Bahamas Petroleum Company plc
Annual report and Financial Statements

For the year ended 31 December 2017

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* Edward Shallcross *Non-Executive* Ross McDonald *Non-Executive*
Secretary	Benjamin Proffitt
Registered Office and Corporate Headquarters	IOMA House Hope Street Douglas Isle of Man IM1 1AP
Bahamas Headquarters	Building 5 Caves Village West Bay Street Nassau, Bahamas PO Box SP-64135
Registrar	Capita Registrars (IOM) Limited Clinch's House Lord Street Douglas Isle of Man IM99 1RZ
Auditor	PricewaterhouseCoopers LLC Sixty Circular Road Douglas Isle of Man IM1 1SA

Corporate directory (continued)

Solicitors	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
Broker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU United Kingdom

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

Chairman’s Report

Dear Shareholder,

The last year saw a gradual recovery and stabilisation of the global oil price which has enabled a level of optimism to return to the exploration sector. This trend has continued into 2018 with the price of oil having recently breached $80 per barrel for the first time in over 3 years. Macro-economic developments and global political uncertainty continue to support this trend, giving industry participants increasing levels of confidence to assess investment opportunities such as ours.

Efforts to secure an industry partner continued during 2017 and, whilst we would have liked to have concluded a partnership transaction during this period, our announcement on 3 May 2018 that we have entered into a period of exclusivity with a major international oil company represents a significant step forward in this process. Furthermore, the recently announced appointment of Macquarie Bank to assist with various corporate initiatives that the Company has available to it demonstrates a level of confidence in the Company’s prospects by a globally renowned investment bank. This in turn supports our own confidence in being able to conclude a farm-out or similar partner transaction in 2018 which will enable our Company to move into the next phase.

As regards the 2017 period, there are three specific developments on which I would like to comment.

As noted, the overall industry landscape continued to improve through 2017 and into 2018. Oil prices rose steadily, from around $50 - $55 per barrel at the time of my last report to circa $80 per barrel at the time of writing. As a result of this recovery, both investment capital and the enthusiasm of industry majors have begun to return to the exploration sector. Through this period we have seen a marked increase in exploration deal-flow and fundraisings, and we are optimistic that this improved investment sentiment will support the Company’s ongoing efforts towards securing a funding arrangement.

In May 2017, a general election in The Bahamas saw a change of Government. The new Government has made the development of a robust and successful local oil and gas industry a key plank of its vision and strategy for The Bahamas. This has included, for example, the new Government indicating its support for a $5.5 billion oil and gas refinery development on Grand Bahama, in February 2018. Over the past six months Company management has engaged proactively and productively with the new Government, and we look forward to working collaboratively as we continue to progress our project.

Finally, in 2017 we raised £2.8 million before expenses through the issue of 280 million new shares, or approximately 15% of the post-raising fully diluted share capital. The level of support we received from these investors, both existing and new shareholders, was very encouraging and has been further demonstrated by our more recent placing in May 2018 of £1.1 million through the issue of 44 million new shares, notably at a price two and a half times greater than that achieved in 2017, and therefore substantially less dilutive to the existing shareholders. These raisings have acted to strengthen the Company’s funding position whilst we seek to conclude partner discussions and secure a funding arrangement. Your Board, and certain of the Company’s management, staff and consultants took part in the 2017 raising by subscribing for 20 million of the new shares, and the board and executive continue to defer the vast majority of their fees and salary pending a successful farm-in or funding arrangement. I believe that by “putting our money where our mouth is” we are clearly demonstrating the confidence we all have in our project, and our ability to eventually succeed in securing a project partner.

On behalf of the entire team at the Company I would like to thank our fellow shareholders for their continued support and patience. I look forward to reporting on the next stage of progress in the near future.

Yours sincerely,
Bill Schrader
Chairman
12 June 2018

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

Chief Executive Officer's Report

Dear Shareholder,

Over the last 12 months the key focus of the Company has been on securing the investment needed to take its project in The Bahamas forward into the next stage, which would be the drilling of an initial exploration well.

The Company's primary strategy in this regard has been to pursue an industry partnership, or 'farm-out', which would see a partner (typically a major international oil company) take an agreed percentage interest in the licences, which are currently 100% owned by the Company, in return for paying all or a substantial part of the costs of an agreed drilling program (but at a minimum sufficient to see the first exploration well completed), and making a cash contribution towards the costs historically incurred by the Company.

As shareholders are well aware, progress in this regard over the last few years has been disappointing, despite our best efforts. Initiatives over this period were impeded by a variety of "above ground" issues, in particular, the compound effect of two factors: (i) the extensive length of time taken for licence renewal and the implementation of updated petroleum regulations in The Bahamas – in aggregate, over 5 years, and (ii) the oil price collapse in the period 2015 – 2017, and the subsequent impact this had on industry participants globally, most notably massive reductions in exploration budgets and risk appetite.

More recently, however, these "above ground" issues have begun to abate. At a macro-level, the oil price rose and stabilised during 2017, as a result of which we are seeing a notable return of risk appetite globally to the industry, including to "frontier exploration" plays like that which the Company is pursuing. More specific to the Company, an updated suite of petroleum laws and regulations in The Bahamas is now fully in force, and the new Government elected in The Bahamas in May 2017 has made a clear commitment to the development of local industry involving oil and gas, most notably with the sanctioning of a large new refinery project on the island of Grand Bahama, and a new Liquified Natural Gas facility on New Providence.

The Company's Licences were renewed into a 2nd 3 year exploration period in 2015 and in March 2017 this period was extended by the Government for a further 12 months through to June 2019. The Company is presently in ongoing discussions with the Government in relation to the extent to which a further extension is warranted as a result of other events outside of the Company's control since 2015. In compliance with requirements introduced under the newly implemented environmental protection regulations, the Company filed an application for Environmental Authorisation in April 2018 representing the mandated first step under the regulations to commencing offshore field activity.

The Company announced on 3 May 2018 that it has entered into an exclusivity agreement with a potential industry partner for a period of 3 months (and extendable for up to a further 3 months at the counterparty's option), during which the potential partner will conclude a detailed technical evaluation of the Company's project and, in parallel, seek to develop a commercial framework with the Company for a potential transaction. The counterparty, whose identity remains subject to the confidentiality arrangements in place between both parties, is a major international oil company and therefore represents a suitable candidate for partnership should these discussions result in an agreement. The potential party has agreed to pay the Company for this period of exclusivity, at a rate of $250,000 per month, demonstrating that the investment opportunity is being taken seriously. Due to the exclusive nature of this arrangement, all discussions with other potential partners have been suspended while the exclusivity agreement remains active.

Subsequently, on 22 May 2018 the Company announced the appointment of Macquarie Capital as advisor, to assist the Company with various corporate initiatives. This appointment bolsters the Company's positioning, and affords access to the reach and expertise of a globally renowned organisation with deep sector expertise in oil and gas, and acts as further endorsement of the potential that the Company's project represents.

It is against this backdrop of improved operating conditions, globally and in-country, and the recent progress made in the Company's efforts to secure a partner and thereafter move forward to field operations, that the last year has been one of considerable activity for the Company.

Technical Operations

The Company has sought to do everything possible to drive the progress of partnership discussions throughout the last year. This has included continually seeking ways to further reduce the technical risk associated with the project, through targeted pieces of technical work.

For this reason, in mid-2017 the Company commissioned Moyes & Co ("Moyes"), a leading international petroleum industry consultancy, to undertake an independent evaluation of the project prospects and their expected volumes. This involved Moyes conducting an independent audit of the Company's own assessment of the total petroleum system and drill prospects within its four southern licences, utilising the full range of the Company's exhaustive database, including the interpreted 2D and 3D seismic data.

The results of this work validated the Company's own in-house assessment of the prospect volumes, with Moyes reporting an aggregate mean STOIIP (Stock Tank Oil Initially In Place) of 8.3 billion barrels and upside of 28 billion barrels. Additionally, the Company's assessment of the geological probability of success ("PoS") of these structures was also validated, with a reported range of 25% - 35% for the majority of reservoirs. Application of a recovery factor in the range of 20% - 40% to these volumetrics would result in an unrisked EUR (Estimated Ultimately Recoverable) in the range of 1.6 billion to 3.3 billion barrels (mean), and up to 11 billion barrels (upside). These figures are less than the Company's own internal resource estimates but are larger than those determined by Ryder Scott in 2011 for the same structures (as per the previously disclosed Ryder Scott Competent Person's Report which is available via the Company website) - the Ryder Scott CPR was completed without the benefit of the modern 3D seismic acquired and interpreted by the Company in 2011/2012.

Moyes also identified a number of strong amplitude conformances to structure and interval velocity reductions with dip closure on both the B and C fold structures. These geophysical effects are strongly suggestive of enhanced fracture porosity, a necessity for permeability and hence the ability to optimally produce any hydrocarbons in place. Further interpretation of these effects could also imply the presence of hydrocarbons in the fracture pore spaces. Geophysical characteristics of this type are a key technical indicator generally used by the oil and gas industry to assess a prospect's exploration potential but are typically more difficult to image in carbonates. Thus, the ability of the Company to offer this interpretation to a potential farm-out partner, independently supported by Moyes, represents a further significant reduction in the perceived risk of the project.

Licences & Government Relations

As previously noted, the Company's Licences were renewed into a 2nd 3 year exploration period in 2015, and as reported to you in March 2017 the Government of The Bahamas provided a 12 month extension to our licence term and well commencement deadline, in recognition of the delays imposed on the project by the time taken to implement the updated environmental regulations in country. We are presently in ongoing discussions with the Government in relation to the extent to which a further extension is warranted as a result of other events outside of the Company's control since 2015.

More recently, the Company filed its application for Environmental Authorisation in April 2018 as required by the Petroleum (Offshore Environmental Protection and Pollution Control) Regulations 2016 ("the Regulations"). Under these newly implemented regulations, an application for Environmental Authorisation represents the first step in commencing field activities and therefore the submission of the application by the Company represents an important milestone in the project and its development, with the next key milestone being the execution of an exploration well before the end of the current licence term. The Company is presently in ongoing discussion with the Government in relation to the process by which the application will be progressed in a timely manner.

Capital Raising

In June and July of 2017, the Company raised £2.8 million before expenses of additional working capital through the placement of 280 million new shares. The commitment of new and existing institutional shareholders to this raising was encouraging, as was the participation of the Board, management, staff and consultants, which together subscribed for 20 million of the new shares issued, demonstrating our collective confidence in the project. More recently in May 2018 the Company raised a further £1.1 million through the placement of 44 million new shares at a price of 2.5 pence. This represents a 250% increase on the price achieved in the raising a year earlier, and has allowed the Company to further bolster its cash position whilst minimising the dilutive effect of this raising on the existing shareholders. These fundraisings taken together have acted to secure the financial footing of the Company as we seek to progress discussions and ultimately secure a farm-out or other funding arrangement to finance the Company's first exploration well.

Cash Management & Operating Results

The total operating loss for the year was $3.25 million. This represents a further 16% decrease in losses on the prior year, driven by the continuation of various cost cutting and cash management initiatives.

A large part of this reduction comes from the 10% decrease in Employee Benefit expenses. This reduction does not however reflect the fact that key management and employees (myself included) having agreed to defer approximately 90% of their total remuneration, to be repaid (in cash and/or shares) only in the event of a successful farm-out being completed. Under IFRS 2, these amounts must still be recognised in the Group loss for the year as "share based payments". The total reported Employee Benefit cost of $1.99 million thus includes approximately $1.10 million of non-cash items relating to these salary and fee deferrals. Effective 1 January 2018, the rest of the Board has also elected to increase its fee deferral level to 90%, commensurate with my own salary deferral.

Through 2017 we also continued to maintain a strict focus on non-staff based costs, and have reduced the total Other Expenses in the year by 24% against 2016 levels. These savings were predominantly made up of a 32% reduction in travel and accommodation costs, and a 35% reduction in legal and professional fees through a rationalisation of the use of any advisors, other than technical, external to the organisation whilst also seeing a meaningful reduction in their levels of remuneration.

As we work toward concluding a farm-out or similar funding arrangement, strict financial management and preservation of cash remains a top priority for the Company. With the recent strengthening of our finances provided by the raisings in 2017 and 2018, and the receipt of $250,000 per month in consideration for entering a period of exclusivity as described above, the Board is satisfied that the Company has sufficient financial resources to complete its current farm-out or financing negotiations. A successful farm-out or funding agreement would in turn see the exploration programme funded (at least through to the first well) and potentially the addition of further cash resources through the recovery of proportionate back costs.

Outlook

The outlook for the oil and gas industry in 2018 is more positive than it has been in any of the past five years, given the sustained recovery in the oil price and the pick-up in global exploration activity. The strong fundamentals of our project remain unchanged – we have a world-class asset, with multi-billion barrel potential. It is thus incumbent on us at the Company to use the current window of opportunity, and during 2018, move forward to finalising an agreement sufficient to enable the commencement of the first exploration well on our licences.

I look forward to reporting back to you our positive progress against this objective.

Yours sincerely,
Simon Potter
Chief Executive Officer
12 June 2018

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

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. In light of recent changes to the AIM Rules for Companies, the Company is currently reviewing which corporate governance code to adopt as required by 28 September 2018. 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 in so far as 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 four Non-executive Directors. All Directors have access to the Company Secretary and the Company's professional advisors.

Record of board meetings

There were four board meetings of the parent entity of the Group during the financial year.

Director	Number of board meetings attended	Number of board meetings eligible to attend
Simon Potter	4	4
William Schrader	4	4
James Smith	4	4
Adrian Collins	4	4
Edward Shallcross	3	4
Ross McDonald	4	4

Audit Committee

The Audit Committee comprises Edward Shallcross (Chairman), James Smith 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), William Schrader 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.

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

Corporate Governance (continued)

Nomination Committee

The Nomination Committee comprises Adrian Collins, William Schrader, 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 a Health, Safety, Environmental and Security Committee which comprised during the year William Schrader, Simon Potter and the Group Environmental Scientist (Non-Board). The committee purpose is to assist the Directors in reviewing, reporting and managing the Company's performance, to assess compliance with applicable regulations, internal policies and goals and to contribute to the Company's risk management processes.

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 for at least 12 months from the date of this report 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 consolidated financial statements.

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

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 2017.

Directors

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

Simon Potter
William Schrader
James Smith
Adrian Collins
Edward Shallcross
Ross McDonald

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

Principal activity

The principal activity of the Group and the Company consists of oil & gas exploration in The Commonwealth of The Bahamas.

Results and dividends

The results of the Group for the year are set out on page 18 and show a loss for the year ended 31 December 2017 of $3,213,316 (2016: loss of $3,826,660). The total comprehensive loss for the year of $3,213,316 (2016: loss of $3,826,660) has been transferred to the retained deficit.

The Directors do not recommend payment of a dividend (2016: $nil).

Review of operations

In June and July of 2017 the Company raised £2.8m before expenses through the placing of 280 million new shares with institutional investors for £0.01 per share. The Board, management, staff and consultants elected to participate in this raising, subscribing to 20 million of the shares issued. On 22 May 2018 the Company raised an additional £1.1m of cash reserves before expenses through the placing of 44 million new shares for £0.025 per share. These fundraisings taken together have acted to secure the financial footing of the Company as we seek to progress discussions and ultimately secure a farm-out or other funding arrangement to finance the Company's first exploration well.

During the year, the Company engaged Moyes & Co ("Moyes"), a leading international petroleum industry consultancy, to undertake an independent evaluation of the project prospects and their expected volumes. The results of this report, which was announced in December 2017, demonstrated the substantial scale of the Company prospects with an aggregate mean STOOIP (Stock Tank Oil Originally In Place) of 8.3 billion barrels, upside of 28 billion barrels and geological Probability of Success (PoS) in the 25% to 35% range for the majority of reservoirs assessed being identified by Moyes in their findings. Moyes also identified a number of strong amplitude conformances to structure and interval velocity reductions with dip closure, geophysical effects that are strongly suggestive of enhanced fracture porosity.

On 26 April 2018 the Company filed its application for an Environmental Authorisation certificate ("EA") as required by the Petroleum (Offshore Environmental Protection and Pollution Control) Regulations 2016 (the "Regulations"). Under these newly implemented regulations, an application for Environmental Authorisation represents the first step in commencing field activities and therefore the submission of the application by BPC represents an important milestone in the project and its development, with the next key milestone being the execution of an exploration well before the end of the current licence term. The Company is presently in ongoing discussion with the Government in relation to the process by which the application will be progressed in a timely manner.

On 2 May 2018, the Company executed a Confidentiality and Exclusivity Agreement with a major international oil company to conclude a detailed technical evaluation of the Company's licences in The Bahamas, and at the same time seek to develop a commercial framework for a potential transaction. Under the terms of the Agreement, the Company shall receive non-refundable consideration of $250,000 per month ($750,000 in aggregate) for an initial three month period of exclusivity, with

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

Directors' report (continued)

an additional $250,000 per month receivable for any extended period of exclusivity, such extension being at the option of the counterparty, up to a maximum of a further three months.

On 22 May 2018 the Company appointed the Advisory and Capital Markets Division of Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") as its advisor. Macquarie Capital will be assisting the Company with its various corporate initiatives. Macquarie Capital, a wholly-owned subsidiary of Macquarie Group Limited, provides a full suite of global corporate solutions with a leading presence in the international energy sector.

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

Directors' report (continued)

Substantial shareholdings

The following table represents shareholdings of 3% or more notified to the Company as at 31 December 2017:

Name	Number of shares	% of shareholding
Interactive Investor	218,649,783	14.48%
Hargreaves Lansdown	186,450,926	12.34%
Halifax Sharedealing	123,129,536	8.15%
Barclays Wealth	95,727,163	6.34%
IG Markets	72,314,074	4.79%
Fiske	54,836,000	3.63%
Equinity	49,401,192	3.27%

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

Name	**Number of Shares 31 December 2017**	**Number of Share Options 31 December 2017**	Number of Shares 31 December 2016	Number of Share Options 31 December 2016
Simon Potter	**4,000,000**	**39,000,000**	2,000,000	39,000,000
William Schrader	**3,075,000**	**2,000,000**	250,000	2,000,000
James Smith	**1,850,000**	**1,000,000**	-	1,000,000
Edward Shallcross	**3,070,000**	**1,000,000**	320,000	1,000,000
Ross McDonald	**2,100,000**	**1,000,000**	250,000	1,000,000
Adrian Collins	**2,200,000**	**1,000,000**	200,000	1,000,000

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
12 June 2018

Bahamas Petroleum Company plc
Annual Report and Financial Statements
31 December 2017

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 and regulation.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group and the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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 proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group 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 Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Simon Potter
Director
12 June 2018

Independent auditor's report to the members of Bahamas Petroleum Company plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- Bahamas Petroleum Company plc's consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its loss and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- Bahamas Petroleum Company plc's company financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2017 and 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 financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

What we have audited

Bahamas Petroleum Company plc's consolidated and company financial statements (the "financial statements") comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Going concern At 31 December 2017 the Group and Company had cash and cash equivalents of $1.8 million (2016: $1.0 million) and $1.8 million (2016: $0.9 million) respectively. Based on the Group and Company cash flow forecasts additional new funding or cost reductions were necessary in order for the Group and Company to continue operations for the next 12 months. In the event that additional funding was not raised the going concern basis of accounting may not have been appropriate.	Subsequent to the year end, the Company raised an additional £1.1 million ($1.5 million) before expenses through the placing of 44 million new shares. On 2 May 2018, the Company also executed a Confidentiality and Exclusivity Agreement for non-refundable consideration of at least $750 thousand. We vouched the net share placement proceeds to the bank statement as having been received and agreed the non-refundable consideration to the Confidentiality and Exclusivity Agreement. We assessed management's cash flow model following these post balance sheet events and concur with management that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Recoverability of the Group's intangible exploration and evaluation assets / Recoverability of Company's investment in subsidiaries and amount owed by subsidiary undertakings At 31 December 2017 the carrying value of the intangible exploration and evaluation assets was $48.3 million (2016: $48.1 million), as disclosed in note 13 to the consolidated financial statements. As the carrying value of these intangible exploration and evaluation assets are significant in the financial statements of the Group, we consider it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of these assets may exceed their recoverable amount. The Company's investment in subsidiaries totalled $29.6 million (2016: $29.6 million) and amount owed by subsidiary undertakings $62.3 million (2016: $60.4 million) as shown on page 42. The recoverability of the Company's investment in subsidiaries and amount owed by subsidiary undertakings are dependent upon the successful development or sale of the relevant exploration areas.	For intangible exploration and evaluation assets, we critically evaluated management's assessment of each impairment trigger per IFRS 6 Exploration for and Evaluation of Mineral Resources, including but not limited to: • Assessing whether the Group had the rights to explore in the relevant geographical areas by obtaining supporting documentation such as licence agreements. • Enquiring to determine whether management had the intention to carry out exploration and evaluation activity in the relevant exploration areas. We reviewed management's cash flow forecast models to assess the level of the budgeted expenditure on these areas. • Critically assessing whether any impairment indicators were present to suggest that the carrying value of these exploration and evaluation assets is unlikely to be recovered through development or a sale. Having completed our work, we did not identify any material misstatements regarding the carrying value of the intangible exploration and evaluation assets. As a result, the recoverability of the Company's investment in subsidiaries and amount owed by group undertakings is not impaired.

Other information

The directors are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and Isle of Man law, 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Report on other legal and regulatory requirements

Adequacy of accounting records and information and explanations received

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us;
- the company financial statements are not in agreement with the books of account and returns; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

We have no exceptions to report arising from this responsibility.

Andrew Dunn
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants, Isle of Man
12 June 2018

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Note	**2017 Group $**	2016 Group $
Continuing operations			
Employee benefit expense	7	**(1,993,171)**	(2,214,490)
Depreciation expense	12	**(21,508)**	(31,722)
Other expenses	8	**(1,238,397)**	(1,632,405)
Operating loss		**(3,253,076)**	(3,878,617)
Other income		**36,253**	48,122
Finance income	6	**3,507**	3,835
Loss before tax		**(3,213,316)**	(3,826,660)
Taxation	9	**-**	-
Loss for the year		**(3,213,316)**	(3,826,660)
Total comprehensive loss for the year		**(3,213,316)**	(3,826,660)
Loss per share for loss attributable to owners of the Company:			
Basic and diluted loss per share (expressed in cents per share)	10	**(0.24)**	(0.31)

The notes on pages 22 to 41 form part of these consolidated financial statements.

Consolidated balance sheet as at 31 December 2017

	Note	2017 Group $	2016 Group $
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	13	**48,318,079**	48,052,657
Property, plant and equipment	12	**41,278**	44,545
Restricted cash	11	**-**	36,972
Total non-current assets		**48,359,357**	48,134,174
Current assets			
Restricted cash	11	**527,063**	500,000
Other receivables	15	**729,292**	675,624
Cash and cash equivalents	14	**1,838,527**	970,021
Total current assets		**3,094,882**	2,145,645
Total assets		**51,454,239**	50,279,819
LIABILITIES			
Current liabilities			
Trade and other payables	16	**1,098,512**	618,460
Total liabilities		**1,098,512**	618,460
EQUITY			
Share capital	17	**44,481**	37,253
Share premium reserve	17	**81,398,084**	78,185,102
Merger reserve	17	**77,130,684**	77,130,684
Reverse acquisition reserve	17	**(53,846,526)**	(53,846,526)
Share based payment reserve	18	**3,381,645**	2,694,171
Retained earnings / (deficit)		**(57,752,641)**	(54,539,325)
Total equity		**50,355,727**	49,661,359
Total equity and liabilities		**51,454,239**	50,279,819

The consolidated financial statements on pages 18 to 41 were approved and authorised for issue by the Board of Directors on 12 June 2018 and signed on its behalf by:

Edward Shallcross
Director

Simon Potter
Director

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Share capital $	Share premium reserve $	Merger reserve $	Reverse acquisition reserve $	Share based payment reserve $	Retained earnings $	Total equity $
Balance at 1 January 2016		37,253	78,185,102	77,130,684	(53,846,526)	2,123,760	(50,712,665)	52,917,608
Comprehensive income								
Total comprehensive loss for the year		-	-	-	-	-	(3,826,660)	(3,826,660)
Total Comprehensive expense		-	-	-	-	-	(3,826,660)	(3,826,660)
Transactions with owners								
Share options – value of services	18	-	-	-	-	570,411	-	570,411
Total transactions with owners		-	-	-	-	570,411	-	570,411
Balance at 31 December 2016		**37,253**	**78,185,102**	**77,130,684**	**(53,846,526)**	**2,694,171**	**(54,539,325)**	**49,661,359**
Balance at 1 January 2017		**37,253**	**78,185,102**	**77,130,684**	**(53,846,526)**	**2,694,171**	**(54,539,325)**	**49,661,359**
Comprehensive income								
Total comprehensive loss for the year		-	-	-	-	-	(3,213,316)	(3,213,316)
Total Comprehensive expense		-	-	-	-	-	(3,213,316)	(3,213,316)
Transactions with owners								
Issue of ordinary shares		7,228	3,212,982	-	-	-	-	3,220,210
Share options – value of services	18	-	-			687,474	-	687,474
Total transactions with owners		7,228	3,212,982	-	-	687,474		3,907,684
Balance at 31 December 2017		**44,481**	**81,398,084**	**77,130,684**	**(53,846,526)**	**3,381,645**	**(57,752,641)**	**50,355,727**

The notes on pages 22 to 41 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	**2017 Group $**	2016 Group $
Cash flows from operating activities			
Cash used in operations	19	**(2,173,444)**	(3,100,458)
Net cash used in operating activities		**(2,173,444)**	(3,100,458)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(18,241)**	(12,535)
Payments for exploration and evaluation assets	13	**(241,197)**	(963,401)
Decrease/(increase) in restricted cash	11	**13,455**	(16)
Other income received		**36,253**	48,122
Interest received	6	**3,507**	3,835
Net cash used in investing activities		**(206,223)**	(923,995)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	17	**3,220,210**	-
Net cash flows from financing activities		**3,220,210**	-
Net increase/(decrease) in cash and cash equivalents		**840,543**	(4,024,453)
Cash and cash equivalents at the beginning of the year	14	**970,021**	5,048,800
Effects of exchange rate changes on cash and cash equivalents		**27,963**	(54,326)
Cash and cash equivalents at the end of the year	14	**1,838,527**	970,021

The notes on pages 22 to 41 form part of these 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 Government").

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 is set out in the Directors' Report. The principal activity of the Group and the Company consists of oil & gas exploration in The Commonwealth of The Bahamas.

The Company has four directly and eleven indirectly 100% owned subsidiaries as follows:

Name	**Country of Incorporation**	**Holding**
BPC (A) Limited	Isle of Man	100% Direct
BPC (B) Limited	Isle of Man	100% Direct
BPC (C) Limited	Isle of Man	100% Direct
BPC (D) Limited	Isle of Man	100% Direct
BPC Limited	Bahamas	100% Indirect
BPC (A) Limited	Bahamas	100% Indirect
BPC (B) Limited	Bahamas	100% Indirect
BPC (C) Limited	Bahamas	100% Indirect
BPC (D) Limited	Bahamas	100% Indirect
Bahamas Offshore Petroleum Ltd	Bahamas	100% Indirect
Island Offshore Petroleum Ltd	Bahamas	100% Indirect
Sargasso Petroleum Ltd	Bahamas	100% Indirect
Privateer Petroleum Ltd	Bahamas	100% Indirect
Columbus Oil & Gas Limited	Bahamas	100% Indirect

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 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC (International Financial Reporting Interpretations Committee) interpretations as adopted by the European Union ("EU"). 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

The Directors have, at the time of approving these financial statements, determined that the Group has adequate financial resources 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 standards, amendments and interpretations adopted

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the Group or the Company.

b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group or the Company, except the following, set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has determined that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by the adoption of IFRS 9. No material impact on profit for future periods is expected.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. Based on existing operating leases under IAS 17, the directors estimate that, if IFRS 16 were implemented on 1 January 2018, additional land and buildings of $246,474 would be recognised, together with an additional lease liability of $246,474. In future periods, the operating lease charge would be replaced by a depreciation charge that is not expected to be materially different. The Directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16.

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 is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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 – that is, as transactions with owners in their capacity as owners. 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 and company 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 and Company'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 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 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:

- Furniture, fittings and equipment	3 - 4 years
- Motor vehicles	5 years
- Leasehold improvements	Over the life of the lease

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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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 statement of comprehensive income.

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

Expenditure is not capitalised in respect of any area of interest unless the Group's right of tenure to that area of interest is current.

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. In accordance with IFRS 6, the Group reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

a) the period for which the Group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
d) sufficient data exists to indicate that although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

acquired. The classification of financial assets is determined at initial recognition.

At 31 December 2017 and 2016 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.

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss and other liabilities. As at 31 December 2017 and 2016, 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 the 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 based instruments are awarded to employees or Directors, the fair value of the instruments at the date of grant is charged to the 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 instruments that eventually vest. Market vesting conditions are factored into the fair value of the instruments 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 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.

2 Summary of significant accounting policies (continued)

2.11 Employee benefits (continued)

(iv) Pension obligations

For defined contribution plans, the Group pays contributions to privately administered pension plans. 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 the 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 cooperation 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 cash flow 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 raises 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.

3 Financial risk management in respect of financial instruments (continued)

3.1 Financial risk factors (continued)

(i) Liquidity risk (continued)

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 2017, the Group held $785,907 of cash in UK Sterling (31 December 2016: $195,404) and had an insignificant amount of trade and other payables denominated in UK Sterling.

At 31 December 2017, 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 and total equity would have been reduced/increased by approximately $79,000 (31 December 2016: reduced/increased by $20,000), 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 2017 and 2016 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 insignificant 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 restricted cash. 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.

3.2 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 continue in operation for the foreseeable future.

4 Critical accounting estimates and assumptions (continued)

(a) Going concern (continued)

The Directors are of the opinion that the Group has adequate financial resources to meet its working capital needs for at least the next 12 months based on cash flow forecasts and management's ability to effect further cost reductions in the event that such action is deemed necessary.

The Group's ability to meet its obligations beyond the next 12 months 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-out arrangement or equity raise to finance this activity.

(b) Carrying value of exploration expenditure

Expenditure of $48,318,079 relating to the cost of exploration licences, geological and geophysical consultancy and seismic data acquisition and interpretation has been capitalised as at 31 December 2017 (2016: $48,052,657).

The Group's exploration activities are subject to a number of significant and potential risks including:

- licence obligations;
- requirement for further funding;
- geological and development risks; and
- political risk.

The recoverability of these intangible assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects 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 26 April 2018 the Company filed its application for Environmental Authorisation ("EA") as required by the Petroleum (Offshore Environmental Protection and Pollution Control) Regulations 2016 (the "Regulations"). Under these newly implemented regulations, an application for Environmental Authorisation represents the first step in commencing field activities and therefore the submission of the application by BPC represents an important milestone in the project and its development, with the next key milestone being the execution of an exploration well before the end of the current licence term. The Company is presently in ongoing discussion with the Government in relation to the process by which the application will be progressed in a timely manner.

In performing an assessment of the carrying value of the exploration and evaluation assets at the reporting date, the Directors concluded that it was not appropriate to book an impairment given the remaining term of the licences, geological probability of success of the structures and the continued plans to explore and develop the block.

Renewal of the Miami licence remains under review as at the balance sheet date.

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 2017 is $7,884 (31 December 2016: $7,110), and the total of such non-current assets located in The Bahamas is $48,351,474 (31 December 2016: $48,090,092).

6 Finance income

	2017 Group $	2016 Group $
Finance income – interest income on short-term bank deposits	**3,507**	3,835

7 Employee benefit expense

	2017 Group $	2016 Group $
Directors and employees salaries and fees	**1,087,548**	1,226,012
Social security costs	**51,364**	59,319
Pension costs – defined contribution	**124,621**	140,573
Share based payments (see note 18)	**652,168**	570,411
Other staff costs	**77,470**	218,175
	1,993,171	2,214,490

Effective 1 October 2014, the Directors agreed to forgo 20% of their remuneration which becomes repayable in shares only once the Company's farm-out transaction or other arrangement for the financing of the first exploration well has been successfully completed.

Effective 1 April 2016, the Directors agreed to increase the above fee deferral to 50% of their remuneration which becomes repayable in shares only once the Company's farm-out transaction or other arrangement for the financing of the first exploration well has been successfully completed. In the case of Mr Potter, CEO, this deferral is 90% of salary and is to be repaid in equal proportions of shares and cash on the conclusion of a farm-out transaction or other arrangement for the financing of the first exploration well.

Effective 1 January 2018, the Directors agreed to increase the above fee deferral to 90% of their remuneration which becomes repayable only once the Company's farm-out transaction or other arrangement for the financing of the first exploration well has been successfully completed and is to be repaid in equal proportions of shares and cash.

See note 18 for further details.

8 Other expenses

		2017 Group $		2016 Group $
Travel and accommodation		**131,436**		**193,053**
Operating lease payments		**259,480**		**250,084**
Legal and professional		**549,446**		**844,094**
Net foreign exchange (gain)/loss		**(24,039)**		**39,046**
Other		**259,522**		**250,139**
Fees payable to the Company's auditor for the audit of the company and consolidated financial statements	**60,273**		**45,582**	
Fees payable to the Company's auditor for other services:				
- Tax advisory services	**2,279**		**10,407**	
Total auditor remuneration		**62,552**		**55,989**
Total other expenses		**1,238,397**		**1,632,405**

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 (2016: 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.

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.

	2017 Group	2016 Group
Loss attributable to equity holders of the Company (US$)	(3,213,316)	(3,826,660)
Weighted average number of ordinary shares in issue (number)	1,365,492,795	1,230,479,096
Basic loss per share (US Cents per share)	(0.24)	(0.31)

(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:

	2017 Group	2016 Group
Total share options and warrants in issue (number) (see note 18)	84,450,000	68,850,000

The effect of the above share options at 31 December 2017 and 2016 is anti-dilutive; as a result they have been omitted from the calculation of diluted loss per share.

11 Restricted cash

	2017 Group $	2016 Group $
Non-current assets		
Bank deposits	-	36,972
Total non-current restricted cash	-	36,972
Current assets		
Bank performance bond	500,000	500,000
Bank deposits	27,063	-
Total current restricted cash	527,063	500,000

The Bank performance bond emplaced during 2015 is in favour of the Government. The bond formed a condition of the 2015 licence renewal and will be released in 2018 given the Company has now satisfied the licence condition to undertake $750,000 of qualifying expenditure during the licence period.

Bank deposits consist of funds held as security for Company credit card facilities. Amounts held at the year end have been classified as current as they may be recovered at any point following cancellation of the corporate credit card facilities.

12 Property, plant & equipment

Group

	Leasehold Improvements	Furniture, fittings and equipment	Motor Vehicles	Total
	$	$	$	$
At 1 January 2016				
Cost	56,417	243,506	97,689	397,612
Accumulated depreciation	(51,681)	(231,171)	(51,028)	(333,880)
Net book amount	**4,736**	**12,335**	**46,661**	**63,732**
Year ended 31 December 2016				
Opening net book amount	4,736	12,335	46,661	63,732
Additions	-	12,535	-	12,535
Depreciation charge	(4,058)	(12,424)	(15,240)	(31,722)
Closing net book amount	**678**	**12,446**	**31,421**	**44,545**
At 31 December 2016				
Cost	56,417	256,041	97,689	410,147
Accumulated depreciation	(55,739)	(243,595)	(66,268)	(365,602)
Net book amount	**678**	**12,446**	**31,421**	**44,545**
Year ended 31 December 2017				
Opening net book amount	**678**	**12,446**	**31,421**	**44,545**
Additions	-	18,241	-	18,241
Depreciation charge	(678)	(6,981)	(13,849)	(21,508)
Closing net book amount	**-**	**23,706**	**17,572**	**41,278**
At 31 December 2017				
Cost	56,417	274,282	97,689	428,388
Accumulated depreciation	(56,417)	(250,576)	(80,117)	(387,110)
Net book amount	**-**	**23,706**	**17,572**	**41,278**

13 Intangible exploration and evaluation assets

Group	Licence costs	Geological, Geophysical and Technical Analysis	Total
	$	$	$
Year ended 31 December 2016			
Opening cost / net book amount	2,851,250	45,008,006	47,859,256
Additions (note 20(iii))	-	193,401	193,401
Closing cost / net book amount	**2,851,250**	**45,201,407**	**48,052,657**
Year ended 31 December 2017			
Opening cost / net book amount	2,851,250	45,201,407	48,052,657
Additions (note 20(iii))	-	265,422	265,422
Closing cost / net book amount	**2,851,250**	**45,466,829**	**48,318,079**

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

	2017 Group $	2016 Group $
Cash at bank	**1,838,527**	970,021

The 2017 balance includes interest bearing accounts at rates between 0% and 1% (2016: 0% to 1%).

Reconciliation of total cash balances	**2017 Group $**	**2016 Group $**
Cash at bank	**1,838,527**	**970,021**
Restricted cash (see note 11)	**527,063**	**536,972**
Total cash	**2,365,590**	**1,506,993**

15 Other receivables

	2017 Group $	2016 Group $
Other receivables (note (a))	**115,954**	51,043
Prepayments (note (b))	**613,338**	624,581
	729,292	675,624

(a) Other receivables

As at 31 December 2017 and 2016, these amounts predominantly consist of VAT recoverable.

(b) Prepayments

As at 31 December 2017, prepayments include $500,000 (2016: $500,000) in application fees paid to The Government for five additional exploration licences. During 2015, two of these licence applications were withdrawn, consequently receipt of $200,000 against these applications is expected to be credited against future licence rental payments (see note 20(iii)). The three retained applications remain pending award, in the event that the Group's applications are unsuccessful, 50% of the remaining $300,000 in application fees is refundable to the Group. No provision has been made in the consolidated financial statements to write down the carrying value of these prepayments.

16 Trade and other payables

	2017 Group $	**2016 Group $**
Accruals	**1,053,922**	**579,239**
Trade payables	**40,496**	**35,849**
Other payables	**4,094**	**3,372**
	1,098,512	**618,460**

The fair value of trade and other payables approximates to their carrying value as at 31 December 2017 and 2016.

17 Share capital, share premium reserve, merger reserve and reverse acquisition reserve

Group	**Number of shares issued**	**Issue price $**	**Ordinary shares $**	**Share premium reserve $**	**Merger reserve $**	**Reverse acquisition reserve $**
At 1 January 2016	**1,230,479,096**	**-**	**37,253**	**78,185,102**	**77,130,684**	**(53,846,526)**
At 31 December 2016	**1,230,479,096**	**-**	**37,253**	**78,185,102**	**77,130,684**	**(53,846,526)**
Shares issued	**280,000,000**	**0.013**	**7,228**	**3,212,982**	**-**	**-**
As at 31 December 2017	**1,510,479,096**		**44,481**	**81,398,084**	**77,130,684**	**(53,846,526)**

During the year the Company issued 110,000,000 new ordinary shares on 21 June 2017 for 1 pence each and 170,000,000 new ordinary shares on 19 July 2017 for 1 pence each, raising gross proceeds of $1,395,383 and $2,218,806 respectively. The costs associated with the issuances in the year of $196,393 and $197,586 respectively have been deducted from the Share Premium account.

17 Share capital, share premium reserve, merger reserve and reverse acquisition reserve (continued)

In 2008, BPC Jersey Limited acquired Falkland Gold and Minerals Limited ('FGML') via a reverse acquisition, giving rise to the reverse acquisition reserve. BPC Jersey Limited was the acquirer of FGML although FGML became the legal parent of the Group on the acquisition date. FGML subsequently changed its name to BPC Limited.

The merger reserve arose in 2010 as a result of the Group undergoing a Scheme of Arrangement which saw the shares in the then parent company BPC Limited replaced with shares in Bahamas Petroleum Company plc.

The total authorised number of ordinary shares at 31 December 2017 and 2016 was 5,000,000,000 shares with a par value of 0.002 pence per share. All issued shares of 0.002 pence are fully paid.

18 Share based payments

A) Options and warrants

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 and warrants outstanding during the year are as follows:

	2017 Group		2016 Group	
	Average exercise price per share	**No. Options & Warrants**	Average exercise price per share	No. Options & Warrants
At beginning of year	**2.22p**	**68,850,000**	**17.39p**	**58,500,000**
Relinquished	**-**	**-**	**16.23p**	**(45,000,000)**
Expired	**-**	**-**	**21.25p**	**(13,500,000)**
Granted	**1.00p**	**15,600,000**	**2.22p**	**68,850,000**
At end of year	**1.99p**	**84,450,000**	**2.22p**	**68,850,000**
Exercisable at end of year	**1.00p**	**15,600,000**	**-**	**-**

The weighted average remaining contractual life of the options and warrants in issue at 31 December 2017 is 2.93 years (31 December 2016: 4.25 years) and the weighted average exercise price of these instruments is 1.99 pence per share (31 December 2016: 2.22 pence).

On 12 April 2016, all options previously granted on 12 April 2011 expired. On 4 April 2016, all other options previously granted over Company shares were cancelled by mutual election.

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

On 4 April 2016, 68,850,000 options were granted all of which carried the following terms:

- The options have an exercise price of 2.22 pence.
- Half of the options become exercisable only once the Company secures a partnership or other arrangement sufficient to finance the Company's first exploration well (Tranche 1).
- Half of the options become exercisable only once the Company's first exploration well is commenced (Tranche 2).
- The options expire after 5 years.
- The options require the option holder to remain in office, with the provision of this service requirement to be waived at the discretion of the Company.

18 Share based payments (continued)

A) Options and warrants (continued)

The fair value of the options granted in 2016 was estimated using the Black Scholes model. The inputs and assumptions used in calculating the fair value of options granted in the year were as follows:

	Options Granted on 4 April 2016	
	Tranche 1	**Tranche 2**
Number of options granted	34,425,000	34,425,000
Share price at date of grant	2.02p	2.02p
Exercise price	2.22p	2.22p
Expected volatility	20%	18%
Expected life	0.75 years	1.08 years
Risk free return	0.13%	0.13%
Dividend yield	Nil	Nil
Fair value per option	0.10 cents	0.11 cents

On 27 July 2017, the Company issued 15,600,000 warrants to Shore Capital Stockbrokers in consideration of services rendered during the fund raise in June 2017. The terms of the warrants granted are as follows:

- The warrants are exercisable from the date of grant.
- The warrants expire on 14 July 2019.
- The warrants have an exercise price of 1 pence per share.

All warrants granted to Shore Capital Stockbrokers during the year were exercised on 29 May 2018.

The fair value of the warrants granted in the year was estimated using the Black Scholes model. The inputs and assumptions used in calculating the fair value of options granted in the year were as follows:

	Warrants Granted on 27 July 2017
Number of warrants granted	15,600,000
Share price at date of grant	1.10p
Exercise price	1.0p
Expected volatility	22%
Expected life	2.0 years
Risk free return	0.31%
Dividend yield	Nil
Fair value per option	0.27 cents

B) Salary deferrals

On 17 December 2014, the Directors entered into an agreement for the deferral of 20% of their salary and fees on the following terms:

- 20% of all directors' fees and the CEO's salary were forgone until a farm-out or other arrangement sufficient to finance the first exploration well is completed.
- The value of fees/salary forgone accrued at the end of each month as an entitlement to ordinary shares in the Company.
- The number of ordinary shares accrued was calculated as the value of fees/salary forgone divided by the volume weighted average closing price of the Company shares over each month.
- The "accrued shares" shall only be issued to the directors on completion of a farm-out or other arrangement sufficient to finance the first exploration well.
- The agreement is effective for all parties from 1 October 2014.

18 Share based payments (continued)

B) Salary deferrals (continued)

On 1 April 2016, the Directors entered into a further agreement for the deferral of 50% of their fees and Mr Potter entered into an agreement for the deferral of 90% of his salary on the following terms:

- 50% of all directors' fees and 90% of the CEO's salary are to be forgone until a farm-out or other arrangement sufficient to finance the first exploration well is completed.
- The value of Directors fees forgone shall accrue at the end of each month as an entitlement to ordinary shares in the Company.
- 50% of the value of the CEO's salary forgone shall accrue at the end of each month as an entitlement to ordinary shares in the Company.
- 50% of the value of the CEO's salary forgone shall be repayable in cash on settlement of the well financing criteria.
- Receipt of the CEO's forgone salary is conditional on his continued employment by the Group up to the completion of a farm-out or other financing arrangement.
- All of the CEO share entitlements accrued under the agreement entered into on 1 October 2014 were forgone.
- The number of ordinary shares accruing shall be calculated as the value of fees/salary forgone divided by the volume weighted average closing price of the Company shares over each month.
- The "accrued shares" shall only be issued to the directors on completion of a farm-out or other arrangement sufficient to finance the first exploration well.
- The agreement is effective for all parties from 1 April 2016 and, in the case of Simon Potter, supersedes the agreement entered into on 17 December 2014.

Under IFRS 2, the above agreement (excluding the CEO's cash entitlement from 1 April 2016) constitutes the issuance of equity settled share based payment instruments with the following terms:

- Each month of deferred fee entitlements is treated as a separate grant of options with the date of grant being the first day of the month.
- The Fair value of the options at grant is estimated as the share price on the date of grant.
- Options awarded each month vest at the end of that month.

The value of the instruments has been estimated and is being charged to the Statement of Total Comprehensive Income in monthly tranches as each month's award of options vest.

From 1 January 2018, the Directors agreed to increase their fee deferral, see note 21 for further details.

C) Expense arising from share-based payment transactions

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

	2017 Group $	2016 Group $
Options and warrants	24,509	67,931
Salary deferrals	638,740	502,480
Expense in relation to share based payment transactions	**663,249**	**570,411**

The above charges in relation to share based payments include $647,516 relating to Directors (2016: $546,879), $4,652 related to staff and consultants (2016: $23,532) and $11,081 relating to warrants granted to the Company's brokers (2016: $nil). In addition to the above total charge to profits, $24,225 (2016: $nil) in share based payments charges have been capitalised into intangibles during the year.

19 Cash used in operations

	2017 Group $	2016 Group $
Loss after income tax	**(3,213,316)**	**(3,826,660)**
Adjustments for:		
- Depreciation (note 12)	**21,508**	**31,722**
- Share based payment (note 18)	**663,249**	**570,411**
- Finance income (note 6)	**(3,507)**	**(3,835)**
- Other income received	**(36,253)**	**(48,122)**
- Foreign exchange (gain)/loss on operating activities (note 8)	**(24,039)**	**39,046**
Changes in working capital:		
- Other receivables	**(26,384)**	**85,945**
- Trade and other payables	**445,298**	**51,035**
Cash used in operations	**(2,173,444)**	**(3,100,458)**

20 Contingencies and commitments

(i) Contingencies

As at 31 December 2017 and 2016, the Group had no contingent liabilities that require disclosure in these financial statements.

(ii) Expenditure commitments

In order for the Group to ensure successful renewal of its licences when they expire on 8 June 2019 there is an expectation for the Group to have executed an exploration well in the licenced area by this date. Management is presently in ongoing discussions with the Government in relation to the extent to which a further extension of the licence term is warranted as a result of events outside of BPC's control since 2015.

As the Group does not have sufficient cash resources to discharge this commitment, an industry partnership or other financing arrangement will be required in order to meet this licence obligation.

(iii) Annual rental commitments

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

The Group has made numerous payments of licence rentals since the expiry of the first licence period in April 2012. During the period from this expiry to July 2016 the Group has been unable to undertake exploration activity over its renewed licences due to factors outside of its control. As a consequence, the Group believes that all licence rental payments made to date are sufficient to meet these obligations through to the end of the current licence term. Management is presently in ongoing discussions with the Government regarding reaching agreement on this matter.

Renewal of the Group's Miami licence remains under review pending negotiations with the Government regarding the terms of renewal.

The Group leases various premises under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 Group $	2016 Group $
No later than 1 year	**151,257**	**61,950**
	151,257	**61,950**

21 Related party transactions

Key Management Personnel

Details of key management personnel during the current and prior year are as follows:

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

Key Management Compensation

	2017 Group $	2016 Group $
Short term employee benefits - paid	**362,093**	**711,312**
Short term employee benefits - accrued and contingent*	**450,000**	**337,500**
Share based payments (see note 18)	**647,516**	**546,879**
	1,459,609	**1,595,691**

*Short term employee benefits - accrued and contingent consist of the 50% of Mr Potter's deferred fees which are repayable in cash, rather than shares, contingent on the successful completion of a farm-out transaction or other arrangement sufficient to finance the project's first exploration well.

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.
- Entitlement to receive pension contributions from the Company equal to 10% of his contracted annual salary.
- The term of the contract expired on 31 March 2018 and was renewed following the balance sheet date for a further 12 months on substantially the same terms. Benefits arising from termination during the term range from nil to payment of salary over the full term, depending on the circumstances surrounding termination.
- Effective 1 October 2014, Mr Potter agreed to defer 20% of his salary, equating to $200,000 annually, to be received in Company shares contingent on the successful conclusion of a farm-out or other arrangement sufficient to finance the Company's first exploration well. All amounts accruing to Mr Potter under this arrangement from 1 October 2014 to 31 March 2016 were forgone during 2016 as part of the agreement entered into effective 1 April 2016, see below.
- Effective 1 April 2016, Mr Potter agreed to defer 90% of his salary, equating to $900,000 annually, to be received 50% in Company shares and 50% in cash contingent on the successful conclusion of a farm-out or other arrangement sufficient to finance the Company's first exploration well.

21 Related party transactions (continued)

Key Management Compensation (continued)

Directors' remuneration

		2017 Group $		2016 Group $
Simon Potter				
Cash remuneration				
- Salary (80% of contractual entitlement to 31 March 2016)		***-***		*200,000*
- Salary (10% of contractual entitlement 1 April 2016 to 31 December 2016)		***-***		*75,000*
- Salary (10% of contractual entitlement from 1 January 2017)		***100,000***		-
- Contractual Entitlements		***-***		*141,667*
Total cash remuneration		***100,000***		*416,667*
Non-cash remuneration				
- Salary (45% deferred and contingent)	***450,000***		*337,500*	
- Share based payments	***457,606***		*425,979*	
- Accrued Pension liability	***100,000***		*100,000*	
Total non-cash remuneration		***1,007,606***		*863,479*
Total		**1,107,606**		1,280,146
William Schrader				
- Cash remuneration	***41,989***		*50,877*	
- Share based payments	***49,462***		*31,868*	
- Total Remuneration		**91,451**		82,745
James Smith				
- Cash remuneration	***27,460***		*33,271*	
- Share based payments	***32,281***		*20,533*	
- Total Remuneration		**59,741**		53,804
Adrian Collins				
- Cash remuneration	***32,836***		*37,761*	
- Share based payments	***37,943***		*23,983*	
- Total Remuneration		**70,779**		61,744
Ross McDonald				
- Cash remuneration	***27,460***		*33,271*	
- Share based payments	***32,281***		*20,533*	
- Total Remuneration		**59,741**		53,804
Edward Shallcross				
- Cash remuneration	***32,348***		*39,465*	
- Share based payments	***37,943***		*23,983*	
- Total Remuneration		**70,291**		63,448
Total		**1,459,609**		1,595,691

Effective 1 October 2014, the Directors agreed to forgo 20% of their remuneration which becomes repayable in shares only once the Company's first exploration well has been successfully financed. Effective 1 April 2016 the Directors agreed to increase this fee deferral to 50% for Board members and 90% for the CEO. See note 18 for further details. From 1 January 2018, the Directors agreed to increase their fee deferral terms to match those of the

21 Related party transactions (continued)

Key Management Compensation (continued)

CEO, being a 90% deferral with 50% of deferred fees recoverable in cash and 50% in shares, following the conclusion of a successful farm-out or other suitable financing arrangement.

Accumulated unpaid Contractual Entitlements totalling $141,667 relating to prior years were paid to Simon Potter in the prior year. Simon Potter is not entitled to any further contractual benefits until a farm-out or other arrangement sufficient to finance the first exploration well is completed.

Cash payments totalling $158,333 were made in the prior year related to Simon Potter's pension benefits entitlement which had accrued in prior years. The remaining entitled amounts of $175,000 (2016: $75,000) have accrued in the year and are included in accruals on the balance sheet as at 31 December 2017.

There were no share options granted to key management personnel in the current year. Share options granted during the prior year were as follows:

	Number of options granted	Exercise price per Ordinary Share	Date of Grant
William Schrader	2,000,000	2.22p	4 April 2016
Simon Potter	39,000,000	2.22p	4 April 2016
James Smith	1,000,000	2.22p	4 April 2016
Adrian Collins	1,000,000	2.22p	4 April 2016
Edward Shallcross	1,000,000	2.22p	4 April 2016
Ross McDonald	1,000,000	2.22p	4 April 2016

Details of share options granted are disclosed in note 18 to these financial statements.

Other related party transactions

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 2017, $62,706 was held on deposit with RBC Royal Bank (Bahamas) Limited (31 December 2016: $78,184).

22 Events After the Balance Sheet Date

On 26 April 2018, the Company filed its application for an Environmental Authorisation certificate ("EA") as required by the Petroleum (Offshore Environmental Protection and Pollution Control) Regulations 2016 (the "Regulations"). Under these newly implemented regulations, an application for Environmental Authorisation represents the first step in commencing field activities and therefore the submission of the application by BPC represents an important milestone in the project and its development, with the next key milestone being the execution of an exploration well. The Company is presently in ongoing discussions with the Government in relation to the process by which the application will be progressed in a timely manner.

On 2 May 2018, the Company executed a Confidentiality and Exclusivity Agreement with a major international oil company to conclude a detailed technical evaluation of the Company's licences in The Bahamas, and at the same time seek to develop a commercial framework for a potential transaction. Under the terms of the Agreement, the Company shall receive non-refundable consideration of $250,000 per month ($750,000 in aggregate) for an initial three month period of exclusivity, with an additional $250,000 per month receivable for any extended period of exclusivity, such extension being at the option of the counterparty, up to a maximum of a further three months.

On 22 May 2018, the Company appointed the Advisory and Capital Markets Division of Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") as its advisor. Macquarie Capital will be assisting the Company with its various corporate initiatives. Macquarie Capital, a wholly-owned subsidiary of Macquarie Group Limited, provides a full suite of global corporate solutions with a leading presence in the international energy sector.

On 22 May 2018, the Company raised an additional £1.1 million of cash reserves before expenses through the placing of 44 million new shares for £0.025 per share.

Company balance sheet as at 31 December 2017

	Note	**2017 Company $**	2016 Company $
ASSETS			
Non-current assets			
Investment in subsidiaries	7	**29,560,465**	**29,560,465**
Other receivables	8	**62,345,811**	**60,397,394**
Property, plant and equipment	6	**7,884**	**7,110**
Restricted cash	5	**-**	**36,972**
Total non-current assets		**91,914,160**	**90,001,941**
Current assets			
Restricted cash	5	**527,063**	**500,000**
Other receivables	8	**165,406**	**119,599**
Cash and cash equivalents	9	**1,775,822**	**891,207**
Total current assets		**2,468,291**	**1,510,806**
Total assets		**94,382,451**	**91,512,747**
LIABILITIES			
Current liabilities			
Trade and other payables	10	**1,093,385**	**542,709**
Total liabilities		**1,093,385**	**542,709**
EQUITY			
Share capital	11	**44,481**	**37,253**
Share premium reserve	11	**81,398,084**	**78,185,102**
Other reserve	11	**29,535,159**	**29,535,159**
Share based payments reserve	12	**3,011,601**	**2,324,127**
Retained earnings		**(20,700,259)**	**(19,111,603)**
Total equity		**93,289,066**	**90,970,038**
Total equity and liabilities		**94,382,451**	**91,512,747**

The Company financial statements on pages 42 to 49 were approved and authorised for issue by the Board of Directors on 12 June 2018 and signed on its behalf by:

Edward Shallcross
Director

Simon Potter
Director

Company statement of changes in equity for the year ended 31 December 2017

	Note	Share capital $	Share premium $	Other Reserve $	Share based payment reserve $	Retained earnings $	Total equity $
Balance at 1 January 2016		**37,253**	**78,185,102**	**29,535,159**	**1,753,716**	**(17,291,675)**	**92,219,555**
Comprehensive income:							
Total comprehensive loss for the year	4	-	-	-	-	(1,819,928)	(1,819,928)
Total Comprehensive Income		-	-	-	-	(1,819,928)	(1,819,928)
Transactions with owners							
Share options – value of service	12	-	-	-	570,411	-	570,411
Total transactions with owners		-	-	-	570,411	-	570,411
Balance at 31 December 2016		**37,253**	**78,185,102**	**29,535,159**	**2,324,127**	**(19,111,603)**	**90,970,038**
Balance at 1 January 2017		**37,253**	**78,185,102**	**29,535,159**	**2,324,127**	**(19,111,603)**	**90,970,038**
Comprehensive income:							
Total comprehensive loss for the year	4	-	-	-	-	(1,588,656)	(1,588,656)
Total Comprehensive Income		-	-	-	-	(1,588,656)	(1,588,656)
Transactions with owners							
Issue of Ordinary Shares		7,228	3,212,982	-	-	-	3,220,210
Share options – value of service	12	-	-	-	687,474	-	687,474
Total transactions with owners		7,228	3,212,982	-	687,474	-	3,907,684
Balance at 31 December 2017		**44,481**	**81,398,084**	**29,535,159**	**3,011,601**	**(20,700,259)**	**93,289,066**

The accompanying notes on pages 45 to 49 form part of these Company financial statements.

Company statement of cash flows for the year ended 31 December 2017

	Note	**2017 Company $**	2016 Company $
Cash flows from operating activities			
Cash used in operations	13	(452,395)	(1,037,668)
Net cash used in operating activities		(452,395)	(1,037,668)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,933)	(8,140)
Interest received		3,507	3,835
Decrease/(increase) in restricted cash		13,455	(16)
Advances to and payments on behalf of group companies		(1,924,192)	(2,455,443)
Net cash used in investing activities		(1,911,163)	(2,459,764)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		3,220,210	-
Net cash flows from financing activities		3,220,210	-
Net increase/(decrease) in cash and cash equivalents		856,652	(3,497,432)
Cash and cash equivalents at the beginning of the year		891,207	4,442,965
Effects of exchange rate changes on cash and cash equivalents		27,963	(54,326)
Cash and cash equivalents at the end of the year		1,775,822	891,207

The accompanying notes on pages 45 to 49 form part of these 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 Government").

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. See note 1 to the consolidated financial statements for details of the Company's principal subsidiaries.

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") and IFRIC (International Financial Reporting Interpretations Committee) interpretations as adopted by the European Union ("EU"). 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 adequate financial resources and therefore these financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operations for the foreseeable future. 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

Investment in subsidiary and loans to Group undertakings

The investment in the Company's direct subsidiaries and loans to Group undertakings at 31 December 2017 stood at $29,560,465 (2016: $29,560,465) and $62,345,811 (2016: $60,397,394) 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 26 April 2018, the Company filed its application for an Environmental Authorisation certificate ("EA") as required by the Petroleum (Offshore Environmental Protection and Pollution Control) Regulations 2016 (the "Regulations"). Under these newly implemented regulations, an application for Environmental Authorisation represents the first step in commencing field activities and therefore the submission of the application by BPC represents an important milestone in the project and its development, with the next key milestone being the execution of an exploration well. The Company is presently in ongoing discussions with the Government in relation to the process by which the application will be considered and progressed in a timely manner. Renewal of the Miami licence remains under review as at the balance sheet date.

4 Loss attributable to members of the company

The loss dealt with in the financial statements of the Company for the year to 31 December 2017 is $1,588,656 (2016: $1,819,928). 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

Company

	Furniture, fittings and equipment
	$
As at 1 January 2016	
Cost	61,910
Accumulated depreciation	(58,061)
Net book amount	**3,849**
Year ended 31 December 2016	
Opening net book amount	3,849
Additions	8,140
Depreciation charge	(4,879)
Closing net book amount	**7,110**
As at 31 December 2016	
Cost	70,050
Accumulated depreciation	(62,940)
Net book amount	**7,110**
Year ended 31 December 2017	
Opening net book amount	7,110
Additions	3,933
Depreciation charge	(3,159)
Closing net book amount	**7,884**
As at 31 December 2017	
Cost	73,983
Accumulated depreciation	(66,099)
Net book amount	**7,884**

7 Investment in subsidiaries

	2017 Company $	2016 Company $
BPC (A) Limited	**29,560,456**	29,560,456
BPC (B) Limited	**3**	3
BPC (C) Limited	**3**	3
BPC (D) Limited	**3**	3
	29,560,465	29,560,465

8 Other receivables

	2017 Company $	2016 Company $
Non-current assets		
Amount owed by subsidiary undertakings	**62,345,811**	60,397,394
Current assets		
Prepayments	**50,950**	70,063
Other receivables	**114,456**	49,536
	165,406	119,599

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.

Other receivables predominantly consist of VAT recoverable.

9 Cash and cash equivalents

	2017 Company $	2016 Company $
Cash at bank	**1,775,822**	**891,207**

The 2017 and 2016 balances include interest bearing accounts at rates between 0% and 1%.

10 Trade and other payables

	2017 Company $	2016 Company $
Accruals	**1,053,934**	**503,480**
Trade payables	**35,358**	**35,849**
Other payables	**4,093**	**3,380**
	1,093,385	**542,709**

The fair value of trade and other payables approximates their carrying value as at 31 December 2017 and 2016.

11 Share capital, share premium and other reserve

Company	Number of shares issued	Ordinary shares $	Share premium reserve $	Other reserve $	Total $
At 1 January 2016	**1,230,479,096**	**37,253**	**78,185,102**	**29,535,159**	**107,757,514**
At 31 December 2016	**1,230,479,096**	**37,253**	**78,185,102**	**29,535,159**	**107,757,514**
At 1 January 2017	**1,230,479,096**	**37,253**	**78,185,102**	**29,535,159**	**107,757,514**
Issue of Ordinary Shares	**280,000,000**	**7,228**	**3,212,982**	**-**	**3,220,210**
At 31 December 2017	**1,510,479,096**	**44,481**	**81,398,084**	**29,535,159**	**110,977,724**

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.

During the year the Company issued 110,000,000 new ordinary shares on 21 June 2017 for 1 pence each and 170,000,000 new ordinary shares on 19 July 2017 for 1 pence each, raising gross proceeds of $1,395,383 and $2,218,806 respectively. The costs associated with the issuances in the year of $199,183 and $202,024 respectively have been deducted from the Share Premium account total.

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

	2017 Company $	2016 Company $
Loss before income tax	**(1,588,656)**	**(1,819,928)**
Adjustments for:		
- Depreciation (note 6)	**3,159**	**4,879**
- Finance income	**(3,507)**	**(3,835)**
- Foreign exchange (gain)/loss on operating activities	**(24,039)**	**39,046**
- Share based payment (consolidated financial statements note 18)	**663,249**	**570,411**
Changes in working capital:		
- Other receivables	**(18,523)**	**73,397**
- Trade and other payables	**515,922**	**98,362**
Cash used in operations	**(452,395)**	**(1,037,668)**

14 Related party transactions

During the year, goods and services totalling $1,948,417 (2016: $2,455,443) were charged by the Company to BPC Limited, the 100% indirectly owned subsidiary of the Company. See note 8 for details of the amounts outstanding at the balance sheet date.

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.

15 Events after the balance sheet date

Events after the balance sheet date of the Company are the same as those for the Group. For further details see note 22 to the consolidated financial statements.