing liquid cash resources.

The Group’s ability to meet its obligations beyond 2015 is dependent on the level of exploration and appraisal activities undertaken. The next step in the Group’s asset development programme requires the drilling of an exploration well on its prospects. The ability of the Group to discharge this obligation is contingent on the successful completion of a farm in arrangement or equity raise.

(b) Carrying value of exploration expenditure
Expenditure of $46,369,976 relating to the cost of exploration licences, geological and geophysical consultancy and seismic data acquisition and interpretation has been capitalised as at 31 December 2013 (2012: $45,716,502).

Ultimate recoupment of exploration and evaluation assets capitalised is dependent on successful development and commercial exploitation, or alternatively, sale of the respective licence areas. The carrying value of the Group’s exploration and evaluation expenditure is reviewed at each balance sheet date and, if there is any indication that it is impaired, its recoverable amount is estimated. Estimates of impairment are limited to an assessment by the Directors of any events or changes in circumstances that would indicate that the carrying value of the asset may not be fully recoverable. Any impairment loss arising is charged to the statement of comprehensive income.

On 10 March 2013, the Government of The Bahamas announced its intentions to proceed with oil and gas exploration drilling in Bahamian waters. In addition, revised environmental regulations are being finalised and adopted which, at the time of this report, the responsible minister is reported as indicating are before the country’s cabinet for final review. Additionally, the Government clarified its intentions for a public consultation on the creation of an oil and gas extraction and production industry, noting that any such consultation process would only take place in the event that commercial reserves of hydrocarbons are discovered in Bahamian waters. Following this decision, the future recoverability of the Group’s intangible assets are contingent upon the discovery of commercial reserves and the presentation of all relevant data before the Government and thus the people of The Bahamas.

On 19 July 2013 the Government of The Bahamas confirmed the renewal and extension of the Group’s exploration licences in Bahamian waters for at least a further three years. As part of this renewal, the southern boundaries of the four southern licences were adjusted to conform to the maritime boundary between The Bahamas and Cuba, providing tenure over the full extent of the existing mapped structures. Under the terms of the renewed licences, the Group is obliged to commence drilling activities by 26 April 2015 for the execution of one well in its four southern licence areas and one well in its Miami licence area.

(c) Share-based payments
Share-based payments comprise equity settled share options granted in prior years to Directors, employees and consultants of the Group. IFRS 2 requires an estimate of the fair value of all options to be undertaken at the date of grant with a charge being made to the consolidated statement of comprehensive income, spread over the expected vesting period of the options. Fair value is determined using an appropriate pricing model determined by the Directors who also determine that the assumptions applied in the calculation of the fair values of the options are appropriate. Details of the option model and assumptions used therein are set out in note 18.
4 Critical accounting estimates and assumptions (continued)
The charge for share-based payments is calculated in accordance with the analysis described in note 18. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company’s share price, expected dividend yield, risk-free interest rates and expected staff turnover. The Directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

5 Segment information
The Company is incorporated in the Isle of Man. The total of non-current assets other than financial instruments located in the Isle of Man as at 31 December 2013 is $8,575 (31 December 2012: $14,080), and the total of such non-current assets located in The Bahamas is $46,470,536 (31 December 2012: $45,926,130).

6 Finance income

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance income – interest income on short-term bank deposits</td>
<td>23,696</td>
<td>44,272</td>
</tr>
</tbody>
</table>

7 Employee benefit expense

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors and employees salaries and fees (including bonuses)</td>
<td>1,704,240</td>
<td>1,648,897</td>
</tr>
<tr>
<td>Social security costs</td>
<td>64,298</td>
<td>54,025</td>
</tr>
<tr>
<td>Pension costs – defined contribution</td>
<td>114,487</td>
<td>129,608</td>
</tr>
<tr>
<td>Share-based payments (see note 18)</td>
<td>75,345</td>
<td>281,589</td>
</tr>
<tr>
<td>Other staff costs</td>
<td>83,237</td>
<td>354,561</td>
</tr>
<tr>
<td><strong>Total employee benefit expense</strong></td>
<td><strong>2,041,607</strong></td>
<td><strong>2,468,680</strong></td>
</tr>
</tbody>
</table>

8 Other expenses

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel and accommodation</td>
<td>224,367</td>
<td>370,886</td>
</tr>
<tr>
<td>Operating lease payments</td>
<td>479,054</td>
<td>546,645</td>
</tr>
<tr>
<td>Legal and professional</td>
<td>1,704,724</td>
<td>2,045,470</td>
</tr>
<tr>
<td>Net foreign exchange loss/(gain)</td>
<td>61,656</td>
<td>(214,861)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>1,357</td>
<td>74,049</td>
</tr>
<tr>
<td>Other</td>
<td>553,451</td>
<td>668,117</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditor for the audit of the parent company and consolidated Financial Statements</td>
<td>94,319</td>
<td>135,676</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditors for other services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Audit of the parent company’s subsidiaries pursuant to legislation</td>
<td>–</td>
<td>12,759</td>
</tr>
<tr>
<td>– Audit related assurance services</td>
<td>13,533</td>
<td>56,094</td>
</tr>
<tr>
<td>– Tax advisory services</td>
<td>7,607</td>
<td>19,756</td>
</tr>
<tr>
<td>– Other non-audit services</td>
<td>–</td>
<td>7,195</td>
</tr>
<tr>
<td><strong>Total auditor’s remuneration</strong></td>
<td><strong>115,459</strong></td>
<td><strong>231,480</strong></td>
</tr>
<tr>
<td><strong>Total other expenses</strong></td>
<td><strong>3,140,068</strong></td>
<td><strong>3,721,786</strong></td>
</tr>
</tbody>
</table>
9 Taxation
The Company is incorporated and resident in the Isle of Man and subject to Isle of Man income tax at a rate of zero per cent.

All other group companies are within the tax free jurisdiction of the Commonwealth of The Bahamas. Under current Bahamian law, the Bahamian group companies are not required to pay taxes in The Bahamas on income or capital gains.

The Company’s 100% directly held subsidiary, BPC Jersey Limited, which was wound up in the year, was treated as a zero rated company under the amended Income Tax (Jersey) Law 1961.

10 Basic and diluted loss per share
(a) Basic
Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

<table>
<thead>
<tr>
<th></th>
<th>2013 Group</th>
<th>2012 Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss attributable to equity holders of the Company (US$)</td>
<td>(5,193,412)</td>
<td>(6,299,686)</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (number)</td>
<td>1,230,479,096</td>
<td>1,230,479,096</td>
</tr>
<tr>
<td>Basic loss per share (US Cents per share)</td>
<td>(0.42)</td>
<td>(0.51)</td>
</tr>
</tbody>
</table>

(b) Diluted
Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares: share options. For these share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Share options outstanding at the reporting date were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 Group</th>
<th>2012 Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total share options in issue (number) (see note 18)</td>
<td>61,500,000</td>
<td>69,500,000</td>
</tr>
</tbody>
</table>

The effect of the above share options at 31 December 2013 and 2012 is anti-dilutive; as a result they have been omitted from the calculation of diluted loss per share.

11 Restricted cash

<table>
<thead>
<tr>
<th></th>
<th>2013 Group</th>
<th>2012 Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>165,040</td>
<td>161,738</td>
</tr>
</tbody>
</table>

Non-current bank deposits consist of funds held as security for Company credit card facilities.
## 12 Property, plant & equipment

<table>
<thead>
<tr>
<th>Group</th>
<th>Leasehold improvements $</th>
<th>Furniture, fittings and equipment $</th>
<th>Motor vehicles $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>65,370</td>
<td>418,928</td>
<td>287,802</td>
<td>772,100</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(65,370)</td>
<td>(177,073)</td>
<td>(38,315)</td>
<td>(280,758)</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>–</td>
<td>241,855</td>
<td>249,487</td>
<td>491,342</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>–</td>
<td>241,855</td>
<td>249,487</td>
<td>491,342</td>
</tr>
<tr>
<td>Additions</td>
<td>20,057</td>
<td>77,583</td>
<td>–</td>
<td>97,640</td>
</tr>
<tr>
<td>Disposals – cost</td>
<td>–</td>
<td>(177,202)</td>
<td>(104,767)</td>
<td>(281,969)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(3,147)</td>
<td>(113,738)</td>
<td>(36,607)</td>
<td>(153,492)</td>
</tr>
<tr>
<td>Disposals – accumulated depreciation</td>
<td>–</td>
<td>70,187</td>
<td>–</td>
<td>70,187</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td>16,910</td>
<td>98,685</td>
<td>108,113</td>
<td>223,708</td>
</tr>
<tr>
<td><strong>At 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>85,427</td>
<td>319,309</td>
<td>183,035</td>
<td>587,771</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(68,517)</td>
<td>(220,624)</td>
<td>(74,922)</td>
<td>(364,063)</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>16,910</td>
<td>98,685</td>
<td>108,113</td>
<td>223,708</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>15,782</td>
<td>–</td>
<td>15,782</td>
</tr>
<tr>
<td>Disposals – cost</td>
<td>(29,010)</td>
<td>(104,530)</td>
<td>(96,095)</td>
<td>(229,635)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(4,058)</td>
<td>(52,382)</td>
<td>(30,201)</td>
<td>(86,641)</td>
</tr>
<tr>
<td>Disposals – accumulated depreciation</td>
<td>29,010</td>
<td>104,530</td>
<td>52,381</td>
<td>185,921</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td>12,852</td>
<td>62,085</td>
<td>34,198</td>
<td>109,135</td>
</tr>
<tr>
<td><strong>At 31 December 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>56,417</td>
<td>230,561</td>
<td>86,940</td>
<td>373,918</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(43,565)</td>
<td>(168,476)</td>
<td>(52,742)</td>
<td>(264,783)</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>12,852</td>
<td>62,085</td>
<td>34,198</td>
<td>109,135</td>
</tr>
</tbody>
</table>
13 Intangible exploration and evaluation assets

<table>
<thead>
<tr>
<th>Year ended 31 December 2012</th>
<th>Licence costs $</th>
<th>Geological, Geophysical and Technical Analysis $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening cost/net book amount</td>
<td>1,793,750</td>
<td>37,133,628</td>
<td>38,927,378</td>
</tr>
<tr>
<td>Additions</td>
<td>287,500</td>
<td>6,501,624</td>
<td>6,789,124</td>
</tr>
<tr>
<td>Closing cost/net book amount</td>
<td>2,081,250</td>
<td>43,635,252</td>
<td>45,716,502</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 31 December 2013</th>
<th>Licence costs $</th>
<th>Geological, Geophysical and Technical Analysis $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening cost/net book amount</td>
<td>2,081,250</td>
<td>43,635,252</td>
<td>45,716,502</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>653,474</td>
<td>653,474</td>
</tr>
<tr>
<td>Closing cost/net book amount</td>
<td>2,081,250</td>
<td>44,288,726</td>
<td>46,369,976</td>
</tr>
</tbody>
</table>

Ultimate recoupment of intangible exploration and evaluation assets capitalised is dependent on successful development and commercial exploitation, or alternatively, sale of the respective licence areas (note 4(b)).

These assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At present the Directors do not believe any such impairment indicators are present (note 4(b)).

14 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>14,863,287</td>
<td>21,311,937</td>
</tr>
</tbody>
</table>

The 2013 balance includes interest bearing accounts at rates between 0% and 1% (2012: 0% to 1%).

15 Other receivables

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables (note (a))</td>
<td>90,620</td>
<td>143,948</td>
</tr>
<tr>
<td>Prepayments (note (b))</td>
<td>797,831</td>
<td>855,956</td>
</tr>
<tr>
<td></td>
<td>888,451</td>
<td>999,904</td>
</tr>
</tbody>
</table>

(a) Other receivables
As at 31 December 2013 and 2012, these amounts predominantly consist of VAT recoverable.

(b) Prepayments
As at 31 December 2013 prepayments include $500,000 (2012: $500,000) in application fees paid to the Government of the Commonwealth of The Bahamas for additional exploration licences, pending award. In the event that the Group’s applications are unsuccessful, 50% of this amount is refundable to the Group. No provision has been made in the consolidated Financial Statements to write down the carrying value of these prepayments in the event that the applications are unsuccessful.
16  Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>216,069</td>
<td>500,170</td>
</tr>
<tr>
<td>Trade payables</td>
<td>154,250</td>
<td>769,124</td>
</tr>
<tr>
<td>Other payables</td>
<td>8,000</td>
<td>8,858</td>
</tr>
<tr>
<td></td>
<td>378,319</td>
<td>1,278,152</td>
</tr>
</tbody>
</table>

17  Share capital, share premium and merger reserve

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of shares</th>
<th>Issue price $</th>
<th>Ordinary shares $</th>
<th>Share premium reserve $</th>
<th>Merger reserve $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2012</td>
<td>1,230,479,096</td>
<td>–</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
</tr>
<tr>
<td>At 31 December 2012 and 31 December 2013</td>
<td>1,230,479,096</td>
<td>–</td>
<td>37,253</td>
<td>78,185,102</td>
<td>77,130,684</td>
</tr>
</tbody>
</table>

The total authorised number of ordinary shares at 31 December 2013 and 2012 was 5,000,000,000 shares with a par value of 0.002p per share.

All issued shares of 0.002 pence are fully paid.

18  Share-based payments

Share options have been granted to Directors, selected employees and consultants to the Company.

The Group had no legal or constructive obligation to repurchase or settle any options in cash. Movements in the number of share options outstanding during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 Group</th>
<th>2012 Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average exercise price per share</td>
<td>No. Options</td>
</tr>
<tr>
<td>At beginning of year</td>
<td>17.77p</td>
<td>69,500,000</td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Relinquished</td>
<td>18.75p</td>
<td>(8,000,000)</td>
</tr>
<tr>
<td>At end of year</td>
<td>17.64p</td>
<td>61,500,000</td>
</tr>
<tr>
<td>Exercisable at end of year</td>
<td>21.25p</td>
<td>6,750,000</td>
</tr>
</tbody>
</table>

On 2 April 2012 the Company granted 48,000,000 share options to Directors and management. 1,000,000 options have an exercise price of 7.4 pence, an expiry period of 5 years and become exercisable should the Company share price reach 18.75 pence per share. The remaining 47,000,000 options carry the following terms:

- 14,000,000 become exercisable on (a) the conclusion of a suitable farm in agreement to allow the drilling of an exploration well or (b) the securing of independent finance to drill an exploration well;
- 9,000,000 become exercisable following the spudding of the first exploration well;
- 24,000,000 become exercisable in the event of a corporate sale of the Company at a price per share equal to or exceeding 37.5 pence; and
- All 47,000,000 of these options have an exercise price of 18.75 pence and an expiry period of 5 years.

All 48,000,000 options require the option holder to remain in office, with the provision for this service requirement to be waived at the discretion of the Company. In the event that the option holder ceases to hold office during the exercise period, the survivability of the options is at the explicit discretion of the Board of Directors.
18 Share-based payments (continued)
The fair value of the options granted in the prior year is estimated using the Black Scholes model or, where there are market based vesting conditions, the Black Scholes Barrier model. The inputs and assumptions used in calculating the fair value of options granted in the prior year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2 April 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tranche 1</td>
</tr>
<tr>
<td>Number of options granted</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Share price at date of grant</td>
<td>10.75p</td>
</tr>
<tr>
<td>Exercise price</td>
<td>7.4p</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>25%</td>
</tr>
<tr>
<td>Expected life</td>
<td>1.1 years</td>
</tr>
<tr>
<td>Risk free return</td>
<td>1.08%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>Nil</td>
</tr>
<tr>
<td>Hurdle rate</td>
<td>18.75p</td>
</tr>
<tr>
<td>Fair value per option-tranche 1</td>
<td>0.17p</td>
</tr>
<tr>
<td>Fair value per option-tranche 2</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Expected volatility was based on an assessment of the volatility of the share price of the Company and a selection of its peers over a period consistent with the expected life of the options. The weighted average remaining contractual life of the options in issue at 31 December 2013 is 3.0 years (31 December 2012: 4.0 years). The exercise price of these options range from 7.4 pence per share to 21.25 pence per share.

The tranche 4 options granted in the prior year only vest and become exercisable in the event of a corporate sale of the Company at a price per share equal to or exceeding 37.5 pence. As the likelihood of such a transaction cannot be deemed to be probable at the reporting date, the number of options expected to vest has been assessed as zero and therefore no charge for this tranche has been recognised in these Financial Statements. Consequently, no expected life or fair value for these options has been determined.

On 3 July 2013, 8 million options granted on 2 April 2012 were forfeited as follows:

- 4 million share options becoming exercisable on (a) the conclusion of a suitable farm in agreement to allow the drilling of a well or (b) the securing of independent finance for the drilling of a well (tranche 2).
- 4 million share options becoming exercisable in the event of a corporate sale of the Company at a price per share equal to or exceeding 37.5 pence each (tranche 4).

No adjustment has been made to the share-based payments reserve or charge for the year following the above forfeitures.

Expense arising from share-based payment transactions
Total expense arising from equity-settled share-based payment transactions:

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense in relation to share options</td>
<td>75,345</td>
<td>281,589</td>
</tr>
</tbody>
</table>
19  Cash used in operations

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss after income tax</td>
<td>(5,193,412)</td>
<td>(6,299,686)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Depreciation (note 12)</td>
<td>86,641</td>
<td>153,492</td>
</tr>
<tr>
<td>– Share-based payment (note 18)</td>
<td>75,345</td>
<td>281,589</td>
</tr>
<tr>
<td>– Finance income (note 6)</td>
<td>(23,696)</td>
<td>(44,272)</td>
</tr>
<tr>
<td>– Other income</td>
<td>(51,208)</td>
<td></td>
</tr>
<tr>
<td>– Loss on disposal of fixed assets</td>
<td>1,357</td>
<td>74,049</td>
</tr>
<tr>
<td>– Non-cash staff benefits (note 21)</td>
<td>–</td>
<td>104,767</td>
</tr>
<tr>
<td>– Foreign exchange loss/(gain) on operating activities (note 8)</td>
<td>61,656</td>
<td>(214,861)</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Other receivables</td>
<td>115,676</td>
<td>(22,870)</td>
</tr>
<tr>
<td>– Trade and other payables</td>
<td>(921,590)</td>
<td>425,141</td>
</tr>
<tr>
<td><strong>Cash used in operations</strong></td>
<td>(5,849,231)</td>
<td>(5,542,651)</td>
</tr>
</tbody>
</table>

20  Contingencies and commitments

(i)  Contingencies

As at 31 December 2013, the Group had entered into a contract with Royal Fidelity Merchant Bank and Trust Limited for services in connection with the creation of a Bahamian Depository Receipt facility. Fees payable under this contract totalling $285,000 are contingent on completion of the facility, which had not taken place as at 31 December 2013. Consequently, this contingent liability has not been recognised in these Financial Statements.

(ii)  Expenditure commitments

As at 31 December 2013 the Group had discharged all of its work obligations under the terms of the existing exploration licence period. The formal terms of the Group’s original exploration licences required the spudding of one well in the southern licence area and one well in the Miami licence area by 26 April 2013. On 19 July 2013 confirmation was provided by the Ministry of Environment to the Group that its exploration licences had been renewed and extended, with the revised well obligation deadline being 26 April 2015.

(iii)  Annual rental commitments

The Group is required under the exploration licences to remit annual rentals in advance to the Government of the Commonwealth of The Bahamas in respect of the licenced areas.

During the year the Group’s exploration licences were renewed for a further three years with the effective commencement date for the new three year term being the date of execution of the renewed licences by The Governor General of The Bahamas. As at 31 December 2013 the formal execution of the renewed licences had not yet taken place and, as a consequence, no licence rental fees have been paid or accrued during the calendar year. Under the renewed terms, the licences attract a rental fee of $250,000 per licence per annum, totalling $1,250,000 annually for all five licences held by the Group. Prepaid rentals submitted to the Bahamian Government in 2012 totalling $287,500 have been agreed as offsettable against the above rental obligation, giving rise to a net cash payable of $962,500.

The Group leases various premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.
20 Contingencies and commitments (continued)
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than 1 year</td>
<td>291,300</td>
<td>543,300</td>
</tr>
<tr>
<td>Later than 1 year and no later than 5 years</td>
<td>544,050</td>
<td>860,850</td>
</tr>
<tr>
<td></td>
<td>835,350</td>
<td>1,404,150</td>
</tr>
</tbody>
</table>

During the year the Group entered into a two year lease to sublet a portion of the Nassau office building, which had been unutilised, for $48,000 per annum. On 1 January 2014 the Group entered into a four year lease to sublet the remainder of the unutilised office space for $48,000 per annum. The above minimum lease payment obligations are shown gross of this income source which is recognised as Other Income in the Consolidated Statement of Comprehensive Income for the year.

21 Related party transactions
Key Management Personnel
Details of key management personnel during the current and prior year are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian Collins</td>
<td>Non-Executive Chairman</td>
</tr>
<tr>
<td>Simon Potter</td>
<td>Director and Chief Executive Officer</td>
</tr>
<tr>
<td>Ross McDonald</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Steven Weyel</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Edward Shallcross</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Dursley Stott</td>
<td>Non-Executive Director – Resigned in the prior year</td>
</tr>
</tbody>
</table>

Key Management Compensation

<table>
<thead>
<tr>
<th></th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term employee benefits</td>
<td>1,396,709</td>
<td>1,734,780</td>
</tr>
<tr>
<td>Share-based payments (see note 18)</td>
<td>75,345</td>
<td>57,154</td>
</tr>
<tr>
<td></td>
<td>1,472,054</td>
<td>1,791,934</td>
</tr>
</tbody>
</table>

During the prior year, non-recurring amounts totalling $167,424 were reimbursed to Simon Potter for relocation costs and expat benefits following his appointment as CEO of the Company. These amounts have been included above under short term employee benefits.

During the prior year, ownership of a Company motor vehicle, which had been purchased in 2011 for $104,767, was transferred to Simon Potter for nil consideration as part of his remuneration package.

Simon Potter’s key remunerative terms as Chief Executive Officer of the Company are as follows:

- Annual salary of $1,000,000 with minimum CPI indexation.
- Mr Potter is entitled to receive pension contributions from the Company equal to 10% of his annual salary.
- The term of the contract expires on 16 October 2017. Benefits arising from termination during the term range from nil to payment of salary over the full term, depending on the circumstances surrounding termination.

During the year, Simon Potter was provided with housing in Nassau, The Bahamas for his exclusive use at a cost to the Company of $144,000 (2012: $172,000). These amounts have been recognised in the Financial Statements as premises expenses under the categorisation ‘other costs’. 
21 Related party transactions (continued)

Directors’ remuneration

<table>
<thead>
<tr>
<th>Name</th>
<th>2013 Group $</th>
<th>2012 Group $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Potter;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Salary</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>– Pension benefits</td>
<td>96,122</td>
<td>120,834</td>
</tr>
<tr>
<td>– Relocation and travel costs</td>
<td>–</td>
<td>301,195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,096,122</strong></td>
<td><strong>1,422,029</strong></td>
</tr>
<tr>
<td>Adrian Collins</td>
<td>101,940</td>
<td>100,868</td>
</tr>
<tr>
<td>Ross McDonald</td>
<td>66,038</td>
<td>49,840</td>
</tr>
<tr>
<td>Dursley Stott</td>
<td>–</td>
<td>26,075</td>
</tr>
<tr>
<td>Edward Shallcross</td>
<td>78,225</td>
<td>79,062</td>
</tr>
<tr>
<td>Steven Weyel</td>
<td>54,384</td>
<td>56,906</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,396,709</strong></td>
<td><strong>1,734,780</strong></td>
</tr>
</tbody>
</table>

Share options granted to Directors during the prior year are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of options granted</th>
<th>Exercise price per Ordinary Share</th>
<th>Date of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simon Potter</td>
<td>35,000,000</td>
<td>18.75p</td>
<td>2 April 2012</td>
</tr>
<tr>
<td>Ross McDonald</td>
<td>1,000,000</td>
<td>7.40p</td>
<td>2 April 2012</td>
</tr>
</tbody>
</table>

Details of share options granted are disclosed in note 18 to these Financial Statements.

Other related party transactions

During the year, disbursements totalling $1,000 were reimbursed to Royal Fidelity Merchant Bank & Trust. Ross McDonald, a director of the Company, is also a director of Royal Fidelity Merchant Bank & Trust. During the prior year, $50,000 was paid to Royal Fidelity Merchant Bank & Trust as an engagement fee for the provision of depository services relating to the Company’s future Bahamian Depository Receipt programme.

During the year the Company operated banking facilities with RBC Royal Bank (Bahamas) Limited in Nassau, The Bahamas. Ross McDonald, a director of the Company, is also a director of RBC Royal Bank (Bahamas) Limited. As at 31 December 2013, $50,300 was held on deposit with RBC Royal Bank (Bahamas) Limited (31 December 2012: $329,316).
Independent auditor's report to the members of Bahamas Petroleum Company plc
Report on the Financial Statements
We have audited the parent company Financial Statements of Bahamas Petroleum Company plc which comprise the balance sheet as at 31 December 2013 and the parent company statement of changes in equity and parent company cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these Financial Statements based on our audit. This report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion:

- the parent company Financial Statements give a true and fair view of the financial position of the company as at 31 December 2013, and of its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as applied in accordance with the provisions of the Isle of Man Companies Act 1982; and
- the parent company Financial Statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Emphasis of Matter
We draw attention to note 3 to the parent company Financial Statements which describes the uncertainty related to the future recoverability of the parent company’s investment in subsidiaries and loans to Group undertakings. Our opinion is not qualified in respect of this matter.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the parent company or, proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company’s balance sheet is not in agreement with the books of account and returns; or
- we have not received all the information and explanations necessary for the purposes of our audit; and
- certain disclosures of Directors’ loans and remuneration specified by law have not been complied with.
Parent Company Independent Auditor’s Report
(continued)

Other Matters
We have reported separately on the consolidated Financial Statements of Bahamas Petroleum Company plc for the year ended 31 December 2013. That report includes an emphasis of matter.

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
9 May 2014
### Parent Company Balance Sheet

As at 31 December 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>29,560,465</td>
<td>29,560,456</td>
</tr>
<tr>
<td>Other receivables</td>
<td>52,058,973</td>
<td>48,190,260</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8,575</td>
<td>14,081</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>165,040</td>
<td>161,738</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>81,793,053</td>
<td>77,926,535</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>235,473</td>
<td>271,109</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,812,600</td>
<td>20,988,272</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>15,048,073</td>
<td>21,259,381</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>96,841,126</td>
<td>99,185,916</td>
</tr>
</tbody>
</table>

| LIABILITIES                 |                |                 |
| Current liabilities         |                |                 |
| Trade and other payables    | 322,556        | 1,025,460       |
| **Total liabilities**       | 322,556        | 1,025,460       |

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>37,253</td>
<td>37,253</td>
</tr>
<tr>
<td>Share premium reserve</td>
<td>78,185,102</td>
<td>78,185,102</td>
</tr>
<tr>
<td>Other reserve</td>
<td>29,535,159</td>
<td>29,535,159</td>
</tr>
<tr>
<td>Share-based payments reserve</td>
<td>1,411,054</td>
<td>1,355,709</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(12,649,998)</td>
<td>(10,932,767)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>96,518,570</td>
<td>98,160,456</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>96,841,126</td>
<td>99,185,916</td>
</tr>
</tbody>
</table>

The Financial Statements on pages 69 to 75 were approved and authorised for issue by the Board of Directors on 9 May 2014 and signed on its behalf by:

**Adrian Collins**  
Director

**Simon Potter**  
Director
Parent Company Statement of Changes in Equity
For the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital $</th>
<th>Share premium $</th>
<th>Other Reserve $</th>
<th>Share-based payment reserve $</th>
<th>Retained earnings $</th>
<th>Total equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at 1 January 2012</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>1,054,120</td>
<td>(8,629,939)</td>
</tr>
<tr>
<td></td>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>for the year</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share options – value of service</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance at 31 December 2012</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>1,335,709</td>
<td>(10,932,767)</td>
</tr>
<tr>
<td></td>
<td>Balance at 1 January 2013</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>1,335,709</td>
<td>(10,932,767)</td>
</tr>
<tr>
<td></td>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>for the year</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Comprehensive Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share options – value of service</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance at 31 December 2013</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>1,411,054</td>
<td>(12,649,998)</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 72 to 75 form part of these Financial Statements.
Parent Company Cash Flow Statement
For the year ended 31 December 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>13 (2,277,547)</td>
<td>(1,936,196)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(2,277,547)</td>
<td>(1,936,196)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(5,684)</td>
<td>(3,784)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>–</td>
<td>2,966</td>
</tr>
<tr>
<td>Interest received</td>
<td>23,696</td>
<td>44,272</td>
</tr>
<tr>
<td>Decrease in restricted cash</td>
<td>–</td>
<td>318,735</td>
</tr>
<tr>
<td>Advances to and payments on behalf of group companies</td>
<td>(3,868,713)</td>
<td>(12,640,821)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(3,850,701)</td>
<td>(12,278,632)</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(6,128,248)</td>
<td>(14,214,828)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the year</strong></td>
<td>20,988,272</td>
<td>34,976,049</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>(47,424)</td>
<td>227,051</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>14,812,600</td>
<td>20,988,272</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 72 to 75 form part of these Financial Statements.
Notes to the Parent Company Financial Statements

1 General information
Bahamas Petroleum Company plc (‘the Company’) and its subsidiaries (together ‘the Group’) are the holders of several oil & gas exploration licences issued by the Government of the Commonwealth of The Bahamas.

The Company is a limited liability company incorporated and domiciled in the Isle of Man. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. The Company’s review of operations and principal activities is set out in the Directors’ Report.

The accounting reference date of the Company is 31 December.

2 Accounting policies
2.1 Basis of preparation
The Financial Statements are prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union (‘EU’) and IFRIC (International Financial Reporting Interpretations Committee) interpretations. The Financial Statements have been prepared under the historical cost convention and the requirements of the Isle of Man Companies Acts 1931 to 2004.

The Company’s accounting policies and information regarding changes in accounting policies and disclosures are in line with those of the Group, as detailed in note 2 of the consolidated Financial Statements, in addition to those set out below.

Going concern
The Directors have, at the time of approving the Financial Statements, determined that the Company has more than adequate financial resources and therefore these Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as and when they fall due. See note 4 in the consolidated Financial Statements for further details.

2.2 Investment in subsidiaries
Investments in subsidiaries are included in the Company balance sheet at cost less any provision for impairment.

3 Critical accounting estimates and assumptions
3.1 Investment in subsidiary and loans to Group undertakings
The investment in the Company’s direct subsidiaries and loans to Group undertakings at 31 December 2013 stood at $29,560,465 (2012: $29,560,456) and $52,058,973 (2012: $48,190,260) respectively.

Ultimate recoverability of investments in subsidiaries and loans to Group undertakings is dependent on successful development and commercial exploitation, or alternatively, sale of the respective licence areas. The carrying values of the Company’s investments in subsidiaries and loans to Group undertakings are reviewed at each balance sheet date and, if there is any indication that they are impaired, their recoverable amount is estimated. Estimates of impairments are limited to an assessment by the Directors of any events or changes in circumstances that would indicate that the carrying values of the assets may not be fully recoverable.

Any impairment losses arising are charged to the statement of comprehensive income.

On 10 March 2013, the Government of The Bahamas announced its intentions to proceed with oil and gas exploration drilling in Bahamian waters. In addition, revised environmental regulations are being finalised and adopted which, at the time of this report, the responsible minister is reported as indicating are before the country’s cabinet for final review. Additionally, the government clarified its intentions for a public consultation on the creation of an oil and gas extraction and production industry, noting that any such consultation process would only take place in the event that commercial reserves of hydrocarbons are discovered in Bahamian waters.

On 19 July 2013 the Government of The Bahamas confirmed the renewal and extension of the Group’s exploration licences in Bahamian waters for at least a further three years. As part of this renewal, the southern boundaries of the four southern licences were adjusted to conform to the maritime boundary between The Bahamas and Cuba, providing tenure over the full extent of the existing mapped structures. Under the terms of the renewed licences, the Group is obliged to commence drilling activities by 26 April 2015 for the execution of one well in its four southern licence areas and one well in its Miami licence area.

4 Loss attributable to members of the parent company
The loss dealt with in the Financial Statements of the Company for the year to 31 December 2013 is $1,717,231 (2012: $2,302,828). As permitted by part 1 section 3(5) of the Isle of Man Companies Act 1982, the Company has elected not to present its own statement of comprehensive income for the year.
5 Restricted cash

Restricted cash balances for the Company are the same as those for the Group. Please see note 11 to the consolidated Financial Statements for more details.

6 Property, plant and equipment

<table>
<thead>
<tr>
<th>Company</th>
<th>Leasehold improvements $</th>
<th>Furniture, fittings and equipment $</th>
<th>Motor vehicles $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year ended 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>–</td>
<td>31,331</td>
<td>104,767</td>
<td>136,098</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>3,784</td>
<td>–</td>
<td>3,784</td>
</tr>
<tr>
<td>Disposals – cost</td>
<td>–</td>
<td>(8,402)</td>
<td>(104,767)</td>
<td>(113,169)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>–</td>
<td>(15,627)</td>
<td>–</td>
<td>(15,627)</td>
</tr>
<tr>
<td>Disposals – accumulated depreciation</td>
<td>–</td>
<td>2,995</td>
<td>–</td>
<td>2,995</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td>–</td>
<td>14,081</td>
<td>–</td>
<td>14,081</td>
</tr>
<tr>
<td><strong>As at 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>29,010</td>
<td>49,659</td>
<td>–</td>
<td>78,669</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(29,010)</td>
<td>(35,578)</td>
<td>–</td>
<td>(64,588)</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>–</td>
<td>14,081</td>
<td>–</td>
<td>14,081</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening net book amount</td>
<td>–</td>
<td>14,081</td>
<td>–</td>
<td>14,081</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>5,684</td>
<td>–</td>
<td>5,684</td>
</tr>
<tr>
<td>Disposals – cost</td>
<td>(29,010)</td>
<td>–</td>
<td>–</td>
<td>(29,010)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>–</td>
<td>(11,190)</td>
<td>–</td>
<td>(11,190)</td>
</tr>
<tr>
<td>Disposals – accumulated depreciation</td>
<td>29,010</td>
<td>–</td>
<td>–</td>
<td>29,010</td>
</tr>
<tr>
<td><strong>Closing net book amount</strong></td>
<td>–</td>
<td>8,575</td>
<td>–</td>
<td>8,575</td>
</tr>
<tr>
<td><strong>As at 31 December 2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>–</td>
<td>55,343</td>
<td>–</td>
<td>55,343</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>–</td>
<td>(46,768)</td>
<td>–</td>
<td>(46,768)</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>–</td>
<td>8,575</td>
<td>–</td>
<td>8,575</td>
</tr>
</tbody>
</table>

7 Investment in subsidiary

<table>
<thead>
<tr>
<th>Company</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPC (A) Limited – Formerly BPC (Cooper) Limited</td>
<td>29,560,456</td>
<td>–</td>
</tr>
<tr>
<td>BPC (B) Limited – Formerly BPC (Bain) Limited</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>BPC (C) Limited – Formerly BPC (Donaldson) Limited</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>BPC (D) Limited – Formerly BPC (Eneas) Limited</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>BPC Jersey Limited</td>
<td>–</td>
<td>29,560,456</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29,560,465</td>
<td>29,560,456</td>
</tr>
</tbody>
</table>

On 19 October 2013 BPC Jersey Limited assigned its Group undertakings to BPC (A) Limited, BPC (B) Limited, BPC (C) Limited and BPC (D) Limited (‘the Isle of Man subsidiaries’) and underwent members voluntary winding up, with no distribution being made to the Company. As a consequence, the investment in BPC Jersey Limited was transferred in the year to BPC (A) Limited.
8 Other receivables

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount owing by group undertakings</td>
<td>52,058,973</td>
<td>48,190,260</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>146,403</td>
<td>129,131</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>89,070</td>
<td>141,978</td>
</tr>
<tr>
<td></td>
<td>235,473</td>
<td>271,109</td>
</tr>
</tbody>
</table>

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand. The Directors have agreed that repayment of these amounts will not be called on within 12 months of the reporting date.

9 Cash and cash equivalents

<table>
<thead>
<tr>
<th>Cash at bank</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>14,812,600</td>
<td>20,988,272</td>
</tr>
</tbody>
</table>

The 2013 and 2012 balances include interest bearing accounts at rates between 0% and 1%.

10 Trade and other payables

<table>
<thead>
<tr>
<th>Trade and other payables</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>168,297</td>
<td>247,474</td>
</tr>
<tr>
<td>Trade payables</td>
<td>139,642</td>
<td>769,124</td>
</tr>
<tr>
<td>Other payables</td>
<td>14,617</td>
<td>8,862</td>
</tr>
<tr>
<td></td>
<td>322,556</td>
<td>1,025,460</td>
</tr>
</tbody>
</table>

11 Share capital, share premium and other reserve

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of shares</th>
<th>Ordinary shares</th>
<th>Share premium reserve</th>
<th>Other reserve</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2012</td>
<td>1,230,479,096</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>107,757,514</td>
</tr>
<tr>
<td>At 31 December 2012 and 2013</td>
<td>1,230,479,096</td>
<td>37,253</td>
<td>78,185,102</td>
<td>29,535,159</td>
<td>107,757,514</td>
</tr>
</tbody>
</table>

All issued shares are fully paid.

The authorised share capital of the Company is 5,000,000,000 ordinary shares of 0.002 pence each.

The Other reserve balance arises from the issue of shares in the Company as part of the Scheme of Arrangement undertaken in 2010, which saw the shares in the then Parent Company BPC Limited replaced with shares in Bahamas Petroleum Company plc (then BPC plc), which became the new Parent Company of the Group.
12 Share-based payments
Share-based payments for the Company are the same as those for the Group. For further details please see note 18 to the consolidated Financial Statements.

13 Cash used in operations

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 Company $</th>
<th>2012 Company $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before income tax</td>
<td>(1,717,231)</td>
<td>(2,302,828)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation (note 6)</td>
<td>11,190</td>
<td>15,627</td>
</tr>
<tr>
<td>- Finance income</td>
<td>(23,696)</td>
<td>(44,272)</td>
</tr>
<tr>
<td>- Foreign exchange loss/gain on operating activities</td>
<td>61,656</td>
<td>(214,924)</td>
</tr>
<tr>
<td>- Share-based payment (consolidated Financial Statements note 18)</td>
<td>75,345</td>
<td>281,589</td>
</tr>
<tr>
<td>- Loss on disposal of fixed assets</td>
<td></td>
<td>2,441</td>
</tr>
<tr>
<td>- Non-cash staff benefits (consolidated Financial Statements note 21)</td>
<td></td>
<td>104,767</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other receivables</td>
<td>39,857</td>
<td>48,960</td>
</tr>
<tr>
<td>- Trade and other payables</td>
<td>(724,668)</td>
<td>172,444</td>
</tr>
<tr>
<td><strong>Cash used in operations</strong></td>
<td>(2,277,547)</td>
<td>(1,936,196)</td>
</tr>
</tbody>
</table>

14 Related party transactions
During the year, goods and services totalling $3,509,333 (2012: $12,629,865) were charged by the Company to BPC Limited in The Bahamas, the 100% indirectly owned subsidiary of the Company.

During the year, goods and services totalling $6,620 (2012: $10,956) were charged by the Company to BPC Jersey Limited, the 100% directly owned subsidiary of the Company. During the year an intercompany loan payable to BPC Jersey Limited totalling $352,760 was forgiven ahead of this subsidiary being dissolved.

All other related party transactions of the Company are the same as those for the Group. For further details see note 21 to the consolidated Financial Statements.
Albian A geologic period, the uppermost sub-division of the early or lower Cretaceous period, that extends from about c.112 Mya (million years ago) to 100 Mya
Aptian A geologic period, a sub-division of the early or lower Cretaceous period, that extends from about c.125 Mya (million years ago) to 112 Mya
Appraisal well An appraisal well is drilled to assess the characteristics (e.g. flow rate, areal extent) of a discovered oil or gas accumulation
Basement The rocks below a sedimentary platform or cover, or more generally any rock below sedimentary rocks or sedimentary basins that are metamorphic or igneous in origin. In the same way the sediments and/or sedimentary rocks on top of the basement can be called a “cover” or “sedimentary cover”
bo bbl Barrel of oil; equivalent to 42 US gallons
boe Barrel of oil equivalent where the gas component is converted into an equivalent amount of oil using a conversion rate of approximately 6mcf to one barrel of oil
boepd Barrels of oil equivalent per day
bopd Barrels of oil per day
Carbonate Rocks Rocks made of particles (composed >50% carbonate minerals – limestones (CaCO₃) and dolomites (CaMgCO₃₂)) embedded in a cement. They make up 10 – 15% of sedimentary rocks and dissolve in dilute acidic groundwater. Most carbonate rocks result from the accumulation of bioclasts created by calcareous organisms and therefore originate in areas favouring biological activity i.e. in shallow and warm seas in areas with little to no clastic input. In present day Earth conditions these would be primarily areas limited to ±40 latitude
Cretaceous A geologic period that extends from about c.145 Mya (million years ago) to 65 Mya
CSR Corporate Social Responsibility
Development well A development well is drilled within the proved area of an oil or gas reservoir for the purpose of producing hydrocarbons
E&P Exploration and production
Exploration well An exploration well is drilled to find and test potential oil or gas accumulations in an unproved area
Estimated Ultimate Recovery Abbreviated to EUR, are those Prospective Resources recoverable from an accumulation, plus those quantities already produced therefrom and can be applied to an individual accumulation of any status/maturity (discovered or undiscovered)
Fetch An area of the sea surface over which seas are generated by a wind having a constant speed and direction. The length of the fetch area, measured in the direction of the wind in which the seas are generated. Also known as generating area
Formation Used to describe a particular sequence of rocks of similar character recognisable over distance. Also an oil industry term used to describe a particular layer being tested for oil and gas Fracture A break in the rock that can serve as both a migration pathway and a reservoir for gas, oil and water
G&G Geological and geophysical work, data or studies
Graben A fault bounded structural feature in the sub-surface resulting from extension. It may serve as a site for thick accumulation of hydrocarbon prospective rocks
HSE Health, Safety and Environment
Hydrocarbon Any liquid or gas made up of an appreciable volume of combustible organic compounds of hydrogen and carbon, such as any of those that are the chief components of petroleum and natural gas
Jurassic A geologic period that extends from about c.200 Mya (million years ago) to 145 Mya
Karst The topography that describes the erosion surfaces and caves that typically develop due to the solubility of carbonate rocks in dilute acidic groundwater
km² Square kilometres
mcf Thousand cubic feet of gas
mcf/d Thousand cubic feet of gas per day
mmboe Millions of barrels of oil equivalent
mmcf/d Millions of cubic feet of gas per day
mmstb Millions of stock tank barrels
NGLs Natural Gas Liquids
NGO Non-governmental organisation
OCS Outer Continental Shelf
Operator Runs the day to day hydrocarbon exploration and production programme on behalf of the working interest holders in the project
Permeable A rock that allows fluid to pass through it easily is said to be permeable
Petroleum A flammable mixture of gaseous, liquid, and solid hydrocarbons that occurs naturally beneath the Earth’s surface capable of being separated into various fractions
Platform A continental area covered by relatively flat or gently tilted, sedimentary strata
Prospective Resources An estimate of the potential oil and gas volumes thought to be present in an undrilled area
PSC Production Sharing Contract
psi Pounds per square inch (pressure)
Reef A build up of carbonate rocks in tropical waters developed through biotic processes dominated by corals and calcareous algae
Reservoir A rock formation with sufficient holes (porosity) to hold and store oil until it is discovered and sufficient permeability to allow the oil to be produced economically. A reservoir rock hosts the hydrocarbon accumulation in the subsurface and may consist of any number of rock types (although it is often sandstone). Also includes permeable and porous fractured rock and coal seams
Section A stratigraphic sequence encountered in a well
Seismic The seismic process records the time taken for a sound wave to travel from the surface of the earth to a sub-surface rock layer and then back again. The data collected can be processed to provide a pictorial representation of the sub-surface rock layers and is used extensively in hydrocarbon exploration and production. In a 2D seismic survey, several seismic lines are recorded to yield individual cross-sections. In a 3D seismic survey, multiple closely spaced seismic lines are recorded and the high density of cross sections are interpolated to yield detailed subsurface maps on which exploration prospects can be delineated
Stock tank barrel A barrel of oil measured at standard temperature (60°F) and pressure (14.7 psi)
STOIP Stock tank oil initially-in-place
Tertiary A geologic period that extends from about c.65 Mya (million years ago) to beginning of the last ice age
WI Working interest
Corporate Directory

**Company Number**
Registered in the Isle of Man with registered number 123863C

**Directors**
- William Schrader
  Non-Executive Chairman
- James Smith
  Non-Executive Deputy Chairman
- Simon Potter
  Chief Executive Officer
- Adrian Collins
  Non-Executive Director
- Edward Shallcross
  Non-Executive Director
- Steven Weyel
  Non-Executive Director
- Ross McDonald
  Non-Executive Director

**Secretary**
Benjamin Proffitt

**Registered Office and Corporate Headquarters**
- IOMA House
  Hope Street
  Douglas
  Isle of Man
  IM1 1AP

**Bahamas Headquarters**
- Building 3 Western Road
  Western New Providence
  Commercial Centre
  Mount Pleasant Village
  Nassau, Bahamas
  PO Box SP-64135

**Registrar**
Capita Registrars (IOM) Limited
3rd Floor Exchange House
54-62 Athol Street
Douglas
Isle of Man
IM1 1JD

**Auditor**
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA

**Solicitors**
Lawrence Keenan Advocates & Solicitors
Victoria Chambers
47 Victoria Street
Douglas
Isle of Man
IM1 2LD

**Graham Thompson & Co**
Sassoon House
Shirley Street & Victoria Avenue
PO Box N-272, Nassau
Bahamas

**Delaney Partners**
Commercial Lawyers
Lyford Manor, (West Blog)
Western Road
Lyford Cay
PO Box CB-13007
Nassau, Bahamas

**Nominated Advisor**
Strand Hanson Limited
26 Mount Row
London
W1K 3SQ
United Kingdom

**Brokers**
Canaccord Genuity
88 Wood Street
London
EC2V 7QR
United Kingdom

FirstEnergy Capital LLP
4th Floor, 85 London Wall
London
EC2M 7AD
United Kingdom

Design and production by Emperor
www.emperordesign.co.uk +44 (0)131 220 7990
“THE BRIDGE TO THE FUTURE...THE JOURNEY CONTINUES”

Visit us online at www.bpcplc.com